



**COMMUNITY  
FOUNDATION**  
*of Northern Nevada*

# **Investment Policy Statement**

**Statement of Investment Policy, Objectives, and  
Guidelines for the Investment Accounts of the  
Community Foundation of Northern Nevada**

**September 4, 2024**

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## EXECUTIVE SUMMARY LONG TERM POOL – SEPTEMBER 2024

**Type of Fund:** Long Term Pool

**Assets:** \$63,000,000 As of Date: May 2024

**Time Horizon:** Perpetuity

**Investment Horizon:** 10+ Years

**Real Return Target:** CPI plus 3-5%, net all fund expenses.

**Investment Objective:** Minimal Acceptable Rate of Return

To achieve a real rate of return above inflation of 3%, net of all investment management costs.

**Spending Policy:** Fund Specific, typical endowment: 5% fund balance calculated as of September 30 each year.

**Asset Allocation Analysis:** Reference to Addendum A - Asset Allocation

**Benchmark Allocation:** 60% MSCI ACWI, 40% World Government Bond Index

**Asset Class Guidelines:**

Category	Asset Class	Target	Range
<b>Equities</b>		<b>60</b>	<b>42-78%</b>
US Equities	Large Growth	18	13-23%
	Large Value	18	13-23%
	Mid/Small Cap	7	3-14%
International Equities		13	9-17%
Emerging Markets		4	3-5%
<b>Fixed Income</b>		<b>31</b>	<b>22-40%</b>
US Bonds	Government	12	8-16%
	Municipal	0	0-5%
	Corporate	9	6-12%
	High Yield	5	4-7%
International Bonds		5	4-7%
<b>Alternatives</b>		<b>5</b>	<b>0-7%</b>
<b>Cash and Equivalents</b>		<b>4</b>	<b>0-4%</b>

## EXECUTIVE SUMMARY BYOA – SEPTEMBER 2024

**Type of Fund:** Bring Your Own Advisor Pool

**Assets:** \$42,794,000 As of Date: May 2024

**Time Horizon:** Long Term

**Investment Horizon:** 10+ Years

**Real Return Target:** CPI plus 3-5%, net all fund expenses.

**Investment Objective:** Minimal Acceptable Rate of Return

To achieve a real rate of return above inflation of 3%, net of all investment management costs.

**Spending Policy:** Fund Specific

**Asset Allocation Analysis:** Reference to Addendum A - Asset Allocation

**Benchmark Allocation:** 60% MSCI ACWI, 40% World Government Bond Index

**Asset Class Guidelines:**

Category	Asset Class	Target	Range
<b>Equities</b>		<b>60</b>	<b>42-78%</b>
US Equities	Large Growth	18	13-23%
	Large Value	18	13-23%
	Mid/Small Cap	7	3-14%
International Equities		13	9-17%
Emerging Markets		4	3-5%
<b>Fixed Income</b>		<b>36</b>	<b>25-47%</b>
US Bonds	Government	14	10-18%
	Municipal	0	0-5%
	Corporate	12	8-16%
	High Yield	5	4-7%
International Bonds		5	4-7%
<b>Alternatives</b>		<b>0</b>	<b>0-3%</b>
<b>Cash and Equivalents</b>		<b>4</b>	<b>0-4%</b>

## EXECUTIVE SUMMARY INTERMEDIATE POOL – SEPTEMBER 2024

**Type of Fund:** Blend of 80% Long Term and 20% Short Term Pools

**Assets:** \$4,078,000 As of Date: May 2024

**Time Horizon:** Intermediate

**Investment Horizon:** 3-5 Years

**Real Return Target:** CPI plus 3%, net all fund expenses.

**Investment Objective:** Minimal Acceptable Rate of Return

To achieve a real rate of return above inflation of 3%, net of all investment management costs.

**Spending Policy:** Funds are generally intended to be spent within 5 years

**Asset Allocation Analysis:** Reference to Addendum A - Asset Allocation

**Benchmark Allocation:** 50% MSCI ACWI, 50% World Government Bond Index

**Asset Class Guidelines:**

Category	Asset Class	Target	Range
<b>Equities</b>		<b>48</b>	<b>34-62%</b>
US Equities	Large Growth	14	10-18%
	Large Value	14	10-18%
	Mid/Small Cap	7	2-14%
International Equities		9	6-12%
Emerging Markets		4	3-5%
<b>Fixed Income</b>		<b>45</b>	<b>32-59%</b>
US Bonds	Government	10	7-12%
	1-3 Year Government	12	8-16%
	Municipal	0	0-5%
	Corporate	15	11-20%
	High Yield	4	3-5%
International Bonds		4	3-5%
<b>Alternatives</b>		<b>3</b>	<b>0-4%</b>
<b>Cash and Equivalents</b>		<b>4</b>	<b>0-4%</b>

## EXECUTIVE SUMMARY SHORT TERM POOL – SEPTEMBER 2024

**Type of Fund:** Short Term Pool

**Assets:** \$6,000,000 As of Date: May 2024

**Time Horizon:** Less than 3 years

**Investment Horizon:** 1-3 years

**Real Return Target:** CPI, net all fund expenses

**Investment Objective:** Minimal Acceptable Rate of Return

To achieve a real rate of 2.5%, net of all investment management costs

**Spending Policy:** Funds are generally intended to be spent within 3 years

**Asset Allocation Analysis:** Reference to Addendum A - Asset Allocation

**Benchmark Allocation:** 100% Government Credit Fixed Income (Short Duration 1-3 years)

### Asset Class Guidelines:

Category	Asset Class	Target	Range
<b>Equities</b>		<b>0</b>	<b>0%</b>
US Equities	Large Growth	0	0%
	Large Value	0	0%
	Mid/Small Cap	0	0%
International Equities		0	0%
Emerging Markets		0	0%
<b>Fixed Income</b>		<b>100</b>	<b>70-100%</b>
US Bonds	1-3 Year Government	60	48-100%
	Municipal	0	0-10%
	Corporate	40	32-48%
	High Yield	0	0-10%
International Bonds		0	0-10%
<b>Alternatives</b>		<b>0</b>	<b>0%</b>
<b>Cash and Equivalents</b>		<b>0</b>	<b>0-30%</b>

## EXECUTIVE SUMMARY MONEY MARKET – SEPTEMBER 2024

**Type of Fund:** Ultra Short Term - Money Market

**Assets:** \$5,100,000 As of Date: May 2024

**Time Horizon:** Less than 1 year

**Investment Horizon:** Less than 1 year

**Real Return Target:** 1-month TBill%, net all pool expenses.

**Investment Objective:** Minimal Acceptable Rate of Return

To achieve a real rate of return comparable to the 1-month Treasury, net of all investment management costs.

**Spending Policy:** Funds are generally intended to be spent in less than 1 year

**Asset Allocation Analysis:** Reference to Addendum A - Asset Allocation

**Benchmark Allocation:** 100% Money Market Fund

**Asset Class Guidelines:**

Category	Asset Class	Target	Range
<b>Equities</b>		<b>0</b>	<b>0%</b>
US Equities	Large Growth	0	0%
	Large Value	0	0%
	Mid/Small Cap	0	0%
International Equities		0	0%
Emerging Markets		0	0%
<b>Fixed Income</b>		<b>0</b>	<b>0-30%</b>
US Bonds	Government	0	0%
	Municipal	0	0%
	Corporate	0	0%
	High Yield	0	0%
International Bonds		0	0%
<b>Alternatives</b>		<b>0</b>	<b>0%</b>
<b>Cash and Equivalents</b>		<b>100</b>	<b>70-100%</b>



## **THE COMMUNITY FOUNDATION OF NORTHERN NEVADA**

The Community Foundation of Northern Nevada (the Foundation) assets consist of invested donor advised funds, charitable trusts and annuities, scholarships, designated, field of interest, legacy, and endowment funds. Gifts of all sizes are pooled and invested to address widespread community challenges and emergency relief for generations to come.

### **MISSION AND VALUES**

To strengthen our community through philanthropy and leadership by connecting people who care with causes that matter.

Our values guide our decision-making, and our strategies ensure we are intentionally serving people with diverse ideas, cultures, and backgrounds in meaningful ways.

1. We are committed to valuable service to our community.
2. We foster innovation, collaboration, and imagination.
3. We are an engaged community leader and ally. We seek to develop and influence philanthropic leaders.
4. We value inclusiveness, diversity, and equity. Our organization is characterized by a generous and caring spirit.
5. We are responsible stewards of the resources entrusted to us. We operate with integrity, transparency, and credibility.
6. We are a results-oriented organization, committed to excellence

### **SCOPE OF THIS INVESTMENT POLICY**

This statement of investment policy reflects the policy, objectives, and constraints of the Foundation's investment accounts.

### **PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This investment policy statement is set forth by the Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of pool assets.
3. Establish a basis for evaluating investment results.
4. Manage pooled assets according to prudent standards as governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
5. Establish the relevant investment horizon for which the Community Foundation's assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

This policy also includes Impact Investments that are intended to improve the quality of life in the Foundation's local area. This policy therefore provides, among other things, for limited Impact Investments and incorporates Impact Investments as a component of the Foundation's Asset Allocation Strategy so that the Foundation can make investments that may be both in the interest of fundholders and the community the Foundation serves.

This policy further describes the standards utilized by the Investment Committee in monitoring investment performance, as well as serving as a guideline for any Investment Manager retained. In this regard, this policy provides for Pooled Investment Accounts to meet objectives for charitable funds that will be distributed in near, short, intermediate and long-term time frames. Near term assets are deemed to be those that will be distributed in less than 1-year, short-term assets are 1-3 years, intermediate 3-5 years and long-term assets are a time frame of 5 years or longer.

Fundholders may request appropriate Pooled Investment Accounts based on the nature of the charitable assets in their Fund, with the exception of monies that are to be distributed within one year will be held in the Money Market Pool. Additionally, funds held for grant payables may be invested separately to fulfill those obligations.

## **GOAL OF THE FOUNDATION**

The Foundation believes that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that the Foundation is to exist in perpetuity and, therefore, should provide for spending in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending policy and investment expenses, the objective is to grow the aggregate portfolio value at the rate of CPI over the Foundation's stated investment horizons. The specific investment objectives for the Foundation will be established later in this document.

## **DEFINITIONS**

1. "Pools" shall mean a portion of the assets of the Foundation.
2. "Trustees" shall refer to the Foundation governing board established to administer the Pools as specified by applicable ordinance.
3. "Fiduciary" shall mean any individual or group of individuals who exercise authority or control over the pool's management or any authority or control over management, disposition, or administration of the pools.
4. "Investment Manager" shall mean any individual or group of individuals employed to manage the investments of all or part of the pools.
5. "Investment Management Consultant" or "Investment Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring. The Investment Management Consultant shall be

retained as a non-discretionary advisor.

6. "Investment horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The Foundation recognizes the need for a long-term perspective in evaluating performance due to economic and capital market conditions. However, it will also review performance against objectives and benchmarks over shorter periods. The Pools' investment horizons should include both short-term (1-3 years) and long-term (at least 5 years) objectives. This approach balances immediate needs with the pool's spending requirements and other liabilities.
7. "Staff" are all individuals who are employed by the Community Foundation regardless of the nature of their employment.

The Foundation will have four types of investment pools:

- A long-term pool for over five years.
- An intermediate pool for 3-5 years.
- A short-term pool for 1-3 years.
- A money market account for funds needed within a year.

## **DELEGATION OF AUTHORITY**

The governing body of the Foundation is the Board of Trustees who are fiduciaries and are responsible for directing and monitoring the investment management of pooled assets. As such, the trustees are authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to the following:

**The Investment Committee:** The Board of Trustees has delegated the direct management and oversight of the invested assets to the Board Investment Committee, which is composed of Trustees and Board Advisors. The Board of Trustees still retains policy and fiduciary oversight of all investment assets.

**Investment Management Consultant:** The Foundation may retain a consultant who advises and supports the Foundation, through the Chief Financial Officer, in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

**Investment Managers:** The investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the pool's investment objectives, within the limits of each manager's specific investment mandate.

**Custodian:** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the pool, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian also may perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the pooled accounts.

Additional specialists: Additional specialists such as attorneys, auditors, actuaries, and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer pooled assets prudently.

All expenses must be customary and reasonable and will be paid out of the pooled assets and deducted before returns are calculated to meet objectives. Goals and objectives must be accomplished net of all expenses necessary to operate and manage the pool's assets.

## **ASSIGNMENT OF RESPONSIBILITY**

### **Responsibility of Investment Committee**

The Investment Committee is responsible for formulating and recommending investment policy for the Pools to the Foundation Board of Trustees. Duties include but are not limited to the following:

- Overseeing the portfolio's assets and reporting on the status of the portfolio to the Board of Trustees.
- Selection and retention of Investment Managers as the investment policy dictates. The Investment Committee acts within the authority delegated by the Board of Trustees in all matters relating to Investment Manager selection.
- Overseeing the monitoring of the individual Investment Manager portfolios to ensure compliance with this policy, its guidelines and restrictions and the appropriateness of each Investment Manager's investment strategy given the Foundation's overall strategy, philosophy, and objectives.
- Monitor the asset allocation of the Pool to ensure compliance with stated guidelines.
- Determine if the overall policies and objectives and allocations continue to be appropriate and reasonable and make recommendations to the Board of Trustees as necessary.

### **Responsibility of the Investment Consultant(s)**

The Investment Consultant's role is that of a non-discretionary advisor to the Foundation. Investment advice concerning the investment management of pooled assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant include the following:

- Providing detailed monthly performance reporting for all Foundation investments to the CFO and an executive summary and discussion based on all information including a review of the financial markets and economic climate considering the Pools' investment objectives and investment activity.
- Providing necessary information and preparing reports for audits and other ad-hoc needs of the finance department.
- Providing consolidated quarterly performance reporting for all Foundation investments to the Investment Committee.

- Providing consolidated quarterly Investment Manager fee reports to the Investment Committee.
- Assisting in the development and periodic review of investment policy.
- Conducting Investment Manager searches when requested by the Investment Committee.
- Providing due diligence—or research—on the Investment Manager(s).
- Monitoring the performance of the Investment Manager(s) to provide the Investment Committee with the ability to determine the progress toward the investment objectives.
- Communicating matters of policy, manager research, and manager performance to the CFO and Investment Committee.
- Communicating matters of policy and investment direction to the Investment Managers and providing each Investment Manager with any updated Investment Policy Statement.
- Providing a review of the Pool investment history, historical capital markets performance, and the contents of this Investment Policy Statement to any newly appointed members of the Investment Committee.
- Participation in all Investment Committee meetings.
- The Investment Consultant must operate without any conflicts of interest.
- Conduct annual Investment Manager reviews, including performance, risk profile, policy adherence, changes to ownership structure or investment personnel, diversity and inclusion data and reporting all significant changes to the CFO and Investment Committee.

### **Responsibility of the Investment Manager(s)**

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its management within the investment methodology and mandate approved by the Foundation. Institutional pooled funds and alternative investment managers will be governed by their prospectus and offering memorandums. Specific responsibilities of the Investment Manager(s) include the following:

- Acting in accordance with "prudent investor" principles with respect to the management of the Foundation's portfolio's assets
- For investments other than mutual funds, immediately report in writing as practical any violations of the guidelines and restrictions as set forth in this policy.
- Immediately report to the Investment Consultant and Investment Committee any findings against the firm or its principals, either by the SEC or any other regulatory authority. In addition, any lawsuits brought against the firm, or its principals should also be immediately reported to the Foundation.

- Discretionary investment management includes decisions to buy, sell, or hold individual securities in line with their stated investment methodology and style.
- Reporting, on a timely basis, quarterly investment performance results on all assets.
- Communicating, on at least a quarterly basis, any major changes to the economic outlook, investment strategy, or any other factors that affect the implementation of the investment process or the investment objective progress of Pool's investment management.
- Informing the Investment Consultant regarding any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Voting proxies on behalf of the Pool in line with the investment philosophy and management of the portfolio.
- Attending meetings with the Investment Committee, staff, and Investment Consultant as needed.
- Adhering to the investment strategy or style for which the Investment Manager was selected.
- The Investment Managers must operate without any conflicts of interest. Examples include but are not limited to:
  - Self-dealing: making decisions that benefit themselves or their firm at the expense of the pool.
  - Performance Fees: taking excessive risks to achieve higher returns if their compensation is tied to the performance of the investments.
  - Soft Dollar Arrangements: directing client trades to brokers who provide them with benefits such as research and software rather than choosing brokers that offer the best execution for the pools.
  - Personal Trading: Engaging in personal trading based on non-public information obtained through managing client funds, leading to potential insider trading issues.
  - Gifts and Entertainment: Accepting gifts or entertainment from clients or vendors can influence a manager's decisions and objectivity.
  - Outside Business Activities: having other business interests or board memberships that could conflict with their fiduciary duty.

## **INVESTMENT PRINCIPLES: UPMIFA**

The Foundation Board of Trustees will apply the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the management of the Pool's assets. The following factors, if relevant, must be considered:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences, if any, of investment decisions or strategies.
4. The role that each investment or course of action plays within the overall investment portfolio.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the institution.
7. The needs of the institution and the Pool to make distributions and to preserve capital.
8. An asset's special relationship or special value, if any, to the charitable purposes of the institution.
9. Management and investment decisions about an individual asset must be made not in isolation, but rather in the context of the institutional Pool's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Pool or institution.
10. Except as otherwise provided by law other than UPMIFA, the institution may invest in any kind of property or type of investment consistent with this section.
11. An institution shall diversify the Pool's investments unless it reasonably determines that, because of special circumstances, the purposes of the Pool are better served without diversification.
12. Within a reasonable time after receiving property, the institution shall carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional pool into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this section of the investment policy.
13. A person who has special skills or expertise or is selected in reliance upon the 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 institutional pools.

## INVESTMENT MANAGEMENT POLICY

To meet its needs, the investment strategy of the Foundation is to emphasize total return, i.e., the aggregate return from capital appreciation, dividend, and interest income. The primary objective of a total return policy is the preservation of purchasing power after spending and to achieve returns in excess of the rate of inflation after spending, net of all portfolio management expenses. This must be achieved over a full market cycle.

1. **Preservation of capital:** Preservation of capital is outlined in Addendum A, by the probability analysis of keeping the Foundation's principal growing at the

assumed rate of inflation net of the targeted spending rate for each pool. Spending and administrative expenses should be included in the Monte Carlo analysis to determine the probability of achieving the investment goal over the long-term investment horizon

2. **Risk aversion:** Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that risk is necessary to produce long-term investment results that are sufficient to meet the pool's objectives. The overall total portfolio's risk is best evaluated through the asset allocation analysis in Addendum A. Through the tenets of modern portfolio theory (MPT), portfolio diversification takes into consideration the expected return, the variability or standard deviation of returns, and the correlations of each asset class in relationship to risk management of the total portfolio. Through the benefits of correlation, the addition of what may be considered a riskier asset class invested alone may lower the total portfolio risk when added to a more diversified portfolio. Each asset class will be considered in its ability to manage total portfolio risk and its benefit in raising the efficient frontier to increase the probability of achieving the policy objectives stated in this document.
3. **Investment Manager adherence to discipline:** Investment Managers will be hired on a discretionary basis to manage the investment decisions of buying, selling, or holding individual securities in each portfolio asset class. Investment managers are expected to manage portfolios within the guidelines of their specific mandate. Investment Managers will be evaluated regularly for their adherence to investment discipline.

## SPENDING POLICY

The Spending Policy Statement for each Pool is outlined in the Executive Summary.

## UNDERWATER FUND SPENDING POLICY

The policy for underwater funds (funds whose balances are below their historic gift value) applies to endowed funds or those with a contractual spending policy and is intended to reduce spending to an amount that will allow funds to recover their historical gift value while also preserving the purchasing power. For ease of operation, the tiered schedule will have no more than five thresholds as shown here:

Percent Underwater	Reduction in Spending	Adjusted Grant Spending Rate
Less than 25%	No Reduction	5.00%
Over 25% less than 30%	1% Reduction	4.00%
Over 30% less than 35%	2% Reduction	3.00%
Over 35% less than 40%	3% Reduction	2.00%
Over 40%	100% Reduction	0.00%



The spending policy percentage(s) are reviewed and approved on an annual basis.

Staff reviews each donor-advised fund's balance and, based on UPMIFA and the approved model, recommends an annual available to spend percentage for each fund. A separate analysis for endowed funds not subject to UPMIFA are reviewed with recommendations for an available to spend percentage.

Staff provides the Investment Committee and the Board of Directors with the annual recommended percentages for each group of endowed funds as well as an analysis of the current year's actual spending & fees, total return and inflation compared to target.

## **LIQUIDITY REGARDING CAPITAL RESERVES**

The Foundation's investment pools are considered long term and should maintain a fully invested position with minimal cash reserves. The CFO will ensure in a timely manner the rebalancing of the portfolio and build up necessary liquid reserves for distribution from the Pool. Capital reserves waiting for distribution will be set aside from the investment portfolio in an operating or cash/cash equivalents account. These funds will be considered outside the strategic asset allocation of the Pool's investment assets. The amount of funds held in the operating account should be for relatively immediate distribution and not considered funds for the tactical asset allocation management of the Pool.

## **TOTAL POOL INVESTMENT GOALS AND OBJECTIVES**

Over the investment horizon established in this statement, it is the goal of the aggregate total pool to exceed:

- The rate of inflation (as measured by the CPI) net of the spending policy.
- To exceed the composite benchmark composed of passive index management in line with the strategic asset allocation of the pool.
- To achieve these return on investment objectives within the as measured by the risk benchmark. The risk benchmark is defined for each pool in the Executive Summary and includes data such as the MSCI ACWI and the World Government Bond Index.

## **INVESTMENT MANAGER GOALS AND OBJECTIVES**

The goal of each Investment Manager, over the investment horizon, shall be to:

- Meet or exceed the market index, or blended market index, selected by the Investment Consultant that most closely corresponds to the Investment Manager's methodology or style of investment management on a risk-adjusted basis. Benchmarks must be investable and measured net of investment expenses to be compared to manager performance on a net after-expense basis.
- Display an overall level of risk in the portfolio that is consistent with the Investment Manager's methodology. Risk will be measured by, but not limited to, a variety of measures such as standard deviation, beta, information ratio, Sharpe ratio, downside capture ratio, etc., over a rolling period basis.

- For the purpose of evaluating individual Investment Managers, a shorter-term period will be used to evaluate each Investment Manager's performance relative to specific benchmark goals. If, after 4 consecutive quarters, an Investment Manager does not illustrate any premium return or risk-adjusted premium in line with the assigned benchmark, the Investment Committee will request the Investment Consultant to perform an ad hoc Advisor Review and advise the Foundation on recommended action regarding the retention or termination of the Investment Manager.

Specific investment goals and constraints for each Investment Manager shall be incorporated as a part of the due-diligence process offered by the Investment Consultant.

## **MARKETABILITY OF ASSETS**

The Investment Committee requires that all of the pooled assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the pool, with minimal impact on market price.

## **ALTERNATIVE INVESTMENTS**

Due to the potential variability in disbursements within the Long-Term pool, the Investment Committee requires all Alternative Investments meet the following criteria:

- **Market Liquidity:** Alternative Investments should have monthly liquidity or a lock up period (period of time with no liquidity) no longer than 12 months.
- **Reporting and Valuation:** Alternative Investments must have timely performance reporting and quarterly valuations.

## **ASSET ALLOCATION GUIDELINES**

The investment management of the assets of the Foundation will be global in overall investment structure. The portfolio construction and diversification strategy of the Pool will be in accordance with the following asset allocation guidelines:

### **Total Pool asset allocation:**

The aggregate Pools asset allocation guidelines (at market value) are illustrated in the table of each pool's executive summary. Addendum A provides supporting documentation on the risk/return expectations and the efficiency of the asset allocation model. Each Executive Summary illustrates the current strategic asset allocation of the Foundation's pools, which employs an optimized portfolio within the risk and liquidity constraints set forth in this policy statement. As the capital markets, economic conditions, and opportunities change over time, tactical adjustments may be made within the broad asset classes included in the model regarding:

- equity capitalization (large, medium, small)
- international and emerging markets
- fixed income sub-asset classes (core, international, global, high yield, emerging markets, etc.)

- alternative investments

Strategic allocation changes outside of the broad asset classes will require a recommendation from the CFO and Investment Consultant for approval by the Investment Committee. The strategic asset allocation ranges should be within 30 percent for all liquid strategies. Rebalance reports shall be provided by the Investment Consultant on a quarterly basis or as needed. When alternative asset classes move outside their approved range, the Investment Committee understands it will take time to adjust the allocation due to the potential liquidity constraints of these assets.

## **CAPITAL MARKETS–ASSET ALLOCATION INPUT ESTIMATES**

The methodology for determining the capital market inputs for expected return, risk and correlation are provided in Addendum A - Asset Allocation. When the economic climate changes to the degree the capital markets assumptions are modified mid-year, an updated recommendation will be provided to document those changes. If the new assumptions provide a reason to adjust the strategic asset allocation model or the probability of achieving the goal requires material changes to the portfolio construction of the Pool, the Investment Committee must gain approval for the new strategy and amend the investment policy.

## **ASSET ALLOCATION: REBALANCE POLICY**

The investment portfolio will be reviewed quarterly and rebalanced when any asset class is outside the minimum or maximum policy allocation. Rebalancing activity will restructure the portfolio back within the target asset allocation range. A full rebalance back to the specific strategic allocation or a partial rebalance back within allocation ranges will be determined at each rebalance opportunity. All rebalancing activity will be executed by the Investment Consultant at the direction of the CFO through the quarterly monitoring process. The CFO will not require approval from the Investment Committee to direct the execution of rebalancing activity. Rebalancing pools to alternative asset classes will take into consideration the liquidity of those investment programs and rebalancing activity will be considered when necessary. Changes in asset allocation, investment strategy, and rebalance activity will be reviewed quarterly with the Investment Committee.

Cash flows into the portfolio from fundraising and gifts and/or out of the portfolio to fund grants and operations will be utilized to rebalance the pool toward the target allocation. Partial rebalancing of the Pool's assets from cash flow will move the Pool closer to the target asset allocation by only the dollars required for the cash-flow activity.

## **RISK MANAGEMENT**

The pool will be managed within the following risk parameters. These parameters apply to the total portfolio and not to the risk characteristics of the individual Investment Managers, passive investments options, and/or investment solutions. These risk measurements will be included in the quarterly performance monitoring reports.

- Volatility as measured by standard deviation: The volatility of the total portfolio will be monitored on a rolling 36-month period versus the volatility of the risk benchmark as defined by a 60-percent MSCI ACWI/40-percent World Government Bond Index.

The total pools volatility is to be within a (+/-) 30-percent range of this risk benchmark as measured;

- Beta: The beta of the total portfolio should be 0.65 or less versus the MSCI ACWI. The beta of the portfolio will be monitored on a rolling 36-month period;
- Alpha: The risk-adjusted returns of the total portfolio will be measured on a rolling 36- month basis versus the global equity markets (MSCI AC World Equity Index). The objective of the portfolio will be to have a positive alpha or risk-adjusted return.
- Aggregate bond holdings are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of AA.
- No more than 5% at cost or 10% at market of an Investment Manager's portfolio may be held in the securities of a single issuer. This restriction does not apply to securities issued by the U.S. Government, or a U.S. Government Agency backed by the full faith and credit of the U.S. Government.

## **SELECTION OF INVESTMENT MANAGERS**

The Foundation has delegated the selection of Investment Manager(s) to the Investment Committee through the due diligence and advisor services of the Investment Consultant. Investment Manager selection must be based on prudent due diligence procedures. Decisions to employ, retain, and/or terminate Investment Managers will be the responsibility of the Investment Committee with the assistance and recommendations of the CFO and Investment Consultant. The Investment Consultant will act as a nondiscretionary advisor and require approval of the Investment Committee in all matters regarding changes to the Investment Managers of the Pool. The Investment Committee does not require the approval of the Board of Trustees for the management of this activity but must receive approval on the final actions. Traditional (excluding alternative Investment Managers) Investment Managers must be a Registered Investment Advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Investment Consultant will be required to conduct and document for the Foundation an Investment Manager search and evaluation for each pool. The Investment Manager search process will provide quantitative historical performance information using reliable manager composite data to evaluate the risk-adjusted returns of the Investment Manager's performance track records. The focus of these evaluations will be to find Investment Managers that are capable of achieving premium returns relative to appropriate capital market benchmarks, but with a primary focus on risk management, downside protection and therefore risk adjusted returns on investment. In addition, the Investment Consultant will be required to perform and report a qualitative analysis of the Investment Manager's personnel, investment process, and stability of the Investment Manager's business organization.

Passive investment management and the utilization of index portfolios will be utilized where active options to find risk adjusted premium returns are not available. Similar due diligence analysis will be performed on passive investment strategies.

## INVESTMENT MANAGER GUIDELINES

Investment Managers will be evaluated and selected by the CFO and Investment Consultant for review and approval by the Investment Committee, with final action taken by the Board of Trustees, as appropriate to manage specific pools. These Investment Managers may have been selected for their ability to manage specific asset classes within the risk and return characteristics deemed appropriate for the pool. The investment methodology unique to the Investment Manager and the historical performance illustrated by the Investment Manager, will be of central focus in the due-diligence evaluation process. Investment Managers will be evaluated continually on their quantitative performance characteristics as well as the fundamental qualitative characteristics of their businesses. The CFO and Investment Consultant will make recommendations for Investment Manager termination when risk-adjusted performance is sufficiently under benchmark or substantially behind other top Investment Managers of similar class. In addition, the Investment Consultant will keep the Foundation apprised of fundamental changes in the qualitative business management issues of the firm when these changes are considered material to the firm's ability to manage assets in the future.

## INVESTMENT PERFORMANCE REVIEW AND EVALUATION

### Total Portfolio

Performance reports generated by the Investment Consultant shall be compiled quarterly and communicated to the Investment Committee for review. Performance monitoring will focus on the evaluation of the following:

- Net absolute returns to Policy Goals – (CPI + Spending, Net Expenses)
- Relative returns—time weighted to a composite benchmark composed of passive index vehicles in a similar asset allocation to the strategic policy
- Risk-adjusted returns—measuring standard deviation, beta, and alpha to the risk benchmark
- Peer universe returns—the total pool compared to the appropriate peer universe database on an annual basis (Crewcial Reporting)
- Manager returns—compared to appropriate passive benchmarks and peer universe of Investment Managers of similar asset class and investment style
- Individual Manager total fees - compared to industry standards and peer universe database. (Crewcial Reporting)

### Investment Managers

Individual Investment Managers and manager portfolios will be measured against each pool's accepted performance benchmarks outlined in the Executive Summary. Performance will be evaluated by, but not limited to, a variety of measures such as standard deviation, beta, information ratio, Sharpe ratio, etc., over a rolling period basis. The Investment Committee intends to evaluate the portfolio(s) over a full market cycle with a quarterly review, but the committee reserves the right to terminate any Investment Manager

for any reason including the following:

- Investment performance that is significantly less than anticipated given the discipline employed, and the risk parameters established, or unacceptable justification of poor results.
- Failure to adhere to any aspect of this Investment Policy, including communication and reporting requirements.
- Significant qualitative changes to the investment management organization.
- Any actions or conduct pose any reputational or ethical risks to the Foundation.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **MANAGEMENT COST, FEES, AND PROFESSIONAL COMPENSATION**

One fiduciary responsibility of the Investment Committee is to understand and account for all costs in the management of Pool assets. Management costs must be reasonable, to the direct benefit of the Pool, and without any conflicts of interest. The Investment Consultant will assist the Investment Committee in the determination, understanding, negotiation, and accountability of all Pool investment costs. The following cost of asset management must be evaluated and considered:

- Investment Manager fees for both active and passive management
- Custodial fees, transaction costs, settlement fees, and best execution
- Platform fees paid for access to distribution networks and custodial fees
- Alternative Investment Manager compensation, including management fees, incentive-based performance fees, fund-of-fund manager fees, as well as the underlying individual manager fees, claw back provisions, and any other special contract provisions
- Real estate fund—acquisition fees, asset management fees, finance fees, and performance-based fees
- Commingled pooled fund internal expenses
- Audit, administrative, and sub-accounting fees
- Consulting fees

The most important fiduciary responsibility is understanding where the allocation of management cost best affects the ability of the pools to obtain risk-adjusted performance and increase the probability of achieving the Pool's investment goals and objectives. This should not be considered a cost-minimization model, but a prudent allocation of resources to obtain objectives.

## INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status, and capital market expectations as established in this Investment Policy Statement, the Investment Committee plans to review investment policy at least annually. Policy amendments must be approved by the Board of Trustees.

This Statement of Investment Policy is adopted as of September 17<sup>th</sup>, 2024 by the Board of Trustees of the Foundation.

  
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Secretary, Community Foundation of Northern Nevada



## ADDENDUM A - ASSET ALLOCATION

The Foundation utilized a comprehensive process to create the Strategic Asset Allocation Analysis for the individual pools, incorporating published forward-looking assumptions and employing a Monte Carlo simulation. The steps involved in this process are as follows:

**Data Collection and Assumptions:** The Foundation gathered forward-looking economic and market assumptions published in the JP Morgan Long Term Capital Market Assumption report (see chart below), including expected returns, volatilities, and correlations for various asset classes.

**Asset Class Selection:** Based on the JP Morgan assumptions, the foundation selected a range of asset classes suitable for the individual investment pools, ensuring a diverse mix to optimize risk and return.

**Simulation Execution:** The Monte Carlo simulation was executed, generating numerous potential future scenarios for the performance of the selected asset classes. Each scenario considered random variations in asset returns, reflecting the inherent uncertainties and volatilities in financial markets.

**Analysis of Results:** The results of the Monte Carlo simulation were analyzed, focusing on the range of potential outcomes for each asset allocation strategy. This analysis helped identify the most robust asset allocation strategies that would meet the Foundation's risk tolerance and return objectives under various market conditions.

**Optimization and Selection:** The asset allocation strategies were based on the simulation results, selecting the allocation that offered the best balance between risk and return for each individual pool. This involved considering factors such as downside risk, expected return, and the likelihood of achieving specific financial goals.

### Return Assumptions<sup>1</sup>

		Interest	Dividend	Capital Gain	Total Return	Volatility
<b>U.S. Equities</b>	Large Growth		2%	5%	7%	17.0%
	Large Value		2%	5%	7%	17.0%
	Mid Cap		2%	5.6%	7.6%	17.98%
	Small Cap		2%	5.2%	7.2%	18.18%
<b>International Equities</b>	International Equities		2%	7.7%	9.7%	20.66%
<b>Emerging Markets</b>	Emerging Markets		2%	6.8%	8.8%	31.45%
<b>Real Estate</b>	Real Estate		2%	5.5%	7.5%	16.97%
<b>U.S. Bonds</b>	Government	3.9%		0%	3.9%	8.85%
	Municipal	4%		0%	4.0%	4.75%
	Corporate	5.8%		0%	5.8%	4.92%
	High Yield	6.5%		0%	6.5%	14.94%
<b>International Bonds</b>	International Bonds	4%		0%	4%	4.92%
<b>Cash</b>	Cash	2.9%		0%	2.9%	1.78%
<b>Other</b>	Other		2%	5%	7%	17%

<sup>1</sup> JP Morgan Long Term Capital Market Assumption 2024. Return Assumptions do not represent or guarantee performance. Past performance is not indicative of future results.