

# **Investment Policy Statement**



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# Introduction

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The Investment Policy Statement was adopted by The Wabash Valley Community Foundation, Inc., to direct the prudent investment of its investment assets in a manner consistent with the investment objectives stated herein. The Board has delegated management of the Foundation's investment portfolio to the Investment Committee.

The Investment Committee (Committee) is empowered by the Board to direct and monitor the investment management of the Funds. This statement has been chosen by the Investment Committee and approved by the Board as the most appropriate policy for achieving the financial objectives of the Funds, which are described in the "Investment Objectives" section of this document. The Foundation has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Certain terms in this document, that are italicized, are more specifically defined in the Definitions (Section IX).

## Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, the Investment Committee and its members must guide with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions, executed by staff and guided by this IPS, must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Investment Committee of all material facts regarding any potential conflicts of interests.

Any actual or potential conflicts of interest possessed by a member of the Investment Committee must be disclosed and resolved pursuant to the Foundation's Conflict of Interest Policy.

# Delegation of Authority and Responsibilities

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## Board of Directors

The Board shall have final responsibility for ensuring the prudent investment and management of assets comprising the Fund. The Board shall have the authority to approve or reject the Investment Policy Statement developed by the Investment Committee. Once the Investment Policy Statement has been approved by the Board, the Board shall authorize the Committee to implement the Investment Policy Statement. At least annually, the Investment Committee, possibly with the help of the Investment Consultant, shall present to the Board a performance report and review of the Investment Policy.

## Investment Committee

The Investment Committee has several responsibilities, including implementing the Investment Policy. This responsibility includes approving investment strategy selecting the Investment Consultant, establishing the scope and terms of the delegation of the investment management of the Funds, and monitoring the Consultant's performance and compliance with the scope and terms of the delegation.

## Executive Director, President, Treasurer, or Secretary of the Foundation

Sign all appropriate contracts, open accounts, and give any other authorizations needed by the Consultant to affect the terms of this Policy Statement.

## Investment Consultant

The Investment Consultant is the primary source of investment education and Investment Manager information. On an ongoing basis the Investment Consultant will:

1. Provide the Investment Committee with quarterly performance reports. This report will measure performance of the Funds and each manager within the Funds, 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 Policy Statement;
2. Meet with the Investment Committee at least quarterly, more frequently as needed;
3. Monitor the activities of each Investment Manager or investment fund;
4. Provide the Investment Committee with an annual review of this Investment Policy Statement, including an assessment of the Foundation's current asset allocation, spending policy and investment objectives;

5. Provide the Board of Directors with an annual review of this Investment Policy Statement, including an assessment of the Foundation's current asset allocation, Spending Policy and investment objectives;
6. Supply the Investment Committee with other reports or information as reasonably requested.

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

## Objectives

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### Non-Endowed Fund

The primary investment objective of this Fund is to provide payouts with moderate year to year volatility. The portfolio is designed to provide broad diversification in terms of individual holdings and asset classes. It is generally appropriate for investors with a time horizon of more than five years who desire to preserve longer term purchasing power until distributions are made. This Fund may experience some reduction of purchasing power over time due to inflation and experience moderate fluctuations of principal. This Fund is appropriate for non-endowed funds that have a time horizon of more than five years. For performance evaluation purposes, the Committee will track trailing five year period returns compared to the "Conservative Allocation" reference point as compiled by Morningstar as well as other reference points such as equity/bond blends as more fully described in the Due Diligence Policy section of this IPS.

### Endowment Fund

The primary investment objective of this Fund is to provide some growth greater than current interest rates with moderate year to year volatility. Portions of this fund may be used for operating purposes, but the long term objective is to allow the portfolio to grow. The Fund has a relatively long time horizon of greater than ten years and should be managed accordingly. In general the portfolio should be operated with the expectation that at least five years of historical data will be needed in order to effectively examine the long term performance of the portfolio and that multiple rolling five year periods will typically be needed to draw actionable conclusions. For evaluation purposes, the Committee will be able to compare trailing returns of the Fund to that of the domestic and international stock/bond blend Reference Points. (Reference Points are described in the Due Diligence Policy of this IPS, Section VI)

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

## Wabash Valley Community Foundation -- Investment Policy Statement

Nominal Net of Fee Time-weighted Return - CPI = Spending Rate (X%) + Average Administrative Fee (X%)

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 portfolio 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 Fund

The Foundation also offers the Endowment Fund with an investment allocation that is sensitive to environmental, social, and governance (ESG) issues and follows a socially responsible investment strategy. This Fund will have approximately the same overall stock/bond allocation as the Endowment Fund, and will use the same evaluation reference points.

Note that returns of the ESG oriented strategy will likely vary somewhat from those of the Endowment Fund.

### Short Term Fund

The primary investment objective of this Fund is stability of principal. This fund is appropriate for non-endowed funds or other situations where funds can be withdrawn with little or no advance notice, and/or in situations where only minimal fluctuations to principal can be tolerated. Agencies and donors with time horizons under three years should consider this strategy. For performance evaluation purposes, the Committee will track one, two, and three year period trailing returns as compared to money market funds.

## Asset Allocations

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The Committee believes that the Funds' risk and liquidity posture are, in large part, a function of asset class mix. The Investment Consultant (Consultant) has presented, to the Finance and Investment Committee, summary information about the long-term performance of various asset classes, focusing on balancing the risks and rewards of market behavior. Considering the Funds' investment objective, time horizon, risk tolerances, performance expectations, and asset class preferences, an appropriate portfolio allocation was identified, as shown in the "Asset Allocation Targets" charts in the Appendix. The targets shown in the chart will not be changed without Committee approval.

After the allocation strategy is implemented, the Consultant is responsible for rebalancing the portfolio, applying the methodology approved by the Consultant's Investment Committee. The percentage allocation to each asset class sub category may vary as much as plus or minus 30% of the target percentage.

Any change in methodology will be communicated to the Foundation in writing contemporaneously.

See Appendix for “Asset Allocation Targets”.

## Investment Restrictions

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When selecting mutual funds and exchange-traded funds (ETFs), the Consultant will use due diligence criteria prescribed in this Investment Policy Statement (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 Consultant without the recommendation of the Committee and approval of the Board.

## Spending Policy

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The Foundation shall support the Foundation's charitable pursuits by annually distributing an amount equal to 4% of the Endowment Fund's average market value over the prior 20 quarters. This 20 quarter average was chosen to smooth out the payouts based on a more volatile, growth-oriented portfolio.

This spending policy may be revised by the Committee and submitted to the Board for approval from time to time.

## Due Diligence Policy

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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 Consultant will decide which managers to use based upon their particular contribution to the Fund.

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.

## 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 Committee will use both Institutional Client Custom Portfolio Blends, as well as an Equity Biased Allocation Reference Point. These benchmarks are described below.

### Institutional Client Custom Portfolio Blends

The Institutional Client Custom Portfolio Blends are a mix of taxable bond and equity asset classes. They are calculated by combining the target allocation of asset classes of a Mason portfolio with market indexes that represent each asset class held. The returns are presented gross of Mason Investment Advisory (MIAS) fees. The returns would be lower if modified for MIAS fees.

The Institutional Client Custom D Portfolio Blend has a target allocation of 23% safety and income assets and 77% growth and aggressive assets. The asset classes are represented by the market indexes in the chart below. Each market index is further described in the Appendix.



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	Through June 30, 2006	July 1, 2006 Through April 30, 2007	May 1, 2007 Through April 30, 2008	May 1, 2008 through Nov 30, 2008	Dec. 1, 2008 Through August 31, 2017	Sept. 1, 2017 Through Sept. 30, 2018	Oct. 1, 2018 Through Dec. 31, 2022	Jan 1, 2023 Through Present
<b>Safety Assets:</b>								
Cat: Money Market Taxable	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Income Assets:</b>								
Cat: Short-Term Bond	7.00%	6.50%	6.50%	6.50%	4.00%	4.00%	4.00%	4.00%
Cat: Intermediate-Term Bond	7.50%	7.00%	7.00%	7.00%	4.26%	8.50%	8.50%	8.50%
Cat: Long-Term Bond	5.63%	5.25%	5.25%	5.25%	3.19%	0.00%	0.00%	0.00%
Bloomberg US Credit A+ Long TR Net Exp	1.88%	1.75%	1.75%	1.75%	1.06%	0.00%	0.00%	0.00%
Cat: Inflation-Protected Bond	0.00%	0.00%	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
Bloomberg Gbl Agg Ex USD Net Exp	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
FTSE WGBI NonUSD Hdg USD Net Exp	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
<b>Growth Assets:</b>								
Cat: Large Value	11.00%	11.00%	17.00%	17.00%	17.00%	17.00%	17.00%	17.00%
Cat: Large Growth	18.00%	17.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Cat: Foreign Large Value	7.50%	7.50%	9.00%	9.00%	9.00%	7.00%	7.00%	7.00%
Cat: Foreign Large Growth	7.50%	7.50%	6.00%	6.00%	6.00%	5.00%	5.00%	5.00%
Cat: Real Estate	7.00%	7.00%	7.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cat: Global Real Estate	0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>Aggressive Assets:</b>								
Cat: Small Value	7.00%	7.00%	7.00%	7.00%	11.00%	11.00%	11.00%	11.00%
Cat: Small Growth	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	1.00%
S&P Dvlp Ex US Cap Range < 2 Bil TR Net Exp	3.00%	3.00%	3.00%	3.00%	3.00%	6.00%	6.00%	4.50%
Cat: Small Blend								2.50%
Cat: Global Small Growth								3.00%
Cat: Natural Resources	3.33%	2.67%	2.67%	2.67%	2.67%	3.20%	4.00%	4.00%
Cat: Equity Energy	1.67%	1.33%	1.33%	1.33%	1.33%	4.00%	4.00%	4.00%
Cat: Equity Precious Metals	0.00%	0.00%	0.00%	0.00%	0.00%	0.80%	0.00%	0.00%
Bloomberg Commodity TR Index	0.00%	4.00%	4.00%	4.00%	4.00%	0.00%	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Fund, may achieve returns that are greater or less than these custom portfolio blends, depending upon the relative performance of the domestic and global investments performance of small versus large cap stocks among other factors.

### Endowment & ESG Funds

#### Equity Biased Growth 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 Committee agrees that this is a reference point. The performance of the Fund 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.

## **Non-Endowed Funds**

### **Conservative Allocation Reference Point:**

This reference point, produced by Morningstar as “Conservative Allocation”, invests in both stocks and bonds and maintains a relatively smaller portion in stocks. These funds typically have 20%-50% of assets in equities and 50%-80% of assets in fixed income and cash.

### **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 Consultant, 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.

# Cash Management Policy

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From time to time the Foundation may maintain large cash balances in reserve for future needs and contingencies. The Consultant 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.

## Custodians

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

1. Value the holdings.
2. Collect all income and dividends owed to the portfolio.
3. Settle all transactions (buy-sell orders).

# Liquidity Policy

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The community foundation defines general expenditures as all expenditures, with the exception of restricted expenditures (for example, pass-through grants or other restricted grants). General expenditures include regular grant payments, other program service expenses, management and general expenses and fundraising expenses.

The community foundation defines the following as liquid assets available for funding general expenditures:

- Cash, except for cash held related to endowment and non-permanent funds
- The non-endowed portion of the administrative endowment which is subject to board discretion as to spending
- Accounts and pledges (current portion) receivable unrelated to endowment and non-endowment funds
- Amounts appropriated for expenditure prior to the current year-end under the community foundation's spending policy for the next year

From a cash management perspective, the community foundation may hold cash related to endowment funds and non-permanent funds in cash accounts. These funds may be held in cash accounts when received, and not invested in the community foundation's investment portfolio, to allow the community foundation to better manage its cash flow. This practice allows the community foundation to meet its liquidity needs without an ongoing impact on its investment portfolio.

The community foundation has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the community foundation's fund balances in accordance with its spending policy. Once the community foundation's board of directors approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

In addition to liquid assets and assets appropriated for expenditure, the community foundation also relies on the administrative fees it charges its funds to fund general expenditures. The administrative fee percent charged to each fund currently varies from 1.5% to 2%.

The community foundation's investment portfolio, with the exception of the portion allocated for expenditure, is not available to support general expenditures. The community foundation has a spending policy which governs the amounts to be expended from the investment portfolio. The community foundation holds a large number of funds contributed by donors which constitute its investment portfolio. The community foundation has determined that these amounts are received with donor restrictions and intends to only utilize this investment portfolio within the confines of its spending policy.

The community foundation structures its financial assets to be available as its awarded grants, program expenses, management and general expenses, fundraising expenses, liabilities and other obligations become due.

[If the community foundation receives annual distributions from split interest agreements or other sources, include those as liquid assets]

## Excess Business Holdings

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The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation's policy is to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Because they are not "business enterprises," the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs—including family partnerships, hedge funds, REITs, and so forth—are excluded from the definition of business enterprise as long as 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.

# Appendix

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The Foundation has adopted the strategic asset allocation strategies listed in this Appendix for each of the three 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 three charts represent the long term targets for each Fund.

We agree to modify all asset allocation strategies based on the current interest rate environment. The Endowment Fund and ESG Fund asset allocation will reduce the Intermediate Term Bond asset category by 4.25% and increase Large Cap Value US category by 4.25%. The Non-Endowed Fund will reduce the Intermediate Term Bond asset category by 5.00% and increase Large Cap Value by 5.00%. If interest rates rise to Mason's predetermined threshold amount, Mason is authorized to reduce Large Cap Value and increase Intermediate Term Bonds by 4.25% for the Endowment Fund and ESG Fund and by 5.00% for the Non-Endowed Fund.

# Wabash Valley Community Foundation -- Investment Policy Statement

## Mason Investment Management Services (MIMS) Endowment Fund Asset Allocation Strategy

Recommended Asset Allocation	Model-D
<b>Safety</b>	
Cash	1.00%
Total Safety	1.00%
<b>Income Assets</b>	
Short Term Bond	4.00%
Intermediate Term Bond	8.50%
Inflation Protected Bond	4.00%
International Bond	5.50%
Total Income Assets	22.00%
<b>Growth Assets</b>	
Large-Cap Value	17.00%
Large-Cap Growth	11.00%
International Large-Cap Value	7.00%
International Large-Cap Growth	5.00%
Real Estate	7.00%
Total Growth Assets	47.00%
<b>Aggressive Assets</b>	
Small-Cap Value	11.00%
Small-Cap Growth	1.00%
Small-Cap Blend	2.50%
Global Small-Cap Growth	3.00%
International Small-Cap	4.50%
Energy/Natural Resources	8.00%
Total Aggressive Assets	30.00%
Total Portfolio	100.00%

Mason has the authority to make allocation adjustments to the above targets. Overall aggregate equity and bond targets will be similar to those above.

\_\_\_\_\_  
Authorized Signer

\_\_\_\_\_  
Authorized Signer

Note: it is normal for the portfolios to deviate to some degree from target percentages.

The Investment Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio. Mason will require client's signature if a new asset class is added or an existing asset class is adjusted by more than 5%.

Mason will require client's signature if we modify the combined Safety and Income\* category or the combined Growth and Aggressive\*\* category.\*\*\*

\_\_\_\_\_  
Wabash Valley Community Foundation

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Date

Note: it is normal for the portfolios to deviate to some degree from target percentages.

## Wabash Valley Community Foundation -- Investment Policy Statement

\*The Safety and Income category includes bonds and short term reserves.

\*\*The Growth and Aggressive category includes equities and investments of similar risk.

\*\*\*In other words Mason will not require client's signature to make changes among the growth and aggressive categories (generally from one equity category to another equity category) unless the change impacts an individual category by 5% or more. Similarly Mason will not require a client's signature to make changes between safety and income categories (generally from one bond or safety category to another bond or safety category) unless the change impacts an individual category by 5% or more. However, any modification which reduces or increases the combined broad growth or aggressive (generally equity targets) will generally not be made without prior client approval.



## Wabash Valley Community Foundation -- Investment Policy Statement

### Mason Investment Management Services (MIMS) Intermediate Non-Perm Managed Asset Allocation Strategy

Recommended Asset Allocation	Model-A
<b>Safety</b>	
Cash	13.00%
Total Safety	13.00%
<b>Income Assets</b>	
Short Term Bond	22.00%
Intermediate Term Bond	18.00%
Inflation Protected Bond	5.00%
International Bond	5.00%
Total Income Assets	50.00%
<b>Growth Assets</b>	
Large-Cap Value	9.00%
Large-Cap Growth	5.00%
International Large-Cap Value	3.50%
International Large-Cap Growth	2.00%
Real Estate	2.00%
Total Growth Assets	21.50%
<b>Aggressive Assets</b>	
Small-Cap Value	5.00%
Small-Cap Growth	0.87%
Small-Cap Blend	1.50%
Global Small-Cap Growth	1.25%
International Small-Cap	1.88%
Energy/Natural Resources	5.00%
Total Aggressive Assets	15.50%
Total Portfolio	100.00%

Mason has the authority to make allocation adjustments to the above targets. Overall aggregate equity and bond targets will be similar to those above.

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Authorized Signer

\_\_\_\_\_  
Authorized Signer

Note: it is normal for the portfolios to deviate to some degree from target percentages.

The Investment Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio. Mason will require client's signature if a new asset class is added or an existing asset class is adjusted by more than 5%.

Mason will require client's signature if we modify the combined Safety and Income\* category or the combined Growth and Aggressive\*\* category.\*\*\*

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Wabash Valley Community Foundation

\_\_\_\_\_  
Date

Note: it is normal for the portfolios to deviate to some degree from target percentages.

## Wabash Valley Community Foundation -- Investment Policy Statement

\*The Safety and Income category includes bonds and short term reserves.

\*\*The Growth and Aggressive category includes equities and investments of similar risk.

\*\*\*In other words Mason will not require client's signature to make changes among the growth and aggressive categories (generally from one equity category to another equity category) unless the change impacts an individual category by 5% or more. Similarly Mason will not require a client's signature to make changes between safety and income categories (generally from one bond or safety category to another bond or safety category) unless the change impacts an individual category by 5% or more. However, any modification which reduces or increases the combined broad growth or aggressive (generally equity targets) will generally not be made without prior client approval.

# Guidelines For Donor Recommended Investment Advisor Selection, Oversight, and Retention

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## **Outside Investment Advisor Criteria and Guidelines**

The Foundation is pleased to provide donors with the option of a customized investment approach by recommending a preferred investment advisor of their choice. This approach allows donors and their investment advisors to maintain their professional relationships while furthering the donor's philanthropic goals.

The Foundation recognizes that the pooling of invested assets reduces administrative and investment-related expenses and thereby allows more money to go toward the donor's charitable goals. For this reason, the Foundation has established certain limitations and guidelines for situations when a donor wishes to recommend a specific investment advisor to retain investment advisory services.

### **Policy**

The Foundation may open an account with an individual investment manager or management firm ("Recommended Manager"), subject to the approval of the Foundation's Investment Committee, to manage assets given to the Foundation by a donor provided the following criteria and guidelines are followed.

### **Recommended Manager Criteria**

- The Recommended Manager, at a minimum, must be a registered investment advisor under the Investment Advisors Act of 1940, comply with any State requirements and act in a fiduciary capacity.
- The Recommended Manager must possess sufficient professional and educational experience managing assets of similar complexity and size consistent with the intentions of the investment account being established.
- The Recommended Manager must be able to demonstrate the ability to manage a discretionary portfolio in a manner similar to the mandate of the investment account being established. Both actual and risk-adjusted performances are evaluated relative to a representative benchmark(s) for an appropriate time period determined by the Investment Committee. The Recommended Manager should have a sufficient relevant performance history on which to base an opinion on their ability.

Note: Recommended Manager may be asked to provide Request for Information (RFI) documentation to the Foundation's Investment Committee for a fiduciary due diligence review.

### **Guidelines**

- The donor(s) are making a gift of the agreed upon minimum of \$500,000 to the Community Foundation for the purpose of establishing a new endowment fund.
- The donor requests in writing that the gifted assets be held by the Recommended Manager.
- The donor will not personally benefit from the Community Foundation's relationship with the Recommended Manager. The donor does not have a family relationship with the Recommended Manager or with the employees or owners of the Recommended Manager's firm.
- The assets must be managed in an account belonging to the Community Foundation and the donor may not exercise any control over that account. All assets donated to the Foundation are owned solely by the Foundation, which has ultimate authority and control over all investment decisions. The Recommended Manager shall take instructions only from authorized employees of the Foundation, never from the donor who created the fund.

### **Fees**

- The donor acknowledges that the fees and expenses charged by the Recommended Manager will be deducted solely from the total return on the funds held by the Recommended Manager. The Foundation will discuss these fees and expenses with the Recommended Manager to reach an agreement establishing fees and expenses that are reasonable and commensurate with the services the Recommended Manager will provide.
- The donor agrees that the Investment Consultant's fee will be deducted from the total market value thus effecting the total return on the funds. These fees are in addition to any fees charged by the Recommended Manager.
- The donor agrees that an annual Community Foundation administrative fee will be deducted from the total return on the funds.

### **Investment Management**

- The donor acknowledges and the Recommended Manager agrees that the Recommended Manager will communicate regularly with the Foundation and/or its Investment Consultant and will provide monthly statements and quarterly investment reports to the Foundation and will provide inquiry only access to account data to the Foundation and its Investment Consultant.
- The Recommended Manager understands the Foundation's Investment Consultant will use third party aggregators to establish data capture connections to the Recommended Manager's custodial account.

## Wabash Valley Community Foundation -- Investment Policy Statement

- The Recommended Manager will play a primary role in applying due diligence standards to the managers held in their respective accounts, including monitoring.
- The Recommended Manager is required to adhere to the Investment Policy (IP) set forth by the Foundation, including but not limited to, approved asset classes and investment restrictions (see Section IV).
- The Recommended Manager will manage the fund on a standalone basis and is required to mirror the approved asset allocation included in Section II of the Investment Policy as closely as possible, and at a minimum, must adhere to the overall stock/bond allocation. The portfolio should be a diversified allocation of equity and fixed income consisting of a minimum of two equity classes and two fixed income asset classes.
- The Recommended Manager agrees to pool donors together into a consolidated investment account for each asset allocation rather than opening separate investment accounts for each donor.
- The Recommended manager agrees to use their best efforts to vote proxies for the exclusive benefit of the Foundation.

### **Revocation or Termination**

- The donor and the Recommended Manager acknowledge that the Board of the Foundation may, at any time, revoke the privilege of the donor recommendation and terminate any contract or agreement with a Recommended Manager. The donor acknowledges that IRS regulations require that the Foundation Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Manager and to Transfer the funds held by the Recommended Manger to other investment managers under any facts or circumstances that the Board in good faith believes warrant such termination and transfer. Such facts and circumstances include, but are not limited to, a determination made in the sole discretion of the Board that the Recommended Manager has failed to meet benchmark requirements, has failed to perform comparably to other managers, has charged fees that are incommensurate with services provided, or has otherwise failed to perform as requested by the Foundation.
- In the case of an agency donor, the board of the agency must pass a resolution directing the agency to request that the Foundation enter a contract with a specifically named manager. The agency donor must supply that resolution to the Foundation at the time of making its request.
- Each instance of the requests contemplated by this Investment Policy will be evaluated individually. The Board reserves the right to refuse any gift deemed to be against the best interests of the Foundation.

# Acknowledgement

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We recognize the importance of adhering to the mission and strategies detailed in this document and agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred to the Foundation or its Investment Consultant.

We have received, read, and understand the Wabash Valley Community Foundation's Investment Policy Statement dated August 09, 2017, and will abide by the Policy with respect to the assets for which we are the Investment Manager, Investment Consultant, or other investment professional.

We will notify the Foundation's Investment Committee, or its designee, in advance of any proposed investment that is inconsistent with this Policy and will not make such investment without the advance written approval of same.

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Wabash Valley Community Foundation, Inc.

(date)