

## STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES FOR INVESTMENTS

June 2016

This policy applies to funds invested by the Community Foundation of Utah (the "Foundation"), including the Foundation's Endowments and Donor Advised Funds. These funds are referred to as either the Foundation's Investment Pools ("Pools") or Separately Managed Accounts ("SMAs") (collectively, the "Portfolio"), as set forth herein.

### I. Introduction

The Foundation was created to provide for more efficient investment oversight and deployment of assets from individuals or institutions whose desire is to promote the well-being of the State of Utah. The purpose of the Investment Policy is to establish the roles of the governance structure of the fund, and to establish the guidelines for the portfolios. The Investment Policy also incorporates accountability standards used for monitoring the progress of the various investment Portfolios.

1. Financial Objective: To provide the greatest level of support for current, as well as future, grant making and administrative needs while maintaining the purchasing power of the Foundation's charitable assets over time.
2. Primary Investment Objective: To invest endowment funds with a focus on diversification to help control risk, achieve long-term growth, offset inflationary impact, and allow for distributions and fees.

### II. Role of the Board of Trustees

The Board of Trustees is responsible for the oversight of the investment operations of the Foundation. The Board's specific responsibilities are:

- A. Selection of Investment Committee Members.
- B. Approval of the Investment Policy Statement.
- C. Annual review of the Investment Policy Statement.
- D. Review of the Investment Portfolios for Policy Compliance.
- E. Monitoring of aggregate performance of the Investment Portfolios.

### III. Role of the Investment Committee

The Investment Committee (the "Committee") is acting in an advisory capacity with respect to the investment portfolios, offering to the Foundation Board recommendations regarding the following:

- A. Establishment of the Investment Policy Statement with annual reviews for possible changes.
- B. The development and implementation of asset allocation within the investment portfolios.
- C. The selection of investment managers and the allocation of assets to those selected.
- D. Monitoring of investment performance and making recommendations for investment manager changes as needed.

#### IV. Purpose and Description of Investment Pools

The Foundation offers four investment Pools. The Pools have different and distinct risk characteristics that span the risk - return spectrum. The various options provide participants with the ability to select an investment that meets both their desired time horizon and individual risk tolerances.

**Money Market Pool:** The Money Market Pool is designed for those who are likely to recommend grants from their Donor Advised Funds regularly. The fund focuses exclusively on the safety of principal, and invests solely in ultra short-term debt instruments.

**Mid-Term Pool:** The Mid-Term Pool is designed for individuals who desire that their Donor Advised Fund earn somewhat higher long-term rates of return than are generally earned in the bond markets, while still limiting the short-term volatility. The Pool will invest primarily in debt-related securities, but will also invest a moderate (minority) portion of the Pool into equity type investments.

**Long-Term Pool:** The Long-Term Pool is designed for individuals who can tolerate a moderate amount of volatility in short-term returns in their Donor Advised Fund. The emphasis is to earn higher long-term rates of return by investing a majority of the assets in equity-type investments.

**Social Responsibility Pool:** The Social Responsibility Pool is designed for individuals who seek to track the performance of the FTSE4Good US Select Index in their Donor Advised Fund. The emphasis is to earn higher long-term rates of return by investing in equity investments that are screened for certain social and environmental criteria.

#### V. Purpose and Description of SMAs

The Foundation permits a donor who establishes a permanently endowed fund with an initial gift of \$50,000 or more to recommend an investment advisor of the donor's choice to manage the investments attributable to their fund. The Foundation may retain the donor's recommended investment advisor to manage the investments for such a fund, subject to (i) approval by the Foundation's Investment Committee and (ii) compliance with all applicable rules and regulations including the Pension Protection Act of 2006.

The SMA shall be invested in accordance with the Foundation's current policies and processes relating to separately managed funds and any other fund administration policies deemed applicable.

#### VI. Asset Allocation Policy

The asset allocation ranges for the Investments Portfolios will be as follows:

Money Market	Minimum	Neutral	Maximum
Money Market	100	100	100

Mid-Term	Minimum	Neutral	Maximum
Fixed Income	50	60	70
Equities	30	40	50

<b>Long-Term</b>	<b>Minimum</b>	<b>Neutral</b>	<b>Maximum</b>
Fixed Income	30	40	50
Equities	50	60	70
<b>Alternatives</b>	<b>Minimum</b>	<b>Neutral</b>	<b>Maximum</b>
Alternatives	0	0	15

Tactical Asset Allocation: A target allocation other than the neutral position for each asset class is allowed as long as it remains within policy guidelines and is specifically approved by the Investment Committee. It is anticipated that any tactical asset allocation will be based on valuation metrics and business cycle analyses, and therefore would be infrequent in nature.

The Board and Investment Committee recognize that some donor advisors may desire to recommend different allocations. The Investment Committee is authorized to accept and act on allocation recommendations from donor advisors which are different from the allocations stated above if deemed by the Board to be prudent.

## **VII. Rebalancing Policy**

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset classes. The Portfolio will be rebalanced to its target asset allocation under the following procedures:

1. Incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio should be used to realign the current weightings closer to the target weightings for the Portfolio.
2. Each Portfolio will be rebalanced to the asset allocation target semiannually (March 31 and September 30).
3. The Investment Committee may provide a rebalancing recommendation at any time.

## **VIII. Diversification Policy**

Diversification in each account will be accomplished in three steps. First, an asset allocation mix will be used to diversify the asset classes of equities, bonds and cash. Second, each asset will be diversified using multiple strategies; i.e., equities will use a mix of US and foreign equities in small and large capitalization pools. Third, each Portfolio will utilize mutual funds/exchange traded funds which are well diversified by individual security selections. These funds are governed by prospectuses that require that no individual securities have over 5% concentrations (except US Treasuries and agencies) and are built to replicate returns of broad market indices.

## **IX. Other Investment Policies**

- A. Derivative securities are allowed for hedging purposes but are not allowed for speculative or leveraging purposes.
- B. Using financial leverage is prohibited.
- C. Short selling securities is prohibited.

## **X. Performance Monitoring**

The Committee will monitor each Portfolio's investment performance against the Portfolio's stated investment objectives at a frequency to be decided by the Committee. In addition, the performance of each investment

manager will be compared to a passive index that is representative of the universe within which the manager selects securities.

In keeping with the Mid-Term, Long-Term and Social Responsibility Portfolio's overall long-term financial objective, the Committee will evaluate each Portfolio and each manager's performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling three-year basis.

#### **XI. Spending Policy 2016**

The 2016 spending policy for endowed funds, unless otherwise noted in the agreement, is 4%.

## Vanguard Fund Allocations for 2016

### Modifications June 2016

Investment Pool	Fund Number	Expense ratio	June 2016 Allocation
<b>Social Responsibility</b> - This is a fund for those who wish this type of investment strategy			
FTSE Social Index Fund	213	0.25%	100%
<b>Prime Money Market</b>			
	30	0.16%	100%
<b>Mid-Term Portfolio</b> - Designed to provide current income and low to moderate capital appreciation. The fund holds 60% of its assets in bonds, a portion of which is allocated to international bonds, and 40% in stocks, a portion of which is allocated to international stocks. Investors with a long-term time horizon who can accept modest movement in share price and can tolerate the risk that comes from the volatility of the stock and bond markets may wish to consider this fund.			
Life Strategy Conservative Growth Fund	724	0.13%	100%
<b>Long Term Portfolio</b> - Designed to provide capital appreciation and a low to moderate level of current income. The fund holds 60% of its assets in stocks, a portion of which is allocated to international stocks, and 40% in bonds, a portion of which is allocated to international bonds. Investors with a long-term time horizon who can accept stock market volatility may wish to consider this fund.			
Life Strategy Moderate Growth Fund	914	0.14%	100%