

# Investment Policy Statement

ACT for Alexandria

Board Approved: February 16, 2022

## About ACT for Alexandria

ACT for Alexandria (hereafter “the Community Foundation”) is Alexandria’s community foundation. Founded in 2002, the Community Foundation brings local citizens together to elevate local philanthropic giving and engagement. The Community Foundation connects donors with causes they are passionate about and collaborates with nonprofits to optimize resources and impact. Our mission is to improve the lives of Alexandrians by turning ideas into action and resources into results.

## Purpose and Background

The Investment Committee is responsible for establishing the Investment Policy Statement (“IPS”) to guide the investment of the Community Foundation’s assets. The IPS describes the overall investment guidelines and the framework, including the degree of overall investment risk that the Investment Committee deems appropriate, using prudent investment principles while achieving the long-term target total return to fund the Foundation’s ongoing annual operational and grantmaking budget in perpetuity.

The purpose of this IPS is to assist the Board of the Community Foundation, the Finance Committee, and its Investment Committee in effectively managing the investments of the Community Foundation’s assets. It defines and assigns the responsibilities of all involved parties, articulates the framework in which the portfolios will be managed as it relates to risk and return objectives as well as constraints, and establishes a basis for evaluating performance.

This IPS addresses the following issues and more:

- The investment goal of the Community Foundation
- The roles and responsibilities of the Community Foundation’s investment management
- Type of charitable funds that make up the investment assets guided by this IPS
- Policies and guidelines for Investment Advisor and Investment Managers
- Investment asset allocation and rebalancing policies
- Measurement and evaluation of investment performance and applicable benchmarks

## Investment Goal

The investment goal of the Community Foundation is to maintain adequate liquidity to meet near-term needs and to earn a total return that will provide long-term preservation and growth of the Community Foundation’s invested assets. To meet this goal, the Community Foundation maintains diversified investment pools that are designed to meet grantmaking of different time horizons.

## Roles and Responsibilities

The Community Foundation's Investment Committee is authorized by the Finance Committee to act on its behalf subject to this IPS. Responsibilities of Management and Investment Advisor are detailed below.

### The Investment Committee is responsible for:

1. Overseeing the investment of the Community Foundation's assets
2. Establishing, reviewing, and maintaining the IPS and target asset allocations
3. Monitoring the net-of-expenses performance and risk profile of the investment portfolio of the Community Foundation as a whole
4. Reviewing the Investment Consultant's implementation of the IPS
5. Hiring, terminating, or replacing any Investment Consultants or Investment Managers
6. Briefing the Board at least annually on the investment performance of the Community Foundation's assets

### Management is responsible for:

1. Following the IPS as adopted by the Investment Committee
2. Executing any documents necessary to facilitate the implementation of the IPS, including but not limited to contracts and subscription documents
3. Monitoring significant changes of the Investment Advisor, and assuring that key changes and timely concerns are reported to the Investment Committee
4. Reviewing and assuring receipt by the Investment Committee of all investment reports

### The Investment Advisor is responsible for:

1. Assisting in establishing investment policies, objectives, and guidelines
2. Reviewing, disclosing, and addressing all potential conflicts of interest
3. Selecting, retaining, and terminating investment managers or sub-advisors as necessary to execute the strategies of the investment program
4. Implementing rebalancing and tactical shifts between Investment Managers
5. Monitoring the appropriateness of each Investment Manager's strategy given the Community Foundation's overall goal
6. Monitoring the investment performance of each Investment Manager compared to the benchmark established for that manager
7. Maintaining frequent and open communication with the Community Foundation's Management, and the Investment Committee on significant matters pertaining to the IPS, including, but not limited to, the following:
  - Major changes in the Investment Advisor's investment outlook, investment strategy, investment process, subadvisors or portfolio structure
  - Significant changes in its ownership structure or key portfolio managers
8. Reviewing and complying with this IPS.

## Types of Charitable Funds

The Community Foundation's invested assets are currently comprised of the following:

## Operating Fund

The purpose of the Community Foundation's Operating Fund is to fund the operations, discretionary grants, and other programs of the foundation. It will exist as long as the Foundation exists.

## Managed Funds

Managed Funds, or Field of Interest Funds (Renaming: Catalyst Fund & Community Initiative Fund) are liquid funds used to fund special projects. These are established by the Community Foundation or donors to support a specific charitable project or issue, such as education, the arts, health etc.

The Fund's Advisory Committee or the Foundation direct the grants and expenditures.

## Norma Steuerle Community & Reserve Fund

The corpus for the Community Fund was established when the Steuerle family made a generous \$1M gift, which launched the Community Foundation. The purpose of the fund is to support the Community Foundation's work, with priority given to the activities that generate specific community impact. In accordance with the Community Foundation's past financial management policies, the Community Fund will continue to support its operations as needed. However, the Community Foundation's long-term aspiration is that the Community Fund is exclusively used to support community programs.

## Advised Funds

1. Pooled assets:
  - Donors can select pooled options to be managed by the Investment Advisor, utilizing target asset allocation mixes
2. Separately managed assets:
  - These funds are managed at the discretion of outside investment advisors as recommended by donors. Therefore, are outside of scope of the Community Foundation's investment pools.

## ESG Policy

Environmental, social and governance and other factors with standard financial analyses will be used when evaluating investment opportunities. When evaluating investment options, certain ESG considerations should be taken into consideration including company engagement, proxy voting, regulatory and reputational risks. The Investment Advisor will incorporate ESG criteria in the investment analysis, manager selection and decision-making processes emphasizing social and environmental responsibility.

## UPMIFA

These guidelines are consistent with prudent investor standards as well as the standards in accordance with Virginia Law and the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by Virginia in 2008.

Subject to the intent of a donor expressed in a gift instrument, the Community Foundation, in overseeing the investment funds, shall consider its charitable purposes and the purposes of the donor funds. In addition to complying with the duty imposed by law, the Investment Advisor shall manage and invest the investment funds exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision, and may incur only costs that are appropriate and reasonable in relation to the assets, and the mission of the Community Foundation. The following factors, if relevant, must be considered when making investment management decisions:

- a. General economic conditions;
- b. The possible effect of inflation or deflation;
- c. The expected tax consequences, if any, of investment decisions or strategies;
- d. The role that each investment or course of action plays within the overall investment portfolio;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the Community Foundation;
- g. The needs of the Community Foundation, funds to make distributions and to preserve capital; and,
- h. The special relationship or special value of the asset, if any, to the mission of the Community Foundation.

Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the investment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the investment assets and to the Community Foundation.

## Investment Pools

The portfolio options are as follows:

- **Cash Pool (immediate flow-through):** This pool is composed of 100% money market funds, overseen by the Community Foundation's Management.
- **Short-Term Pool (deployment time frame 0 -2 years):** A moderately conservative portfolio composed of 70% bonds and 30% equities which maximizes liquidity and minimizes volatility. This is for donors who wish to make contributions and quickly deploy them onwards to charities.
- **Long-Term Pool (deployment time frame 2+ years):** A moderate growth portfolio consisting of 70% equities and 30% bonds. This positions the portfolio for robust capital appreciation via equities, with appropriate risk moderation from fixed income. The funds will offer 100% daily liquidity, as in the Short-Term Pool.

## Asset Allocations and Benchmarks

All asset portfolios shall be broadly diversified in a manner that is in keeping with fiduciary standards. In an effort to evaluate performance of the investment assets, the Community Foundation has established two levels of benchmarks for both Short-Term and Long-Term Pools:

1. Asset Class Benchmarks: these are particular to each sub-asset class, and are listed in the tables below.
2. Portfolio Level Benchmarks: these will be composed of the total weighting to the equity and cash/fixed income asset classes. Each blended benchmark is listed in bold below each pool.

### SHORT-TERM POOL

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>	<u>Benchmark</u>
Cash	0%	10%	5%	ML 0-3M US T-Bills
Short Term Bonds	5%	30%	13%	Bloomberg 1-5Y Govt/Cr Index
Core Bonds	30%	80%	42%	Barclays US Aggregate
Opportunistic Bonds	0%	30%	10%	ICE BofA USD 3-M Deposit Rate
US Equities	0%	40%	21%	Russell 3000
Developed International Equities	0%	20%	6%	MSCI EAFE
Emerging Market Equities	0%	10%	3%	MSCI EM
Total			100%	

**Portfolio Level Benchmark: 70% Barclays US Aggregate and 30% MSCI All Country World (ACWI) Index**

### LONG-TERM POOL

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>	<u>Benchmark</u>
Cash	0%	10%	3%	ML 0-3M US T-Bills
Short Term Bonds	5%	20%	6%	Bloomberg 1-5Y Govt/Cr Index
Core Bonds	10%	40%	16%	Barclays US Aggregate
Opportunistic Bonds	0%	30%	5%	ICE BofA USD 3-M Deposit Rate
US Equities	20%	70%	45%	Russell 3000
Developed International Equities	10%	40%	16%	MSCI EAFE
Emerging Market Equities	5%	30%	9%	MSCI EM
Total			100%	

**Portfolio Benchmark: 30% Barclays US Aggregate and 70% MSCI All Country World (ACWI) Index**

## Asset Class Guidelines

### Cash

The purpose of the cash and cash equivalent allocation is to assure immediate liquidity for CommunityFoundation grantmaking. Preservation of liquidity is the priority as opposed to

generating yield. This allocation will be invested in only the lowest risk assets, including Treasury bills, Agency notes, or low risk money market instruments that focus on Treasury bills and equivalents.

#### Bonds (Short-Term, Core & Opportunistic)

The purpose of the Fixed Income allocation is to create some measure of diversification for managed funds. Preservation of principal is a core emphasis of this allocation. A current risk for cash and high-quality fixed income is the possibility of negative real returns or returns which are less than the rate of inflation. Fixed income investments, whether individual instruments or managed portfolios, should always balance interest rates, quality, and maturity to ensure the highest return that minimizes the risk of devaluation

#### Equities (US, International Developed, and Emerging Markets)

The purpose of the allocation to Global Equities is to provide long-term capital appreciation and diversification. Equity managers will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. Equity managers are expected to generate average annual compounded returns higher than those of relevant broad market indices, net of fees, over full market cycles.

### Rebalancing

At times, markets may move in such a way that normal cash flows will be insufficient to keep the actual asset allocation within the permissible minimum and maximum ranges to be set in conjunction with the Investment Advisor. In these cases, rebalancing should take place to transfer funds as necessary between asset types to bring the allocations back within the permitted ranges.

### Gifts of Securities

Gifts of securities to the Community Foundation should be sold immediately, and proceeds invested in the designated investment pool, unless specified to the contrary by the donor.

### Conflict of Interest Policy

Investment Advisor or Investment Managers retained by the Community Foundation to manage its invested assets must be independent of the Community Foundation and its Board members and should disclose any conflict of interest. All potential conflicts of interest will be fully disclosed, discussed, and decided by the Board in consultation with the Investment Committee.

### Policy Review

This IPS will be reviewed annually by the Investment Committee. Any amendments thereto suggested by the Investment Committee will be brought to the Board for discussion and vote.