



THE GREATER PINEBELT COMMUNITY FOUNDATION MANAGED FUNDS INVESTMENT POLICY

PURPOSE

The purpose of this policy is to guide The Greater Pine Belt Community Foundation (Foundation), its Board of Directors, its Executive Committee, and its Investment Committee, and its investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio. The investment portfolio consists of all funds managed by the Board through its Investment Committee.

DIVISION OF RESPONSIBILITIES

Board of Directors

The Board of Directors is ultimately responsible for the portfolio, but has determined that the portfolio is more likely to achieve return objectives if oversight and management are delegated to the Investment Committee. Therefore, the Board of Directors has delegated to the Investment Committee full power and authority to make decisions related to investments of the Foundation, consistent with the investment policy approved and adopted by the Board. In addition, the Executive Committee of the Board, in consultation with the Chair of the Investment Committee, may act on behalf of the Board when immediate action is required and there is not sufficient time to call a meeting of the Investment Committee or the Board.

Investment Committee Guidelines

Members of the committee shall be persons knowledgeable about investments and investment practices. Members of the Investment Committee shall be elected by the Board and shall serve at the pleasure of the Board. The President of the Foundation shall be an ex officio member of the Committee. The Committee shall consist of not less than three nor more than six persons, at least two of whom shall be Directors. The Chair of the Committee, who shall be a director, shall be elected by the Board.

Subject to approval by the Board, the Investment Committee is charged by the Board of Directors with the responsibility for formulating the Foundation's overall investment policies. The Investment Committee is also charged with establishing investment guidelines in furtherance of those policies; overseeing the investment assets of the Foundation; monitoring the management of the Foundation's assets for compliance with the investment policies and guidelines; and for meeting performance objectives over time.

The Committee will review the implementation of this Investment Policy at least annually, making recommendations for changes to the Board as needed, and will monitor the achievement of the Policy's objectives.

The Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Foundation's investments. The Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Foundation.

The Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances in selecting, continuing or terminating investment professionals, establishing the scope and terms of any delegation, and monitoring performance and compliance with the scope and terms of the delegation and with this policy.

The Committee will provide relevant information to the investment managers concerning the Foundation's resources and any special considerations pertaining to any particular assets of the Foundation.

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The Committee will meet at least at least quarterly. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed.

Fifty percent of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which a quorum is present shall be the act of the Committee.

STANDARD OF CARE: In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

A person with special skills or expertise, or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing institutional funds.

STANDARDS FOR PRUDENT INVESTING: In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific institutional fund.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific institutional fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.

The Investment Committee is responsible (1) for ensuring that the actual asset allocations and investment objectives are within the ranges specified by the Board, (2) for ensuring reasonable securities and sector diversification, and (3) for monitoring and regularly reporting on investments to the full Board. In carrying out its responsibilities, the Investment Committee and its agents will act in accordance with the Investment Policy and all applicable laws and regulations.

The Executive Committee of the Board reserves to itself the exclusive right to grant exceptions to the Investment Policy, when appropriate, and to revise the Policy. The Board shall review the Policy and make necessary changes at least annually.

GENERAL STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific institutional fund. Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation. In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific institutional fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.

Subject to the standard for prudent investing set forth above, the investment objectives of the Foundation are to:

1. Strive for consistent real returns.
3. Preserve purchasing power by striving for long-term returns, which exceed the sum of payouts, fees and inflation, through utilization of an Asset Allocation Portfolio.
4. Maximize returns over the long-term through an Equity Portfolio. This portfolio likely will fluctuate more in value than the assets allocation portfolio.
5. Provide a Fixed Income portfolio based on safety of principal and income only. Payout from funds in this portfolio will not exceed earnings less expenses.
6. Earn the highest possible return given the risk tolerance established by the Foundation.

In order to achieve these investment objectives, the Foundation strives to be fully invested, maintaining only those cash balances sufficient to meet liquidity requirements.

OUTSIDE MONEY MANAGERS The Board of Directors and its Executive Committee and its Investment Committee are authorized to retain one or more external money managers to assume investment management of funds and assets owned or administered by the Foundation. In discharging this authority, the Investment Committee may act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into agreements with, such Managers.

Where outside money managers are employed, asset allocations must remain within the specified ranges detailed below:

Asset Allocation Portfolio Asset Classes

<u>Equity Securities</u>	<u>Fixed Income Securities</u>	<u>Short-term Funds</u>
Common / Convertible	U.S. Agency / Treasury Notes & Bonds and Corporate Notes & Bonds	Cash / Cash Equivalents
20-70%	25-65%	0-35%

Target – 60% Equity 40% Fixed Income 0% Short Term Funds
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STANDARDS FOR INVESTMENT MANAGERS

The Foundation will enter into a written investment agreement with any investment manager it retains, including investment managers recommended by donors. The agreement must provide that:

- The Foundation is the sole owner of assets held in the fund;
- All such assets are and must remain under the Foundation’s sole control;
- The manager’s actions and performance will be overseen by the Investment Committee;
- The manager will adhere to the Foundation’s asset allocations, risk tolerance, and rebalancing requirements;
- The manager will not purchase securities on margin or sell securities short without the advance approval of the Investment Committee or its designee;
- The manager will rebalance as necessary to fall within the described target ranges for the investment pool or fund under management. The manager will review the need for rebalancing at least quarterly.
- The manager agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services;
- The agreement may be terminated at any time and assets will be transferred to the Foundation immediately upon termination.

The manager will provide monthly statements to the Investment Committee or its designee, which shall include the current market value of the assets; the cost basis and date of acquisition; income

received; distributions made; fees paid; securities transactions; and periodic statements of performance. The statement shall also include gains and losses, both realized and unrealized. The Investment Committee or its designee may request additional information from time to time as it deems necessary to measure performance.

The manager must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation's administrative fee for any fund under separate management and distributable income.

The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.

Investment managers will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity or financial position of the manager's firm or its progress toward the goals and objectives of this policy.

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

INDIVIDUALLY MANAGED ACCOUNTS In the event the Board of Directors approves individually managed accounts, the following rules shall apply:

At the Foundation's discretion, and with its advance approval, the assets of a particular component fund of the Foundation may be managed by an investment manager recommended by the fund's donor or advisor *provided* a) the value of the fund meets minimum criteria established by the Foundation (\$250,000) and b) the investment manager satisfies the Foundation's criteria. Any such manager must acknowledge and agree to comply with this Investment Policy by signing a copy of this document. The manager must adopt and follow the asset allocations for any of the Foundation's investment pools. Manager performance will be reviewed on the same basis as the Foundation's other investment managers.

The Board's approval of a donor's recommended manager is contingent on the execution of a written agreement that meets the Standards for Investment Managers. Upon the death of the fund's original donor, the agreement between the Foundation and the investment manager may continue for a period of up to five years if the donor has so requested in writing. Additional extensions of the agreement must be approved by the Investment Committee.

Donors and fund advisors may not act as investment managers and the Investment Committee will not approve any investment manager who is a member of the donor's family or any investment firm controlled by the donor or investment advisor either individually or together with members of the person's family.

PERFORMANCE EVALUATION

The Investment Committee will review each investment manager on an ongoing basis and evaluate the manager based on the following criteria:

- The manager must consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management;
- Failing to come within 200 basis points of the benchmark over six consecutive quarterly periods will result in a six month probationary period that may lead to termination of the investment manager;
- Investment returns are measured net of fees;
- Performance is reviewed quarterly **[or some other frequency]** and prepared by the Foundation's investment consultant **[or CFO or other person who does the analysis]**.

CUSTODIANS

Each custodian will:

- Provide monthly transaction reports and monthly asset reports no later than the tenth business day following month end;
- Provide the Foundation, its investment managers, special reports as reasonably requested;
- Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel, procedures or organizational structure.

REBALANCING

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 and sub asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.

The investment manager will review the Portfolio quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:

1. If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.
2. If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.

The investment manager may provide a rebalancing recommendation at any time. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

ASSET QUALITY GUIDELINES (for individual securities)

Common Stocks – The quality rating of at least 80% of common stocks must be B+ or better, as rated by Standard & Poor's or other equivalent rating services. Non-rated common stocks may be used, within Investment Policy guidelines. These stocks should have a minimum capitalization of \$25,000,000.

Convertible Preferred Stock and Convertible Bonds – The quality rating of convertible preferred stock and convertible bonds used, must be BBB or better, as rated by Standard & Poor's or Baa or better, as rated by Moody's. The common stock into which both may be converted must be rated as specified above.

Fixed-income Securities – The quality rating of bonds must be investment grade or better, and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with a duration of twelve years or less.

Short-term Funds – Cash or Cash Equivalents, which may include U. S. Treasury Bills, Bank Certificates of Deposit, Banker Acceptances, corporate notes or commercial paper. The quality rating of commercial paper must be A-1, as rated by Standard & Poor's, P-1, as rated by Moody's or better.

ASSET DIVERSIFICATION AND ALLOCATION GUIDELINES

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grant-making, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The long-term horizon of the Foundation's investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, may also be used to reduce risk and overall portfolio volatility.

The Board of Directors has determined that investment managers should avoid unnecessary risk in investing the Foundation's assets. To achieve that goal, investment managers will observe the following limits:

- For fixed asset investment, maintain an overall weighted average credit rating of "A" or better by Moody's or Standard and Poor's and hold not more than 15% of the portfolio in investments rated below investment grade. Split rated securities will be governed by the lower rating. If such parameters are exceeded, the manager must provide timely notification to the Investment Committee or its designee;
- Maintain the overall portfolio to be diversified;
- Hold no more than 5% of market value in the securities of a single issuer nor allow the total securities position (debt and equity) in any one issuer to exceed 10% of the portfolio. In

addition, no more than 25% of an entire portfolio may be invested in the securities of any one sector, with the exception of U.S. Government obligations.

- Not lend any Foundation securities;
- The investment portfolio will be diversified across asset classes and managers including, but not limited to, domestic equity, international equity, emerging markets, alternative equity, private equity, and fixed income.

Permanent funds will be invested in one or more of the Foundation's investment pools.

Expendable funds (and funds held in Spend Down funds) generally will be invested in a portfolio of cash equivalent securities in order to preserve the fund's principal. However, the Foundation will consider recommendations from authorized fund representatives to invest expendable fund assets in one or more of the investment options available for permanent funds.

REPORTING REQUIREMENTS

Monthly – a written report is to be produced containing all pertinent transaction details for each separately managed portfolio for the preceding month, which includes:

1. the name and quantity of each security purchased or sold, with the price and transaction date;
2. an analysis of each security held, including its description, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield (%) at market;
3. an analysis of each portfolio of the current asset allocation by investment category (equities, fixed-income securities, and cash reserves).

Quarterly – performance reports are to be produced on each money manager compared to benchmarks.

Annually – a summary of all transactions for the fiscal year, together with a report of investment performance for the year by portfolio, is to be provided to the full Board of Directors.

Periodically – detailed information/report will be produced concerning asset allocation, investment performance, future investment strategies, and other matters of interest to the Investment Committee.

CASH TRANSACTIONS ONLY. All purchases of securities are for cash with no margin transactions, short selling or commodity transactions.

PROHIBITED TRANSACTIONS. The following activities are expressly prohibited:

Purchasing securities on margin or executing short sales.

Pledging or hypothecating securities, except for loans of securities that are fully collateralized.

Purchasing or selling derivative securities for speculation or leverage.

Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their Portfolio.

MUTUAL FUNDS AND ETFs: The Board of Directors and the Investment Committee are authorized to invest in one or more mutual fund or ETF families to achieve the above stated investment objectives. Where mutual funds are employed, they should perform favorably when compared to indices for that type of fund. Benchmark indices used for evaluating fund performance are:

Equity funds compared to CRSP US Total Stock Market Index

International Equity Funds compared to the FTSE Global All Cap ex-US

Bond Funds compared to the Barclays Capital US Aggregate Float Adjusted Bond Index

Short Term Funds compared to the Citigroup 3-Month T-Bill Index

Asset allocations for employed mutual funds are established and reviewed periodically by the Investment committee.

CASH DISTRIBUTION REQUIREMENTS. The Investment Committee is responsible for ensuring that the Foundation's cash distribution requirements from any managed account are met.

FOUNDATION'S OPERATING FUND. The Foundation's operating fund is independent of designated portfolios, and shall be invested in cash, money-market funds or certificates of deposit, with maximum maturity of one year.

SPENDING POLICY

The Foundation's Board sets its annual spending policy for permanent funds by applying a percentage, determined annually by the Board of Directors based on the recommendation of the Investment Committee, to a fund's average net balance. Average net balance is based on a rolling 16 quarter market value as determined by the Investment Committee. In determining the applicable percentage, the Investment Committee considers the Foundation's history, spending policies in place at other community foundations, and the foundation's responsibility to preserve the purchasing power of its permanent funds over time.

REPORTING

In order to ensure that the Board of Directors and the Committee are able to fulfill their duties with respect to prudent management of the portfolio, the Foundation's Office Manager will provide detailed reports at least quarterly to the Committee. Such reports shall include, though not be limited to, performance of the Foundation's investment portfolio, actions taken with respect to the investment portfolio, and expected changes in investments.

The Chair of the Committee will report on the status of the investment portfolio and any actions taken to the Board of Directors at each Board meeting.

CONFLICTS OF INTEREST

Any actual or potential conflicts of interest possessed by a member of the Investment Committee must be disclosed and resolved pursuant to the Foundation's Conflict of Interest Policy.

Adopted by the Board of Directors: _____
DATE

Board Secretary

CERTIFICATION OF ACCEPTANCE BY INVESTMENT PROFESSIONALS

I have received, read, and understand The Greater PineBelt Community Foundation’s Investment Policy dated _____. I will abide by the Policy with respect to the assets for which I am the investment manager, investment consultant, custodian or other investment professional.

I will notify the Foundation’s Investment Committee, or its designee, in advance of any proposed investment that is inconsistent with this Policy and I will not make such investment without the advance written approval of same.

Date

Signature

Print Name

Print Title