

# INLAND EMPIRE COMMUNITY FOUNDATION

## INVESTMENT POLICY STATEMENT

### I. Statement of Purpose

The Board of Directors of Inland Empire Community Foundation has adopted this Investment Policy Statement in recognition of their responsibility to supervise the investment of Inland Empire Community Foundation (hereafter referred as the Foundation) assets. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Foundation's assets; (2) the position of the Board of Directors with respect to the Foundation's risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

The conditions of this Investment Policy Statement shall apply to the Pools listed.

### II. Statement of Responsibilities

The following parties associated with the Foundation shall discharge their respective responsibilities in accordance with all applicable fiduciary standards, including UPMIFA. Responsibilities include: (1) in the sole interest of the Foundation's contributors and beneficiaries; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of large losses.

- A. Board of Directors: The members of the Board of Directors are the fiduciaries of the Foundation and are ultimately responsible for the investments of the Foundation.
- B. Investment Committee: The members of the Investment Committee have been delegated authority by the Board of Directors to manage the day to day administrative issues associated with the Foundation's assets, the sub-allocations within the broad asset allocation and the selection of the underlying investment managers. The Investment Committee has recommendatory authority to the Board of Directors with respect to the Investment Policy Statement, including the broad asset allocation and spending policy.
- C. Investment Consultant: The investment consultant is charged with the responsibility of advising the Investment Committee on investment policy, the selection of investment managers, and providing performance analysis and monitoring services. The investment consultant is not responsible for the selection or monitoring of the Investment Advisor or for the underlying separately managed accounts (Please refer to Attachment 1).
- D. Investment Manager(s): The investment manager(s) are delegated the responsibility of investing and managing the Foundation's assets in accordance with this

Investment Policy Statement, and all applicable law. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.

- E. Investment Adviser: The investment adviser who is selected and approved by the Investment Committee will assist with the management of separately managed assets within specific guidelines (Please refer to Attachment 1).

### III. Investment Objectives

The Investment Objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return gross of fees) in excess of the benchmarks established for the medium term (3 years) and long term (5 years).

#### Medium Term Performance Objectives

- A. The objective of the total fund is to earn a return that exceeds the return of the indexes weighted in accordance with the current target asset allocation.
- B. Within each of the following segments, the objective of an index fund is to match the respective index while the objective of an active manager is to exceed the return of the respective index as well as the median return within a representative performance universe.

<u>Segment</u>	<u>Index</u>
Large Cap Core Equity	S&P 500
Large Cap Growth Equity	Russell 1000 Growth
Large Cap Value Equity	Russell 1000 Value
Domestic Equity	Russell 3000
Small/Mid Cap Equity	Russell 2500 or S&P Completion
International Developed Equity	MSCI EAFE
International Equity	MSCI ACWI ex. US &/or ESG Leaders
International Small Cap	MSCI World ex USA Sm Cap
Emerging Markets Equity	MSCI Emerging Markets Free
Core/CorePlus Fixed Income	BBgBarc US Aggregate Bond
High Yield Fixed Income	BBgBarc High Yield
Short Term Fixed Income - Treasury	Bank of America ML 1-3 Year Treasury
Short Term Fixed Income	BBgBarc Govt/Credit 1-5 Year
TIPS	BBgBarc 1-5 year or 1-10 year US TIPS
Liquid Alternatives	CPI + 5%
MLP's	Alerian MLP Index

Commodities  
REITS  
Mortgage Fund

Bloomberg Commodity TR  
MSCI US REIT Index  
BarCap US MBS Index

#### Long Term Performance Objectives

- A. The objective of the total fund is to earn a return that exceeds the spending policy, inflation and program expenses. It is understood that during low return environment, that the purchasing power of the assets may not be maintained.
- B. The objective of the total fund is to earn a minimum return that exceeds the rate of return of the indexes weighted in accordance with the target asset allocation.

#### IV. Target Asset Allocation

The Asset Allocations of the Foundation's assets shall be reviewed at least annually to ensure that the Target Allocation is in compliance with the following guidelines.

#### Long Term Pool

The Long Term Pool is designed for donors or nonprofits with Long-term objectives (7-plus years). While the portfolio is diversified, there is a risk of loss of principal

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<b><u>Equity</u></b>	<b>61%</b>	<b>41%</b>	<b>81%</b>
U.S. Large Cap Equity		16%	42%
U.S. Small/MidCap Equity		0%	20%
International Dev. Equity		5%	40%
International Dev. Small Cap		0%	10%
Emerging Markets		0%	15%
<b><u>Fixed Income</u></b>	<b>23%</b>	<b>15%</b>	<b>40%</b>
Core/Core Plus Fixed Income		5%	28%
TIPS		0%	10%
High Yield Fixed Income		0%	10%
Short Term Fixed Income		0%	20%
<b><u>Alternative Asset Classes</u></b>	<b>16%</b>	<b>0%</b>	<b>31%</b>
Commodities		0%	8%
MLP's		0%	10%
REITS		0%	10%
Real Estate		0%	10%
Liquid Alts/Hedge Funds		0%	20%
<b>Cash Equivalents</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>
	<b>100%</b>		

### Non- Endowed Pool - Medium Term

The Medium-Term Pool is designed for donors or nonprofits with moderate-term objectives (3-5 years). While moderately conservative, this pool will have a risk of loss of principal.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<b>Equity</b>	<b>40%</b>	<b>20%</b>	<b>60%</b>
U.S. Large Cap Equity		8%	26%
U.S. Small/MidCap Equity		0%	9%
International Dev. Equity		6%	25%
Emerging Markets		0%	8%
<b>Fixed Income</b>	<b>53%</b>	<b>43%</b>	<b>63%</b>
Core/Core Plus Fixed Income		23%	50%
Short-term Fixed Income		10%	25%
TIPS		0%	10%
High Yield Fixed Income		0%	10%
<b>Alternatives</b>	<b>7%</b>	<b>0%</b>	<b>15%</b>
Liquid Alternatives		0%	15%
<b>Cash Equivalents</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>

### Short/Medium Term Pool

The Short/Medium Term Pool is designed for donors or nonprofits with Short-term objectives (1-3 years). While relatively conservative, this pool will have a risk of loss of principal.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<b>Equity</b>	<b>30%</b>	<b>20%</b>	<b>40%</b>
U.S. Large Cap Equity		10%	25%
International Dev. Equity		7%	20%
Emerging Markets		0%	6%
<b>Fixed Income</b>	<b>63%</b>	<b>53%</b>	<b>73%</b>
Core/Core Plus Fixed Income		27%	60%
Short-term Fixed Income		13%	29%
TIPS		0%	10%
High Yield Fixed Income		0%	10%
<b>Alternatives</b>	<b>7%</b>	<b>0%</b>	<b>15%</b>
Liquid Alternatives		0%	15%
<b>Cash Equivalents</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>

### Short Term Pool

The Short-Term Pool is designed for donors or nonprofits that wish to make grants immediately or for funds that want to minimize the risk of loss of principal over any time horizon.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
Cash Equivalents	100%	100%	100%

### Environmental Social and Governance (ESG)

The ESG Pool will have a distinct emphasis on Environmental, Social and Governance (ESG) criteria, for the implementation of the portfolio.

The ESG Pool is designed for donors or non-profits who wish to have an ESG impact and are expecting to grant a significant percentage of their funds in the long term (7 or more years) and willing to tolerate moderate to high levels of risk in order to get an enhanced rate of return (versus cash) over a full market cycle.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Equity</u>	65%	40%	80%
U.S. Large Cap Equity		15%	50%
U.S. Small/MidCap Equity		0%	20%
International Dev. Equity		10%	40%
Emerging Markets		0%	15%
<u>Fixed Income</u>	35%	20%	50%
Core/Core Plus Fixed Income		10%	45%
TIPS		0%	10%
High Yield Fixed Income		0%	10%
Short Term Fixed Income		0%	20%
Cash Equivalents	0%	0%	5%
	<hr/>		
	100%		

## V. Investment Guidelines

It is the intention of the Investment Committee to allow each investment manager full investment discretion within the scope of these investment guidelines, the applicable Investment Manager Agreement, and any laws that supersede either of these documents.

**Proxy Voting:** The investment manager(s) shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation.

**Trading and Execution:** The investment manager(s) shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates.

**Environmental Social & Governance:** For the ESG-specific strategies, the investment managers shall incorporate environmental, social and governance factors as components of the decision-making and portfolio construction process. Proxy voting shall be viewed as an extension, and valuable component, of ESG implementation.

## VI. Investment Performance Review and Evaluation

- A. The Investment Committee will review the investment results of the Investment Manager(s) on a quarterly basis. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this policy statement.
- B. The Investment Committee, with the assistance of the Investment Consultant shall periodically review the qualitative developments of each Investment Manager. This evaluation should include: changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other qualities that the Investment Committee deems appropriate. This review should also include an assessment as to whether each Investment Manager has operated within the scope of this Investment Policy Statement.
- C. The Investment Consultant(s) will make recommendations for re-balancing or re-allocating the investment portfolio on an annual basis.
- D. The Investment Manager(s) must disclose all major changes in organization or investment philosophy to the Investment Committee.
- E. The Investment Consultant's performance and relationship will be reviewed on an annual basis by the Investment Committee.

## VII. Spending Policy

The Board's objective is to establish a spending policy which balances the Foundation's shorter-term grant making goals with the longer-term goal to provide grants in perpetuity.

The spending methodology employed is typically a 12-quarter smoothed market value approach. The spending rate will generally be reviewed annually, by the Investment Committee and the Board.

## VIII. Corrective Action

Corrective action should be taken naturally as a result of the ongoing review process for investment managers. While there may be unusual occurrences at any time, the following are instances where corrective action may be in order.

- A. Any organizational change that may materially affect the management process will be noted by the investment consultant and discussed with the Investment Committee. If the Investment Committee deems appropriate, the investment manager may be called upon to discuss changes.
- B. Violation of terms of contract without prior approval of the Investment Committee constitutes grounds for termination.
- C. As part of its overall asset allocation strategy, the Investment Committee will select managers with certain styles and approaches to portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Investment Committee. Should either the consultant ascertain that significant changes in investment style have occurred, this may be grounds for termination.
- D. If, over a rolling 12-month period, the Investment Manager's performance ranks in the bottom quartile of the representative investment manager universe or underperforms the appropriate index over a rolling 3-year period, he/she shall be placed on probation. The probation period shall last 6 months. If, at the end of the probation period, the Investment Manager is still underperforming, the Investment Committee may consider searching for a new Investment Manager.
- E. Managers may be replaced at any time as part of an overall restructuring.

## IX. 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 is 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.

**X. Policy Changes**

The investment consultant shall advise the Investment Committee of any restrictions within this Investment Policy Statement that may prevent the investment manager(s) from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this Investment Policy Statement discovered by the investment consultant in the preparation of its regular performance review shall be reported immediately to the Investment Committee and discussed at their next regularly scheduled meeting.

**XI. Review and Revisions**

The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the Foundation’s assets.

IN WITNESS HEREOF, the Board of Directors has approved the Investment Policy Statement by resolution adopted on the 14<sup>th</sup> day of October, 2019 and updated the document with organization’s new name December 2019.

  
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Nefertiti Long, Board Secretary



Attachment 1

Inland Empire Community Foundation  
Investment Guidelines – Separately Managed Accounts

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Equity</u>	61%	41%	81%
Large Cap Equity		16%	42%
Small/MidCap Equity		0%	20%
International Developed Equity		5%	40%
International Small Cap		0%	10%
Emerging Markets		0%	15%
<u>Fixed Income</u>	23%	15%	40%
Core Plus Fixed Income		5%	25%
TIPS		0%	10%
High Yield Fixed Income		0%	10%
Short Term Fixed Income		0%	20%
<u>Alternative Asset Classes</u>	16%	0%	31%
Commodities		0%	8%
MLP's		0%	10%
REITS		0%	10%
Liquid Alternatives		0%	15%
<u>Cash Equivalents</u>	0%	0%	5%
	100%		