



**Hillsdale County**  
community foundation<sup>™</sup>

## Statement of Investment Policy and Guidelines

*Revised August 7, 2007*

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# HILLSDALE COUNTY COMMUNITY FOUNDATION

## STATEMENT OF INVESTMENT POLICY

### *Foundation Mission*

**To receive and administer funds for artistic, charitable, educational, and scientific purposes in a manner that both promotes the spirit of philanthropy and meets the needs of the people of Hillsdale County.**

#### I. STATEMENT OF PURPOSE

The purpose of this statement is to create a general framework within which the assets of the Fund can be invested with respect to efficient portfolio management. This document identifies the investment objectives, constraints and policies for the Fund. This policy is used in the implementation of an investment program utilizing equities, fixed income, cash/cash equivalents and other investments that may be appropriate. This policy also provides a basis upon which the performance of the Fund and its service providers can be monitored and measured.

#### II. INVESTMENT OBJECTIVE

To increase the purchasing power of the principal by maximizing total returns consistent with prudent investment practices.

#### III. INVESTMENT PORTFOLIO

To maintain an efficient risk return profile and for the purpose of setting objectives and guidelines of the entire portfolio, Fund assets shall be structured in asset classes. The classes shall be Large Cap Equity, Mid Cap Equity, Small Cap Equity, Domestic Fixed Income and Cash Equivalent.

##### Asset Allocations

The allocation of assets shall be achieved through the prudent diversification of the asset classes. An aim shall be to maintain sufficient income and liquidity to meet the Foundation's current disbursement requirements with diversification consistent with the long-term objective of the Fund.

The Fund's risk/return profile shall be maintained by operating within the long-term strategic asset allocation ranges as set forth as follows:

Large Cap Equity	45%	± 10
Small Cap Equity	12.5%	± 5
Mid Cap Equity	12.5%	± 5
<b>Fixed Income</b>	<b>25%</b>	<b>± 10</b>
Cash Income	5%	± 5

**International stocks are not to exceed 15% of the total portfolio.**

Individual stocks:

The fund manager shall not hold capital in any one stock that would exceed **5%** or any one mutual fund that would exceed **10%** of the total fund assets in the manager's care.

IV. DELEGATION OF MANAGEMENT OF FUND ASSETS

Portfolios of the Fund may be managed by qualified investment managers registered under the Investment Advisors Act of 1940 with the Securities and Exchange Commission and who shall each accept full fiduciary responsibility in the course of their normal business. Exemptions from the 1940 Act registration may include insurance companies and/or banks and trust departments. The Foundation will select managers only after review of their professional experience, past experience with similar types of accounts and verification of their historic investment performance representations. Further consideration will be given to risk characteristics, investment philosophy, portfolio design and internal management capabilities.

Investment managers shall have full discretionary power to direct the investment, exchange and liquidation of the assets of the Fund. The Foundation expects that investment managers will recommend changes to this statement when the manager views any part of this statement to be at variance with overall market and economic conditions.

V. INVESTMENT GUIDELINES FOR THE FUND

A. Requirements and Constraints

- Investments shall be made solely in the interest of the Foundation and for the exclusive purpose of providing long-term security and continuity to the Fund.
- Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity.
- Investments shall possess value and quality corroborated by accepted techniques and standards of fundamental, economic, financial and security analysis.

B. Equity Portion

- Over the long term (3-5 years) investment horizon the total return shall exceed the total return of the relevant equity benchmark: Large Cap – S&P 500 Index, Mid Cap – S&P 400 Index, Small Cap – Russell 2000 Index, International – MSCI-EAFE Index in the appropriate proportion.

C. Fixed Income Portion

- The total return of the Fixed Income portion shall exceed the total return on the LB Aggregate Bond Index.
- The Fixed Income portion of the Fund may be invested in U.S. Government Corporate bonds (excluding convertible debentures) and shall be limited to publicly issued items, rated Baa/BBB (investment grade) or better by Moody's or Standard & Poor's, or in mutual funds consisting of bonds within the stated parameters. Mutual Funds that invest in foreign fixed income are permitted as well.

D. Cash Equivalent Portion

- The cash equivalent portion of the Fund will be invested in readily marketable and diversified securities and maturities averaging not more than 365 days. Investments may be made in money market funds, U.S. Treasury and Federal Agency obligations, commercial paper and other money market instruments rated A-1/P-1 by Standard & Poor's or Moody's respectively.

VI. SECURITIES CUSTODY AND RECORD KEEPING

- A. Monthly reports will be provided by the custodian and will include a transaction summary of all activity in the account for the month, as well as a cost analysis of each security within the portfolio at month end.
- B. The custodian will provide safekeeping of all securities and for accounting purposes portfolio reviews on a segregated account basis.

VII. PERFORMANCE, MONITORING AND EVALUATION

At the discretion of the Foundation, third party monitoring of all investments and investment managers will be provided to the Foundation. These reports will include, but not be limited to, the following:

1. The change in market value of assets including income received and accrued.
2. Current performance (total return for period)
3. Trends in performance
4. Portfolio composition and diversification
5. Benchmark comparisons with the target blend of the S&P 500, MSCI-EAFE, S&P 400, Russell 2000 and LB Aggregate Bond Index.

Performance will be calculated on a time-weighted basis. Comparative analyses may be made with a universe of actively managed portfolios of similar characteristics.

Should the Foundation choose to have monitoring done internally, reports including only items 1, 2 and 4 above would be provided.

VIII. MANAGEMENT

The assurance of proper management of the assets of the Endowment shall be the ongoing responsibility of the Investment Committee, as delegated to it by the Board of Trustees.

- A. Investment results, although monitored quarterly, will be judged annually, taking into account the previously documented benchmark for investment performance. Investment results shall be reported at least annually to the Board of Trustees.
- B. The spending policy will be closely monitored to assure that all permanent endowment funds maintain or increase the real value of the endowment principal over the long term.

- C. This Statement of Investment Policy shall be reviewed at least annually by the Investment Committee, and then, with specific reference to any changes, shall be presented to the Board of Trustees for approval.
- D. All managers of investments shall at least annually receive a copy of the Statement of Investment Policy as approved by the Board of Trustees.
- E. All external investment managers shall submit the estimated fee schedule for the succeeding calendar year no later than November 30 of the current year.

Acceptance of Investment Policy Guidelines  
*Hillsdale County Community Foundation*

Investment managers selected by the Foundation to manage funds on a discretionary basis warrant that they are investment advisors under the *Investment Advisor's Act of 1940*, a bank (as defined in that Act) or insurance company qualified to perform investment management services in the state of Michigan.

The investment manager, by accepting management of the funds, acknowledges that it is a fiduciary and agrees to provide periodic reports, assurances that investment decisions are in accord with the provisions of this statement, common law and general standards of prudence as may be defined from time to time by the various regulatory bodies; and agrees to read, understand and abide by the Statement of Investment Policy established by the Foundation.

Please indicate your acceptance of the foregoing Investment Policy Statement by signing in the appropriate space provided below and returning this Acceptance to the Foundation office.

\_\_\_\_\_  
Authorized Name (printed)

\_\_\_\_\_  
Investment Manager Name (printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Investment Manager Signature

Return to:  
Hillsdale County Community Foundation  
P.O. Box 276  
Hillsdale, Michigan 49242