



FORT DODGE COMMUNITY FOUNDATION

"Investing in Our Community Today, Tomorrow... Forever."

INVESTMENT POLICY AND PROCEDURES

To promote general understanding among the Investment Advisors, and to set forth long term objectives for investments of the Foundation, the Board of Directors adopts this statement as guidance to the Trustees, and to set policy regarding spending.

The Finance Committee will review investment performance and managers a minimum of twice a year and make a report on investment performance to the Board of Directors at the next Board meeting following the review.

I. General Investment Objectives

Investment related objectives for the Fort Dodge Community Foundation and United Way are:

A. Risk Tolerance. Fiduciary standards of prudence apply to Foundation investments. Given a range of risk from very low to very high, endowment investments should carry a moderate level of risk.

B. Return on Investment. It is desired that the total return on endowment investment be 5.5% plus inflation, over a market cycle time period, usually three to five years, net of investment management costs.

As a benchmark, it is expected that the equities portion of the Foundation portfolio return will exceed the S & P 500, net of cost, over a market cycle (3 to 5 years), and that the fixed income portion of the portfolio return will exceed the Barclays Government/Credit Index, net of cost, over a market cycle (3 to 5 years)

C. Asset Mix. All investments of Foundation funds will be made in accordance with the investment policies established by each Investment Advisor. Diversification of assets should be employed.

Guidelines for asset classes are:

1. Equities. (75% (+/-10%) of the total market value). Equities include common stock (both domestic and foreign), securities convertible into stock, preferred stock, and managed funds made up of these securities.

It is expected that equity positions will be diversified by market sector and manager style to reduce potential price risk from undue exposure to a particular theme or market sector. The following table represents the ranges for long term allocation.

Large Cap Domestic	30 -50%
Mid Cap Domestic	10–20%
Small Cap Domestic	10–20%
International	10 – 30%
Alternative Investments	0 – 5%

No single equity position should comprise more than 10% of the market value of the portfolio which it is held.

2. Fixed Income Instruments. (25% (+/-10%) of the total market value). Fixed income instruments include any vehicle (both domestic and foreign) that provide contractual payments and/or have specific maturity

dates, or managed funds made up of these securities. The average credit quality of fixed income holding should be A or better. No individual issue may be purchased with a credit rating below the lowest category of “investment grade” as defined by nationally recognized rating agencies. The portfolio may, however, invest in “high yield” bond funds as a recognized strategy. Issues owned but downgraded to below “investment grade” will be evaluated by the investment manager to retain or sell. It is expected that fixed income positions will be diversified by market sector and manager style to reduce potential price risk from undue exposure to a particular theme or market sector. The following table represents the ranges for long term allocation.

Core Fixed Income	25 – 50%
Mortgage Back	0 – 10%
High Yield	0 – 10%
International	0 – 10%

No single issue owned should comprise more than 10% of the market value of the portfolio which it is held. In addition, no exposure to a single industry will comprise more than 30% of the portfolio. This restriction will not apply to securities of the United States, its agencies or instrumentalities.

3. Cash equivalents. (0-15% of the marker value). Cash equivalents include cash, US Government or agency obligations; commercial paper rated A1, A2, P1, or P2, no-load money market mutual funds, or managed funds made up of these securities.

4. Unacceptable Investments. Investments should be consistent with this policy, but certain types of investments are not considered to be prudent for this endowment including but not limited to securities purchased on margin and warrants to purchase stock.

Non-traditional assets (hedge funds, private equity positions, managed options, etc.) may be employed as opportunities permit. Use of such non-traditional assets in either the endowment or other portfolios will be subject to prior approval of the Finance Committee.

II. Donor Decisions When Establishing a Fund

When establishing a fund, donors will determine if they want their fund to be endowed or non-endowed. Donors will also decide if they want their funds to be invested in the Foundation’s Investment Pool or in the Money Market Fund.

With endowed funds, the Foundation encourages donors to invest in the Investment Pool where their funds will be professionally managed and prudently invested with two objectives in mind:

1) Long-term growth to safeguard the principal, offset inflation and provide for increased charitable giving in the future; and 2) income generation for annual charitable distribution.

III. Donor Options on Investment Advisors

To protect the Foundation’s reputation, integrity and public trust, the Board must control the investment of fund assets according to its Investment Policy Statement. Donors are encouraged to use the Investment Pool of funds established by the Foundation. The Investment Pool is prudently managed by professional investment managers. If donors wishes to use an investment advisor other than ones established by the Foundation, they may request to do so pending approval by the Board of Directors.

The Finance Committee will review all requests and make a recommendation to the Board based on the following guidelines:

1. The independent investment advisor must follow the same investment management guidelines established in this Investment Policy Statement. Should a donor wish to use a more conservative investment strategy (i.e. a lower percentage of equities and a higher percentage of fixed instruments), he/she may do so as long as the guidelines stated in Item I (General Investment Objectives) are not compromised, and the strategy is approved by the Board.
2. The independent investment advisor must provide the Foundation with quarterly reports regarding the activity and performance of the fund.
3. The independent investment advisor must have appropriate qualifications, credentials and experience as a professional investment advisor and fund manager.
4. The amount of the fund may determine the approval of an independent investment advisor.
5. The investment management fee structure may be higher than the Foundation's Investment Pool. If this is the case, the donor must agree to the higher fee.
6. The assets of the investment fund may be moved into the Foundation's Investment Pool, if the Finance Committee determines one or more of the following:
 - A) The investment return is inadequate.
 - B) The criteria are no longer being met.
 - C) The relationship between the Foundation and the Investment Advisor is in conflict.
 - D) The administration of the fund becomes inefficient or unproductive.

Any recommendation by the Finance Committee will require approval by the Board of Directors.

Approved by the Board of Directors: January 29, 2014

The Investment Policy will be reviewed by the Finance Committee on an annual basis. Any changes to the Investment Policy must be approved by the Board of Directors.

