



STATEMENT OF INVESTMENT POLICY

I. Introduction

The Board of Directors (the "Board") is charged with the responsibility for the investment of the endowed assets, quasi-endowment assets and similar investment funds (the "Portfolio") of the Community Foundation for the Greater Capital Region ("CFGCR"). The Finance Committee (the "Committee") is authorized by the Board, pursuant to Article IV of the By-laws of CFGCR, to invest the Portfolio pursuant to this Statement of Investment Policy ("Statement") as approved and amended from time to time by the Board.

The purposes of this Statement (along with the attached Appendices which are incorporated by reference) are to set forth: (1) the investment objectives and philosophy of the Board; (2) the authority and responsibilities of the Committee, investment managers, investment consultant, and custodian; (3) guidelines for the management of the Portfolio; and (4) benchmarks against which investment managers will be evaluated. This Statement will be provided by CFGCR to the investment managers, investment consultant and custodian. This Statement is intended to be compliant with Article 5-A of the New York Not-for-Profit Corporation Law (the Uniform Prudent Management of Institutional Funds Act).

II. Investment Objectives

The Board has determined the investment objectives of CFGCR to be as follows:

- Preserve and increase the value of the Portfolio by earning a rate of return, net of fees, more than: (1) the CFGCR spending rate (as described in the Spending Policy, set forth in Appendix A); and (2) the rate of inflation (Consumer Price Index for All Urban Consumers (CPI-U)).
- Invest in the Portfolio to maximize return while assuming reasonable risk.
- An additional objective is to provide opportunities for donors that have different investment horizons and perspectives. To accommodate the above objectives, the following investment pools will be utilized: the long-term pool, the ESG Pool and a Donor Advised Low Risk Fund.
- Within the ESG Pool, portfolio investments are to be assessed from an environmental, social, and governance (ESG) perspective. Areas of concern include, but are not limited to, the environment, human rights, social justice, diversity, and corporate governance.
- The respective asset allocations for the Long-Term Pool and ESG Pool are detailed in Appendix B and C. The Donor Advised Low Risk Pool is an option for spenddown funds and access is limited based on management and board discretion.

III. Investment Philosophy

The purpose of the Portfolio is to provide annual distributions to support the needs of the Capital Region in perpetuity. Consequently, the following principles are significant:

- Some investment risk must be assumed to earn a rate of return that will support the Spending Policy, while protecting the assets from inflation.

- Achievement of the investment objectives will not progress uniformly over time, as rates of return change from time to time.
- Long-term strategic asset allocation is the most effective way to achieve the investment objectives.
- Diversification of asset classes by style and strategy leads to more efficient performance.

IV. Investment Responsibilities

The Committee, investment managers, investment consultant and custodian are each required to act as fiduciaries of CFGCR with respect to the Portfolio. In their respective capacities, each shall discharge their duties solely in the interests of CFGCR, in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. The selection, continuation, or termination of any agent shall include an assessment of the agent's independence, including any conflicts of interest such agent has or may have. In addition, each party is responsible as follows:

Finance Committee

- Oversee the investment of the Portfolio among various asset classes pursuant to the allocation set forth on Appendix B and C, as established by the Board from time to time.
- Approve recommendations from the advisor, to buy/sell and-or add to the Portfolio per the "Asset Allocation Policy" in Appendix B and C.
- Select, continue, and terminate investment managers to whom discretionary authority for the management of apportion of the Portfolio is delegated, and monitor the investment performance of such managers.
- Report the investment performance of each investment manager and of the Portfolio to the Board quarterly.
- If appropriate, select an investment consultant (subject to the approval of the Board) to assist in carrying out the Committee's responsibilities. If an investment consultant is retained, the Committee will evaluate the role and effectiveness of the consultant, specifically assessing the independence and presence of conflicts of interest, the payment and compensation level, and the performance and compliance of the consultant with the scope and terms of the contract.
- If appropriate, select a custodian (subject to approval of the Board) to hold assets, provide accurate record keeping, administer cash transactions, settle investment trades, and monitor the performance of such custodian.
- Review this Statement periodically, but at least annually, and report to the Board if changes are recommended.

Investment Managers

- Act consistently with this Statement and any specific agreement with CFGCR.
- Adhere to the investment style and strategy for which the manager is selected.
- Provide monthly, quarterly, and annual reports as directed by the Committee.
- Attend meetings with the Committee as scheduled.
- Provide immediate written communication of all pertinent changes and events in a manager's firm. Such changes and events include but are not limited to: personnel involved in the CFGCR's

relationship; firm ownership; senior investment professional’s responsibilities; investment style or strategy; violation of the Investment Guidelines set forth herein; findings against the firm or its principals by the SEC or any other regulatory authority; and lawsuits brought against the firm or its principals.

Investment Consultant

- Act consistently with this Statement and any specific agreement with CFGCR.
- Provide monthly, quarterly, and annual reports that provide information and analysis relevant to the investment performance of investment managers.
- Monitor and make recommendations to the Committee regarding investment policy, asset allocation, rebalancing, and investment managers.
- Attend meetings with the Committee as scheduled.

Custodian

- Act consistently with this Statement and any specific agreement with CFGCR.
- Hold assets, provide accurate record keeping, administer cash transactions and settle investment trades.

VI. Performance Evaluation Policy

To achieve the objectives set forth in this Statement, the goal of CFGCR is that the Portfolio will earn a rate of return that is at least equivalent to the rate of inflation (CPI-U) plus the CFGCR spending rate, including CFGCR administrative fees. Thus, the long-term objective for the Portfolio is that it will earn a return of at least the CPI-U plus 5%. Since this benchmark is not directly related to market performance, success, or failure in achieving this goal should be evaluated over periods of time of between seven and twenty years.

To evaluate the performance of the investment managers over shorter periods of time, CFGCR also has adopted a market-driven benchmark for each manager.

The performance of each investment manager will be compared to the market indices set forth below. Performance evaluations will take into consideration the prevailing investment environment and each investment manager’s particular investment style.

<u>Asset Class</u>	<u>Benchmark</u>
Domestic Equity	Russell 3000
Non-US Developed Markets Equity	MSCI EAFE
Emerging Market Equity	MSCI Emerging Markets
Multi Strategy Hedge Funds	HFRI FOF Composite Index HFRI Multi-Strategy Index
Long/Short Equity Hedge Funds	HFRI FOF Composite Index HFRI Equity Hedge Index
Fixed Income	Fixed Income Composite Index Barclays Aggregate
Real Assets	Real Assets Composite Index
US Private Equity	All PE Equity Index
Cash & Equivalents	T-Bills

- Fixed Income Composite Index is comprised of actual allocation to specific managers and their respective benchmarks.
- Real Assets Composite: Index is composed of actual allocation to specific managers and their respective benchmarks.
- All Private Equity Index private equity funds (buyout, growth equity, subordinated debt, control-oriented distressed, credit opportunity funds), including fully liquidated partnerships. To be used when program reaches maturity.

The total Portfolio will be compared to a custom index. The custom index will be a blended benchmark based on the asset allocation set forth on Appendix B, using the market indices that represent each asset class as a percentage of the Portfolio.

VII. Investment Guidelines

The Board has determined that the following specific guidelines must be followed with respect to the Portfolio. Exceptions may be granted by the Committee, subject to the approval of the Board.

- Investments shall be made solely in the interests of CFGCR, consistent with the duty of loyalty required by law.
- The Portfolio shall be invested with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In particular in managing and investing the Portfolio, the following factors, if relevant, must be considered: general economic conditions; the possible effect of inflation or deflation; the expected tax consequences, if any, of investment decisions or strategies; the role that each investment or course of action plays within the overall investment mix of the Portfolio; the expected total return from income and the appreciation of investments; other resources of CFGCR; the needs of CFGCR and the Portfolio to make distributions and to preserve capital; and an asset's special relationship or special value, if any, to the purposes of the Portfolio.
- The Finance Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in: selecting, continuing or terminating an investment consultant or manager, including assessing the investment consultant or manager's independence including any conflicts of interest such investment consultant or manager has or may have establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of CFGCR and the portfolio; and monitoring the investment consultant or manager's performance and compliance with the scope and terms of the delegation. In performing a delegated function, an agent owes a duty to CFGCR to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.
- The Investment of the assets shall be so diversified as to minimize the risk of large losses, unless the Investment Committee prudently determines that, because of special circumstances, the purposes of the Portfolio are to be better served without diversification. The Finance Committee shall review a decision not to diversify as frequently as circumstances require, but at least annually.
- The Finance Committee may employ an investment consultant and/or one or more investment managers of varying styles and philosophies to attain the Fund's objectives. Any person that has special skills or expertise or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Portfolio.
- In managing and investing the Portfolio, CFGCR may incur only costs that are appropriate and reasonable in relation to the Portfolio assets, the purposes of CFGCR, and the skills available to CFGCR. The Finance Committee shall make a reasonable effort to verify facts relevant to the management and investment of the Portfolio.
- Security trading should be on a "best-execution" basis, i.e., highest proceeds and lowest cost. Trading commissions should be at institutional rates. Placement of orders with a particular brokerage firm should consider its financial viability and its capacity to execute efficiently.
- Equity Guidelines
 - ❖ Equity portfolios (domestic and international) will be diversified according to economic and industry sector, number of holdings, and other investment criteria. It is recognized that an actively managed portfolio will not be as diversified as the market. To produce overall

diversification, equity managers will be selected to employ different strategies that together achieve the desired degree of diversification.

- ❖ Acceptable equity investments include marketable, publicly traded stocks; convertible securities; American Depository Receipts (“ADRs”); and equity mutual funds.
 - ❖ Domestic equity managers may not invest more than 15% in foreign securities traded on US exchanges that are not ADRs.
 - ❖ All international and emerging market equity managers must hold securities in a minimum of five countries. Currency exposure may only be hedged back to the US dollar. The decision to hedge is left to the manager’s discretion.
- Fixed Income Guidelines
 - ❖ The duration of an actively managed fixed income portfolio may not deviate by more than 20% from the duration of the market benchmark.
 - ❖ Aggregate bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of AA-. High yield bond managers are expected to maintain an average quality rating for their portfolio that does not fall below an S&P rating of B-.
 - ❖ Investments rated below BBB- by Standard & Poor’s Corporation or another comparable nationally recognized rating service are limited to not more than 10% of the fixed income portfolio.
 - ❖ The duration of the fixed income portfolio may not differ by more than two years from the duration of its benchmark index.
 - ❖ Derivative instruments may be utilized by an investment manager to obtain more efficient exposure to a specific type of security or to hedge currency. However, at no time may derivative instruments be used to leverage the Portfolio assets overseen by the investment manager. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the Portfolio assets under management.
 - Alternative Investment Guidelines
 - ❖ To enhance Portfolio results, CFGCR may elect to invest in alternative investment strategies such as hedge funds, commodities, real estate, and private equity. These investments are made with the intention of raising Portfolio returns, lowering total volatility, enhancing diversification and/or hedging inflation. In most cases, these investments will be implemented using limited partnerships. Therefore, restrictions are established by the offering documents for each partnership.
 - ❖ The Fund utilizes commingled or pooled funds and therefore selected investment managers are exempt from any constraints that conflict with their fund guidelines. The Investment Committee will consider the guidelines and risk control procedures in the manager selection process.
 - Prohibited Investment Techniques
 - ❖ Fee-generating investments, such as proprietary mutual funds
 - ❖ Restricted securities

- ❖ Securities in which an investment manager has a self-interest

VIII. Conflicts of Interest

It is required that members of the Board and Committee, employees of CFGCR and all third parties serving the Portfolio abide by their fiduciary responsibilities and avoid all conflicts of interest in the CFGCR's operation and investment decisions.

All actual and perceived conflicts of interest must be disclosed in writing prior to making an investment decision.

Spending Policy Revision Dates:

<u>Date</u>	<u>Status</u>
3/9/2011	Approved
11/13/2013	Revised & approved
11/19/2014	Revised & approved
11/18/2015	Revised & approved
8/4/2016	Revised & approved
2/22/2017	Revised & approved
11/16/2017	Approved
2/15/2018	Revised & approved
11/6/2018	Approved
11/6/2019	Approved
3/11/2020	Revised & Approved (allocations)
11/12/2020	Approved
3/10/2021	Approved
11/10/2021	Approved Revised & approved
9/15/2022	3/23/2023 Appendix B updated)
3/23/2023	Appendix B updated.

APPENDIX A



Total Return Spending Policy

This spending policy (the Policy) allows The Community Foundation for the Greater Capital Region (the Foundation) to achieve the following objectives with respect to its donor-restricted endowments and such other unrestricted assets as the governing Board shall deem prudent subject to this Policy:

- Preserve and build the assets of each endowment fund and maintain the purchasing power of the original gift.
- Achieve a better overall investment performance by allowing a more flexible environment for investment managers to invest prudently for total return.
- Provide predictability and smooth the fluctuations of the Foundation's grantmaking budget.

In establishing this Policy, the governing Board of the Foundation has acted in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and has considered, to the extent relevant, the following factors:

- (1) The duration and preservation of the endowment funds.
- (2) The purposes of the Foundation and the endowment funds.
- (3) General economic conditions.
- (4) The possible effect of inflation or deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Foundation.
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Foundation and the funds' purpose; and
- (8) The investment policy of the Foundation.

The Foundation shall keep a contemporaneous record describing the consideration given to each of the factors enumerated above.

Appropriation Procedures

- As of September 30th, of each year, the average fair market value of each fund, computed as of the last day of the immediately preceding twenty calendar quarters, will be calculated for use in applying the spending rule percentage to determine funds available for distribution for the following year, beginning November 1 of the current year.
- A fund must have invested balances for a minimum of 4 complete calendar quarters as of October 1st in order to be included in this calculation. If the fund has invested balances for at least 4 complete calendar quarters but has not been invested for 20 complete calendar quarters, the Foundation will use the actual number of invested quarters in the calculation.

- Funds available for distribution which are not expended in one year will remain in the distribution account and will be available for distribution in the following year.
- The payout rate will be reviewed periodically to determine if it is appropriate given investment returns and the rate of inflation. For those endowment funds created on or after September 17, 2010, the Foundation shall, absent express donor intent to the contrary, review each fund to assure that the appropriation for expenditure in any year does not exceed seven percent of the fair market value of the fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made. For an endowment fund in existence for fewer than five years, the fair market value of the endowment fund shall be calculated for the period the endowment fund has been in existence.

The Board of Directors of CFGCR approves a 4% distribution rate effective *November 13, 2024, for all those funds subject to the Board approved distribution rate.*

APPENDIX B
Asset Allocation Policy

The Portfolio will be invested pursuant to the asset allocation set forth below. Since the actual allocation may not be attained at any specific point in time due to market conditions, the operating range represents an acceptable deviation.

Portfolio Targets

3/23/2023

			Range		Recommended
			Low	High	Target
Equity - Like	Equity	Domestic Public Equity	20	44	37
		Non-US Developed Equity	10	20	15
		Emerging Markets Equity	2	8	5
		Global Private Equity	0	12	8
	Flexible Capital Real Assets	Long/Short and Absolute Return	6	18	12
		Natural Resources, Real Estate and US Tips	10	20	10
Bond - Like	Credit	Core Bond	0	10	5
		High Yield	0	6	3
	Deflation/Dollar Hedge Liquidity	Sovereign Debt	0	10	5
		Cash (T-bills)	0	5	0
					100

ESG Pool Asset Allocation Policy

Portfolio Targets

10/1/2021

			Range		Target
			Low	High	Target
Equity - Like	Equity	Domestic Public Equity	30	50	40
		Non-US Developed Equity	20	40	30
Bond - Like	Credit	Core Bond	20	40	30
	Liquidity	Cash (T-bills)	-	-	0
					100.0

Rebalancing Guidelines

Actual asset allocation will be monitored regularly and fluctuates with market value. In the event the allocation of an asset class falls outside the operating range and is deemed by the advisor to be other than a temporary fluctuation, the portfolio will be rebalanced. The advisor initiates the change by contacting the President/CEO and CFO. The President/CEO and Board Chair are authorized to sign the sale and purchase documents per the Board approved "Signature Authorization".

Cash flow (contributions/withdrawals) of the Portfolio may be utilized as a method to rebalance.