



INVESTMENT POLICY STATEMENT

Est. September 2016

I. OVERVIEW

PURPOSE

The purpose of this statement is to establish goals and guidelines regarding the management of the funds of Montrose Community Foundation (hereinafter called “the Foundation”). Investment decisions of these funds (hereinafter called “the Fund”) shall be made by the Investment Committee (hereinafter called “the Committee”), with the approval of the Board of Directors of the Foundation (hereinafter called “the Board”), in accordance with the goals and restrictions stated herein.

This statement will:

- Establish an investment philosophy which will guide the Board and it’s agents toward the desired outcomes.
- Provide investment objectives which are sufficiently specific to be meaningful but sufficiently flexible to be practical.
- Establish reasonable expectations, objectives, and guidelines in the investment of the Fund’s assets.
- Set forth an investment structure detailing permitted asset classes, normal allocations and guidelines for diversification for the Fund.
- Establish measures used to evaluate investment performance. Each investment will be compared to a relevant index. The Portfolio return is expected to be comparable to a blended benchmark of returns for relevant indices.

SCOPE

This Policy applies to all assets that are included in the Foundation’s investment portfolio for which the Committee and the Board have discretionary investment authority.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in the policy, the Committee and the Board shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflict of interest. Investment Managers, if employed, must be a Bank, Trust Company, Insurance Company or Investment Broker or another entity specifically approved by the Board.

II. DEFINITION OF DUTIES

BOARD OF DIRECTORS

The Board is responsible for the management of the assets of the Foundation. The Board shall discharge its duties solely in the interest of the Foundation, with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

INVESTMENT COMMITTEE

1. Establish reasonable and consistent investment objectives, policies, asset allocation, and guidelines.
2. Periodically review compliance with applicable state and federal laws.
3. Determine the Foundation's investment objectives, risk tolerance and time horizon and communicate these to the Board and Investment Manager(s).
4. Recommend to the Board changes regarding investment objectives and guidelines, asset allocation, management structure, investment policies, and if applicable, management from time to time.

III. STATEMENT OF INVESTMENT PHILOSOPHY

The aim of the Montrose Community Foundation is to provide, in perpetuity, endowment income for the benefit of philanthropic interests in our community by:

- Increasing assets over time both by raising new funds and meeting our benchmark return objectives;
- Recognizing our duty to our contributors and the communities we serve to achieve the highest prudent returns over the long term at the least possible cost; and
- Managing risk through broad diversification across asset classes rather than attempting to “time the market”. The Committee does take into account valuation of asset classes based on historical returns in making allocation decisions. In general the Foundation is most comfortable investing for the long term in recognized companies with sound dividend policies.

IV. STATEMENT OF INVESTMENT OBJECTIVES

The principle investment objectives of the Fund are to invest assets in a manner which: Provides for Income and Growth. The investment objective for these assets shall be to achieve an average annual rate of return that, net of inflation and after the deduction of an administrative charge for the aggregate investments under this Investment Policy Statement, provides a net positive return which is in line with appropriate benchmarks.

V. INVESTMENT GOALS

The Fund's assets shall be invested for the sole interest and exclusive benefit of the Foundation. The Foundation's greatest concern for the Fund is Income and Growth. Based on that objective, the primary goals for the Fund:

- Income and growth places primary emphasis on the production of income through interest and dividends and secondary emphasis on capital appreciation through equities.
- To equal or exceed the return of an appropriate style based index on an annualized basis.
- To target a sustainable 4% withdrawal rate annually over the long term.
- To stay within our upper and lower limits of our neutral asset allocation of 60% stocks and 40% bonds as defined in Appendix 1.

The Board understands that fluctuating rates of return are characteristic of the securities markets and accepts the volatility inherent in those markets, provided that the allocations and guidelines are followed.

VI. INVESTMENT GUIDELINES

ASSET ALLOCATION

The primary objective of the fund is to provide Income and Growth.

Subject to the limitations stated herein, the Committee is given full investment discretion consistent with the investment objectives and guidelines of the Fund and shall have full discretion regarding the selection of fixed-income securities, cash equivalents, equities and other publicly traded securities in order to assure full flexibility in the management of the Fund.

The current asset allocation including target percentages are outlined in Appendix I.

DIVERSITY

To reduce risk, not more than 5% of the portfolio shall be invested in any one stock or bond.

SECURITIES GUIDELINES

Cash and Equivalents

All cash should be invested in a money market fund free of risk and loss that can be easily liquidated. No more than 5% of invested assets will be allocated to cash at any given time; except if cash is being temporarily held awaiting investment or distribution.

Fixed Income Securities

The Fund may invest in appropriately liquid preferred stocks, Exchange Traded Funds (ETF), index funds, mutual funds, corporate debt securities, mortgage backed securities, collateralized notes and obligations of the U.S. Government and its agencies.

Equities

Permissible holdings include common stocks or (“ADRs”) listed on a major U.S. exchange, securities convertible into common stock, preferred stocks, Exchange Traded Funds (ETF), and mutual funds.

Real Assets

The Committee may consider Real Assets (real estate and commodities) as a way to reduce the risk of the overall portfolio. Investments in real assets are limited to not more than 10% of the value of the total assets of the portfolio at the time of initial investment.

The Board must approve any and all direct real estate investments prior to any investment. This provision does not apply to publicly traded real estate investment trusts (REIT’s) or to publicly traded companies engaged in the business of real estate activities.

PORTFOLIO INCOME

Unless otherwise directed by fund agreements, dividends and interest will not be reinvested, but will be accumulated and transferred to the Foundation and fund’s spendable accounts quarterly. Capital gains may be reinvested.

PROHIBITED ASSETS

Direct investment in the following assets is expressly prohibited: options, futures, lettered stock, derivatives, leveraged funds (using multiples), and short sales. The Board reserves the right to review any donated asset for suitability.

VII. PORTFOLIO REBALANCING

The purpose of rebalancing is to ensure that actual asset allocations do not drift too far from predetermined, strategic allocations. The allocations may at times drift outside the ranges due to portfolio performances, large donations to the Fund, or in unusual cases, for tactical purposes. The Committee will meet at least quarterly to review actual asset weighting and rebalance as needed. The strategic allocation mix shall be formally reviewed at least annually to determine whether modifications are necessary.

VIII. DONOR RECOMMENDED INVESTMENT MANAGER

Upon request by a donor, after minimum requirements have been met, and subject to the approval of the Board, the Foundation may enter into a contract with an individual investment manager or management firm to manage assets given to the Foundation by the donor. Investment Managers will have full discretion to make all investment decisions within the limitations set forth in this Investment Policy Statement.

Donor Recommended Investment Managers must read and sign the MCF Policy and Investment Guidelines for Donor Recommended Investment Managers document.

COMMITTEE RESPONSIBILITIES

1. Communicate the Foundation's investment objectives, risk tolerance and time horizon to Investment Manager(s).
2. Review quarterly portfolio performance of portfolio managed by outside Investment Manager(s); are relieved from liability from investment decisions made by the actions of outside Investment Managers.
3. Develop and enact proper control procedures to include the engagement, termination and replacement of investment professionals.

IX. COMMUNICATIONS

The Committee must furnish the Board with a quarterly account review detailing investment performance on a time weighted basis, portfolio holdings, and the Fund's value. The Committee will give the Board timely information regarding any recommended changes to the Foundation's investment policy.

APPENDIX I

Target Asset Allocation

Asset Class	Strategic	Upper Limit
Cash & Equiv.	2%	5%
Real Assets	10%	15%
Equity	50%	70%
Fixed Income	38%	60%
	100%	