

# COMMUNITY FOUNDATION FOR MONTEREY COUNTY

## INVESTMENT POLICY STATEMENT

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### I. Introduction

The Board of Directors (BOD) of the Community Foundation for Monterey County (the Foundation) has adopted this Investment Policy Statement (IPS) in recognition of its responsibility to supervise the investment of the Foundation's assets in accordance with the Foundation's mission statement: "To inspire philanthropy and be a catalyst for strengthening communities throughout Monterey County."

### II. Statement of Purpose

The purpose of this Investment Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals regarding the investment of the assets of the Foundation; and (2) investment policies and practices designed to satisfy the continuing financial obligations of the Foundation.

### III. Statement of Responsibilities

The following parties associated with the Foundation's assets shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of meeting the financial goals of the Foundation and its mission; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use and (3) by diversifying the investments so as to minimize the risk of large losses.

A. BOD: The BOD maintains the ultimate fiduciary responsibility for the investment of the Foundation's assets. As such, the BOD is authorized to delegate certain responsibilities and may employ or arrange for the services of such other persons, agents or assistants that are necessary or desirable for the proper administration of the Foundation's assets, and to pay reasonable compensation for their services and expenses. In addition to the aforementioned responsibilities, the BOD is responsible for the following:

1. The BOD will approve an appropriate investment policy statement, including the broad asset allocation for the various portfolios;
2. The BOD Chairperson will appoint the Investment Committee members annually; and
3. The BOD will approve the spending policy, which includes the payout rate for endowed funds.

B. Investment Committee: The committee consists of a Chairperson who is a current member of the BOD and shall include the Treasurer. A complete committee description is on file at the Foundation's office. The Investment Committee has been delegated authority to perform the following activities:

1. Develop the IPS for approval by the BOD. Review the document periodically to ensure its appropriateness and recommend changes to the BOD;
2. Formulate overall investment strategy and related asset allocation recommendations

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- but retain authority over sub-allocations within the broad asset allocations;
3. Select qualified investment managers, advisors, and custodians and take action to replace such for failure to perform as expected, or other criteria deemed relevant by the Investment Committee;
  4. Monitor and evaluate performance results for compliance with the IPS and to assure performance objectives are met and fees are reasonable;
  5. Monitor and evaluate performance results for Foundation assets not covered under this IPS, including charitable remainder trusts, charitable gift annuities and Donor Recommended Investment Management (DRIM) portfolios;
  6. Recommend the annual payout rate to the BOD; and
  7. Provide timely communication of investment performance to the BOD.
- C. Investment Managers: Investment managers are delegated the responsibility of investing and managing assets in accordance with this IPS, their individual guidelines and all applicable law. Each investment manager must either be: (1) registered under the Investment Company Act of 1940; (2) registered under the Investment Advisors Act of 1940; (3) a bank, as defined in that Act; (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets; or (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.
- D. Investment Consultant: The Investment Consultant is charged with advising the Committee on:
1. IPS development, review and revision;
  2. Asset allocation;
  3. The selection and monitoring of investment managers;
  4. Providing performance analysis; and
  5. Assisting with rebalancing, and the generation of rebalance sheets and directives to conform to the asset allocations consistent with the IPS.
- E. Planned Gift Administrator: The Planned Gift Administrator is delegated the responsibility of investing and managing the Foundation's charitable trusts, annuity assets and other similar arrangements. The management of the assets will align with the investment advisory contract, the statement of investment guidelines and other instructions provided by the Foundation. The Administrator will provide the Investment Committee with detailed quarterly investment reports, and other reports, as requested. The Administrator will also perform trust and payment accounting, make payments to trust beneficiaries and provide annual tax returns for all charitable trusts trustee by the Foundation.
- F. Donor Recommended Investment Advisors (DRIM): The Foundation has created a program through which donors may recommend investment managers for assets they donate to the Foundation. The DRIM policy is attached as Appendix E.
- G. Community Impact Investment Committee: The BOD has delegated authority of the

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Impact Investment portfolio to the Community Impact Investment Committee. The authority includes, investment decisions, and the authority to define what returns are deemed acceptable. Additional detail of the committee's objectives and responsibilities is contained in the Community Impact Investment Policy Statement.

- H. Custodian(s): The Custodian(s) is charged with the responsibility for safekeeping securities, managing collections and disbursements, and providing periodic accounting statements.

### IV. **Statement of Investment Philosophy**

- A. The Foundation's investment objective is long-term growth and preservation of capital. Accordingly, the portfolio shall be invested to provide safety through diversification in a portfolio of common stocks, bonds, cash equivalents, and alternative investments, all of which may reflect varying rates of return.
- B. The BOD and the Investment Committee are committed to: (1) protecting the corpus of the portfolios; (2) obtaining adequate investment returns sufficient to meet the Foundation's current and expected future financial requirements; and (3) complying with applicable law.
- C. The portfolios shall be managed in a prudent manner, as defined by the Uniform Prudent Management of Institutional Funds Act, recognizing risk and return trade-offs. Sufficient liquidity shall also be maintained to meet the Foundation's obligations for grant making and fees.
- D. The BOD and Investment Committee's policy regarding investment risk is consistent with modern portfolio theory, in recognizing that risk cannot be eliminated but should be considered and evaluated.

### V. **Investment Program and Asset Allocation**

The Foundation's invested assets reside in three portfolios, each with its own distinctive asset allocation: the Long-term Portfolio, the Medium-term Portfolio, and the ESG Portfolio (described below). While all are diversified in their investments, a risk of principal is present in each portfolio. The asset allocations provided in Appendix A shall serve as the guidelines for each portfolio's investments.

#### Long-term Portfolio

The Long-term Portfolio is designed for donors or nonprofits with 7-plus year grant making objectives.

#### Medium-term Portfolio

The Medium-Term Portfolio is designed for donors or nonprofits with 3-5 year grant making objectives.

#### ESG Portfolio

The ESG Portfolio emphasizes investments that prioritize Environmental, Social and Governance (ESG) criteria. The ESG Portfolio is designed for donors or non-profits with 7-plus year grant making objectives and who wish to utilize ESG filters.

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### VI. Investment and Performance Objectives

The Investment Objectives for the portfolios are for the asset value, exclusive of contributions and withdrawals, to grow over the long-term and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return gross of fees) equal to or greater than the returns of the benchmark established for the appropriate portfolio. Performance benchmarks are included in Appendix D.

For the Long-term Portfolio, there is the additional objective for a real rate of return that meets, or exceeds, the Foundation's spending policy for endowed funds and expenses. It is understood that in a low return environment, the purchasing power of the portfolio may not be maintained.

#### **Performance Objectives**

- A. The performance objective of each portfolio is to earn a return that is equal to or greater than a weighted average return of the appropriate indexes for each asset class noted in Appendix A, weighted in accordance with the target allocation for each asset class.
- B. Each actively managed fund is expected to exceed its corresponding benchmark index as well as the median return in a representative performance universe.

### VII. Asset Class Definitions & Investment Guidelines

It is the intention of the Committee to allow each investment manager full investment discretion within the scope of their respective applicable Investment Manager Agreement or prospectus, and any laws that supersede these documents. The Investment Committee may elect to invest in Funds such as (but not limited to) commingled trusts, limited partnerships, exchange traded funds, investment grade exchange traded notes, or mutual funds. In these cases, the investment guidelines set forth in the Fund's prospectus, offering memorandum or agreement will govern. Each separate account investment manager must adhere to the following investment guidelines as well as their specific guidelines unless explicitly advised in writing by the Investment Committee.

- A. Asset Class Definitions: The following is intended to provide clarity as to the intent of the BOD to allow allocations to sub-asset classes within the strategic asset allocation shown in Appendix A. The Investment Committee has authority to select and set target allocations to sub-asset classes.
  - 1. Global Equities include publicly traded securities issued across all markets, including (but not limited to) the United States and other developed countries, as well as emerging and frontier countries. Sub-allocations may include country- or sector- specific strategies, as well as those identified by specific style or market capitalization factors. Allowable securities include common stocks and depository receipts (eg. GDRS, ADRS). The equity portfolios shall be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.

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2. Fixed Income include publicly traded debt instruments across all markets and issuer types. While the category generally refers to an intermediate investment-grade domestic fixed income management style typified by the Barclays U.S. Universal Bond Index, it is the intention of this policy to allow strategic or tactical exposures to below investment grade, foreign, and/or varying durations. This may include specific exposures to foreign, high yield, bank loans, foreign and emerging market debt denominated in both hard and local currencies, and related multi-asset fixed income strategies. Allowable securities include U.S. Government and agency securities, corporate notes and bonds, mortgage-backed securities, preferred stock, below investment grade, and debt issuances of foreign governments and corporations. The fixed income portfolios shall be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.
3. Alternative investments include real assets, private markets, diversifying strategies and the Foundation's Community Impact Investments.

Real assets refer to real estate of a publicly traded or private nature, infrastructure and commodities instruments not requiring physical delivery. Instruments utilized may include partnerships, funds, trusts, REITs, ETFs, ETNs, derivatives and other similarly structured vehicles. The interests may be of liquid or illiquid nature.

Private Markets refers to limited partnership interests in funds investing in the equity or debt structure of non-publicly traded companies. This may include venture, distressed, mezzanine, buyout, secondaries, funds-of-funds or other related non-public and/or opportunistic approaches. These interests are typically of an illiquid nature, requiring multi-year lock-ups of capital.

Diversifying Strategies refers to a broad categorization of investment strategies commonly referred to as "hedge funds" and typified by more complex and often opaque investment strategies, less liquid investment terms and typically performance-based fees. Funds will typically feature strategies involving leverage, shorting, frequent trading, and derivative among other approaches. This category specifically includes hedge funds, alternative beta, and related strategies.

- B. Prohibited Investments: Categories of investments that are not eligible for investment without prior approval of the BOD include:

1. Short sales;
2. Margin purchase or other use of lending or borrowing;
3. Security loans;
4. Leveraged derivatives; and
5. Alternative asset investments may utilize the above categories so long as such investments are consistent with the portfolio's goal of stable returns with low volatility. Investments in alternative strategies will be limited to mutual funds and ETFs that are registered with the SEC.

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- C. Proxy Voting: The investment managers shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held in their respective portfolios.
- D. Trading and Execution: The investment managers shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates.
- E. Environmental Social & Governance (ESG) strategies: The investment managers shall incorporate environmental, social and governance factors as components of the decision-making and portfolio construction process.

### VIII. Rebalancing procedure

The Committee will review the current asset allocations and endeavor to keep the portfolios within the ranges shown in Appendixes A and C.

Contributions and withdrawals will primarily be used to rebalance the portfolios towards their respective asset allocation targets. However, the Committee may elect to rebalance through the sale and purchase of portfolio assets.

### IX. Investment Performance Review, Evaluation and Corrective Action

- A. The Investment Committee, with the assistance of the Investment Consultant, will review the investment results of the investment manager(s) quarterly. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this IPS.
  - 1. The objective of an index fund is to match the respective index on a gross basis while the objective of an active manager is to exceed the return of the respective index on a net of fee basis. Additionally, active managers are expected to perform in the top half of their peer group. Performance benchmarks are included in Appendix D.
- B. The Investment Committee, with the assistance of the Investment Consultant, shall periodically review the qualitative developments of each investment manager.
  - 1. This evaluation shall include changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other criteria the Committee deems appropriate.
- C. The investment manager(s) must disclose all major changes in organization or investment philosophy to the Investment Consultant within 30 days. The investment consultant will report changes to the Investment Committee at the next regularly scheduled meeting, unless the investment consultant determines the change warrants notification prior to the meeting. Further, all registered investment advisors must present updated ADV-2 forms on an annual basis to the Investment Consultant.

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- D. Corrective action shall be taken as a result of the ongoing review process for investment managers. While there may be unusual occurrences at any time, the following are instances where corrective action may be in order.
1. Any organizational change that may materially affect the management process will be noted by the Investment Consultant and discussed with the Investment Committee. If the Committee deems appropriate, the investment manager may be called upon to discuss changes. Violation of terms of contract without prior approval of the Investment Committee constitutes grounds for termination.
  2. As part of its overall asset allocation strategy, the Investment Committee will select managers with certain styles and approaches to portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee. Should the consultant ascertain that significant changes in investment style have occurred, this may be grounds for termination.
  3. Managers may be replaced at any time as part of an overall restructuring.

### **X. Spending Policy**

The BOD's objective is to establish a spending policy that balances the Foundation's shorter-term grant making goals with the longer-term goal to sustain fund balances that provide grant making capability in perpetuity.

For the purpose of the spend rate discussion, fund balances are based on a rolling 12-quarter average. The spendrate will be reviewed annually by the Investment Committee, which then makes a recommendation to the BOD.

### **XI. Conversion of Securities and Other Assets:**

The Foundation has a separate Gift Acceptance Policy (GAP). The GAP states that the Foundation's practice is to liquidate all gifts promptly. On occasion, the Gift Acceptance Committee may recommend not to liquidate certain gifts immediately. In such cases, the decision not to liquidate a gift will be brought to the BOD for approval. Factors the Gift Acceptance Committee may consider shall include, but not be limited to:

- A. Market conditions: a gift may be retained for a reasonable period of time if the likely sale price would be substantially less than the asset's real value. Similarly, a large block of stock might be sold over a period of time in order not to artificially depress the price;
- B. Use by the Foundation: the Foundation may elect to keep gifts that it will employ directly in furtherance of its exempt purposes. For example, the Foundation might keep real property that it will use as its offices;
- C. Desirability as an investment: on rare occasions, the Foundation may be given property that it wishes to retain as an investment. Considerations in this decision include the projected return and how the asset fits into the Foundation's investment portfolio.

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### **XII. Policy Changes**

The Investment Consultant shall advise the Investment Committee of any restrictions within this IPS that may prevent the investment manager(s) from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this IPS discovered by the Investment Consultant in the preparation of its regular performance review shall be reported immediately to the Committee and discussed at its next regularly scheduled meeting.

### **XIII. Investment Policy Review and Revisions**

The BOD reserves the right to amend the IPS at any time.

The IPS shall be reviewed periodically to ensure compliance and relevance to current law, financial and economic trends, and to meet the cash flow requirements of the Foundation.

IN WITNESS HEREOF, the Board has approved this Investment Policy Statement by resolution adopted on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

\_\_\_\_\_

\_\_\_\_\_  
Birt Johnson, Chair  
Board of Directors



COMMUNITY FOUNDATION FOR MONTEREY COUNTY:  
Investment Policy Statement Appendix A:  
Board Approved Broad Asset Allocation Targets and Ranges

**Long-term Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
Equity	48%	58%	68%
Fixed Income	17%	27%	37%
Alternatives <sup>1</sup>	3%	13%	23%
Cash	0%	2%	7%

**Medium-term Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
Equity	25%	35%	45%
Fixed Income	53%	63%	73%
Alternatives	0%	0%	10%
Cash	0%	2%	7%

**ESG Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
Equity	50%	60%	70%
Fixed Income	28%	38%	48%
Alternatives	0%	0%	10%
Cash	0%	2%	7%

Due to the fluctuation of market values across asset classes, allocations within a specified range are acceptable and constitute compliance with the policy. It is anticipated that a period of time may be required to fully implement changes in the asset allocation and that periodic revisions may be required.

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<sup>1</sup> Within the Alternatives allocation there is a 2% Board approved target allocation to CFMC Community Impact Investments via the Community Impact Investment Policy Statement (CI IPS). See the CI IPS for additional detail.  
Approved XXXXX X, 20XX

**The assets residing in the Foundation's three portfolios, referenced in Section V of the IPS, represent endowed and non-endowed funds. These funds are of many types, and are detailed below.**

Donor Advised: Donor advised funds allow donors to place charitable assets at the Foundation and retain the ability to recommend grants over time. Donors receive a tax deduction in the year they add to the fund. Donor advised funds can be endowed or non-endowed.

Designated: Designated funds are generally created through estate gifts. The name derives from the donor's ability to designate specific nonprofits as beneficiaries of the grants produced by the fund. Designated funds are generally endowed.

Scholarship: Scholarship funds support students as they enter higher education. They can be for one or multiple years. Scholarship funds can be endowed or non-endowed.

Field-of-Interest: Field-of-interest funds describe a donor's area of interest, such as the arts, education, healthcare, the environment or animal welfare. They are generally funded through estate gifts, and typically are endowed.

Unrestricted: Unrestricted funds provide the Foundation the ability to respond to needs as they emerge over time. They are the most flexible form of grant making fund at the Foundation. They generally come from estate gifts, and typically are endowed.

Stewardship: Stewardship Funds consists of assets placed at the Foundation by nonprofit organizations. These funds allow nonprofits to benefit from the Foundation's investment expertise and economies of scale yet offer 100% liquidity. Stewardship funds are non-endowed.

Agency Endowment: Agency Endowment Funds are permanently endowed funds placed at the Foundation by nonprofit organizations. As with Stewardship Funds, Agency Endowments relieve the burden of investment decisions from the nonprofit. They also provide a secure environment for funds that are intended to be permanently endowed.

**Assets residing outside of the Foundation's three portfolios, referenced in Section V of the IPS, include the following:**

Charitable Remainder Trust (CRT): A CRT is a non-revocable tax-exempt trust which annually distributes income to the donor or designated recipient. There are generally two types: a Charitable Remainder Unitrust (CRUT) and a Charitable Remainder Annuity Trust (CRAT). Both types used a fixed interest rate. However, a CRUT is revalued annually and the interest rate is applied to the new value. A CRAT creates a fixed payment based on the value of the initial gift. A CRUT can be added to; a CRAT cannot. When the CRT ends, the remaining principal (the remainder) creates an endowed fund at the CFMC (the donor retains the ability to immediately grant 75% of the remainder; a minimum of 25% must remain with the CFMC). This fund can benefit the nonprofit(s) of the donor's choice, create a donor-advised fund (overseen by donor advisors named by the donor) or support the CFMC's general grantmaking.

Charitable Gift Annuity (CGA): A charitable gift annuity is a non-revocable tax-exempt annuity which produces an annual fixed dollar value distribution for the life of the donor, based on the amount of the gift and the donor's age when the annuity is established. When the annuity ends, the remaining principal will become available to benefit the nonprofit(s) of the donor's choice, or CFMC's general grantmaking. 100% of the remainder value must stay with the CFMC as an endowed fund.

**Long-term Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
<b>Equity (Board Approved)</b>	<b>48%</b>	<b>58%</b>	<b>68%</b>
Domestic Large Cap Equity	15%	27%	50%
Domestic Small/Mid Cap Equity	0%	5%	15%
International Developed Equity	10%	17%	40%
International Dev. Small Cap Equity	0%	3%	15%
Emerging Market Equity	0%	6%	20%
<b>Fixed Income (Board Approved)</b>	<b>17%</b>	<b>27%</b>	<b>37%</b>
Core and Core Plus Fixed Income	10%	20%	30%
Global Fixed Income	0%	0%	15%
Emerging Market Debt	0%	0%	15%
Short-Term Gov't/Credit	0%	3%	25%
US TIPS	0%	4%	15%
<b>Alternatives (Board Approved)</b>	<b>3%</b>	<b>13%</b>	<b>23%</b>
Core Real Estate	0%	6%	15%
REIT's	0%	2%	10%
Commodities	0%	0%	10%
Infrastructure	0%	3%	10%
CFMC CII <sup>1</sup> (Board approved <sup>2</sup> )	0%	2%	5%
<b>Cash</b>	<b>0%</b>	<b>2%</b>	<b>7%</b>

<sup>1</sup> Community Impact Investments

<sup>2</sup> Board approved via Community Impact Investment Policy Statement  
Approved XXXXX X, 20XX

**Medium-term Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
<b>Equity (Board Approved)</b>	<b>25%</b>	<b>35%</b>	<b>45%</b>
Domestic Large Cap Equity	5%	15%	30%
Domestic Small/Mid Cap Equity	0%	4%	15%
International Developed Equity	10%	16%	40%
International Dev. Small Cap Equity	0%	0%	15%
Emerging Market Equity	0%	0%	20%
<b>Fixed Income (Board Approved)</b>	<b>53%</b>	<b>63%</b>	<b>73%</b>
Core and Core Plus Fixed Income	10%	48%	68%
Global Fixed Income	0%	0%	30%
Emerging Market Debt	0%	0%	15%
Short-Term Gov't/Credit	0%	15%	50%
US TIPS	0%	0%	20%
<b>Alternatives (Board Approved)</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
REIT's	0%	0%	10%
Infrastructure	0%	0%	10%
<b>Cash</b>	<b>0%</b>	<b>2%</b>	<b>7%</b>

**ESG Portfolio**

Asset Class	Minimum	Strategic Target	Maximum
<b>Equity (Board Approved)</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
Domestic Large Cap Equity	5%	28%	50%
Domestic Small/Mid Cap Equity	0%	7%	15%
International Developed Equity	10%	25%	40%
International Dev. Small Cap Equity	0%	0%	15%
Emerging Market Equity	0%	0%	20%
<b>Fixed Income (Board Approved)</b>	<b>28%</b>	<b>38%</b>	<b>48%</b>
Core and Core Plus Fixed Income	10%	38%	48%
Global Fixed Income	0%	0%	20%
Emerging Market Debt	0%	0%	15%
Short-Term Gov't/Credit	0%	0%	20%
US TIPS	0%	0%	20%
<b>Alternatives (Board Approved)</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
REIT's	0%	0%	10%
Infrastructure	0%	0%	10%
<b>Cash</b>	<b>0%</b>	<b>2%</b>	<b>7%</b>

Due to the fluctuation of market values across asset classes, allocations within a specified range are acceptable and constitute compliance with the policy. It is anticipated that a period of time may be required to fully implement changes in the asset allocation and that periodic revisions may be required.

Asset Class	Performance Benchmarks
<b>Equity</b>	
Global Equity	MSCI ACWI S&P 500
Domestic Large Cap Equity	Russell 1000 Growth Russell 1000 Value
Domestic Small/Mid Cap Equity	S&P 400 MidCap S&P 600 SmallCap
International Developed Equity	MSCI ACWI ex USA FTSE Developed All Cap ex US
International Dev. Small Cap Equity	MSCI World ex USA Small Cap
Emerging Market Equity	MSCI Emerging Markets FTSE Emerging Markets All Cap China A Inclusion
<b>Fixed Income</b>	
Core and Core Plus Fixed Income	BBgBarc U.S. Aggregate Bond
Global Fixed Income	BBgBarc Global Treasury ex U.S.
Emerging Market Debt	JPM EMBI Global Diversified JPM GBI-EM Global Diversified
Short-Term Gov't/Credit	BBgBarc US Credit 1-5 Yr
US TIPS	BBgBarc US TIPS
<b>Alternatives</b>	
Core Real Estate	NCREIF-ODCE
REIT's	Wilshire REIT
Infrastructure	S&P Global Infrastructure
Commodities	Bloomberg Commodity
CFMC CII <sup>1</sup> (Board approved <sup>2</sup> )	
<b>Cash</b>	91 Day T-Bills

<sup>1</sup> Community Impact Investments<sup>2</sup> Board approved via Community Impact Investment Policy Statement

Approved XXXXX X, 20XX

## Donor Recommended Investment Management



### Retain Assets Under Management for Major Gifts Utilizing the Community Foundation for Monterey County

#### Who

Donors who wish to establish a fund at the Community Foundation for Monterey County (CFMC) and have their assets managed by their current investment manager

Advisors whose clients have assets directed to the CFMC, either as life or estate gifts, or as assets of a Charitable Remainder Trust when the CFMC is the trustee and charitable beneficiary

**How it works** If you currently manage assets for a client (for example, a stock account, charitable remainder trust, IRA, etc.) that are intended to establish a gift to the CFMC, and you or your institution would like the opportunity to manage the asset as the Donor Recommended Investment Manager, the following must occur:

- The client/donor must provide a written recommendation that your firm's services be retained to manage the assets that will be donated to, and owned by, the CFMC.
  - Such recommendation must hold CFMC harmless
  - Donor must represent that the Investment Manager is not a related party
  - The Investment Manager must meet regulatory and registry requirements as provided for by the CFMC. All managers within the portfolio must meet regulatory and registry requirements as provided for by the CFMC
- The CFMC retains ownership of the assets managed by the Investment Manager.
- The CFMC and the Investment Manager will enter into a written Client Agreement.
- The donated asset must have a minimum value of \$1 million.
- The fund, if endowed, will be governed by CFMC policies relating to endowed funds, including the establishment of the annual payout rate, and adherence to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as interpreted by the CFMC.

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*Healthy, Safe, Vibrant Communities*



**"This policy allows high net worth clients to maintain their investment relationship while benefiting the community through the CFMC."**

—CFMC board member, Ken Petersen,  
President, Monterey Private Wealth

Community foundations provide a simple, powerful, and highly personal approach to giving. We offer a variety of giving tools to help you achieve your charitable goals.





Donor Recommend Investment Management at the CFMC



Join us

Achieve your charitable goals with customized Philanthropic Services with the CFMC.

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How it works, continued

- The Investment Committee of the CFMC will provide counsel to the Investment Manager.
  - The CFMC will provide its Investment Policy Statement (IPS) to the Investment Manager.
  - The Investment Manager will provide the Investment Committee and the CFMC's Investment Consultant a proposal for investing the Assets under Management (AUM) based on the CFMC's objectives.
  - This proposal must be approved by the CFMC Investment Committee. It is not expected that the investment proposal will be identical to the CFMC's portfolio.
  - The Investment Manager must provide timely, reconciled performance reporting and asset allocation to the CFMC and its Investment Consultant.
  - A total fee calculation must be provided annually by the Investment Manager and shall include the following:
    - Weighted average mutual fund expense ratio (or management fees in the case of separate account managers)
    - Custody and transaction costs
    - Advisory fee charged by the Investment Manager
    - Other fees and expenses that are charged to the account
  - All purchases or sales of mutual funds must be done at Net Asset Value.
  - Lowest cost share class mutual funds must be used (i.e., if an institutional share class fund is available and the investment qualifies, the "I" share class fund must be used).
  - No type of revenue sharing arrangements are allowed without first disclosing such arrangements to the CFMC, and are subject to the CFMC's approval.
  - The Investment Manager must document the objectives of the fund and the benchmarks used to measure performance.
  - If the Investment Manager is a sole proprietor, or the managing partner within a firm, a "key man" clause shall be required and all Investment Manager must notify the CFMC of any material changes to their firm or their status therein.
  - At the request of the CFMC, the Investment Manager will make a formal presentation of the portfolio and AUM to the CFMC's Investment Consultant and/or Investment Committee.
- CFMC fees are in addition to fees charged by the Investment Manager.
- The CFMC may terminate an Investment Manager relationship at any time.
- CFMC may change the terms of this policy at any time.

*To inspire philanthropy and be a catalyst for strengthening communities throughout Monterey County*