community foundation

ANTRIM . BENZIE . GRAND TRAVERSE . KALKASKA . LEELANAU

Investment Policy Statement

Approved by Finance Committee
August 17, 2017

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INVESTMENT POLICY STATEMENT
Grand Traverse Regional Community Foundation

Endowment Pool

Account Pool

The Account should emphasize a strategic asset allocation and should consist of a limited number of equity, fixed income and alternative mutual funds (all references to mutual funds shall also include Exchange Traded funds or ETFs) designed to provide broad diversification across the world markets. Consistent with a strategic orientation, the level of mutual fund turnover and asset allocation changes should be low, other than rebalancing activity to maintain the target asset allocation. The Account should utilize index funds where appropriate and emphasize low cost options throughout all areas of the investment program.

The Account should be structured to generate the targeted rate of return, over the long-term. Both absolute performance and relative performance shall be important in evaluating the Account. Relative performance shall be more important in evaluating the individual mutual funds. It is anticipated that the Account will track the Policy Benchmark closely. Significant volatility is probable over the short-term, as the Account's volatility is expected to approximate the Policy Benchmark.

(1) FINANCE COMMITTEE - RESPONSIBILITIES

The GTRCF Finance Committee ("Committee") shall be responsible for setting the Account's asset allocation policy, which shall include targets and ranges, as well as all relevant benchmarks, as set forth on Exhibit "A". The Committee shall also be responsible for monitoring the Account's performance and the Consultant's compliance with this Investment Policy Statement ("IPS").

(2) CONSULTANT- RESPONSIBILITIES

A) Discretionary Authority

Exercise discretionary authority with respect to all investment decisions, for all cash and securities held in the Account, subject to the parameters set forth on Exhibit "A".

B) Investment Vehicles

Select and replace investment vehicles, both active and passive, subject to the parameters contained in this IPS, as Consultant determines from time to time is in the best interest of the Account.

C) Re-Balancing

Re-balance the Account on a regular basis to ensure that the Account is positioned within the parameters set forth on Exhibit "A".

D) Recommendations

Recommend to the Committee changes in the policies contained in this IPS and in the allocation and benchmarks set forth on Exhibit "A", should circumstances occur that cause the Consultant to believe that changes are warranted.

E) Reporting

Provide the Committee with comprehensive quarterly reports analyzing the investment program.

(3) RETURN

A) Purpose

The Account's performance shall be evaluated on both a relative and absolute basis. While the various benchmarks set forth below will be used to assess the Account's relative performance, the Policy Benchmark, which has been matched to the Account's target asset allocation, shall be considered the most important for performance evaluation purposes. The Mutual Fund Universe Benchmark is presented in order to provide a measure of comparison against other actively managed mutual funds, rather than just passive indices such as the Manager Benchmarks.

B) Nominal Target

The Account, in the aggregate, is expected to generate, an absolute return as set forth on Exhibit "A".

C) Benchmarks

Total Account Benchmarks

The Account, in the aggregate, as well as the equity and fixed income components, are expected to generate, on average, over five year rolling periods, an annual Total Return that approximates the benchmarks set forth on Exhibit "A".

Mutual Fund Benchmarks

All individual mutual funds shall be evaluated against a Manager Benchmark that is matched to the fund's specific investment style (e.g., growth or value) as well as capitalization in the case of equity funds. The actively managed funds are expected to generate on average, over five year rolling periods, an annual total return at least equal to their Manager Benchmark, while the index funds are expected to generate an annual total return that approximates their Manager Benchmark.

Mutual Fund Universe Benchmark

The individual mutual funds selected for the Account are expected to generate, on average, over five year rolling periods, an annual Total Return that will place each of the funds within the top 50% of a representative universe of other mutual funds with the same investment style.

(4) RETENTION REQUIREMENTS

A) Time Horizon

While the full evaluation period is expected to be five years, GTRCF does not guarantee that the Consultant will be given a five-year time horizon and reserves the right to evaluate the Account's performance over a shorter time frame. Specifically, the Account's performance will be monitored on a continuous basis to ensure that the Account meets certain minimum retention requirements at all times. A failure to meet any of the performance criteria set forth below shall trigger a review of the Account's risk-adjusted returns over the relevant time period, in order to ascertain the true nature of the Account's performance, and may result in GTRCF reconsidering the Consultant's continued role with respect to the Account.

B) Performance Criteria

The following criteria shall be used to determine whether the Account is making appropriate progress toward its five-year performance objective.

The Account's total return over any rolling two-year period is at least equal to 70% of the total return of the Policy Benchmark.

The Account's total return over any rolling three-year period is at least equal to 80% of the total return of the Policy Benchmark.

The Account's total return over any rolling four-year period is at least equal to 90% of the total return of the Policy Benchmark.

The Account's total return over any rolling five-year period approximates the total return of the Policy Benchmark.

C) Non-Performance Criteria

In addition, a repeated failure by the Consultant to comply with the Account's investment parameters; as well as a significant change in the Consultant's personnel, business practices, ownership, organizational structure or asset base, may also result in GTRCF reconsidering the Consultant's continued involvement with the Account.

(5) RISK

A) Introduction

Numerous risk variables will be measured for the purpose of assessing the relative risk undertaken by the Account. In general, all of the risk variables set forth below will be measured against the Policy Benchmark. GTRCF expects that the Account's risk measurements will be in line with the Policy Benchmark. In addition, in some cases specific targets or ranges have been established for some of the variables. All of the risk measurements will be based on month-to-month changes in the Account. All of the risk variables set forth in this section shall apply to the Account in the aggregate.

B) Volatility
The volatility of the Account will be measured by Standard Deviation. GTRCF anticipates that the Account's annualized Standard Deviation will not exceed 120% of the volatility of the Policy Benchmark.

C) Market Sensitivity
The market sensitivity of the Account will be measured by Beta. GTRCF expects that the Account's Beta will not exceed 1.20 in relation to the Policy Benchmark.

D) Risk / Return Ratios
GTRCF understands that neither return nor risk, in and of themselves, present a complete picture of an account's performance. As such, GTRCF will measure the Account's risk-adjusted returns according to a number of Risk / Return ratios. GTRCF expects that the Account's performance will approximate the performance of its Policy Benchmark, according to these measurements of risk-adjusted return. GTRCF will examine all of these ratios, in total; in order to draw appropriate conclusions about the Account's risk adjusted performance.

(6) ASSET ALLOCATION
The Account shall be invested according to the parameters set forth on Exhibit "A".

(7) RE-BALANCING
On an ongoing basis, the Consultant shall re-balance the Account assets to ensure that they are invested within the ranges set forth on Exhibit "A".

(8) CASH FLOW
To minimize the possibility of a loss occasioned by the forced sale of a mutual fund to meet a required payment, GTRCF will periodically provide the Consultant with an estimate of expected net cash flow. Specifically, GTRCF should notify the Consultant in a timely manner to allow sufficient time to build up the necessary liquid reserves. It is GTRCF's expectation that the cash portion of the Account will be invested in the custodian's money market fund.

(9) COMMUNICATIONS

A) Meetings / Tele-Conferences
GTRCF either shall meet or hold a tele-conference with the Consultant quarterly, as well as whenever market conditions warrant. The meetings or tele-conferences should include the Consultant's commentary on GTRCF's investment results in light of the market environment and the Account's objectives, as well as a discussion of any issues that either the Consultant or GTRCF feels need to be addressed.

B) Correspondence
The Consultant should copy GTRCF on all correspondence sent to the custodian or to any third party concerning the Account.

C) Current Activities

On an ongoing basis the Consultant shall be obligated to notify GTRCF of any material changes in the Consultant's market outlook, investment strategy, portfolio structure or any other factors that the Consultant believes may impact the investment process or the likelihood that the Account will realize its investment objectives.

D) Disclosure Responsibility

GTRCF expects to be kept properly informed, on an ongoing basis, of all material changes impacting the Consultant.

E) Investment Statements

The designated custodian shall provide monthly statements to both GTRCF and to the Consultant. These statements shall include a listing of all holdings with their current market values, cost basis, and asset weightings, along with a listing of all cash flows, dividend and interest payments and expenses; as well as all security transactions, including the name and quantity of each security purchased or sold during the quarter, with the price and transaction date.

(10) MISCELLANEOUS

A) Statutes and Regulations

The Account is subject to the Michigan version of the Uniform Prudent Management of Institutional Funds Act.

B) Fiscal Year

The fiscal year-end of the Account is December 31st.

C) Tax Status

GTRCF is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

D) Mailings

All mailings should be sent to both GTRCF and IPEX at the following addresses:

GTRCF:
250 E. Front St. Suite 310
Traverse City, MI 49684

IPEX:
156 W. Liberty Street
Plymouth, MI 48170

E) Amendments

To ensure continued relevance of the objectives and parameters set forth in this IPS, GTRCF plans to review this document annually. Based upon this review, changes in the investment objectives and the investment parameters may be made. Any such changes will be incorporated in a formal amendment to this IPS.

(11) ACKNOWLEDGEMENT

A) Client

The investment objectives and parameters set forth in this IPS accurately reflect the investment objectives and parameters for GTRCF, and supercede the IPS adopted by GTRCF on May 10, 2012, and shall have an effective date of August 19, 2013.

ADOPTED ON THIS 19th DAY OF August, 2013

Grand Traverse Regional Community Foundation

By: Phil Ellis – Signature on File

B) Consultant

As the designated Consultant for the Grand Traverse Regional Community Foundation Account, our firm hereby acknowledges that we have read and understand the procedures and the investment objectives and parameters set forth in this IPS, and that we will strive to comply with them.

ADOPTED ON THIS 19th DAY OF August, 2013

IPEX, Inc.

By: Shale P. Lapping – Signature on File

Grand Traverse RCF - Endowment Pool

Investment Policy Statement - Exhibit "A"

Absolute Return Target

To generate, on average, over five year rolling periods, an annual Gross Total Return (i.e., principal growth plus dividends and interest) of at least 7.5%.

Asset Class Parameters

Asset Class	Minimum Re-Allocation Point	Target (Strategic) Asset Allocation	Maximum Re-Allocation Point
Cash	NA	NA	NA
Fixed Income	25.0%	30.0%	35.0%
Equity	65.0%	70.0%	75.0%
Domestic	28.0%	33.0%	38.0%
International	17.5%	22.0%	26.5%
Alternative	12.0%	15.0%	18.0%
		70.0%	

Policy Benchmark

Russell 3000 Index	33.0%
Barclays Universal Index	30.0%
MSCI AC World ex US Index	22.0%
MS World Allocation Peer Group	4.5%
HFRI Fund of Funds Index	4.5%
S & P Global Real Estate Index	3.0%
90 Day T-Bill + 3.0%	1.5%
Bloomberg Commodity Index	1.5%
	100.0%

Asset Class Benchmarks

Fixed Income Benchmark:	Barclays Universal	100.0%
Equity Benchmark:	Russell 3000 Index	47.2%
	MSCI AC World ex US Index	31.5%
	MS World Allocation Peer Group	6.4%
	HFRI Fund of Funds Index	6.4%
	S & P Global Real Estate Index	4.3%
	90 Day T-Bill + 3.0%	2.1%
	Bloomberg Commodity Index	2.1%
		100.0%

Grand Traverse RCF - Endowment Pool

Investment Policy Statement - Exhibit "A"

Investment Category Parameters

	Manager Benchmark		Minimum Re-Allocation Point	Target (Strategic) Asset Allocation	Maximum Re-Allocation Point
Fixed Income					
Investment Grade	Barclays Aggregate Index		16.0%	20.0%	24.0%
International	60% Bar Glbl Agg ex US / 40% Bar Emg Mrkts Debt		3.5%	4.5%	5.5%
High Yield	Merrill Lynch High Yield Index		4.5%	5.5%	6.5%
Domestic Equity	Russell 3000 Index		28.0%	33.0%	38.0%
International Equity					
International Large Cap	MSCI AC World ex US Index		11.0%	14.0%	17.0%
International Small Cap	MSCI EAFE Small Cap Index		3.0%	4.0%	5.0%
Emerging Markets	MSCI Emerging Markets Index		3.0%	4.0%	5.0%
Alternatives	MS World Allocation Peer Group	4.5%	12.0%	15.0%	18.0%
	HFRI Fund of Funds Index	4.5%			
	S & P Global Real Estate Index	3.0%			
	90 Day T-Bill + 3.0%	1.5%			
	Bloomberg Commodity Index	1.5%			

Approved at Meeting
Signature

8/17/2017
Date