



INVESTMENT POLICY STATEMENT

Approved by Board 12/19/2017

Introduction

This Investment Policy Statement governs the investment management of The Park City Foundation dba Park City Community Foundation ("Community Foundation") pooled investment assets (the "Fund"). This policy is subject to change by the Board of Directors, as recommended by the Board's Investment Committee ("Investment Committee"). The Investment Committee shall have the delegated authority from the Board to make and execute investment decisions within this policy. Any planned investment, which falls outside of this policy, must be referred to the Board.

A. Policy Objectives

The long-term financial objective of the Fund is to provide the Foundation's ongoing programs with a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. If this objective is to be achieved over the long term, the value of the Fund, net of withdrawals, must also increase at least as fast as the rate of inflation.

In order to achieve the aforementioned financial objective, the long term return objective for the Fund is to attain an inflation-adjusted total return (net of investment management fees) at least equal to the contemplated spending rate which is expected to average 5% over time, within the agreed Risk Parameters. As investment returns are cyclical, the Fund will have to exceed the objective substantially during some periods in order to compensate for shortfalls during other periods; hence evaluation of progress toward this objective should be made with a long term perspective. It is recognized that this objective implies an investment portfolio with a material component of equity securities and consequent market price volatility.

B. Community Foundation Spending Policy

Endowment Spending Policy - *For all legal endowment funds under the Community Foundation's management including the operating quasi endowment:*

The Investment Committee of the Community Foundation is committed to:

1. Using the principle of prudence in managing its Endowment Funds, and
2. Complying with applicable laws (including but not limited to Utah state law and UPMIFA) as exist from time to time.

As such, the community foundation's policy is to manage the investment and disbursement of its Endowment Assets with prudence. The Community Foundation is permitted to disburse up to 7% annually of the fair market value of the endowment, calculated annually using quarter-end market values averaged over the 3 years (12 quarters) immediately preceding the year for which the calculation is being made. In the event the endowment fund has been in existence fewer than three years, the market value will be the average of all quarter-end market values since inception. These disbursements will be used to meet both

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.

grant-making and administrative needs. Any return in excess of these appropriations will be reinvested in the endowment.

Appropriation decisions within the above policy parameters will be recommended annually in the form of a spending rate by the Investment and Finance Committee with final approval by the Board of Directors. The spending rate will be determined during December and may be adjusted during the year to reflect special funding needs and/or financial market conditions.

This policy may be subject to further restriction under the terms of a separate written instrument governing an Endowment Fund under the Community Foundation's management, if applicable.

Quasi-Endowment Spending Policy - *For all long-term funds under the Community Foundation's management which are not legal endowments:*

As such, the Community Foundation's policy is to manage the investment and disbursement of its Endowment Assets with prudence. The Community Foundation will generally apply the same spending policy and board-approved spending rate to its quasi endowments as it does to its endowment funds. However, this spending rate is only a guideline. All quasi-endowment funds are unrestricted at all times and will be displayed as such on the statement of financial position as unrestricted net assets.

Timing of Transfer of Funds

Funds will be transferred within a reasonable time after settlement.

C. Asset Allocation Policy

1. The Fund will be diversified both by asset class (e.g., global equities, fixed income, absolute return, real assets, venture capital/private equities and bonds) and within asset class (e.g., within equities by capitalization size, economic sector, industry, geography and security). The purpose of diversification is to provide reasonable assurance that no class of securities or single security will have a disproportionate impact on the total Fund. Specific diversification guidelines for investments are provided below.
2. To achieve its investment objective, the Fund will be divided into the following asset classes to insure that the overall asset allocation between these asset classes remains under the regular scrutiny of the Committee:
 - Global Equities (U.S., Non-U.S. Developed Market and Emerging Market equities, Value, Growth and/or Income)
 - Absolute Return
 - Real Assets (e.g. real estate, energy, minerals/mining, timber, etc.)
 - Venture/Private Equities
 - Fixed Income and Cash Equivalents

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.

3. The Fund's Asset Allocation Policy Targets and Ranges for each asset class are to be established by the Investment Committee and are to be reviewed at least annually by the Investment Committee which may recommend changes, subject to approval by the Board. The Investment Committee has full discretion to shift allocations within the Policy Ranges. It is understood that market volatility may cause the Fund's actual allocation to deviate from the Policy Ranges temporarily, but the Investment Committee is expected to correct these deviations as quickly as reasonably possible without incurring undue costs.
4. The Global Equities allocation may be diversified among U.S. stocks, Non-U.S. Developed Market stocks and Emerging Market stocks in proportions determined by the Investment Committee. Within these categories, the Investment Committee will further balance the portfolio with a mix of value stocks, growth stocks and income stocks. The target of the Global Equities allocation is to achieve a total return that over the long term exceeds the inflation rate by at least 6% per year over the long-term (rolling ten years or longer) and a blend of stock indices determined by the Investment Committee over short term (rolling five-year) periods. While the investment performance of the global equity allocation will always be measured against equity standards, equity managers are given discretion to hold cash equivalent or fixed income securities.
5. The Absolute Return allocation is intended to employ a range of event-driven, arbitrage, hedged equity and special situation investment strategies to produce a relatively stable, positive return that reduces the volatility of the total Fund's returns and provides a buffer during periods of stock market declines. The Absolute Return allocation is expected to earn a long-term of at least 5% over the rate of inflation with volatility considerably less than that of stocks.
6. The purpose of Real Assets is to enhance the diversification of the Fund, provide a hedge against periods of escalating inflation and to earn a long-term return similar to that of stocks. Real Assets include a range of strategies that derive their returns from the ownership of tangible assets, such as real estate, energy, mineral/mining operations, commodities and timber. Investments may be made through publicly traded securities or private partnerships. The Investment Committee will determine the Fund's allocation among different types of Real Assets and will establish specific investment return objectives for individual Real Asset managers, depending on their strategies. However, the Real Asset allocation as a whole is expected to earn an average annual return of at least inflation plus 6% over long-term periods (rolling 10 years or longer).
7. The purpose of the Venture Capital/Private Equity allocation is to earn a long-term (rolling 10 years or longer) return that exceeds that provided by public equities, or at least inflation plus 10%. It is understood that returns from this asset class are highly cyclical and hence it is particularly important to take a long-term perspective. Further, it is understood that the Investment Committee will not be able to control the allocation to venture capital/private equity precisely, but is expected to try to maintain it within the approved Policy Range on a best efforts basis. It is further understood that investments in venture capital and private equity carry higher risks and liquidity characteristics than publicly traded equities and the Investment Committee will be cognizant of this when making decisions regarding allocations to this class of assets.
8. The purpose of the Fixed Income allocation is to provide a hedge against severe deflation and to reduce the overall volatility of the Fund's market value. At the Investment Committee's discretion, the Fixed Income allocation may be invested in U.S. and Non-U.S. fixed income securities (including non-investment grade fixed

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.

income securities) and cash equivalent government and corporate securities. Equities are not permitted to be held in this allocation. Individual fixed Income securities can be diversified across the credit spectrum but must achieve a weighted average credit rating that is investment grade (BBB- or better as determined by recognized credit rating agencies), and in no case should any individual security be rated less than BB-. The Committee, at its discretion, may also invest in a diversified fund of non-rated or less than investment grade credit instruments as long as the size of the fund does not exceed 20% of the fixed income allocation, the overall rating of the fund is B or higher, and individual holdings rated less than B or non-rated do not exceed 10% of the fund. The investment return objective for the Fixed Income allocation is to exceed the rate of inflation by at least 2% per year over the long-term (rolling ten years or longer) and to exceed an appropriate index benchmark as established by the Investment Committee over shorter, rolling five-year, periods.

9. The Investment Committee will recommend the initial Asset Allocation guidelines to the Board for Board approval. As indicated above, these guidelines will be reviewed at least annually by the Investment Committee and if adjustments are needed, the recommended changes to the guidelines will be presented to the Board for approval.

D. Monitoring of Adherence to Policy and Results

1. This Investment Policy is in effect until modified by the Board, as recommended by the Investment Committee. The Investment Committee will review this policy periodically for its continued appropriateness relative to the long-term objectives and risk tolerance of the Community Foundation.
2. Investment performance will normally be evaluated over running periods of five years or longer. The Investment Committee will evaluate manager performance from a long-term perspective, recognizing that the results of even the best active managers tend to be cyclical. However, the Investment Committee will evaluate continuously whether the factors that led to initial performance expectations remain in place and whether each manager's investment philosophy is still appropriate for the Fund's overall objectives. Based on these considerations, the Investment Committee may decide to reduce assets under management with or terminate a manager at any time.
3. Each investment manager is required to provide the Community Foundation with whatever account reports it may reasonably request, including total return net of fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Managers may be required to reconcile records of holdings, transactions and dividend and interest income with the Fund's custodian on a quarterly basis. Regular communication concerning investment strategy and outlook is expected. Additionally, all managers are required to inform the Investment Committee on a timely basis of any change in their organization or that may materially affect the management of their account, such as a change in firm ownership, organizational structure, professional personnel or fundamental investment strategy.
4. Conflicts of Interest between Fund Managers and the recommended investment by the Manager and/or between a Fund Manager and any Director, Officer or Employee of the Community Foundation are to be scrupulously avoided. Should any conflict be identified, the Manager is to be terminated immediately.

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.

ADDENDUM
Strategic Asset Allocation
As of 11/28/2017
(Replaces previous Addendum)

<u>Asset Class</u>		<u>Long Term Policy Target</u>	<u>Range</u>	<u>Benchmark</u>
Cash		3%	3-25%	3-month US Treasury Bills
Fixed Income		35%	20-60%	
	Domestic Inv. Grade		10-50%	Barclays US Aggregate Bond Index
	Domestic High Yield		0-20%	Merrill Lynch HY Master II Index
	International Developed		0-25%	Barclays Global Agg
	International Emerging		0-10%	JP Morgan Emerging Corporate Bond Index
Equities		60%	30-70%	MSCI World Equity Index
	Domestic Large Cap.		10-50%	S&P 500 Index
	Domestic Mid/Small Cap.		0-20%	Russell 2500 Index
	International Developed		5-40%	MSCI EAFE Index
	International Emerging		0-10%	MSCI EM Index
Other		2%	0-20%	
	Public Real Estate		0-10%	NAREIT Equity Index
	Public Hedge Funds		0-10%	HFRI FoF Diversified Index
	Public Commodities Funds		0-5%	Bloomberg Commodities Index
Note - When guidelines are violated, rebalancing to within the guidelines will be completed as soon as practical.				

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.



Benchmarks

The Community Foundation participates in the Council on Foundation's quarterly investment performance survey and the Community Foundation's long-term portfolio performance is evaluated against the average peer return for the \$5.0m-\$24.9m asset category.

The Community Foundation's long-term portfolio results will be evaluated quarterly vs. these benchmarks and discussed at quarterly investment committee meetings. Asset managers will be evaluated annually. Generally, longer-term performance (5 years) will be used for performance evaluation.

Limitations

The Community Foundation will in no case ever own more than 5% of the securities of any issuing company. If such ownership occurs as result of a gift, approved by the investment committee as in the best interest of the Community Foundation, liquidation of the excess holding amount will be carried out with best efforts to avoid negatively impacting the proceeds. Efforts to sell the excess holdings will be initiated immediately, but may take a number of months, depending on the liquidity of the security.

Park City Community Foundation is creating an enduring philanthropic community for all the people of Park City.

PO Box 681499, Park City, UT 84068 ▪ parkcitycf.org
P 435.731.4250 ▪ F 435.214.7849