



Investment Policy

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It is the mission of the Community Foundation of Northern Colorado (“CFNC”) to build a better community by promoting philanthropy through creative donor services. This Investment Policy is established to ensure that CFNC’s assets will be invested prudently and in a manner calculated to achieve the investment goals of CFNC’s donors.

I. General Duties

CFNC’s Board of Trustees (the “Board”) is responsible for reviewing and acting upon this Investment Policy with the advice of its Investment Committee.

The Investment Committee is responsible for setting CFNC’s investment objectives. Subject to Board approval, the Investment Committee may hire one or more investment managers to select and monitor specific investments for CFNC’s assets. The Investment Committee shall monitor any investment managers to determine that investments (taken as a whole, without regard to any specific investment) are made to be consistent with the safeguards and diversity which a person exercising ordinary care and sound judgment would employ in the management of his own affairs, not in regard to speculation, but to the permanent disposition of his/her funds, considering both income and safety of capital.

The President and Chief Financial Officer (“Foundation officers”) are responsible for daily administration of CFNC’s portfolio and execution of Board decisions. The Foundation officers shall consult with the Investment Committee on all matters relating to the investment of CFNC’s portfolio and will serve as primary contacts with investment managers.

II. Investment Managers

In order to accomplish the goals and objectives of the Community Foundation, it is important that the Investment Committee engage qualified and competent investment professionals to manage the Portfolio.

It shall be the Investment Committee’s responsibility to interview investment managers that have at least 5 years of experience and have demonstrated skill in their defined area of expertise. Each investment manager is to be given a copy of this Policy and must agree to its terms unless there is a separate written agreement approved by the Investment Committee.

III. Investment Objectives

A. Investment Pools

Donors to CFNC have a range of investment objectives and risk tolerances. CFNC recognizes that one investment portfolio will not suit this entire range. Accordingly, CFNC will offer donors four investment options: stable value, conservative, balanced and growth. Each of these investment options, or “pools,” shall be diversified to minimize risk and shall be measured against an appropriate weighted benchmark index over a full market cycle of 3-5 years. The objectives for each pool are described below.

- i. Stable Value Pool: To provide for preservation of principal, all funds are invested in cash and cash equivalents. This pool will also be used as an appropriate vehicle for “pass

through” gifts and short-term funds. The pool will be reviewed quarterly by the Investment Committee along with all CFNC investments.

- ii. Conservative Pool: To provide current income with long-term growth of capital being secondary. Funds shall be invested primarily in fixed income securities, with a smaller allocation to a diversified mix of domestic and foreign equities and appropriate alternative investments. This pool is for donors who seek some opportunity for capital appreciation, but have a lower tolerance for volatility.
- iii. Balanced Pool: To provide both long-term growth of capital and generation of income by investing in a diversified mix of domestic and foreign equities and appropriate alternative investments and fixed income securities. This pool is for donors who seek moderate growth paired with stability.
- iv. Growth Pool: To provide long-term growth of capital with production of income being secondary. Funds shall be invested primarily in a diversified mix of domestic and foreign equities while having exposure to fixed income and appropriate alternative investments. This pool is for donors seeking capital appreciation who have a higher tolerance for volatility.

B. Asset Allocations

Asset Pool Allocation	Target Allocation			Category
	<u>Equity</u>	<u>Fixed Income</u>	<u>Alternative</u>	<u>Range</u>
Stable Value	0%	Cash	0%	N/A
Conservative	25%	65%	10%	+/- 10%
Balanced	55%	30%	15%	+/- 15%
Growth	70%	15%	15%	+/- 15%

C. Rebalancing

The asset allocation for each pool shall be reviewed at least quarterly to ensure the asset allocation is in compliance with the Investment Policy statement.

D. Investment Performance Goals and Measurement

It is CFNC’s investment goal to generate a total rate of return, *i.e.* investment income plus capital appreciation, for each investment pool at least equal to the appropriate weighted benchmark for that pool, net of fees and costs. Any investment manager hired by CFNC shall propose a customized benchmark against which its performance is to be measured. The Investment Committee shall have final authority to determine the appropriate benchmark against which each investment manager’s performance will be evaluated. Achievement of CFNC’s investment goal shall be reviewed at least annually, bearing in mind that a full market cycle is 3-5 years in duration.

Each investment manager shall be reviewed at least annually, based on the following criteria:

- Adherence to this Investment of Funds Policy
- Risk adjusted returns as compared to the relevant market benchmarks

E. Liquidity

CFNC will give reasonable notice to investment managers of liquidity needs.

F. Volatility

Consistent with the desire for adequate diversification, the Investment Committee's goal is to structure the asset allocation in such a way as to reduce the volatility of each pool, in aggregate, relative to the volatility of stock and bond weighted indices reflecting each of the pools.

G. Proxy Voting Policy

The Investment Committee gives sole and exclusive right to vote any and all proxies solicited in connection with securities held by CFNC to the investment manager managing that security.

H. Outside Charitable Funds

"Outside Charitable Funds" are defined as investment relationships that exist outside of the Stable Value, Conservative, Balanced and Growth Pools. Accordingly, Outside Charitable Fund Investments are not subject to the policy requirements governing these pools. In addition, donors may have advisory privileges over these investments while the Foundation retains final ultimate investment authority. The Investment Committee is authorized to add to the list of approved Charitable Funds as the opportunity is presented and qualifications are met by various financial institutions. The Investment Committee recommends a \$1,000,000 minimum fund contribution be established for any such Charitable Fund. The Investment Committee will periodically review funds invested under this section.

I. Prudent Investing

Except as a donor's gift instrument otherwise requires, and consistent with the State of Colorado's adoption of the Uniform Prudent Management of Institutional Funds Act, the following factors must be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific institutional funds:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the Foundation's overall investment portfolio;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation;
- The needs of the Foundation and a given institutional fund to make distributions and to preserve capital; and
- An asset's special relationship or special value, if any, to the purpose of the Foundation.

IV. Portfolio Limitations

A. Equities

Types of Securities: Equity securities shall mean mutual funds whose assets are invested primarily in common stock or equivalents, such as American depository receipts (ADRs), or exchange traded funds ("ETFs").

Diversification: Since all equity securities will be invested in diversified mutual funds or ETFs, concentrations by industry, sector or issuer will be avoided.

B. Cash and Cash Equivalents

Investments and deposits maturing in 24 months or less may be placed in FDIC insured bank accounts or short-term investment funds whose investments would qualify as acceptable fixed income investments under this policy.

C. Fixed Income Investments

Types of Securities: Funds not invested in cash equivalents (securities maturing in one year or less) may be invested in marketable debt securities, including but not limited to securities issued by the United States Government, municipal governments, domestic corporations, including industrials and utilities, and domestic banks and other United States financial institutions. Investment in mutual funds or ETFs holding securities issued by governments outside the United States is permissible, provided that such funds comprise no more than 20% of the fixed income assets of a pool at any time.

Quality: Fixed income securities shall be a minimum of investment grade rated (BAA or better) at the time of purchase. Notwithstanding the preceding sentence, investment in mutual funds or ETFs holding securities less than investment grade is permissible, provided that such funds comprise no more than 10% of the fixed income assets of a pool at any time. If any individual fixed income security (*i.e.* one held outside a mutual fund or ETF) drops below investment grade after purchase, it shall be sold as soon as practicable.

Concentration by Issuer: No more than 5% of the fixed income portfolio based on market value, excluding mutual funds, shall be invested in the securities of any one issuing corporation.

Duration: Average portfolio duration shall not exceed 5 years.

D. Other Investments

Investment in alternative investments, which shall be evaluated by the Investment Committee independently of marketable securities, is expressly authorized.

Any other investment not specifically covered by this policy may be made only after a vote of approval of the Board members present at any legally called Board meeting.

E. Restricted Investments

Categories of investments that are not eligible for investment include:

- Short sales
- Margin purchases
- Extension of lines of credit to any interested party

V. Communications

Information is an integral part of the management process. The Investment Committee shall provide reports to the CFNC Board on a quarterly basis. Such reports may include:

- Quarterly portfolio valuations
- Analysis of investment performance in comparison to relevant benchmarks. The Investment Committee shall periodically evaluate CFNC's investment strategy and make recommendations to the Board for changes to this Investment of Funds Policy, if any.

VI. Summary

This policy shall be reviewed from time to time and modifications made to reflect significant changes. The Board of Trustees may approve exceptions to this policy by a vote of Board members present at any legally called Board Meeting.