

# THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

## INVESTMENT POLICY STATEMENT



*Amended: November 10, 2021  
November 9, 2020  
November 6, 2019  
November 1, 2018  
October 11, 2017  
October 12, 2016  
June 10, 2015  
April 9, 2014  
March 11, 2013  
October 10, 2012  
April 12, 2012  
April 13, 2011  
August 12, 2009  
August 1, 2008  
March 19, 2002*

**THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.**  
**EXECUTIVE SUMMARY**  
**November 10, 2021**

**Foundation Name:** THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

**Inception Date:** 1997

**Account Information** Total Market Value as of 09/30/2021: \$37,327,000

**Primary Objective:** Primary emphasis on moderate capital growth with some focus on income while maintaining the purchasing power of the endowment

**Target Rate of Return:** Inflation (as measured by the Consumer Price Index 'CPI') +5%

**Time Horizon:** More than 10 Years

<b>Asset Allocation:</b>	<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Strategic</b>
	U.S. Equities – Large Cap	15%	40%	18%
	U.S. Equities – Small Cap	5%	25%	15%
	International Developed Countries	10%	35%	15%
	Emerging Markets Countries	0%	10%	5%
	U.S. Core Bonds	10%	40%	14%
	Non-US/Global Bonds	0%	15%	2.5%
	High Yield Bonds	0%	15%	2.5%
	Alternative Investments	0%	30%	23%
	<i>Equity Hedge Assets</i>	0%		7%
	<i>Equity Return</i>	0%		7%
	<i>Private Investments</i>	0%	10%	3%
	<i>Real Assets</i>	0%	10%	6%
	Real Estate/Reits	0%		3%
	Commodities	0%		0%
	MLPs	0%		3%
	Cash & Cash Equivalents	5%	15%	5%

The maximum allowable allocation of the aggregate portfolio to illiquid securities is 30%.

The maximum allowable allocation of the aggregate portfolio to international equities is 35%.

The maximum allowable allocation of the aggregate portfolio to Fixed Income (Bonds) is 40%.

**Rebalancing Procedures:** Portfolio is rebalanced at least quarterly to maintain the portfolio's position within the minimum and maximum limits. Tactical rebalancing positioning the portfolio to benefit from the current market environment may be presented to committee at any time.

**Cash Limits:** The Investor wishes to maintain a minimum of 5% of total investments in cash/cash equivalents.

**Restrictions:**

- Bond quality rated average of AA or better for the investment grade allocation
- Maximum Average Bond Maturity: 10 years
- Maximum Individual Bond Maturity: 15 years
- Maximum Security Portion: 10%
- Maximum Investment Manager Portion: 40%

**Meeting Frequency:** Quarterly

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## PURPOSE OF THIS INVESTMENT POLICY STATEMENT

The Board of Directors of the Community Foundation for South Central New York, Inc. (the “Community Foundation”) adopts this Investment Policy Statement (“IPS”) in order to:

- ❖ Establish the Community Foundation's expectations, objectives and guidelines in the investment of the endowment funds, quasi-endowment funds, and similar investment funds of the Community Foundation (collectively, the “Portfolio”).
- ❖ Define the responsibilities of all involved parties and assign such responsibilities.
- ❖ Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of suitable risk.
- ❖ Establish a basis for evaluating investment results.
- ❖ Establish a spending policy with respect to the donor-restricted endowment funds within the Portfolio.
- ❖ Meet the fiduciary obligations of the Board of Directors, as delegated to the Investment Committee, with respect to the management and investment of the Portfolio, consistent with applicable state law.

## DUTIES AND RESPONSIBILITIES

### *The Board of Directors*

The members of the Board of Directors are fiduciaries charged with the oversight of the management of the assets of the Portfolio. As such, the Board is authorized to delegate certain responsibilities to the Investment Committee, as well as professional experts in various fields. The specific responsibilities of the Board relating to the investment management of the Portfolio include, but are not limited to:

- Projecting the Community Foundation’s financial needs, and communicating such needs to the Investment Committee on a timely basis.
- Approving this IPS.
- Approving any expenditures not included under spending formula withdrawals.

### *The Investment Committee*

The Investment Committee members shall discharge their duties solely in the interests of the Community Foundation, in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. The specific responsibilities of the Investment Committee include, but are not limited to:

- ❖ The general oversight of the Portfolio consistent with the Committee’s interpretation of this IPS.
- ❖ Engaging qualified investment professionals, such as the Investment Advisor, Investment Manager(s), Custodian(s) and additional specialists as may be required.
- ❖ Evaluating on a regular basis the performance of any qualified investment professionals to assure adherence to this IPS.
- ❖ Recommending amendment to this IPS for consideration by the Board of Directors.

- ❖ Defining the investment objectives and policies of the Portfolio as outlined within this IPS.
- ❖ Directing Investment Advisor to make changes in investment policy and to oversee and to approve or disapprove Investment Advisor's recommendations with regards to policy, guidelines, and objectives on a timely basis.

### ***The Investment Advisor***

The Investment Advisor's role is that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of the Portfolio will be offered by the Investment Advisor, and will be consistent with this IPS. Specific responsibilities of the Investment Advisor include, but are not limited to:

- ❖ Assisting in the development and periodic review of this IPS.
- ❖ Designing and implementing an appropriate asset allocation plan consistent with the asset allocation parameters set forth in this IPS. Assisting the Investment Committee with the periodic rebalancing of the Portfolio.
- ❖ Identifying Investment Managers within each asset class consistent with the asset allocation parameters set forth in this IPS, including such due diligence or research as the Investment Committee may require and comparative benchmarks for assessment of Investment Manager performance. Assisting the Investment Committee in the negotiation of fees with the Investment Manager(s). Recommending the termination and/or change of any Investment Manager(s).
- ❖ Monitoring the performance of the Investment Managers quarterly and reporting to the Investment Committee on the progress of the Managers relative to the investment objectives.
- ❖ Being available to meet with the Investment Committee. Reviewing the Portfolio's investment history, capital market performance and the contents of this IPS with any newly appointed Investment Committee member.

### ***The Investment Manager(s)***

Each Investment Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this IPS. Specific responsibilities of the Investment Manager(s) include:

- ❖ Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this IPS.
- ❖ Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Fund's investment management.

- ❖ Informing the Investment Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.
- ❖ Voting proxies, if requested by the Investment Committee, on behalf of the Community Foundation.

## **GENERAL INVESTMENT PRINCIPLES**

Management of the Portfolio will follow the general investment guidelines set forth below:

1. Investments shall be made solely in the interests of the Community Foundation, consistent with the duty of loyalty required by law.
2. The Portfolio shall be invested with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In particular in managing and investing the Portfolio, the following factors, if relevant, must be considered: 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 overall investment assets of the Portfolio; the expected total return from income and the appreciation of investments; other resources of the Community Foundation; the needs of the Community Foundation and the Portfolio to make distributions and to preserve capital; and an asset's special relationship or special value, if any, to the purposes of the Portfolio.
3. Investment of the assets shall be so diversified as to minimize the risk of large losses, unless the Investment Committee prudently determines that, because of special circumstances, the purposes of the Portfolio are to be better served without diversification. The Investment Committee shall review a decision not to diversify as frequently as circumstances require, but at least annually.
4. The Investment Committee may employ investment professionals, such as an Investment Advisor, Investment Manager(s), Custodian(s) and additional specialists as may be required to attain the objectives set forth in this IPS. Any person who has special skills or expertise, or is selected in reliance upon that person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Portfolio.

## **ENDOWMENT FUND SPENDING POLICY**

Distributions from the Portfolio are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains. In its determination to appropriate or accumulate, the Investment Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors: the duration and preservation of the Endowment Fund; the purposes of the Community Foundation and the Endowment Fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Community Foundation; where appropriate and circumstances would otherwise warrant,

alternatives to expenditure of the Endowment Fund, giving due consideration to the effect that such alternatives may have on the Community Foundation, and the investment policy of the Community Foundation for each determination to appropriate for expenditure, the Community Foundation shall keep a contemporaneous record describing the consideration that was given by the Investment Committee to each of the factors enumerated above.

The Investment Committee has established a spending rate as follows: up to 4% (four percent) annually based on a rolling three-year average fair market value of the temporarily and permanently restricted investments. Net assets are released from restriction up to this spending rate approved by the Investment Committee. The Community Foundation has adopted this spending policy in order to protect the nature of the historic dollar value of gifts, as well as to preserve the purchasing power of these funds into the future. The Board will review this spending policy on a regular basis and has the authority to change the policy as necessary.

## INVESTMENT OBJECTIVES

The Portfolio's aggregate investment objective is to achieve total investment returns that, over a term of ten years or more, provide sufficient revenue to support an average annual spending rate of five percent (5%) (net of fees, expenses, and taxes, if any), while maintaining the purchasing power of the Portfolio as measured by the Consumer Price Index.

## TIME HORIZON

The Community Foundation's objectives for the Portfolio are currently anticipated to continue without significant modification for a period of: **More than 10 years.**

## RISK TOLERANCE

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns one must accept higher risk (e.g. volatility of return).

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of the amount of risk the Investment Committee can tolerate.

The Investment Committee desires long-term investment performance sufficient to meet the objectives. The Investment Committee understands that to achieve such performance the Portfolio may experience periods of decline. The Investment Committee further understands that in a severe market, the potential recovery period could be extensive.

Although the Investment Committee prefers to limit the Portfolio's volatility, they are comfortable with moderate fluctuations in the Portfolio, and are willing to accept short-term loss, in order to seek to grow the Portfolio over time.

## ASSET ALLOCATION PARAMETERS

Asset Class	Minimum	Maximum	Strategic
U.S. Equities – Large Cap	15%	40%	18%
U.S. Equities – Small Cap	5%	25%	15%
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### *Portfolio Returns and Volatility*

The Investment Committee's willingness to accept risk and their expectation for investment growth have a direct bearing on the rate of return objective for this Portfolio.

It should be recognized that the Portfolio will invest in a variety of securities and that the actual weighting of these securities can and will vary. It is also important to note that future returns of the securities with the Portfolio and the Portfolio itself can be expected to vary from the historical returns.

The Portfolio's historical rate of return is not a guarantee of future investment returns. Future returns could differ significantly and capital loss is possible. This IPS shall not be construed as offering a guarantee.

### *Updated Allocations*

Over time, it may be desirable to amend the basic allocation. When such changes are made, updates will be considered part of this IPS.

### *Rebalancing Procedures*

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the approved allocation.

This portfolio will be rebalanced periodically by the Investment Committee as follows:  
**Portfolio is rebalanced at least quarterly to maintain the Portfolio's position within the minimum and maximum limits.**

**Tactical rebalancing to position the Portfolio to benefit from the current market environment may be presented to Investment Committee at any time.**

### ***Adjustment in the Target Allocation***

Modifications to the approved allocation may be needed from time to time for a variety of reasons. When such a change to the approved allocation needs to occur, it shall only be made with the concurrence of the Investment Committee.

## **LIQUIDITY**

Investor's liquidity requirements are:

**A minimum of 5% of total investments in cash/cash equivalents**

**No more than 30% of aggregate portfolio can be invested in illiquid investments.**

## **DIVERSIFICATION AND INVESTMENT CONSTRAINTS**

### ***Allowable Investments/Transactions:***

#### **Assets Classes**

Money Market Funds  
U.S. Short Term Taxable Bonds  
U.S. Intermediate Term Taxable Bonds  
U.S. Long Term Taxable Bonds  
U.S. Short Term Tax-Free Bonds  
U.S. Intermediate Term Tax-Free Bonds  
U.S. Long Term Tax-Free Bonds  
U.S. Corporate Bonds  
U.S. Government Bonds  
U.S. High Yield Bonds  
Non-U.S. Bonds  
Total U.S. Equities Market  
U.S. Large-Cap Companies  
U.S. Mid-Cap Companies  
U.S. Small-Cap Companies  
World Stocks (Ex. U.S.) Developed and Emerging Market Countries  
Real Estate Securities/REITS  
Convertible Securities  
Hedge Funds  
Commodities/Managed Futures  
Private Equity  
Master Limited Partnerships (MLPs)

**Investment Types**

Individual Stocks or Bonds  
Open-ended Mutual Funds  
Closed-ended Mutual Funds  
Exchange Traded Funds  
Managed Separate Accounts  
Investment Partnerships  
Futures, Options, Puts, Short Sales or other derivative investments

***Prohibited Investments/Transactions:*****Investment Types**

Illiquid Investments that are not outlined in Allowable Investments Section

**NON-TRADITIONAL/ALTERNATIVE INVESTMENTS*****Definition:***

Non-Traditional/Alternative Investments are often structured as private investments and are generally formed as limited partnerships or limited liability companies and, in many cases, organized in low or no tax jurisdictions. The managers of these investments generally are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives.

***Objective:***

Investment in alternatives may be considered by this organization within the context of an overall investment plan. The objective of such investments will be to seek to diversify the portfolio, complementing traditional equity and fixed-income investments and improving the overall performance consistency of the portfolio. It is acknowledged that there is no guarantee that this objective will be realized.

***Transparency and Liquidity:***

It is acknowledged that these investments are less transparent than traditional investments and that liquidity in such investments is usually significantly limited. Liquidity constraints, including lockup provisions and redemption or withdrawal fees, must be taken into consideration when making allocations to such investments.

***Allowable Strategies:***

Since alternative investments generally seek to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments, investments strategies may include, but are not limited to, the following:

- Statistical Arbitrage
- Distress Securities
- Merger Arbitrage
- Special Situations
- Momentum Trading
- Fixed Income Arbitrage

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- Debt/Equity Financing
  - Equity Long/Short
  - Leveraged Buyouts
  - Global macro
  - Venture Capital
  - Short Selling
  - Mezzanine Debt
  - Commodities and Futures
  - Equity Market Neutral
  - Structured Credit Products
  - Convertible Arbitrage
  - Real Estate

The foregoing allowable strategies may be pursued in any manner including through collective investment vehicles such as hedge funds, funds of hedge funds, private equity (i.e. LBO, Venture, Mezzanine Debt, etc) funds and funds of funds, real estate funds and funds of funds, commodity pools, and structured credit products such as equity CDOs.

### ***Allowable Investments:***

The above referenced strategies may include, but are not limited to, investments (directly or indirectly) in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

### **RISK ACKNOWLEDGEMENT**

The Community Foundation acknowledges that: (1) alternative investments can be highly illiquid and may engage in leveraging and other speculative investment practices, which may involve volatility of returns and significant risk of loss, including the potential for loss of the principal invested; (2) that there is no secondary market currently available for interests in most alternative investments and that there may be restrictions imposed by the fund on transferring such interests as stated in the fund's private placement memorandum or prospectus; (3) that investing in alternative investments is only suitable for experienced and sophisticated investors who are willing to bear the high economic risks of the investment and that this organization qualifies as such an investor; (4) that it will carefully review and consider all potential risks before investing including the following specific risks:

- *loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;*
- *lack of liquidity in that there may be no secondary market for the fund and none is expected to develop;*
- *volatility of returns;*
- *restrictions on transferring interests in the Portfolio;*
- *potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;*
- *absence of information regarding valuations and pricing;*
- *complex tax structures and delays in tax reporting;*
- *less regulation and higher fees than mutual funds; and*
- *advisor risk.*

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## SELECTION/RETENTION CRITERIA FOR INVESTMENTS

### *Investment Management Selection*

Investment managers shall be chosen using the following criteria, but not limited to:

- ❖ Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance
- ❖ Costs relative to other funds with like objectives and investment styles
- ❖ The manager's adherence to investment style and size objectives
- ❖ Size of the proposed fund
- ❖ Length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel
- ❖ The historical volatility and downside risk of each proposed investment
- ❖ How well each proposed investment complements other assets in the portfolio
- ❖ The current economic environment
- ❖ The likelihood of future investment success, relative to other opportunities

## INVESTMENT MONITORING AND CONTROL PROCEDURES

### *Benchmarks*

The following benchmark will be used to evaluate aggregate portfolio performance:

**Broad Market Blend of 2.5% Russell 3000 Index/ 15% Russell 1000 Value/ 15% Russell 2000/ 12% Barclays Aggregate Bond Index/ 3% Barclays High Yield/ 3% Barclays Gov/Credit 1-3 Yr/ 2% Citi WGBI Unhedged/ 17.5% MSCI All World Ex-U.S. Index/ 10% 90-Day T-Bill/ 8% HFRI Fund of Fund Index/ 5% HFRI Equity Hedge/ 2% Alerian MLP Index/ 3% Cambridge Private Equity/ 2% NCREIF NFI ODCE Value Weighted Index**

### *Reports*

- ❖ The investment custodian shall provide Investment Committee with monthly statements for each account held by the Community Foundation and subject to this IPS. Such reports shall show values for each asset and all transactions affecting assets within the Portfolio, including additions and withdrawals.

- ❖ The Investment Advisor shall provide Investment Committee the following management reports on a periodic basis:
  - Portfolio performance results over varying time periods
  - Performance results of comparative benchmarks over varying time periods
  - Review of current asset allocation versus the parameters set forth in this IPS
  - Any recommendations for changes of the above

### ***Meetings and Communication between Investment Committee and Investment Advisor***

As a matter of course, the Investment Advisor shall keep Investment Committee apprised of any material changes in the Investment Advisor's outlook, recommended investment policy, and tactics.

In addition, Investment Advisor shall meet with Investment Committee approximately quarterly to review and explain the Portfolio's investment results and any related issues. Investment Advisor shall also be available for telephone and email communication as needed.

### **FREQUENCY OF IPS REVIEW**

The Investment Advisor and Investment Committee will meet at least annually to review this IPS and where appropriate make recommendations for approval by the Board of Directors.

**SUMMARY OF PORTFOLIO STRUCTURE AND INVESTMENT MANAGER OBJECTIVES**  
**As of 09/30/2021**

<b><u>Manager/Fund</u></b>	<b><u>Assets (\$000)</u></b>	<b><u>Style Objective</u></b>	<b><u>Index /Benchmark</u></b>
A	\$ 2,232.4	International Equity	MSCI AC Wd ex-US
B	\$1,437.8	International Equity	MSCI AC Wd ex-US
C	\$2,901.4	Hedge Fund of Funds	HFRI Fund of Funds Index
D	\$1,802.1	Small Cap Equity	Russell 2000 Index
E	\$2,567.1	SmMid Cap Value	Russell 2500 Value Index
F	\$2,164.2	Global Equity	15% CRSP Sm Value 30% FTSE Developed 55% FTSE Emg Mkts
G	\$3,047.9	Large Cap Value Eq	Russell 1000 Value Index
H	\$2,624.5	Large Cap Value Eq	Russell 1000 Value Index
I	\$2,856.3	Fixed Income	BC Aggregate Bond Index
J	\$1,845.3	Fixed Income	30% BC Agg/ 25% WGBI uH/ 25% BC Corp HY/ 20% BC Multiverse
K	\$1,621.4	Short Term Fixed Income	ML Tsy 1-3 Year
L	\$4,796.2	Balanced	35.25% Russell 3000 Index / 32.25% Barclays Aggregate Bond Index/ 22% MSCI All World Ex-U.S. Index/ 5.5% 90-Day T-Bill/ 2.5% Barclays High Yield Bond/ 2.5% Citi World Gov't Bond Index
M	\$1,387.7	Long/Short Eq	HFRI Equity Hedge Index
N	\$1,391.9	Private Equity	Cambridge Private Equity
O	\$1,436.5	Real Estate/REIT	NCREIF NFI ODCE Val Wtd
P	\$1,001.5	Master Ltd Ptnship	Alerian MLP Index
Q	\$889.1	Equity Hedge	HFRX Global Hedge
R	\$2.8	Cash & Equivalents	90 Day T-Bill
S	\$1,298.5	Cash & Equivalents	90 Day T-Bill
T	\$22.4	Cash & Equivalents	90 Day T-Bill