



COMMUNITY
FOUNDATION
of Northeast Alabama

Investment Policy

INVESTMENT POLICY

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INVESTMENT POLICY

I. Community Foundation

The Community Foundation of Northeast Alabama is an Alabama Trust and qualified 501(c)(3) public charity operating in corporate form under a 1998 Order and Judgment from the Circuit Court of Calhoun County, which was endorsed by the Office of the Alabama Attorney General and a Letter Ruling issued by the Internal Revenue Service.

II. Mission Statement

The mission of the Community Foundation of Northeast Alabama is *to achieve positive change through the generosity of donors, now and for generations to come.*

III. Scope

This *Investment Policy* applies to all assets under the supervision of the Community Foundation of Northeast Alabama Board of Trustees (hereinafter “the Board”). The Board has the power to retain, invest, and reinvest assets and the power to commingle assets for investment purposes with those of other funds or the Foundation’s general assets in such manner as the Foundation shall in its discretion determine.

The Foundation may hold reasonable sums in cash for any period of time and may invest in properties of every kind and description, real or personal, tangible or intangible, without limitation; provided, however, that in making investments, the Foundation shall exercise the judgment and care, under the circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital.

The Foundation may invest in Program Related Investments (PRI’s) and/or Mission Related Investments (MRI’s) that align with, and enhance the outcomes of, the Foundation’s mission and programs. PRI and MRI investments are not required to achieve market rates of return.

The Foundation may hire any number of investment advisors to achieve its investment purposes.

Unless noted elsewhere in this Investment Policy the remaining contents of this Investment Policy specifically apply to the assets placed with investment advisor(s) that exercise authority as an agent.

IV. Preamble

The Board of Trustees has sole ownership and control as the fiduciary responsible for the Community Foundation’s assets for the purpose of carrying out its charitable mission. The Foundation’s *Investment Policy* (hereinafter “the Policy”) is adopted to assist in financially supporting its public benefit to the region.

V. Delegation

The Board has delegated certain responsibilities to the Finance and Investment Committee (hereinafter "FIC"); however, the Board has final authority and ultimate responsibility for the assets and fiscal practices of the Foundation. The FIC is responsible for regularly reporting on investments to the full Board. In carrying out its responsibilities, the FIC and the investment agents will act in accordance with this Policy and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise this Policy, or to grant a waiver therefrom for good cause.

The FIC shall make recommendations to the Board regarding the hiring, compensation and termination of investment advisors(s) to invest and manage the custody of funds and assets owned or administered by the Foundation, but the Board shall make all such decisions after due consideration of the FIC recommendation(s). In discharging its duties, the FIC shall have the powers and responsibilities set out in the *Finance and Investment Committee Responsibilities and Guidelines* adopted by the Board and as may be amended from time to time.

VI. Investment Objectives

This Investment Policy provides for five distinct and separate investment objectives (Pools) to accommodate the differing time horizons and risk and return requirements needed for each of the Pools. Each Pool has a separate asset allocation strategy. The strategies for each Pool are prescribed in Appendix A.

Income Pool

The primary investment objective of the Income Pool is to provide preservation of principal. This Pool may experience some reduction of purchasing power over time due to inflation. This Pool is appropriate for non-endowed funds that have a time horizon that is three or more years. This Pool will most likely experience moderate fluctuations to principal. For performance evaluation purposes, the FIC will track the trailing returns compared to the "Conservative Allocation" reference point as compiled by Morningstar and more fully described in the Due Diligence Policy section of this Investment Policy.

To assist the Foundation in gauging the success of the return on investments, the Foundation shall employ as its investment goal the following rate of return formula:

Nominal Net of Fee Time-Weighted Return - CPI = Rate (4.00%)

Growth Income Pool

The primary investment objective of the Growth Income Pool is to provide returns that exceed the required fixed dollar annuity payments for the charitable gift annuities over the expected life expectancies of the annuitants. This Pool may experience some reduction of purchasing power over time due to inflation. This Pool is also generally appropriate for non-endowed funds that have a time horizon of greater than five years.

For performance evaluation purposes, the FIC will track trailing three- and five-year period trailing returns compared to the "Conservative Allocation" reference point as compiled by Morningstar

and more fully described in the Due Diligence Policy section of this Investment Policy.

To assist the Foundation in gauging the success of the return on investments, the Foundation shall employ as its investment goal the following rate of return formula:

Nominal Net of Fee Time-Weighted Return - CPI = Rate (5.00%)

Long Term Pool

The primary investment objective of the Long Term Pool is to provide a relatively stable, inflation adjusted, annual payout to support the Foundation's defined spending rate. There will be some inevitable volatility in principal value in this Pool, but it may offer the potential for a sustainable payout plus inflation protection over the long term. The long term goal of the Foundation is to ensure endowed funds last forever.

The secondary investment objective is to provide a predictable and growing stream of funding to Foundation beneficiaries by allocating the total earnings from endowed funds between current spending and reinvestment for future earnings. All fund distributions must conform to the Foundation's charitable purposes and support donor intentions congruent with the Foundation's mission.

To assist the Foundation in gauging the success of the return on investments, the Foundation shall employ as its investment minimum rate of return goal the following formula:

Nominal Net of Fee Time-Weighted Return - CPI = Spending Rate (3.75%) + Average Administrative Fee (2.00%)

The target return is measured based on a trailing five-year annualized return. This is the time period used to gauge whether or not the Pool is meeting its objective. The return in any individual period may be more or less than the target. The probability of success of achieving the minimum return goal increases as the length of the evaluation period increases. It is anticipated that there will be periods of time where the five-year trailing calculation will be below the minimum return goal. There must be a tolerance for these periods in order to remain with the long term strategy and not change at inopportune times.

ESG Pool

The ESG Pool is an investment allocation that is sensitive to environmental, social and governance (ESG) issues and follows socially responsible investment strategies. This Pool will have approximately the same overall stock/bond allocation as the Long Term Pool, and will use the same evaluation reference points.

Note that returns of the ESG oriented strategy will likely vary somewhat from those of the Long Term Pool.

SRI Pool

The SRI Pool is a portfolio that seeks to achieve a financial return while investing in mutual funds and ETFs that screen for companies with socially responsible principles. The Pool will have

approximately the same overall stock/bond allocation as the Long Term Pool, and will use the same evaluation reference points.

Note that returns of the SRI oriented strategy will likely vary somewhat from those of the Long Term Pool.

VII. Investment Overview

The Investment Policy is established for the investment of assets owned, held and managed by the Foundation.

The Foundation's assets may be invested in publicly traded equities, fixed income, and cash equivalents, and any other assets or funds specifically approved by the Board. One or more outside investment advisors selected by the Foundation may manage the assets. The investment advisors(s) are required to invest the assigned assets in accordance with the *Investment Policy*. Failure to implement this Investment Policy will result in the removal or replacement of a fiduciary or advisor. Appendix B defines the detailed overview for Donor Recommended Investment Managers.

The Foundation's Investment Policy shall:

- ✓ Set the Foundation's investment objectives and tolerance to risk.
- ✓ Establish a clear understanding with any investment advisor(s) or custodian(s) employed to hold, invest or take custody of Foundation assets.
- ✓ Provide guidance and limitations in the investment of assets.
- ✓ Provide a meaningful basis for the evaluation of the investment performance of the investment advisor(s).

It is intended that the Investment Policy provide meaningful guidance without being overly restrictive in light of changing economic, business, and investment market conditions.

VIII. Investment Advisors

Advisors are expected to follow the prudent investor's guidelines that are widely used in the investment management industry. These include, but are not limited to, fiduciary standards described in the Uniform Prudent Investor Act (UPIA), the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and by the CFA Institute. As fiduciaries, all advisors are expected to uphold the highest ethical standards and to carry out their investment responsibilities in order to promote the best interest of the Community Foundation.

- A. Advisors are agents of the Foundation and are held to the duty as defined in applicable state and federal law. Failure to fulfill this obligation or to commit any act of malfeasance will result in the replacement or removal of an investment advisor. Additional legal actions by the Foundation may also apply.

B. The advisor is the primary source of investment education and investment manager information. On an ongoing basis the advisor will:

1. Per SEC requirements, notify the FIC of any material information that could affect the advisory relationship or impact the advisor's ability to effectively carry out its obligations to the Community Foundation.

a. Under Section 206 of the Federal Investment Advisor's Act, advisors have an affirmative obligation of utmost good faith and full disclosure of all material facts to their clients. This includes the requirement that the advisor will promptly disclose to clients any event or condition that is reasonably likely to impair the ability of the advisor to meet contractual commitments to the clients. This also includes promptly disclosing to the clients any legal or disciplinary events that are material to an evaluation of the advisor's integrity. Therefore, the Advisor's Act would require that we promptly disclose to our clients the following:

1. A financial condition of the Advisor that might hamper its ability to conduct its business.
2. A legal or disciplinary action against the firm.
3. A legal or disciplinary action against a registered representative of the firm.

In other words, any event that is material to a client's evaluation of our business or integrity of our management.

2. Provide the FIC with quarterly performance reports. This report will measure performance of the Pools and each manager within the Pools, with comparisons to benchmarks and reference points as described in the Due Diligence Policy section. Also, this report will illustrate actual asset allocations as compared to the targets set by this Investment Policy.
3. Report to the FIC quarterly, or as requested.
4. Monitor the activities of each investment manager or investment fund.
5. Provide the FIC with an annual review of this Investment Policy, including an assessment of the Foundation's current asset allocations, spending policy, investment objectives, and risk tolerance. Although the advisor does not vote proxies for its clients, the mutual fund companies are required to have a proxy voting policy in place for its shareholders.
6. Attending meetings in person or via conference with the FIC and staff as requested.
7. Execute all transactions in the best interests of the Community Foundation with a brokerage/custodial firm chosen in consultation with the Community Foundation.

IX. Investment Guidelines

A. Discretion. The advisor shall supervise and direct the investment of the Pools as

specified in this Investment Policy. Supervision is continuous, with limited discretion. Limited discretion means that the advisor is responsible for assessing the appropriateness of asset allocation strategies but does not have discretion to change the strategy without the FIC's approval. The advisor has discretion and is required to rebalance the Pools to maintain the asset allocation using the methodology approved by the advisor's Investment Committee. The advisor also has discretion to change managers as required by the Due Diligence Policy described in this Investment Policy.

- B. Liquidity. Sufficient liquidity shall be maintained to fund grants, scholarships and fees. The Foundation's authorized representative will notify the investment advisor(s) in writing as needed. When major withdrawals become necessary, the Foundation will notify the investment advisor(s) as far in advance as practical under the circumstances to allow them sufficient time to build up necessary liquid reserves. The investment advisor(s) will be expected to review the cash flow requirements with the Foundation as requested.
- C. Pools. The Foundation's assets shall be invested in accordance with three (3) investment pools based on the objectives of endowed and non-endowed funds.
- D. Allocations. The equity and fixed income allocations shall be comprised of diversified sub-allocations appropriate to the investment objectives of each pool as defined in **Appendix A**.
- E. Rebalancing Bands. The FIC recognizes that significant capital market movements, as well as relative manager performance, can lead to the asset allocation moving beyond the allowable bands. The advisor shall monitor the effectiveness of the asset allocation targets and ensure that the allocations are staying within the established rebalancing bands.
- F. Due Diligence Policy. For an asset allocation strategy to be effective, each asset class must be represented by using a manager (or managers) that will best represent the class objective. Otherwise, the results will most likely be different than anticipated. This is particularly true during times of adversity or crisis. A qualifying manager must be a registered investment advisor under the Investment Advisors Act of 1940. The advisor will decide which managers to use based upon their particular contribution to each Pool.

A rigorous research process, composed of both quantitative and qualitative review, is used to identify managers for strategy implementation.

Quantitative Analysis

The quantitative analysis narrows a large universe of qualifying managers into a small group of candidates. Managers who pass this phase of the research process have characteristics which give them a better likelihood of stronger future performance based on criteria outlined below. The goal is not to chase returns, but to select the funds with the best likelihood of success going forward. A *returns based style analysis* and a *holdings based analysis* are performed where helpful in establishing an accurate asset class fit.

Qualitative Analysis

The qualitative analysis involves an in-depth review of the management company and its history. A review of historical portfolios will be used to ascertain the true style and risk posture of the manager over time. Personal interviews and on-site office visits are made, when appropriate. Existing and potential new managers are continuously monitored/researched in an attempt to identify the best managers for strategy implementation.

The research process involves first an evaluation of fund families to identify superior families, followed by an analysis comparing the individual managers of the approved fund families in each asset class.

Fund Family Analysis

Each of the approved fund families will be reevaluated on a periodic basis. The analysis will include ranking a broad range of fund families as well as major ETF providers based on returns relative to peer universes. This performance ranking will focus on both open and terminated funds to get a full understanding of the success of the fund family as a whole over time, not just of the fund family's current offerings. We will compare performance ranking of each fund within each fund family amongst each particular fund's peer universe. These rankings will be averaged across each fund family's overall individual fund lineup. Only share classes which do not assess 12b-1 fees and only specific management mandates (not broad based fund-of-funds or target date funds) will be included. Fund share classes with 12b-1 fees will be eliminated to ensure comparisons of most competitively priced funds from each fund family being evaluated. Top fund families will then be compared based on factors such as their competitive cost structure, appropriate level of analytical talent, corporate culture, focus on long-term fundamentals, percentage of terminated/merged funds, and other intangibles.

Only when deemed necessary to obtain appropriate exposure to a desired asset class will we then look outside our list of identified superior fund families. For example, where funds within superior fund families do not provide the appropriate exposure targeted it may be necessary to utilize the best available fund from another fund family.

Individual Manager Analysis

Individual funds are selected from the approved fund families mainly on the basis of the style of manager(s) which is most appropriate in terms of constructing the target model portfolio. The manager(s) selected within each asset class should provide the appropriate level of diversification and style purity with the best likelihood of providing optimal performance after the hire date. While analysis will vary by asset class, the goal is to utilize funds from the particular superior fund families which provide strengths most relevant to the asset class being evaluated. Managers will be regularly evaluated for style drift and competitive cost structure.

Short Term Reserve Management Policy

From time to time the Foundation may maintain large cash balances in reserve for future needs and contingencies. The advisor is authorized to manage these reserves for enhanced yields consistent with a conservative cash management policy. To manage credit risk, instruments used for cash management will be limited to the following:

- Money Market Mutual Funds or cash alternatives such as bank deposit accounts and "ultrashort bond funds"
- Government issues (known as "Treasuries")
- Government-Sponsored Enterprise Securities (known as "Agencies"), such as Farm Credit System, Federal Home Loan Bank System, Federal National Mortgage Association, some of which are not explicitly backed by the full faith and credit of the U.S. Government.
- FDIC insured Certificates of Deposit, to be bought in increments up to the maximum insured limit per bank to assure insurance coverage and only at banks rated 165 ("Excellent") or higher, as rated by the *Bank Financial Quarterly*, issued by IDC Financial Publishing, Inc.

With the possible exception of the "ultra-short bond funds", no instrument will have a maturity at issue, or remaining maturity at purchase, of greater than twelve months. Generally, and depending upon the specific liquidity needs of the Foundation, a ladder strategy may be employed to further manage interest rate risk.

G. Restricted Investments. When selecting mutual funds and exchange-traded funds (ETFs), the advisor will use due diligence criteria prescribed in this Investment Policy (mutual funds and ETFs will be referred to as "managers" unless specifically referenced).

No "illiquid" investments, such as private placements, limited partnerships, and hedge fund vehicles (among others) may be purchased by the advisor without the recommendation of the FIC and approval of the Board.

Any investment vehicles, except those chosen by the advisor and subject to the due diligence criteria in the Investment Policy, whose investment objective predominantly involves any of the following may not be purchased:

1. Short sales
2. Margin purchase or other lending or borrowing
3. Derivatives
4. Security loans
5. Warrants
6. Futures or Options
7. Limited Partnerships
8. Hedge Funds

There are exceptions where these approaches are helpful in achieving basic exposure to the targeted category. For example:

1. Commodity exposure is best obtained through derivative contracts as these achieve exposure to commodity returns without risk of receipt of underlying commodities.
2. While bond funds will always focus on investment grade mandates, sometimes derivative contracts provide more liquid and economical exposure. Derivatives will be used by funds but the target will be to achieve overall non-levered exposure.
3. Certain funds, particularly "index" or other "efficient market based" funds

sometimes lend securities on a fully collateralized basis to generate additional revenues for fund shareholders. In most cases this accrues to the benefit of fund shareholders and thus is viewed as a relatively safe way to generate incremental additional returns.

X. Reporting Requirements

A. Monthly. The investment advisor(s) will provide the Foundation's authorized representative with a monthly statement containing all pertinent transaction details for each separately managed investment pools for the preceding month, including:

1. The name and quantity of each security purchased or sold, with the price and transaction date and the realized gain or loss;
2. A summary for each security including its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market; and
3. A summary of each investment pool's current asset allocation by investment category (equities, fixed-income securities, and cash reserves).

B. Quarterly.

1. The investment advisor(s) and/or custodian(s) shall provide the Foundation detailed information in writing at least one week prior to the FIC's quarterly meeting about (1)) asset allocation, (2) investment performance, (3) future investment strategies, (4) rebalancing objectives, and (5) any other investment matters. The investment advisor(s) will discuss the quarterly report via in person or conference call at each FIC quarterly meeting. The investment advisor shall provide an in-person meeting no less than once per year.
2. Annual, fiscal or quarterly reports are to reflect the term and dates of the actual previous quarter. Reports may not cover fractional terms or dates extending beyond a quarter.
3. Information, reports and statements can be delivered at the advisor's expense in hardcopy or electronic format.

C. Annually.

1. Provide the FIC with an annual review of this Investment Policy, including an assessment of the Foundation's current asset allocations, spending policy, and investment objectives.
2. Supply the FIC with other reports or information as reasonably requested.
3. The investment advisor(s) shall provide the Foundation's accounting firm with a separate fiscal year-end report for conducting the annual audit. The report is to be delivered directly to the designated accounting firm.

XI. Cash Distribution Requirements

The Foundation will be responsible for advising the investment advisor(s) in a timely manner of the Foundation's cash distribution requirements from any managed account or fund. The

investment advisor(s) is responsible for providing adequate liquidity to meet the Foundation's cash flow requirements in accordance with the Foundation's Spending Policy.

The Foundation's authorized representative shall inform the investment advisor(s) of transfers between the investment pools on an as needed basis.

XII. Investment Review

Performance results for the investment advisor(s) will be measured on a quarterly basis and reported to the FIC and Board of Trustees quarterly. Performance will be calculated on time-weighted rate of return, net of investment fees.

Benchmarks and Reference Points

Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the managers used to implement the allocation. To measure the success of the allocation strategy, the FIC will use both domestic and global stock/bond mixes, as well as a Equity Biased Growth Allocation Reference Point and Conservative Allocation Reference Point. These benchmarks are described below.

Domestic and Global Stock/Bond Mixes:

The domestic and global stock/bond mixes are comprised of the same ratio of equity to fixed income as that of the Pool's long term allocation targets (77% equity and 23% fixed income), growth income allocation targets (51.5% equity and 48.5% fixed income), and income allocation targets (37% equity and 63% fixed income). These mixes are derived from the indices described below. Monthly rebalancing is assumed. The performance of the equity/fixed income mixes is presented net of the average annual ETF and index fund expense ratio, prorated monthly.

For the Long Term Pool Allocation:

77/23 Domestic Stock Domestic Taxable Bond Mix

- 77% Wilshire 5000 Total Market Index
- 23% Barclays Capital Aggregate Bond Index

77/23 Global Stock Global Taxable Bond Mix

- 77% S&P Global Broad Market Index
- 23% Barclays Capital Global Aggregate Index

For the Growth Income Allocation:

51.5/48.5 Domestic Stock Domestic Taxable Bond Mix

- 51.5% Wilshire 5000 Total Market Index
- 48.5% Barclays Capital Aggregate Bond Index

51.5/48.5 Global Stock Global Taxable Bond Mix

- 51.5% S&P Global Broad Market Index
- 48.5% Barclays Capital Global Aggregate Index

For the Income Allocation:

37/63 Domestic Stock Domestic Taxable Bond Mix

- 37% Wilshire 5000 Total Market Index
- 63% Barclays Capital Aggregate Bond Index

37/63 Global Stock Global Taxable Bond Mix

- 37% S&P Global Broad Market Index
- 63% Barclays Capital Global Aggregate Index

The Wilshire 5000 Total Market Index represents all U.S. equity securities that have readily available prices.

The Barclays Capital Aggregate Bond Index represents the performance of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The S&P Global Broad Market Index (BMI) is a top-down, float capitalization-weighted index which measures the performance of the entire universe of institutionally investable equity securities.

The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income market, including government, credit and collateralized securities.

The Pools, which contain both domestic and global investments that are not intended to match the domestic and global weightings of these stock/bond mixes, may achieve returns that are greater or less than these mixes, depending upon the relative performance of the domestic and global investments performance of small versus large cap stocks among other factors.

Conservative Allocation Reference Point

This reference point, produced by Morningstar as “Conservative Allocation”, invests in both stocks and bonds and maintains a relatively smaller position in stocks. These funds typically have 20%-50% of assets in equities and the remainder in fixed income and cash.

Equity Biased Reference Point

This reference point, produced by Morningstar, includes all funds contained within the Morningstar Allocation – 70%-85% Equity. Allocation – 70%-85% equity portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios typically have 70% to 85% of assets in equities and the remainder in fixed income and cash.

The FIC agrees that these are reference points. The performance of the Pools may be greater or less, depending upon how aggressive the asset allocation strategy is relative to that of the managers included in the reference point.

Benchmarks for Managers

To measure the success of the managers used to implement the allocation, each

manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus. Fund families whose performance has, in aggregate, tended to be superior when compared to relative performance of other fund families will be deemed acceptable and thus generally used.

Other Considerations

Although short term underperformance will be tolerated and closely monitored by the advisor, managers are normally expected to perform at or above their peer group averages over time. Both qualitative and quantitative measures have been developed to determine when a manager termination is appropriate.

The FIC will follow its time horizons, as set forth in this Investment Policy, when making judgments about indications of inferior performance. However, investment advisors should be advised that the FIC intends to track the interim progress toward multi-year goals. If there is a clear indication that performance is so substandard that reasonable hope of recovery to the policy's target level in the remaining time horizon period would require either high risk or good fortune, then the FIC will not feel constrained by this Investment Policy to avoid an "early" decision to take corrective action.

Consideration shall be given to the extent that the investment results are consistent with the investment objectives, goals and guidelines as set forth in this investment policy and the particular strengths, philosophy, and style of the manager in comparison to their peers.

XIII. Investment Advisor Review

- A. Every five (5) years the FIC shall conduct an investment advisor(s) search to determine if the current investment advisor(s) should be retained or replaced. The use of an outside advisor may be considered.
- B. Evaluating investment advisors is a function of the interaction between an advisor's investment philosophy and market conditions at different points in time. The FIC does not evaluate its advisors purely on the basis of performance as issues such as execution of operations, stability of personnel, investment discipline and the quality of an advisor's ongoing security selection and sub-advisor decisions are also among the factors to be considered.

XIV. Investment Policy Review

- A. The Investment Policy, or any part thereof, will be reviewed by the Board whenever in its opinion circumstances change to the extent that the Investment Policy or any part thereof becomes ineffective or inappropriate in meeting the investment needs of the Community Foundation of Northeast Alabama. Minimally, the FIC will review this policy annually.
- B. The FIC recognizes that major changes to investment policy can produce potentially damaging inconsistency. Changes, particularly the type which can be characterized as reversals of direction, or "responses" to current market conditions from time to time, are viewed as particularly undesirable.

C. The FIC will use each of its periodic investment performance evaluations as occasions to also consider whether any elements of existing policy are either insufficient or inappropriate. Key environmental or operational occurrences which could result in a policy modification include:

1. impractical time horizons,
2. change in Foundation's priorities,
3. convincing arguments for change presented by investment advisor(s) and/or advisors,
and
4. areas found to be important but not covered by this Investment Policy.

This *Investment Policy* was revised and approved by the Board of Trustees, this 11th day of May 2023.

By: _____
Anna Berry
Treasurer
Finance & Investment Committee Chair

By: _____
Mary Ammons
Secretary

Approved March 8, 2000
Revised February 7, 2006
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Revised May 11, 2023

Appendix A

Asset Allocation & Portfolio Benchmarks

The Foundation has adopted the strategic asset allocation strategies listed in this Appendix for each of the five (5) investment objectives for endowed and non-endowed funds. All figures listed refer to an asset class's percentage of the total of the respective allocation. The five charts represent the long term targets for each Pool.

Long Term Pool

The Pool has a target allocation of 23% fixed income and 77% global equities. It is designed for permanently endowed funds.

Asset Allocation Targets - Long Term Pool			
Rebalancing Strategy - 30% bands			
<u>Asset Category</u>	<u>Rebalancing Trigger - Low End</u>	<u>Portfolio Percentage Allocation</u>	<u>Rebalancing Trigger - High End</u>
I. Safety Assets	0.5%	1.0%	1.5%
Total Safety Assets		1.0%	
II. Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	2.8%	4.0%	5.2%
Intermediate Term Maturities (5-10 yrs)	6.0%	8.5%	11.0%
Long Term Maturities (10+ yrs)	0.0%	0.0%	0.0%
Inflation Protected Bonds	2.8%	4.0%	5.2%
International Bonds	3.9%	5.5%	7.2%
Total Income Assets		22.0%	
III. Growth Assets			
Large Cap U.S. Stocks - Value	11.9%	17.0%	22.1%
Large Cap U.S. Stocks - Growth	7.7%	11.0%	14.3%
International Stocks - Value	4.9%	7.0%	9.1%
International Stocks - Growth	3.5%	5.0%	6.5%
Growth Real Estate	4.9%	7.0%	9.1%
Total Growth Assets		47.0%	
IV. Aggressive Assets			
Small Cap U.S. Stocks - Value	7.7%	11.0%	14.3%
Small Cap U.S. Stocks - Growth	0.7%	1.0%	1.3%
Small Cap Blend	1.8%	2.5%	3.3%
Global Small Cap Growth	2.1%	3.0%	3.9%
International Small Cap	3.2%	4.5%	5.9%
Energy/Natural Resources	5.6%	8.0%	10.4%
Total Aggressive Assets		30.0%	
TOTAL PORTFOLIO		100.0%	

Income Pool

The Pool has a target allocation of 63% fixed income investments and 37% global equities. It is designed for funds with investment durations of three or more years. These funds primarily comprise non-endowed, pass-through and spend down funds.

Asset Allocation Targets - Income Pool			
Rebalancing Strategy - 30% bands			
<u>Asset Category</u>	<u>Rebalancing Trigger - Low End</u>	<u>Portfolio Percentage Allocation</u>	<u>Rebalancing Trigger - High End</u>
I. Safety Assets	6.5%	13.0%	19.5%
Total Safety Assets		13.0%	
II. Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	15.40%	22.0%	28.6%
Intermediate Term Maturities (5-10 yrs)	12.6%	18.0%	23.4%
Long Term Maturities (10+ yrs)	0.0%	0.0%	0.0%
Inflation Protected Bonds	3.50%	5.0%	6.5%
International Bonds	3.50%	5.0%	6.5%
Total Income Assets		50.0%	
III. Growth Assets			
Large Cap U.S. Stocks - Value	6.3%	9.0%	11.7%
Large Cap U.S. Stocks - Growth	3.5%	5.0%	6.5%
International Stocks - Value	2.5%	3.5%	4.6%
International Stocks - Growth	1.4%	2.0%	2.6%
Growth Real Estate	1.4%	2.0%	2.6%
Total Growth Assets		21.5%	
IV. Aggressive Assets			
Small Cap U.S. Stocks - Value	3.5%	5.0%	6.5%
Small Cap U.S. Stocks - Growth	0.6%	0.87%	1.1%
Small Cap Blend	1.1%	1.5%	2.0%
Global Small Cap Growth	0.88%	1.25%	1.63%
International Small Cap	1.83%	1.88%	2.4%
Energy/Natural Resources	3.5%	5.0%	6.5%
Total Aggressive Assets		15.5%	
TOTAL PORTFOLIO		100.0%	

Growth Income Pool

The Pool has a target allocation of 48.5% fixed income investments and 51.5% global equities. The Pool is designed to support the long-term objectives of Charitable Gift Annuity contracts.

Asset Allocation Targets - Growth Income Pool			
Rebalancing Strategy - 30% bands			
<u>Asset Category</u>	Rebalancing Trigger - <u>Low End</u>	Portfolio Percentage Allocation	Rebalancing Trigger - <u>High End</u>
I. Safety Assets	1.0%	2.0%	3.0%
Total Safety Assets		2.0%	
II. Income Assets			
Domestic Bonds:			
Short Term Maturities (1-5 yrs)	9.8%	14.0%	18.2%
Intermediate Term Maturities (5-10 yrs)	14.0%	20.0%	26.0%
Long Term Maturities (10+ yrs)	0.0%	0.0%	0.0%
Inflation Protected Bonds	4.9%	7.0%	9.1%
International Bonds	3.9%	5.5%	7.2%
Total Income Assets		46.5%	
III. Growth Assets			
Large Cap U.S. Stocks - Value	9.8%	14.0%	18.2%
Large Cap U.S. Stocks - Growth	4.9%	7.0%	9.1%
International Stocks - Value	2.8%	4.0%	5.2%
International Stocks - Growth	2.1%	3.0%	3.9%
Growth Real Estate	4.6%	6.5%	8.5%
Total Growth Assets		34.5%	
IV. Aggressive Assets			
Small Cap U.S. Stocks - Value	3.5%	5.0%	6.5%
Small Cap U.S. Stocks - Growth	0.53%	0.75%	0.98%
Small Cap Blend	1.1%	1.5%	2.0%
Global Small Cap Growth	1.1%	1.5%	2.0%
International Small Cap	1.58%	2.25%	2.93%
Energy/Natural Resources	4.2%	6.0%	7.8%
Total Aggressive Assets		17.0%	
TOTAL PORTFOLIO		100.0%	

Donor Recommended Investment Managers

Please see the Donor Recommended Investment Manager Policy