

Investment Policy Statement

For

Rotary Camp Onseyawa
Endowment Fund

Wealth
Strategies
Group



Canandaigua
National
Bank & Trust

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I. Introduction

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between (“Investor”) and Canandaigua National Bank and Trust Wealth Strategies Group (“Advisor”) as to the investment goals and objectives and management policies applicable to the Investor’s portfolio (“Portfolio”). This Investment Policy Statement:

- Establishes the Investor’s expectations, objectives and guidelines in the investment of the Portfolio’s assets
- Creates the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Investor, including:
 - Describing an appropriate risk level for the investment of the Portfolio
 - Specifying the target asset allocation policy
 - Establishing investment guidelines regarding permissible securities and diversification of assets
 - Specifying the criteria for evaluating the performance of the Portfolio’s assets
- Defines the responsibilities of the Investor and the Advisor
- Encourages effective communication between the Advisor(s) and the Investor

This IPS is not a contract. No legal counsel has reviewed this investment policy and the Advisor and Investor use it at their own discretion. This IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Investor and the Advisor. The investment policies described in this IPS should be dynamic. These policies should reflect the Investor’s current status and philosophy regarding the investment of the portfolio. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Portfolio, to the Investor or the capital markets.

II. Investment Policy Background

What Is an Investment Policy Statement?

An investment policy statement outlines a prudent and acceptable investment philosophy and defines the investment management procedures and long-term goals of the Investor.

The Need for a Written Policy

The principal reason for developing a long-term investment policy and for putting it in writing is to enable you and us to protect your portfolio from ad hoc revisions of sound long-term policy. Without an investment policy, in times of market turmoil, investors may be inclined to make ad hoc investment decisions that are inconsistent with prudent investment management principles. Your investment policy provides a well-thought-out framework from which sound investment decisions can be made.

The development of an investment policy follows the basic approach of underlying financial planning: assessing your financial condition, setting goals, developing a strategy to meet the goals, implementing the strategy, regularly reviewing the results and adjusting the strategy or the implementation as circumstances dictate. In following an investment policy, you'll employ a more disciplined and systematic approach and thereby increase the probability of satisfying your investment goals.

The Uniform Prudent Investor Act ("UPIA") was approved for use in all states at the 1994 annual Conference of Commissioners on Uniform State Law and by the American Bar Association in 1995. The act provides excellent guidance about the "prudent investment process."

Key provisions of the UPIA include:

- No investment is inherently prudent or imprudent, except in how its inclusion or exclusion impacts the portfolio as a whole.
- Advisors are expected to use all reasonably available strategies to improve the risk/reward relationship of the portfolio.
- Under most circumstances, the assets of the portfolio must be diversified.
- Advisors are obliged to spread portfolio investments across asset classes to enhance performance and reduce risk.

- The possible effect of inflation must be considered as part of the investment strategy. As a result, use of equities is encouraged to allow the possibility that the portfolio's growth will outpace inflation.
- Fiduciaries have a duty to either demonstrate investment skill in managing assets or to delegate investment management to another, more qualified party.

Steps to Establish an Investment Policy

1. Assess your financial situation – identify your goals and your needs
2. Determine your tolerance for risk and your time horizon
3. Develop clear objectives for the portfolio
4. Identify any restrictions on the portfolio and its assets
5. Determine the asset classes and mix appropriate (the “Asset Allocation”) to maximize the likelihood of achieving the investment objectives at the lowest level of risk
6. Determine the methodology to be used with regard to investment selection, rebalancing, enhanced indexing vs. active investment management, portfolio reviews and reporting, etc.
7. Implement the decisions
8. Document all investment decisions

The net effect of the written policy is to increase the likelihood that the portfolio will be able to meet the financial needs of the Investor.

Investor Circumstances

IV. Investment Philosophy

The basic tenets which this portfolio will be managed include the following:

1. Modern portfolio theory, as recognized by the 1990 Nobel Prize, will be the philosophical foundation for how the portfolio will be structured and how subsequent decisions will be made. The underlying concepts of modern portfolio theory include:
 - a. Investors are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns.
 - b. Markets are efficient. It is virtually impossible to anticipate the future direction of the market as a whole or of any individual security. It is, therefore, unlikely that any portfolio will succeed in consistently "beating the market."
 - c. The design of the portfolio as a whole is more important than the selection of any particular security within the portfolio. The appropriate allocation of capital among asset classes (stocks, bonds, cash, etc.) will have far more influence on long-term portfolio results than the selection of individual securities. Investing for the long term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
 - d. For a given risk level, an optimal combination of asset classes will maximize returns. Diversification helps reduce investment volatility. The proportional mix of asset classes determines the long-term risk and return characteristics of the portfolio as a whole.
 - e. Portfolio risk can be decreased by increasing diversification of the portfolio and by lowering the correlation of market behavior among the asset classes selected. (Correlation is the statistical term for the extent to which two asset classes move in tandem or in opposition to one another.)
2. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world. Investing globally has also been shown historically to enhance portfolio returns, although there is no guarantee that it will do so in the future.

3. Equities offer the potential for higher long-term investment returns than cash or fixed income investments. Equities are also more volatile in their performance. Investors seeking higher rates of return must increase the proportion of equities in their portfolio, while at the same time accepting greater variation of results (including occasional declines in value).
4. Picking individual securities and timing the purchase or sale of investment in the attempt to “beat the market” are highly unlikely to increase long-term investment returns; they also can significantly increase portfolio operating costs. Such practices are, therefore, to be avoided.

Given these tenets, the underlying approach to managing this portfolio shall be to optimize the risk-return relationship appropriate to Investor’s needs and goals. The portfolio will be diversified globally, employing a variety of asset classes. Mutual funds or managed portfolios will be employed to implement the portfolio and the chosen asset classes will be periodically rebalanced to maintain a more consistent risk/reward profile.

V. Investment Objectives

VI. Time Horizon

VII. Tax Policy

VIII. Risk Tolerance

For Example:

There are two primary factors that affect the Investor's high risk tolerance:

- *Financial capacity to accept risk within the investment program*
- *Willingness to accept return volatility*

Financial Capacity

Investor has income stability, insurance coverage, liquidity and net worth. Investor therefore has financial capacity to take on an increased amount of risk.

Willingness to Tolerate Volatility

Investor also desires long-term investment growth sufficient to meet their objective. Investor understands that to achieve such growth their portfolio will experience periods of decline. They further understand that in a severe market, the potential recovery period could exceed three years.

Although Investor prefers to limit the portfolio's volatility, Investor indicates a willingness to accept occasional declines in order to position their portfolio for improved growth possibility.

Taking these two factors into account, the Investor's risk tolerance may be characterized as moderate.

**See attachment IX. Asset Allocation*

Updated Allocations

Over time, it may be desirable to amend the basic allocation policy or calculations. When such changes are made, updates will be attached to this Investment Policy

Statement as an Appendix and will be considered part of this Investment Policy Statement.

Rebalancing Procedures

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, every **year** the Advisor shall review the portfolio. If the actual Equity to Fixed Income weighting differs from the target weighting by **5**% or more from the recommended weighting, the Advisor shall rebalance the portfolio back to the recommended weighting.

X. Frequency of Review

The Investor recognizes that all investments go through cycles and, therefore, there will be periods of time in which the investment objectives are not met or fail to meet their expected performance expectations.

The Investor accepts the principle that, in the absence of specific circumstances requiring immediate action, patience and a longer-term perspective will be employed when evaluating investment performance.

On an overall portfolio basis, the Investor establishes a goal of evaluating portfolio investment performance relative to investment benchmarks over a minimum period of five years.

The Advisor and the Investor should review this Investment Policy Statement together every two years.

XI. Liquidity

The Investor will maintain adequate liquid reserves outside this portfolio and does not plan on making large withdrawals from the portfolio in the immediate future. A minimal allocation to cash will be made for administrative purposes and anticipated cash needs.

XII. Diversification

Investment of the Investor's funds shall be limited to individual marketable securities including mutual funds or unit investment trusts in the following categories:

Permitted Asset Classes

1. Cash and cash equivalents
2. Fixed income – domestic bonds (including investment grade, high yield and municipal bonds)
3. Fixed income – non-U.S. bonds
4. Equities – U.S.
5. Equities – non-U.S.
6. Equities – emerging markets
7. Equities – REITs

Permitted Security Types

1. Mutual funds – stocks, bonds, money market funds
2. Individual stocks
3. Individual bonds, as long as they are rated A or better and traded on a major U.S. exchange
4. Closed – end funds
5. Unit investment trusts
6. Exchange traded funds

Prohibited Security Types (direct investments of non-pooled securities)

1. Precious metals
2. Venture Capital
3. Short sales
4. Purchases of letter stock, private placements, or direct payments

5. Mortgages
6. Equipment leasing
7. Leveraged transactions
8. Commodities transactions
9. Puts, calls, straddles, or other option strategies used for speculative purposes
10. Direct purchases of real estate, with the exception of REITs

Other Investment Considerations

Bond maturities shall average no more than 10 years.

No individual security held shall represent more than 15% of the total portfolio.

XIII. Investment Monitoring and Control

Reporting

1. The Advisor shall provide the Investor statements on a regular basis for each account that list all assets held by the Investor, values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.
2. Advisor shall provide Investor on a frequency to be agreed upon, the following management reports:
 - a) Advisor shall review with Investor on a regular basis
 - b) Status regarding asset allocation – current versus policy
 - c) Any recommendations for changes of the above

Meetings and Communication Between Investor and Advisor

As a matter of course, Advisor shall keep Investor apprised of any material changes in the Advisor's outlook, recommended investment policy, and tactics. In addition, Advisor shall meet with Investor to review and explain the Portfolio's investment results and any related issues. Advisor shall also be available on a reasonable basis for telephone and email communication as needed. Any material event that affects the ownership of Advisor's firm or the management of the portfolio must be reported immediately to Investor.

XIV. Duties and Responsibilities

The Advisor

Canandaigua National Bank is expected to manage the portfolio in a manner consistent with this Investment Policy Statement and in accordance with state and federal law and the Uniform Prudent Investor Act.

Advisor shall be responsible for:

1. Designing, recommending and implementing an appropriate asset allocation plan consistent with the Investor's investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement
2. Advising the Investor about the selection of asset categories
3. Identifying specific assets within each asset category
4. Monitoring the performance of all selected assets
5. Recommending changes to any of the above
6. Periodically reviewing the suitability of the investments for the Investor, being available to meet with the Investor at the Investor's request
7. Preparing and presenting appropriate reports

The Investor

Investor shall be responsible for:

- The oversight of the Portfolio
- Defining the investment objectives and policies of the Portfolio

- Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor's recommendations with regards to policy, guidelines, objectives and specific investments on a timely basis
- Investor shall provide Advisor with all relevant information on Investor's financial conditions and risk tolerances and shall notify Advisor promptly of any changes to this information
- Investor shall ensure accuracy of all information provided to Advisor for creation and monitoring of this Investment Policy Statement

XV. Adoption

Adopted by the below signed:

Date: _____

Investor: _____

Advisor: _____