

INVESTMENT POLICY STATEMENT

The Community Foundation of Central Wisconsin

INVESTMENT POLICY STATEMENT

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CONTENTS

OVERVIEW

DEFINITION OF DUTIES

OBJECTIVES

PERFORMANCE MEASUREMENT

GUIDELINES AND RESTRICTIONS

ACKNOWLEDGEMENT

REVISIONS AND APPROVAL



INVESTMENT POLICY STATEMENT

OVERVIEW

PURPOSE

This Investment Policy Statement (IPS) was adopted by the Board of Directors (the Board) of the Community Foundation of Central Wisconsin (the Foundation) to establish a clear understanding of the Foundation's philosophy and investment objectives.

The purpose of the Foundation's Investment Portfolio (the Portfolio) is to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future needs. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the Portfolio.

SCOPE

This Policy applies to all assets that are included in the Portfolio for which the Investment Advisor has discretionary investment authority. Currently, that consists of four separate funds, the Philanthropy Fund, the Keystone Fund, the Environmental, Social, Governance (ESG) Fund, and the Platinum Harvest Fund. Funds are subject to change.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in the policy, the Finance Committee (the Committee) and the Investment Advisor shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely in the interest of the Portfolio. Fiduciaries must provide full and fair disclosure to the Committee and of all material facts regarding any potential conflicts of interests.



INVESTMENT POLICY STATEMENT

DEFINITION OF DUTIES

BOARD OF DIRECTORS

The Board serves as a fiduciary and is responsible for the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the IPS and delegates responsibility to the Committee for ongoing monitoring.

FINANCE COMMITTEE

The Committee is responsible for proposing the IPS for Board approval. This responsibility includes approving investment strategy, oversight of the Investment Advisor, monitoring performance of the investment portfolio, and maintaining sufficient knowledge about the portfolio and Investment Advisor so as to be reasonably assured of their compliance with the IPS. The Committee is responsible for reviewing the IPS on an annual basis.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has ongoing responsibility for administration of the Portfolio and will consult with the Committee and Board on all related matters. The Chief Executive Officer will serve as the primary contact for the Foundation's Investment Advisor.

INVESTMENT ADVISOR

The Investment Advisor is responsible for managing the Portfolio consistent with this IPS:

1. Implement and monitor the overall investment strategy, including the asset allocation and the selection and termination of the Fund's holdings;
2. Have full investment discretion regarding product and/or security selection;
3. Provide the Committee with quarterly performance reports;
4. Assist the Committee periodically with a review of the IPS, including an assessment of investment objectives, asset allocation ranges, and liquidity targets;
5. Supply the Committee with other reports or information as reasonably requested;
6. Notify the Committee in writing of any material changes in the investment outlook, portfolio structure, ownership or senior personnel, or regulatory actions against the Investment Advisor or its personnel; and
7. Vote proxies and share tenders in a manner that is in the best interest of the Portfolio.



INVESTMENT POLICY STATEMENT

OBJECTIVES

The overall investment goal of the Portfolio is to achieve an annualized total return over a full market cycle (net of fees and expenses) greater than the rate of inflation plus any “sustainable” spending, thus protecting the purchasing power of the assets. In quantitative terms, the objective is to earn a total annual return of 4% plus inflation (core CPI).

SPENDING POLICY

The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. The current spending amount for the Foundation’s restricted assets is 4% of the previous three-year average of the Portfolio’s market value. The formula shall be applied to the three years ending on June 30th.

STRATEGY

The Board and Committee agree that the philosophy upon which investment decisions are based is founded on a set of beliefs that can help achieve the investment objective described above.

These philosophical beliefs are as follows:

- Investment decisions should be made with a long-term perspective;
- The Portfolio should be constructed to achieve diversification by global risk factors;
- Investment decisions consider a variety of factors including valuation, fundamentals and sentiment;
- Skillful active management has the potential to add value; and
- While high levels of risk are to be avoided, the assumption of a moderate level risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and investment philosophy of the Foundation.



INVESTMENT POLICY STATEMENT

ASSET ALLOCATION

Asset allocation will likely be the key determinant of the Portfolio's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Portfolio, rather than judging asset categories on a stand-alone basis.

The target asset allocation seeks to provide an expected total return aligned with the primary objective of the Portfolio, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of four asset categories. Each category serves a specific role within a portfolio. An allocation to all four categories can provide diversification to major market risk factors and provides a simple framework to review the exposures within the portfolio. The categories are as follows:

GLOBAL EQUITY

Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, they also have higher volatility. Includes both domestic and international long-only equities.

GLOBAL FIXED INCOME/CREDIT

Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities and can be further categorized as interest rate sensitive and credit sensitive.

REAL ASSETS

Intended to insulate the portfolio from inflation shocks and to provide a source of non-correlated returns with other asset categories. Includes real estate investment trusts (REITs), natural resources (e.g., Energy Master Limited Partnerships), and commodities. In some cases, real assets may be subject to liquidity risk.

DIVERSIFYING STRATEGIES

Intended to provide diversification from systematic market risk, as the primary determinant of returns is typically manager skill (alpha) rather than market return (beta). Includes directional and non-directional strategies that seek low correlations to the public equity and fixed income markets. In some cases, diversifying strategies may be subject to liquidity risk.



INVESTMENT POLICY STATEMENT

To achieve the Portfolio's objectives, the asset allocation will be based on strategic targets and ranges, which differ by Fund.

PHILANTHROPY AND KEYSTONE

To provide returns in support of current and future granting, the Philanthropy and Keystone Funds will be managed with a moderately aggressive risk profile as follows:

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Global Equity	55%	65%	75%
Domestic Equity	25%	35%	45%
International Equity (includes Emerging Markets)	20%	30%	40%
Fixed Income	15%	25%	35%
Real Assets	0%	5%	10%
Diversifying Strategies	0%	5%	10%
Cash and Cash Equivalents	0%	0%	10%

ESG

The ESG pool, like the Philanthropy and Keystone Funds, will be managed with a moderately aggressive risk profile. However, since this portfolio does not invest in either Real Assets or Diversifying Strategies, the allocation is as follows:

60% Global Equity
40% Fixed Income

PLATINUM HARVEST

The Platinum Harvest pool represents appreciation harvest from the permanently restricted Arthur E. Heinz Charitable Fund for future grant making. To preserve principal for future granting years, the Platinum Harvest pool will be managed more conservatively as follows:

15% Global Equity
85% Fixed Income



INVESTMENT POLICY STATEMENT

REBALANCING

The Investment Advisor will actively manage the Portfolio on an ongoing basis but seek to remain within the minimum and maximum ranges at all times.

At its discretion, the Investment Advisor will rebalance the portfolio. Cash flows may also prompt the Investment Advisor to rebalance the portfolio within the strategic ranges.

Should any category move out of acceptable range due to market fluctuations, the Investment Advisor will use prudence in rebalancing the portfolio in a timely fashion.



INVESTMENT POLICY STATEMENT

LIQUIDITY

The Portfolio shall maintain the flexibility to invest in any liquid, semi-liquid, private, or illiquid investments as listed.

CLASSIFICATION	TARGET	RANGE(S)	LIQUIDATION TIME*
Liquid	100%	At Least 100% of the Portfolio	≤ Monthly
Semi-Liquid	0%	No More Than 0% of the Portfolio	> Monthly to ≤ 3 Years
Illiquid**	0%	No More Than 0% of the Portfolio	> 3 Years

*Excludes any initial, lock-up period(s) and/or redemption gate(s).

**For illiquid investments, market movements could cause the Portfolio to move outside the ranges, in which case, rebalancing will not be necessary, but future illiquid commitments may need to be adjusted.



INVESTMENT POLICY STATEMENT

PERFORMANCE MEASUREMENT

TIME HORIZON

The Committee seeks to achieve the investment objectives over a full market cycle. The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured net of fees over a full market cycle.

BENCHMARKING

Performance for each Fund will be measured relative to a “Target Weighted Benchmark” comprised of each asset category benchmark (or appropriate substitute) weighted by its strategic target. The Investment Advisor, at its discretion, is responsible for updating the Target Weighted Benchmark to coincide with any changes to strategic targets. The Target Weighted Benchmarks for the Foundation are as follows:

PHILANTHROPY AND KEYSTONE

WEIGHT	INDEX (OR APPROPRIATE SUBSTITUTE)	ASSET CATEGORIES
65.0%	MSCI All-Country World Index (ACWI)	Global Equity
25.0%	Bloomberg Barclays Capital Aggregate Bond	Fixed Income / Credit
5.0%	S&P Real Assets Equity	Real Assets
5.0%	HFRX Global Hedge Fund	Diversifying Strategies

ESG

WEIGHT	INDEX (OR APPROPRIATE SUBSTITUTE)	ASSET CATEGORIES
60.0%	MSCI All-Country World Index (ACWI)	Global Equity
40.0%	Bloomberg Barclays Capital Aggregate Bond	Fixed Income / Credit

PLATINUM HARVEST

WEIGHT	INDEX (OR APPROPRIATE SUBSTITUTE)	ASSET CATEGORIES
15.0%	MSCI All-Country World Index (ACWI)	Global Equity
85.0%	Bloomberg Barclays Capital Aggregate Bond	Fixed Income / Credit



INVESTMENT POLICY STATEMENT

EVALUATION OF THE INVESTMENT ADVISOR

In addition to the Portfolio performance results, the Investment Advisor will be reviewed on an on-going basis based on overall service provided to the Board and the Foundation. Specifically, the Investment Advisor will be evaluated on the following criteria:

1. Responsiveness: answers questions, concerns, and requests quickly and in a timely manner while following through and completing required tasks;
2. Business Relationship: knowledge of the Foundation and the Portfolio; knows the people in the Foundation;
3. Professionalism: treats staff with dignity, interest, and respect; conveys strong desire and commitment to serving the Foundation;
4. Proactive: brings ideas and suggestions to the Executive Director and the Board;
5. Problem Resolution: able to resolve issues and problems in a quick and effective manner;
6. Technical Knowledge: understands financial issues and can clearly explain complex concepts; understands the Portfolio's specific goals and objectives; and
7. Portfolio Reports: reports are accurate and delivered in a timely manner; the report format is user friendly and easy to understand; reports contain relevant information that is useful in decision making.



INVESTMENT POLICY STATEMENT

GUIDELINES AND RESTRICTIONS

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be made. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner investment risk is managed, will determine whether an appropriate standard of reasonableness, care, and prudence has been met for the Fund's investments.

The Investment Advisor shall:

1. Have full investment discretion with security selection, consistent with this Investment Policy Statement;
2. Notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;
3. Report to the Board and Committee at least quarterly on the status of the Funds, or more frequently, if appropriate;
4. Vote proxies and share tenders in a manner that is in the best interest of the Portfolio and consistent with the investment objectives contained herein; and
5. Not employ short-selling, margin trading, private placements or direct investments in commodities at the portfolio level.

