

SUBJECT:  **INVESTMENT POLICY**

Effective date: 11.14.2001

Revision dates: 07.11.2007, 07.11.2008, 11.20.2013, 01.27.2016, 11.30.2016, 10.26.2017

I. INTRODUCTION

The Skagit Community Foundation (the “Foundation”) is a not-for profit charitable organization incorporated in the state of Washington and is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. The Foundation is committed to philanthropy best practices in order to fulfill its mission of honoring donor intent and serving the charitable needs of Skagit County.

II GOALS

The investment policy seeks to:

* Limit risk by investing in a managed disciplined diversified portfolio
* Preserve and protect the Foundation’s assets
* Maintain liquidity to meet the Foundation’s operating requirements
* Earn an appropriate return on investments
* The long term goal is to earn, through appreciation and income, an annual return net of fees, inclusive of 12-b-1 fees, of at least 5-7% over a five year period.

All transactions must be undertaken for the sole interest of the Foundation and its beneficiaries. The assets must be invested with the safeguards to which a prudent person would adhere.

The ability to tolerate the uncertainties and volatility inherent in the investment markets has been considered in the development of this investment policy statement. The factors influencing risk tolerance and asset allocation are: the need for preservation of capital and growth, cash flow, liquidity and time horizon.

III PURPOSE

This Statement of Investment Policy is meant to provide guidance for the Foundation rather than dictate a rigid policy.

A. Describe the role of the Board of Directors, the investment/finance committee and investment advisor

B. Outline guidelines for the investment of the Foundation’s assets

C. List parameters and benchmarks for selecting appropriate investments.

A**. Role of the Board of Directors, committees, and advisor**

* The Board of Directors may delegate monitoring of the assets to an Investment Committee and/or Finance Committee comprised of community volunteers with expertise in investments, Foundation staff and board members.
* The Board of Directors must approve any disbursements from the investment account.
* The Board of Directors will approve the recommendations of money managers as proposed by the investment advisor. The professional money managers will make the individual security decisions within their respective portfolios. The Board of Directors reserves the right to request to exclude specific individual securities from separately managed accounts. This option is not available with mutual funds.
* The Investment Committee will meet at least twice per year to review investment performance. The Investment Committee reserves the right to recommend modifications to the Board of Directors for approval regarding changes to asset allocation target and range percentages.
* The Committee may terminate investment advisors who do not adequately discharge their duties, including, but not limited to, failure to meet the investment objectives, failure to adhere to the investment guidelines or failure to adequately communicate with the Committee.
* The Committee will report to the Board not less than annually on the status of the investments, evaluation of the investment advisor, and recommendations for changes in investment policy to be approved by the Board.

Investment Advisor

* The selection of the investment advisor shall be guided by a Request for Proposal (RFP) to include two or more candidates.
* The Foundation requires any investment advisor so retained to be registered under the Investment Advisors Act of 1940, and annually to provide to the Committee a copy of Form ADV, as referenced by Rule 204-3 of the Act.
* The Investment advisor’s primary responsibilities shall be to:

1. Implement the investment guidelines described in the Investment Policy

2. Support the Foundation in their fiduciary responsibilities

3. Incur investment costs not to exceed an aggregate of .75%

B**. Guidelines**:

Spending Policy: The Foundation shall appropriate for distribution each year a minimum of three percent of its endowment funds average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The Foundation considers the long-term expected return on its endowments. The Foundation expects the current spending policy to allow its endowments to grow at a rate equal to inflation. The objective is to maintain the purchasing power of the endowment assets held in perpetuity.

The purpose of equity investments, both domestic and international, is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total returns goals.

Fixed income investments are intended to provide diversification and a dependable source of current income. Fixed income investments should reduce the overall volatility of the assets and provide a deflation or inflation hedge, where appropriate.

The following chart represents a balanced growth portfolio for endowed funds that assumes moderate risk and maximizes total return.

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| --- | --- | --- | --- |
| **Asset Class** | **Asset Class Detail** | **Target** | **Range** |
| Equities | Large Cap Growth | 10 | 5-25 |
|  | Large Cap Value | 16 | 5-25 |
|  | Small/Mid Cap | 10 | 5-15 |
|  | International | 15 | 5-25 |
|  | Emerging Markets | 5 | 0-10 |
| Fixed Income | Core Fixed Income | 25 | 15-50 |
|  | High Yield Bonds | 5 | 0-10 |
|  | International Bonds | 5 | 0-10 |
| Alternatives | Alternatives | 5 | 0-15 |
| Cash/Cash Equivalents | Cash/Cash  Equivalents | 4 | 0-10 |

C: Definitions:

**ALTERNATIVES:** may include investments in the following categories: Macro, Relative Value, Event Driven, Managed Futures, Commodities, Master Limited Partnerships (MLP), and Real Estate Investment Trusts (REIT).

**CASH/CASH EQUIVALENTS:**

All cash investments shall adhere to the FDIC limit of $250,000 per institution.

Cash restricted by donor and held in money markets shall not be counted in the asset allocation.

**D Benchmarks**

Depending on the portfolio size and therefore ability to diversify in more detail, each portfolio and asset class within the portfolio shall be reported against specific benchmarks which shall be amended periodically by the Committee with input by the investment advisor(s) and formally approved by the Board of Directors.

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| --- | --- | --- |
| **Asset Class** | **Asset Class Detail** | **Benchmark** |
| Equities | Large Cap Growth U.S. Equities | Russell 1000 Growth |
|  | Large Cap Value U.S. Equities | Russell 1000 Value |
|  | Small/Mid Cap U.S. Equities | Russell 2500 |
|  | Small/Mid Cap U.S. Equities | Russell MIDCAP Index |
|  | International Equities | MSCI EAFE |
|  | Emerging Markets Equities | MSCI Emerging Markets |
| Fixed Income | Core Fixed Income | Barclays U.S. Aggregate |
|  | Core Fixed Income | BARCAP G/C INT Index |
|  | High Yield Fixed Income | ML US HY |
|  | International Fixed Income | ML Global HY & EM |
| Alternatives | Alternatives | Varies based on alternative strategy |
| Cash/Cash Equivalents | Cash/Cash Equivalents | Citigroup 3-Month T-Bill |