

**STATEMENT of INVESTMENT POLICY  
FOR  
M & M AREA COMMUNITY FOUNDATION  
Adopted: August 21, 2001  
Reviewed: March 20, 2003**

**I. PURPOSE OF THIS STATEMENT OF INVESTMENT POLICY**

- A. This Statement of Investment Policy outlines the objectives, goals, and guidelines for the M & M Area Community Foundation's Board of Directors, Finance Committee, donors, grantees and Investment Managers in order that:
1. There be a clear understanding, on the part of the Foundation's Board and the Investment Managers, of the investment objectives and policies of the Foundation so as to minimize the chance of the Foundation's Board being surprised by results from what could be expected to occur during various stages of a market cycle.
  2. The Investment Managers be given guidance and limitations in the investment of the Foundation's assets.
  3. The Foundation's Board will have a meaningful basis for the evaluation of the portfolio management by the Investment Managers in order that the Foundation's Board meets their fiduciary responsibility to prudently monitor the investments of the Foundation assets.
- B. The Foundation's assets shall be managed at all times in accordance with the standards of prudent investor rule.
- C. It is the intent of this document to state general attitudes, guidelines, and a philosophy, which will guide the Investment Managers toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful but adequately flexible to be practicable.

**II. RESPONSIBILITIES OF THE FOUNDATION'S BOARD**

- A. The specific responsibilities of the Foundation's Board in the investment process include and are limited to:
1. Complying with all applicable rulings and regulations concerning prudent investing.
  2. Determining the Foundation's projected financial needs and communicating such to the Investment Managers on a timely basis.
  3. Expressing the Foundation's risk tolerance level.

4. Developing sound and consistent investment policy guidelines, which the Investment Managers shall use in formulating corresponding investment decisions.
  5. Establishing reasonable investment objectives.
  6. Selecting qualified Investment Managers.
  7. Communicating clearly the major duties and responsibilities of the Investment Managers.
  8. Monitoring and evaluating performance results to assure that the policy guidelines are being adhered to and that the objectives are being met.
  9. Taking appropriate action to replace an Investment Manager for failure to perform as expected.
- B. The Foundation Board recognizes that their role is advisory as to investment strategy and policy, but the determination and selection of specific investments and securities must be delegated to the Investment Managers.
- C. The Foundation Board may delegate the investment management process to its Finance Committee; however, ultimate responsibility will remain with the Board.
- D. The investment policy objectives, goals and guidelines that follow should represent the current consensus of the Foundation Board's philosophy regarding the investment of the Foundation assets. The Statement of Investment Policy shall be reviewed on an annual basis to ensure that the Statement continues to reflect the Foundation Board's attitudes, expectations and objectives.

### **III. RESPONSIBILITIES OF THE INVESTMENT MANAGERS**

- A. Adherence to Statement of Investment Policy
1. The Investment Managers are expected to respect and observe the specific limitations, guidelines, attitudes and philosophies stated herein, or as expressed in any written amendments of instruction.
  2. The Investment Manager's acceptance of the responsibility to manage assets of the Foundation will constitute a ratification of this Statement of Investment Policy, affirming the belief that they are realistically capable of achieving the Foundation's objectives within the guidelines and limitations stated herein.

## B. Discretionary Authority

Investment Managers will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under their jurisdiction and will seek to achieve the investment objectives indicated herein. Such discretion shall include decisions to buy, hold and sell securities in amounts and proportions that are reflective of the Investment Managers' current investment strategy and compatible with the Foundation's investment guidelines.

## C. Communication

1. Investment Managers will keep the Finance Committee informed on a timely basis of major changes in their investment outlook, investment strategy, asset allocation and other matters affecting their investment policies or philosophy.
2. The Finance Committee also expects to be informed of any significant changes in the ownership, organizational structure, financial condition or senior staffing of the Investment Managers' firm.
3. Whenever Investment managers believe that any particular guideline should be altered or deleted, it will be the Investment Managers' responsibility to initiate written communications with the Finance Committee expressing its views and recommendations.

## D. Reporting

1. The Finance Committee expects to receive timely notices of portfolio transactions, as well as quarterly performance reports.
2. The Investment Managers are to acknowledge in writing their recognition and acceptance of full responsibility as fiduciaries under applicable federal and state legislation with regard to Foundation assets.

## IV. INVESTMENT OBJECTIVES

The Foundation assets are expected to be managed as a growth and income portfolio composed of equity, fixed income and cash equivalent securities. Within this framework, the investment objectives for the Foundation assets are stated below.

- A. Preservation of Capital – Over the investment time horizon, capital gains are to be protected. A positive return is expected over the investment time horizon; although there may be periods with negative returns during the interim, the portfolio may sacrifice some positive returns in order to protect against losses.
- B. Preservation of Purchasing Power – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of the participants' assets. The Foundation Board is willing to assume a moderate amount of risk in order to reach its long-term growth objectives.

## V. INVESTMENT GOALS

The overall Foundation asset investment goals over a three- to five-year time period are to exceed the rate of inflation by 6 per cent. Other investment goals are as follows:

- A. To achieve a total return that is in the top half of managers within a representative universe. The ranking over multiple time periods is the performance criteria rather than the ranking achieved in any one specific year.
- B. To exceed index rates of return comprised of the same weightings as the portfolio asset allocation, utilizing--but not limited to--the following market proxies: the Standard & Poor's 500 Stock Index, Dow Jones Industrial Average, Russell 2500, Russell 2000 Growth, Lehman Brothers Government/Corporate Bond Index (intermediate and long-term) and U. S. Treasury Bills.

## VI. INVESTMENT GUIDELINES

The Foundation's Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the variability of returns) and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the Investment Managers the opportunity to achieve satisfactory long-term consistent with objectives and fiduciary character of the Foundation assets.

- A. Types of Investments  
The following are guidelines for the Investment Managers.

### Equities:

- Common Stocks
- Preferred Stocks
- Convertible Securities including Debentures
- American Depository Receipts (ADR's) of foreign companies

### Fixed Income Investments:

- U. S. Government and Agency Securities (notes and bonds)
- Commercial Paper
- Corporate Bonds
- Certificates of Deposit

### Mutual Funds:

- The Investment Manager's are authorized to use no-load mutual funds; both in the equity and fixed income/cash markets.

### Unique Assets:

From time to time, the Foundation may acquire assets that may not be considered "marketable securities". The term "marketable securities" refers generally to securities in an active trading market where they can be converted readily into cash. These assets may include, but are not limited to, stock in closely held companies, real estate, limited partnership interests or personal property. These assets shall be classified by the

Finance Committee as unique and will not be subject to the guidelines established by this policy statement.

The following types of assets or transactions are expressly prohibited:

- Commodities
- Futures
- Collectibles
- Unrestricted Letterstock
- Warrants
- Illiquid Securities, unless classified as Unique
- Purchasing of Securities on Margin
- Selling Short
- High Leverage Derivatives

**B. Asset Allocation:**

It shall be the policy of the Foundation's Board to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Category	Minimum	Maximum
Common Stocks	50%	80%
Fixed Income	20%	50%
Cash & Equivalents	0%	15%

The Asset Mix Policy and acceptable minimum and maximum ranges established by the Foundation Board represent a long-term view. As such, rapid and significant market movements may cause the Foundation's assets actual mix to occasionally fall outside the policy range, but it is expected that any divergence should be of a short-term nature.

**C. Stocks:**

1. **Diversification:** The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.
2. **Quality and Marketability:** Individual common and convertible preferred stocks should be of good quality (B-rated or better as measured by Standard & Poor's) and listed on either the New York or American Stock Exchange or traded in the over-the-counter market with the requirement that such stocks have adequate market liquidity relative to the size of the investment.
3. **Concentration by Issuer:**
  - a. No more than 5% of total equity assets shall be invested in the securities of any one issuing corporation at the time of purchase.
  - b. No more than 25% of the market value of total equity assets should be invested in any one industry at the time of purchase.

- c. Investments in any corporation should not exceed 5% of the outstanding shares of the corporation.
- D. Fixed Income Investments:
  - 1. Quality: Individual marketable bonds at the time of purchase must be "A-" or better, by either Standard & Poor's or Moody's.
  - 2. Concentration by Issuer
    - a. No limitations are placed on investments in U. S. Government guaranteed obligations (including fully guaranteed Federal agencies).
    - b. Investments in any one issuer (excluding obligations of the U. S. Government **and certificate of deposits which are FDIC insured**) either direct or implied shall not exceed 5% of the total fixed-income assets based on market value at the time of purchase.
    - c. Issues should be at least \$50 million par value.
    - d. Fixed-income holdings for the Foundation's assets shall not represent more than 5% of the total issue.
  - 3. Maturity: No individual fixed-income security should have a maturity of longer than 20 years at the time of purchase.
- E. Cash and Equivalents:
  - 1. The investment managers may invest in commercial paper, repurchase agreements, Treasury bills, Certificates of Deposits and money market funds providing all such assets must represent maturities of one year or less.
  - 2. Commercial Paper:
    - a. Quality: Must have a rating of not less than BAA, by Standard & Poor's or P1 by Moody's.
    - b. Concentration by Issuer: Investment in any one issuer shall not exceed 5% total Foundation assets at the time of purchase.

## VII. INVESTMENT PERFORMANCE REVIEW AND EVALUATION

- A. Performance results for the Investment Managers will be measured on a quarterly basis.
- B. While the Finance Committee intends to fairly evaluate the portfolio performance over the agreed upon period of evaluation, the Finance Committee reserves the right to change the Investment Manager(s) if there is:

1. Failure to meet the Foundation's expectations.
2. Lack of responsiveness to the Finance Committee's overall concern about the market –inflexibility of approach.
3. Failure to meet the Finance Committee's communication and reporting requirements.
4. In the Foundation's Board sole judgment a change of Investment Manager(s) would be beneficial to the Fund.

**VIII. COMMUNICATION**

The Finance Committee shall receive the following information:

1. Quarterly reports of assets, transactions and performance.
2. Calendar quarterly performance reports from the Investment Managers, comparing the Foundation's portfolio performance relative to the Foundation's investment goals stated in Section V (B).
3. Investment Managers will provide any changes in personnel, firm structure or philosophy.
4. Periodic meetings with the Investment Managers and the Foundation.

This Statement of Investment Policy shall provide the framework for the management of the Foundation's assets. Any modifications to this statement shall be acknowledged in writing by the Investment Managers and the Board of Directors.

**For the M & M Area Community Foundation**

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

I accept this investment plan and believe that we can achieve the investment objectives within the guidelines given.

\_\_\_\_\_  
Bank or Investment Firm:

\_\_\_\_\_  
Name of Investment Manager

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date