

# Investment Guidelines

## Questions?

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In order to ensure that the Independent Charitable Gift Fund (iGiftFund) assets are invested in a prudent manner, the Directors of the iGiftFund have set the following investment guidelines.

## I. Scope

This Statement of Investment Objectives and Guidelines is intended to establish guidelines that will govern the investment activities of the Independent Charitable Gift Fund and the investment professionals (financial advisors) who, as Registered Investment Advisors (RIA) or as Registered Representative (Broker), manage the assets of the iGiftFund and its donors.

## II. Authority and Responsibility

### The Board of Directors

The Independent Charitable Gift Fund's Board of Directors has ultimate responsibility for the investment of the iGiftFund's assets. More specifically, the Board, as required by IRS regulations and provided in the iGiftFund's Code of Regulations, has certain responsibilities concerning its relationships with financial advisors who manage assets of the iGiftFund and its donors. In carrying out these responsibilities, the Board is committed to obtaining information and taking other appropriate steps with the view of seeing that each financial advisor operates in accordance with:

- the terms of the iGiftFund's Governance documents;
- these Investment Objectives and Guidelines; and
- the appropriate regulatory standards of care (either "fiduciary" or "suitability") to which each financial advisor is held.

### The CEO

The CEO is responsible to the Board for:

- formulating investment strategies;
- appointing and removing financial advisors;
- authorizing the purchase or sale of securities and/or the disposition of investments;
- monitoring the portfolio for compliance with the approved policies and guidelines; and
- reporting to the Board of Directors on all material matters relating to investing assets of iGiftFund.

The CEO is empowered to appoint financial advisors to provide investment management services in accordance with a financial advisors' accepted standard of care. Only the CEO can approve a financial advisor's written request to deviate from this policy. The CEO shall report all material deviations at the next regular meeting of the Board of Directors.

### The Donor

The donor retains the privilege to advise iGiftFund regarding the investment of assets in the donor's fund including:

- the custodian (where the assets will be kept);
- the financial advisor who will manage investments for the iGiftFund;
- the role that the financial advisor will play in the investment management of assets (as RIA or broker); and
- investment strategy and choice (open architecture).

### The Role of the Financial Advisor:

iGiftFund believes that the RIA model and the broker-dealer model both play important roles in serving the investment objectives of the iGiftFund while responding to the unique philanthropic interests of our donors. On the advice of the donor, the iGiftFund may select the donor's trusted investment professional in either of two ways (and a clear line of distinction is drawn between the two alternatives):

1. As a Registered Investment Advisor (RIA) – discretionary or non-discretionary. As an RIA, the financial advisor:

- consults with and provides advice to donors and the iGiftFund;
- manages investments in accordance with this Statement of Investment Objectives and Guidelines, and with the RIA firm's investment management agreement;
- receives a fee for this service; and
- is held to a fiduciary standard of care under the Advisers Act of 1940 to act in the interest of the iGiftFund (act as a fiduciary).

2. As a Registered Representative (Broker). As a Broker, the financial advisor:

- consults with donors and the iGiftFund;
- executes purchase and sales transactions on direction of the iGiftFund;
- receives commissions on transactions; and
- is held to a suitability standard of care under the Exchange Act of 1934 and the Financial Industry Regulatory Authority (FINRA) rules "to ensure that investment recommendations are suitable for the client, to provide best execution of client orders and to provide services in a just and equitable manner."

## THE STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

To ensure that assets in the donor's fund are invested in a prudent manner, the Directors of the iGiftFund have set this common Statement of Investment Objectives and Guidelines to apply to all financial advisors. How the financial advisors interpret these Objectives and Guidelines, and how they act accordingly, will differ: the RIA being held to a fiduciary standard of care; the broker being held to a suitability standard of care.

### 1. RATE OF RETURN

The iGiftFund's primary investment objective for separated investment accounts shall be to strive to achieve a five-year rate of return—adjusted for additions, withdrawals, and investment management expense—that is at least four (4.0) percent greater than inflation, as expressed in the Consumer Price Index. In addition, assets shall be managed in such a manner that reflects iGiftFund's grant-making and other liquidity needs.

It is recognized that the rate of return target may be difficult to attain in every five-year period, but should be attainable over a majority of five-year periods.

### 2. VOLATILITY OF RETURNS

iGiftFund recognizes that in order to achieve its investment objectives, managed portfolios will experience volatility of returns and fluctuations in market value.

### 3. ASSET ALLOCATION

iGiftFund recognizes that the prime factor influencing the risk, and ultimately the performance of a fund's investments, is the allocation of assets between equities securities and fixed-income securities. Equity securities will generally comprise a range of up to 100% and no less than 50% of invested assets.

### 4. MARKETABILITY OF ASSETS

iGiftFund generally requires that the majority of its assets shall be invested in liquid, publicly traded securities, subject to the exception process described below. Exceptions may be approved in writing by the CEO, in advance of the investment, provided that the financial advisor presents a detailed investment plan. Liquid securities are those that can be traded quickly and efficiently on behalf of iGiftFund free of significant liquidation penalties or fees and with minimal impact on market price.

### 5. INVESTMENT GUIDELINES

It is iGiftFund's intention not to employ market-timing techniques and not to experience high portfolio turnover rates. A financial advisor may request iGiftFund's approval of exceptions to these guidelines. The CEO is hereby authorized to approve the investment of assets in any investment including those prohibited by the section below.

#### SPECIFICALLY ALLOWABLE INVESTMENTS:

- Cash equivalents including treasury bills, money market funds, commercial paper, repurchase agreements, certificates of deposit, and interest-bearing checking and savings accounts
- Publicly traded domestic and international equities and fixed-income securities including common stocks, bonds notes, preferred stocks, mortgage-backed securities, and American depositary receipts of non-U.S. companies
- Mutual funds that invest primarily in securities that are allowed in this Statement
- Real estate investment trusts
- Exchange traded funds
- Covered calls
- Hedge funds

#### SPECIFICALLY DISALLOWED INVESTMENTS

Without prior, written approval from the CEO:

- Debt financed investments, including margin purchases.
- Short-selling
- Derivative securities, including options and futures contracts
- Restricted stock
- Stock of closely held companies
- Real estate
- Partnership interests
- Loans to individuals or businesses (except specifically allowed fixed income securities as previously defined)
- Artwork
- Municipal bonds and other tax-exempt securities
- Other non-marketable, hard-to-value assets
- Variable annuities

Each financial advisor is responsible for advising the CEO of any restriction within this Statement that prevents the investment program from obtaining the objectives and goals set forth herein.

## **A. SAFEKEEPING AND CUSTODY**

All securities purchased shall be held in a safekeeping account with a reputable and insured custodial institution.

## **B. PERFORMANCE REVIEW AND EVALUATION**

iGiftFund will provide performance information to the financial advisor at least annually after the end of the calendar year. Investment performance will be calculated on a net total rate of return basis that takes into consideration dividend and interest income, changes in market value and investment management fees. The investment return on each fund will be measured against iGiftFund's primary benchmark (CPI plus 4.0%), and Composite Market Index, assuming a 60% / 40% allocation, with 60% invested in the S&P 500 Index and 40% invested in the Barclays Aggregate Bond Index. Comparisons will show results for the previous one-, three-, and five-year time periods, as available.

In exercising its fiduciary responsibilities, iGiftFund reserves the right to terminate a manager for the following reasons:

- Investment performance that shows a pattern of significant underperformance over the long term (five-year and three-year time periods as available), relative to iGiftFund's benchmarks
- Failure to adhere in a material way to this Statement of Investment Objectives and Guidelines, and to the financial advisor's applicable standards of conduct, including:
  - Communication and reporting requirements
  - Significant qualitative changes to the investment management organization

The CEO shall review the performance of each investment manager at least annually. The CEO shall submit a written summary of the annual investment review to the iGiftFund's Board of Directors at a regularly scheduled Board meeting.

## **C. INVESTMENT POLICY REVIEW**

To ensure the continued relevance of the guidelines, objectives, financial status, and capital markets expectations as established in this Statement, the Board intends to review this Statement of Investment Objectives and Guidelines annually.

**DATE: 4/20/17**

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