# Mycological Society of America

## Investment Policy Statement

### Last Review and Approval: 30 October 2025

MSA Finance Committee Members:

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|---|---|
| Megan Romberg | Chair |
| Henry Van T. Cotter | Past Chair |
| Michelle Jusino | Member |
| Heather Hallen-Adams | MSA Treasurer |
| David Geiser | MSA President |
| Jason Raiti | Non-Voting, Student Representative |
| Kaylee Walters | Non-Voting, Rees Group Liaison |
| David Middleton | Non-Voting, Investment Advisor |

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## Introduction

The purpose of this Investment Policy Statement (IPS) is to assist the Mycological Society of America (MSA) and Middleton Advisory LLC in effectively supervising, monitoring, and evaluating the investment of the MSA operating funds and endowment portfolio by:

1. Setting forth attitudes, expectations, and guidelines.
2. Presenting the investment portfolio structure.
3. Facilitating communication between members, donors, and Middleton Advisory LLC.
4. Establishing the formal criteria for evaluating investments on a regular basis.
5. Complying with all applicable fiduciary prudence and due diligence requirements.

## Statement of Objectives

1. Maintain a pooled investment account covering all endowments plus the MSA uncommitted/unrestricted fund.
2. Maintain sufficient cash reserves to buffer market fluctuation and cash flow interruptions.
3. Allow for annual awards to be made consistently while recognizing the named funds.
4. Support long term growth of the endowment funds above the inflation rate, to provide increasing awards for research and scholarships into the foreseeable future.

## Time Horizon: 15+ Years

MSA is prudently planning on the long-term growth of assets, targeting a 15+ year time period to allow investment returns to compound and grow before significantly increasing annual spending.

## Spending Plan: 2%-6% Annually

It is important for spending to be planned in a way that allows MSA to effectively deploy resources in support of its mission, while still ensuring that the endowment's total value will grow over time. Each named endowment fund is expected to make an annual award according to that fund's specific purpose, in recognition of the donor(s). The level of spending will be determined by each fund's total value and the performance of the investments in that year, but will generally range from 2% to 6%. Although each named fund will be managed to ensure it lasts in perpetuity, it is not mandatory to keep a fund's value above the initial principle every single year. This policy is consistent with the *Uniform Prudent Management of Investment Funds Act (UPMIFA),* the applicable law as applied in The District of Columbia, MSA's place of incorporation. Supplemental funding for awards can be made from the MSA *Uncommitted Fund* and/or Operating Fund with approval from the MSA Executive Council.

## Risk Tolerance: Below Average

As a group of scientists, donors, and members, MSA is made up of individuals who each possess their own personal comfort level with investing and taking risk. Collectively, the MSA can be described as *taking a prudent approach to spending and saving money and possessing a below average tolerance for investment risk.*

## Asset Class Preferences: Traditional, Liquid, Low Cost

Based on MSA's below average risk tolerance, the portfolio will be constructed using a prudent allocation of traditional investment funds that are readily traded and carry low expenses. Although many large endowments funds (Harvard, Yale, etc.) are well known to use complex and restrictive investments to seek slightly higher long-term returns, this approach would not be consistent with the below average risk tolerance of this organization.

## Social and Environmental Factors: 40% of Equity and 25% of Bond Portfolio

MSA believes it is important to consider the social and environmental impact of the corporations in our investment portfolio, with the understanding that investment returns should not be sacrificed to this end. To achieve this goal, approximately 40% of the equity portfolio and 25% of the bond portfolio will be screened for these characteristics, known as "ESG" (Environmental, Social, Governance) criteria.

## Cash Reserve: 3-9 Months Plus Brokerage Cash Equivalents

A cash reserve will be maintained in the MSA operating bank account and a targeted 10% portion of the endowment portfolio will be kept in cash equivalents. Typically, charitable organizations will keep 3 months in cash reserve. Given the conservative nature of MSA, the cash reserve target in the bank account will be 6 months, fluctuating from 3-9 months with expenses and income. Cash held in the brokerage account can be used to supplement operating expenses as well, by spending from the *Uncommitted Fund*, with Executive Council approval. Therefore, with current assets of roughly $2,500,000 and estimated monthly expenses averaging $12,000, a planned 10% cash position in the brokerage accounts will cover an additional 20 months of expenses. Further operating funds can be raised by selling securities and spending further from the *Uncommitted Fund*. Awards from named funds can also be made by selling securities, given the unlikely event that there is insufficient cash to draw from the brokerage account.

## Asset Allocation: A Balanced Approach

Based on MSA's below average risk tolerance and long (15+ years) time horizon, a *balanced* approach is appropriate for the portfolio. Investments with fixed rates of return are not likely to grow in value over time when considering inflation, so most of the holdings' values will fluctuate with market demand and economic conditions. As a guideline, the portfolio will target the following asset allocation:

- 55% Equities
  - 50% U.S. Large
  - 16% U.S. Small and Mid-Sized
  - 15% Non-U.S. Large
  - 4% Non-U.S. Small and Mid-Sized
  - 7% Emerging Market
  - 4% Real Estate
  - 4% Commodities

- 35% Fixed Income
  - 50% U.S. Aggregate (U.S. Government, Mortgages, Agencies, Financial Institutions, etc.)
  - 10% High Yield
  - 5% Intermediate Term Corporate
  - 10% Short Term
  - 5% Treasury Inflation Protected
  - 15% International Treasury
  - 5% Emerging Market

- 10% Cash, Certificates of Deposit, and Money Market Funds

## Investment Strategy

The portfolio will have four notable characteristics:

- A preference for high dividend paying companies.
- A mix of companies which are more equally weighted among the 10 sectors of the U.S. economy than a standard index fund.
- Investment funds which favor a passive strategy and low expenses.
- A screen for social and environmental factors applied to 40% of equities and 25% of bonds.

## Expenses: Target Below 0.3% Investment Fees and Below 1% Advisory Fees

Minimizing internal investment expenses will tend to increase the portfolio rate of return. Therefore, investments will be selected which have among the lowest internal fees while meeting their objectives. Additionally, most of the investment funds will trade commission-free at *Charles Schwab*, providing a further cost savings. The targeted average annual expense ratio for the entire portfolio is 0.3% or lower. Advisory fees are separate from investment expenses, to avoid conflicts of interest or sales incentives. Advisory fees are currently fixed at 0.92%, with a goal to remain under 1%.

## Evaluation Criteria

Investments are selected and monitored for the following criteria:

- Fund risk and return is consistent with asset class.
- Holdings consistent with style (80% of holdings in a fund must fit the category).
- Expenses are below median for asset class.
- Management team is stable and qualified.

Investments that do not meet standards may be placed on a "watch-list" or replaced.

## Expected Return

The nature of investing is that future returns are not certain and cannot be guaranteed. However, possible outcomes can be modelled which provide some guidance for long-term planning. When simulating a 15-year balanced investment plan over 1000 iterations, net of advisory fees, the outcomes after 15 years vary widely.

- High Average Annual Rate of Return (90$^{th}$ Percentile): 9.8%
- Middle Average Annual Rate of Return (50$^{th}$ Percentile): 6.6%
- Low Average Annual Rate of Return (10$^{th}$ Percentile): 3.4%

Note: Investments not FDIC insured. May lose value.

## Duties and Responsibilities: Investment Advisor (Middleton Advisory LLC)

1. Prepare and maintain this Investment Policy Statement.
2. Provide sufficient asset classes with distinct risk/return profiles to prudently diversify.
3. Prudently select investment options.
4. Monitor investment expenses.
5. Monitor and supervise vendors and investments.
6. Avoid prohibited transactions and conflicts of interest.

## Duties and Responsibilities: Custodian (Charles Schwab)

1. Maintain a separate account by legal registration.
2. Value the holdings.
3. Collect all income and dividends owed to the portfolio.
4. Settle all transactions (buy-sell orders).
5. Provide monthly reports that detail transactions, cash flows, securities held and their value.

## Rebalancing and Review

Middleton Advisory LLC will monitor the portfolio continuously and document quarterly reviews. Rebalancing will be done when deemed necessary by the advisor, depending on market conditions. Additionally, semi-annual reports will be presented to the MSA Executive Council. This Investment Policy Statement will also be reviewed annually.

## Questions?

Questions or comments are welcome and may be submitted directly to the MSA Investment Advisor:

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