

**Theatre Workshop of Nantucket
Investment Policy Statement
(Adopted by the Board of Trustees, March 11, 2019)**

The investment policies and objectives of Theatre Workshop of Nantucket (“TWN”) are intended to allow for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that encourage prudence and care in the execution of the investment program. In managing TWN’s investable assets (“Portfolio Assets” or “the Assets”) – i.e., assets not needed to fund operations – the Board of Trustees, the Finance Committee, the Investment Committee, and the Investment Manager shall act in good faith and with the same care, skill and diligence, under the circumstances then prevailing, that a prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like goals under similar circumstances.

Investment Objectives

TWN’s overall investment goal shall be to maintain the value of its Portfolio Assets at a level at least equal to that of the previous year after the distribution to TWN – if approved – of a percentage of the Assets to use for capital and/or operating expenses. The distribution percentage (“Distribution Percentage”) shall be reviewed and set annually by the Board of Trustees.

Return on Investment

TWN’s return on investment shall be based on a level of investment risk that is prudent and reasonable given prevailing capital market conditions. Although TWN understands the importance of preservation of capital, it also recognizes that varying degrees of investment risk may be rewarded with commensurate returns; and thus prudent risk-taking may be warranted and justifiable.

Investment Management Structure

In compliance with TWN’s Bylaws, the Finance Committee shall inform and advise the Board of Trustees (“the Board”) on all matters relating to the investment policies and procedures set forth herein, including the actions, reports and recommendations of the Investment Committee and Investment Manager. All investment supervision is the responsibility of the Finance Committee.

Investment Committee

An Investment Committee (“the Committee”), appointed by the Finance Committee, shall review, evaluate, provide recommendations and report to the Finance Committee and the Board, no less than annually, on the investment policies set forth herein and provide oversight on the management of the Assets. No less than quarterly, the Committee shall review the Investment Manager’s performance and its compliance with the scope and terms of its authority. The Committee shall make a reasonable effort to verify facts relevant to the investment and management of the Assets and report its findings to the Finance Committee and the Board.

Investment Policies

The policies and procedures of TWN's investment program shall guide its implementation and outline the specific responsibilities of the Finance Committee, the Investment Committee and the Investment Manager. The policies are based on TWN's investment objectives, including the Distribution Percentage, asset allocation, and other factors, including but not limited to:

- TWN's total assets and other resources
- The long-term capital market outlook and general economic conditions
- The Committee's risk tolerance
- The expected total return from income and appreciation of the investments
- Future income and appreciation required to fund annual spending, including the need to make distributions while preserving capital
- The possible effect of inflation and deflation
- The role that each investment or course of action plays within the overall investment portfolio
- An asset's special character in relation to TWN's mission and values
- Fees and other expenses of the Investment Manager

The Committee shall determine the allocation of TWN's Assets in conformity with the long-term Asset Allocation Guidelines set forth below. These long-term Asset Allocation Guidelines are expressed in terms of targets and ranges for each asset class to provide sufficient flexibility to take advantage of short-term market opportunities as they may occur.

Costs

The Committee shall ensure that TWN's Assets are managed at a cost that is reasonable and appropriate in relation to TWN's total assets, TWN's mission and values, prevailing financial industry norms, and the skills available. Such costs shall include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs. In determining whether to approve payment of these costs, the Committee, in consultation with the Investment Manager, shall consider various factors, including but not limited to:

- The duration and preservation of TWN's Assets
- TWN's mission and values
- The expected long-term capital market outlook and general economic conditions
- The expected total return from income and appreciation of investments
- The possible effect of inflation and deflation
- TWN's other resources, including expected new infusions of capital

Investment Manager

If and when the Committee determines that professional management of the Assets is necessary, the Committee shall recommend an Investment Manager (or managers) to the Finance Committee and the Board for final approval, confirming the absence of any conflicts; approving the formal contract establishing the scope and terms of the Investment

Manager's authority; and confirming that the delegation of such authority is consistent with TWN's investment objectives. If no Investment Manager is appointed, the Committee may manage the Assets in accordance with this Investment Policy Statement.

New Assets

Within a reasonable time after the receipt of additional assets, the Committee shall decide whether to retain or liquidate such assets, or rebalance the portfolio to bring TWN's Assets into conformity with the requirements of this Investment Policy Statement.

Distribution Percentage

If the Finance Committee determines that circumstances require it, it may recommend for Board approval an annual (or a one-time) withdrawal of a portion of Portfolio Assets to fund operations. The amount of any withdrawal shall not exceed 4% of the average value of the portfolio over the prior three years. In case of a financial emergency, as defined by the Finance Committee, the Finance Committee may recommend for Board approval the withdrawal of up to 25% of the Assets; however, no more than a single such large withdrawal shall be authorized in any one calendar year.

Committee Review

Periodically, but at least every two years, the Committee shall review the long-term asset allocation and current capital market conditions to determine whether the projected returns of the current asset mix will achieve TWN's long-term goals. The Portfolio Assets shall be sufficiently diversified to maintain a reasonable level of risk as determined by the Committee.

At least annually, and more often if needed, the Committee shall review TWN's specific investments to ensure that TWN's long-term asset allocation is still appropriate and is being met. With input from the Investment Manager, the Committee shall determine appropriate benchmarks to measure the manager's performance; monitor investment returns; meet with the Investment Manager; and report its findings to the Finance Committee and the Board.

Long-Term Asset Allocation Guidelines

The Committee has adopted the following long-term Asset Allocation Guidelines:

<u>Asset Class</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Cash & Equivalents	15%	5%	50%
Domestic Equities	40%	20%	60%
International Equities	10%	0%	15%
Fixed Income	35%	10%	60%
Alternative Investments	0%	0%	10%

From time to time depending on market conditions, the Committee may change these targets and ranges, especially if and when the market values of asset classes drift outside the required ranges. The Committee may allow the Investment Manager to change the asset mix within the required ranges to increase investment returns and/or reduce risk.

Asset Class Definitions

Cash & Equivalents. Cash, bank deposits, short term certificates of deposit, commercial paper, banker's acceptances, money market funds and short-term debt instruments, including but not limited to treasury bills and notes – as well as mutual funds and ETFs that invest in these instruments – all of which are highly liquid and involve minimal principal risk.

Domestic Equities. Equities, including common or preferred stock, representing shares of ownership in companies, trusts or partnerships that are domiciled in the United States and traded on U.S. public markets – as well as mutual funds and ETFs that invest in these instruments.

International Equities. Equities, including common or preferred stock, representing shares of ownership in companies, trusts or partnerships that are domiciled outside the United States and traded either on U.S. public markets or on foreign markets – as well as mutual funds and ETFs that invest in these instruments.

Fixed Income. Debt securities, including debentures, bonds, deposits or notes, generally issued for a fixed term and generating defined payments of interest as well as the return of principal at maturity. Debt securities may or may not be secured by collateral and may be issued by the U.S. government and its agencies, state governments and municipalities, and U. S. corporations – as well as mutual funds and ETFs that invest in these instruments.

Alternative Investments. Investments intended to raise portfolio returns and/or lower total volatility. Examples include diversified mutual funds, ETFs, fund of funds vehicles, absolute return strategies, private equity, hedge funds, real estate, and commodities.

Performance Objectives

Investment returns will be calculated by the Investment Manager and reported at least quarterly. Because capital markets fluctuate, and given TWN's investment objectives and Distribution Percentage, investment performance in relation to objectives will be judged over rolling three-year periods. The performance objectives over all periods shall to avoid losses, achieve real returns greater than inflation, and exceed the blended portfolio benchmark. The blended portfolio benchmark shall be set by the Committee in consultation with the Investment Manager and will be based on the target, long-term Asset Allocation Guidelines stated above.

Investment Manager Guidelines

Security selection, purchases and sales, and implementation of investment strategies are delegated to the discretion of the Investment Manager, subject to compliance with this Investment Policy Statement. Management and investment decisions about individual assets shall be made not in isolation but in relation to TWN's total investment portfolio and investment objectives. In addition to the general standard of care for investing and managing the assets of a non-profit organization, the Investment Manager shall exercise reasonable care to comply with the scope and terms of investment and management

authority delegated to it.

Purchases of the following types of securities and transactions are prohibited without written consent from the Committee:

- Private placements
- Hedged or unhedged options
- Short sales
- Margin transactions
- Unlisted real estate investment trusts, unlisted limited partnerships
- Venture capital investments
- Transactions that involve a broker acting as a principal where the broker is also the Investment Manager who is ordering the transaction

The Investment Manager shall execute all transactions at a reasonable cost, taking into consideration prevailing market conditions and services and research provided.

Proxy voting is delegated to the Investment Manager.

U.S. and International Equities. The Investment Manager is responsible for stock selection and diversification, but shall not dedicate more than 5% of the portfolio, based on cost, to any single security or 30% of the portfolio to any single industry sector. No industry sector weight should exceed 1.5 times that of the benchmark index of the Standard and Poor's/Russell industry sector classification without prior written consent of the Committee. Diversification will be implemented by security, industry, and sector.

Fixed Income. A substantial majority of fixed income securities purchased for the portfolio shall have an investment grade rating of BBB/Baa or better. For an issue with a split rating, the higher quality designation shall govern. In the event of a rating downgrade, the Investment Manager may use his or her judgment to determine whether to hold or sell the security. Convertible bonds and preferred securities may be purchased. No Fixed Income instrument may be purchased that would cause it to exceed 5% of the issue outstanding; and except for securities of the U.S. government and its agencies, no more than 10% of the portfolio shall be invested in the securities of any single issuer. Generally, investments in fixed income instruments shall be made using commingled fund vehicles such as mutual funds and ETFs.

Review and Modification of Investment Policy Statement

From time to time but at least every two years, the Committee shall review this Investment Policy Statement to determine whether modifications are necessary or desirable, either due to operational problems that have become apparent during the investment management process, changes in economic prospects, or TWN's overall financial condition. Recommendations for changes shall be made to the Finance Committee for review and submitted to the Board for final approval – provided, however, that the Committee may make modifications to the long-term asset allocation guidelines without prior approval.