



ATHENS AREA
**Community
Foundation**

INVESTMENT POLICY STATEMENT

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Investment Policy

This Investment Policy (the “Policy”) of the Athens Area Community Foundation (hereafter referred to as the “Foundation”) has been approved by the Board of Directors (hereafter referred to as “Board”) and is therefore an official statement of the Foundation’s policy.

The purpose of this Policy is to provide a guideline by which funds generated by donations and gifts to the Foundation shall be invested.

A Finance Committee (the “Committee”) shall be responsible for the implementation and monitoring of this Policy. The Committee shall review the Policy for compliance and the Chairman of the Committee or his/her designee shall report findings to the Board. All significant changes to the Policy recommended by the Committee must be approved by the Board prior to implementation of such changes.

1. INVESTMENT OBJECTIVES

This Statement of Investment Policies and Objectives governs the investment management of the Athens Area Community Foundation’s investment assets. It is anticipated that this statement will be effective until modified as conditions warrant by the Board of Directors. The Board, the Finance Committee and the investment advisors are expected to propose revisions in the guidelines at any time the existing guidelines would impede meeting the investment objectives. The policies and objectives apply to the Foundation's investment assets in general. Specific guidelines for individual funds will be dependent on each fund’s purpose and use.

Investment strategy is defined in two broad categories:

1a. Short-Term and Operating Funds

Investment Objective

For the short-term fund, the primary investment objective is to support the liquidity needs of current grant-making funds and/or donors with a conservative risk tolerance. With a focus on safety of principal and income, it is expected that money market funds, US Government securities and certificates of deposit will comprise the majority of the short-term portfolio.

1b. Long-Term Investment Fund

Investment Objective

For the long-term investment portfolio, the primary investment objective is, over a 3–5-year period, the long-term investment portfolio's annualized return should exceed the annualized rate of inflation (as measured by the Personal Consumption Expenditure (PCE) Price Index) by at least 4%. With a prudent level of risk, the Fund seeks to maintain, in real terms, the purchasing power of the Fund. The Fund’s primary objectives are (1) to generate capital appreciation and

income, which will support the charitable objectives of The Athens Area Community Foundation, Inc., its donors, and its agency endowments and (2) to preserve the purchasing power of the Foundation’s assets.

To achieve this goal, the Fund’s investment philosophy has been built around two core principles:

1. Maintain a Long-Term Perspective:

By taking a long-term view, the Fund can benefit from inefficiencies that arise from the short-term focus of many market participants.

2. Manage Risk Through Diversification:

We strive to make the best investment decisions all the time but accept that is not possible given the uncertainty of financial markets. Risk management is a core tenet woven throughout our investment process and diversification serves as one of our primary risk management tools. We believe that investing across asset classes, geographies, and investment strategies positions the Fund to achieve long-term success by limiting drawdowns associated with poor market conditions.

2. ASSET ALLOCATION GUIDELINES

The Foundation recognizes that asset allocation is one of the most important factors affecting the return on investments. For overall long-term endowments a long-term balanced fund approach will be used.

2a. Risk Tolerance

With the understanding that markets often produce short-term underperformance and volatility, the long-term nature of this endowment encourages a moderate to moderately-aggressive risk tolerance. The historical outperformance of equities over other asset classes calls for an overweight equity allocation to achieve our long-term objectives.

| Asset Class | Target Allocation | Tactical Range | Benchmark |
|----------------------|--------------------------|-----------------------|--------------------------------------|
| US Equity | 64% | 50-80% | S&P 500 or Russell 3000 |
| International Equity | 10% | 5-20% | MSCI EAFE |
| Fixed Income | 25% | 15-30% | Bloomberg Barclays US Aggregate Bond |
| Cash | 1% | 0-10% | 90 Day US Treasury Bill |

3. ACCEPTABLE PORTFOLIO INVESTMENTS

Investments should meet the criteria specified by the Internal Revenue Service of the United States Government to be considered appropriate for investment by tax-exempt organizations. Furthermore, investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere. The Investment Portfolio will be comprised of three (3) basic categories of securities. They are as follows:

3a. Cash and Equivalents - These investments are intended to provide maximum return while providing immediate liquidity to fund current expenses and day-to-day activities. They must be invested in money funds or fixed-income obligations such as certificates of deposit, commercial paper (rated A.1 /P-1); U. S. Treasury bills and other similar high-quality instrument with maturities not longer than (1) one year.

3b. Fixed Income Securities - These investments are to be highly "liquid", readily tradable on domestic exchanges, and all bonds are to be rated "BAA/Baa" or above by Moody's or Standard & Poor's. Permissible investments include debt securities, bond mutual funds, and bond ETFs that are guaranteed by the U. S. Government and/or its agencies, U. S. corporate bonds, debentures, or other forms of corporate debt including asset backed securities and equipment trust certificates. There shall be no limit on direct obligations of the U.S. Government or its guaranteed agencies. Non-investment grade bonds and foreign bonds are permissible, but they must be held within a mutual fund and ETF and not make up more than 10% of the investment portfolio. Ratings services are not to be solely relied upon. It shall be the responsibility of the Investment Advisor to review these investments to assure that the holdings are investment quality. If a ratings downgrade creates a violation of these guidelines, the Investment Advisor must either seek written permission from the Committee to maintain the position(s) or should judiciously liquidate the position.

Fixed income instruments should consist primarily of short term (maximum 2 years) and intermediate (maximum 10 years) term obligations. No holding may have an absolute maturity of more than 30 years at time of purchase.

3c. Equities -The purpose of an equity portfolio is to generate a more favorable return than historically available in cash or fixed income, while balancing that return with an acceptable level of risk. To provide that balance, it shall be the policy to invest in a diversified equity portfolio. Individual equities, mutual funds, 3rd-party investment managers, exchange traded funds, REITs, and index funds are acceptable securities for investment. All equities must be listed and marketable on U.S. national, regional, or over-the-counter exchanges in U. S. dollars.

3d. Unacceptable Portfolio Investments

The following investments will be considered unacceptable for the portfolio:

1. Real Estate (except as stated below)
2. Private placements
3. Short Sales
4. Margin Purchases
5. Uncovered Put and/or Call Options
6. Futures and Commodities (*unless in an ETF or mutual fund*)
7. Collateralized Mortgage Obligations (*unless in an ETF or mutual fund*)
8. Convertible Bonds (*unless in an ETF or mutual fund*)
9. Foreign Debt Obligations
10. Securities of the Money Manager, their parent, or subsidiaries (excluding money market funds)
11. Other Items as may be designated by the Committee and amended to policy from time to time

Note: Real estate should not be considered for investment purposes; except:

1. *when held in Real Estate Investment Trust accounts; or*
2. *real estate donated to the Foundation. In such case the Foundation should promptly determine whether the real estate is of use to the Foundation and, if not, proceed to liquidate such real estate.*

4. SPENDING POLICY

Spending from the Foundation's investments will be defined periodically based on the nature of its various charitable funds.

To preserve the Portfolio's purchasing power, long-term average spending from a fund should not exceed the expected long-term real total net return. As a general principle, the spending from the funds held at the Foundation should be in the range of 5% of each fund's balance. It is further recognized that some funds such as endowments and funds that are building to a specific asset level may not spend anything for a number of years.

5. FINANCE COMMITTEE

The Committee shall be composed of the Foundation's Chair, Treasurer and other qualified board members and volunteer committee members.

5a. General Functions of the Finance Committee

The Board of Directors of the Foundation is responsible for the oversight of the Foundation's investment assets and delegates regular review and management of the Foundation's investments to the Finance Committee of the Board. The Finance Committee meets at least quarterly and reports to the full Board at its next regularly scheduled meeting. Such Reports

shall include, at a minimum, annual reports of each Investment Advisors performance against agreed-upon benchmarks and each Investment Advisor's compliance with this Policy.

The Finance Committee is responsible for contracting with investment managers, consultants, and custodians for investing the Foundation's assets including those assets held by the Foundation as Trustee and for measuring performance of the Foundation's investments.

The Committee shall review all investments of the Foundation. Its principal function shall be to develop and recommend to the Board such investment and investment related policies as it deems appropriate. No member of the Committee shall have or appear to have a conflict of interest that impairs or appears to impair the member's ability to exercise independent and unbiased judgment.

The Committee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the Pool as it may deem proper.

The Committee shall keep minutes of actions of the Committee.

The Committee also delegates processing minor issues/changes that arise between full committee meeting to the Chair of the Committee. The Chair will be empowered to act, with the recommendation of staff and our Investment Advisor, without full Committee review. In turn, the Chair will report the action, if any, at the next scheduled Committee meeting.

The Committee may engage an Investment Advisor or multiple Investment Advisors to work with staff and advise staff and the Committee, on the aspects of investment management including, but not limited, to overall investment strategy, general asset allocation, target asset allocation, market trends, investment manager and custodian selection, and any other appropriate matters.

5b. Selection of Investment Advisors

In furtherance of the fiduciary duties of the Board Members, the Board and the Committee shall carefully investigate and weigh the qualifications, skill, costs, experience, and performance history of any Investment Advisor proposed to be retained by the Committee. Any potential conflict of interest between a member of the Board and the proposed Investment Advisor, or any appearance of self-dealing by a member of the Board, shall be fully disclosed and examined. Any proposed Investment Advisor shall be provided a copy of this Policy and represent to the Committee in writing that the Investment Advisor shall use best efforts to comply with the Policy.

The Committee will select appropriate Investment Managers to manage the Fund assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
3. Provide performance evaluation reports prepared by an objective third party illustrate the risk/return profile of the Manager relative to other Managers of like investment style.
4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel. This information can be a copy of a recent Request For Proposal (RFP) completed by the Manager.
5. Provide clearly articulated investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
6. Selected firms shall have no outstanding legal judgments or past judgments which may reflect negatively upon the firm.

In the event the proposed Investment Advisor is an organization required by its Bylaws or Policies to adopt and maintain its own Investment Policy, then the Investment Advisor and the Committee shall review each parties' Policies. To the extent possible, the Policies shall be interpreted to be consistent. In the event, however, that the Policies cannot be reconciled, the Board of the Foundation may elect to adopt the Policy of the Investment Advisor only in as much as necessary to make the Policies consistent.

5c. Selection of Separate Investment Advisors

In certain situations, or at the request of a donor, it may be appropriate for the Foundation to engage an Investment Manager outside of the current set of investment options available from the Foundation. This scenario will typically occur when a prospective donor has a long standing and trusted relationship with a financial advisor or financial advisory firm currently holding assets intended for donations to the Foundation. Generally, only funds or a combination of funds consolidated for investment purposes equal to or in excess of \$500,000 will be considered for management outside the Foundation's primary investment pool.

All of the general guidelines for Investment Managers apply for Separate Investment Managers. The application for the selection of Separate Investment Managers will be made available upon request.

6. INVESTMENT ADVISORS

It is anticipated that the assets shall be invested in accordance with this Policy by one or multiple Investment Advisors selected by the Committee and ratified by the Board. Such Investment Advisor(s) must be either (1) registered under the Investment Company Act of

1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, an insurance company qualified under the Laws of more than one Statute perform the services of managing, acquiring and disposing of the Foundation's assets, or (4) such other person or organization authorized by acceptable law or regulation to function as an investment manager.

6a. General Duties of the Investment Advisors

The Investment Advisor(s) shall have full discretion in making investment decisions, including decisions to buy, hold and sell certain securities in the Fund, in accordance with this Policy. The Investment Advisor(s) shall:

1. Agree in writing to follow the Foundation's Investment Policy.
2. Advise on the selection of and allocation to appropriate asset classes, investments, and managers for the Fund.
3. Monitor the performance of the Fund as well as each asset class and manager, and report such to the Committee no less than semi-annually.
4. Rebalance the Fund investments as necessary to ensure compliance with this Policy.
5. **Identify appropriate performance benchmarks and report to the Committee no less than semi-annually the performance of the Fund as well as each asset class against the benchmarks.**
6. Communicate to the Committee major changes in economic outlook or investment strategy.
7. Meet with the Committee at least once each Fiscal Year, where the Investment Advisor shall certify that the investments are in compliance with our Investment Policy.
8. Report on any allocation and/or investment changes resulting in a change of more than 10% of the total portfolio since the last meeting.

7. SECURITIES ACCEPTANCE POLICY

It is anticipated that, from time to time, the Foundation will receive gifts in the form of marketable securities. In such events, the Committee will instruct our Investment Advisor to liquidate the securities as soon as possible. If the securities are restricted from sale for a designated period, the Foundation will liquidate the securities as soon as possible after the restricted period has lapsed. The Foundation will make no attempt to add value to the Pool by holding the gifted securities unless approved by the Finance Committee.

8. CUSTODIAN AND DEPOSITORY ACTIVITIES

The custodian and depository activities of the Pool, including agreements with any banks for the temporary, short-term investment of cash and equivalents, will be subject to annual review by the Committee to assure that the Foundation is receiving competitive rates and services.

9. EXCEPTIONS TO THE INVESTMENT POLICY

The Committee may, by the affirmative vote of at least two-thirds of its members, approve and authorize a specific investment or type of investment not otherwise authorized by this Investment Policy. Such an exception to this Investment Policy must be reviewed and approved by the Committee prior to any investment therein. Such exceptions will be reported to the Board at the next Meeting.

10. POLICY REVIEW

The Athens Area Community Foundation Investment Policy shall be reviewed no less than every 5 years by the Committee and any changes, revisions, additions, or deletions shall be ratified by the full Committee and provided to the Board of Directors of the Athens Area Community Foundation.