

Investment Policy Statement
For
USA Swimming Foundation, Inc.
February 2023

A. Overview

USA Swimming Foundation, Inc. is a not-for-profit organization which operates for charitable and educational purposes and serves as a supporting organization for USA Swimming, Inc., headquartered in Colorado Springs, Colorado. USA Swimming Foundation, Inc. maintains an investment portfolio for the benefit of its members and appoints an Investment Committee to advise and provide oversight of these investments.

B. Purpose of Investment Policy Statement

The purpose of this Investment Policy Statement is to assist the Investment Committee of USA Swimming Foundation, Inc. (sometimes referred to herein as the "Committee") in effectively establishing, supervising, monitoring and evaluating the investments maintained in the portfolio (referred to as "The Portfolio" which includes all USA Swimming Foundation's portfolio assets, including operating funds, unless specifically stated otherwise.)

The Policy:

1. Defines the investment goals and objectives of The Portfolio;
2. Documents the material facts considered and the process used to arrive at the investment decisions reached;
3. Establishes an asset allocation and investment management strategy designed to have a high probability of meeting the goals and objectives of The Portfolio;
4. Establishes a disciplined decision-making process to be followed by the investment advisors and managers in implementing the investment strategies decided upon;
5. Establishes a criterion for evaluating the success of the investment management of The Portfolio; and
6. Documents the procedural prudence followed by the Committee in taking the investment course of action followed.

With respect to the investment portion of the portfolio (referred to as "the Investments") that are managed by the Investment Advisor "Advisor," this statement also establishes a clear understanding between the Investment Committee and the Advisor concerning the investment policies and objectives of USA Swimming Foundation, Inc. It is contemplated that the Advisor will employ Investment Managers "Manager(s)" to manage specific segments of the

Investments. The Advisor will be responsible for overseeing the Investments, monitoring individual manager performance and compliance with this document with respect to the Investments, and making asset allocation recommendations.

C. Goals and Objectives

1. Portfolio Goals

It is a primary goal of USA Swimming Foundation, Inc. to invest the financial assets of the organization, in excess of funds needed for philanthropic work, and to provide maximum earnings growth, based on a total return, consistent with a policy of prudent investment and protection of assets. It is also the policy of the organization to maintain operating funds to provide for liquidity to meet planned as well as emerging charitable, grant, and educational needs. Such funds will be communicated to the Committee and the Advisor by the USA Swimming Foundation Board prior to each fiscal year as part of the approved annual budget, with more frequent updates as required by changing circumstances.

2. Investment Objectives

a. Investment Funds

The invested assets of USA Swimming Foundation, Inc. are invested and maintained in a diversified investment program. The primary objective is to provide maximum growth consistent with a policy of prudent investment and protection of assets. Growth will be attained through appreciation of assets, the inclusion of additional funds when available, and from retention of earnings of the fund except for earnings caused to be withdrawn as hereinafter provided.

b. Time Horizon

The time horizon for the Foundation is Long Term: greater than ten years. While the goals of the Foundation represent a perpetual need, minimal near-term dependence on the funds should inform overall asset allocation decisions.

D. Asset Allocation

The asset allocation under the Investment Policy will align with the stated goals and objectives of the Foundation. The asset allocation is based upon the following:

- That it is not productive to “time” the markets. Rather, long-term strategic asset allocation, based upon the principles of Modern Portfolio Theory, is the most prudent

investment approach. That is, effective diversification can reduce risk. In utilizing this methodology, it is important to diversify into all the major asset classes as set out below, and to diversify by investment style and money manager.

- That gains and losses have a significant impact upon the Investments' growth objective.
- That portfolios with a greater amount of equity allocations and a lesser amount of fixed income allocations have a higher probability of short-term losses and of long-term higher returns than portfolios with lesser amounts of equities.

Therefore, since long-term higher returns are very important in meeting the objectives of the Investments, the asset allocation shall contain a mixture of stocks and bonds that subject the portfolio to the potential of moderate, but not devastatingly large short-term losses, and provide the potential for higher long-term returns. The portfolio allocation is designed to avoid permanent capital losses and benefit from the long-term expected appreciation of equities. Sudden or extreme market movements should not necessitate the sale of equity holdings as such may impact the long-term appreciation of the fund's assets.

Asset Allocation Table

Investment Class	Minimum	Target	Maximum
Cash	0%	1%	15%
Fixed Income	20%	29%	50%
Equities - US <i>Incl: Small/Mid/Large Cap</i>	50%	55%	80%
Equities – Intl <i>Incl: Emerging & Developed</i>	0%	10%	20%
Real Assets <i>Incl: Commodities, Real Estate, & Alternatives</i>	0%	5%	14%

Historic and Expected Returns (*)

The long-term un-audited historic rate of return on the target allocation is shown below. It is based on the historic long-term total return for each asset class. This is compared against the assumed long-term average rate of inflation (as measured by the Consumer Price Index). The difference between the nominal rate of return and the inflation rate is your real (after-inflation) expected return. Actual performance will vary from these historic returns and there is no guarantee that this return objective will be achieved either in any single year or over the longer term. The portfolio return will also be reduced by the deduction of advisory and money management fees.

<u>Return Interval (*)</u>	<u>Year 1</u>	<u>Year 3</u>	<u>Year 5</u>	<u>Year 10</u>	<u>Year 20</u>
95 th Percentile	35.8%	22.2%	18.5%	15.0%	12.6%
Expected Value	7.1%	7.0%	7.0%	7.1%	7.1%
5 th Percentile	-13.9%	-5.9%	-3.1%	-0.3%	1.8%

(*) Return calculations are based on forward looking capital market assumptions provided by the Advisor. To form the confidence intervals, the Advisor's base return projections were iterated 10,000 times using a standard Monte Carlo approach. While the historic series indicates robust returns, generally accepted capital market expectations coalesce around a lower outlook from a forecasting perspective. It is widely expected that an allocation, as noted above, would provide returns of approximately 7% across a market cycle (inclusive of inflation), gross of fees, expenses, and withdrawals.

At least two benchmarks for each asset class shall be selected to compare future performance against. One or more passive indices that are reflective of the universe of securities within that asset class shall be selected. In addition, one or more active manager benchmarks will be used to compare relative performance of the investment vehicle used herein to other managers investing within a particular asset class.

It will be the objective of the Portfolio to outperform a blended benchmark consisting of 70% MSCI All Country World Index and 30% Barclays Aggregate Bond Index over a three-year rolling period net of fees. A secondary objective of the Portfolio will be to earn inflation (CPI) plus 3%, net of fees. While periods of high inflation may challenge the secondary objective, it is still expected that the Portfolio will meet or exceed CPI + 3%, net of fees, over a market cycle. The Committee realizes that any particular investment strategy will have periods where it will fall short of achieving its goal. During such periods, the Committee expects rational explanations for such underperformance.

Risk will be measured by standard deviation and may be more or less risky than the blended index benchmark. Risk in excess of 15% plus or minus the benchmark may require additional examination. Returns will also be monitored on a risk adjusted basis as measured by the Sharpe Ratio. (Return of the portfolio minus the risk free rate (the risk free rate is measured by the 5-year U.S. Treasury note) divided by the standard deviation.

E. Investment Implementation

In implementing the asset allocation policy, it is intended that there be extensive diversification by investment style. Actively managed Mutual Funds, Exchange Traded Funds (ETF's), and an individually managed Fixed Income portfolio have been selected as the primary method of effectively implementing the asset allocation strategy.

Advisor will monitor the performance of each fund or manager and report to the Committee. The Advisor will also recommend replacement of funds or managers.

F. Rebalancing

Portfolio rebalancing will occur as allocation changes are deemed appropriate considering market conditions and/or changing needs of the Portfolio’s funds. Rebalancing will also occur as the Portfolio’s allocation drifts outside the stated target allocation ranges, as noted in the table above (Section D, Asset Allocation Table). While there is no set tenor to portfolio rebalancing, the Advisor will monitor the various weights on an ongoing basis and make changes as it deems appropriate.

Rebalancing and asset allocation changes will be communicated to the Investment Committee by the Advisor on an ongoing basis.

G. Liquidity Management Account

The Liquidity Management Account is comprised of Foundation funds that could reasonably be expected to be spent over the next 1 to 12 months. The account will be managed by the Chief Financial Officer. The securities in the account will be limited to the following investment vehicles and restrictions:

<u>Investment</u>	<u>Single Security Limit</u>	<u>Minimum Quality</u>	<u>Maximum Maturity</u>
Money Market Fund	None	N/A	N/A
Short Duration Bond Fund (*)	None	A/A2 (*)	3 (*)
US Treasuries	None	N/A	12 months
Agency Discount Notes	None	N/A	None
Commercial Paper	5% (**)	A2/P2	12 months
Corporate Bonds	5% (**)	A3/A-	12 months

(*) Fund limits (quality and duration) are based on the fund’s average scores; for maturity, the fund must have an average duration below 3

(**) Single security limit is based on the Foundation’s total AUM; this is a maximum single security and single issuer limit. There is no minimum limit on these holdings.

H. Costs

The costs associated with the management of each asset class shall be reviewed at least annually. It is the portfolio’s objective that the total costs of managing the funds, including the investment advisory fees, shall be equal to or less than the average fees for a similar mix of actively managed mutual funds. Averages from Morningstar Analytical Service shall be used for determining the appropriate average.

I. Communications

Unless otherwise requested, the Advisor must furnish the Investment Committee with a quarterly account review detailing investment performance (time-weighted), portfolio holdings, an investment strategy, costs and fees, and the value of the Investments. The Investment Committee will also receive timely information about changes in investment philosophy, management, ownership, and key personnel of investment vehicles.

Investment Committee meetings will be held at least quarterly.

The Investment Committee may schedule additional meetings if concerns arise about the Advisor's investment strategy or performance of the Investments as well as to review and update the Foundation's Investment Policy.

Appendix: KEY INFORMATION

ORIGINAL INVESTMENT POLICY ADOPTION: May 1990

REVISED: 5/93, 1/97, 5/97, 10/98, 4/01, 12/01, 10/02, 01/05, 04/07, 6/08, 5/10, 4/11, 12/12, 11/16, 5/18, 4/19, 6/20, 10/21, 2/23

IRS TAX IDENTIFICATION: # 20-4264282


CUSTODIAN: FIS/Reliant Trust

INVESTMENT ADVISOR: First Western Trust Bank

Execution

This Investment Policy Statement is hereby approved and adopted on February 1, 2023.

For USA Swimming:

By:  _____

Printed Name: Eric Skufca

Title: Chief Financial Officer

For Advisor:

Advisor: First Western Trust Bank

By:  _____

Printed Name: John Sawyer

Title: Chief Investment Officer