

**QUANTITATIVE STRATEGIES, INC.  
INVESTMENT POLICY STATEMENT**

**Prepared for**

**Presented by**

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## INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between \_\_\_\_\_ (Client), \_\_\_\_\_ its investment advisors (Advisors), and Quantitative Strategies, Inc. (Investment Manager) as to the investment objectives and policies applicable to the Client's investment portfolio.

This IPS has been arrived at upon consideration by the Client of a wide range of policies, and describes the prudent investment process the Client deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

This Investment Policy Statement will:

- Establish reasonable expectations, objectives and guidelines in the investment of the Portfolio's assets.
- Set forth an investment structure detailing permitted asset classes and expected allocation among asset classes.
- Encourage effective communication between Advisors and the Client.
- Create 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 Client.
- Assist the Client in effectively supervising, monitoring and evaluating the management of the Investment Portfolio (Portfolio).

This IPS is not a contract. This IPS is intended to be a summary of an investment philosophy that provides guidance for the Client and Advisors. This IPS is intended to be reviewed periodically and updated in accordance to any substantive changes in the Clients investment outlook or market conditions.

## DUTIES & RESPONSIBILITIES

### The Client

The Client must provide Advisors with all relevant information on financial condition, net worth, and risk tolerances and must notify Advisors promptly of any changes to this information.

The Client will be responsible for:

- Reviewing and maintaining this Investment Policy Statement with the Advisor.
- Prudently selecting a diversified asset allocation, with the help of recommendations by the Advisor.
- Reading and understanding information contained in the prospectus of each investment in the Portfolio.
- Consulting an Attorney with regard to all legal matters concerning the Portfolio.
- Consulting an Accountant with regard to all tax matters concerning the Portfolio.

### Custodian

Custodians are responsible for the safekeeping of the assets. The specific duties and responsibilities of the custodian are:

- Valuing the holdings.
- Collecting all income and dividends.
- Settling all transactions (buy-sell orders).
- Providing monthly reports that detail transactions, cash flows, securities held and their current value.

### **Investment Advisors**

Advisors will be responsible for:

- Working with the Client to select the appropriate strategy.
- The monitoring of the performance of all selected assets.
- Periodically reviewing the suitability of the investments.
- Periodically reviewing Portfolio performance with the Client.
- Being available to meet with the Client as needed.
- Preparing and presenting appropriate reports.

### **Investment Manager**

Quantitative Strategies, Inc. will act as the Investment Manager and is responsible for managing assets according to the terms of the Investment Policy Statement. They will also:

- Monitor and adjust Portfolio allocations.
- Communicate material investment changes or updates to Investment Advisors or Clients.
- Provide reports detailing performance, holdings, and transactions, as needed.

## **INVESTMENT OBJECTIVES**

### **Time Horizon**

The investment guidelines are based upon an investment horizon of greater than five years. The Portfolio's strategic asset allocation is also based on this long-term perspective. Historically, capital values can fluctuate more over shorter holding periods and the possibility of capital loss does exist. However, historical asset class return data suggests that the risk of principal loss may be minimized by holding assets for periods of five years or more.

### **Liquidity**

Assets held are expected to be liquid, trading on organized exchanges with no more than three day settlement.

### **Diversification**

Investment of the funds will be limited to the following categories:

Permitted Investment Categories

- Cash and cash equivalents, including money market funds
- Bonds (corporate, U.S. government, or foreign government)
- Bank certificates of deposit
- Stocks (U.S. and foreign-based companies)
- Pooled investments (mutual funds) that invest primarily in the above categories

Excluded Categories for Investment

- Venture Capital
- Letter Stock, Private Placements or direct payments
- Direct Participation Programs
- Real estate, with the exception of REITS
- Puts, calls, or other options strategies
- Short sales

Minimum Number of Investment Categories

At all times there must be a minimum of three investment categories represented among the plan assets. There will be no maximum limit to the number of categories.

### Rebalancing Procedures

The percentage allocation to each asset class may vary depending upon market conditions and adjustments to the allocation over time. However, the Investment Manager will seek to maintain the same general allocation between equity and fixed income assets to keep relative risk within a range. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the Portfolio.

### Adjustment in Target Allocation

The approved asset allocation indicates an initial target for each broad investment category. From time to time, based on changing economic circumstances and various relative investment opportunities as perceived by Investment Manager, it may be desirable to make changes in the target allocation. The Investment Manager may determine such changes, as long as they are consistent with the objectives and guidelines of the Investment Policy Statement. Subsequent material changes to the Investment Policy Statement must be approved by the Client. When such changes are made, updates will be attached to this Investment Policy Statement as Appendix A, and will be considered part of the Investment Policy Statement.

### Risk Tolerance and Return

Using the method of asset allocation and historical data, Advisors can measure the amount of risk expected in order to achieve various rates of return. Advisors are concerned with avoiding risk in two general areas: risk of loss of principal, and risk in loss of purchasing power due to inflation.

The Client believes long-term investment performance, in large part, is primarily a function of asset class mix. The Client has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

Historically while interest-generating investments, such as bonds, have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting given the Client's long-term time horizon.

Historical data suggests that there is a positive relationship between expected returns and the level of risk. In general, higher returns are associated with higher risk (volatility). Client understands this concept and is willing to accept declines in value. Client selects the following Portfolio strategy (check one):

	Investment Objective (5 yr. holding period)	Estimated potential 12 month loss
<input type="checkbox"/> DEFENSIVE- 20% equity/ 80% fixed income This is a conservative option with a small amount of growth potential.	CPI x 1.7	7.5
<input type="checkbox"/> CONSERVATIVE- 40% equity/ 60% fixed income This is a conservative option with some growth potential.	CPI x 2	10
<input type="checkbox"/> BALANCED- 60% equity/ 40% fixed income This is a balanced option seeking growth.	CPI x 2.3	15
<input type="checkbox"/> GROWTH- 80% equity/ 20% fixed income This is a moderate growth portfolio	CPI x 2.6	20
<input type="checkbox"/> AGG. GROWTH- 95% equity/ 5% fixed income This is an aggressive growth portfolio.	CPI x 3	25

The data above provides estimates of potential declines and Portfolio returns for each strategy based on historical data. There is no guarantee that declines will fall within this range.

## ADOPTION

I/we acknowledge that I/we have received, read, and understand the Investment Policy statement. The selection of the model and according investment philosophy is consistent with my/our long-term goals and objectives. I/we agree with the information contained in the Investment Policy Statement.

Date: \_\_\_\_\_

Financial Advisor Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Client Signature: \_\_\_\_\_

Client Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Name: \_\_\_\_\_

Entity name, if applicable: \_\_\_\_\_