

National Strength and Conditioning Association Foundation
Statement of Investment Policy, Objectives, and Guidelines

September 2009

Prepared by:
John W. Martin
Martin Capital Management, LLC
3705 Grand Ave.
Des Moines, IA 50312

Phone: (888)274-0901

SCOPE OF THIS INVESTMENT POLICY STATEMENT

The National Strength and Conditioning Association Foundation (NSCAF) of Colorado Springs, CO, is a non-profit corporation. NSCAF established this Investment Policy Statement to assist in the financial support of the National Strength and Conditioning Association's (NSCA's) educational and research mission. The Foundation may, as necessary, maintain investment portfolio encompassing deposits from operations, including, but not limited to, endowments, trusts, annuities, gifts, bequests, custodial funds and excess funds. These funds may be invested in a pooled fund or separate funds as deemed desirable by the Investment Committee.

This statement of investment policy reflects the investment policy, objectives, and constraints of the NSCAF.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Investment Committee under the direction of the President of the Board the NSCAF, and will:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment philosophy, goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for understanding the investment process and evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude that 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.

DELEGATION OF AUTHORITY

The Investment Committee, under the President of the Board of Directors of the NSCAF, is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Management Consultant.** The consultant may assist the Investment Committee in: establishing 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(s).** The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
3. **Custodian.** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases 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 accounts.
4. **Additional specialists** such as attorneys, auditors, and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in this statement. Managers will be held responsible and accountable to achieve the objectives herein stated.

DEFINITIONS

1. "Fund" shall mean the National Strength and Conditioning Association Foundation of Colorado Springs, CO financial assets.
2. "Investment Committee" shall refer to the governing NSCAF Board of Directors established to administer the Fund.
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 assets.
4. "Investment Manager" shall mean any individual or group of individuals, employed to manage the investments of all or part of the Fund assets.
5. "Investment Management 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. "Custodian" is defined as the place of domicile for the securities of the investment portfolio.
7. "Securities" shall refer primarily to marketable investment securities with up to 20% in non-liquid securities, which are defined below as acceptable in this statement.
8. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is 10 years or longer.
9. "Fund" shall include gifts or deposits invested in perpetuity as well as gifts or deposits invested subject to liquidation as needs may develop.
10. "Grants" shall refer to allocations from the Fund to provide funding for programs or projects.
11. "Scholarships" shall refer to allocations from the Fund to provide funding for students at high school and college levels.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Committee of the National Strength and Conditioning Association Foundation

The Investment Committee is charged with the responsibility for the management of the assets of the Fund. The Committee shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Investment Committee relating to the investment management of Fund assets include:

1. Projecting the Fund's financial needs, and communicating such needs to the Investment Consultant on a timely basis.
2. Determining the Fund's risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the Fund's assets.
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.
7. Report quarterly to the President of National Strength and Conditioning Association Foundation on the investment performance and financial condition of the Fund.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to the Investment Committee of the NSCAF of Colorado Springs, CO. Investment advice concerning the investment management of Fund 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. Assisting in the development and periodic review of investment policy.
2. Monitoring the performance of the Investment Manager(s) to provide the Board with the ability to determine the progress toward the investment objectives.
3. Communicating matters of policy, manager research, and manager performance to the Board.
4. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly elected Board President of the Investment Committee.

Responsibility of the Investment Manager(s)

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, sell, or hold individual securities, 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 that affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Investment Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Quarterly rebalancing of the investment allocation of the liquid portion of the portfolio if it falls beyond a 5% variance from its initial prescribed asset allocation model as described in the "Asset Allocation Guidelines" section below of this Investment Policy Statement.
6. Voting proxies, if requested by Investment Committee on behalf of the Fund, and communicating such voting records to the Investment Committee on a timely basis.

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, unless under the circumstances it is clearly prudent not to do so.
4. The Investment Committee 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 Investment Committee recognizes that some risk is necessary to produce 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. 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.

GOAL OF FUND

The NSCAF Board believes that allocations to be funded in the future are as important as grants and scholarships that would be funded today. This is consistent with the philosophy that this Fund is to exist in perpetuity and therefore should provide for grants funding in perpetuity. To attain this goal, the overriding objective of this fund is to maintain purchasing power. The Fund's specific investment objectives will be established later in this document.

SPENDING POLICY

Spending – Moving Average Determination

This Fund will establish a 5% annual spending policy of all investment assets to provide grants and scholarships for worthy recipients as determined by the NSCAF. The Investment Committee will use the moving average method of determining year-to-year spending to smooth distributions from the aggregate portfolio.

The “portfolio value” will be determined based on a 3-year moving average (12 quarters) of portfolio market value reported on January 15th for the preceding calendar year's value. The moving average will be determined before the fiscal year in which the funds are to be spent.

This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by this Fund. Second, it allows the NSCAF Board to design an investment strategy that is more “aggressive” with a higher expected return than might be the case if spending were determined by annual investment performance.

With the annual determination method, there is a tendency to pay out the “excess” earnings during periods of over performance, while maintaining a certain absolute dollar floor of spending during periods of underperformance. Over the long-term, this may result in erosion of real principal. Therefore, by smoothing the spending, the Investment Committee seeks to reduce the likelihood of real principal erosion due to portfolio volatility by using the Moving Average Determination Method for calculation of values.

Investment Objectives

To meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for Fund assets shall

be: *Income and Growth– To achieve a balanced return of current income and modest growth of principal consistent with the preservation of the purchasing power of the Fund.*

SPECIFIC INVESTMENT GOALS

Over the 10-year investment horizon established in this statement, it is the goal of the aggregate Fund assets to meet or exceed:

- Absolute annual rate of return of approximately 7%, the 50th percentile. (See “Volatility of Returns” section below.)
- The rate of inflation (as measured by the Consumer Price Index) by 3%.

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Exceed the appropriate market index, or blended market index, selected and agreed upon by the NSCAF Board that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

VOLATILITY OF RETURNS

The Investment Committee understands that in order to achieve its objectives for Fund assets, the Fund will experience volatility of returns and fluctuations of market value. It states that the composite Fund could tolerate a maximum loss of approximately -12% over any one-year period, and no loss over the 10-year investment horizon. The Investment Committee supports an investment strategy that minimizes the probability of losses greater than stated above. Because the NSCAF portfolio is composed of a variety of investments, returns, as shown below, cannot be guaranteed.

<u>Percentile</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
5th (Lower Boundary)	-11.22%	-4.31%	-2.07%	0.23%
50th (Average)	7.89%	7.35%	7.12%	7.01%
95th (Upper Boundary)	27.25%	18.06%	15.36%	12.72%

The chart above shows the probability of achieving a given return over a range of percentiles and time periods, and is for illustrative purposes only; no guarantee of future returns is implied nor made. The table shows that risk is typically mitigated by holding a portfolio over a span of years. The probability the Fund will achieve a return greater than the fifth (lower boundary) percentile is approximately 95%, while the probability the Fund will achieve a return better than the 95th (upper boundary) percentile is approximately 5%. The probability of achieving an average return at or above 7% is approximately 50%. The chart above is intended to provide a guideline regarding expected returns. Although the portfolio allocation of the NSCAF is designed to

minimize volatility and risk, there is no guarantee that the Fund will achieve returns shown nor sustain losses greater than those stated herein in any given period of time.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will periodically provide an estimate of expected net cash flow. The Investment Committee will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

MARKETABILITY OF ASSETS

The Investment Committee requires that at least 80% of all Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price. To add an additional layer of diversification and to reduce overall portfolio volatility, the Fund may invest a total not to exceed 20% of all Fund assets in non-liquid real estate investment trust securities.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents
 - Treasury Bill
 - Money Market Funds
 - Short Term Investment Funds (money market instruments)
 - Commercial Paper
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
 - Collateralized Mortgage Obligations (e.g. GNMA)
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)

4. Non-liquid securities
 - Non-traded Real Estate Investment Trusts

Stock Exchanges

To ensure marketability and liquidity, investment managers will execute equity transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, and NASDAQ over-the-counter market. In the event that an investment manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Finance Council.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. GIC's (Guaranteed Investment Contracts offered by insurance companies)
7. Derivative Securities other than those listed above.

Prohibited Transactions

Prohibited transactions include, but are not limited to the following;

1. Short Selling
2. Margin Transactions

Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are constructed from equity or fixed income securities and are packaged in the form of options, futures, collateralized mortgage obligations bonds (CMOs), and subsidiaries of the class of CMO's: planned amortization class bonds(PACs), interest only bonds (IOs), principal only bonds (Pos), residual interest bonds (RIBs), and interest rate swaps, among others. The Investment Committee feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Investment Committee will take a conservative posture on derivative securities in order to maintain its risk adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. *Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) must seek permission from the Investment Committee to include derivative investments in the*

Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

Asset Allocation Guidelines

Investment management of the assets of the Fund shall be in accordance with the strategic asset allocation parameters set forth immediately below:

Equity (Liquid)		
Large Cap Growth	6.67%	
Large Cap Value	6.67%	
Large Cap Managed Volatility	13.33%	
Small Cap Traded REIT	4.00%	
International Developed	8.33%	
Small Cap Growth	2.77%	
Small Cap Value	2.70%	
Emerging Markets Equity	1.50%	
Equity Subtotal (Rounded)		46.00%
Fixed Income (Liquid)		
Traditional Fixed Income	14.33%	
Fixed Inc TIPS Bond Ladder	14.33%	
Emerging Markets Debt	1.50%	
High Yield Bond	1.53%	
Cash	2.33%	
Fixed Income Subtotal (Rounded)		34.00%
REIT (Non-liquid)		
Income & Growth Non-traded		
REIT(s) (Max 5% in any one REIT)	20.00%	
REIT (Non-liquid) Subtotal		20.00%
Total	100.00%	

The Investment Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement.

Diversification for Investment Managers

The Investment Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Fund assets may be invested primarily (minimum 95%) in investment grade bonds rated “A” or better.
2. Fund assets may be invested only in commercial paper rated “A1” or better.
3. Fixed income portfolio duration shall not exceed six years.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor’s, and/or Moody’s.
5. Repurchase Agreements shall be fully collateralized.

SELECTION OF INVESTMENT MANAGERS

The Investment Committee’s selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Investment 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 Investment Committee intends to evaluate the portfolio(s) 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 and 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.

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 ensure continued relevance of the guidelines, objective, financial status and Capital markets expectations as established in this statement of investment policy, the Investment Committee plans to review the investment policy at least annually.