



INVESTMENT POLICY STATEMENT

PURPOSE

This Investment Policy Statement (“IPS”) serves as the guideline for management of the Community Foundation for Oceana County’s (“Foundation” or “CFOC”) investment program. The Board of Trustees (“Board”) uses this policy to aid in the fulfillment of its fiduciary responsibility for the general management of the investment program. Throughout this IPS, all references to the Board shall include the Executive Committee, as applicable, to the extent such responsibilities and duties extend to the Executive Committee under CFOC’s by-laws.

SCOPE OF DOCUMENT

The objectives and parameters set forth in this IPS shall pertain only to CFOC’s long-term investment assets (the “Account”).

MANAGEMENT

Uniform Prudent Management of Institutional Funds Act

Except as a donor’s gift instrument otherwise requires and consistent with the Michigan version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the following factors must be considered, if relevant, in managing and investing the Account.

- 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 program;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation;
- The needs of the Foundation to make distributions and to preserve capital; and,
- An asset’s special relationship or special value, if any, to the purpose of the Foundation

STANDARDS

This IPS sets standards for the direction, operation, management and oversight of the investments of the Account. Specifically, this IPS establishes formal yet flexible investment guidelines incorporating prudent asset allocation parameters and total return goals that are realistic based upon historical return patterns, and to establish a basis for evaluating the investment performance of the investment vehicles.

ROLE OF THE INVESTMENT COMMITTEE

The Board is ultimately accountable for the investment program, but has determined that the investment program will be handled more efficiently if oversight and management are delegated to the Investment Committee (“Committee”). The Committee recognizes that its role in the investment management process is that of oversight, not management, and that the determination of specific investment strategies and security selections is the duty of the individual investment vehicles. Committee actions are monitored and approved through reporting at CFOC Board of Trustee meetings.

- A. This IPS sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for the Foundation's assets.
- B. The Policies for the investment program contained herein take into account the Foundation's anticipated financial needs and its tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- C. The Policies contained in this statement provide boundaries, where necessary, for ensuring that the investment program is managed in line with the short-term and long-term financial goals of the Foundation. At the same time, provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Foundation.
- D. The Committee will review these Policies at least every two years. Changes to the Policies can be made only by affirmation of a majority of Committee members. Written confirmation of the changes will be provided to the Board, Committee members, and parties hired to manage the assets of the Account as soon thereafter as is practical.

Spending Policy

CFOC understands that its spending policy will have a significant impact on its return objectives, risk objectives and the account's asset allocation. The spending policy should allow for predictability of spendable funds for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the Account.

The Foundation sets spending policy by multiplying a percentage (the spending rate) to a fund's average net balance. In determining the applicable percentage, the Committee considers the Foundation's history, spending policies in place at other community foundations, and the Foundation's responsibility to preserve the purchasing power of its funds over time. Specifically, unless the board decides it would be imprudent to do so, the spending rate shall be 4.0% (excluding all administrative and investment fees) of the rolling average of the preceding 12 quarter market values, calculated based on the account's market value as of September 30th of each year.

At the end of each fiscal year staff will review grant budgets to determine if any income available to be spent, and not spent at the end of each fiscal year, should be left available for spending in future years or if the unspent grant budget should be transferred back into the principal of the fund.

This spending rate may be modified by the Committee, subject to approval by the Board. The application of the Foundation's spending policy to individual component funds shall be subject to each donor's gift instrument. Unless otherwise restricted by a donor's gift instrument, the Foundation shall not be bound by the historic dollar value limitation in applying this spending policy to individual component funds. All aspects of CFOC's spending policy shall be interpreted in conformity with the definitions set forth in the State of Michigan version of the UPMIFA.

Investment Objective

- A. The Account is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Foundation.
- B. For the purpose of making distributions, the Account shall make use of a total return- based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.
- C. The distribution of Account assets will be permitted to the extent that such distributions do not exceed a level that would erode the Account's real assets over time. The Committee will seek to

reduce the variability of annual Account distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually to decide whether any changes therein necessitate amending the IPS, its target asset allocation, or both.

- D. Periodic cash flows, either into or out of the Account, will be used to better align the investment portfolio to the target asset allocation outlined in the Asset Allocation Policy at Section IV. A. herein.

Portfolio Investment Policies

A. Asset Allocation Policy

1. The Committee recognizes that the strategic allocation of Portfolio assets across broadly-defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.
2. The Committee expects that actual returns and return volatility may vary widely from expectations and return objectives across short periods. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio’s asset allocation, it expects to do so only in the event of material changes to the Account, to the assumptions underlying Foundation spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
3. Account assets will be managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of Account equity investments is to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments is to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Account liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.
5. Outlined below are the long-term strategic asset allocation guidelines, determined by the investment committee to be the most appropriate, given the Account’s long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

Asset Class	Sub-Asset Class	Target Allocation	Range
Equity		70%	60-80%
	Domestic (U.S.)	42%	32-52%
	International (Non-U.S.)	28%	18-38%
Fixed Income		30%	20-40%
	Investment Grade	30%	
Cash		0%	

B. Diversification Policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
3. With respect to fixed income investments, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

C. Rebalancing Policies

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be re-balanced to its target normal asset allocation under the following circumstances:

1. Utilize incoming cash flow (contributions) or outgoing money movements (disbursements) of the portfolio to realign the current weightings closer to the target weightings for the portfolio.
2. The portfolio will be reviewed quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
 - a) If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.
 - b) If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced, at the discretion of the investment manager in consultation with the Committee.
3. The investment manager may provide a rebalancing recommendation at any time.
4. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

D. Other Investment Policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin, or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.

4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios

Monitoring Portfolio Investments and Performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

- A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:
 1. The Portfolio's absolute long-term real return objective is 4-5%.
 2. A composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines:
 - a) U.S. Equity: CRSP US Total Market Index or a similar broad domestic equity index
 - b) Non-U.S. Equity: FTSE Global All Cap ex US Index or a similar broad international equity index
 - c) Investment Grade Fixed Income: Barclays Capital US Aggregate Float Adjusted Index
 - d) Cash: Citigroup 3-Month T-Bill Index
- B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:
 1. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio
 2. The performance of other investment managers having similar investment objectives
- C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
- D. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to meet with the Investment Committee once per year to review portfolio structure, strategy, and investment performance.

Approved by CFOC Board of Directors April 4, 2021
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