

Calaveras Community Foundation
Investment Policy Statement

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Calaveras Community Foundation

Investment Policy Statement

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A. Purpose

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding regarding the Calaveras Community Foundation's investment objectives, goals and guidelines. It will create a framework for a well-diversified portfolio expected to generate long-term returns at a risk level considered suitable by the Board of Directors and the Finance Committee. The IPS is intended to provide meaningful guidance in the management of portfolio assets and not be overly restrictive given the changing economic and investment market conditions.

This document will be reviewed on an annual basis, and any modifications will be incorporated into the current investment portfolio in a prudent fashion. This document will provide the framework by which the Foundation's investment advisors will manage and invest assets.

B. Background

The Foundation is an independent, non-profit philanthropic organization, which was incorporated in 2000. The Foundation encourages private giving for the benefit of residents of Calaveras County by providing a flexible, cost-effective and tax-exempt vehicle to which donors with varied charitable interests can give. The Foundation is building permanent endowment funds in order to provide a continuing source of income for grants. The Foundation is an IRS 501(c)(3) publicly supported organization and is exempt from paying income taxes.

C. Objectives

The Foundation's investment portfolio is intended to be structured to provide a reasonable return on invested assets with an emphasis on conservation of principal. This can be accomplished by having a portfolio comprised of mutual funds, fixed income and cash equivalent securities. The strategic allocation target will be 60% equities and 40 % fixed income investments. The Finance Committee will work closely with the Foundation's investment advisors to maximize market potential and minimize risk through tactical allocation adjustments and rebalancing the portfolio as appropriate.

In accordance with the investment objectives as defined, the portfolio should be managed in a conservative, prudent manner. In this context, conservation relates to such issues as expected long-term rates of return and volatility, investment vehicles and diversification among economic and industry sectors and individual securities.

Primary Investment Objective:

Preservation of Purchasing Power—Asset growth, exclusive of contributions and withdrawals, should equal or exceed the rate of inflation in order to preserve the purchasing power of the Foundation's assets.

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Secondary Investment Objective:

Growth of Capital—The portfolio, exclusive of contributions and withdrawals, should earn over a long term period (three years minimum) an average rate of return equal to peer group market indexes, while still maintaining a prudent and conservative capital preservation investment policy.

D. Risk Tolerance

For the purpose of this IPS, "risk" refers primarily to the variability of expected returns from one time period to the next. The Board accepts that risk must be assumed to achieve long term investment objectives and that risk and return are unavoidable competing factors that must be professionally managed and prudently balanced.

The factors considered are:

- **Heritage Funds/Endowment Funds.** Since these funds are invested in perpetuity, a greater amount of risk is justified in order to achieve a higher total long-term return.
- **Expendable Funds.** Due to liquidity requirements, less risk is acceptable for these funds. A minimum of \$100,000 will remain liquid for the annual operation of the Foundation and for awarding grants and scholarships. This minimum amount is subject to annual review as the Foundation's overhead, staffing, and scholarship demands change.

E. Investment Guidelines / Asset Allocation

All investments should be made consistent with the safeguards and diversity to which a prudent investor would adhere. Subject to the limitations, investment objectives and guidelines stated in this IPS, the investment advisors are given full investment discretion. The investment advisors, in consultation with the Treasurer and Finance Committee Chair, shall have full discretion regarding the purchase and sale of portfolio investments in order to assure full flexibility in the management of the portfolio. At all times, portfolio investments must have a readily available market value and be marketable. Capital gains and losses should be viewed solely in terms of the investment merits.

- **Equity Investments:** The equity portion of the portfolio will consist of mutual funds and should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. Mutual funds shall consist of liquid, mainstream funds, including exchange traded and closed-end funds that are invested in financially sound, stable companies with minimal risk.
- **Fixed Income Investments:** The fixed income portion of the portfolio should be well diversified to avoid undue exposure to any single segment of the economy

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or individual issuer. Fixed income investments shall consist of investment grade bonds issued by FDIC institutions, the U.S. Treasury or U.S. government agencies or mutual funds which invest in bonds issued by any of such entities.

- **Short Term Investments:** These investments shall consist of individual cash equivalent securities, such as cash insured in banks or FDIC institutions, U.S. Treasury or U.S. agency bonds or money market funds. The primary function of short term investments is to meet the cash needs of the Foundation.

F. Investment Performance Review

The portfolio's performance results will be measured and reported to the Board of Directors on a semi-annual basis by the investment advisors. The Finance Committee will meet with the investment advisors of a quarterly basis. The Finance Committee Chair will have full access to online statements and will receive monthly statements. Total portfolio performance will be measured against commonly accepted market comparisons.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives and guidelines as set forth in this IPS.

G. Portfolio Management:

The Board of Directors, with input from the Finance Committee Chair, shall be responsible for selecting and evaluating the investment advisors. These individuals shall be non-Board members who have the appropriate background, licensing, stability, ethics and insurance coverage typical of professionals in the investment industry. At any time should the performance of any investment advisor fail to meet the expectations of the Board, they may be replaced. During any such change, the Board will work to minimize the costs involved in transferring the portfolio or portions thereof to any new investment advisor.

H. Summary:

The Foundation expects that the investment advisors will manage the portfolio so that the results will meet the objectives and guidelines set forth in this IPS.

This IPS is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation. However, if it is determined that any deviations need occur, the Finance Committee and the Board of Directors must approve those deviations or changes in policy prior to their implementation.