

Investment Policy Statement

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Note: this document includes amendments added on 30th January 2015

***PURPOSE***

*The purpose of this document is to identify a set of investment objectives and constraints, asset allocation parameters, performance measurement benchmarks, and guidelines for the International Union of Pure and Applied Chemistry (IUPAC) long term investments. The investment policy statement is intended to assure the Officers, Executive Committee and Bureau of IUPAC that reserve assets are being invested in accordance with the best long-term interests of IUPAC, given the following considerations:*

* *IUPAC’s risk tolerance or its willingness to withstand substantial losses due to adverse market conditions.*
* *IUPAC’s need to obtain real, or inflation-adjusted, growth in its asset base.*
* *IUPAC’s requirement for current income to support IUPAC programs and activities.*
* *IUPAC’s liquidity requirements or its need to maintain adequate cash balances to accommodate share withdrawals from the long term portfolio when needed.*

***INVESTMENT OBJECTIVES AND CONSTRAINTS***

*The primary objective of having reserve funds is to provide continuity in the programs set out in the IUPAC Strategic Plan regardless of short term financial discontinuities and disruptions. With this objective, the reserve funds must (1) provide protection for biennial operating expenses, (2) provide for periodic, planned extraordinary expenses in connection with General Assembly and Congress meetings held in regions of the world which would increase the normal expenses, and (4) support endowed programs of the organization. It is expected that under normal circumstances, the National Subscriptions plus other annual sources of operating income will cover normal operating expenses. These are fully in line with the IUPAC fund policy statement.*

Purpose of This Investment Policy Statement

This statement of investment policy is set forth by the Finance Committee of IUPAC in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the long-term portfolio.
3. Offer guidance and parameters to all Investment Managers regarding the investment of the that portfolio.
4. Establish a basis for evaluating investment results.
5. Establish the relevant investment horizon for which that portfolio will be managed.
6. Comply with fiduciary, due diligence and legal requirements for that portfolio.

In general, the purpose of this statement is to outline a philosophy and approach which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

**DEFINITIONS**

1. The “Fund” shall mean the assets of IUPAC.
2. The Finance Committee of IUPAC has executive authority with respect to the selection, transfer and sale of securities held by IUPAC, provided that the Treasurer of IUPAC concurs with its decision.
3. “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund’s assets.
4. “Investment Manager” shall mean any individual or group of individuals employed to manage the investments of all or part of the Fund’s assets.
5. “Investment Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. “Securities” shall refer to the marketable investment securities which are defined as acceptable in this statement.
7. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The objectives are based on a 10-year investment horizon, so that interim fluctuations should be viewed with the appropriate perspective. IUPAC has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.
8. “Benchmark” shall refer to the target index of the aggregate portfolio.
9. “Style Index” shall refer to the appropriate index of each individual manager based on investment style.

**DELEGATION OF AUTHORITY**

The Finance Committee of IUPAC is a fiduciary, and is responsible for directing and monitoring the investment management of the Fund’s assets. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. *Investment Consultant.* The consultant may assist the Finance Committee in: establishing the investment policy, objectives and guidelines; selecting investment managers, reviewing such managers over time, measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. *Investment Manager.* The investment manager has discretion to purchase and sell the specific securities that will be used to meet the Fund’s investment objectives.
3. *Custodian.* The custodian will physically maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchase and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund’s accounts.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer the Fund’s assets prudently.

The Finance Committee will not reserve any control over investment decisions, with the exception of specific parameters described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the parameters will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts much be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

The Finance Committee recommendation to delegate authority to Branch Banking & Trust was approved by the Executive Committee during the 153rd Executive Committee meeting in Research Triangle Park, 7 November 2014.

**ASSIGNMENT OF RESPONSIBILITY**

Responsibility of the Investment Consultant

The Investment Consultant’s role is that of a non-discretionary advisor to the Finance Committee of IUPAC. Investment advice concerning the investment management of the Fund’s assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assist in the development and periodic review of the investment policy statement.
2. Recommend hiring managers to implement the investment strategy of the Fund. This strategy shall be within the investment policy guidelines as set forth in this statement and as otherwise provided by the Finance Committee.
3. Monitor asset allocation among all asset classes and verify that allocations are within targets defined by this investment policy statement and approved by the Finance Committee.
4. Monitor the investment performance of the Fund and provide quarterly performance reports to the Finance Committee.
5. Report in a timely manner substantive developments that may affect the management of the Fund’s assets.

Responsibility of the Investment Manager(s)

Each Investment Manager must acknowledge in writing it’s acceptance of responsibility as a fiduciary. Acceptable forms of acknowledgement may be Form ADV or a prospectus on file with the Securities and Exchange Commission. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy and sell and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which may affect the management of the Fund.
4. Informing the Investment Consultant regarding any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership changes, investment philosophy, investment process, etc.
5. Manager shall be authorized to vote on behalf of the Fund any proxies relating to securities held in the account.

**GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses.
4. The Investment Consultant may employ one or more investment managers of varying styles and philosophies to attain the Fund’s objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

**INVESTMENT MANAGEMENT POLICY**

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion – Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to product long-term investment results that are sufficient to meet the Fund’s objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Preservation of Purchasing Power- The Finance Committee acknowledges that in addition to a focus on risk aversion, that a secondary objective is to focus on maintaining purchasing power of the Fund and that, at times, this goal can conflict with the Risk Aversion goal as stated above.
4. Adherence to Investment Discipline- Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline, and terminated if they are deemed to have significantly deviated from this style.

**INVESTMENT OBJECTIVES**

In order to meet its needs, the investment strategy of IUPAC is to emphasize total return; that is, the aggregate return from capital appreciation as well as dividend and interest income.

The objectives in the investment management of the Fund’s assets shall be:

*To achieve returns in excess 3% over the rate of inflation over the investment horizon in order to preserve purchasing power of the Fund’s assets, while achieving a balanced return of current income and modest growth of principal. Risk control is an important element in the investment of the Fund’s assets.*

The investment goals above are the objective of the aggregate portfolio, and are not meant to be imposed on each investment account or strategy. The goal of each investment manager, over the investment horizon established in this statement, shall be to:

 *Meet or exceed the appropriate benchmark on a risk-adjusted basis after fees.*

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment philosophy

**INVESTMENT GUIDELINES**

As described in the Investment Advisory Agreement, the Investment Consultant implements this Investment Policy through investments in separate accounts, mutual funds, and other co-mingled, pooled asset portfolios.

Allowable Assets

1. Cash Equivalents
	1. Treasury Bills
	2. Money Market Funds
	3. Commercial Paper
	4. Repurchase Agreements
	5. Certificates of Deposit
2. Fixed Income Securities
	1. U.S. Government and Agency Securities
	2. Corporate Note and Bonds
	3. Mortgage Backed Bonds
	4. Preferred Stock
	5. Fixed Income Securities of Foreign Governments and Corporations
	6. Floating Rate Debt
	7. Planned Amortization of Class Collateralized Mortgage Obligations (PAC CMO’s) or other “early tranche” CMO’s
	8. Asset backed bonds
3. Equity Securities
	1. Common Stocks
	2. Convertible Notes and Bonds
	3. Convertible Preferred Stocks
	4. American Depository Receipts (ADR’s) of Non-U.S. Companies
	5. Stocks of Non-U.S. Companies
4. Mutual Funds & Exchange Traded Funds (ETF’s)
	1. Mutual funds and ETF’s which invest in securities as allowed in this statement.
5. Alternatives
	1. Real estate
	2. Master Limited Partnerships (MLP’s)
	3. Hedge Funds
	4. Private Equity
	5. Venture Capital
	6. Commodities
6. Other
	1. GIC’s (Guaranteed Insurance Contracts)

Asset Allocation Guidelines

Investment management of the assets of the IUPAC shall be in accordance with the following asset allocation guidelines:

1. Aggregate the Fund’s Asset Allocation Guidelines (at market value)

Asset Class Range Target Weight

Global Equities 40% - 60% 50%

Global Fixed Income 15% - 45% 40%

Alternatives 0% - 15% 10%

Cash (excludes manager cash) 0% - 10% 0%

1. The Finance Committee may employ investment managers whose investments disciplines require investment outside the established asset allocations guidelines. Such investment managers will receive written direction from the Finance Committee regarding specific objectives and guidelines.
2. In the event that any individual Investment Manager’s portfolio is in violation of specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Finance Committee.

Diversification

Fund assets shall be invested with the intention of minimizing the risk of large losses. Consequently, while individual managers/funds will be selected on their individual merits, it is imperative that the various asset classes and managers complement each other to provide balance and diversification that serves to minimize the Fund’s volatility. Therefore, overlapping strategies should be avoided.

Equities

Equities shall mean common stocks, convertible securities, preferred stocks, index funds, warrants, rights, and American Depository Receipts (ADR’s).

Fixed Income Investments

Fixed income securities shall include: U.S. Treasuries and Agencies, U.S. and Yankee Corporate bonds, International Non-Dollar bonds, Mortgage Pass-through securities (GNMA, FNMA, FHLMC, Savings & Loan, Banks), Collateralized Mortgage Obligations (CMO’s), Asset-Backed Securities, Floating Rate Debt Instruments, Collateralized Bond Obligations, Eurodollar securities of US and foreign issuers, U.S. Preferreds and Non-Convertible Adjustable Rate Preferreds.

The fixed income asset class must be invested principally in fixed income securities that are rated investment grade or better (Baa and/or BBB) or better at purchase. Below investment grade securities are permissible but may not constitute more than 30% of the fixed income allocation without written acknowledgement from the Finance Committee. The Fund may also invest in investment and non-investment grade debt securities of issuers in emerging market countries.

Except for the U.S. Government, its agencies or instrumentalities, no more than 5% of the fixed income portfolio at cost, or 10% at market value, shall be invested in any one single guarantor, issuer, or pool of assets. In addition, managers are expected to exercise prudence in diversifying by sector or industry.

Alternatives

Alternative investment strategies are defined as investment programs that offer the portfolio access to strategies that have low correlation to traditional asset classes, such as long only equity and fixed income markets. The purpose of using alternative investment strategies is to reduce the volatility of the overall portfolio and provide an alternative source of return. Only alternative investments that are registered under the Investment Advisors Act of 1940 (“40-Act Funds”) and regulated by the Securities and Exchange Commission can be considered by the Fund.

Cash Equivalents

The manager may invest in commercial paper, Treasury Bills, certificates of deposit, and money market mutual funds to provide income, liquidity for expense payments, and preservation of the Fund’s principal value. All such assets must represent maturities of one year or less at the time of purchase. Commercial paper assets must be rated A-1 or P-1. The manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest).

**INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION**

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed, market conditions, the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.
4. A change in the Fund’s investment policy.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

**INVESTMENT POLICY REVIEW**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review the investment policy statement at least annually.

This statement of investment policy is adopted on February 16, 2015

by the Finance Committee of IUPAC whose names appear below.

Dr. Christoph Buxtorf (Chair)

Prof. Dr. Wolfram Koch

Dr. Nobuyuki Kawashima

Dr. Pat N. Confalone

Prof. John Corish (Treasurer)

Signature:

Dr. Lynn Soby (Executive Director)