



COMMUNITY FOUNDATION

of South Georgia

INVESTMENT POLICY STATEMENT
Equity Income Investment Pool

Amended and Approved by Board on 05/25/17

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Multiplying the Gift, Maximizing the Impact

COMMUNITY FOUNDATION OF SOUTH GEORGIA, INC.

INVESTMENT POLICY STATEMENT Equity Investment Pool

Introduction

The Community Foundation of South Georgia, Inc., (hereinafter “the Foundation”) is a publicly supported Georgia charitable corporation organized to serve the charitable needs and donors of south Georgia and the surrounding area. The purpose of this investment policy statement is to state the Foundation’s investment philosophy, to establish the long-term investment objectives of the Foundation, as well as the parameter for evaluation on both a short term and long-term basis.

Investment Philosophy

Because the Foundation expects to operate in perpetuity, wise stewardship of the funds entrusted to it is essential to the Foundation’s mission, which is to be consistently responsive to the current and the changing needs of local communities. The Foundation was formed to serve local communities and the Foundation recognizes that individual donors and charitable organizations using the Foundation have different investment goals and objectives. To this end, the Foundation wishes to be flexible and provide the individual donors and charitable organizations it serves investment options, which will meet their goals and objectives.

To that end the Foundation provides the following investment pools:

Equity Investment Pool
Fixed Income Investment Pool

The Equity Investment Pool is described in greater detail herein. The Fixed Income Investment Pool is detailed in a separate IPS. Each Charitable Fund established may allocate donations to one or to both Investment Pools.

It is the intent of this investment policy statement to be sufficiently specific and meaningful yet flexible enough to be practical. This investment policy statement is designed to be a guideline for the Board of Directors and the Investment Committee, and should in no way be construed as a contract.

I. General Objectives

The primary objective shall be to prudently invest the Foundation's assets to achieve preservation of capital with a reasonable rate of return within suitable levels of risk and volatility. Outside Investment Managers and consultants shall be retained to assure that investments are managed in a prudent and professional manner. The assets of the Foundation shall be managed in the interests of participants. The total rate of return is defined as interest and dividend income, plus realized and unrealized capital gains and losses, net of investment expenses and fees. Generally active and passive managers will be considered to provide exposure to a range of management styles while using prudent diversification.

II. General Guidelines and Investment Policy

A. Time Horizon and Spending Requirements

The investment guidelines are generally based upon an investment horizon of greater than ten years. Cyclical fluctuations may occur due to estimated and anticipated spending (net of anticipated contributions). Therefore, there may be fluctuations due to planned spending and in some cases unplanned spending.

B. Risk Tolerances

The Foundation realizes that there are uncertainties and complexities of contemporary investment markets. The Foundation has recognized and acknowledged that some risk and volatility must be assumed in the interim in order to achieve the long-term investment objectives.

In establishing the risk tolerances of the Investment Policy Statement, the ability to withstand short and intermediate term volatility was considered. The Foundation's prospects for the future, current financial condition and several other factors suggest collectively that interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

III. Specific Donor Allocations

The Foundation recognizes that donors may have special circumstances requiring different asset allocations other than what could be achieved through the Equity Investment Pool and the Fixed Income Investment Pool; consequently, the Board will consider other investment options outside of the two investment pools where the circumstances are material to the donor. In these instances, the donor may submit a suggested alternative investment plan and investment advisor. Such recommendations from the donor, along with a separate Investment Policy Statement prepared with the assistance of the suggested investment advisor shall be subject to approval by the Investment Committee of the Foundation.

In keeping with the regulatory requirements for donor advised funds, these separately identified contributions of such donor will continue to be owned and controlled by the Foundation, with the donor having only advisory privileges as to the distribution or investment of amounts held in the separate fund or account. In general though, the Board strongly encourages donors to use either the Equity Investment Pool or the Fixed Income Investment Pool or a combination of both pools.

IV. Performance Expectations

A. Equity Allocation

1. The desired long-term investment return objective of the equity portfolio shall be to exceed inflation as measured by CPI by 6%. It is recognized that market performance varies and that 6% real rate may not be meaningful during some periods.
2. Active managers and passive managers should be evaluated over the short term against relative performance benchmarks taking into account the predetermined manager's style and size criteria and established peer group universe as determined by the outside consultant.

V. Asset Allocation – Equity Investment Pool

- A. The Plan will be diversified both by asset class and within asset classes. Within the equity asset class, managers with different investment styles will be employed. Diversification by investment style is also an important step in reducing the risk of the Plan's portfolio. The Board will focus long term performance and an acceptable level of short-term volatility may be experienced. The Board will closely monitor the short term volatility of the portfolio to make certain the volatility is within an acceptable range. Investment styles within the equity asset class are generally defined as follows:

- Large Cap with Value, Growth, and Blend
- Mid Cap with Value, Growth, and Blend
- Small Cap with Value, Growth, and Blend
- International with Value, Growth and Blend
- Emerging Markets
- REIT
- Alternative

The allocation guidelines within the equity class to which all equity pool advisors are required to adhere is as follows:

<u>Style</u>	<u>% Target</u>	<u>Allowable Range</u>
Large Cap	60%	45-75%
Mid Cap	15%	0%-30%
Small Cap	15%	0%-25%
International	10%	0%-20%
Total	<u>100%</u>	

Since the equity pool must maintain a degree of liquidity to fund grants, the guideline for the total equity pool shall be as follows:

<u>Style</u>	<u>% Target</u>	<u>Allowable Range</u>
Cash	5%	0-5%
Large Cap	58%	45-75%
Mid Cap	14%	0%-30%
Small Cap	14%	0%-25%
International	9%	0%-20%
Total	<u>100%</u>	

C. Asset Allocation Review and Rebalancing Procedure

1. The target asset allocation along with the normal allowable ranges for the equity portfolio and the allocation within the equity class will be reviewed at least annually by the Board.
2. The Board shall review the actual asset allocations of the portfolio each quarter. If at the end of any quarter an asset allocation is not within the allowable range, the Board will decide whether to re-balance the assets to the target allocation or permit the variance to continue pending review of the next quarter.

D. Equity Investment Guidelines

Equity investment managers are engaged to provide growth of income and appreciation of principal. Equity managers are hired according to the need for a specific philosophy or style with the Plan’s equity portfolio. It is anticipated that a combination of active managers and passive index managers will be used to implement the allocation strategy from time to time.

1. The equity manager’s relative performance objectives are to outperform the appropriate index and rolling three-year median return in a peer group database.

2. The short-term objective of the total equity portfolio is to outperform the weighted style indexes as well as the rolling three-year median return in the Total Equity Database used by the outside consultant. The Board realizes that a well diversified portfolio will limit the overall volatility of the investments. As stated earlier, the long-term objective of the equity portfolio is to provide a real return in excess of inflation of 6%.

3. Performance is monitored by the Investment Consultant on at least a quarterly basis and results are reported to the Board.

4. Unless otherwise stated in this document, decisions as to individual domestic security selection, security size and quality, number of industries and holdings, current income levels, turnover, and other tools employed by active or passive managers are left to the manager's discretion, subject to the usual standards of fiduciary prudence. Permitted security types include:

- Mutual Funds
- Individual Equities
- Closed End Funds
- Unit Investment Trusts
- ETFs

Security types which are prohibited include:

- Short Sales
- Precious Metals
- Private Placements (unless prior approval is authorized by the Board)
- Leveraged transactions
- Commodities
- Puts, calls, straddles, or other options strategies
- Hedge Funds (unless prior approval is authorized by the Board)

5. Each equity manager may hold cash and equivalents or fixed income securities for limited periods but with the understanding that performance will be measured against the peer groups identified in item (2) above.

6. Equity transactions should be entered into by the equity managers on the basis of best execution, which is interpreted normally to mean best-realized price, and negotiated commission rates. The Board may direct selected managers to trade with selected brokerage firms only on the basis of best execution and fully negotiated commission rates.

VI. Performance Measurement, Monitoring, and Evaluation

In addition to reporting time-weighted total returns for each manager and each investment pool, a

comparison is made with relevant market indices as well as the composite returns for other money managers with similar philosophies to those managers investing for the Plan. Among the comparative measurements, the Investment Consultant shall develop a custom and properly weighted index based on open end mutual fund performances. The Investment Consultant provides this external data as necessary. As much as is practical, reports include historical data in order to evaluate short-term results against longer-term strategies.

VII. Guidelines for Corrective Action

Corrective action should be taken naturally as a result of the on-going review process for Investment Managers. While there may be unusual occurrences at any time, the following are instances where corrective action or termination may be in order:

- A. Organizational and/or personnel changes in a firm may require a new contract and interview process. Failure on the part of the Investment Manager to notify the Board of such changes is grounds for termination. At all times communication with the managers should be easy and informative.
- B. Violation of terms of the contract without prior approval of the Board constitutes grounds for termination.
- C. Diversification Strategy -- As part of its overall asset allocation strategy, the Board will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Board at the time they are engaged. Should either the consultant or the Board ascertain that significant changes in investment approach have occurred, this may be ground for termination.
- D. The Board expects to review Managers based on long-term (i.e., three or more years) performance. If the organization is sound and the firm is adhering to its style and approach, the Board will allow a sufficient interval of time over which to evaluate the performance. In this area the consultant is valuable and will provide some insight regarding the appropriate length of time. The manager's performance will be viewed in light of the firm's particular style and approach, keeping in mind at all times the Fund's diversification strategy as well as the overall quality of the relationship. Should a manager's short-term performance fall short of the Board's expectations, however, the Board may exercise its authority and terminate the relationship with the manager unless there are valid reasons to continue the relationship.
- E. Managers may be replaced at any time as part of an overall restructuring of the Fund.

VIII. Investment Manager Responsibilities

- A. Each active Investment Manager shall provide the Board with written reports quarterly or as reasonably requested.
- B. Each Investment Manager shall monitor portfolio activity to minimize uninvested cash balances with its stated philosophy and subject to evaluation as outlined herein.
- C. Each Investment Manager shall be responsible only for those assets under its management.
- D. Each Investment Manager shall employ controls, which will assure that diversification, marketability, and other guidelines provided in this Statement of Investment Policy shall be followed or in the case of index and SEC registered mutual funds, shall adhere to published prospectus.

IX. Special Restrictions

- A. Each equity Investment Manager shall monitor portfolio activity to assure that no purchases shall be made which would cause a holding to exceed 5% of the issue outstanding. However, this policy can be waived in the event of using an index fund or SEC registered mutual fund.
- B. Not more than 5% of an Investment Manager's portfolio valued at market shall be invested in commercial paper of a single issuer. No short-term money market instrument shall be purchased which has a rating less than A-1 (Standard & Poor's) or P-1 Moody's. However, this policy can be waived in the event of using an index fund or SEC registered mutual fund.

X. Review of Policy

This Statement of Investment Policy shall be reviewed regularly by the Board and revised or confirmed as appropriate. Each Investment Manager shall acknowledge in writing the receipt of this Statement of Investment Policy and acceptance of its terms. If any Investment Managers believe at any time that any changes, additions, or deletions to this Statement are advisable, it will be the responsibility of the Investment Manager to recommend such changes to the Board. This policy can be waived in the event of using an index fund or SEC registered mutual fund.