Motion 2609INV01 – Investment Policy Statement
The Investment Committee moves that the Pacific BOD approve the Pacific Swimming Investment Policy Statement.

Purpose: The Pacific Swimming, Inc (PacSwim) Investment Policy Statement (IPS) defines the policies for each managed asset class within its investment portfolio and outlines an overarching investment philosophy that is specific enough to guide the Advisor, yet sufficiently flexible to adapt to changes in the economy and securities markets. The Pacific Swimming Investment Policy Statement was last revised on May 26, 2010. Given changes in investment instruments available to Pacific Swimming, its portfolio custodian, Wells Fargo Advisors Financial Network, LLC, and investment advisor, The Virtuent Wealth Management Group, the IPS was overdue for review and update. Rather than present the entire six-page document here, it is available for review as a separate document on the Board of Directors Documents web page of the Pacific Swimming website.

🧭 High-Level Summary

The **2010 IPS** is a *traditional, conservative, manager-directed policy* focused on public markets (stocks, bonds, cash), strict prohibitions, and narrow asset classes.

The **2026 IPS** is a *modern, institution-style policy* with broader asset classes (including alternatives, private capital, real assets), explicit governance structure, strategic asset allocation (SAA), and updated risk management.

The 2026 version is **more sophisticated, diversified, and aligned with contemporary endowment/foundation standards**, while the 2010 version reflects a **classic brokerage-managed portfolio** with tight constraints.

Investment Policy Statement
Pacific Swimming, Inc

Revised: February 17, 2026

I. Purpose & Scope

The Pacific Swimming, Inc (PacSwim) Investment Policy Statement (IPS) defines the policies for each managed asset class within the Fund and outlines an overarching investment philosophy that is specific enough to guide the Advisor, yet sufficiently flexible to adapt to changes in the economy and securities markets. The Investment Committee will articulate realistic expectations and appropriate levels of risk tolerance to guide the Advisor toward long-term rate-of-return objectives, which will serve as the standard for evaluating investment performance. The Investment Committee is also responsible for establishing the procedures for ongoing policy oversight and performance review.

II. Governance & Fiduciary Responsibilities

A. Investment Committee: Oversees policy, approves strategic asset allocation (SAA), Advisor appointments, and reviews performance quarterly and the IPS annually. Acts under fiduciary duty of loyalty and prudence.

B. Advisor: Implements the IPS, sources and diligences managers/vehicles, executes rebalancing within guidelines, reports performance and risk, and votes proxies in the Fund's best interest.

C. Custodian: Safekeeps assets, provides statements, income collection, corporate actions processing, and tax reporting as applicable.

D. Conflicts of Interest: All parties must disclose, and do their utmost to avoid, all conflicts of interest.

III. Investment Objectives

The primary objective of the Fund is to preserve its long-term, inflation-adjusted purchasing power while supporting ongoing distribution goals of PacSwim. The return objective is a long-term (10-year) net-of-fee target of CPI + 3%, with reasonable tolerance for market variability; outperformance of the Strategic Asset Allocation (SAA; Section V) benchmark is a secondary objective.

To achieve these goals, the Fund's investment program will emphasize the following priorities:

1) Consistency of total return – Achieving stable, long-term performance aligned with return objectives.

2) Preservation of principal – Protecting the Fund's real (inflation-adjusted) value over time.

3) Liquidity to meet cash flow requirements – Ensuring sufficient liquidity to support operational and distribution needs.

4) Long-term appreciation of assets – Growing assets over time to maintain and enhance purchasing power.

IV. Constraints

A. Time Horizon: Perpetual/long-term.

B. Liquidity: Maintain adequate liquidity to meet distribution, spending, and capital calls.

C. Legal/Regulatory: Comply with applicable laws, governing documents, and custodian requirements.

V. Strategic Asset Allocation & Ranges

The SAA is designed to provide a high probability of meeting return objectives at prudent risk. Ranges allow for market movement and rebalancing efficiency.

Asset Class	Target Weight	Allowable Range
Global Public Equities	45%	35–55%
Fixed Income	30%	20–40%
Real Assets	10%	5–15%
Alternatives & Private Capital	12%	0–20%
Cash & Cash Equivalents	3%	0–10%

VI. Risk Management

A. Volatility: Targeted standard deviation consistent with a diversified portfolio risk profile, as outlined by the SAA policy; see Section V.

B. Drawdown: Aim to limit peak-to-trough drawdowns to <20% under base stress assumptions; acknowledge that severe markets can exceed this.

C. Liquidity: At least 75% of assets must be liquid within 90 days.

D. Derivatives: Single derivative securities and investments are prohibited. Derivative exposure is only permitted through packaged investments (e.g., funds, ETFs, private placements).

VII. Asset Classes & Benchmarks

A. Equities

The purpose of the Equity allocation is to provide long-term capital appreciation, recognizing that equities represent the primary source of portfolio growth while carrying higher short-term volatility. All equity investments must adhere to standards of quality, liquidity, and diversification consistent with prudent investment management and applicable governing statutes.

The Investment Committee expects the Advisor to maintain the equity portfolio risk and return profile generally consistent with global equity markets, as represented by the relevant benchmarks listed below. The objective is to achieve, net of fees, competitive performance relative to these benchmarks over rolling five-year periods while contributing to the Fund’s long-term return targets.

Permissible Equity Investments

- U.S. Large Cap – S&P 500 Index
- U.S. Mid Cap – S&P 400 Index
- U.S. Small Cap – S&P 600 Index
- International Developed Markets – MSCI EAFE Index
- Emerging Markets – MSCI Emerging Markets Index

Holdings may be implemented through individual securities, American Depository Receipts (ADRs), and shares listed on major U.S. or foreign exchanges, as well as through pooled vehicles such as ETFs, mutual funds, and closed-end funds. Both active and passive strategies are permitted. Leveraged or inverse funds are prohibited.

Security Selection and Diversification

- No more than 5% of the equity portfolio's market value may be invested in any single issuer at the time of purchase.
- No more than 20% of the equity portfolio may be invested in a single industry and no more than 30% in any broader sector (as defined by S&P sector classifications).
- If market movement causes an individual security to exceed 10%, an industry to exceed 30%, or a sector to exceed 40% of the equity portfolio, the Advisor should reduce the position to compliant levels within a reasonable timeframe (generally 90 days, market conditions permitting).

Asset Class Limits:

- U.S. Large Cap: Limits set by Global Public Equities of SAA.
- U.S. Mid Cap: Limited to 15% of total SAA.
- U.S. Small Cap: Limited to 15% of total SAA.
- International Developed Markets: Limited to 20% of total SAA.
- Emerging Markets: Limited to 10% of total SAA.

B. Fixed Income & Cash

The Fixed Income and Cash allocation exists to: (i) provide current income; (ii) preserve capital; (iii) supply dependable liquidity for planned and unplanned cash needs; and (iv) diversify equity risk. The portfolio should be constructed with prudent quality, liquidity, and diversification standards consistent with applicable governing statutes and the Fund's risk tolerance.

The Investment Committee expects the Advisor to maintain the fixed income portfolio risk and return profile generally consistent with the relevant benchmarks listed below. The objective is to achieve, net of fees, competitive performance relative to these benchmarks over rolling five-year periods while contributing to the Fund's broader objectives for income, capital preservation, liquidity, and diversification.

Permissible Fixed Income Investments

- U.S. Governments & Investment Grade Corporates – Bloomberg U.S. Aggregate Index

- Global Bonds – Bloomberg Global Aggregate Index
- High Yield Bonds – ICE BofA U.S. High Yield Index
- Preferred Securities – ICE BofA Fixed Rate Preferred Securities Index
- Emerging Market Debt – J.P. Morgan EMBI Global Diversified

To meet near-term liquidity and capital preservation needs, the Advisor may invest in U.S. Treasury bills/notes and U.S. government agency securities, cash & cash equivalents, and short-term corporates. Holdings may be implemented through individual bonds and shares listed on major U.S. or foreign exchanges, as well as through pooled vehicles such as ETFs, mutual funds, and commingled funds. Both active and passive strategies are permitted. Leveraged or inverse funds are prohibited.

Security Selection and Diversification

- Currency: Developed market currency exposure should be dollar hedged when appropriate.
- Issuer limits: 5% of SAA per individual issuer.

Asset Class Limits:

- Cash & Cash Equivalents: Limits set by Cash & Cash Equivalents of SAA.
- U.S. Governments & Investment Grade Corporates: Limits set by Fixed Income of SAA.
- Global Bonds: Limited to 20% of total SAA.
- High yield, EM debt & Preferreds: Limited to 10% of total SAA.

C. Real Assets

The purpose of the Real Assets allocation is to provide long-term inflation sensitivity, diversification benefits relative to traditional equities and fixed income, and, where applicable, current income. All investments must adhere to standards of quality, liquidity, and diversification consistent with prudent investment management and applicable governing statutes.

The Investment Committee expects the Advisor to maintain the real assets portfolio risk and return profile generally consistent with the relevant benchmarks listed below. The objective is to achieve, net-of-fees, competitive performance relative to these benchmarks over rolling five-year periods while contributing to the Fund's long-term objectives.

Permissible Real Assets Investments

- REITs – FTSE NAREIT All Equity REITs
- Global Infrastructure – S&P Global Infrastructure
- Commodities – Bloomberg Commodity Index
- Digital Assets – Benchmark to be designated by the Investment Committee

ETFs and funds may be used. Holdings may also be implemented through individual listed securities where applicable. Both active and passive strategies are permitted. Leveraged or inverse funds are prohibited.

Security Selection and Diversification

- No more than 5% of the real assets sleeve's market value may be invested in any single issuer at the time of purchase.
- No more than 30% of the real assets sleeve may be invested in any single industry or sub-sector (e.g., property type for REITs; sub-sector for infrastructure and commodities exposures).

Asset Class Limits

- REITs: Limited to 5% of the total SAA.
- Global Infrastructure: Limited to 5% of the total SAA.
- Commodities: Limited to 5% of the total SAA.
- Digital Assets: Limited to 3% of the total SAA.

D. Alternatives & Private Capital

The alternatives and private capital allocation is intended to enhance risk-adjusted returns, diversify equity and interest-rate exposures, provide potential downside protection, and offer complementary sources of return. All investments must adhere to standards of quality, manager expertise, and diversification consistent with prudent investment management and applicable governing statutes.

The Investment Committee expects the Advisor to maintain the portfolio risk and return profile consistent with the strategies employed. The objective is to achieve, net-of-fees, competitive performance relative to designated benchmarks over rolling five-year periods while contributing to the Fund's long-term objectives.

Permissible Alternatives & Private Capital Investments

- Hedge Funds
- Managed Futures
- Private Equity
- Private Debt
- Private Real Estate
- Private Infrastructure

Implementation

- Liquid: ETFs or funds
- Illiquid: Private placements, including semi-liquid interval funds or capital call structures

Security Selection and Diversification

- Within these policy parameters, the Advisor has full discretion over manager selection, portfolio construction, and pacing across strategies and vintages.
- The portfolio should be prudently diversified by strategy, manager, vintage year, sector, and geography, as applicable.
- No single fund may exceed 5% of the total Strategic Asset Allocation (SAA).

VIII. Implementation & Rebalancing

If market movement or capital activity causes an asset class to deviate from the SAA targets or exceed the limit by an absolute 5%, the Advisor should reduce or add exposure to compliant levels within a reasonable timeframe (generally 90 days, market conditions permitting).

Use low-cost index vehicles where appropriate; employ active managers where alpha is demonstrable net of fees and after risk.

IX. Communications

Unless otherwise requested, the Advisor must furnish the Investment Committee with a Quarterly Account Review detailing investment performance, portfolio holdings, investment strategy, and the Fund's value. The Investment Committee also must receive timely information about changes in the Advisor's investment philosophy, management, ownership, and/or key personnel.

Investment Committee meetings will be held quarterly. The Investment Committee may call more frequent meetings if for any reason, including, but not limited to market circumstances, or if significant concerns arise about the Advisor's investment strategy or performance, or if key changes occur in the Advisor's personnel or organizational structure.

X. Investment Policy Review

The Investment Policy Statement will be reviewed annually by the Investment Committee to ensure it remains up to date and appropriate based on the Fund's goals and risk tolerance.

XI. Key Information

Original Investment Policy Adoption: June 27, 2008

Revised: May 26, 2010

Revised: February 17, 2026

Custodian: Wells Fargo Advisors Financial Network, LLC

Investment Advisor: The Virtuent Wealth Management Group