

# Jackson Community Foundation

## Investment Policy Statement

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# OVERVIEW

## **PURPOSE**

The Jackson Community Foundation (“the Fund”) is a non-stock corporation organized to receive and administer funds for scientific, educational, and charitable purposes for the public welfare of the residents of Jackson County, Michigan. The investments of the Fund will be made for the exclusive benefit of the Jackson Community Foundation.

This policy statement is issued for the guidance of fiduciaries, including the members of the Finance Committee (the “Finance Committee”), investment managers, and advisors in the course of investing the assets of the Fund.

Policy guidelines may be amended by the Finance Committee both upon their own initiative and upon consideration of the advice and recommendations of the investment managers and other fund professionals involved with the assets. Proposed modifications will be documented in writing to the Finance Committee.

## **SCOPE**

This policy applies to all assets that are included in the Fund's investment portfolio for which the Finance Committee and Investment Advisor have discretionary investment authority.

## **FIDUCIARY DUTY**

In seeking to attain the investment objectives set forth in the policy, the Board of Trustees (“Board”), Investment Advisor, and the Finance Committee shall exercise prudence and appropriate care in accordance with the Prudent Investor Rule. All investment actions and decisions must be based solely in the interest of the Fund. Fiduciaries must provide full and fair disclosure of all material facts regarding any potential conflicts of interests.

# DEFINITION OF DUTIES

## **BOARD OF TRUSTEES**

The Board has the ultimate fiduciary responsibility for the Fund's investment portfolio. The Board must ensure that appropriate policies governing the management of the Fund are in place and that these policies are effectively implemented in accordance with the Investment Policy Statement. To implement these responsibilities, the Board approves the Investment Policy Statement and delegates responsibility to the Finance Committee for ongoing monitoring.

## **FINANCE COMMITTEE**

The Finance Committee is responsible for establishing the overall Investment Policy. This responsibility includes approving investment strategy, oversight of the Investment Advisor, monitoring performance of the investment portfolio and maintaining sufficient knowledge about the portfolio so as to be reasonably assured of compliance with the Investment Policy Statement.

## **INVESTMENT ADVISOR**

The Investment Advisor is responsible for all aspects of managing and overseeing the Fund's portfolio. On an ongoing basis the Investment Advisor will:

1. Implement the overall investment strategy, including the selection/termination of securities and/ or investment managers, within these investment policy guidelines;
2. Monitor the asset mix and allocate assets of each investment strategy within these investment policy guidelines;
3. Provide the Finance Committee with quarterly performance reports;
4. Assist the Finance Committee periodically, with a review of the Investment Policy Statement, including an assessment of the current asset allocation and investment objectives; and
5. Supply the Finance Committee with other reports or information as reasonably requested.

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## **OBJECTIVES**

The overall, long-term investment goal of the Fund is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending which is anticipated not to exceed 5% annually of the Fund, thus protecting the purchasing power of the assets. The Board and Finance Committee agree that investing in securities with higher return expectations outweighs their short-term volatility risk.

## ASSET ALLOCATION

Disciplined management of the asset mix among classes of investments is both a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Consequently, the general policy shall be to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

The investment advisor will actively manage the asset allocation based on their determination of market valuations, but remain within the ranges at all times. Should any category move out of acceptable range due to market movements, the investment advisor will use prudence in rebalancing the portfolio.

| <b>Asset Class</b>                      | <b>Long-Term Target</b> | <b>Min</b> | <b>Max</b> |
|---|-------------------------|------------|------------|
| <b>US Equities</b>                      | <b>50%</b>              | <b>30%</b> | <b>60%</b> |
| Large / Mid Cap Equities                |                         | 10%        | 55%        |
| Small Cap Equities                      |                         | 0%         | 20%        |
| Private Equity                          |                         | 0%         | 0%         |
| <b>International Equities</b>           | <b>15%</b>              | <b>5%</b>  | <b>25%</b> |
| Developed International                 |                         | 5%         | 15%        |
| International Small Cap                 |                         | 0%         | 10%        |
| Emerging Market Equities                |                         | 0%         | 10%        |
| <b>Fixed Income</b>                     | <b>20%</b>              | <b>5%</b>  | <b>35%</b> |
| Core Fixed Income                       |                         | 5%         | 30%        |
| Treasury Inflation Protected Securities |                         | 0%         | 20%        |
| High Yield                              |                         | 0%         | 10%        |
| Emerging Market Debt                    |                         | 0%         | 10%        |
| International Fixed Income              |                         | 0%         | 10%        |
| <b>Real Estate</b>                      | <b>5%</b>               | <b>0%</b>  | <b>20%</b> |
| Private Real Estate                     |                         | 0%         | 0%         |
| Public Real Estate (REITs)              |                         | 0%         | 15%        |
| <b>Absolute Return / Low Volatility</b> | <b>10%</b>              | <b>0%</b>  | <b>20%</b> |
| <b>Cash</b>                             | <b>0%</b>               | <b>0%</b>  | <b>10%</b> |

## **INVESTMENT STYLES**

The Finance Committee recognizes that value stocks outperform growth stocks over the long-term (as they have historically) and this is more pronounced for smaller market capitalizations. Therefore, the portfolio may employ a strategic overweight to value stocks, with a larger value overweight to mid and small cap stocks. The Investment Advisor will allocate between styles based on market valuations.

## **SPENDING POLICY**

The Fund is used to support the operations of the Jackson Community Foundation. The Fund's 5% spending policy is based on the average of the prior sixteen quarters of market value of the Fund. As needs arise, the amount drawn on an annual basis may deviate from the spending policy.

Investment advisors should assume that withdrawals may be made from the Fund from time to time to meet the Fund's needs. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process. The Finance Committee will endeavor to provide ample notice of any material withdrawals.

Investment advisors will be given adequate notice of cash needs and an estimation of the liquidity requirements from their funds. They will be expected to manage their funds to provide for anticipated withdrawals without impairing the investment process.

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## **PERFORMANCE MEASUREMENT**

All investment returns shall be measured net of fees.

### **TIME HORIZON**

The Finance Committee seeks to achieve the investment objectives over a full market cycle. The Finance Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over a 5-year moving period.

### **PRIMARY BENCHMARK**

The primary objective of the Foundation is to achieve a total return, net of fees, in excess of spending and inflation.

*Total Return greater than Consumer Price Index + 5%*

## **POLICY BENCHMARK**

The secondary objective is to achieve a total return in excess of the policy benchmark, comprised of each broad asset class benchmark weighted by its long-term strategic allocation.

| <b><u>Weight</u></b> | <b><u>Index</u></b>           | <b><u>Asset Class</u></b>     |
|----------------------|-------------------------------|-------------------------------|
| 55%                  | Russell 3000 Index            | Domestic Equity               |
| 15%                  | MSCI All Country World ex. US | International Equity          |
| 30%                  | Barclays Capital Aggregate    | Fixed Income / Low Volatility |

## **RISK PARAMETERS**

The volatility (beta) is expected to be no greater than 1.20 versus the Policy Benchmark.

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# GUIDELINES AND RESTRICTIONS

## **GENERAL**

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be made. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Fund's investments.

The Investment Advisor shall:

1. Have full investment discretion with regard to security selection, consistent with this Investment Policy Statement;
2. Not employ short-selling, margin trading, private placements, or direct investments in commodities at the portfolio level;
3. Immediately notify the Finance Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel; and
4. Vote proxies and share tenders in a manner that is in the best interest of the Fund and consistent with the investment objectives contained herein.

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# ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected.

For Jackson Community Foundation:

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Name

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Date

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Title

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Name

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Date

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Title

For Fund Evaluation Group:

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Name

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Date

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Title