

FAIRFIELD COUNTY'S COMMUNITY FOUNDATION INVESTMENT POLICY AND GUIDELINES

1. Investment Philosophy

Board of Directors of Fairfield County's Community Foundation (the Foundation) oversees the assets of the Foundation's endowed and spendable funds to generate income to respond to current charitable needs and to support the long term growth of the Foundation's endowment. The Board of Directors works through its Investment Committee to implement the Foundation's investment goals:

- 1) Earn real returns that support the Foundation's long-range spending policy to support grantmaking programs and initiatives.
- 2) Maintain a diverse asset allocation including equity, debt, and alternative investments, balancing growth, income and liquidity.
- 3) The Foundation recognizes that the State of Connecticut has adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and will comply with the Act and other relevant laws and regulations.
- 4) The Investment Committee reviews the spending policy annually and presents a recommendation to the Board for approval.

2. Goals and Objectives

- The primary objective of the Foundation's investment program is to achieve a long term real return (after inflation) of 4.5% per year.
- The investment program is diversified among asset classes in order to improve performance and lessen investment risk.
- The liquidity needs of the Foundation's funds are reviewed at least annually.

3. Investment Responsibility

- The Board has delegated to the Investment Committee the establishment and recommendation of investment policy for all assets, subject to Board approval.
- The Investment Committee determines the broad asset allocation among various asset classes, designs the investment structure for each asset class, recommends retention or termination of investment consultants and other professionals, and monitors investment results.

- The Investment Committee reports to the Board quarterly on all Foundation investment programs, and makes recommendations on the Foundation's investment and spending policies.
- The Foundation Staff (Staff) is responsible for approving and overseeing the implementation of all decisions reached by the Investment Committee, serving as a liaison between the Committee and outside parties, maintaining books and records, and filing the necessary tax and regulatory documents.
- The Investment Consultant shall assist Staff and the Committee in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies. The Consultant shall also provide assistance in manager searches and selection, and in investment performance calculation, evaluation, and analysis. The consultant shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by Staff or the Committee.
- The Investment Consultant is responsible for implementing and executing investments reached by the Committee pending the approval of Foundation Staff. The Consultant shall ensure there is sufficient cash on hand for meeting funding commitments and ongoing cash flows.
- The Investment Committee recognizes that it cannot give specific policy directives to commingled fund investment managers. Examples include mutual funds, bank collective funds, and limited partnerships. Since the duties and responsibilities shall be set forth in the fund's governing documents, the Investment Committee and Staff, with the assistance of the Investment Consultant, shall evaluate the investment manager's duties and responsibilities to investors as set forth in the fund's governing documents and shall include that evaluation as a factor in any determination of the suitability of the investment for approval by the Investment Committee. Commingled funds may be used across all asset classes including Master Trustee/Master Custodian commingled short term investment funds and related institutional money market mutual funds.

4. **Investment Strategies**

- The Investment Committee periodically recommends to the Board an allocation of the portfolio among equities, fixed income/cash, and alternative investment opportunities. With the help of an independent Consultant, the Investment Committee deploys an asset allocation program which seeks strong returns while limiting volatility. The asset allocation target and ranges are in Appendix I.
- Investments are diversified within each asset class to minimize the adverse effects of any individual investment.
- Contributions are converted to cash as soon as practical for reinvestment.

5. **Performance Standards**

The total investment program, its component sectors and the investment managers are judged against appropriate industry and peer benchmarks:

- The total return for the overall Fund shall meet or exceed the Fund's Policy Index (as described in Appendix I).
- The Foundation's investment program is also compared to peer groups of Community Foundations and other nonprofit endowment funds with the goal to rank in the top half of the universe on a risk adjusted basis.
- Over the long term, the program is measured against the real return objective (4.5% + inflation), with the recognition that in the near term, this benchmarks may not be achieved.
- The performance of individual strategies and managers is evaluated regularly using quantitative and qualitative information, with the assistance of the Foundation's Consultant. Investment managers should meet or exceed the return of their designated benchmark.
- Total risk exposure and risk-adjusted returns for the Fund and investment managers shall be regularly evaluated and compared with the designated benchmark.
- The Committee is aware that there may be deviations from these performance targets. Normally, results will be evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund.

6. **Investment Guidelines for Separately Managed Accounts**

❖ Equity Investments

- Use of cash equivalents: While the portfolio is fully invested, managers are authorized to hold cash equivalents for the operations of the Foundation and market conditions.
- Security trading: The Foundation expects managers to emphasize best execution that yields the highest proceeds with the lowest transaction costs.
- Exceptions to these guidelines shall be reported in writing by the manager to Staff.

❖ Fixed Income Investments:

- 1) No more than 10% of the entire portfolio at market may be invested in securities of any single issuer other than the U.S. Government and its agencies.
- 2) Issues purchased directly in the portfolio shall generally be "investment grade" U.S. pay debt issues including securities rated Baa/BBB or better as rated by Moody's and Standard & Poor's or its equivalent.

- 3) All fixed income securities must be liquid and readily marketable. Private placements or other “restricted” securities shall not be purchased. However, securities issued under Rule 144a of the Securities Act of 1933 are permissible.
- 4) Brokerage firms are expected to complete trades on a best execution basis.
- 5) With the exception of the U.S. Government and its agencies, no one sector allocation should exceed 50% of the portfolio on a market value basis.
- 6) Exceptions to these guidelines shall be reported in writing by the manager to Staff.

❖ **Alternatives Investments**

- 1) The Foundation invests in alternative asset classes to diversify returns and to reduce correlations to equity and bond investments. Alternatives investments may include fund of funds or direct hedge funds, private equity or real estate, real assets or commodities. Common features of alternative investments are limited liquidity, derivative usage, leverage and shorting, lower regulatory oversight, limited transparency, and higher fees versus traditional asset classes. Compensating for these risks, these investments offer the potential of diversification and/or higher rates of return over time.
- 2) Investments will be evaluated and chosen with assistance from the Foundation’s Consultant.
- 3) A strategic plan will be developed for Private Equity and Real Asset allocations and reviewed annually. The plans shall include, but not be limited to, a projected capital commitment pace and intended deployment schedule by general market strategy. The program shall be diversified by vintage year and strategy. All investment decisions should be made within the context of the strategic plan.
- 4) A strategic plan will be developed for the Hedge Fund allocation and reviewed annually. The plan shall be diversified across strategy and shall have targets for each strategy.

❖ **Opportunistic Investments**

- 1) The strategic asset allocation shall include an opportunistic investment target of 0% with a range of 0-10%. Opportunistic investing is defined as investments in unique opportunities brought about by dislocated or unusual market conditions, which can provide superior risk adjusted return potential in a specific asset class.

7. **Proxy Voting**

Managers are to vote proxies in the best interests of the Foundation. If appropriate, the managers may seek guidance from the Investment Committee.

8. **Rebalancing Policy**

The Fund may be rebalanced by the Consultant if a liquid asset class exceeds the minimum or maximum allocation specified within the policy ranges. Any rebalancing approved by the Investment Committee will be implemented by the Consultant. Routine cash flows (contributions

and spending) can be used to maintain the allocation as close as practical to the target allocations. If routine cash flows are insufficient to maintain the allocation within the permissible ranges, balances will be transferred between asset classes as necessary to bring the allocation back within the permissible ranges.

9. **Review**

The Investment Committee reviews the investment policy with the Consultant annually and recommends revisions to the Board when appropriate. Total fund, asset class and manager performance data is monitored and distributed quarterly.

10. Guidelines for Impact Investing and Diverse Manager Policies are in Appendix II.

FAIRFIELD COUNTY'S COMMUNITY FOUNDATION

ASSET ALLOCATION POLICY

In order to have a reasonable probability of achieving the target return at an acceptable risk level, the Investment Committee has adopted the asset allocation policy outlined below.

Asset Class	Target %	Range %	Benchmark
Equities	53%	45 – 60%	
Domestic – Large Cap	15		S&P 500
Domestic Small/Mid Cap	4		Russell 2000
Global	12		MSCI ACWI
International –Established	12		MSCI EAFE Net
Int'l – Established Small Cap	5		MSCI EAFE Small Cap
International – Emerging	5		MSCI Emerging Markets Free
Fixed Income	15	5 – 20%	
TIPS/Treasuries/Core	8		Based on Investment
Global Multi-Sector	7		Barclays Global Aggregate
Alternative Assets	32	15 – 48%	
Private Equity	10		CA Global All PE VY 2009+ (1 Quarter Lag)
Hedge Funds	12		HFRI FOF Index
Private Real Assets	10		CA Global Real Assets with Real Estate (1 Quarter Lag)
Opportunistic	0	0 – 10%	Based on Investment
Cash	0	0 – 10%	

The Fund's Policy Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement. It is useful in separating the impact of investment policy from execution of the investment strategy in evaluating the performance of the Fund's investment program.

The Policy Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, as listed above, on a monthly basis.

FAIRFIELD COUNTY'S COMMUNITY FOUNDATION

Impact Investing and Diverse Owned Manager Policies

1. FCCF's Mission

FCCF established its mission investment policy on **January 20, 2021** regarding the inclusion of Environmental, Social and Governance (ESG) factors, thematic investing, and diverse owned managers. The policy will be implemented when reviewing future investment opportunities.

2. FCCF's Values

The Fund shall be managed in a manner consistent with FCCF's values as well as the achievement of return and risk objectives. **FCCF's Mission is Closing the Opportunity Gap in Fairfield County by eliminating disparities in income, education, employment, housing and health.**

FCCF maintains a comprehensive Investment Policy and Guidelines that empower the Investment Committee to invest FCCF assets as outlined by the document. The Investment Committee is responsible for balancing these potentially competing objectives in the best interests of FCCF. FCCF is committed to an investment program which includes impact investing and a focus on diverse owned managers to optimize the alignment of its financial assets with its values. As practical, every search for investment managers shall include at least one firm with expertise in impact investing and a diverse owned manager in the asset class under review. FCCF will seek to use investment managers that integrate Environmental, Social and Governance (ESG) factors into their process or provide a thematic investment in an area within FCCF's values. Thematic managers can invest in publicly traded securities or in private market investments.

3. ESG and Diverse Owned Manager Policy Language

The Committee believes the consideration of material Environmental, Social and Governance (ESG) factors will impact the long-term financial success of its investments. The Committee supports the practice of integrating ESG factors with other conventional financial analytical tools as part of the investment decision making process and to improve long term risk-adjusted returns. The Committee prefers to invest with managers that value and incorporate ESG factors into their investment decision-making process.

The Committee believes portfolio management skill is relatively evenly distributed throughout the population yet acknowledge diverse owned managers are under-represented in asset management. Diverse owned managers are at least 50% owned by an under-represented group; Diverse led managers are at least 33-50% owned by an under-represented group. Under-represented groups include Black/African American, Latinx, Asian/Pacific Islander, American Indian/Alaskan Native, female, disabled persons, veterans, and LGBTQ+. The Committee seeks to invest with diverse owned investment firms and will seek to include at least one diverse owned manager in every manager search, as appropriate.

Managers who integrate ESG factors into their investment process or are diverse owned managers shall meet the Fund's criteria for hiring investment managers and be held to the criteria for terminating investment managers as outlined in this investment policy statement.

4. Measurement of Diverse Owned Mangers and Impact Policies

The Investment Committee will develop a dashboard to monitor the success and progression of their mission. The dashboard will include ESG factors, thematic investing and diverse owned managers within the investment program and will review the progress on an annual basis.