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# ELK GROVE COMMUNITY FOUNDATION INVESTMENT POLICY

## I. STATEMENT OF PURPOSE:

The purpose of this investment policy is to establish a clear understanding regarding Elk Grove Community Foundation's investment objectives, goals and guidelines. It is to create a framework for a well-diversified asset mix that can be expected to generate long-term returns at a level of risk suitable to the Board of Directors of the Elk Grove Community Foundation. It is intended to provide meaningful guidance in the management of Portfolio assets and not be overly restrictive given the changing economic, and investment market conditions.

This document shall be reviewed on a periodic basis, at least annually, and any modifications incorporated into the current investment portfolio in a prudent time frame.

## II. INVESTMENT OBJECTIVES:

The Portfolio is intended to be structured to provide a reasonable return on invested assets with an emphasis on conservation of principal. This can be accomplished by having a Portfolio comprised of mutual funds, fixed income and cash equivalent securities. The allocation target will be 60% Equities and 40% Fixed Income/Short-term Investments. The acceptable range is 55-65% Equities and 35-45% Fixed Income/Short-term Investments. The Finance committee will recommend to the board the current target for Equities and Fixed Income/Short-term Investments and rebalance to that three times per calendar year. Rebalance to occur based on November, March & July month ending data.

In accordance with investment objectives stated below, assets in the Portfolio should be managed in a conservative manner. In this context conservative relates to such issues as expected long term-rates of return and volatility, investment vehicles, diversification among economic and industry sectors, and individual securities.

Within this framework, the primary investment objective is:

Preservation of Purchasing Power – Asset growth, exclusive of contributions and withdrawals, should equal or exceed the rate of inflation in order to preserve the purchasing power of Elk Grove Community Foundation's Assets.

A secondary but also important investment objective of the Portfolio is:

Growth of Capital – The asset value of the Plan, exclusive of contributions or withdrawals, should earn, over a long term period (3 years or more), an average rate of return similar to peer group market indexes, while still maintaining a prudent & conservative investment philosophy.

**III. INVESTMENT GOAL:**

Based on the investment objectives stated above, the primary goal of the Portfolio is: To equal or exceed the return of a balanced index comprised of the Standard and Poor's stock index (S&P 500), Shearson Lehman (Intermediate) Government/Corporate bond index (SLGC) and Treasury Bills (T-Bills) in similar proportion of the Foundation's asset mix.

**IV. INVESTMENT GUIDELINES:**

A. General:

Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere.

Subject to the limitations stated herein the Account Manager is given full investment discretion consistent with the investment objectives and guidelines of this Portfolio. The Account Manager, with approval from the President, Treasurer and Finance Committee Chair, shall have full discretion regarding the purchase and sale of Portfolio investments in order to assure full flexibility in the management of the Portfolio.

Realization of capital gains and losses should be viewed solely in terms of investment merits.

All assets selected for the Portfolio must have a readily available market value and be marketable.

B. Equity Investments:

The Equity portion of the Portfolio will consist of mutual funds and should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. Mutual funds shall consist of liquid, mainstream funds that are invested in financially sound, stable companies with minimal risk.

C. Fixed Income Investments:

The Fixed Income portion of the Portfolio should be well diversified to avoid undue exposure to any single segment of the economy or individual issuer. Fixed income investments shall consist of investment grade bonds, FDIC Institutions, U.S. Treasuries, U.S. Government Agencies or a mutual fund which invests in any of the above.

D. Short-Term Investment:

Short Term Investment shall consist of individual cash equivalent securities such as cash insured in bank, FDIC Institutions, U.S. Treasuries, and U.S. Agencies or money market funds. The primary function of Short Term investments is to meet the cash needs (scholarship payouts) of the foundation.

**V. INVESTMENT PERFORMANCE REVIEW:**

The portfolio's performance results will be measured and reported to the Board of Directors on a quarterly basis by the Account Manager. Total Portfolio performance will be measured against commonly accepted market comparisons.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives and goals as set forth in the Statement.

**VI. PORTFOLIO MANAGEMENT:**

The Board of Directors with input from the Finance Committee Chair shall be responsible for selecting and evaluating the Account Manager. The Account Manager shall be a non-board member who has the appropriate background, licensing, stability, ethics and E & O coverage. Should the performance of the Account Manager fail to meet the expectations of the Board of Directors they may select a new Account Manager. During such a change, it is important to minimize costs involved in converting the portfolio to a new Account Manager.

**VII. SUMMARY:**

It is expected that the Account Manager will manage the assets so that the results will meet the objectives and goals as set forth in this statement.

This statement is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation. However, if it is anticipated that any deviations need occur, the Finance Committee and the Elk Grove Community Foundation's Board of Directors must approve those deviations or changes in policy.