Community Foundation of Switzerland County, Inc.

Investment Policy Statement

Approved: September 20, 2016

PURPOSE

The purpose of this policy is to guide the Community Foundation of Switzerland County, Inc., its Board of Directors, its Investment Committee, and its investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio. The investment portfolio consists of all funds managed by the Investment Committee.

DIVISION OF RESPONSIBILITIES

Board of Directors

The Board of Directors is ultimately accountable for the portfolio, but has determined that the portfolio is more likely to achieve return objectives if oversight and management are delegated to the Investment Committee. As a result, the Board of Directors has delegated to the Investment Committee full power and authority to make decisions related to investments of the Foundation, consistent with the investment policy approved and adopted by the Board.

Members of the Committee shall be appointed by the Board and shall serve at the pleasure of the Board. The President of the Board and the Executive Director of the Foundation shall be ex officio members of the Committee.

The Chair of the Committee, who shall be a director, shall be appointed by the Board.

Investment Committee

The Investment Committee shall consist of not less than three nor more than seven persons, at least one of whom shall be a director. At least some members of the committee shall be persons knowledgeable about investments and investment practices, general finance, or economic trends. All members should be committed to open-minded and rigorous consideration of investment options.

Subject to approval by the Board, the Investment Committee is charged by the Board of Directors with the responsibility for formulating the Foundation’s overall investment policies. The Investment Committee is also charged with establishing investment guidelines in furtherance of those policies; overseeing the investment assets of the Foundation; monitoring the management of the Foundation’s assets for compliance with the investment policies and guidelines; and for meeting performance objectives over time.

The Committee will review the implementation of this Investment Policy at least annually, making recommendations for changes to the Board as needed, and will monitor the achievement of the Policy’s objectives.

The Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Foundation's investments. The Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Foundation.

The Committee will provide relevant information to the investment managers concerning the Foundation's resources and any special considerations pertaining to any particular assets of the Foundation.

The Committee will receive quarterly reports and meet at least twice a year. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed. The Chair will report the affairs of the Investment Committee to the Board.

A majority of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which a quorum is present shall be the act of the Committee.

STANDARD OF CARE

The Committee and its investment manager(s) will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances in selecting, continuing or terminating investment professionals, establishing the scope and terms of any delegation, and monitoring performance and compliance with the scope and terms of the delegation and with this policy. (UPMIFA)

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

STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific institutional fund.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific institutional fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.

Except as a donor's gift instrument otherwise requires, and consistent with the Uniform Prudent Management of Institutional Funds, the following factors must be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific institutional funds:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the Foundation’s overall investment portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation;
- the needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
- an asset’s special relationship or special value, if any, to the purpose of the Foundation.

RETURN OBJECTIVE

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. The Foundation seeks a total rate of return that supports the Foundation’s grant-making activities, operating expenses, investment fees, and inflation. This will be accomplished per the current Spending Policy.

ASSET ALLOCATION

The investment portfolio will be diversified across asset classes and managers including, but not limited to, domestic equity, international equity, emerging markets, alternative assets, cash equivalents, and fixed income. Exposure to each asset class is measured by market value. Asset allocation targets and ranges are listed below.

Asset Class	***Target Allocation***	***Allocation Range***
Cash equivalents	**2%**	**0-10%**
Total fixed income	**20%**	**10-30%**
Total equity	**67%**	**55-80%**
Total alternative assets	**11%**	**0-20%**
TOTAL	***100%***	

STANDARDS FOR RISK TOLERANCE

Investment managers should avoid unnecessary risk in investing the Foundation's assets. To achieve that goal, investment managers will observe the following limits:

- For fixed asset investment, maintain an overall weighted average credit rating of "A" or better by Moody's or Standard and Poor's and hold not more than 15% of the portfolio in investments rated below investment grade (unless designated as a high yield manager). Split rated securities will be governed by the lower rating. If such parameters are exceeded, the Investment Manager must provide timely notification to the Investment Committee or its designee;
- Maintain the overall portfolio to be diversified;
- Hold no more than 10% of market value in the securities of a single issuer and do not allow exposure to any one industry group to exceed 20% of the market value of the portfolio with the exception of securities issued by the U. S. Government;
- Not lend any Foundation securities;
- Not purposely use derivative securities.

STANDARDS FOR INVESTMENT MANAGERS

The Foundation will enter into a written investment agreement with any investment manager it retains. The agreement must provide that:

- All assets are and must remain under the Foundation's sole control;
- The Investment Manager's actions and performance will be overseen by the Investment Committee;
- The Investment Manager will adhere to the Foundation's asset allocations, risk tolerance, and rebalancing requirements;
- The Investment Manager will not purchase securities on margin or sell securities short without the advance approval of the Investment Committee or its designee;
- The Investment Manager will rebalance as necessary to maintain target ranges for the investment pool or fund under management or to enhance the risk-adjusted return of the Portfolio. The Investment Manager will review the need for rebalancing at least quarterly.
- The Investment Manager will maintain substantially complete liquidity in the portfolio.
- The Investment Manager will retain fund managers explicitly balanced for performance strength in "up" and "down" markets.

The Investment Manager will provide monthly reports and quarterly statements to the Investment Committee or its designee in mutually agreed-upon formats. The Investment Committee or its designee may request additional information from time to time as it deems necessary to measure performance.

The Investment Manager must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation's administrative fee for any fund under separate management and distributable income.

The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.

Investment managers will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity or financial position of the Investment Manager's firm or its progress toward the goals and objectives of this policy.

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

PERFORMANCE EVALUATION

The Investment Committee will review the Investment Manager's performance on an ongoing basis based on the following criteria:

- The Investment Manager must consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management.
- Returns will be measured vs. two specific benchmark calculations. One will float proportionally with the actual allocation of the investment portfolio. The Policy Benchmark will be a static benchmark that matches the aforementioned asset allocation targets.
- Investment returns are measured net of fees.

The Investment Policy Statement will be reviewed annually. The Investment Committee will review the Investment Manager annually and every five years the Investment Committee will issue a Request for Proposals from selected Investment Managers/Consultants. The Investment Committee may at its discretion invite RFP's at any time.

EXCESS BUSINESS HOLDINGS

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 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.

POLICY MODIFICATION

Changes to this Investment Policy Statement may be made at any time by vote of the Board of Directors, normally upon recommendation by the Investment Committee and after consultation between the Executive Director and Investment Manager. Any change in policy will be communicated in writing to the Investment Manager in a timely manner prior its effective date.

Adopted by the Board of Directors: September 20, 2016