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# INVESTMENT POLICY STATEMENT

## I. DEFINITIONS

### INTRODUCTION

The Quad Cities Community Foundation (Community Foundation) is an Iowa, tax-exempt, Internal Revenue Code Section 501(c)(3), not-for-profit, autonomous, publicly supported, philanthropic organization formed and operated primarily as a permanent collection of endowed funds for the long-term benefit of the Quad Cities Region. As such, it is intended that the Corporation must meet the public support test required for community foundations under Section 170(b)(1)(A)(vi) as modified by Treas. Reg. 1.170A-9(c)(10). The IRS classifies the Community Foundation, as a public charity, as defined in Internal Revenue Code Section 509(a)(1).

### PURPOSE

This Investment Policy Statement (IPS) was adopted by the Board of Directors of the Community Foundation (the Board) to direct the prudent investment of its investment portfolio (the Portfolio) in a manner consistent with the investment objectives stated herein. The Board has delegated financial oversight of the Portfolio to the Investment Committee (the Committee).

The Investment Policy Statement shall be used by the Committee in performing its duty to oversee the investment portfolio (in managing, monitoring, and reporting on the investment portfolio) and by the Investment Advisors.

It is expected that the Committee will review this document on a regular basis. Any revisions will be recommended to the Board for approval.

### SCOPE

This Policy applies to all assets that are included in the Foundation's investment portfolio for which the Committee has been given discretionary investment authority.

### LONG TERM PERFORMANCE OBJECTIVE

The Long-Term Performance Objective of the Foundation's assets is to generate a sufficient rate of return to, net of inflation, match the annual distribution and administrative expenses of the Foundation. More detail on the Objective is detailed in Section III.

### FIDUCIARY DUTY

All assets shall be managed consistent with sound and prudent fiduciary practices; and comply with all applicable laws including the Uniform Prudent Management of Institutional Funds Act as adopted in Iowa and Illinois. In seeking to attain the investment objectives set forth in the policy, the Committee and its members must act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely on the interests of the Foundation. Investment Advisors must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interest.

# INVESTMENT POLICY STATEMENT

## DEFINITION OF DUTIES

### BOARD OF DIRECTORS

The Board has the ultimate fiduciary responsibility for the portfolio. The Board must ensure that appropriate policies governing the management of the portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates responsibility to the Investment Committee for implementation and ongoing monitoring. At least annually the Board will receive a performance report and review of the Investment Policy Statement (IPS) from the Committee.

### INVESTMENT COMMITTEE

The Committee is responsible for implementing the Investment Policy. This responsibility includes approving investment strategy, hiring and firing of Investment Advisors, monitoring performance of the investment portfolio on a regular basis (at least quarterly), and maintaining sufficient knowledge about the portfolio and its Advisors so as to be reasonably assured of their compliance with the Investment Policy.

### INVESTMENT ADVISOR

The Foundation may enlist the services of Investment Advisors local to the Quad Cities who are responsible for prudently investing the money the Foundation entrusts to them in accordance with the objectives and guidelines included in this policy. An Investment Advisor may manage the portfolio independently through individual security selection or augment their portfolio through a diversified pool of Mutual Funds.

### MUTUAL FUND MANAGERS

The Foundation may purchase Mutual Funds directly and Investment Advisors may purchase Mutual Funds for all or part of their portfolio.

### INVESTMENT CONSULTANT

The Investment Consultant is responsible for assisting the Committee and staff in all aspects of managing and overseeing the investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

- Provide proactive recommendations regarding asset allocation and manager selection
- Provide recommendations on portfolio rebalancing
- Supply the Committee with reports (e.g., asset allocation studies, investment research and education) or information as reasonably requested
- Monitor the activities of each Investment Advisor
- Provide the Committee with quarterly performance reports
- Review this Investment Policy Statement with the Committee
- Review and dialogue with Investment Advisors

## ROLE OF ASSET CLASSES

The Foundation's long-term endowed assets are expected to endure into perpetuity, and because inflation can have an impact on its Performance Objective, the long-term risk of not investing in growth securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Except for the Money Market Pool, cash is not a strategic asset of the portfolio, but is residual to the investment process and used to meet short-term liquidity needs. Other asset classes are included to provide diversification (e.g., international equities) and incremental return (e.g., small cap equities).

## II. STRATEGY

The Quad Cities Community Foundation (Community Foundation) will seek to gain diversification and return by deploying assets in a variety of manners.

1. The Community Foundation may allocate assets to a variety of Investment Advisors. These Investment Advisors will have the discretion to manage and allocate the assets under their supervision provided they remain in accordance with the IPS and its Addendums. It is anticipated that many, if not all, of the Investment Advisors will hold individual stocks and bonds as well as commingled investments like mutual funds and exchange traded funds.
2. The Community Foundation may directly purchase commingled investments, such as mutual funds, exchange traded funds, limited partnerships, etc. This strategy will be in consultation with the Foundation's Investment Consultant and will seek to further increase diversification and enhance expected return of the Foundation.

## III. DESCRIPTIONS OF INVESTMENT POOLS AND OBJECTIVES

The Foundation maintains five separate investment pools: The Long-Term Pool, Strategic Growth Pool, Socially Responsive Pool, Income Pool, and a Money Market Pool. The Foundation also maintains the Signature Investment Program (SIP), which partners with local investment advisors for management of donor funds that have directed a specific advisor to oversee the assets. Information on the SIP Program can be found in a separate document. Each of these pools is described below.

**Long-Term Pool** – The Long-Term Pool is a long-term focused and diversified portfolio that seeks to achieve a rate of return commensurate with the required rate of return of the Foundation that equals the current spending rate, inflation, and administrative fees.

**Strategic Growth**- This pool is designed to generate the largest expected return with lower concern for short and intermediate term losses. The Strategic Growth Pool is less diversified than the Long-Term Pool, holding a larger allocation to stocks, and has the largest expected return as well as the largest anticipated year-over-year volatility.

# INVESTMENT POLICY STATEMENT

**Socially Responsive Pool (Formerly ESG)** - Investments in this pool are screened for environmental, social and governance criteria while still benefiting from a sustainable investing approach. The Socially Responsive Pool will maintain a diversified allocation to stocks (both domestic and international) and bonds.

**Income Pool**- For greater emphasis on capital preservation while maintaining some potential for appreciation, the Income Pool provides donors with opportunities for growth with regular grant making and is available only to non-endowed funds. The Income Pool will hold primarily a diversified basket of bonds with a small allocation to stocks.

**Money Market**- This pool is designed to preserve principal and provide current income and liquidity by investing in high-quality, short-term financial instruments. The Money Market Pool is available only to non-endowed donor advised funds and donors must allocate at least 15% of the fund assets to this pool to provide availability for short-term grant making.

**Signature Investment Program (SIP)**- The Foundation partners with Investment advisors responsible for management of specific donor-directed accounts on behalf of the Foundation. The SIP Advisors work collaboratively with the Foundation to determine the specific asset allocation and benchmark for those specific accounts. Each SIP Advisors will sign an addendum to this IPS that details asset allocation, acceptable ranges, and benchmark used for performance measurement.

## LONG TERM PERFORMANCE OBJECTIVE

Over time, the Foundation will aim to achieve the total long-term objective while maintaining acceptable risk levels. To accomplish this goal, the Foundation will diversify its assets among several asset classes based on an appropriate time horizon. Appendix 1 provides permissible asset classes, appropriate index measures of these classes, and current policy asset allocation.

The objective of Long-Term, Strategic Growth, and Socially Responsive Pools, as determined by the Investment Committee, is to achieve a total return in excess of the sum of the spending rate, the long-term inflation rate, and the aggregate costs of portfolio management. It is often summarized as:

**Long-Term Objective = Consumer Price Index (CPI) + Spending Policy + Administrative Fees**

The Long-Term Objective of the Income Pool is a rate of return in excess of the US core bond market with minimal equity exposure.

The Long-Term Objective of the Money Market Pool is preservation of capital and high liquidity.

## RISK TOLERANCE

Fiduciary standards of prudence apply to Foundation investments. Given a range of risk from very low to very high, the Foundation's investments should carry a moderate level of risk. The Investment Committee will permit the Fund to experience an overall level of risk consistent with the Policy Asset Allocation.

# INVESTMENT POLICY STATEMENT

## LIQUIDITY

The Foundation does not have a significant, ongoing, need for liquidity; therefore, beyond the Money Market pool, the Foundation does not have an allocation to cash or cash equivalents under normal circumstances.

## PERFORMANCE MEASUREMENT OBJECTIVES

In addition to meeting the goal of the Long-Term Objective, the **Long-Term Pool** assets should return a nominal rate greater than or equal to a composite index created by combining various indices in the same proportion as the Foundation's broad allocation. The benchmark for the Long-Term Pool is detailed in Appendix 2.

## REBALANCING

The Portfolio will be reviewed quarterly as to the appropriateness of rebalancing.

## SPENDING POLICY

Spending policy objectives for the Foundation's investments covered by the total return concept and asset allocation recommendations set forth in the investment objectives are:

1. The primary objective is to provide a consistent flow of funds in support of foundation expenditures including both grant-making and administrative activities.
2. The next objective is to preserve the real value (inflation adjusted) of current assets and future gifts. The rate of growth on the Foundation's funds as a result of investment performance should maintain or increase its purchasing power over time.

The spending policy will be monitored to gauge results against the objective that the Foundation's assets maintain or increase the real value of the Foundation's principal over the long term.

## IV. INVESTMENT GUIDELINES AND RESTRICTIONS

### GENERAL

Each Investment Advisor shall:

- Provide timely and accurate reporting to Foundation staff and Consultant, as detailed in Section V.
- Have full investment discretion regarding security selection consistent with this Investment Policy Statement and is expected to maintain a fully invested portfolio;
- Immediately notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, firm ownership or senior personnel;
- Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of a company or invest with the intent of controlling management;

# INVESTMENT POLICY STATEMENT

- Not invest in non-marketable securities without prior approval of the Investment Committee.

The Guidelines stated apply to investments in non-mutual and non-pooled funds, where the Investment Advisor can construct a separate, discretionary account on behalf of the Foundation. Although the Committee cannot dictate policy to pooled/mutual fund, the Investment Advisor and Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives.

## EQUITY GUIDELINES

Each Investment Advisor shall ensure any mutual fund or other commingled investment maintains, as well as any individual security selections, adherence to the following:

- Assure that no position of any one company exceeds 10% of the Advisor's total portfolio as measured at market;
- Maintain adequate diversification among economic sectors;
- The use of currency futures to enhance performance and/or hedge currency exposure by international and/or global managers is at the discretion of the manager in accordance with the prospectus of the investment product, provided the hedging in any one currency will never exceed the market value of the assets invested in the currency.

## FIXED INCOME GUIDELINES

Each Investment Advisor shall ensure any mutual fund or other commingled investment maintains, as well as any individual security selections, adherence to the following:

- Maintain an overall weighted average credit rating of "A" or better by at least one national credit rating agency;
- Hold no more than 10% of the fixed income portfolio in investments rated below investment grade. Split rated securities will be governed by the lower rating;
- With respect to the corporate sector of the portfolio, maintain adequate diversification amongst economic sectors;
- With respect to the High Yield portion of the bond portfolio, maintain an overall weighted average credit rating of "BB" or better by at least one national credit rating agency;
- Assure that no position of any one issuer shall exceed 10% of the Advisor's total portfolio as measured at market value except for securities issued by the U.S. government or its agencies;
- Invest no more than 20% of the portfolio in mortgage-backed securities.

## UNACCEPTABLE SECURITIES

Investments should be consistent with this policy, but certain types of investments are not permissible without prior approval from the Investment Committee. These investments include securities purchased on margin, derivatives, puts or naked calls, warrants to purchase stock, commodities or commodities contracts, or direct investments in minerals, oil, gas, or other mineral exploration or development programs.

## V. REPORTING AND MONITORING

### REPORTING

Open communication between the Investment Advisors, Investment Consultant and the Foundation is critical to the success of the Foundation. The Investment Advisor shall provide the following to the Investment Consultant and the Foundation:

- Monthly transaction and asset statements provided to the Foundation no later than the fifth business day following the end of the month;
- Quarterly summary sheet, if requested (provided by the Foundation);
- An annual detailed breakdown of all fees charged to the Foundation including management fees, transaction fees and mutual fund fees;
- Immediate notification, to the Foundation, of any exceptions to this investment policy statement and a recommended plan of action to correct the violation.
- The consultant will provide rebalance recommendations intra-quarterly on an as-needed basis.

The Investment Consultant is responsible for assisting the Committee in all aspects of managing and overseeing the Foundation's investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

1. Provide the Committee with quarterly performance reports within a timely period following the end of the quarter;
2. Meet with the Committee at least quarterly, more frequently as needed;
3. Monitor on a quarterly basis the activities of each Advisor to ensure adherence to the IPS;
4. Provide the Committee with an annual review of this Investment Policy Statement, including an assessment of the Foundation's current asset allocation, spending policy and investment objectives;
5. Supply the Committee with other reports or information as reasonably requested;
6. On at least a quarterly basis, the Investment Consultant will provide notification if the Foundation is outside the acceptable asset allocation ranges.

## MONITORING OF INVESTMENT ADVISORS (SIP ADVISORS)

The Foundation seeks to maintain a high level of transparency with the SIP Advisors. The Foundation, however, may elect to terminate any SIP Advisor at any time for any reason. In the event a SIP Advisor does not adhere to this policy as well as the SIP Advisor Addendum, the following measures will be taken.

### ASSET ALLOCATION

If a SIP Advisor is out of compliance with the agreed upon asset allocation listed in their addendum, a Foundation staff member or their representative would notify the SIP Advisor that compliance is mandatory. If an Advisor is not in compliance after another three months, all the assets under their management may be removed.

### COSTS

The Foundation monitors the SIP Advisor returns net of fees. This analysis is one method of monitoring and controlling fees. The SIP addendum for each manager specifies that all-in fees must remain below 1% of assets.

### ADVISOR DEPARTURE

Over the last several years, the Foundation has enjoyed a productive partnership with its Investment Advisors. The Foundation must, however, ensure that the assets are invested in a manner that is consistent with the best possible risk-adjusted return and benefit to the community. Organizational issues with the SIP Advisor such as account reassignment, retirement of the primary point of contact, etc. are all events that could result in account termination. Any change in the Investment Advisor, or representative, will trigger an automatic review of the relationship.

**INVESTMENT PERFORMANCE.** If the Foundation believes that the SIP Advisor returns are not adequate on a risk-adjusted basis they may elect to terminate. Failure to adhere to the IPS, Advisor turnover/departure, underperformance, are some but not all potential factors that may warrant termination.

## VI. PRIVATE INVESTMENTS

The Committee recognizes the potential of increased return by allocating a portion of the portfolio to private investments. The Foundation believes returns in excess of the public markets are achievable through private strategies and, as such, the increased liquidity risk warrants a modest allocation.

## VII. CHARITABLE TRUST POLICY

The Foundation, on occasion, serves as the trustee for Charitable Remainder Trusts. These funds are invested in accounts that stand alone from other pooled accounts for legal reporting purposes.

CRUT/CRAT Investment Advisors shall adhere to the preceding Investment Policies set forth by Quad Cities Community Foundation (Community Foundation). If an Investment Advisor feels there is a justification for investing in a way that deviates from that policy, they should submit a proposal to the Investment Committee in writing for review and approval.

In addition, to preserve the tax-exempt nature of Charitable Remainder Trusts, there are certain investments that are prohibited. Any investment that produces unrelated business income cannot be used in a Charitable Remainder Trust. An example of an investment that produces unrelated business income and is prohibited by this policy is a limited partnership.

## VIII. NON-ENDOWED FUNDS (CHARITABLE GIVING FUNDS)

In addition to the Long-Term Pool, the Community Foundation also maintains additional non-endowed funds to extend the offerings to donors. These funds are non-endowed and are created by donors usually with the intention of giving the money away in a short period of time. For most donors, the objective for this type of fund is to remain liquid so that granting can be done at any time. Periodically, a donor will have a more long-term objective in mind for the funds and will request a more aggressive means of investing. The Foundation has devised a selection of investment strategies for different levels of risk tolerance and objectives, making sure we meet our donors' charitable goals. These options are detailed in Section III of this document.

## IX. ALTERNATIVE INVESTMENTS

The Community Foundation maintains a minimum number of separately managed investment accounts to meet the needs of various individual donors. Separately managed accounts are subject to the Foundation's Donor Electives policy. Separately managed accounts are also subject to approval by the Investment Committee and must adhere to Community Foundation's Investment Policy Statement unless otherwise approved by the Investment Committee.

# INVESTMENT POLICY STATEMENT

Below is the current asset allocation for the **Long-Term Pool**. The individual allocation tables for the **Strategic, Income, Socially Responsive, and Money Market Pools** are on the table on the next page.

LONG-TERM POOL ALLOCATION			
	Min	Target	Max
US Large Cap	25%	34%	45%
US Small Cap	2%	7%	12%
Developed International	8%	13%	20%
Emerging Markets	3%	8%	13%
Private Capital	0%	5%	10%
US Fixed Income	15%	26%	40%
Non-US Fixed Income	0%	2%	7%
Real Estate	0%	5%	10%
Real Assets/ Infrastructure	0%	0%	7%
Hedge/ Diversifying Strategies	0%	0%	7%

*Note on Private Capital: The Foundation may consider potential private investments to enhance total return of the portfolio. Private capital will be considered a portion of the total Global Equity allocation but listed separately to provide the Committee an indication of the percentage of the portfolio that is fully liquid and marketable. As a result, as the Foundation allocates to Private Capital it will likely remain overweight to Global Equity.*

# APPENDIX 1: CURRENT ASSET ALLOCATION AND ALLOWABLE RANGES

The Pools listed below are largely invested in mutual funds and exchange traded funds. The mutual fund managers are responsible for the allocation and cannot be dictated by the Foundation. The listing of allocations below is based on current allocations of the funds and the expected allocations and the fund prospectuses.

Detailed Allocation		Strategic Growth	Range	Socially Responsive	Range	Income	Range	MoneyMarket	Range
		GLOBAL EQUITY	US Stocks	50	30-70%	55	40-75%	15	5-25%
	International Developed Equity	20	10-30	7	5-20	5	0-10	0	0-0
	Emerging Markets Equity	10	5-20	3	0-10	0	0-5	0	0-0
	<b>Total Global Equity</b>	<b>80</b>	<b>65-90</b>	<b>65</b>	<b>40-60</b>	<b>20</b>	<b>10-30</b>	<b>0</b>	<b>0-0</b>
GLOBAL FIXED INCOME	Core Bonds	20	10-40	35	20-50	80	60-90	0	0-10
	Emerging Markets Debt	0	0-10	0	0-10	0	0-10	0	0-10
	High Yield Bonds	0	0-10	0	0-10	0	0-10	0	0-10
	Private Debt	0	0-10	0	0-10	0	0-10	0	0-10
	Gov't Securities and Cash	0	0-10	0	0-10	0	0-10	100	80-100
	<b>Total Global Fixed Income</b>	<b>20</b>	<b>10-40</b>	<b>35</b>	<b>20-50</b>	<b>80</b>	<b>70-90</b>	<b>100</b>	<b>80-100</b>
REAL ASSETS	Public Real Estate	0	0-5	0	0-5	0.0	0-0	0	0-0
	Commodities	0	0-5	0	0-5	0.0	0-0	0	0-0
	MLP/ Infrastructure	0	0-5	0	0-5	0.0	0-0	0	0-0
	<b>Total Real Assets</b>	<b>0</b>	<b>0-10</b>	<b>0</b>	<b>0-10</b>	<b>0</b>	<b>0-0</b>	<b>0</b>	<b>0-0</b>
DIVERSIFYING STRATEGIES	Liquid Diversifying Strategies	0	0-5	0	0-0	0	0-0	0	0-0
	<b>Total Diversifying Strategies</b>	<b>0</b>	<b>0-5</b>	<b>0</b>	<b>0-0</b>	<b>0</b>	<b>0-0</b>	<b>0</b>	<b>0-0</b>

# APPENDIX 1: CURRENT ASSET ALLOCATION AND ALLOWABLE RANGES

Below are the blended benchmarks for the Long-Term Pool, as well as Strategic Growth, Income, Socially Responsive, and Money Market pools.

## BENCHMARKS

	LONG-TERM POOL			
S&P 500	39%			
Russell 2000	7%			
MSCI EAFE	13%			
MSCI Emerging Markets	8%			
Barclays US Aggregate Bond	26%			
JP Morgan Non-US Bond	2%			
FTSE NAREIT	5%			
<b>TOTAL</b>	<b>100%</b>			

  

	SOCIALLY RESPONSIVE	INCOME	MONEY MARKET	STRATEGIC GROWTH
Russell 3000	55%	15%	0%	50%
MSCI All Country ex US	10%	5%	0%	30%
Barclays US Aggregate Bond	35%	80%	0%	20%
US 91 Day T-Bills	0%	0%	100%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# APPENDIX 1: CURRENT ASSET ALLOCATION AND ALLOWABLE RANGES

## SIGNATURE INVESTMENT PROGRAM ADVISORS

The Community Foundation's SIP Advisors will work in conjunction with the Foundation and/or its Investment Consultant to determine the optimal asset allocation and acceptable range for the account(s) they manage. The allocation should emphasize the SIP Advisor's strengths and maximize its positive impact on the Foundation portfolio. As a baseline the Foundation will start with the "Long-Term Pool" asset allocation and ranges and then modify the allocation to suit each specific SIP Advisor. The asset allocation, ranges, and comparative benchmarks are all contained in the Signature Investment Program Advisor's Addendum.

# ACKNOWLEDGEMENT

## ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy approved by the Quad Cities Community Foundation (Community Foundation) Board of Directors. We understand that the information included in the Appendix will be reviewed by the Community Foundation on an annual basis and any changes will be communicated in a timely manner.

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 way investment performance is reviewed are expected.

\_\_\_\_\_  
President/CEO  
Quad Cities Community Foundation

\_\_\_\_\_  
Date

\_\_\_\_\_  
Timothy P. O'Donnell, CAIA / Senior Vice President  
FEG Investment Advisors

\_\_\_\_\_  
Date

\_\_\_\_\_  
Investment Advisor/Custodian

\_\_\_\_\_  
Date