# Community Foundation of the Elmira-Corning and the Finger Lakes, Inc.
# Investment Policy

***Effective Date: April 25, 2008***

## Preface

The Board of Trustees of the Community Foundation of the Elmira-Corning and the Finger Lakes, Inc. has delegated responsibility for investment of its endowment funds to the Investment Committee. To fulfill this responsibility, the Investment Committee shall recommend and implement approved investment policies with regard to asset allocation, manager selection and portfolio supervision.

This statement sets forth the Investment Committee's investment policies and provides in the attached Appendix asset allocation and performance benchmark guidelines. The Investment Committee will take the actions necessary to implement, monitor, and maintain this Investment Policy.

## Endowment Fund Objectives

The principal objective is to support the Community Foundation programs by achieving the best possible rate of long-term investment return within a reasonable level of volatility. The Investment Committee will:

- Establish an asset allocation (as specified in the Benchmark Portfolio of the Appendix) that can reasonably be expected to achieve a total return, net of fees and expenses, equal to the established Community Foundation Spending Policy plus the rate of inflation as measured by the Consumer Price Index (over the long term).
- Deliver investment returns (over rolling five year periods), net of fees and expenses that meet or exceed the return on the Benchmark Portfolio.
- Establish an asset allocation that diversifies the endowment into a variety of investable asset classes so as to lower the portfolio's level of volatility. It is recognized that a reasonable level of volatility will be required in order to achieve the overall return objectives of the endowment.
- Retain top managers who are expected to meet or exceed the benchmark return on their portfolio and meet the fiduciary standards of the Investment Committee.

***Roles and Responsibilities***

**Board of Trustees**

The Community Foundation is managed by its Board of Trustees and is responsible for establishing policy and guiding the formation of programs for Community Foundation in the areas of finance, fundraising, communications, community impact and community initiatives. The Board is responsible for establishing the endowment spending policy including the annual percentage to be withdrawn from the endowment fund. The Board is also responsible for approving the annual operating budget, allocations and workplan objectives.

**Finance Committee**

The Finance Committee is responsible for the overall fiscal management of Community Foundation. This includes evaluating technical, financial and administrative support; establishing policy and guiding the formation of programs in the Finance & Administration area; recommending to the Board of Trustees the annual operating and capital budgets; annually reviewing and adjusting, if necessary, the Spending Policy for grant making; reviewing and approving the annual financial statements; establishing the annual and five-year work plans for the Finance division; and monitoring expenses to budget.

**Investment Committee**

The Investment Committee directs the investment of the endowment assets according to the Investment Policy. This includes:

- Reviewing the Investment Policy and Manager Investment Guidelines periodically.
- Performing an annual review of the Benchmark Portfolio.
- Making recommendations to the Board of Trustees regarding the hiring or termination of a Trustee/custodian.
- Hiring, monitoring, and making termination decisions of an investment consultant and individual investment managers so as to implement the approved Asset Allocation as set forth in the Benchmark Portfolio and achieve its expected performance.
- Annually, report to the Finance Committee the Endowment fund performance compared to the appropriate indices.
- Annually, make a recommendation to the Finance Committee of anticipated investment performance to assist in determining the Spending Policy percentage.

**Community Foundation Staff**

The Community Foundation staff partners with the Investment Committee in adhering to the organization's mission by:

- Serving as the primary liaison with investment managers and the custodian. Includes transferring funds as necessary.
- Preparing and analyzing monthly performance and manager balance reports and providing the information for the committee's review.
- Developing the meeting agendas and schedule for committee meetings in conjunction with the committee chair.
- Developing the annual work plan objective items as they relate to committee objectives.
- Recording minutes of the meeting to be reviewed by the chair and approved by the full committee.
- Setting the meeting dates and sending reminders to committee members.

**Portfolio Asset Allocation Guidelines**

Portfolio asset allocation is set forth in the Appendix. The guidelines for the Appendix are as follows:

Asset classes will be chosen to be representative of a broad array of investible assets and because they have identifiable benchmarks. Over time, the asset classes listed in the Benchmark Portfolio may be modified to include or exclude asset classes as deemed appropriate by the Investment Committee.

Each investment account is to be assigned to the asset class in the Benchmark Portfolio that most closely resembles its investment strategy and account benchmark. Although it is assigned to an asset class, an investment account does not need to have the same benchmark as the Policy Benchmark, nor have the same precise strategy as that implied by the Policy Benchmark. The composite performance of all managers within an asset class will be expected to meet or exceed the Policy Benchmark for that asset class.

The Investment Committee should seek diversification of investment strategies within an asset class if more than one investment manager is chosen to manage assets for that specific asset class. The Investment Committee's view of the relative attractiveness of investment strategies is to be based upon the strategy's return, volatility, and correlation within its assigned asset class and with other investment strategies in the portfolio.

The actual investment in an asset class can deviate from the Benchmark Portfolio's Target Asset Allocation by the indicated acceptable range as set forth in Appendix A. The Investment Committee will review the actual asset allocation on a periodic basis but not less than annually. Should any asset class fall outside the acceptable range, the Investment Committee will either: (a) take action to rebalance the portfolio to bring the asset class within its acceptable ranges: or (b) specifically approve a temporary deviation from the acceptable ranges, such deviation to be noted in the minutes of the meeting.

**Manager Selection, Monitoring and Oversight, Termination, and Other Guidelines**

The investment managers are responsible for optimizing the return on assets within established guidelines.

a. Selection of Managers

Potential managers for each asset class of the Community Foundation's Benchmark Portfolio will be identified by the Investment Committee. The Investment Committee will research and evaluate each manager on the basis of:

- Character, integrity, reliability, trustworthiness
- Expected long term future investment performance
- Expected future volatility and expected impact on overall portfolio volatility
- Continuity of key personnel and organizational structure
- Commitment to the communities served by the Community Foundation

b. Monitoring and Oversight of Managers

The Investment Committee or its delegates will meet as needed with investment managers to review performance and to confirm that the investment approach remains consistent with that for which the firm was retained. The Investment Committee or its delegates will review any changes in each firm's ownership, key personnel, or investment strategy.

**Termination of Managers**

The Investment Committee retains the authority to terminate any investment manager at its discretion, for reasons of underperformance, shift in style or philosophy, change in personnel, or any other reason. The Investment Committee will have a protocol for termination of a manager. Upon termination of any investment manager, the financial staff will coordinate with the manager and the custodian to ensure the smooth transition of assets to the new investment manager.

**Other Manager Guidelines**

1. Absolute return strategies

Absolute return strategy investments in limited liability vehicles are allowable upon the Committee's approval, subject to the asset allocation guidelines set forth in the Appendix to this document. Investments in an absolute return hedge fund must be through a fund-of-funds manager and can consist of securities such as equity securities, fixed income instructions, currency, commodities, and derivative securities. Short selling is allowable within those accounts designated as absolute return strategies, as set forth in the offering document. The funds are expected to be market neutral in nature and offer low volatility. These funds may require an initial lock-up period, with liquidity limited based on the individual funds' practices, generally quarterly. These funds may employ event-driven, arbitrage, and long-short strategies in equities and fixed income securities. The Committee will review and explicitly accept the terms of a specific fund-of-fund's offering document.

2. Short Selling of Securities

The Investment Committee will expressly approve the authorization to short sell securities within a managed account, a mutual fund or a fund of funds. Such transactions will only be allowed in limited liability vehicles and will be subject to the terms set forth in the applicable offering document. Additionally, all Long/Short hedge fund investments must be through a fund-of-funds manager who must maintain a net exposure to stock markets for the overall fund of less than 100% at all times. The Committee will review and explicitly accept the terms of a specific fund-of-funds offering document.

3. Transaction execution

Security trades should be entered into on the basis of best execution (i.e. best realized net price). Commissions may be designated for the payment of investment-related products and services, provided that such directed trades do not compromise the goal of best execution. If soft dollars are used, the manager will fully disclose the amount attributable to Community Foundation trades at least annually.

4. Reporting

The custodian bank and/or financial firm statements shall be the official record for endowment portfolio valuations and performance measurement. Performance against objectives is to be measured quarterly over rolling one-, three- and five-year periods. In the case of managed accounts in which the majority of securities owned are publicly traded, it is the responsibility of the individual investment managers to reconcile any valuation or performance discrepancies with the custodian bank and/or financial firm and report the resolution to the Financial Staff.

5. Proxy voting

In general, the investment managers are authorized to vote proxies in a manner thought to be in the Community Foundation's best interest.

6. Unrelated business income tax transactions

Managers should obtain the Investment Committee's approval prior to initiation of any transaction that could generate unrelated business income tax.

7. Receipt of securities

All marketable securities received by the Community Foundation as a gift shall be liquidated and the proceeds invested in accordance with this policy. Any exceptions to this policy shall be documented in the minutes of the Investment Committee.

8. Liquidity

All accounts must be able to convert their assets to cash within one year without having to experience a material loss in value due to illiquidity, except as noted under item 2 of this section.

9. Minimize imbedded cash

Investment managers are expected to maintain within their account the minimal amount of cash necessary to implement the investment strategy specified for that account.

10. Recommended changes to guidelines

If at any time a manager believes that any policy guidelines included in this document or communicated in any other manner by the Investment Committee unduly inhibits investment performance, it is the manager's responsibility to communicate this view to the Committee.

11. Diversification Requirements

No investment manager shall manage in excess of 40% of the Portfolio. Each manager shall hold no more than 10% of its portfolio in stocks of any one company