



Investment Committee

Investment Policy Statement:

Endowed Funds

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ENDOWED FUNDS

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1. Statement of Purpose:

The purpose of this Investment Policy Statement (“**Statement**”) is to set forth the policies and procedures that shall guide the Board of Directors (the “**Board**”) of the Delaware County Community Foundation (the “**Foundation**”) in supervising the investment of the Foundation’s Endowed Funds.

It is intended that these policies and procedures be sufficiently specific to be meaningful, but also flexible enough to be practical.

2. Endowed vs. Non-Endowed Funds.

Donations received by the Foundation will typically fall into one of two types of fund categories: donations for Endowed Funds and donations for Non-Endowed Funds.

Each of these two fund categories has a different purpose; and, consequently, they are managed with different investment objectives.

Endowed Fund. An endowed fund is created by a donor interested in making a permanent philanthropic gift to the community. An endowed fund has a perpetual investment horizon and adheres to a total return investment policy along with a spending policy set to maintain, and ideally increase, the purchasing power of the endowment, without putting the principal value of the assets at imprudent risk.

Non-Endowed Fund. Donors may choose to use the Foundation as a conduit for provisional or “pass-through” gifts. This mechanism allows a donor to customize philanthropy for short term giving, for end of year gifts to be distributed at a later date, or for other special circumstances.

Non-endowed funds are those in which both the principal and income is expected to be used for grant making over varying lengths of time, which might range from one month to five (5) years or more from the time they are established.

Non-endowed funds require more liquidity and should be invested with an eye to the length of time they are expected to function.

3. Roles and Responsibilities.

The Foundation is led by the Board, which oversees the stewardship of the Foundation's Endowed and Non-Endowed Funds. The Board approves the investment policies and procedures, the engagement of external investment advisory organizations ("**Advisors**"), and the annual spending policy.

Primary responsibility for implementing the investment process and monitoring the Funds in accordance with this Statement has been assigned by the Board to the Investment Committee ("**Committee**"), which is comprised of Board members.

The Committee, acting pursuant to this Statement and to instructions from the Board, shall have direct responsibility for oversight of the investments of the Endowed and Non-Endowed Funds and for the establishment of investment policies and procedures.

In fulfilling its responsibilities under this Statement, the Committee may, among other activities, recommend to the Board the hiring and dismissal of Advisors, and third party custodians.

4. Investment Goals.

The Foundation's investment goal is to establish an asset allocation for the Endowment funds that will achieve its long-term return objectives of the spending policy plus inflation, while diversifying the portfolio, thereby reducing risk and increasing the probability of meeting or exceeding the return objective over varying economic and market cycles. The Foundation does not attempt to market time or change strategy based on short-term market conditions.

5. Spending Policy.

Spending Policy. The annual amount available to be distributed from a fund is currently 5% of the average quarterly value of the fund as calculated using the 12 trailing quarters. The percentage distribution amount is established by the Board on an annual basis but may be changed at any time by the Board.

Unless otherwise approved by the Board, the calculation will be done annually at the conclusion of a calendar year. The latest quarterly value used in a calculation will be the value of the fund as of the end of the third quarter of each calendar year.

Please see information concerning the Foundation's Spending Policy for full details.

6. Asset Allocation Policy.

The general policy shall be to diversify investments to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. Endowment assets should be diversified by asset class, economic sector, market capitalization, investment style (i.e., value, blend, growth) and geographic area.

The Board has approved the investment of endowed funds in several types of asset classes (e.g., large cap domestic stocks, domestic intermediate term corporate bonds). The board has also adopted “Target Allocation” amounts, which reflect the percentage of each asset class that should be included in an Endowed Funds portfolio.

The Board has also adopted “Target Ranges,” which reflect the maximum and minimum percentage allocation of the total portfolio that each asset class should comprise.

Attachment A: Investment Pools describes these assets classes, “Target Allocations,” and “Target Ranges” in more detail.

7. Investment Guidelines.

It is currently the policy of the Foundation not to invest directly in individual equity, fixed income, or alternative investment securities. (Alternative investments include private equity, venture capital, hedge funds, distressed debt, real estate, and commodities.) The Foundation may, however, use mutual funds to invest in these areas.

It is currently the policy of the Foundation not to invest directly in options or futures. The Foundation may, however, invest in mutual funds that utilize these strategies.

No single mutual fund should comprise more than 30% of the total market value of the endowed investment assets. No single holding (e.g., individual bond or individual stock), other than a mutual fund, should comprise more than 5% of the total market value of the endowed investment assets.

Equity holdings should consist of readily marketable securities traded on the major stock exchanges.

Fixed income investments should consist of readily marketable securities, including debt instruments of the U.S Government and its agencies, corporations, and foreign entities. It is intended that the predominant share of the fixed income portfolio will consist of investment grade securities.

The average maturity of the bond portfolio should not exceed 11 years.

Tax exempt securities should not be included in the portfolio.

Short term bond funds shall consist predominately of investment grade securities, which are readily marketable.

8. Investment Responsibility.

Investment Committee. The Investment Committee (the “Committee”) is charged by the Board to engage in the following:

- To meet at least quarterly and oversee the investment of endowment assets on an ongoing basis.
- Establish an Investment Policy Statement (“Statement”) to be approved by the Board. Recommend changes in the Statement to the Board as required.
- Subject to approval by the Board, select and replace external investment advisory organizations (“Advisor”) as needed.
- Set performance objectives and monitor performance of Advisors in meeting these objectives.
- Prepare and present to the Board, on at least an annual basis, a summary of the investment performance of the endowed funds.
- Review all policies, objectives and guidelines at least annually. Any changes will be presented to the Board for approval.

External Investment Advisory Organizations. The Committee may recommend that the Board retain one or more external investment advisory organizations (“Advisor”) to manage all or part of the endowed funds. In such a case, the Advisor shall have discretion, within the guidelines set forth in this Statement, to buy and sell individual securities or mutual funds in order to achieve the Foundation’s investment objectives.

If an Advisor is retained to manage part or all of the endowment funds, additional written guidelines, subject to approval by the Board, may be provided to that Advisor by the Committee.

An Advisor will not take custody of Foundation investment assets. Assets to be managed by an Advisor will be held by a third party custodian.

An Advisor is responsible for frequent and open communications with the Committee on all significant matters pertaining to investment policies for and the management of the Endowed funds, including, but not limited to the following:

- Inform the Committee of major changes that have occurred or are contemplated in the Advisor’s investment outlook, investment strategy or in the portfolio structure.
- Advise the Foundation of any significant changes in the ownership, organizational structure, financial condition or senior personnel staffing of the Advisor’s firm. Part 2 of the Advisor’s Form ADV will be furnished to the Foundation on an annual basis.

- Advise the Committee of any change in the portfolio manager assigned to the Foundation's account.
- Provide the Committee with written quarterly reports concerning the following:
 - Review of the portfolio's performance during the past quarter and year-to-date, and since inception.
 - Review of the portfolio's performance against benchmarks for the quarter, year-to-date, and since inception.
 - Current portfolio value and rate of return.
 - Economic and market outlook.
 - Anticipated portfolio strategy.
 - The cost of the Advisor's investment management fees, plus any sales commissions, transaction costs or any other costs or charges that have been deducted from the portfolio.
- Meet with the Committee on a semi-annual basis.
- Act in a prudent manner with respect to the investment of assets under management.
- Acknowledge in writing receipt of the Foundation's Investment Policy Statement and confirm the Foundation's ability and the Advisor's agreement to invest within the guidelines set forth in this Statement.

Custodian. Custodians are responsible for the safekeeping of the Foundation's investment assets. The specific responsibilities of a Custodian are:

- Maintain separate accounts by legal registration.
- Collect all income and dividends owed to an account.
- Settle all transactions (buy-sell orders) initiated by the Committee or Advisor.
- Provide monthly reports to the Committee that detail transactions, cash flows, securities held and their current value, and change in value of each account since the previous report.
- Provide reports prepared by independent third parties on its internal controls, procedures and compliance with rules and regulations.

Attachment A: Investment Pools.

The Board has approved the investment of endowed funds in several types of asset classes, which are set forth below. For each Asset Class the Board has also adopted a “Target Allocation” percentage amount. The Target Allocations are important, but the actual allocations may fall within the “Target Range” associated with each Asset Class. **(See Note 1)**

Pool Name:	Medium Term	Long Term
Investment Time Horizon:	2 years to 5 years	5 Years +

Investments in Pool by Asset Class and Targets (See Note 1):

CASH EQUIVALENTS:

Target Allocation:	20%	10%
Target Range:	15% to 25%	10% to 15%

FIXED INCOME:

(Fixed income investments may include Short-Tem, Intermediate-Term and Long-Term bonds.)

Target Allocation:	40%	30%
Target Range:	35% to 45%	20% to 40%

EQUITIES:

Target Allocation:	40%	60%
Target Range:	30% to 50%	50% to 70%

Large Cap Equity:

Target Allocation:	20%	30%
Target Range:	15% to 25%	25% to 40%

Attachment A: Investment Pools (Continued)

Pool Name:	Medium Term	Long Term
Investment Time Horizon:	2 years to 5 years	5 Years +
Small Cap Equity:		
Target Allocation:	10%	10%
Target Range:	5% to 15%	5% to 15%
International Equity		
Target Allocation:	10%	20%
Target Range:	<u>5% to 15%</u>	<u>15% to 25%</u>
Total Pool Allocation:	100%	100%

Note 1: Target Allocation and Target Ranges.

For each Pool, the table above lists the asset class(es) and the percentage of that Asset Class (“Target Allocation”) that will be invested in that Pool. For example, the Target Allocation for Fixed Income in the Medium Term Pool is 40%.

The Target Allocations are important, but the actual allocations may fall within a “Target Range” for each asset class in a Pool. For example, the “Target Range” for Fixed Income in the Medium Term pool is 35% to 45%.

An allocation may at times drift outside the range due to portfolio performance or, tactical shifts in investments. In such a case, portfolio rebalancing should be undertaken to bring the allocation back into the Investment Policy target range.

Should an advisor deem it appropriate to maintain variances from these target ranges for any length of time, prior approval should be received from the Investment Committee.

Performance. The Foundation expects that the endowment funds will earn competitive returns relative to appropriate capital market measures, including broad market indices, as well as funds with similar objectives. Index benchmarks will be used to evaluate investment performance. They may include, but are not limited to the following: S&P 500 Stock Index, Russell 2000 (Small Cap) Stock Index, MSCI EAFE (Developed Markets Foreign Stock) Index, MSCI Emerging Markets (Foreign Stock) Index and Barclay’s Capital Aggregate (Bond) Index.