

**Eastern Carolina Community Foundation**  
Investment Policy Statement



Adopted: July 2024  
Last reviewed: July 2024

“Eastern Carolina Community Foundation improves the quality of life in our area of South Carolina through inspired philanthropy and innovative community programs.”

## Introduction & Overview

Eastern Carolina Community Foundation (“ECCF” or the “Foundation”) is a collection of donations from private citizens and organizations that, in aggregate, form a fund. The fund supports grant making to selected charities within the community and the operating expenses of the Foundation.

The Foundation is a publicly supported charitable organization under Section 501(c)(3) of the Internal Revenue Code. Its purpose is to be a vehicle to receive and accept gifts to be administered for charitable purposes primarily in the seven counties served by the Foundation: Chesterfield, Darlington, Dillon, Florence, Marion, Marlboro, and Williamsburg in South Carolina.

The investment assets of Eastern Carolina Community Foundation consist of two primary investment pools, “Endowed Funds” and “Non-Endowed Funds”, as defined below:

<u>Endowed Funds (Long-Term Fund)</u>	<u>Non-Endowed Funds (Short-Term Fund)</u>
(i) Donor Advised Funds	(v) Pass Through Funds
(ii) Agency Endowment Funds	(vi) Unrestricted Funds
(iii) Designated Agency Funds	(vii) Giving Circles
(iv) Field of Interest Funds	(viii) Green Leaf Funds

The investment of the Endowed Funds pool will be guided by the philosophy governing long-term investment guidelines and the Non-Endowed Funds will be guided by the philosophy governing short-term investment guidelines.

The Board of Trustees (“Board”) delegate responsibility to the Finance and Investment Committee of the Organization (the “Committee”) to prudently manage the investment assets in accordance with the objectives set forth in this Investment Policy Statement (IPS).

The management and oversight of all assets held by the Foundation will be done with care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims. This standard also requires the exercise of reasonable care and caution and is to be applied to investments not in isolation, but in the context of the investment portfolio as a whole and as a part of an overall investment strategy that should incorporate risk and return objectives reasonably suitable to the Foundation. The Board of Trustees, members of the Finance and Investment Committee, and any contracted third parties shall discharge their duties solely in the interest of the Foundation. Any potential conflicts of interest with this sole interest shall be immediately disclosed to both the Board and the Finance and Investment Committee.

## Governance

### I. Purpose

This document is intended to establish a set of investment beliefs that will guide stakeholders toward desired outcomes with respect to the Organization’s investment assets. It is meant to be sufficiently specific

to be meaningful, but adequately flexible to be practicable. In summary, this IPS is intended to:

- Define the allocation of duties among the Board, Finance and Investment Committee, and the Investment Advisor.
- Serve as a written document for guiding decisions and prudent management of the investment assets, including but not limited to establishing reasonable objectives for return and risk expectations, incorporating constraints such as current time horizon and liquidity, and identifying any other unique circumstances that might affect the investment strategy.
- Establish the appropriate target allocation and rebalancing approach, describe the role of each asset class, and outline the parameters around restricted security types and/or asset classes.
- Define an appropriate benchmark for the evaluation of the investment assets and Investment Advisor performance.
- Communicate expectations for the Investment Advisor with respect to reporting and meeting frequency.

## II. Roles & Responsibilities

ROLE	GENERAL RESPONSIBILITY	SPECIFIC TASKS
<b>BOARD OF TRUSTEES</b>	Creation and strategic oversight of investment policies in fiduciary capacity	<ul style="list-style-type: none"> <li>- Authorizes and approves changes to the Investment Policy Statement</li> <li>- Appoints Finance and Investment Committee</li> <li>- Stays informed about investment performance</li> <li>- Ensures adherence to all regulatory guidelines</li> <li>- Retains/dismisses Investment Advisor</li> </ul>
<b>FINANCE AND INVESTMENT COMMITTEE</b>	Coordinates investment activities, and strategic initiatives	<ul style="list-style-type: none"> <li>- Oversees management of the Portfolio</li> <li>- Coordinates periodic asset allocation reviews</li> <li>- Reviews and recommends revisions to the IPS</li> <li>- Reviews transactions and holdings</li> <li>- Reports investment results to the Board on a regular basis</li> <li>- Recommends retaining/dismissing Investment Advisor</li> <li>- Monitors fees incurred on behalf of the Portfolio for reasonableness</li> </ul>
<b>INVESTMENT ADVISOR</b>	Supports the Board and Finance and Investment Committee in the development and execution of investment strategy	<ul style="list-style-type: none"> <li>- Consults on and complies with investment policy guidelines</li> <li>- Recommends asset classes and asset allocation ranges / targets</li> <li>- Constructs optimized investment strategies within acceptable risk parameters</li> <li>- Rebalances as appropriate</li> <li>- Reports investment results to Committee on a regular basis</li> <li>- Provides capital markets / asset class information as needed</li> <li>- Supports Committee and internal staff requests</li> <li>- Retains/dismisses underlying investment and money managers</li> </ul>

## **Investment Objectives**

### **III. Investment Philosophy & Preferences**

The Organization has periodically reviewed and confirmed its investment goals and philosophy, which are set forth below:

- Asset allocation is the primary investment decision
- The portfolios will not attempt to earn excess return through short-term asset class forecasts or market timing
- Broad diversification is a crucial to long-term success
- Cost is a critical consideration
- Passive management can be appropriate for achieving market exposure
- Active management can add value under the right conditions
- Disciplined decision making processes deliver better and more consistent performance over time
- The bias of investable assets is toward being fully invested over time
- The Committee will not rely on economic forecasts, employ strategies which shift allocations between stocks, bonds and cash or search for “undiscovered” stocks

### **IV. Time Horizon**

#### **Long-term Fund**

Except with regard to portions of the Portfolio explicitly set aside to fund specific projects, the investment time horizon of the long-term fund will be assumed to be perpetual.

#### **Short-term Fund**

Short-term funds will have a time horizon of three years or less. Any fund that is expected to exist for three years or less will generally not be invested in the long-term fund as these funds may not have the ability to recover from the volatility of returns of the equity investments.

### **V. Distribution Policy**

#### **Long-term Fund**

To instill discipline into the budgeting and financial management process the following spending/distribution rule has been adopted by the Board. This policy will also assist the Board and Finance and Investment Committee in determining the Portfolios’ required rate of return and risk tolerance.

The long-term annual distribution rate from the Long-term Fund should not exceed 4% of a moving 16 quarter average market value of the Portfolio. Any spending in excess of this rule requires explicit board approval. For funds less than 4 years old, the market value will be the average of all quarterly market values to date. This payout will be used to meet both grant making and administrative needs.

It is the policy of the Foundation not to distribute any portion of an Endowed Fund which has been accepted by the Foundation under a new endowment agreement until December 31 of the year of contribution.

### **Short-term Fund**

The projects to be supported from this pool includes those that have finite and short-term funding schedules, such as holding funds for specific donor identified projects of other not-for-profit organizations and charitable pass-through funds. Funds created through memorial contributions will be invested in the short-term pool unless or until a fund agreement is executed. Assets in this fund are expected to be distributed within a finite or short-term funding schedule.

## **VI. Return Objectives**

### **Long-term Fund**

In order to retain and grow the purchasing power of the Portfolio, the Board has established a minimum return objective of 4% + inflation (net of fees). The Organization acknowledges that this return objective will require considerable exposure to return-seeking investments which presents the potential for large swings in asset values over shorter periods. The Organization understands that these swings are expected and inevitable to obtain the longer-term objective of the Portfolio.

### **Short-term Fund**

The short-term fund fulfills the needs of the Foundation as dictated by grant making, project opportunities or when different donors' express wishes require the Foundation to have a philosophy with regard to the investment of funds for use within short time periods. The short-term fund seeks maximum protection and preservation of capital while keeping the funds available for immediate use with minimal to no transactional costs. For this reason, the return objective of the short-term fund is equivalent to the Citigroup 3-Month T-Bill Index or a similar ultra short-term fixed income index.

## Asset Allocation

### IX. Strategic Asset Allocation and Benchmarks

#### Long-term Fund

Portfolio assets will, under normal circumstances, be allocated across broad asset classes in accordance with the following guidelines:

<u>ASSET CLASS</u>	<u>MIN</u>	<u>TARGET</u>	<u>MAX</u>	<u>BENCHMARK</u>
<b>EQUITY</b>	<b>55%</b>	<b>65%</b>	<b>75%</b>	
<b>US EQUITY</b>	29%	39%	49%	CRSP US Total Market Index, Russell 3000, or similar
<b>NON-US EQUITY</b>	16%	26%	36%	FTSE Global All Cap ex US Index, MSCI ACWI ex-US, or similar
<b>PUBLIC FIXED INCOME</b>	<b>25%</b>	<b>35%</b>	<b>45%</b>	
<b>US FIXED INCOME</b>	15%	25%	35%	Bloomberg Barclays U.S. Aggregate Float Adjusted Index or similar
<b>NON-US FIXED INCOME</b>	0%	10%	20%	Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index Hedged or similar
<b>CASH EQUIVALENTS</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	Citigroup 3-Month T-Bill Index or similar

#### Short-term Fund

The Foundation has established a separate Short-Term Investment Pool that is managed to achieve the objective of minimizing loss of principal. Assets in the short-term pool will be invested in cash and cash equivalents in accounts and funds insured to the maximum extent allowable, by either the FDIC or the SIPC or federally guaranteed investments.

Three possible alternatives are provided for investment of Short-term fund assets.

1. Investment in separate insured bank or brokerage money market funds or CDs. Laddered CDs may be used when a project's time frame is known.
2. Investment in the Foundation's money market account.
3. Investment in the Foundation's checking account when the balance of the fund is below the minimum required amount for the money market.

### X. Role of Each Asset Class

Each asset class represents a distinct and well-defined role within the Portfolios. In general:

- Public Equity includes investments in stocks listed on public exchanges (in both developed and emerging markets). The purpose of this asset class is to maximize the long-term real growth of assets. It is expected to be the primary driver of long-term returns and provide the best hedge against long-term inflation.
- Public Fixed Income includes obligations of sovereign nations and corporations, mortgages,

municipalities, and other asset-backed securities. With the notable exception of High Yield bonds, the primary role of this asset class is to provide for a more stable source of periodic returns and partial protection in the event of an equity market decline, deflation, and/or severe flight to quality. It is expected to serve as a primary source of distributions during periods in which the value of other asset classes have declined.

- Cash general includes Money Market Mutual Funds, CDs, short-term maturity Treasury securities, or other high-quality short-term investments. Under normal circumstances cash will only be considered a temporary holding, used to fund liquidity needs or facilitate a planned program of dollar cost averaging into other asset classes.

## **XI. Diversification Policy**

Reasonable precautions will be taken to avoid excessive investment concentrations to and provide protection from unfavorable outcomes within each asset class. All assets within the Portfolios should be well-diversified to avoid undue exposure to any single company, economic sector, country, region, or industry group. Fixed income investments will maintain a minimum average credit quality of investment grade. Unless expressly approved by the Committee prior to investment, strategies that have the ability to amplify or distort the risk of the Portfolios beyond a level that is reasonably expected given Portfolio objectives are prohibited. In addition, portfolio assets may not be used for the following purposes:

- Short Sales
- Purchases of letter stock, private placements (including 144A securities), or direct payments
- Leveraged transactions
- Commodities transactions
- Puts, calls, straddles, or other option strategies
- Purchases of real estate, oil and gas properties, or other natural resource related properties
- Investments in tax-exempt securities
- Investments in limited partnerships except for open ended mutual funds registered as limited partnerships
- Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement
- Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by the Finance and Investment Committee. Requests by investment managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions
- Any type of investment that generates Unrelated Business Income Tax.
- Direct loans or extension of lines of credit to any interested party
- Real estate properties other than those which may come to the Foundation as a Board-approved donation.
- Exchange Traded Notes

Exception: In case of a bequest from a donor to the Foundation, alternate investment classes may be held with the intention to liquidate as soon as deemed prudent by the Directors.

## **XII. Portfolio Rebalancing**

It is expected that the Long-Term fund's actual asset allocations will vary from the target asset allocations because of the varying periodic returns earned on its investments in different asset and sub-asset classes. The following guidelines will direct portfolio rebalancing decisions and should be applied only to investments that are publicly traded or have a high degree of liquidity:

- Incoming cash flow (contributions) or outgoing money movements (disbursements) will be utilized to realign the current weightings closer to the target weightings.
- At least quarterly the Portfolio will be reviewed to determine the deviation from target weightings. If any asset class within the portfolio is +/-5% percentage points from its target weighting, the Portfolio will be rebalanced.
- The Investment Advisor has discretion to rebalance the portfolio within target allocations at any time.

## **Monitoring & Measurement**

### **XIII. Performance Benchmarking**

#### **Long-term Fund**

The Portfolio performance, and by extension that of the Investment Advisor hired on behalf of the Portfolio, will be measured against the following benchmarks over a suitably long-term investment horizon, generally across full market cycles or, at minimum, on a rolling five-year basis:

- Policy benchmark:
  - A strategy-based composite index appropriately selected or tailored to the Investment Advisor agreed upon investment objective and normal investment characteristics.
- Absolute return objective:
  - CPI + 4%%

The performance of individual underlying strategies will be measured over a suitably long-time horizon against a benchmark chosen based on the risk and return profile of the individual strategy and will include a peer group, passive benchmark, or both for comparison.

#### **Short-term Fund**

The Portfolio performance, and by extension that of the Investment Advisor hired on behalf of the Portfolio, will be measured against the following benchmark:

- Citigroup 3-Month T-Bill Index or similar



## **Client Service**

### **XIV. Communication & Reporting**

The Investment Advisor will notify the Committee of changes in market conditions which may materially impact the long-term objectives of the Portfolios. The Committee will notify the Investment Advisor promptly of changes to any elements of this Investment Policy Statement, as well as any temporary considerations that may affect the Portfolios' risk tolerance, time horizon, or distribution needs.

Investment reports shall be provided by the Investment Advisor on a monthly basis with ongoing access to information available online. The Investment Advisor is expected to be available to meet with the Committee no less than annually to review portfolio structure, strategy, and investment performance, and more frequently as necessary.