

## Investment Policy Statement

For

BBH Investment Advisory Services Agreements

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## I. GENERAL PRINCIPLES

### **PURPOSE**

This Investment Policy Statement was adopted by the Community Foundation of Greater Greensboro (“Community Foundation”) to establish a clear understanding of the Community Foundation’s investment philosophy and objectives.

The purpose of the Community Foundation is to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future community needs. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the Foundation.

### **SCOPE**

This Investment Policy Statement applies to the assets that are included in the Community Foundation's investment portfolio for which the Investment Advisor (sometimes referred to in this Investment Policy Statement as the “Investment Advisor” or the “Advisor”) has been given discretionary investment authority. These assets include monies in the Long-Term Pool and ESG Pool.

### **FIDUCIARY DUTIES AND STANDARDS OF CONDUCT**

The Community Foundation’s investment assets subject to this Investment Policy Statement will be invested and managed consistent with the prudent investor standard applicable to the investment of charitable assets in North Carolina taking into account the following factors:

- a) General economic conditions;
- b) The possible effect of inflation or deflation;
- c) The expected tax consequences, if any, of investment decisions or strategies;
- d) The role that each investment or course of action plays within the overall investment portfolio of the Community Foundation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of Community Foundation;
- g) The needs of the Community Foundation and its invested funds to make distributions and to preserve capital; and
- h) An asset's special relationship or special value, if any, to the charitable purposes of the Community Foundation.

An Investment Advisor or manager selected in reliance upon such person's special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds. Investment and management decisions will be made considering the whole portfolio of the Community Foundation and as part of an overall strategy having risk and return objectives reasonably suited to the Community Foundation. In general, investments will be diversified and rebalanced as needed and in accordance with this Investment Policy Statement, subject to the determination that, due to special circumstances, the purposes of the investments are better served without diversification. The Community Foundation or any person delegated the authority to invest its assets pursuant to this Investment Policy Statement will only incur investment and management costs that are appropriate and reasonable in relation to the assets invested, the purposes of the Community Foundation, and the skills available to it. Such persons will make reasonable effort to verify facts relevant to the management and investment of its funds.

An Investment Advisor given discretionary investment authority shall manage and invest the Community Foundation's investment assets in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

## II. ROLES and RESPONSIBILITIES

### **BOARD of DIRECTORS**

The Board of Directors has the ultimate fiduciary responsibility for the Community Foundation's investment portfolios, including the delegation and oversight of the investment and management thereof to any Investment Advisor. The Board must ensure that appropriate policies governing the management of the Community Foundation's assets are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates to the Investment Advisor authority over the Community Foundation's investments and to the Investment Committee responsibility for ongoing monitoring of the Investment Advisor's performance consistent with this Investment Policy Statement.

### **INVESTMENT COMMITTEE**

The Investment Committee, comprised of at least 3 current Board members, is responsible for (i) engaging, terminating, and determining the scope of engagement of the Investment Advisor, and (ii) monitoring performance of the Investment Advisor on a regular basis (at least quarterly), and maintaining sufficient knowledge about the portfolio and its managers, including the Investment Advisor, so as to be reasonably assured of their compliance with this Investment Policy Statement

### **CHIEF FINANCIAL OFFICER**

The Chief Financial Officer or equivalent role (CFO) has daily responsibility for overseeing the Investment Advisor's administration of the Community Foundation's investment portfolios and will consult with the Investment Committee on significant matters relating to the investment of the portfolios. The CFO will serve as primary contact for the Community Foundation's Investment Advisor.

### **INVESTMENT ADVISOR**

The Investment Advisor is responsible for exercising discretionary authority in investing the assets of the Community Foundation's portfolio (including the engagement and termination of investment managers) for the sole benefit of the Community Foundation, within the limits of this Investment Policy Statement, in accordance with guidelines, restrictions, and allocations set forth in this Investment Policy Statement as the same may be amended from time to time. The Investment Advisor is acting as a fiduciary and owes a duty to the Community Foundation to manage and invest the Community Foundation's investment assets in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances and to exercise reasonable care to comply with the scope and terms of this Investment Policy Statement.

In addition, the Investment Advisor will act in a consulting role with respect to other separately managed investment pools of the Community Foundation ("Non BBH Pools"). In this role, the Investment Advisor will provide due diligence as requested and assess the compliance of the investment of the Non BBH Pools with the applicable investment policy statement.

On an ongoing basis, the Advisor will:

1. Monitor the activities of each investment manager or investment fund and assess their compliance with this Investment Policy Statement and the terms and conditions of their contracts;
2. Supply the Investment Committee with other reports or information as reasonably requested;

3. Be responsible for engaging and terminating outside experts such as investment managers or sub advisors to assist the Investment Advisor with its duties and determining the scope and terms of their engagement consistent with this Investment Policy Statement;
4. Assist Investment Committee with a review of the overall portfolio risk, and the Investment Policy Statement, including an assessment of current asset allocation and objectives, at least annually;
5. Meet with the Investment Committee at least quarterly, and more frequently as requested by the Investment Committee, and provide the Investment Committee such information as it may reasonably request to fulfill its oversight function;
6. Provide the CFO with quarterly performance reports within 30 days following the end of the quarter for distribution to the Investment Committee;
7. Adhere to the terms and conditions of this Investment Policy Statement and the Investment Advisory Services Agreements between the Investment Advisor and the Community Foundation, the terms and conditions referenced therein, and their respective addenda, schedules, supplements and exhibits (collectively the "IASA"); provided, that in the event of any conflict between the terms and conditions of this Investment Policy Statement the other terms and conditions of the IASA, the terms and conditions of the Investment Policy Statement shall control;
8. Provide full and fair disclosure to the Board and Investment Committee of all material facts regarding any potential conflicts of interest; and
9. Comply with all federal, state, and local laws and regulations concerning the management of investment assets.
10. Assess the compliance of investments of the Non BBH Pools with applicable investment policy statements and provide the Community Foundation with recommendations thereto.

By accepting its delegation of investment management responsibilities from the Community Foundation the Investment Advisor submits to the jurisdiction in the state of North Carolina for all arbitration or court proceedings, as applicable, arising from or related to such delegation or the performance of such delegated function.

Notwithstanding anything herein to the contrary, the Investment Advisor may only delegate its investment management responsibilities to the extent it can prudently do so under the circumstances and must ensure that any persons to whom the Investment Advisor delegates any of its obligations or duties or engages to assist the Investment Advisor in the performance of such obligations or duties (i) is subject to the same terms and conditions of this Investment Policy Statement applicable to the Investment Advisor, including the same standards of conduct and fiduciary duties and, (ii) acknowledges that it owes a duty to the Community Foundation to exercise reasonable care to comply with the scope and terms of the delegation. The Investment advisor shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in (i) making any delegation of any portion of its obligations or duties under the IASA, (ii) establishing the scope and terms of such delegation, consistent with this IPS; and (iii) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation.

## **INVESTMENT MANAGERS**

Investment managers have the responsibility for managing the underlying assets consistent with their stated approach and with this Investment Policy Statement. The Investment Advisor will have responsibility for ensuring the managers adhere to their stated objectives and this Investment Policy Statement.

## INVESTMENT FUND CATEGORIES

The investment funds for the Community Foundation are divided into four categories for purposes of investment management. Only the Long Term Pool and the ESG Pool will be subject to the discretionary investment authority of the Investment Advisor.

1. The Long Term Pool represent funds for long-term investment. For these funds, the Investment Advisor has responsibility for the selection of the external investment managers in accordance with the approved asset allocation strategy and the other terms and conditions of this Investment Policy Statement.
2. The ESG Pool represents funds for long-term investments focused on a commitment to positive environmental, social and corporate governance (ESG) tenets. Investments are broadly diversified across public equity, fixed income and other market strategies with investment managers that integrate environmental, social and corporate governance factors into the investment decision-making process.

## III. OBJECTIVES

The investment objective is to achieve a total return that will satisfy the current financial needs of the various fund categories and to protect and increase their long-term, inflation-adjusted values. The assets are to be managed in a manner that will maximize the benefits intended by the donor. The Community Foundation recognizes that the uncertainty of future events, volatility of investment assets, and the potential loss in purchasing power are present to some degree with all types of investment. While high levels of risk are to be avoided, the assumption of a moderate risk level may be warranted in order to achieve inter-generational purchasing power of long-term funds.

### STRATEGY

The Board and Investment Committee agree that investing in securities with higher return expectations outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities as set forth in the attached Addendum, including real assets (real estate, natural resources and infrastructure.) Both equities and real assets also are expected to provide the added benefit of inflation protection.

Fixed income will be used to lower short-term volatility and provide income stability, especially during periods of deflation or negative equity markets.

Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs.

While not a stated objective of the Investment Policy, responsible investing, whether socially, environmentally, or Community Foundation's mission related, will be a screen through which investment holdings will be considered.

### ASSET ALLOCATION

Disciplined management of the asset mix among classes of investments is both a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Consequently, the general policy shall be to diversify investments so as to provide a balance that will enhance total return and generate income, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and the factors that influence them.

### REBALANCING

The Advisor will monitor the asset allocation structure of the investment categories set forth in the Addendum to this Investment Policy Statement and will rebalance, at least every 30 days, the asset allocation structure of each of the Community Foundation's investment pools within the prescribed ranges taking into account the Community

Foundation's available resources, current investment objectives, spending and capital preservation needs, and overall investment strategy

## **RISK**

The Community Foundation recognizes that investment objectives cannot be achieved without incurring a certain amount of expected risk. Management and investment decisions about an individual holding will not be made in isolation, but rather in the context of the investment portfolio and strategy as a whole. For the Long-Term Pool, risk assessments will be incorporated via asset allocation, probability study of maintaining real (inflation-adjusted) value, and other value-at-risk analyses. For other pools and portfolios, risk assessments will be primarily incorporated into asset allocation composition.

## **LIQUIDITY and SPENDING**

The Community Foundation seeks to maintain a balance between its long term investment goals and liquidity needs. The Long Term and ESG Pools contain both endowment that will provide for spending on an annual basis as determined by the Investment Committee and non-endowed funds that may be drawn down by the Community Foundation from time to time depending on the grant making activity from its donor advised funds. Liquidity is necessary to meet the spending policy payout requirements that will be communicated to the Investment Advisor by the Investment Committee from time to time as well as any extra spending needs resulting from donor advised fund grantmaking or other extraordinary events. The tradeoff between appropriateness and liquidity required to meet spending needs will be considered by the Investment Advisor throughout the portfolio asset allocation process.

Illiquid investments include hedge funds, private equity, private debt, and private real assets.

# **IV. PERFORMANCE MANAGEMENT**

## **TIME HORIZON**

The Investment Committee seeks to achieve the targeted expected returns over a full market cycle. The Investment Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over a 5-year moving period. All investment returns shall be presented net of fees. The Investment Committee reserves the right to evaluate and make any necessary changes regarding the Advisor over a shorter-term using the criteria established under "Manager Evaluation" below.

## **PORTFOLIO OBJECTIVES and BENCHMARKS**

The primary performance objective of the Long-Term Pool, ESG Pool, and Direct Asset Manager Portfolios is to achieve a total return, net of fees, in excess of spending and inflation rates, as measured by the Consumer Price Index (CPI). This primary performance objective is the minimum return needed to achieve the portfolio's long-term investment objective.

The secondary objective is to achieve a total return in excess of the Target Weighted Index, comprised of each broad asset class benchmark approved by the Investment Committee in consultation with the Investment Advisor weighted by its target allocation.

Additional benchmarks include other survey data as may be available from organizations such as NACUBO and FAOG.

## MANAGER EVALUATION

Each investment manager and the Advisor will be reviewed by the Investment Committee on an ongoing basis and evaluated upon the following criteria:

### Qualitative:

- a. Maintenance of a stable organization and retention of key personnel;
- b. Avoidance of regulatory actions against the firm, its principals or employees;
- c. Adherence to the guidelines and objectives of this Investment Policy Statement; and
- d. Avoidance of meaningful deviation from the style and capitalization characteristics defined by the investment manager's stated investment philosophy.

### Quantitative:

- a. Ability to exceed the return of the appropriate benchmarks and
- b. Ability to meet or exceed the median performance of a peer group of investment advisors with similar styles of investing.

## V. GUIDELINES and RESTRICTIONS

### GENERAL

In today's rapidly changing and complex financial world, no asset allocation or security type alone can assure that the Community Foundation of Greater Greensboro will achieve its investment objectives. Therefore, Chapter 36E of the North Carolina General Statutes (Uniform Prudent Management of Institutional Funds Act) shall be the standard by which the Community Foundation measures the Advisor's reasonableness, care, and prudence stewarding the Community Foundation's investments.

The Investment Committee's intent is that the Advisor construct portfolios that are aligned with this Investment Policy Statement. The requirements stated below apply to investments for the Community Foundation's pools. The Advisor shall:

- a. Have investment discretion with regard to manager selection consistent with this Investment Policy Statement and is expected to maintain a fully invested portfolio;
- b. Immediately notify the CFO in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;
- c. Make no purchase with the intent of engaging in shareholder activism;
- d. Except for the management of private investment funds, not (i) invest in non-marketable securities, (ii) sell securities short, (iii) buy securities on margin, (iv) borrow money on behalf of the Community Foundation, (v) pledge Community Foundation assets, (vi) buy or sell uncovered options, commodities or currencies, or (vii) obligate the Community Foundation to make additional capital contributions or capital commitments in excess of its initial investment in an asset or security;
- e. Except for international managers and managers of private investment funds, not invest in non-dollar denominated securities;
- f. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure;

- g. Take into consideration the Community Foundation’s tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the impact of unrelated business taxable income (“UBTI”) on expected investment returns and obtain the prior written approval of the Investment Committee for any investments that would generate UBTI; and
- h. Assure that no position of any one company exceeds 8% of the total investment portfolio;
- i. Vote proxies and share tenders in a manner that is in the best interest of the Community Foundation and consistent with the investment objectives herein.

### **Private Capital Guidelines**

Private capital includes investments in private investment funds including private equity, real estate and natural resources.

The objective of the private equity allocation is to outperform, over the long term, the public equity markets by approximately 3-5% points, net of fees. A return premium exists due to higher expected risk, lack of liquidity, and the uneven distribution of information and access inherent in private markets.

The objective of the private real estate and natural resources allocation is to provide low correlation to the public equity and fixed income markets and also to serve as an inflation hedge.

For the private capital allocations to achieve the expected objectives, the Community Foundation will seek access to top-quality managers and be diversified.

## **VI. INVESTMENT POLICY STATEMENT REVIEW**

The Board shall review this Investment Policy Statement annually. The Board may from time to time amend this Investment Policy Statement as it deems necessary or appropriate and the Investment Advisor shall be bound by such amendments.

## **VII. ACKNOWLEDGEMENT**

We recognize the importance of adhering to the mission and strategy in this Investment Policy Statement and agree to work to fulfill the objectives, within the guidelines and restrictions, stated herein to the best of our ability. Open communications are essential to fulfilling this mission. Improvements to this document are welcome and should be referred through the Foundation CFO or the Investment Advisor.

**/s/ H. Walker Sanders**

Community Foundation of Greater Greensboro

**12/20/2021**

(date)

**/s/ Bill Hyder**

OCIO – Brown Brothers Harriman

**12/20/2021**

(date)



## ADDENDUM to INVESTMENT POLICY STATEMENT – ASSET ALLOCATION TARGETS, RANGES and MEASUREMENTS

<b>Asset Category</b>	<b>Portfolio Range</b>
Cash	0-20%
Fixed Income	10-45%
Equity	50-80%
Real Assets	0-15%
Illiquid Assets (longer than quarterly liquidity)	0-10%