

Investment Committee Report January 2017

Members: Stewart Morris Jr. (chair), Lowell Larson, Dale DeHaan

The CMA Investment Committee suggestion to the CMA Board: The CMA should consider setting a 5-year average annual investment fund growth target using a formula of inflation plus 5% as approved by the board.

Investment Fund Growth Rational: It would be wise for the CMA to set an investment fund growth target with a strategy to achieve that growth enabling the CMA to grow its efforts to achieve its mission.

Strategy For Investment Fund Growth:

1. Set a target 5% investment fund growth over inflation which has recently been about 2%. The target growth of the fund for 2017 would therefore be 7%.
2. Achieve the growth target using a combination of the following 3 methods:
 - A. Increase the investment fund size as we are able from cash flow of investment portfolio cash yield (revenue) in excess of current budgeted CMA operating cash needs and investment advisor fees (1% of the fund). Formula: Fund growth = Fund Cash Yield – (CMA cash withdrawals + advisor fees). In 2016 the excess was about \$1000 therefore we spent less than the cash flow from our investments which may not always be the case.
 - B. Grow the market value of investments as achieved by John Howell, our USCA investment advisor. In 2016 our investment fund value grew \$34K or 5% which is exceptionally high for one year.
 - C. Annual contributions from 100% participation by directors/advisors and the public. The contributions/gifts would be allocated as directed by the donor, but guided by CMA gift requests for special projects/equipment purchases as well as for growth of the investment fund.

Discussion: The CMA has a vision for its purposeful activity and a budget for the cash needed for CMA ops (pay the bills) and spend on projects/equipment/etc. Growth of the investment fund can open the opportunity to do more to achieve the CMA purpose thru higher cash flow from a larger investment fund. Therefore it seems that 7% growth target for the investment fund and a strategy using the 3 methods described above to achieve it is a good thing to grow the CMA activity. Investment fund performance is always key to the ability of the CMA to achieve its purpose, planned activity and to pay the bills.

Contributions clearly are an enabler to CMA activity. Gifts can be directed by the contributor on the CMA contribution form to be used for the fund growth, ops, projects, etc. It is important for the CMA to ask for contributions for investment fund growth, special projects and specified acquisitions. Growth of the investment fund can bring higher cash yield which can enable the CMA to do more things out of normal cash flow to achieve its purpose.