Community Foundation

OF MARQUETTE COUNTY

Investment Policy Statement

OBJECTIVES & GUIDELINES

For Endowment Funds

Approved 11/11/21

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire Community Foundation of Marquette County (CFMC) endowment funds.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Finance Committee of the Community Foundation of Marquette County in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the investment goals and objectives of Endowment Funds assets.

3. Offer guidance and limitations to all Investment Managers regarding the investment of Endowment Funds assets.

4. Establish a basis for evaluating investment results.

5. Manage Endowment Funds assets according to prudent standards as established in common trust law.

6. Establish the relevant investment horizon for which the Endowment Funds assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

These policies are designed to enhance the probability of achieving the goals and objectives of the Fund in a manner that is consistent with the laws, regulations and policies governing the prudent management of investment assets in a fiduciary setting.

The document is further intended as a reference tool as well as an operating code and communications link between the Board, the Finance Committee, the staff, its Investment Consultant and its Investment Managers. Furthermore, as the Fund is subject to the Michigan Uniform Prudent Management of Institutional Funds Act, (Michigan Senate Bill 411) this IPS intends to comply with all applicable Michigan regulations and laws.

DELEGATION OF AUTHORITY

The Finance Committee of the Community Foundation of Marquette County is responsible for directing and monitoring the investment management of Endowment Funds assets as approved by the Community Foundation of Marquette County. As such, the Finance Committee may recommend to the Community Foundation of Marquette County Board of Trustees, the delegation of certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Management Consultant:** The consultant may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. **Investment Manager:** The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Endowment Fund's investment objectives.

3. **Custodian:** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Endowment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Endowment Funds accounts.

4. **Additional specialists** such as attorneys, auditors, actuaries, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Endowment Funds assets prudently.

The Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Endowment Funds as deemed appropriate and necessary.

INVESTMENT PHILOSOPHY AND PRINCIPLES

The following statements represent the investment principles and philosophy governing the investment of the CFMC assets designated by the Board and delegated to the Finance Committee (“FC”) for the Fund. These statements describe the core values and beliefs that form the basis for the investment of the Fund.

These commonly held fundamental investment beliefs are:

1. That the single most important decision that the Board/FC makes is the [long-term] asset allocation decision, particularly between Equities and Fixed Income. As a result, nearly all of the absolute levels of investment returns are attributable to the Board/FC's decisions regarding asset allocation, not manager implementation.

2. That the capital markets are mean-reverting by nature. The FC will therefore use a [long- term] strategic asset class allocation and rebalance to those allocations within suitable and established ranges.

3. That the achievement of long-term investment goals is derived directly from sound investment strategy decisions and efficient and consistent implementation of strategic ranges and target asset allocations established in this IPS. *Ad-hoc* asset allocation or manager allocation changes (usually in reaction to recent market *under*performance) are likely to result in poor outcomes that will impair the long-term performance of the funds. As a result, unless the underlying long-term goals and objectives change, the FC shall seek to avoid re- allocations outside the ranges established in this IPS in reaction to recent market conditions.

4. That the CFMC's [long-term] investment goals require the investment strategy be based on using a combination of asset classes (and sub-asset classes) that have a reasonable probability of achieving those goals. Asset allocation studies shall be conducted on a regular basis.

5. That market timing is ineffective as a market strategy for an entire portfolio. Opportunistic/Tactical strategies may be used at times, but the overall intent of the FC is to remain fully invested in all long-term allocation ranges.

6. That some asset classes are inefficient and active managers can clearly add value. Other asset classes, most notably domestic large-cap core equities, are more efficient. The FC may choose to allocate assets between active and indexed managers in various market sectors, based on its ability to identify active managers that can add value net of fees and expenses.

7. That it is necessary to use appropriate time frames and appropriate benchmarks to fairly evaluate active manager performance. Active managers are, by definition, different from managers who seek to replicate an index. Differences in active managers' styles (growth, value, and core), investment philosophies (quantitative, fundamental), and market capitalizations will have multi-year cycles. In addition, active managers may be hired specifically to employ risk characteristics that differ from popular indices as a means of further diversification. As a result, even the best performing active managers will have periods of both under-and out-performance relative to the appropriate indices. In establishing individual manager investment objectives and in evaluating manager performance:

    a. The FC will use long time frames (generally rolling 5-year periods);

b. The FC will set appropriate investment objectives using relevant style and capitalization benchmarks;

c. The FC will evaluate managers not only on absolute and relative returns, but on risk- adjusted returns as well.

8. That investment implementation should be cost and resource effective. New and current assets classes, managers, and strategies will be evaluated from a cost versus incremental benefit to the Fund in terms of overall risk and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Endowment Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

OPERATING GUIDELINES

GOAL OF FOUNDATION

The Board of Trustees feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that this Foundation is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective of this foundation is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Foundation's investment horizon. The Foundation's specific investment objectives will be established later in this document.

Investment Objectives

The Fund is expected to be perpetual and emphasize total return; that is, the aggregate return from capital appreciation and dividend plus interest income. Therefore, it has a long-term investment horizon. The primary investment objectives of the Fund are to:

1. Long-Term Growth of Capital - To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

2. Maintain the real purchasing power of the Fund after inflation (CPI), costs, and spending over rolling 5-year periods.

3. Provide a stable source of liquidity and financial support for the mission of CFMC.

4. Permit the Fund to experience an overall risk level consistent with the risk generally associated with this IPS's asset allocation.

Asset Allocation, Spending, Return Objectives, Control Procedures

Asset Allocation

The Fund's target asset allocation, as set forth in **Appendix "A"**, provides the target and ranges for each asset class or investment strategy, followed by applicable guidelines and restrictions. Taken together, these constitute a framework to assist the FC of CFMC, its Investment Consultant and its investment managers in achieving the investment objectives at a risk level consistent with the parameters in this IPS.

SPENDING POLICY

Spending - Moving Average Determination

1. The spending policy shall be determined annually using the moving- average method. Using a moving-average method of determining year-to-year spending will allow the Board of Trustees to smooth distributions from the aggregate portfolio. The "portfolio value" shall be based on the average of the past twenty (20) quarter-end market values of the total portfolio multiplied by the spending rate. The spending rate has been established at 4.5 percent (4.5%). The formula shall be applied to the twenty quarters ending each September 30th. This method serves two purposes:

a. It provides for more consistent and predictable spending for the programs supported by the endowment.

b. It allows the Board of Trustees to design an investment strategy which is more aggressive with a higher expected return than might be the case if spending were determined by annual investment performance. With the annual determination method, there is a tendency to pay out the "excess" earnings during periods of over performance, while maintaining a certain absolute dollar floor of spending during periods of underperformance. Over the long term, this may result in erosion of principal. Therefore, by smoothing the spending, the endowment reduces the likelihood of principal erosion due to portfolio volatility.

Pledges receivable shall be deducted from the "portfolio value" of each fund before determining the spending allocations. The "portfolio value" is defined as the funds opening contributions and all subsequent contributions and earnings (net of fees) to that fund. This will avoid overstating the dollars available for spending due to factoring in funds we had not yet received.

Spending Policy Explanation

Procedures for bringing forward the previous fiscal year's overspent or underspent "available to grant" dollars. The spent or unspent grant dollars shall be carried forward and any monies left unspent (or overspent) from the previous fiscal years spending calculation shall be rolled forward to the next year's spending calculation. Bringing the balance forward will either increase or decrease the $ amount available to grant in the current fiscal year. The benefits of this action include:

(a) <u>Control Over Spending</u>

If the overspent dollar amount is carried forward to the next fiscal year, the negative amount shall encourage the granting authorities to make a more concerted effort to stay within the limits of the spending policy for the next fiscal year. This should provide a warning if an endowment fund is being depleted at a greater rate than it was earning income.

(b) <u>Ensuring Spendable Contributions Remain Spendable</u>

Spendable contributions to an endowment fund are a gift that by donor request can be granted out in its entirety rather than being added back to the endowment. Such gifts are usually made to increase the grant dollars available for specific projects or to increase the granting power of a small fund in its early years. These spendable contributions can be spent within the fiscal year it is made. If the spendable contribution is not spent in the year it was made, then it will be available in the next fiscal year.

(c) <u>Maximizing Granting Ability</u>

The more grants that are made, the more publicity the fund and the Community Foundation will receive. With more publicity, the Fund/Community Foundation should receive more donations, thus enabling more grant making. If the fund has insufficient monies one year to make a grant or did not receive any applications, the spendable portion can be carried over to the next fiscal year.

(d) <u>Does Not Force Granting Authorities To Make Unwise Grants</u>

Ungranted monies can be carried over to the next fiscal year and added to the grant reserve to fund grants rather than be rolled into principal.

This will avoid the potential situation in which granting authorities may feel compelled to fund a dubious grant application based solely on the fact that the fiscal years grant dollars would be lost forever if not spent.

(e) Allowing Refunded/Cancelled Grants To Be Regranted.

If monies are returned late in the previous fiscal year before they can be re-granted, these funds then will be added to the grants reserve and will be available in the next fiscal year. Returned grant dollars will not be added back to the principle of the fund unless the Board of Trustees specifically decides to do so.

Return Measurement Objectives

The investment objectives of the CFMC are based upon a long-term investment horizon, allowing interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance the defined objectives will be realized, the Board believes the likelihood is enhanced by this IPS.

All return objectives described are understood to be **net (after)** investment management expenses.

1. To maintain purchasing power and grow assets, the real return of the Fund will be measured by CPI + Annual Expected Spending Policy + Growth.

    - Inflation as measured by the Consumer Price Index (CPI)
    - Annual spending rate 4.50%
    - Growth of **[**1/4 percent**]** 0.25%

    For the Fund, this will equate to **CPI + [4.50% + 0.25%].**

2. The Fund should attempt to return, over the Time Horizon, an annualized nominal rate of return greater than or equal to **[6.75%]** based on current results from an Asset Allocation Study.

3. The Fund should attempt to return, over rolling 12-month periods, a nominal return greater than or equal to a composite index created by combining various indices in the same proportion as the Fund's target allocation (described in the Asset Allocation section of **Appendix "A"**).

4. The Fund returns will also be reviewed on a risk-adjusted basis as determined by the FC to ensure returns are being achieved in a prudent manner consistent with the required asset allocation.

5. The Investment Manager(s) should attempt to return, over rolling 12-month periods, a nominal risk-adjusted rate of return greater than or equal to the appropriate market index for that manager.

Rebalancing

It is a prudent and desirable investment discipline to rebalance the Fund periodically to minimize deviations from the Policy Asset Allocation mix.

The FC and/or Board may elect to rebalance the Fund at any time. When allocations **exceed 5%** beyond their target allocation, rebalancing may occur. However, the Fund shall be rebalanced in the event any individual asset class falls outside the stated policy ranges (minimum or maximum). The Investment Consultant or Investment Manager will assist the Board and Foundation staff as needed in implementing any such rebalancing. Rebalancing may also be achieved through contributions or distributions in the Fund.

Control Procedures

Investment Manager/Strategy Performance Review and Evaluation

The investment performance of each Investment Manager will be measured against commonly used and appropriate market indices for that manager or strategy.

Consideration shall be given to the extent to which each Manager's time-weighted and risk adjusted investment results are consistent with the investment objectives, goals and guidelines as set forth in this IPS. A manager may be placed on "Watch" and a further review and analysis of the quantitative and qualitative factors affecting the manager may be conducted when:

Qualitative

1. There is a change in the professionals managing the portfolio, or firm ownership.
2. There is an indication of a significant deviation of stated style or strategy.
3. Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

Quantitative

1. A manager performs below appropriate index and/or median for their peer group over a 3-, 5-, and/or 7-year cumulative period.
2. Investment performance on a risk-adjusted basis that is significantly different from the appropriate index and/or a group of peers.
3. There is a failure to adhere to any aspect of this IPS, including communication and reporting.
4. There is an increase in the product's fees and expenses.

A product being "Watchlisted" does not necessarily mean replacement, but that a more thorough evaluation and analysis shall be conducted, possibly including but not limited to:

- Communication with the manager asking for an analysis of their underperformance.
- A review of recent transactions, holdings and portfolio characteristics to determine the cause for underperformance or to check for change in style.
- A face-to-face meeting with the manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline.

The FC intends to evaluate the Investment Managers quarterly, but reserves the right to terminate a manager for any reason including, but not necessarily limited to, the failure to adhere to any aspect of this IPS.

The decision to retain or terminate a manager cannot be made by a formula. It is the Finance Committee and/or Board's confidence in the manager's ability to perform in the future that determines ultimately whether to retain or terminate any manager or strategy.

INVESTMENT RELATED FEES AND EXPENSES

The FC shall periodically review all costs associated with the management of the Fund, which may include, but need not be limited to the following:

- Investment Manager fees and/or expenses;
- Investment Consultant fees and/or expenses;
- Custody fees and related charges;
- Trade execution and settlement charges.

ACKNOWLEDGEMENT AND ACCEPTANCE

The undersigned acknowledges that this Investment Policy was adopted or revised and approved by the Finance Committee on behalf of the Fund Board of Trustees.

1. Signed/Date: ______________________________

   Printed Name: ____________________ / __________

2. Signed/Date: ______________________________

   Printed Name: ____________________ / __________

3. Signed/Date: ______________________________

   Printed Name: ____________________ / __________

I. APPENDIX A

ASSET

ALLOCATION

The following allocation of asset classes is intended to produce a rate of return sufficient to meet the goals and objectives of the Fund.
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Asset Class	Target	Strategic Allocation Range	Index Benchmark
US Large	32.5%	15.0% - 45%	Russell 1000
US Small-Mid	15.0%	5.0% - 20.0%	Russell 2500
Developed International: Ex. US	17.5%	10.0% - 25.0%	MSCI: ACWI ex US
International: Emerging Markets	5.0%	0.0% - 10.0%	MSCI: EM
Total Long Equity	**70.0%**	**60.0% - 80.0%**	
Opportunistic/Tactical	0.0%	0.0% - 10.0%	Custom Weighted Index
REITs	5.0%	0.0% - 10.0%	NAREIT Index
Total Alternatives	**5.0%**	**0.0% - 15.0%**	
Short-Term Bonds	5.0%	0.0% - 15.0%	BBgBC 1-3 Gov/Credit
Intermediate Bonds	15.0%	10.0% - 35.0%	BBgBC Aggregate
Multi-Sector: Global/High Yield Bonds	5.0%	0.0% - 15.0%	BBgBC Universal
Cash	0.0%	0.0% - 10.0%	ML 3 Month T Bill
Total Fixed Income	**25.0%**	**15.0% - 40.0%**	
TOTAL	**100.0%**		

II. APPENDIX B

GUIDELINES, CONSTRAINTS, SELECTION OF INVESTMENT STRATEGIES

Guidelines for Equity Investments

Equity holdings may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. American Depository Receipts traded on the OTC are also permitted equity investments for the portfolio.

In order to achieve a prudent level of portfolio diversification, any individual security managed by any one investment manager should not exceed 5% (at cost) of the total assets contained in their respective portfolio.

The Investment Managers are prohibited from investing in commodities, private placements, letter stock, limited partnerships, venture capital investments and options and from engaging in short sales, margin transactions or other specialized investment activities. However, where an investment manager is specifically retained to employ an alternative investment strategy, deviation from this guideline will be permitted.

The domestic asset allocation for the Investment Assets should be balanced overall as to style (value vs. growth) and as to capitalization (large, mid and small cap).

The FC may select Investment Managers that specialize in a particular style or capitalization, but the Fund should be reflective of a balanced and broad-based asset allocation.

Guidelines for Fixed Income Investments and Cash Equivalents

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and other factors. The Investment Manager may select from appropriately liquid preferred stocks, corporate debt securities, taxable municipals, asset-backed securities, agency mortgage pass-throughs, commercial mortgage-backed securities and obligations of the U.S. Government and its agencies. These investments will be subject to the following limitations:

- Investments of a single issuer (with the exception of the U.S. Government and its agencies) should not exceed 5% (at cost) of the total assets contained in any one investment manager's portfolio.

- Only corporate debt issues having a Standard & Poor's rating or a Moody's rating of "A" or higher may be purchased or held. Rule 144 securities are permitted. However, where an investment manager is specifically retained to employ an alternative investment strategy, deviation from this guideline will be permitted.

- The Investment Manager is prohibited from investing in private placements and from speculating in fixed income or interest rate futures, swaps and derivatives. Prohibited investment also include Interest-Only (IO), Principal-Only (PO), and Residual Tranche

  CMOs. However, where an investment manager is specifically retained to employ an alternative investment strategy, deviation from this guideline will be permitted.

Selection of Investment Managers

Investment Managers must be registered under the Investment Advisers Act of 1940 or the Investment Company Act of 1940. The FC requires that each Investment Manager provide, in writing, acknowledgement of fiduciary responsibility for the assets under their management.

The FC, with input and oversight from the Investment Consultant, is responsible for the selection of the Investment Managers. The criteria for selecting Investment Managers include, but are not necessarily limited to:

- Historical performance of the Investment Manager's composite
- Risk of the Investment Manager's composite as measured by standard risk metrics (Sharpe Ratio, beta, standard deviation, etc.)
- Consistency of the Investment Manager's investment style
- Overlap of investment style and/or fund holdings with other Investment Managers
- Total firm assets under management and assets specific to the strategy of interest
- Portfolio manager's tenure with the specific strategy of interest
- Quality of the Investment Firm and its personnel

Utilization of Mutual Funds and ETFs

If mutual funds are utilized, the restrictions outlined in the Guidelines for Equity and Fixed Income sections may apply. Instead, the existing policy outlined in the prospectus of the fund would take precedence. However, the Investment Manager and/or Investment Consultant will carefully scrutinize the prospectuses of potential mutual fund candidates so as to find funds with similar policies and restrictions to those of the CFMC and characteristics consistent with the FC's selection criteria.

Utilization of Alternative Investments

The FC and Board recognize the academic research supporting the use of Alternative Investments as a mechanism to potentially reduce the volatility and/or enhance the expected return of an investment portfolio. However, the use of Alternative Investments can introduce unique types of risks due to their inherent structure and characteristics which include, but are not limited to: leverage, illiquidity, short sales, derivatives, and lack of transparency and regulation. [*It is the intent of the FC/Board to limit the use of Alternatives to highly liquid investment strategies.]*

Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Board of Trustees feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board of Trustees will take a conservative posture on derivative securities in order to maintain its risk adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. **Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) may not invest Endowment Assets in derivative investments unless held in a mutual fund or ETF portfolio.**

III. APPENDIX C

ROLES AND RESPONSIBILITIES

Responsibilities of the Finance Committee (FC)

- To develop investment objectives consistent with the financial needs of the CFMC, to develop the policy asset allocation to meet those objectives and to recommend to the Board, selection, retention, and termination of all investment managers, custodians, consultants;
- To consider, revise and accept, or reject recommendations made by investment consultants;
- To meet regularly to review and evaluate investment results in the context of performance standards, and implement corrective action as needed with Board approval, using reports and recommendations provided by outside objective professionals, including investment consultants;
- To recommend Spending Rate guidelines;
- To control and account for all investment related expenses associated with the Fund;
- To avoid conflicts of interest;

Responsibilities of CFMC Staff

- To receive and review, or compile as requested, and distribute to
- To provide FC all reports from the Investment Consultant, Investment Managers and/or outside professionals regarding the investment accounts
- To ensure that sufficient liquidity exists in the investment accounts to handle both anticipated and, to the extent possible, unanticipated cash needs of the CFMC.
- To review and determine the acceptability of all assets gifted, or otherwise transferred by Will, Trust, Deed, or beneficiary designation to the CFMC, understanding that, until a review is conducted, a determination made, and a proper disposition effected, such assets shall be considered permissible exceptions to this IPS.

Responsibilities of the Investment Consultant

The Investment Consultant ("Consultant") is expected to be proactive in recommending changes in the investment strategy, asset allocation, and investment managers, as situations warrant. The Consultant shall also have the following responsibilities, but is not limited to:

- Serving as a consultant to the FC. As such, the Investment Consultant will make recommendations to the FC and will not have discretion to make investment or allocation decisions without approval from the FC;

- Assisting in the development, implementation, and monitoring of the IPS and asset allocation guidelines;

- Conducting Investment Manager research, analysis and searches upon request by the FC and/or the Board;

- Objectively measuring, monitoring and evaluating the performance and asset allocation and reporting the findings to the FC and/or Board on a timely basis.

Responsibilities of the Investment Manager(s)

Investment Managers are expected to pursue their own investment strategies within the guidelines created for the manager. Coordination of the guidelines for the individual managers is designed to assure that the combined efforts of the managers will be consistent with this IPS. Each Investment Manager shall:

- Manage the Investment Assets under its supervision in accordance with the goals, objectives and guidelines expressed in this IPS, or, where appropriate, the prospectus, offering memorandum, investment agreement, contract and/or other related documents; Communicate with the Investment Consultant regarding all significant matters including, but not limited to: changes in its ownership, organizational structure, professional staffing, investment philosophy or investment process and other changes of a substantive nature;

- Comply with all legislation and regulations as they pertain to the manager's duties, functions and responsibilities as a fiduciary in managing the investment assets;

- Provide monthly statements setting forth all account activity and the financial position of the account.

- Provide expanded analyses to the Investment Consultant and/or FC.

- If no Investment Consultant is in place, objectively measure, monitor and evaluate the performance and asset allocation and report the findings to the FC and/or Board on timely basis.

Responsibilities of the Custodian

Custodians are responsible for the safekeeping of the CFMC's assets. Duties include, but are not limited to:

a) Maintaining separate accounts by legal registration;

b) Valuing the holdings;

c) Collecting all income and dividends;

d) Settling all transactions initiated by the Investment Manager(s);

e) Providing monthly reports detailing transactions, cash flows, securities held and their current value inclusive of accruals, and change in value of each security and the overall account since the previous report

f) Timely procession of all instructions from the CFMC staff.

IV. APPENDIX D

GENERAL INVESTMENT PRINCIPLES

- *Investment Return* - In order to meet its needs, the investment strategy of the Community Foundation of Marquette County is to emphasize total return (the aggregate return from capital appreciation plus dividend and interest income). Each segregated investment fund should be managed to optimize the long-term inflation-adjusted investment returns given that fund's investment constraints.

- *Preservation and Appreciation of Capital* - Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve and appreciate capital, understanding that losses may occur in individual securities.

- *Definition of Risk* - The Board of Trustees realizes that there are many ways to define risk The Board understands risk to be the probability of not meeting the investment objectives. It also understands that the objectives may need to change if the prudent risk required to achieve them cannot be tolerated. The Board believes that any person or organization involved in the process of managing the invested assets understands prudent risk so that the assets are managed in a manner consistent with the investment objectives and investment strategy as defined in this Investment Policy Statement.

- *Risk Aversion* - Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the goals and objectives for the Investment Assets. However, the Investment Consultant and Investment Managers are to make reasonable efforts to control risk. The investment assets will be evaluated regularly to ensure that the risk-adjusted returns are commensurate with the given investment style and objective.

- *Volatility of Returns* - The Board of Trustees understands that in order to achieve its objectives for the Investment Assets, the various investment accounts will experience volatility of returns and fluctuations of market value.

- *Diversification* - The Board of Trustees recognizes that the broad diversification of the Investment Assets among various asset classes will help mitigate the magnitude of a loss in any single year.

- *Market Timing and Shifts* - The Board of Trustees wishes to allow its Investment Managers the opportunity to practice their skill without undo interference. However, it is hereby made clear that this policy statement was the product of the study of proven performance patterns in the capital markets. The Board recognizes that there is considerable evidence that the passage of time causes the greatest rewards to accrue in favor of consistent investing approaches. Furthermore, the overall risk exposure could become uncontrollable without reasonable, careful adherence to the asset allocation guidelines in this policy. It is not, therefore, the general intention of this policy to allow short-term judgments to introduce significant unplanned risk. The Board recognizes that adherence to this policy will occasionally appear to be either too risky or too conservative for current market conditions.

- *Adherence to Investment Discipline* - Investment Managers are expected to adhere to the investment management styles for which they were retained. Investment Managers will be evaluated regularly for adherence to investment discipline.

- *Benchmark Indices and Performance Objectives* - The Board of Trustees recognizes that investment managers must use the broad capital markets as their basic tools for investment and that a substantial portion of investment returns will not be attributable to management skills, but rather to the markets themselves. However, the Board expects that its investment managers will add risk adjusted value to the broad market returns over rolling 5-year periods, net of fees.

- *Full Market Cycle* - The Board of Trustees recognizes that the definition of a "full market cycle" varies among investors. The Board of Trustees defines a full market cycle to be a period of time during which the long-term historic rates of return are realized. They reserve the right to use other metrics when necessary, such as "Peak to Trough to Peak", or "rolling 5-year periods".

Alternative Investments are securities which fall outside the scope of traditional investments (stocks, bonds and cash) or strategies investing in securities using alternative means (derivatives, leverage, short selling, tactical overlays), or some combination thereof. Such alternative investments and strategies include but are not limited to: real estate, commodities, natural resources, fixed income derivatives, foreign debt, emerging market debt, long/short strategies, market neutral strategies and global macro strategies.

REVISIONS

CFMC Investment Policy was adopted December 10, 1999

IPS Amendments since inception of this IPS (Date Original Policy Adopted)

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