



## Investment Policy

### Investment Philosophy

The Northwest Connecticut Community Foundation Inc., (the “Foundation”) is an organization consisting primarily of endowed funds arranged in either corporate or trust form. Its goal is to maintain these charitable, endowed assets in perpetuity. **Thus, the Foundation’s policies are guided by Connecticut** law, such as the Uniform Prudent Management of Institutional Funds Act and the Uniform Prudent Investors Act. More specifically:

The Northwest Connecticut Community Foundation Inc., shall manage its assets using a total-return approach, meaning asset yield and asset appreciation are equally weighted in investment decisions. The Foundation seeks to strike a balance of maximum portfolio return within levels of risk **determined to be prudent by the Foundation’s Investment Committee.**

The Foundation will manage the distribution and investment of its assets in accordance with two policies: 1) the Spending Policy, and 2) the Asset Allocation Policy.

### Spending Policy

**Generally, and in the absence of an institution’s desire to retain the right to** withdraw principal from its organizational endowment within the meaning of financial accounting standard No. 136 under Generally Accepted Accounting Principles, the process for distributing financial resources from endowment funds to meet the charitable needs of our community is accomplished through a Spending Policy as follows:

**The Foundation’s Spending Policy, which is determined annually by the Board of Directors, sets the year’s spending as a percentage of the endowment assets based on a rolling three-year average.** The Board can determine the spending rate from a range, with a 2014 minimum of 4.25% to a maximum of 5.75%, the normal target being 5.00%.

## Asset Allocation Policy

Diversification of investments is one of the Investment Committee's primary strategies for fulfilling the Foundation's investment philosophy. Because the selection and weighting of asset classes greatly determines investment return and volatility, a long-term asset allocation model has been established.

The long-term asset allocation model is:

<u>Asset Class</u>	<u>Range</u>
U.S. Large-/Mid-Cap Equities	10% - 32%
U.S. Small-Cap Equities	3% - 10%
Non-U.S. Developed Equities	10% - 25%
Non-U.S. Emerging Equities	2% - 8%
Opportunistic *	0% - 20%
Bonds	12% - 40%
Private Assets**	0% - 20%
Hedge Funds**	0% - 25%
Cash and Equivalents	0% - 10%

*\*Opportunistic investments are designated as those investments viewed by their corresponding managers as having a more timely, or tactical opportunity for positive returns.*

*\*\*Private Assets and Hedge Funds fall into the investment category of Alternative Investments. Alternative investments are designated as those that do not fit into the more traditional investment classes of stocks, bonds or cash*

External investment managers are retained to implement actual asset allocation and specific investment selections. These managers are selected and overseen by **the Foundation's Investment Committee. Managers retained are required to** operate within the ranges outlined in the Asset Allocation model. Managers are not required to invest in all asset classes shown. Managers have authority to re-allocate their investments in accordance with their own strategic or tactical analysis, provided they remain within the asset allocation ranges shown.

Managers are required to advise the Investment Committee of an allocation change in any single asset class that exceeds 5% of their total assets under management.

## Investment Manager Benchmarking

Due to the variation associated with investment manager strategies, the **Foundation's Investment Committee has chosen two benchmark indices by which** to measure the performance of its investments and investment managers. These indices are shown below.

### Index

#### 1) CPI\* + 5.25%

\*Consumer Price Index as reported by the U.S. Bureau of Labor Statistics

#### 2) *MORNINGSTAR Moderate Allocation*

Manager performance will be reviewed by the Committee and compared to other managers as well as to these two indices. Additionally, the Investment Committee will consider, when appropriate, these commonly used indices to evaluate individual asset class performance:

*S&P 500*

*Russell 2000 MSCI EAFE*

*MSCI All Country World HFRI Fund of Funds HFRI Equity Hedge*

*NCREIF Property Barclays Capital Aggregate Barclays Long Term Treasury*

*MSCI Emerging Markets*

*Citigroup World Government Bond*

*JP Morgan GBI-EM Global Diversified*

## Governance of Investment Process

The Foundation's Board of Directors annually appoints an Investment Committee, **not necessarily comprised of members of the Foundation's Board, which shall be** responsible for complete oversight of the investment of the charitable assets entrusted to the Foundation. In concert with the professional staff, the **Foundation's Investment Committee may engage consultants as needed to assist in** the discharge of its duties and shall report such results, activities and actions to the **Foundation's Board of Directors, its donors and the general public via the U.S. postal service or the Foundation's Web site.**

*Adoption:*

*Recommended for approval by the Investment Committee on February 17th 2015*

*Approved by corporate action of the Board of Directors on February 24, 2015*