



**GREATER WASHINGTON COMMUNITY FOUNDATION  
INVESTMENT FUNDS  
INVESTMENT POLICY STATEMENT**  
*November 2021*

**OUR MISSION**

The mission of the Greater Washington Community Foundation (“The Community Foundation”) is to lead, mobilize, and ignite the power of philanthropy to build an equitable, just, and thriving region where everyone prospers. The Community Foundation commits to fully integrating and embodying the values of racial equity and inclusion (“REI”) in all the work of the organization.

In addition to its commitment to REI, The Community Foundation is called to exercise competent and socially responsible stewardship in how it manages its financial resources by incorporating a “Do No Harm Policy” when deploying assets, recognizing that to function effectively and to carry out its mission, it does depend upon a reasonable return on its investments, and yet we are committed to avoiding investments which work against its philanthropic goal for a just and equitable Greater Washington region.

**PURPOSE**

This Investment Policy Statement (the “IPS”) is the tool to direct and guide the activities of the investment of the entrusted assets. Furthermore, the IPS should provide the guiding principles for all aspects of the management of entrusted assets, and the premises on which these principles rest.

The IPS is set forth by the Board of Trustees (the “Board”) and Investment Committee (the “Committee”) in order to:

- Define and assign the responsibilities of all involved parties;
- Establish a clear understanding for all involved parties of the investment goals and objectives for all investable assets (the “Investment Funds”);
- Offer guidance and limitations to the Outsourced Chief Investment Officer (“OCIO”) regarding the Investment Funds;
- Establish a basis for evaluating investment results for the Investment Funds; and
- Exercise sound fiduciary practices with respect to the management of the Investment Funds.

This IPS replaces and supersedes any previous Investment Policy Statement approved by the Committee.

**FUND OBJECTIVES**

The Board of Trustees believe that grants to be made in the future are as important as grants made today and therefore have developed this policy to provide prudent investment management of the Investment Funds held by The



Community Foundation. The Investment Funds are typically categorized as endowed, non-endowed, impact investment, or special initiative funds. In addition, donors have the option to invest in a money market fund, an array of Vanguard Funds or maintain a standalone account at a qualified financial advisor subject to approval by the Committee. The Investment Funds may be designed for (1) long-term growth, (2) moderate growth such that it is sufficient to preserve spending power, or (3) short-term capital preservation. The following describes in greater detail each Investment Fund and its primary objective.

### ***Endowed Funds and Non-endowed Funds***

Endowed and non-endowed funds enable The Community Foundation to provide vital resources to civic and community organization, incubate new ideas, convene partners to address community issues, and conduct programmatic initiatives and advocacy. Additionally, these funds ensure that The Community Foundation can be flexible and vigilant in leading the response to today's needs and tomorrow's challenges, as we invest to make this a thriving, resilient and enriching place for all who call our region home.

Endowed funds will be managed using either a total return approach or a principal preservation/maximizing income approach, depending upon the primary objective of each fund. A second but equal goal is to produce a spendable amount available for grantmaking from year to year in accordance with The Community Foundation's spending policy guidelines.

Non-endowed funds are managed to match the donor's intent of immediate and possibly sizable grantmaking through moderate growth in the value of the assets that is sufficient to preserve the inflation-adjusted purchasing power of the assets over the long term, net of fees. Sufficient liquidity will be maintained in accordance with spending needs.

### ***Impact Investing***

Impact investing describes a range of investment practices intended to generate positive, measurable social and environmental impact in the community while delivering a range of investment returns. As such, the Committee will seek to include these types of investments in its investment options, but each will require formal approval by the Committee with support from the Board. The OCIO will assist and provide due diligence as requested by The Community Foundation. Return expectations will range depending upon the structure of the investment vehicle.

### ***Special Initiative Funds***

Special initiative funds will be created by The Community Foundation in response to community requests for short-term assistance and access to The Community Foundation's breadth and depth of expertise. Each Special Initiative Fund will have a unique asset allocation, time horizon, and spending policy that will be determined prior to the funding date. Once created and



funded, the guidelines for each Special Initiative Fund will be outlined in the Appendix of the IPS.

### ***Cash***

The Cash Account(s) is designed for short-term needs. The fund's objective is threefold: capital preservation, liquidity, and current income. As such, the cash management process is conservative in nature, seeking to enhance returns in a risk-controlled manner.

### ***Separately Managed Accounts***

The Community Foundation offers donors the option of a customized investment approach utilizing the advisory services of the donor's trusted investment advisor. This Separately Managed Account ("SMA") approach allows donors to receive investment management expertise from those advisors with whom they've established a long-term relationship. Prior to funding, advisory firms and each SMA's asset allocation and stated objective will be reviewed and approved by the Committee. SMAs will be required to maintain a risk and return objective commensurate with a similarly-defined fund at The Community Foundation as well to adhere to the SMA guidelines. All funds will be reviewed annually to ensure ongoing compliance.

## **SCOPE OF THIS INVESTMENT POLICY**

This statement of investment policy governs the investment policy, objectives, and constraints of assets invested in the Investment Funds. It is anticipated that this statement will be effective until modified by the Committee with ratification by the Board. Both the Committee and the OCIO are expected to propose revisions to the guidelines at any time the existing guidelines would impede achieving The Community Foundation's investment objectives.

## **DELEGATION OF AUTHORITY**

### ***Board of Trustees***

The Board has the ultimate fiduciary responsibility for the Investment Funds. The Board must ensure that appropriate policies governing the management of the Investment Funds are in place and that these policies are being effectively implemented. To implement these responsibilities the Board has delegated its authority to the Committee to construct the IPS for Board review and ratification and further delegates responsibility to the Committee for the implementation and ongoing monitoring thereof. At least annually, the Board will receive a performance report from the Committee.

### ***Investment Committee***

In addition to its responsibilities identified above, the Board has authorized the Committee to provide on-going oversight of the Investment Funds. The Committee is responsible for overseeing and monitoring the investment management of the Investment Funds including approving investment strategy connected to the organization's goals and objectives; recommending hiring and firing of the OCIO, custodian(s); and monitoring investment performance. The



Committee is authorized to delegate certain responsibilities to professional experts in various fields. These experts include but are not limited to, OCIOs, Investment Consultants, Investment Managers and Custodian(s).

## **ASSIGNMENT OF RESPONSIBILITY**

### ***Investment Committee***

The Committee shall discharge its duties solely in the interest of the Investment Funds, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Specific responsibilities relating to the investment management of the Investment Funds include:

- Report to the Board at least annually;
- Determine with the OCIO the strategic asset allocation for the Investment Funds;
- Determine the Investment Funds' risk tolerance and communicate it to the appropriate parties;
- Establish reasonable and consistent investment objectives, policies and guidelines that will direct the Investment Funds;
- Select qualified investment professionals, including the OCIO(s), Investment Manager(s), Investment Consultant(s), and Custodian(s);
- Evaluate the performance of the OCIO to assure adherence to policy guidelines and monitor investment objective progress; and
- Maintain sufficient knowledge about the Investment Funds and its OCIO so as to be reasonably assured of their compliance with the Investment Policy Statement, as appropriate.

### ***Managing Director of Finance***

The Managing Director of Finance has daily responsibility for administration of the Investment Funds and will consult with the Committee and the OCIO on matters relating to the investment of the Investment Funds. The Managing Director of Finance will serve as primary contact for the Investment Funds' OCIO and Custodian(s).

### ***Outsourced Chief Investment Officer***

The OCIO is responsible for assisting the Committee and Managing Director of Finance in all aspects of managing and overseeing the Investment Funds. The OCIO is the primary source of investment education and investment strategy. It is expected that the OCIO will act as a co-fiduciary with respect to the Investment Funds. It is understood that the OCIO will provide services as a fiduciary as defined by ERISA (within the meaning of Section 3(21) of ERISA and the regulations thereunder), as well as an investment advisor registered under the Investment Advisors Act of 1940 with respect to the Investment Funds (note these are not ERISA funds). Advice concerning the investment



management of the Investment Funds will be offered by the OCIO, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. The OCIO will assist the Committee in establishing the IPS and guidelines contained in the Investment Policy and assist in a periodic review of the IPS.

In accordance with the terms of the Investment Management Agreement, the OCIO will be responsible for managing the asset allocation, determining investment strategy and implementing through permissible investment vehicles and rebalancing where appropriate. The OCIO will be responsible for monitoring asset allocation across and among asset classes and provide timely reporting to the Committee.

### ***Custodian(s)***

The custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities of the Investment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of The Community Foundation accounts.

## **INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

Performance reports generated by the OCIO shall be compiled at least quarterly and communicated to the Committee for review within 45 days of the quarter end. The investment performance of the Investment Funds, as well as asset class components, will be measured against commonly accepted performance benchmarks, plus the UPMIFA (defined below) standards for prudent investing stated below. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Committee intends to evaluate the Investment Funds quarterly, annually, and on rolling three and five year periods. The Committee in its entirety reserves the right to terminate an OCIO for any reason.

## **UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT INVESTMENT STANDARDS**

Except as a donor's gift instrument otherwise requires, and consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as enacted in the District of Columbia, D.C. Code §§ 44-1631 – 44-1639, the following factors must be considered, if relevant, in managing and investing The Community Foundation's Investment Funds, including the requirements for any specific institutional funds (as defined in UPMIFA):

- 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 Community Foundation's overall Investment Funds;
- The expected total return from income and the appreciation of investments;
- Other resources of The Community Foundation;
- The needs of The Community Foundation and a given institutional fund to make distributions and to preserve capital; and
- An asset's special relationship or special value, if any, to the purpose of The Community Foundation.

## ASSET ALLOCATION

The asset allocation for the Investment Funds is an important part of the Committee's co-fiduciary responsibility and as such will be reviewed regularly with the OCIO. The purpose of establishing a strategic asset allocation for the Investment Funds is to construct a target or normal set of investments, based on long-term return, risk and correlation assumptions that properly balance the need for liquidity, preservation of purchasing power and risk tolerance. The Committee, with appropriate input from the Managing Director of Finance and the OCIO, shall regularly examine the Strategic Allocation (see Appendix) and consider adjustments to the asset allocation as may be appropriate. The Strategic Allocation should provide an expected total return equal to or greater than the primary objective of the Investment Funds.

The Investment Funds shall be diversified both by asset class and within asset classes. The purpose of this diversification is to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the overall performance of the Investment Funds.

In maintaining the Strategic Allocation, the OCIO will strive to remain within the allowable ranges (outlined in the Appendix) with the intent of rebalancing to targets annually or more frequently, if necessary. It is expected that the actual asset allocation will vary from the strategic allocation as a result of the varying periodic returns earned on its investments indifferent asset classes and sub asset classes. The Investment Funds' actual asset allocation will be monitored regularly relative to the Strategic Allocation. Rebalancing asset weights to the Strategic Allocation is essential for achieving the investment objectives at a level of risk consistent with the parameters set forth in this statement. It is recognized that adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but efforts will be made to rebalance as appropriate. Cash flows in or out of the Investment Funds may create an opportunity to rebalance the Investment Funds.

In addition to regularly rebalancing the Investment Funds the OCIO may take an active stance on the Strategic Allocation itself by adjusting long-term target to capitalize on market or economic opportunities using a tactical asset allocation. The OCIO can implement tactical asset allocation shifts that may





deviate from the longer-term strategic allocation but must fall within the upper and lower limits for each asset class shown in the Appendix.

## **INVESTMENT AND RISK OBJECTIVES**

The Community Foundation seeks to outperform its Composite Benchmark Policy Index (see Appendix II) over full market cycles and does not expect that all investment objectives will be attained in each year. The Committee recognizes that over various time periods, the Investment Funds may produce significant deviations in returns relative to the Composite Benchmark Policy Index. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes 5 years and longer-term periods). The Committee realizes that there are many ways to define risk. The Committee defines risk as the probability of not maintaining purchasing power over time.

### ***Investment Securities, Strategies and Diversification***

As described in the Investment Management Agreement, the OCIO implements through pooled investment vehicles, including mutual fund products, separately managed accounts, and/or other alternative fund products.

It is the responsibility of the OCIO to provide a prospectus (or offering documents) for each investment and as necessary, educate the Committee on the pertinent information contained within, as it relates to all investments and strategies.

Investment guidelines for alternative investments will be evaluated individually prior to any investment, subscription or commitment. Exceptions are permitted only where consistent with the objectives of The Community Foundation and with prior approval of the Committee.

### ***Racial, Equity and Inclusion***

The Community Foundation's core values center racial equity and inclusion and it is our intention to invest in alignment with those values. The Community Foundation, with assistance from its OCIO, will periodically assess levels of manager diversity within the Investable Funds with the intent to increase levels over time. Categories include, but are not limited to, women and minorities, in both ownership and leadership roles. The Community Foundation will engage its OCIO in periodic dialogue regarding values and its commitment to diversity and inclusion in the hiring of investment managers. Dialogue with the OCIO will include requirements by the OCIO for transparency and accountability through periodic reporting of manager diversity and inclusive practices within the manager selection process.



## EXCESS BUSINESS HOLDING RESTRICTIONS WITH RESPECT TO DONOR ADVISED FUNDS.

To comply with section 4943(e) of the Internal Revenue Code, all assets held in any donor- advised funds that are maintained and administered by The Community Foundation must comply with the following restrictions:

A donor-advised fund's holdings, together with the holdings of disqualified persons with respect to such fund (donor, advisor, members of their families, and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is The Community Foundation's policy to divest itself of

such holdings within five years from the date The Community Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not a donor advised fund. Because they are not "business enterprises," these rules will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs—including family partnerships, hedge funds, REITs, and so forth—are excluded from the definition of business enterprise as long as 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.





**APPENDIX I**  
**Strategic Allocation and Allowable Ranges**  
**Dated November 2021**

The following tables provide the strategic asset allocation and ranges for:

**Non-endowed funds with growth as a primary objective and a need for immediate liquidity.**

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equities	30%	<b>42%</b>	45%
Developed International Equities	15%	<b>28%</b>	30%
Emerging Market Equities	0%	<b>5%</b>	10%
Fixed Income	10%	<b>25%</b>	40%
Cash	0%	<b>0%</b>	40%

**Endowed funds with growth as a primary objective and a limited need for liquidity.**

	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equities	25%	<b>33%</b>	45%
Developed International Equities	15%	<b>23%</b>	30%
Emerging Market Equities	0%	<b>4%</b>	10%
Fixed Income	10%	<b>20%</b>	40%
Alternative Investments	0%	<b>15%</b>	20%
Opportunistic Investments	0%	<b>10%</b>	15%
Cash	0%	<b>0%</b>	30%

**Endowed funds with capital preservation as an objective.**

	Lower Limit	Strategic Allocation	Upper Limit
Equities	10%	<b>30%</b>	50%
Fixed Income	40%	<b>60%</b>	80%
Cash	0%	<b>10%</b>	50%

**Cash Management Account(s).**

	Lower Limit	Strategic Allocation	Upper Limit
Cash	100%	<b>100%</b>	100%



**APPENDIX II**  
**Broad Policy Benchmark**  
**Dated November 2021**

**Non-Endowed funds (growth and liquidity):**

<b>Asset Class</b>	<b>Strategic Allocation</b>	<b>Benchmark Index</b>
Domestic Equities	42%	Russell 3000
Developed International Equities	28%	MSCI ACWI ex-US
Emerging Market Equities	5%	MSCI Emerging Market + Frontier
Fixed Income	25%	BC US Aggregate Bond

**Endowed funds (growth and less liquidity):**

<b>Asset Class</b>	<b>Strategic Allocation</b>	<b>Benchmark Index</b>
Domestic Equities	33%	Russell 3000
Developed International Equities	23%	MSCI ACWI ex-US
Emerging Market Equities	4%	MSCI Emerging Market + Frontier
Fixed Income	20%	BC US Aggregate Bond
Alternative Investments	15%	HFRI Fund of Funds Index
Opportunistic Investments	10%	S&P 500

**Endowed Funds (capital preservation):**

<b>Asset Class</b>	<b>Strategic Allocation</b>	<b>Benchmark Index</b>
Domestic Equities	15%	Russell 1000
Global Managed Volatility Equities	15%	MSCI World Minimum Volatility
Diversified Short Term Fixed Income	20%	ICE BofA ML 3M Deposit Constant Offer Maturity
Limited Duration Fixed Income	20%	ICE BofA ML 1-3 Year Treasury
Fixed Income	20%	BC US Aggregate Bond
Cash	10%	T-Bills