

NEW CANAAN COMMUNITY FOUNDATION

Statement of Investment Policy and Guidelines

Adopted by the Board of Directors on June 15, 2011

TABLE OF CONTENTS

	<u>Page</u>
Introduction	2
Purpose	2
Goals and Objectives	2
Asset Allocation and Investment Guidelines	3
Investment Manager Selection	5
Investment Manager Responsibilities	5
Investment Manager Performance Expectations	6
Finance Committee Responsibilities	6
Notes on DAF Appointed Managers	7
Waivers Approved by the BOD	8

Introduction

This Statement of Investment Policy and Guidelines (the “Policy”) establishes guidelines for the management, control, and reporting of the endowment assets (“Endowment”) of The New Canaan Community Foundation, Inc. (“NCCF”). Except as specified herein, “Endowment” refers to both donor-restricted endowment funds and to board-designated endowment funds. This Policy is intended to be fully consistent with the requirements of the Uniform Prudent Management of Institutional Funds Act as enacted by the State of Connecticut.

The NCCF board of directors (the “Board”) appoints its Finance Committee (the “Committee”) to oversee the management of the Endowment under this policy and make recommendations to the Board as necessary. Upon recommendation of the Committee, the Board may employ or discharge NCCF’s investment managers and custodians (“investment managers”). In accordance with NCCF’s bylaws, provided the Committee is composed entirely of Board members, the Board may authorize the Committee to exercise its responsibilities under this Policy.

Purpose

This Policy is intended to assist the Committee in effectively monitoring and supervising NCCF’s financial assets by:

1. Stating the Board’s expectations and objectives regarding the investment of NCCF’s assets;
2. Providing guidelines for the investment portfolio to control the level of risk assumed and ensure that assets are managed in accordance with stated objectives;
3. Encouraging effective communication among the Committee, the Board and investment managers; and
4. Establishing criteria to monitor and evaluate the performance results achieved by investment managers.

Goals and Objectives

The investment objectives for NCCF’s assets, ranked in order of priority, are:

1. Preservation of capital through the establishment of prudent investment quality standards and diversification to cushion the assets against loss in value;
2. Provision for inflation protection, seeking to maintain a reasonable balance between purchasing power and capital preservation;
3. Maximization of total investment return consistent with the foregoing.

The long term return objective, consistent with these principles, for the invested assets is the inflation rate as measured by the US CPI +4.5%. Meeting this objective will allow NCCF to maintain the economic value of the endowment funds while continuing to make grants to deserving local charitable organizations.

NCCF intends to give investment managers full discretion within the guidelines of this Policy, subject to any additional terms imposed by the Board. By accepting delegation of the Board's authority to invest and manage the Endowment, investment managers acknowledge a duty to NCCF to exercise reasonable care to comply with the scope and terms of this Policy.

Asset Allocation and Investment Guidelines

The Board has determined that, based on NCCF's investment goals and time horizons, the following asset allocation targets and ranges are appropriate:

<u>Investment Category</u>	<u>Long Term Target</u>	<u>Range</u>
Equities	60%	40-70%
Fixed Income	30%	15-45%
Alternative Investments	10%	0-20%

Alternative investments mean investment strategies that attempt to reduce the risk and volatility of the total portfolio by using strategies such long/short , commodity exposure, real estate, and derivatives of commodities or financial instruments

These targets and ranges apply to the NCCF endowment assets when consolidated across all the money managers. Allocations of individual money managers may differ depending on their strategy.

The historic long-term real return for this asset mix, as reported to NCCF by Vanguard Asset Management in Exhibit A, for the period 1926-2009 ranges from 4.6% to 5.85%. Thus, the Foundation concludes that the above asset allocation will satisfy the stated return objective with an acceptable level of volatility.

Allowable investments would include all eligible common and preferred equities listed on a national securities exchange and all publicly traded fixed income securities. This includes aggregating forms of securities such as mutual funds, REITS and ETFs, as long as they do not utilize risk magnifying strategies.

The following investments are prohibited, unless specifically approved in writing by NCCF:

- Unregistered or restricted stocks
- Limited partnerships
- Real Estate – except as purchased through a REIT, ETFs, or as part of a mutual fund
- Private Placements
- Venture Capital

- Illiquid securities

Permitted investments must be analyzed with respect to the obligation of NCCF to pay unrelated business income tax (“UBIT”). Investments that may result in UBIT must be approved in writing by NCCF Board of Directors.

Each manager is responsible for keeping the risk of their portfolio at or below the risk of an unmanaged portfolio of equities and fixed income instruments of the same asset allocation split.

Equities

No single security shall represent more than 10% of the total market value of the portion of the Endowment under management by a single investment manager. Investment managers are prohibited from buying securities on margin, borrowing money or pledging assets, or trading uncovered options, commodities or currencies without the advance written approval of NCCF Board of Directors. It is expected that no assets will be invested in securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any state or federal bankruptcy or similar statute.

Fixed Income Securities

Investment managers may select from appropriately liquid preferred stocks, corporate debt securities, obligations of the U.S. Government and its agencies, obligations of states and municipalities within the United States, and obligations of foreign governments. These investments will be subject to the following limitations:

- No issues may be purchased with more than 30 years to maturity;
- Investments of a single issuer, with the exception of the U.S. Government and its agencies, may not exceed 10% of the total market value of the portion of the Endowment under management by a single investment manager;
- No more than 10% of the corporate debt securities in the portion of the Endowment under management by a single investment manager may be rated below-investment grade.
- Within the fixed income component, investment managers are prohibited from investing in fixed income or interest rate futures, without the prior written approval of NCCF Board of Directors.

Alternative Investments

The Board recognizes that investment managers utilizing alternative investment strategies (long/short, commodities, real estate, derivatives) can play a useful role in generating solid risk adjusted returns for NCCF’s assets while reducing volatility. Alternative investments shall be selected with consideration of legal structure, liquidity, transparency, diversification, leverage, tax liabilities and other risk factors that may affect suitability.

Investment Manager Selection

The Endowment must be managed by at least 3 investment managers with complementary yet different styles. This strategy is meant to diversify the manager risk of the portfolio. No one manager should account for more than 50% of the portfolio's total equity exposure.

The Committee shall identify a range of possible investment manager candidates, and obtain relevant information about each candidate's experience, qualifications and investment approach. The Committee shall recommend the selection of investment managers to the Board based upon the following criteria:

- a seasoned record of history and performance;
- well-articulated investment philosophy and demonstrated adherence to same
- stability of management personnel
- representation of a diversity of investment styles
- no history of legal or ethical violations with respect to investment of funds
- cost-effectiveness

The Committee and the Board shall each document their consideration of potential candidates.

Investment Manager Responsibilities

Each investment manager appointed by NCCF shall:

1. Exercise discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions;
2. Provide written documentation of portfolio activity, portfolio valuations, performance data and other information as requested by the Committee within 30 days of the end of each calendar quarter;
3. Provide written tax guidance for their portfolio confirming that no Unrelated Business Income Tax liability for NCCF has been generated
4. Report immediately to the Committee in writing any substantive changes in investment strategy, fees, portfolio structure or market value of managed assets.
5. Report any significant changes in investment manager ownership, professional personnel, organizational structure, financial condition, designated portfolio manager and significant clientele of the organization;
6. If an investment manager is required to be registered with the Securities and Exchange Commission, it must supply the Committee with a copy of its registration (Form ADV) on an annual basis. Any amendments to the Form ADV should be provided in a timely manner;
7. Vote all proxies in the best interest of NCCF; and

8. Acknowledge in writing the receipt of this Statement of Investment Policy and Guidelines and the acceptance of its terms.

Investment Manager Performance Expectations

Each investment manager will be measured versus a representative style index net of fees and will be expected to surpass this benchmark over a three to five year period or market cycle. The Committee shall periodically evaluate each investment manager versus a universe of managers with a similar investment philosophy and style to assess relative performance among their peers. The Board reserves the right to terminate any investment manager at any time at the Board's discretion.

Finance Committee Responsibilities

The Committee has the specific responsibility to:

- 1) Review this Statement of Investment Policy and Guidelines annually and recommend revisions as appropriate to the Board for its approval.
- 2) Review and evaluate investment results in the context of the stated performance standards at least twice yearly and recommend corrective action if and as necessary.
- 3) Monitor adherence to policy guidelines by investment managers through periodic discussions with such investment managers.
- 4) Report the investment performance of the Endowment to the Board of Directors and Executive Director at least quarterly.
- 5) Report to the Board on a timely basis any substantive changes to the execution of this policy made known to the Committee by the investment managers.
- 6) Authorize investment managers to rebalance investments to maintain the asset allocation authorized by this Policy, and advise the Board of any significant divergence from such authorized allocation that lasts for any significant period of time.
- 7) Recommend to the Board the retention or discharge of an investment manager or the reallocation of Endowment investments away from investment managers that are underperforming their benchmarks for a significant period of time.

Notes on Donor Advised Funds (DAF) Asset Managers

1. Some NCCF Donor Advised Funds contain a provision regarding the selection of an outside investment manager by the donor and approved by the Board.
2. The assets under management by any outside managers will not be considered when the asset allocations are calculated for the Endowment under this Policy.
3. Unless otherwise directed by the Board, the Committee will review the performance of these managers in accordance with this Policy.
4. If a DAF investment manager is determined by the Committee to have substandard performance for any significant period of time, the Committee will recommend that the Board consider discharge of the investment manager, and retention of an alternate investment manager, and inform the DAF holder of their concerns and recommendation

Waivers Currently Granted by New Canaan Community Foundation Board of Directors

June 15, 2011

- TIFF – TIFF is managed as a single mutual fund of which NCCF is a very small share holder. The fund provides for daily liquidity. As a publically available mutual fund, TIFF investment selections and restrictions are defined by their prospectus. This waiver allows TIFF to operate under the investment guidelines of their prospectus in place of the investment guidelines defined here in.
- Merrill Lynch – The Merrill Lynch investment manager invests the Endowment in mutual and comingled funds. Those investments will be governed by the investment policies of those assets as defined in their Declaration of Trust documents. The Merrill Lynch investment manager provides for daily liquidity.

Exhibit A
See Attached Asset Allocation Chart
Provided by Vanguard Asset Management