



## INVESTMENT POLICY STATEMENT

Approved by the Board on 03/15/2018

### Introduction

This Investment Policy Statement (hereinafter "IPS") governs the investment management of The Park City Foundation dba Park City Community Foundation's (hereinafter the "Community Foundation") pooled investment assets (the "Funds"). The Investment and Finance Committee (hereinafter "I and F Committee") shall have the delegated authority from the Board of Directors to make and execute investment decisions within this policy. Changes to this IPS must be approved by the Board of Directors. Any planned investment which falls outside of this policy must be approved by the Board of Directors.

### Appointment

The Chair of the I and F Committee shall be a director and shall be appointed by the Board Chair. Members of the I and F Committee shall be appointed by the I and F Committee Chair and the Executive Director. Members of the I and F Committee are excluded from committee term limits. The Chair of the Board and the Executive Director of the Community Foundation shall be ex officio members of the I and F Committee.

The I and F Committee shall consist of members knowledgeable about investments and investment practices. Assuming the I and F Committee Chair and the committee members approve the addition, non-board members may be invited to join the I and F Committee so long as the ratio of non-board members to board members does not exceed 50%.

### Activities

The I and F Committee will review the implementation of the Community Foundation's IPS at least annually, making recommendations for changes to the Board as needed, and will monitor the achievement of the IPS's objectives.

The I and F Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Community Foundation's investments. The I and F Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Community Foundation.

The I and F Committee will provide relevant information to the investment managers concerning the Community Foundation's resources and any special considerations pertaining to any particular assets of the Community Foundation.

A majority of the I and F Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the I and F Committee present at any meeting at which a quorum is present shall be the act of the I and F Committee. For a vote to be valid in meetings conducted via email, I and F committee members must provide their majority written consent after active discussion of the issues. For an email message to be considered part of a meeting, it must be sent to all I and F committee members.

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



The I and F Committee will meet at least quarterly. The Chair of the I and F Committee may also call special meetings of the I and F Committee as needed.

In order to ensure that the Board and the I and F Committee are able to fulfill their duties with respect to prudent management of the portfolio, the Chair of the I and F Committee will hold quarterly meetings and provide financial statements to the I and F Committee, Board Chair, Board Vice Chair, Treasurer, Audit Committee and the Accountant. Such reports shall include, though not be limited to, performance of the Community Foundation's investment portfolio.

The Chair of the I and F Committee will report on the status of the investment portfolio, investment performance, major changes to portfolios and client cash flow, at least twice a year or more frequently at the request of the Board. The Treasurer will report on the most recent financial statements available.

Any actual or potential conflicts of interest possessed by a member of the I and F Committee must be disclosed and resolved pursuant to the Community Foundation's Conflict of Interest Policy.

#### **Standard of Care**

In exercising its responsibilities, the I and F Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

#### **Standards for Prudent Investing**

The I and F Committee will consider both the purposes of the Community Foundation and the purpose of any specific institutional fund in making investment decisions. Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Community Foundation.

Funds will be invested in accordance with Utah state law and the Uniform Prudent Management of Institutional Funds Act regarding prudent investing.

#### **Policy Objectives**

The long-term financial objective of the Funds is to provide the Community 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 Funds, net of deposits and 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 Funds 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 Funds 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, typically over a full market or economic cycle. It is recognized that this objective

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

implies an investment portfolio with a material component of equity and other higher risk securities and consequent market price volatility.

### **Community Foundation Spending Policy**

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

- 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 an 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 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 I and F Committee with final approval by the Board of Directors. The spending rate will be determined during December and may be adjusted during the year with Board approval 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:

- 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.

### **Asset Allocation Policy**

The Funds 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 more stable returns over the long term and a reasonable assurance that no class of securities or single security will have a disproportionate impact on the total Funds. The Community Foundation will in no case own more than 5% of the securities of any issuing company. If such ownership occurs as the result of a gift, if approved as being in the

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

best interests of the Community Foundation, or through appreciation, then 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 as soon as practical, but may take a significant amount of time, depending on the type and liquidity of the security.

To achieve its investment objective, the Funds 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 I and F 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
- Bonds and Cash Equivalents
- 

The Fund's Asset Allocation Policy targets and ranges for each asset class are to be established by the I and F Committee and are to be reviewed at least annually by the I and F Committee which may recommend changes, subject to approval by the Board. The I and F 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, but the I and F Committee is expected to correct these deviations as quickly as reasonably possible without incurring undue costs. It is the responsibility of each investment manager to inform the Executive Director when not in compliance.

The target of the Global Equities allocation is to achieve a total return that exceeds the inflation rate by at least 6% over the long-term (rolling ten years or longer) and a blend of stock indices determined by the I and F 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 equivalents or fixed income securities.

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.

The purpose of Real Assets is to enhance the diversification of the Funds, 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 I and F Committee will determine the Fund's allocation among different types of Real

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



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).

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 I and F 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 I and F Committee will be cognizant of this when making decisions regarding allocations to this class of assets.

The purpose of the Bonds and Cash Equivalents allocation is to provide a hedge against severe deflation and to reduce the overall volatility of the Fund's market value. At the I and F Committee's discretion, the Bonds and Cash Equivalents allocation may be invested in U.S. and Non-U.S. fixed income and/or floating rate securities (including non-investment grade securities) and cash equivalent government, corporate, and money market securities. Equities are not permitted to be held in this allocation. Individual bonds 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 I and F 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 Bonds and Cash Equivalents 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 I and F Committee over shorter, rolling five-year, periods.

### **Monitoring of Adherence to Policy and Results**

Investment performance will normally be evaluated over running periods of five years or longer. The I and F Committee will evaluate fund and/or manager performance from a long-term perspective, recognizing that the results of even the best funds and active managers tend to be cyclical. However, the I and F 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 I and F Committee may decide to reduce assets under management with or terminate a fund or manager at any time.

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

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



required to inform the I and F 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, or financial position of the manager's firm or its progress toward the goals and objectives of this policy.

Conflicts of Interest between Fund Managers and their recommended investment 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.

PO Box 681499, Park City, UT 84068 ▪ [parkcitycf.org](http://parkcitycf.org)  
P 435.731.4250 ▪ F 435.214.7849

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

<b>Asset Class</b>		<b>Long Term Policy Target</b>	<b>Range</b>	<b>Benchmark</b>
<b>Cash Equivalents</b>		<b>3%</b>	<b>3-25%</b>	3-month US Treasury Bills
<b>Bonds</b>		<b>35%</b>	<b>20-60%</b>	
	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
<b>Equities</b>		<b>60%</b>	<b>30-70%</b>	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
<b>Other</b>		<b>2%</b>	<b>0-20%</b>	
	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 relevant Council on Foundations assets-under-management category.

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

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](http://parkcitycf.org)  
P 435.731.4250 ▪ F 435.214.7849