

# **Clark County Community Foundation, Inc.**

## **Statement of Investment Policy**

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## **I. Purpose**

The Board of Directors of the Clark County Community Foundation, Inc. (hereafter “CCCF” or “Foundation”) has adopted this Statement of Investment Policy (“Policy”) to direct the prudent management of its invested assets in a manner consistent with the investment objectives, policies and procedures stated herein.

Additionally, this Policy shall:

1. Describe the division of responsibilities between the Foundation, its Board of Directors, its Investment Committee, its Treasurer, and its Investment Advisors and Manager(s); in performance of their duties to effectively and prudently manage, monitor and evaluate the Foundation’s invested assets; and
2. Define and describe which assets of the Foundation are considered invested, and are considered part of the Investment Portfolio; and
3. Describe the goals and objectives relating to the Foundation’s Investment Portfolio; and
4. State the Board of Directors’ position regarding the Foundation’s acceptable level of risk versus return, including the allocation of invested assets; and
5. Establish the investment policies, practices, and guidelines; whereby the continuing financial obligations of the Foundation will be met in a timely and prudent manner.

It is expected that this Policy will be reviewed at least annually by the Investment Committee. Any revisions will be recommended to Board of Directors.

## **II. Division of Responsibilities**

### **1. Board of Directors:**

The ultimate responsibility for the management of invested assets shall be with the Board of Directors (“Board”) of the Foundation. The Board must ensure that appropriate policies are in place and effectively implemented in order to govern the management of its invested assets.

The Board sets and approves this Policy and delegates responsibility for the implementation and ongoing monitoring of this Policy to the Clark County Community Foundation Investment Committee (“Committee”).

At least annually, the Board will receive from the Committee, a performance report of all invested assets. The Committee will review, at least annually, the Investment Policy Statement, and provide any recommended revisions to this Policy to the Board.

### **2. Investment Committee:**

- a. Members of the Committee shall be appointed by the Board in accordance with the Foundation’s Bylaws. The Board will strive to appoint persons with reasonable knowledge of investments and investment practices.

- b. The Committee is responsible for implementing this Policy, which includes, but is not limited to:
    - i. formulating the Foundation's overall Investment strategy;
    - ii. recommending to the Board the hiring and firing of investment advisors or managers;
    - iii. monitoring performance of the Foundation's portfolio of invested assets ("Portfolio") on a regular basis (at least on a calendar quarterly basis); and
    - iv. obtaining and maintaining sufficient knowledge regarding the Portfolio and its managers so as to be reasonably assured of their compliance with this Statement of Investment Policy.
  - c. The Committee will act in good faith and with the care an ordinary prudent person, in a like position, would exercise under similar circumstances in performance of their duties.
  - d. The Committee shall meet at least monthly. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed.
  - e. The Committee shall be deemed to have a quorum, for the purpose of business transactions at any meeting at which the majority of the Committee is present. Any act of the Committee at which a quorum is present shall be the act of the Committee.
3. Treasurer:
- a. The Treasurer of the Foundation has the responsibility for the administration and daily oversight of the Portfolio, including, but not limited to:
    - i. authorizing transactions, including the investment of additional contributions to the Portfolio and/or withdrawals from the Portfolio of invested assets in compliance with the Foundation's *Gift Acceptance Policy* and/or *Spending Policy*;
    - ii. directing that the rebalancing of assets of the Portfolio be done, as may be needed on a periodic basis, including sub-allocations, to ensure compliance with this Policy and its guidelines; and
    - iii. consulting with the Committee as needed on matters relating to the investment of the Foundation's Portfolio, not specifically addressed in this Policy.
  - b. The Treasurer will serve as the primary day-to-day contact for the Foundation's investment advisors / managers / and custodians, and shall:
    - i. receive and review all financial and investment reports in a timely manner, and report those results to the Committee at their next scheduled Committee meeting;
    - ii. report to the Committee and the Board, at least monthly, the current value of the Foundation's Portfolio, recent transactions processed, Policy implementation issues or concerns, and any compliance issues that they

are aware of. [Each report will include a thorough review of funds received, assets managed, relation of assets to policy, and performance of investments].

**4. Investment Advisors, Manager(s) and other outside consultants:**

Investment Advisors or Managers are Agents of the Foundation who are delegated the responsibility of investing and managing the Foundation's Investment Portfolio in accordance with this Policy, and all applicable laws.

The Committee will recommend, and the Board will approve the selection of all Investment Advisors, Managers or other outside consultants, including those referred to the Foundation by donors.

Each Investment Advisor or Manager must provide:

- a.** Evidence of liability insurance coverage, that in the event of any errors or omissions (by the Investment Manager), provides coverage and allows claims to be made regarding any adverse impacts or actions affecting the Foundation, as a result of those errors or omissions.
- b.** Certification that they are a bank, insurance company, investment management company, trust company, or investment advisor as defined in the Registered Investment Advisors Act of 1940.

Each Investment Advisor or Manager will be contracted in writing, to provide comprehensive Portfolio management services, including but not limited to:

- a.** Provide monthly statements and historical quarterly performance of the Foundation's Portfolio, to the Committee or its designee, which shall include:
  - i.** Current market value of Portfolio assets;
  - ii.** Cost basis and date of acquisition of Portfolio assets;
  - iii.** Income received;
  - iv.** Distributions made;
  - v.** Fees and other items paid;
  - vi.** Securities transactions;
  - vii.** Report of gains and losses, both realized and unrealized; and
  - viii.** Statement of Portfolio performance for each period provided.
- b.** Provide to authorized Foundation representatives; internet access to all account balances, sub-account details, purchases, redemptions, investment income, gains, losses and expenses for all assets invested with the Investment Advisor or Manger.
- c.** Provide to the Committee or its designee any additional information they may request, as they deem necessary in order to measure the Portfolio's investment performance.

Preference will be given to acceptable Investment Advisors or Managers located in the immediate Clark County Wisconsin area.

(Any arrangement with a third party, outside consultant will be a separate contractual agreement that is recommended by the Investment Committee, and approved by the Board of Directors).

### **III. Objectives**

#### **1. Performance Objective**

The Foundation's Portfolio performance objective (Performance Objective), in total, is to grow the market value of the Portfolio assets, net of inflation, additional investments, spending and expenses, over a full market cycle (generally defined as a three to five year period) without undue exposure to risk.

In quantitative terms, the Performance Objective is to earn a total return of 5% over inflation (as measured by the Consumer Price Index) over long periods. Given that market returns and inflation can deviate considerably, success relative to this objective will be evaluated over periods of ten years or longer with due consideration given to specific market conditions during such time.

It is also expected that the Portfolio will outperform an asset allocation target weighted, net of investment fees, over a full market cycle without exceeding a standard deviation of 1.2 times this index.<sup>(1)</sup> (The benchmark index will be comprised of each asset class index weighted by its target allocation, using industry recognized comparables. See Table II on page 8)

<sup>(1)</sup> Measured on a total return basis. Total return includes income, realized and unrealized gains and losses.

#### **2. Strategy**

Because the Portfolio is expected to endure into perpetuity, and because inflation is a key component in its Performance Objective, the long-term inflation risk of not investing in equity securities outweighs the short-term volatility risk. As a result, a significant percentage of Portfolio assets will be invested in equity or equity-like diversified securities. Fixed income securities will be used to lower the short-term volatility of the Portfolio and to provide income stability, especially during periods of weak or negative equity markets. It is recognized that cash and cash equivalent type allocations are included in the fixed income percentage weightings and can be a strategic asset. However, in a normal environment, cash or cash equivalent type allocations should be no more than 15.0%

### 3. Asset Allocation Tables

Assets donated as part of Endowment Fund agreements will be invested as a component of the Foundation's Portfolio of invested assets. Invested assets are managed by the Foundation's Investment Advisors / Managers who use their investment expertise to select and monitor any mutual fund or other investment managers, where Foundation Portfolio assets are invested.

**Clark County Community Foundation Inc.  
Table I - Asset Allocation Table**

| ASSET CLASS                    | Lower Limit        | Strategic Allocation | Upper Limit        |
|--------------------------------|--------------------|----------------------|--------------------|
| Domestic Equity – Large Cap    | 20.0%              | 25.0%                | 40.0%              |
| Domestic Equity – Mid & Sm Cap | 15.0%              | 20.0%                | 30.0%              |
| International Equity           | <u>0.0%</u>        | <u>5.0%</u>          | <u>7.0%</u>        |
| <b>TOTAL EQUITY</b>            | <b>40.0%</b>       | <b>50.0%</b>         | <b>65.0%</b>       |
| <b>FIXED INCOME *</b>          | <b>35.0%</b>       | <b>45.0%</b>         | <b>55.0%</b>       |
| <b>CASH AND EQUIVALENTS</b>    | <b>0.0%</b>        | <b>5.0%</b>          | <b>15.0%</b>       |
| <b>ALTERNATIVE ASSETS</b>      | <b><u>0.0%</u></b> | <b><u>0.0%</u></b>   | <b><u>5.0%</u></b> |
| <b>TOTAL</b>                   | <b>**</b>          | <b><u>100.0%</u></b> | <b>**</b>          |

\* Fixed Income (US Fixed Income (AAA to BBB-), Treasury Inflation Protected Securities (TIPs), Global Bonds (AAA to BBB-))

\*\* Specific ranges (lower and upper target allocation limits) do not add to 100.0%

### 4. Rebalancing

In maintaining these asset allocation targets, the Committee, the Treasurer, and any investment advisors or managers will strive to remain within the acceptable ranges with the intent of rebalancing to targets as necessary. The appropriateness of the asset allocations as outlined in Table I (above) are to be reviewed annually.

The domestic equity portion of the Portfolio is intended to be approximately evenly invested between growth and value managers, with no more than 60% of the domestic equity portion of the Portfolio being invested in one style (i.e. growth or value), to provide further diversification.

### 5. Spending Policy

Distributions shall be made in accordance with the Foundation's current *Spending Policy*, as approved by the Board. Withdrawals from the Portfolio may include cash required for administrative fees, investment and custodial fees, and distributions in accordance with the Spending Policy.

## **IV. IMPLEMENTATION**

It is the intent of the Committee to retain professional investment advisors and managers who will manage the Foundation's Portfolio within the parameters of the target asset allocation, and all other goals and objectives specified in this Policy.

Consideration should also be given to the level of diversification within each Portfolio asset category as well as the Portfolio in total. Investment advisors and managers will review the sub-allocations within the Portfolio holdings to make certain that there is a reasonable mix of investments as defined by their nature, industry mix, market capitalization, line of business, or fund management style.

The Committee's intent is to select and retain competent, successful, ethical and responsive investment advisors and managers, and to maintain long-term mutually beneficial relationships with them. The Board believes that over time, investment advisors and managers who understand the Foundation's long-term goals will be better able to contribute to the achievement and success of the Foundation's overall Performance Objective.

### **1. Time Horizon**

The Foundation seeks to attain the Performance Objective stated in this Policy, over a full market cycle, generally defined as a three to five year period. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods investment advisors/managers may produce significant over or under performance of comparative market segments of the broader markets.

For this reason, long-term investment returns compared to market benchmarks will be measured over a 10-year moving annual period. The appropriate benchmarks will include both the target asset allocation benchmark and the performance of other asset mixes and institutions. The Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria established under "Investment Advisor/Manager Performance Objectives" below.

### **2. Investment Advisor and Manager Performance Objectives**

All investment returns shall be measured net of fees with accruals included. Each investment advisor/manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

- a.** Ability to exceed the return of the appropriate benchmark index over a full market cycle as set forth in Table II (page 8);
- b.** Adherence to the guidelines and objectives of this *Statement of Investment Policy*;
- c.** Avoidance of regulatory actions against the firm, its principals or employees; and;
- d.** Ability to measure and report actual performance as well as provide attribution for deviation from respective benchmarks.



The following table summarizes the individual categories of asset classes and a comparable benchmark for comparison with the Foundation’s Portfolio Performance Objective:

**Clark County Community Foundation Inc.  
Table II - Asset Allocation Benchmark Table**

| ASSET CLASS                             | COMPARABLE PORTFOLIO PERFORMANCE OBJECTIVE |
|---|--|
| Domestic Equity – Large Cap             | S & P 500                                  |
| Domestic Equity – Mid Cap               | Russell MidCap                             |
| Domestic Equity – Small Cap             | Russell 2000                               |
| Domestic Equity – Combined Cap          | S & P 1500                                 |
| International Developed Markets Equity  | MSCI EAFE                                  |
| International Emerging Markets Equity   | MSCI EAFE                                  |
| US Fixed Income                         | Barclays Govt Credit 1 - 5 month           |
| Treasury Inflation Protected Securities | Barclays US TIPS                           |
| Global Bonds (AAA to BBB-)              | Citigroup World Government Bond Index      |
| Money Market                            | US T-Bills                                 |

Investment Advisors and Managers, as retained by the Board, shall use their investment expertise to select and monitor investment managers for their individual portion of the overall Portfolio, each in accordance with asset class targets and ranges as defined above.

**V. Risk Tolerance**

The Foundation recognizes and acknowledges that risk must be assumed in order to achieve the investment objectives. Because there is an established relationship between the level of risk assumed and the level of return that can be expected, the Foundation uses two primary factors to determine risk tolerance:

1. Financial ability to accept permanent risk of loss within the investment program.
2. Willingness to accept return volatility.

Taking these two factors into account, the Foundation rates its risk tolerance as **Moderate** for the Foundation’s Portfolio of invested assets.

## **VI. Custody of Invested Assets**

Investment Managers, as defined in **Section II (4)**, shall:

1. Hold all invested assets of the Foundation in the name of the **Clark County Community Foundation, Inc.**;
2. Hold cash assets consisting of checking and savings accounts, in federally insured institutions located in the immediate Clark County Wisconsin area;
3. Manage all invested assets of the Foundation, by using their own discretion, as long as all transactions, investment funds or pools, dollar amounts (invested, liquidated or held), and/ or performance results are within the scope of this *Statement of Investment Policy*;
4. Have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation;
5. Use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates; and
6. Adhere to all applicable Investment Manager Agreements, and/ or any laws that supersede any of the documents mentioned in this policy.

## **VII. Fiduciary Duty**

In seeking to attain the investment objectives as set forth in this Policy, the Committee and its members must act with care, skill, prudence and diligence under the circumstances then prevailing, just as a prudent person, in a like capacity and familiar with such matters, would do. The Investment Committee has a duty to diversify the investments and perform the fundamental fiduciary duties of prudence, loyalty, and impartiality.

An employee, officer, director, related party, or immediate relative of any of these persons, is prohibited from borrowing Foundation funds, or personally benefiting from any investment(s) of Foundation funds. 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 conflicts of interest.

In the act(s) or process of investing, reinvesting, acquiring, retaining, managing and, or disbursing of Foundation funds and assets, all parties shall exercise the judgment and care which persons of prudence, discretion and intelligence exercise in the management of their own affairs. Including but not limited to, the act(s) or process regarding the permanent disposition of their own funds, considering the probable income and growth, as well as the probable safety of their capital. This investment standard shall be applicable to all persons or firms handling the investment of Foundation funds and/ or assets.

## **VIII. Investment Procedure Guidelines**

Funds shall be invested, with due recognition of the time when such monies may be required for operational needs, to achieve best possible total return that still maintains the purpose of the fund and its fiscal soundness. The Foundation will invest its funds within the following time-related buckets:

1. Short-Term needs:

The short-term needs of the Foundation would be those funds necessary to provide for the annual operating or program expenses of the Foundation over a one-year period.

These short-term needs would be met through investments in liquid guaranteed assets (CDs, money market funds, direct or fully guaranteed obligations of the United States Government and United States Government Agencies, and checking accounts) and anticipated annual revenues as reviewed by the Investment Committee at least quarterly.

2. Medium-Term needs:

The medium-term needs represent an amount that will be determined, at least annually by the Investment Committee. This amount is intended to provide a cushion for annual operating expenses, program needs, as well as the cost for fund-raising efforts. These funds may be managed internally and invested in liquid guaranteed assets (described in section VIII (1) above), or managed by the Foundation's investment advisors or managers as a component of portfolio invested assets. Any investment of assets designated for medium-term needs, shall have maturities (if any) of no more than 36 -months.

3. Portfolio Assets (Long-Term needs):

The Foundation's Portfolio Assets are made up of funds and amounts that are considered to be endowment funds, or assets that have not been designated for a specific program and are intended to be used as a long-term safety net. These assets shall be held in a separate account and managed by an externally contracted professional investment advisors or managers. The Investment Committee shall be tasked with the retaining the Investment Advisor or Manager and shall review all investment results on at least a quarterly basis. The Foundations' investment and performance objectives, as described in the Policy, will be monitored by the Committee, and any recommended changes to these objectives shall be approved by the Foundation Board prior to implementation.

The current investment objective for the Foundation Portfolio Assets is a **Balanced** mix, with an equity investment allocation ranging from 40 to 65%. The performance objective of the Portfolio Assets is to earn a total return (net of all investment fees) of 5% on an average annual basis, over a three to five-year period.

IX. Asset Allocation and Timing

The investment manager shall have the discretion and the responsibility to change the percentage holdings of common stocks and bonds within established Investment Objective and in response to the opportunities and the risks in the market place. The Investment Committee will make appraisals of the investment results in a comparison with other comparably managed portfolios on a quarterly basis and provide updates to the Foundation Board of Directors at a minimum of once per year. The Foundation's Board of Directors will designate and/or approve all Investment Objectives on an annual basis.



**Allocation of Assets:**

Foundation assets may be invested in the following investments:

1. Common stocks listed on a national exchange
2. Readily marketable preferred stocks
3. Mutual funds or Exchange Traded Funds containing equity-type instruments
4. Bonds/convertible bonds rated BBB- or above
5. Mutual funds or Exchange Traded Funds containing bond-type instruments
6. Savings, Money Market or Certificates of Deposit in insured Financial Institutions

The use of leverage, margin, or investment in futures are prohibited in any equity, debt, mutual fund or ETF that is used for Foundation investments.

Investments in alternative assets, such as commodity baskets, are prohibited unless specifically agreed to, in writing by the Investment Committee and the Board of Directors.

**Affirmation of the Clark County Community Foundation Inc. Investment Policy**

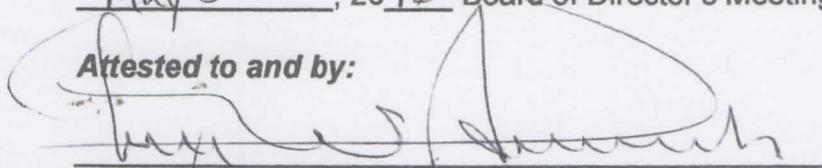
A **Moderate** level of risk for the Foundation's Portfolio of Invested Assets, is intended to be sustained over our investment horizon, unless there is a significant change in the Foundation's financial circumstances, or changes to other Investment Policy goals or objectives.

The Foundation will review this Policy at least annually, to determine whether the stated investment objectives are still relevant and achievable, as outlined in this Policy.

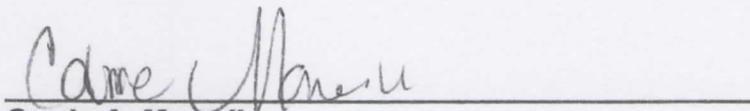
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This current version of the Clark County Community Foundation, Inc. – **Statement of Investment Policy**, has been reviewed and accepted by its Board of Directors at the May 5<sup>th</sup>, 2016 Board of Director's Meeting.

**Attested to and by:**

  
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**Steven W. Hemersbach**  
 President, Clark County Community Foundation, Inc.

05-11-2016  
Date

  
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**Carrie A. Morrell**  
 Secretary, Clark County Community Foundation, Inc.

5-16-16  
Date