



COMMUNITY FOUNDATION

of South Georgia

INVESTMENT POLICY STATEMENT
Fixed Income Investment Pool

Amended and Approved by Board on 05/25/17

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Multiplying the Gift, Maximizing the Impact

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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 Fixed Income Pool is described in greater detail herein. The Equity 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 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 its participants. The total rate of return is defined as interest and dividend income, plus realized and unrealized capital gains and losses.

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. Fixed Income

1. The investment return objective for the fixed income portion of the Fund and for the individual investment managers shall be a blended index composed of sixty percent of the Barclays 1-3 YR Treasury Bond Index and forty percent of the Barclays Aggregate Bond Index plus 50 basis points.
2. The quality of the fixed income investment should be reviewed quarterly but diversified in accordance with policy contained hereafter.

V. Asset Allocation – Fixed Income Investment Pool

- A. The Plan may be diversified among various fixed income instruments. It is the objective of the fixed income pool to reduce short and long term volatility when compared to the equity income pool. While the Board realizes that diversification is important it also recognizes that investors in the fixed income pool want a stable and dependable asset. The Board will closely monitor the portfolio to make certain that the fixed income investment(s) are acceptable give the objectives of the fixed income pool. Acceptable fixed income assets classes are defined as follows:

Government Issued Securities
Mortgage Backed Securities
Corporate Bonds
Money Market Funds
Certificates of Deposit
Inflation Protected Securities

B. Asset Allocation Review and Rebalancing Procedure

1. 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.

C. Fixed Income Investment Guidelines

The fixed income portfolio allocation intention is to provide donors with a fixed and stable investment. The portfolio objective is to provide a predictable stream of income, take advantage of the current interest rate environment through various fixed income vehicles, and maintain the original principal.

1. The performance of the fixed income portfolio is monitored by the Investment Consultant on at least a semi-annual basis and results are reported to the Board.
2. The investment return objective, as stated previously, is to outperform a blended index composed of sixty percent of the Barclays 1-3 YR Treasury Bond Index and forty percent of the Barclays Aggregate Bond Index plus 50 basis points.
3. Quality should be above average. Fixed income securities shall have a minimum quality of “Aa” by Moody’s or “AA” Standard & Poor’s.
4. Maturities should generally be of intermediate length (5 – 15 years) but may emphasize shorter or longer Maturities depending the current interest rate environment.
5. Individual foreign bonds are not eligible for investment.
6. Preference will be given to local CD investments; however, no more than 10% of a Bank’s Equity will be deposited with one bank.
7. Permitted security types include:

- Government Issued Securities
- Mortgage Backed Securities
- Corporate Bonds
- Money Market Funds
- Certificates of Deposit
- Inflation Protected Securities

8. Security types not permitted include:
 - Short Sales
 - Margin
 - Futures Contract
9. The intent of the fixed income and cash portions is to reduce the overall volatility of the portfolio.

VI. Performance Measurement, Monitoring, and Evaluation

In addition to reporting time-weighted total returns for each investment, a comparison is made with relevant market indices as well as the composite returns for other comparable investments. The Investment Consultant provides this external data as necessary. As much as is practical, reports include historical data in order to evaluate the fixed income

pool performance.

VII. Guidelines for Corrective Action

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. 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.