

THE AMERICAN CLUB SINGAPORE

EXTRAORDINARY GENERAL MEETING - JUNE 3, 2015

A statement from the General Committee addressing the Member Resolution 2b

Dear Members,

A brief history of the approach to managing The Club's reserves

- In 1997, the General Committee (GC) created the Investment Sub-Committee (ISC) and approved The Club's first investment policy and asset allocation strategy with long-term growth as its core objective. Those capital funds were allocated to separate fund managers who were each chosen for expertise with a particular asset class.
- The members of the ISC are volunteers and the Club has neither the manpower nor the expertise to manage these funds on its own. As the reserves grew gradually over the years, it was felt that The Club would benefit from the appointment of a professional manager that would be able to accord the necessary attention and expertise for the management these funds.
- In response, the ISC recommended a new approach to the GC. A revised investment policy was developed which still mandated long-term capital growth as its core objective. An overall Investment Manager would be appointed with discretionary management authority and the mandate to manage the Club portfolio within the asset allocation guidelines and risk management indicators of The Club's Investment policy approved by the GC and specified in Chapter 26 of the Club Bylaws.
- An RFP was issued in late 2005 and in March 2006, the GC approved the recommendation of the ISC and appointed Morgan Stanley as the overall Investment Manager.
- As part of good governance, another RFP was issued in 2009 and in July 2010, the GC approved the recommendation of the ISC and appointed JP Morgan to take over the management of the Club's portfolio.
- The GC feels that the refinements made to the approach to managing The Club's reserves over the years have increased the professionalism of its approach and improved its fiduciary responsibilities to Members.

Accounting for and auditing the investment portfolio

- The Club's reserves are primarily held in an investment portfolio managed by a GC-appointed Investment Manager, with oversight from the ISC. The ISC comprises of Members with investment background. The role of the ISC is defined in the Bylaws (Chapter 24.2), namely to oversee the implementation of, and make recommendations to the FC and the GC for updates and modifications to, the investment policy of the Club.
- The Club Capital Fund totalled \$104,258,313 as at FY2014, making up 91% of The Club's total assets on Balance Sheet. The audit of the Capital Fund forms an integral part of the annual external audit and The Club has received an unqualified opinion on its statutory accounts for the years 2006 to 2014 as well as the years prior to that.
- The Investment Manager is appointed by the GC based upon the recommendation of the ISC after a thorough RFP where investment firms of international repute are invited to participate. The screening and selection process entail presentations to and interview sessions with the ISC. In its selection process, the ISC places value on firms that not only have extensive experience managing the reserves of not-for-profit organizations, but also understand The Club's desire to achieve healthy investment returns over the long term through an active risk management approach. The GC, FC and ISC Members believe this disciplined approach will add the most value to our portfolio over a full market cycle.
- The external auditors are appointed by vote at the Annual General Meeting based on a recommendation by the GC and the FC. A thorough RFP is conducted at least every 5 years. Both local and international accounting firms are invited to participate in the RFP and the FC selection criteria prioritizes the selection of firms of solid repute that have good experience handling the external audits of not-for-profit organizations with a Committee structure.
- The investment transactions reported in The Club accounts have been audited in the course of the annual external audit every year, including the years 2006 to 2014. They will again be included in the coverage of the external audit for FY2015 before the audited statutory accounts are circulated to the membership and tabled for approval at the November 2015 AGM.
- In their audit of the Club's investments, the appointed auditor verifies the value of the portfolio through independent confirmation, reviews the portfolio valuation basis (fair value hierarchy) with the Investment Manager and verifies the realized and unrealized portfolio exchange losses. Reliance is placed on the audited report of the total fund as provided by the Investment Manager.
- The Club portfolio has been managed by JP Morgan since 2011. As at FY2014, the portfolio totalled \$87,096,603, making up 84% of The Club's total Capital Fund. The portfolio comprises approximately \$3,396,038 or 4% Cash Holdings, with the remaining balance primarily invested in Global Fixed Income and the Balanced Plus Asia Segregated portfolio

(GAP). GAP is a multi-currency fund with an asset allocation mix that fits within The Club's Investment Policy guidelines.

- As at FY2014, The Club investment makes up 41% of GAP, which is one of 5 funds within the Global Access Master SPC Ltd fund managed by JP Morgan. As a % of the Global Access Master SPC Ltd fund, The Club's investment makes up only 5% of total. It is thus neither cost viable nor feasible nor considered necessary by the Members of the Finance Committee and Investment Committee, for The Club to engage a firm to conduct an independent audit of these funds.
- The Global Access Master SPC Ltd fund was audited by Price Waterhouse Coopers.
- A copy of the audited financial statements has been forwarded to The Club and is available for review by Members that are interested. More details on the detailed investment holdings within the GAP fund are also available from the GAP Fact Sheet and this is also available from the Management office. The availability of this report is communicated to Members on the Club website.

Roles and Responsibilities of the Finance Committee/Audit Committee

The composition and role of the Finance Committee (FC) is specified in Bylaws Chapter 23.3. The role includes the following aspects, amongst others:

- Review of the approved operating and capital budgets on an ongoing basis and reporting of significant financial trends to the General Committee;
- Review of the financial performance of the Club on an ongoing basis and reporting of financial results to the General Committee;
- Liaison between Management, Financial Controller and Club Accountant and the external auditors;
- The FC provides oversight for all financial matters of The Club, including the review of and development of financial policies with Management, regular review of Club financial performance and key indicators, as well as the Annual Budget. Any trends or issues of concern are presented by the Treasurer to the GC. Additionally, the FC is kept abreast of all key discussions and recommendations of the ISC.
- The FC performs the role of the Audit Committee as it is the liaison between Management and the external auditors. Each year, the Treasurer, representing the Finance/Audit Committee, meets with the external auditors pre-audit, to update on significant events and key operational changes that have occurred during the year, as well as to flag areas of concern, if any. At the end of each audit, the external auditors present their observations and findings to the Audit Committee at an FC meeting, which includes an executive session where Management is not in attendance.

- The FC comprises of the Treasurer and up to 10 Members, most of whom have extensive Finance background. Currently the membership profile of FC Members is as follows:

Membership Category	Years as Member
Ordinary	15
Ordinary	19
Ordinary	31
Ordinary	17
Ordinary	1
Service	7
Associate	32
Associate	8

- The GC believes that this mix of FC Member profiles provides a good representation of the membership for the role of providing oversight for Club financial matters.

As agreed to by:

The General Committee:

Scott Weber

Paula Day

William Scarborough

Carolyn Chan

Ashok K. Lalwani

BB Low

Bill Bowman

Diane Knox

Fred Koch

Joseph Mullinix

Kristen Graff

Phua Swee Leng

Richard Hartung

Sandra Johnson

Sally Greene

Stephanie Nash

Connie Hsia

Carrie Howe

President

Vice President

Treasurer

Secretary

The Investment Sub Committee:

Bryan Henning

Stephen Davies

Kevin Murphy

Laurel Sweener

Leslie Menkes

Rick Barry

Michael Sebastian

Chair

Vice Chair