



IPS for Non-Discretionary Clients

To successfully complete this workflow, please provide the following documents:

Required Documents Check List:

- Current IPS (if current client)
- Approved Asset Allocation/Model

Lead Time: 5 days



XYZ Foundation

Investment Policy Statement

June 2020



Table of Contents

I. INTRODUCTION	4
Prologue	4
II. STATEMENT OF PURPOSE	4
Purpose	4
III. INVESTMENT GOALS AND OBJECTIVES.....	4
Spending Policy.....	5
Investment Philosophy	5
Performance Expectations	6
IV. ROLES AND RESPONSIBILITIES.....	6
Responsibilities of the Committee	6
Responsibilities of the Investment Consultant	7
Responsibilities of the Investment Manager(s).....	7
V. ASSET ALLOCATION	8
Priority & Purpose of Asset Allocation.....	8
Re-balancing Among Asset Classes and Allocation of Net Contributions.....	8
Asset Allocation Strategy	8
Benchmark Indices	9
VI. INVESTMENT SELECTION.....	9
Selection of Investment Managers	9
VII. PERFORMANCE MONITORING	9
Purpose	9
Investment Managers Performance Review and Evaluation	10
VIII. ACKNOWLEDGEMENT AND ACCEPTANCE	11



I. INTRODUCTION

Prologue

The Investment Committee of the XYZ Foundation (the “Organization”) (the “Committee”) is committed to enhancing the financial integrity of the XYZ Foundation (the “Investment Assets”) by establishing and managing funds for the immediate and future needs of the Organization’s operations and programs. Moreover, the Investment Committee is dedicated to acting prudently and diligently as a responsible steward for the financial resources of the Organization.

II. STATEMENT OF PURPOSE

Purpose

The Investment Policy Statement of the Investment Assets (the “Investment Policy Statement” or IPS) establishes the guidelines by which the Organization’s Investment Assets should be managed. The guidelines within the Investment Policy are designed to enhance the probability of achieving the investment goals and objectives of the Investment Assets. The document is further intended as a reference tool as well as a communications link between the Committee, Investment Consultant, and the Investment Manager(s).

The Investment Policy Statement provides guidance in the following areas:

- Determining an appropriate risk level for the Investment Assets
- Seeking to ensure prudent diversification of the Investment Assets
- Defining the responsibilities of the Committee and its partners for managing the investment process
- Establishing strategic asset allocation guidelines for asset classes and investment styles deemed suitable for the Investment Assets

III. INVESTMENT GOALS AND OBJECTIVES

Recognizing that short-term market fluctuations may cause variations in account performance, the expectation of the Investment Assets is to achieve the following over a full market cycle, usually a five to seven-year time period:



- Provide a reasonable level of total return given the expected spending and desired rate of return to protect from loss of purchasing power.
- Avoid significant underperformance of the desired rate of return, or loss of invested capital.
- Minimize the Investment Assets exposure to fluctuating investment returns.
- Prudently appreciate capital to provide additional funding for the Organization's future operation and support.

Spending Policy

The Committee acknowledges that a proper spending policy strikes a balance between the duration and purpose of the Investment Assets and the general economic conditions including the possible effect of inflation or deflation. Therefore, the Committee has elected to disburse 5.0% annually to be calculated as of the prior year-end market values. Future changes in the spending policy shall be made only after great care and consideration and the approval of the Committee. Exceptions to this policy should be documented and communicated to all parties.

Investment Philosophy

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is designed to provide guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations. Conformation with the adopted version of UPMIFA is the intent of this IPS. Investments must be made in relation to the overall resources of the institution and its charitable purposes. No investment decision may be made in isolation but must be made in light of the fund's entire portfolio.

Investment Return. In order to meet its needs, the investment strategy of the Investment Assets is to focus upon total return (combined return from capital appreciation plus dividend and interest income). Investment Manager(s) should manage with the goal of optimizing the long-term inflation-adjusted investment returns given that portfolio's investment guidelines and appropriate levels of risk. The Committee recognizes the Investment Manager(s) must use the broad capital markets as their basic tools for investment and a substantial portion of investment returns will not be attributable to management skills, but rather to the markets themselves.

Definition of Risk. The Committee realizes there are many ways to define risk. The Committee defines risk as the probability of not meeting the investment objectives. The Committee expects that Investment Manager(s) will manage its portfolio in a manner consistent with the investment objectives and investment strategy as defined in this Investment Policy applicable to its portfolio. The Investment Manager(s) are to make reasonable efforts to control risk and will be evaluated regularly to ensure the risk assumed is commensurate with the given investment style and objectives. The Committee understands that, in order to achieve its objectives for the Investment Assets, the portfolio may experience volatility of returns.



Diversification. The Committee recognizes the broad diversification of the Investment Assets among various asset classes should help mitigate the magnitude of a loss in any single year.

Adherence to Investment Discipline. The Investment Manager(s) is/are expected to adhere to the investment management styles for which they were retained. The Investment Manager(s) will be evaluated regularly for adherence to investment discipline.

Performance Expectations

The Committee fully understands the volatility of the various capital markets and the need to maintain a long-term time horizon when reviewing performance. In general, the Committee will measure the return goals for the Investment Assets using the following criteria:

- A composite portfolio rate of return that is equal to or greater than the return realized using the asset allocation strategy described in section IV and appropriate market indices.

Further, the goal of each Investment Manager shall be to:

- Meet or exceed an appropriate market index, or blended market index.
- Display an overall level of risk in the portfolio that is consistent with the risk associated with the asset style and relevant index.

In order to meet the following investment goals and objectives, the Investment Assets are to be managed in accordance with the asset allocation strategy as defined in section V.

IV. ROLES AND RESPONSIBILITIES

Responsibilities of the Committee

The Committee maintains the responsibility for reviewing, revising, and approving the Investment Policy, and managing the Investment Assets, including the responsibilities described below.

- Oversee the management of the Investment Assets.
- Adopt, review and revise, as needed, a statement of investment policies and objectives on a regular basis.
- Approve strategic guidelines for the asset allocation of the Investment Assets, considering near term cash needs and liquidity.



- Review reports from outside professionals and the Investment Consultant or Investment Manager on the status of the Investment Assets.
- Approve the selection, retention or termination of the custodian that holds securities for safekeeping.
- Approve selection and retention or termination of Investment Managers.
- Revise and accept (or reject) recommendations made by the Investment Consultant regarding the management of the Investment Assets.

Responsibilities of the Investment Consultant

The Investment Consultant will provide investment oversight to the Investment Assets. Investment advice and implementation concerning the investment management of Investment Assets will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- Assisting in the development, implementation, review and monitoring of this Investment Policy.
- Measure, monitor and evaluate the investment performance and asset allocation of the Investment Assets and report the findings to the Committee with a meeting frequency as determined by the Committee, but at least annually.
- Monitor the Investment Assets and periodically provide reports to the Committee regarding investment performance and other pertinent information.

Responsibilities of the Investment Manager(s)

Investment Manager(s) is/are responsible for making investment decisions with respect to its portfolio. Specific duties and responsibilities of the Investment Manager(s) is/are to:

- Select the investments of its portfolio in accordance with the general investment goals, objectives and guidelines expressed by this Investment Policy as well as the specific goals, objectives, and guidelines pertaining to its portfolio.
- Communicate significant matters that the Investment Manager deems material, including but not limited to: changes in the Investment Manager's ownership, organizational structure, professional staffing, investment philosophy or investment process and other changes of a substantial nature to the Investment Consultant and Committee.
- Comply with all legislation and regulations as they pertain to the Investment Manager's duties, functions and responsibilities as a fiduciary in managing the portfolio.
- Provide statements setting forth all account activity and the financial position of the portfolio quarterly and otherwise as requested.
- Provide expanded analysis upon request.



V. ASSET ALLOCATION

Priority & Purpose of Asset Allocation

Asset allocation is commonly considered the most important decision made in the investment management process. The purpose of a strategic asset allocation is to provide an optimal mix of investments with the potential to produce the desired returns and meet Organization objectives, while having the least amount of fluctuation in the overall value of the investment portfolio.

Allocating funds among a variety of investment types increases the probability that if one of the investment types is decreasing in value, another one is increasing in value.

Re-balancing Among Asset Classes and Allocation of Net Contributions

Because different asset classes will perform at different rates, the Investment Assets may experience asset allocation shifts caused by performance. To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Committee may redirect monies from one manager to another, if necessary, to maintain the target ranges of this policy and provide necessary liquidity.

The Committee recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various market conditions. Therefore, the allocation of the Investment Assets may vary from the allocation guidelines under abnormal circumstances without being considered an exception to this investment policy.

Asset Allocation Strategy

Asset Allocation				
Asset Class	Index	Minimum	Target	Maximum
Cash	ICE BAML 3-Month U.S. Treasury Bill Index	0%	0%	5%
Fixed Income	Bloomberg Barclays US Aggregate Bond Index	20%	25%	40%
US Large Cap Equities	S&P 500 Index	20%	32%	50%
US Mid Cap Equities	Russell Mid Cap Index	5%	12%	19%
US Small Cap Equities	Russell 2000 Index	0%	5%	10%
International Equities - Developed	MSCI EAFE Index	4%	17%	34%
International Equities - EM	MSCI EM Index	0%	4%	8%
Strategic Opportunities	HFRX Absolute Return Index	0%	5%	15%
			100%	

Policy Benchmark – 25% Bloomberg Barclays US Aggregate Bond Index, 32% S&P 500 Index, 12% Russell Mid Cap Index, 5% Russell 2000 Index, 17% MSCI EAFE Index, 4% MSCI EM Index, 5% HFRX Absolute Return Index.



Benchmark Indices

The investment options in the various categories may be evaluated according to the benchmarks described in the section entitled “Asset Allocation”. These benchmarks are intended to be a guide. A fund may have characteristics sufficiently different to warrant diverting from either the universe or index described above.

VI. INVESTMENT SELECTION

Selection of Investment Managers

The quantitative and qualitative factors to be considered for selecting the Investment Manager(s) may include, but are not necessarily limited to:

- Total firm assets under management and assets specific to the Investment Manager of interest
- Stability and quality of the Investment Firm and its personnel
- Portfolio manager’s tenure with the specific Investment Manager of interest
- Historical performance of the Investment Manager’s specific strategy of interest with all investment strategies being compared to an appropriate benchmark index
- Risk adjusted performance of the Investment Manager
- Consistency and correlation of the Investment Manager’s investment style
- Overlap of investment style and/or fund holdings with other Investment Managers
- Expense ratios and/or fees

VII. PERFORMANCE MONITORING

Purpose

The purpose of monitoring investment performance is to be able to ensure compliance with policy and applicable law, manage the risk of the portfolio, and assess the performance of investment managers.

The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Organization intends to evaluate Investment Manager performance from a long-term perspective.



Investment Managers Performance Review and Evaluation

The investment performance of each Investment Manager/fund will be measured against commonly accepted performance benchmarks determined for each Investment Manager/fund based on the asset class mix of the Investment Manager's portfolio. As part of that process, the Investment Consultant may consider the ranking of investment options relative to their peers using an investment policy monitoring methodology document proprietary to the Investment Consultant. At no time will an individual Investment Manager/fund's performance be compared to overall portfolio expectations. Rather, the Committee will review Investment Manager/fund returns versus appropriate indices as well as comparable performance to similar managers by investment style.



VIII. ACKNOWLEDGEMENT AND ACCEPTANCE

The Committee should review this Investment Policy regularly to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the Investment Policy will change frequently. Short-term changes in the financial markets should not require adjustments to the Investment Policy.

The undersigned acknowledge that this Investment Policy was revised and approved by the Committee on behalf of the Organization.

Committee Signatures

1. Signed _____
Printed _____ Date _____

2. Signed _____
Printed _____ Date _____

Investment Consultant

1. Signed _____
Printed _____ Date _____