Marshall Community Foundation
Policy: Investment

Adopted by the MCF Board of Trustees:

November 8, 2016

MARSHALL COMMUNITY FOUNDATION
INVESTMENT POLICY

Purpose

The purpose of the Investment Policy is to establish a clear understanding of the philosophy and the investment objectives of the Marshall Community Foundation (Foundation), and to describe the standards and procedures which will be utilized in making investment decisions and monitoring investment performance and to direct the administration and spending policies.

Scope

This Investment Policy Statement applies only to those assets for which the Finance Committee has discretionary authority.

Finance Committee

Responsibility for execution of the Investment Policy shall be delegated by the Board of Trustees of the Foundation to its Finance Committee.

The Finance Committee shall meet at least quarterly to review performance of the investments, analyze investment positions, and to present, hear and discuss any other matters and subjects appropriate at that time. The President of the Foundation or the Chair of the Finance Committee may call special meetings of the committee, if required, from time-to-time.

The Committee shall report regularly to the Board of Trustees concerning investments and the general financial management of the Foundation.

Written minutes shall be kept of all meetings of the Finance Committee.

General Objectives

The primary objective of the Investment Policy is to provide for long-term growth of both principal and income within reasonable risk tolerances. This will enable the Foundation to make grants on a continuing and consistent basis without loss of purchasing power due to inflationary factors. The focus will be on reasonable and consistent long-term capital appreciation and subsequent income generation. Primary emphasis shall be placed on maintaining <u>real</u> growth of assets net of inflation and fees.

The objective shall be accomplished by utilizing a strategy of fixed income securities, equities, real estate, and cash equivalents in a mix which is conducive to participation in rising markets while allowing for maximum capital protection in falling markets. The greatest concern shall be total return in a risk adverse manner with consistency of investment performance.

The Foundation’s portfolio combines both preservation of capital and moderate risk taking. We recognize that risk (i.e. the uncertainty of future events), volatility (i.e. the potential for variability of asset values) and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. While high levels of risk are to be avoided, the assumption of a moderate level of risk is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and character of the portfolio.

Time Horizon
Due to the inevitability of short-term market fluctuations, it is intended that the specific performance objectives will be evaluated by the Committee based on a five year moving period.

The Committee shall use the five year average rate of return on investment, the five year average rate of inflation, and other long term factors in making recommendations to the Board of Trustees about spending and budgetary matters.

Performance Objectives and Goals
The investment objective shall be to obtain a total net return that shall exceed the Consumer Price Index, plus 5 percent. Total net return shall include interest, dividends, and the change in the capital value of the investments. Performance will be evaluated over the five year time horizon.

Specific investment goals of the Foundation are to preserve endowment funds so they are intact for future generations; to meet realistic income requirements of the various Funds to enable them to meet their own reasonable financial requirements; to provide for growth in principal that will support a continuing rise in income without exposing the assets to undue risk; and to provide sufficient liquidity to meet distribution requirements.

Asset Allocation
Investment objectives will be met by diversifying among various groupings of equity, fixed income, and real asset classes. Primary emphasis will be placed on equity and fixed income assets. Real assets will be held directly as an investment only with the consent of the Board.

The Board shall decide asset allocation ranges upon the recommendation of the Finance Committee. The investment portfolio may be rebalanced to these ranges quarterly by the Finance Committee.

Currently approved ranges are:

EQUITY INVESTMENTS:	30 – 75%
INCOME INVESTMENTS:	15 – 40%
CASH AND EQUIVALENTS:	5 – 20%

Investment Restrictions
The Foundation shall adhere to all applicable regulatory requirements.

Special approval of the Board of Trustees is required to:

- Invest more than 10 percent of the value of the Foundation assets in securities of any one issuer, except securities issued by the U.S. Government or its agencies or purchase more than 10 percent of the securities of any class of any issuer.
- Invest in the securities of any company; which has a record of less than three years continuous operation, including the operation of any predecessor.
- Invest in equity securities unless such securities are listed on the New York, American Stock Exchange, or NASDAQ unless such securities are issued by a major U.S. or foreign corporation and are highly marketable in the U.S. over-the-counter market.
- Invest in mutual funds other than "no load" funds with a successful 3 – 5 year history of favorable performance, and competitive expense ratios.
- Invest in commodities or commodity contracts.
- Purchase securities on margin.
- Mortgage, pledge, or hypothecate securities.
- Make loans, except for the purchase of bonds or other obligations of a kind commonly distributed publicly or privately to financial institutions, and except loans made in furtherance of the charitable purposes of the Foundation.
- The use of real estate, unlisted limited partnerships, or venture capital loans as fixed income investment vehicles are prohibited unless specifically approved by the Board of Trustees.

The Foundation may invest in the following:

- Certificates of deposit or other interest-bearing deposit accounts in banks insured by the Federal Deposit Insurance Corporation.
- Securities issued by the United States of America or instrumentalities or agencies of the United States of America which have the full faith guaranty of the U.S.A.
- Mutual funds which invest in U.S. government securities, certificates of deposit in F.D.I.C. insured banks, commercial paper, domestic and international securities real estate investment trusts, or any other instrument deemed to be a prudent investment by the Committee.

- Any real property or financial instrument which the donor has requested the Foundation to hold in the form received and such request has been approved in writing by the President of the Foundation and the Chair of the Finance Committee.

Spending Policy

Allocation of the investment pool's earnings to the principal and income portion of each Fund shall take place after the end of each fiscal year. Earnings shall be allocated to the various Funds based on the average balance in each Fund at the beginning of each month in the fiscal year.

Of the earnings allocated to each Fund, 4 to 5 percent of the average balance shall be allocated to each Fund's income account. Earnings in excess of 4 to 5 percent shall be allocated to the Fund's unendowed principal account. The next year's calculations will be based on the new higher principal account balance.

Allocations will be calculated on both the principal and income accounts of each Fund. However, any account with an average balance of $2,000 or less will receive no earnings for that year. Those Fund balances will be ignored in computing the allocation of the year's earnings.

Pass-through Funds do not participate in the Foundation's investment pool. Pass-through Funds earn the highest passbook savings account rate available from any taxpaying financial institution in the Marshall community.

Given the long term historical returns on various asset classes, expectations for the future, and a demonstrated ability to add incremental return above market averages, the Foundation will accomplish its objectives by annually spending no more than 5 percent of the average market value of the investments during the prior fiscal year.

The Finance Committee shall review spending policy on an annual basis and make recommendations to the Board.

Contributed Assets

The Board of Trustees of the Foundation may either accept or decline offers of contributed assets. When accepting contributed assets, the Board may consider the desires and recommendation of donors provided that any such consideration be given with the prior approval of the Board. In specific instances when the terms or valuations of offered assets are questioned, irregular or not commonly available, the Finance Committee shall be asked to evaluate the offer or contribution and to recommend to the Board whether the offer should be accepted. All accepted contributions must be invested in a timely and prudent manner so as to obtain a reasonable rate of return as required by the Foundation's governing instruments.

Temporary holdings of gifts of securities, real property, and other equity related investments may be accepted. However, it is the general policy of the Foundation to liquidate all contributed investments as soon as practical and to invest the proceeds in the general investment pool.

Conflicts of Interest

It is the policy of the Foundation to avoid conflicts of interest in all of its operations. In the event that any trustee, committee member, or staff member has a financial interest in any fund or investment being considered, such interest shall be disclosed. The person involved shall abstain from voting to appoint, acquire, terminate or dispose of such relationships or holding.

For purposes of this section, the ownership by any trustee, committee member or staff member of securities of a public company not in excess of 1 percent of any class of any such securities shall not be considered to be a conflict of interest.