



Community  
Foundation  
Of  
LaGrange County

**Statement of  
Investment Policy,  
Objectives and  
Guidelines**

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## I. GENERAL INFORMATION

- A. **Account Description:** The investment account assets of the Community Foundation of LaGrange County represent the funds deposited within the Foundation and Operating Accounts. In addition to the current assets, additional funds and or account designations may be added from time to time.
- B. **Scope of this Investment Policy:** This statement of investment policy reflects the investment policy, objectives and constraints of the entire Foundation and Operating Accounts in the name of the Community Foundation of LaGrange County.
- C. **Purpose of this Investment Policy:** This statement of investment policy is set in order to:
1. Establish a clear understanding for all involved parties of the investment goals and objectives of all Foundation assets.
  2. Establish the relevant investment horizon for which Foundation assets will be managed.
  3. Define and assign the responsibilities of all involved parties.
  4. Offer guidance and limitations to all Investment Managers/Mutual Funds regarding the investment of Foundation assets.
  5. Establish a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

This policy should be reviewed by the CFLC Investment Committee annually and revised as necessary to ensure that it continues to reflect the current financial situation of the Foundation and the capital markets.

### D. **Definitions:**

1. "Account" shall mean the Foundation and Operating Funds.
2. "Fiduciary" shall refer to those persons responsible for administering the Account as specified by applicable ordinance.
3. "Investment Manager" shall mean any individual, or group of individuals, or mutual funds employed or assigned to manage or oversee the investments of all or part of the Foundation's assets.
4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring.
5. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
6. "Investment Horizon" shall be the time period over which the investment

objectives, set forth in this statement, are expected to be met. The investment horizon for this Account is in perpetuity.

E. **Delegation of Authority:** The Fiduciary is responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Fiduciary is authorized to delegate certain responsibilities to professional experts in various fields. This include, but are not limited to:

1. **Investment Management Consultant.** The Consultant may assist the Fiduciary in:
  - Establishing investment policy, objectives and guidelines;
  - Reviewing such managers over time;
  - Measuring and evaluating investment performance; and
  - Other tasks as deemed appropriate.
2. **Investment Manager.** The Investment Manager may choose the specific securities that will be used to meet the Foundation's investment objectives. Such services also include economic analysis and deciding when to purchase, sell or hold individual securities.
3. **Custodian/Trustee.** The Custodian or Trustee will physically (or through agreement with the sub-Custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales. The Custodian or Trustee may also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Account.
4. **Fiduciary.** The Fiduciary will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications, which they deem appropriate.

## II. GENERAL INVESTMENT PRINCIPLES

The CFLC Investment Philosophy is: We are committed to preserving the purchasing power of assets entrusted to our care. Philanthropic dollars should provide as much service 100 years from now as they do today. Investment and distributions are made with this goal in mind.

### A. General Guidelines:

1. The goal of the Community Foundation of LaGrange County is the enhancement of our community and the quality of life for future generations. The investment and spending policies of the Foundation shall be directed toward this goal.
2. The Foundation shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of an account of like character and with like aims.
3. Investment of the Foundation's assets shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Fiduciary may employ one or more investment managers of varying styles and philosophies to attain the Foundation's objectives.
5. The Fiduciary will invest account assets in compliance with Uniform Prudent Management of Institutional Funds Act (UPMIFA), applicable state laws and regulations, or specific investment restrictions detailed in the Trust document.

**B. Investment Management Policy:**

1. **Preservation of Capital** – Consistent with the respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. **Risk Aversion** – Understanding that risk is present in all types of securities and investment styles, the Fiduciary recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the investment managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. **Adherence to Investment Discipline** – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

**C. Spending Policy:**

1. Spending target – 4%
  - Based upon a three-year (3) rolling average return and December 31 asset value calculated as follows:

$$P/O = T/R - CPI$$

Where:            P/O = Payout  
                          Net T/R = Net Total Return (after ALL administrative fees of the Foundation and investment fees.)  
                          CPI = Consumer Price Index (rate of inflation in the economy)

- Actual payout level shall be restricted to 4% or the actual Net Total Return-CPI, whichever is less.
- New accounts to the Foundation will not receive their first payment until they have been invested for one (1) complete calendar year. After the one year is completed, the payout for the new account will be based upon the previous year's actual return, not the three-year (3) rolling average of the Foundation. The three-year (3) rolling average will only begin after the new account has been invested for three (3) complete years.

### **III. INVESTMENT OBJECTIVES**

#### **A. Aggregate Fund Objectives:**

In order to meet its needs, the Foundation's investment strategy is to emphasize total return. That is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for Foundation assets shall be:

*To achieve a balanced return of Income and Growth of Capital, emphasizing long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.*

#### **B. Specific Investment Goals:**

The objectives of the aggregate Fund is not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

- Meet or exceed the market index, or relative benchmark, selected and agreed upon by the Fiduciary, that most closely corresponds to the style of investment management.
- Display an overall level of risk in the portfolio, which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly funds.

### **IV. LIQUIDITY**

- A. **Contribution/Distribution Procedures:** To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Fiduciary will periodically provide investment council with an estimate of expected net cash flow. The Fiduciary will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

### **V. INVESTMENT GUIDELINES**

- A. **Stock Exchanges:** To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges:

- New York Stock Exchange;
- American Stock Exchange; and
- NADAQ over-the-counter market.

In the event that an Investment Manager determines that there is a benefit or need to executive transactions in exchanges other than those listed in the statement, written approval is required from the Fiduciary.

- B. **Prohibited Transactions:** Unless specifically authorized by the CFLC Board of Directors, prohibited transactions include, but are not limited to the following:
- Short selling
  - Margin trading

- C. **Derivative Investments:** Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMO's (PAC bonds, IO's, PO's, residual bonds, etc.) and interest rate swaps among others. (The Investment Manager is prohibited from purchasing or selling derivative securities for speculation or leverage.)

## VI. ASSET ALLOCATION GUIDELINES

### A. Aggregate Account Allocation:

<b>Asset Class</b>	<b>Lower Limit</b>	<b>Strategic Allocation</b>	<b>Upper Limit</b>
<b>Stocks</b>	<b>60%</b>	<b>70%</b>	<b>80%</b>
US Stocks / REITS		36%	
International Stocks		24%	
<b>Bonds</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>
US Taxable Bonds / Mkt Neutral		26%	
International Bonds		4%	
<b>Cash</b>		<b>0%</b>	

- The Fiduciary may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such as disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Fiduciary regarding specific objectives and guidelines.

- B. **Diversification for Investment Managers:** The Fiduciary does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the total fund will be diversified from an industry standpoint and diversification will be measured relative to the underlying blended benchmark.

### C. Guidelines for Fixed Income Investments and Cash Equivalents:

- The average credit quality of the fixed income portfolio will be investment grade or better.
- Fixed income maturity restrictions are as follows:
  - Weighted average portfolio maturity may not exceed 12 years.
  - Weighted average portfolio maturity may not be less than three (3) years.

## VII. SELECTION OF INVESTMENT MANAGERS

- A. **Procedures:** The Fiduciary's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Fiduciary requires that each investment manager acknowledge fiduciary responsibility to the fund.
- B. **Investment Manager Performance Review and Evaluation:** Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Fiduciary for review. The investment performance of total portfolio, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this statement. The Fiduciary intends to evaluate the portfolio(s) over at a least a three-year (3) period but reserves the right to terminate manager for any reason including the following:
1. Investment performance, which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
  2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
  3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly performance, personnel, strategy research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

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**VII. INVESTMENT POLICY REVIEW**

This statement of Investment Policy is adopted April 27, 2016 by the authorized officers of the Community Foundation of LaGrange County whose signatures appear below.

  
\_\_\_\_\_  
George Brown, Board President

  
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Crystal Leu, Board Vice President

  
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Sue Keenan, Board Secretary

  
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Jan Olinger, Board Treasurer