

OBJECTIVES AND POLICIES FOR INVESTMENTS COMMUNITY FOUNDATION OF UTAH

The Objectives and Policies for Investments (“Policy”) applies to funds owned and invested by the Community Foundation of Utah (“CFU”), including but not limited to CFU’s endowments, donor-advised funds, corporate-advised funds, agency endowment funds, field of interest funds, fiscal sponsorships, and emergency assistance fund (collectively, “Funds”). These Funds are either part of CFU’s investment pools (“Pools”) or Separately Managed Accounts (“SMAs”) (collectively, the “Portfolio”), as set forth herein.

1 Introduction

CFU 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 Policy is to establish the governance structure for the Funds and guidelines for the Portfolio. The Policy also incorporates accountability standards for monitoring the progress of the Portfolio.

- A. 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 CFU’s charitable assets over time.
- B. 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.

2 Role of the Board of Directors

CFU’s Board of Directors (“Board”) is responsible for the oversight of the investment operations of CFU. The Board’s specific responsibilities include:

- A. Selection of Finance & Compliance Committee (“Committee”) Members.
- B. Approval of the Policy and any amendments thereto.
- C. Annual review of the Policy.
- D. Review of the Portfolio for compliance with the Policy.
- E. Monitoring of the aggregate performance of the Portfolio.

3 Role of the Committee

The Committee is acting in an advisory capacity with respect to the investment portfolios, offering

recommendations to the Board regarding the following:

- A. Reviewing the Policy at least annually and providing suggestions for amendments when deemed advisable.
- B. Development and implementation of asset allocation within the Portfolio.
- C. Selection of investment managers and allocation of assets to those selected.
- D. Monitoring of investment performance and recommending investment manager changes as needed.

4 Purpose and Description of Pools

CFU offers four 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 their risk tolerance.

Money Market Pool: The Money Market Pool is designed for those who are likely to recommend distributions from their fund 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 those who desire their fund to 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 in equity-type investments.

Long-Term Pool: The Long-Term Pool is designed for those who can tolerate a moderate amount of volatility in short-term returns in their 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 those who seek to track the performance of the FTSE4Good US Select Index in their fund. The emphasis is to earn higher long-term rates of return by investing in equity-type investments that are screened for certain social and environmental criteria.

5 Purpose and Description of SMAs

CFU permits a donor who establishes an 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. CFU may retain the donor's recommended investment advisor to manage the investments for such a fund, subject to (1) approval by the Committee; and (2) compliance with all applicable rules and regulations, including the Pension Protection Act of 2006.

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

6 Asset Allocation Policy

The asset allocation ranges for the Portfolio 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

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

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

7 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:

- A. Incoming cash flow (contributions) or outgoing money movements (distributions) of the Portfolio should be used to realign the current weightings closer to the target weightings for the Portfolio.
- B. Each Portfolio will be rebalanced to the asset allocation target semiannually (March 31

and September 30).

- C. The Committee may provide a rebalancing recommendation at any time.

8 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: e.g., 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 limit the concentration of individual securities (except US Treasuries and agencies) and are built to replicate returns of broad market indices.

9 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.
- D. From time to time, a donor may request that CFU make an investment that is deemed “mission-related” because the investment is intended, in significant part, to advance a charitable exempt purpose. No such investment shall be permitted unless the donor has completed a recommendation form. Such mission-related investments must then be approved by a majority of the Board. Any such investment shall fall outside the standard parameters of this Policy.

10 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.

11 Spending Policy

The Spending Policy is intended to define a compromise between two very important but often conflicting goals: (1) providing support for current needs and/or specific charitable purposes; and (2) growing an endowment to provide for higher levels of support in the future, thereby achieving long-term funding goals.

CFU shall annually set an endowed fund Spending Rate. This Rate shall be reviewed annually against actual returns and adjustments shall be made to preserve the purchasing power of any endowed funds for the future. The Rate shall generally be monitored over a trailing three-year period, in relation to the total return achieved by the endowment assets, and may be adjusted upward or downward as needed to preserve the endowed fund. As of the date of this Policy, CFU shall have the ability to distribute 4% of the principal amount of an endowed fund, as valued as of the last day of the taxable year in prior to the year of spending.

The recommended Spending Rate shall be set by at least a 2/3rds vote of the Committee. The recommendation must then be ratified by a majority vote of the Board.

As of the date of this Policy, CFU shall have the ability to distribute 4% of the principal amount of an endowed fund, as valued as of the last day of the taxable year in prior to the year of spending.

12 Endowed Funds

Donations to an endowed fund shall be classified generally in one of two ways for purposes of applying the Spending Rate to those gifts: endowed assets will be considered either "Restricted" or "Unrestricted" with regard to the principle amount of the gift. The income from the investments in either case will be treated the same unless the donor has requested further restrictions which are reasonable and can be accommodated by CFU's investment and accounting professionals. All endowed funds at CFU shall be considered Unrestricted unless expressly stated otherwise in the applicable fund agreement.

Restricted Assets: Restricted Assets are funds in which the principle amount cannot be invaded for any reason. Meaning, CFU can distribute only the income from these assets. There are two types of Restricted Assets: Permanently Restricted Assets and Temporarily Restricted Assets. Permanently Restricted Assets will always be required to maintain the principle amount. For Temporarily Restricted Assets, the assets will become unrestricted upon the maturity of the restriction. Gifts shall only be considered Restricted (either Permanently or Temporarily) if the donor requests in writing that they be restricted. This restriction must also be stated in the agreement with the donor.

Unrestricted Assets: All donations to an endowment will be considered unrestricted except for

those described above. Unrestricted assets are subject to spending as outlined in Section 11. Invasion of the principle or spending in excess of the dividends and interest earned shall only be permitted in emergency situations. These cases should be consistent with the mission of the endowed fund and should only be considered when all other sources of funds have been considered. Invasion of the principle of an endowed fund must be approved by at least a 2/3rds vote of the Committee and must then be ratified by a majority vote of the Board.

Multiple accounts may be created for accounting, monitoring and distribution purposes. Investments may include those approved for the endowment's investable assets unless otherwise directed.

Vanguard Fund Allocations

Modifications _____

Investment Pool	Fund Number	Expense ratio	Allocation
Social Responsibility - This is a fund for those who wish this type of investment strategy			
FTSE Social Index Fund	213	0.25%	100%
Prime Money Market	30	0.16%	100%
Mid-Term Portfolio - 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%
Long Term Portfolio - 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%