



# Investment Policy Statement

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## PURPOSE

The purpose of this Investment Policy Statement (IPS) is to guide the Community Foundation of Greater Dubuque – a tax-exempt Public Foundation under IRS Code 501(c)3 - its Board of Directors, its Investment Committee, and its investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio. The investment portfolio consists of all funds managed by the Investment Committee.

## DIVISION OF RESPONSIBILITIES

### Board of Directors

The Board of Directors is ultimately accountable for the portfolio, but has determined that the portfolio is more likely to achieve return objectives if oversight and management are delegated to the Investment Committee. As a result, the Board of Directors has delegated to the Investment Committee full power and authority to make decisions related to investments of the Foundation, consistent with the investment policy approved and adopted by the Board.

### Investment Committee

The Investment Committee is a standing committee comprised of representatives from the Board, staff and, the community.

Subject to approval by the Board, the Investment Committee is charged by the Board of Directors with the responsibility for formulating the Foundation's overall investment policies. The Investment Committee is also charged with establishing investment guidelines in furtherance of those policies; overseeing the investment assets of the Foundation; monitoring the management of the Foundation's assets for compliance with the investment policies and guidelines; and for meeting performance objectives over time.

The Committee will review the implementation of this Investment Policy at least every three years, making recommendations for changes to the Board as needed, and will monitor the achievement of the IPS's objectives.

The Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Foundation's investments. The Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Foundation.

The Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances in selecting, continuing or terminating investment professionals, establishing the scope and terms of any delegation, and monitoring performance and compliance.

The Committee will provide relevant information to the investment managers concerning the Foundation's resources and any special considerations pertaining to any particular assets of the Foundation.

The Committee will meet quarterly. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed.

A majority of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which a quorum

is present shall be the act of the Committee.

## Custodians

Each custodian will:

- Provide monthly transaction reports and monthly asset reports no later than the tenth business day following month end;
- Provide the Foundation, its investment managers, and investment aggregator special reports as reasonably requested;
- Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel, procedures or organizational structure.

## STANDARD OF CARE

In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

A person with special skills or expertise, or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing Foundation funds.

## STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific Foundation fund.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific Foundation fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific Foundation fund.

Except as a donor's gift instrument otherwise requires, and consistent with Iowa SF 2316, the following factors must be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific Foundation funds:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the Foundation's overall investment portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation;
- the needs of the Foundation and a given Foundation fund to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the purpose of the Foundation.

## RETURN OBJECTIVE

### Investment Pool

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, expenses, investment fees, and inflation. The Foundation will normally measure whether it has achieved that objective over a rolling five-year period.

The long-term horizon of the Foundation's investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists.

The investment portfolio will be diversified across asset classes and managers including, but not limited to, domestic equity, international equity, cash, and fixed income.

Permanent funds will be invested in the Foundation's investment pool. This pool, with its asset allocations, is described in Appendix A to this policy.

Expendable funds generally will be invested in a portfolio of cash equivalent securities in order to preserve the fund's principal. Non-traditional assets may be held at the discretion of the board of directors Appendix B. However, the Foundation will consider recommendations from authorized fund representatives to invest expendable fund assets in one or more of the investment options available for permanent funds.

### Conservative Pool

The investment objective of the Conservative Pool is to provide preservation of principal. This Pool may experience some reduction in purchasing power over time due to inflation. This Pool is appropriate for conservative funds or other situations where the time horizon is more than three years. This Pool will most likely experience moderate fluctuations to principal. For performance evaluation purposed, the Committee will track the trailing returns compared to the "Conservative Allocation" reference point as compiled by Morningstar and more fully described in the Performance Evaluation section of this IPS.

## STANDARDS FOR RISK TOLERANCE

The Investment Committee has determined that investment managers should avoid unnecessary risk in investing the Foundation's assets. To achieve that goal, investment managers will observe the following limits:

- For fixed asset investment, maintain an overall weighted average credit rating of "A" or better by Moody's or Standard and Poor's and hold not more than 15% of the portfolio in investments rated below investment grade (unless designated as a high yield manager by the Investment Committee). Split rated securities will be governed by the lower rating. If such parameters are exceeded, the manager must provide timely notification to the Investment Committee or its designee;
- Maintain the overall portfolio to be diversified – see D Asset Allocation strategy;
- When purchasing individual securities, hold no more than 10% of market value in the securities of a single issuer and do not allow exposure to any one industry group to exceed 25% of the market value of the portfolio;
- Derivative securities can only be used for hedging risk and not for speculation. This term includes items commonly regarded as such by securities industry standards and includes, but is not limited to, structured notes (other than conservative structured notes that are principal guaranteed, unlevered, and of short-to-immediate maturity); lower class (as defined by FFIEC) tranches of collateralized mortgage obligations;

collateralized debt obligations; principal only or interest only strips; inverse floating rate securities; and margin trading.

- All securities purchased will be traded and priced regularly on a listed exchange.

## STANDARDS FOR INVESTMENT MANAGERS

The Foundation will enter into a written investment agreement with any investment manager it retains, including investment managers recommended by donors. The agreement must provide that:

- The Foundation is the sole owner of assets held in the fund;
- All such assets are and must remain under the Foundation's sole control;
- The manager's actions and performance will be overseen by the Investment Committee;
- The manager will adhere to the Foundation's asset allocations, risk tolerance, and rebalancing requirements;
- The manager will rebalance as necessary to fall within the described target ranges for the investment pools or funds under management. The manager will review the need for rebalancing at least quarterly.
- The manager agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services;
- The agreement may be terminated at any time and assets will be transferred to the Foundation immediately upon termination at no charge to the Foundation.

Funds will be invested in accordance with state law regarding prudent investing.

The manager will provide quarterly statements to the Investment Committee or its designee, which shall include the current market value of the assets; the cost basis and date of acquisition; income received; distributions made; fees paid; securities transactions; and periodic statements of performance. The statement shall also include gains and losses, both realized and unrealized. The Investment Committee or its designee may request additional information from time to time as it deems necessary to measure performance.

The manager must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation's administrative fee for any fund under separate management and distributable income.

The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.

Investment managers will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity or financial position of the manager's firm or its progress toward the goals and objectives of this policy.

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

## PERFORMANCE EVALUATION

### Benchmarks and Reference Points

Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the Managers used to implement the allocation. To measure the success of each allocation strategy, the Committee will use both a domestic and global stock/bond mix, as well as an Equity Biased Reference Point for the Investment Pool and Conservative Reference Point for the Conservative Pool. These benchmarks are described below.

### Domestic and Global Stock/Bond Mixes:

The domestic and global stock/bond mixes are comprised of the same ratio of equity to fixed income as that of each Pool's long term targets). These mix are derived from the indices described below. Monthly rebalancing is assumed. The performance of the equity/fixed income mixes is presented net of the average annual ETF and index fund expense ratio, prorated monthly.

### Investment Pool

#### 77/23 Domestic Stock Domestic Taxable Bond Mix

- 77% Wilshire 5000 Total Market Index
- 23% Barclays Capital Aggregate Bond Index

#### 77/23 Global Stock Global Taxable Bond Mix

- 77% S&P Global Broad Market Index
- 23% Barclays Capital Global Bond Aggregate Index

### Conservative Pool

#### 37/63 Domestic Stock Domestic Taxable Bond Mix

- 37% Wilshire 5000 Total Market Index
- 63% Barclays Capital Aggregate Bond Index

#### 37/63 Global Stock Global Taxable Bond Mix

- 37% S&P Global Broad Market Index
- 63% Barclays Capital Global Bond Aggregate Index

The Wilshire 5000 Total Market Index represents all U.S. equity securities that have readily available prices.

The Barclays Capital Aggregate Bond Index represents the performance of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The S&P Global Broad Market Index (BMI) is a top-down, float capitalization-weighted index which measures the performance of the entire universe of institutionally investable equity securities.

The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income market, including government, credit and collateralized securities.

Each Pool, which contains both domestic and global investments that are not intended to match the domestic and global weightings of these stock/bond mixes, may achieve returns that are

greater or less than these mixes, depending upon the relative performance of the domestic and global investments performance of small versus large cap stocks among other factors.

#### Equity Biased Reference Point:

This reference point, produced by Morningstar, includes all funds contained within the Morningstar Allocation – 70%-85% Equity. Allocation – 70%-85% equity portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios typically have 70% to 85% of assets in equities and the remainder in fixed income and cash.

#### Conservative Reference Point:

This reference point, produced by Morningstar, invests in both stocks and bonds and maintains a relatively smaller position in stocks. These funds typically have 20%-50% of assets in equities and 50%-80% of assets in fixed income and cash. The Committee agrees that these are reference points. The performance of each Pool may be greater or less, depending upon how aggressive the asset allocation strategy is relative to that of the Managers included in the reference point.

#### Benchmarks for Managers

To measure the success of the Managers used to implement the allocation, each Manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus. Fund families whose performance has, in aggregate, tended to be superior when compared to relative performance of other fund families will be deemed acceptable and thus generally used.

#### Other Considerations

Although short term underperformance will be tolerated and closely monitored by the Investment Committee, the Manager of Managers, and Managers are normally expected to perform at or above their peer group averages over time. Both qualitative and quantitative measures have been developed to determine when a Manager termination is appropriate.

The Investment Committee will review each investment manager on an ongoing basis and evaluate the manager based on the following criteria:

- The manager must consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management over a full market cycle;
- Investment returns are measured net of fees;
- Performance is reviewed quarterly and prepared by the Foundation's manager of managers.

#### EXCESS BUSINESS HOLDINGS

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;

- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation’s policy to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Because they are not “business enterprises,” the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs—including family partnerships, hedge funds, REITs, and so forth—are excluded from the definition of business enterprise as long as 95 percent or more of the entity’s income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.

## REPORTING

In order to ensure that the Board of Directors and the Committee are able to fulfill their duties with respect to prudent management of the portfolio, the Foundation’s President will provide detailed reports at least quarterly to the Committee. Such reports shall include, though not be limited to, performance of the Foundation’s investment portfolio, actions taken with respect to the investment portfolio, and expected changes in investments.

The Chair of the Committee will report on the status of the investment portfolio and any actions taken to the Board of Directors at each Board meeting.

## CONFLICTS OF INTEREST

Any actual or potential conflicts of interest possessed by a member of the Investment Committee must be disclosed and resolved pursuant to the Foundation’s Conflict of Interest Policy.

Adopted by the Board of Directors:

August 24, 2021

DATE



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Board Chair



# APPENDIX A – INVESTMENT POOL and CONSERVATIVE POOL

## INVESTMENT POOL

Mason Investment Management Services (MIMS)  
D Asset Allocation Strategy

Recommended Asset Allocation	Model-D
<b>Safety</b>	
Cash	1.00%
Total Safety	1.00%
<b>Income Assets</b>	
Short Term Bond	4.00%
Intermediate Term Bond	8.50%
Inflation Protected Bond	4.00%
International Bond	5.50%
Total Income Assets	22.00%
<b>Growth Assets</b>	
Large-Cap Value	17.00%
Large-Cap Growth	11.00%
International Large Cap Value	7.00%
International Large Cap Growth	5.00%
Real Estate	7.00%
Total Growth Assets	47.00%
<b>Aggressive Assets</b>	
Small-Cap Value	11.00%
Small-Cap Growth	5.00%
International Small Cap	6.00%
Energy/Natural Resources	8.00%
Total Aggressive Assets	30.00%
Total Portfolio	100.00%

The Investment Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio.

Mason will require client's signature if a new asset class is added or an existing asset class is adjusted by more than 5%.

Mason will require client's signature if we modify the combined Safety and Income\* category or the combined Growth and Aggressive\*\* category.\*\*\*

\_\_\_\_\_  
Authorized Signer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signer

\_\_\_\_\_  
Date

Note: it is normal for the portfolios to deviate to some degree from target percentages.

\*The Safety and Income category includes bonds and short term reserves.

\*\*The Growth and Aggressive category includes equities and investments of similar risk.

\*\*\*In other words Mason will not require client's signature to make changes among the growth and aggressive categories (generally from one equity category to another equity category) unless the change impacts an individual category by 5% or more. Similarly Mason will not require a client's signature to make changes between safety and income categories (generally from one bond or safety category to another bond or safety category) unless the change impacts an individual category by 5% or more. However, any modification which reduces or increases the combined broad growth or aggressive (generally equity targets) will generally not be made without prior client approval.

## CONSERVATIVE POOL

Mason Investment Management Services (MIMS)  
A Asset Allocation Strategy

Recommended Asset Allocation	Model-A ALT	After Interest Rates Rise	After Interest Rates Rise
		Projected Change	Model-A
<b>Safety</b>			
Cash	13.00%		13.00%
Total Safety	13.00%		13.00%
<b>Income Assets</b>			
Short Term Bond	22.00%		22.00%
Intermediate Term Bond	13.00%	5.00%	18.00%
Long Term Bond	0.00%		0.00%
Inflation Protected Bond	5.00%		5.00%
International Bond	5.00%		5.00%
Total Income Assets	45.00%	5.00%	50.00%
<b>Growth Assets</b>			
Large-Cap Value	14.00%	-5.00%	9.00%
Large-Cap Growth	5.00%		5.00%
International Large Cap Value	3.50%		3.50%
International Large Cap Growth	2.00%		2.00%
Real Estate	2.00%		2.00%
Total Growth Assets	26.50%	-5.00%	21.50%
<b>Aggressive Assets</b>			
Small-Cap Value	5.00%		5.00%
Small-Cap Growth	3.00%		3.00%
International Small Cap	2.50%		2.50%
Energy/Natural Resources/Commodities	5.00%		5.00%
Total Aggressive Assets	15.50%		15.50%
Total Portfolio	100.00%		100.00%

We understand that if interest rates rise to Mason's predetermined threshold amount, Mason is authorized to reduce large cap value by 5.00% and increase intermediate term bonds by 5.00%.

The Investment Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio.

Mason will require client's signature if a new asset class is added or an existing asset class is adjusted by more than 5%.

Mason will require client's signature if we modify the combined Safety and Income\* category or the combined Growth and Aggressive\*\* category.\*\*\*

\_\_\_\_\_  
Authorized Signer

\_\_\_\_\_  
Date

Note: it is normal for the portfolios to deviate to some degree from target percentages.

\*The Safety and Income category includes bonds and short term reserves.

\*\*The Growth and Aggressive category includes equities and investments of similar risk.

\*\*\*In other words Mason will not require client's signature to make changes among the growth and aggressive categories (generally from one equity category to another equity category) unless the change impacts an individual category by 5% or more. Similarly Mason will not require a client's signature to make changes between safety and income categories (generally from one bond or safety category to another bond or safety category) unless the change impacts an individual category by 5% or more. However, any modification which reduces or increases the combined broad growth or aggressive (generally equity targets) will generally not be made without prior client approval.

On a quarterly basis, portfolio returns will be compared with benchmarks including the segment blended benchmark and the equity biased reference point.

It is understood that there are likely to be short-term periods during which performance deviates from market indices and managers should not be terminated for this reason alone. The committee will recommend that a manager not meeting at least two of the three benchmarks have their exposure reduced by at least 50% and up to 100% (termination). Over such time that the Committee deems appropriate should be allowed before assessing this goal.

## APPENDIX B – NON-TRADITIONAL ASSETS

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The investment committee may consider nontraditional assets such as real estate, farmland, annuities, life insurance, etc. These assets may be held by the Foundation based on donor intent and at the investment committee's discretion.

### *Arbitrage Annuities*

The Community Foundation of Greater Dubuque may include in its overall portfolio such assets that consist of but are not limited to annuities and insurance contracts. This investment may not exceed 5% of our total investments. The Community Foundation recognizes that this is a potential source of investment income and is relatively safe since the risk of such investments is being shifted to the insurance company. However, in order to make sure that these investments are of the highest quality and lowest risk for the Community Foundation, acceptance of these investments will be considered if and only if the following guidelines are met:

1. The Community Foundation will consider an investment involving the lives of accredited investors only. These individuals must also have a legitimate insurable interest with the Community Foundation.
2. These donors must retain their own legal or tax consultants for advice involving these kinds of instruments. The Community Foundation will not guarantee nor indemnify a donor entering into such a relationship.
3. Investments involving annuities or life insurance must be offered by companies that rank in the top two ratings for financial strength of any major insurer rating service (e.g., A.M. Best, Fitch, Moody's, Standard & Poor's).
4. It is preferable to have two different companies involved in the contracts involving both life insurance and an annuity. However, each investment will be considered on a case-by-case basis and, based on financial strength of the company, one company may be considered.
5. The Investment Committee will select an appropriate person with the training and expertise to review thoroughly any annuity arbitrage and the contracts that underlie them before a final determination is made by the Investment Committee and/or Executive Committee.

# APPENDIX C – CERTIFICATION OF ACCEPTANCE BY INVESTMENT PROFESSIONALS

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I have received, read, and understand the Community Foundation of Greater Dubuque’s Investment Policy dated February 26, 2019. I will abide by the Policy with respect to the assets for which I am the investment manager, investment aggregator, custodian or other investment professional.

I will notify the Foundation’s Investment Committee, or its designee, in advance of any proposed investment that is inconsistent with this IPS and I will not make such investment without the advance written approval of same.

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Date

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Signature

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Print Name

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Print Title