Mt. Pleasant Area
community foundation℠

INVESTMENT AND SPENDING POLICY

I. OVERVIEW

PURPOSE
This Investment Policy Statement was adopted by the Mt. Pleasant Area Community Foundation (Foundation) to establish a clear understanding of the Foundation's philosophy and investment objectives.

The purpose of the Foundation is to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future 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 Policy applies to all assets that are included in the Foundation's investment portfolio for which the Investment Advisors and Finance Committee have discretionary investment authority.

FIDUCIARY DUTY
In seeking to attain the investment objectives set forth in the policy, the Finance Committee and the Investment Advisors shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Finance Committee of all material facts regarding any potential conflicts of interests.

II. DEFINITION OF DUTIES

Board of Trustees
The Board of Trustees has the ultimate fiduciary responsibility for the Foundation's investment portfolio. The Board must ensure that appropriate policies governing the management of the Foundation 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 responsibility to the Finance Committee for ongoing monitoring.

Finance Committee
The Finance Committee is responsible for establishing the Investment Policy. This responsibility includes approving investment strategy, oversight of the investment advisors, monitoring performance of the investment portfolio, and maintaining sufficient knowledge about the portfolio and investment advisors so as to be reasonably assured of their compliance with the Investment Policy Statement.

Investment Advisors
The Investment Advisors are responsible for all aspects of managing and overseeing the Foundation's investment portfolio. On an ongoing basis the Investment Advisors will:

1) Implement the overall investment strategy, including the selection/termination of underlying investment managers, within these investment policy guidelines;

2) Monitor the asset mix and allocate assets, within the investment policy guidelines, based on the advisor's determination of current market valuations and commensurate risk;

3) Provide the Finance Committee with quarterly performance reports;

4) Provide the Finance Committee with an annual review of this Investment Policy Statement, including an assessment of the current asset allocation and investment objectives; and

5) Supply the Finance Committee with asset allocation studies and other reports or information as reasonably requested.

III. OBJECTIVES

The overall, long-term investment objective of the Foundation is to achieve an annualized total return (net of investment fees and expenses), greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus spending and administrative fees.

The assets are to be managed in a manner that will maximize the benefits intended by the donor.

STRATEGY
The Board and Finance Committee agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income will be used to lower short-term volatility and provide stability, especially during periods of 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.

ASSET ALLOCATION
Asset allocation will likely be the key determinant of the Foundation's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Foundation portfolio, rather than judging asset categories on a standalone basis.

The asset allocation should provide an expected total return equal to or greater than the primary objective of the Foundation, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of three asset categories. Each category serves a specific role within the portfolio. An allocation to all three categories can provide diversification to major market risk factors and provides a simple framework to review the exposures within the portfolio. The categories are as follows:

Equities	Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, equities also increase portfolio volatility and increase risk of loss.
Fixed Income/Credit	Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities, and can be further categorized as interest rate sensitive and credit sensitive.
Alternative Investments	Intended to insulate the portfolio from inflation shocks and/or to potentially provide ~~a~~ sources of non-correlating returns versus other asset categories. Includes liquid hedged equity mandates, real estate investment trusts (REITs), real estate, preferred stocks, unconstrained strategies, commodities, tactical allocation and private equity, provided that such investments are contained within a mutual fund or ETF that is registered under the Investment Company Act of 1940.

To achieve these goals, the asset allocation will be set within the following ranges:

Asset Category	**Minimum Allocation**	**Maximum Allocation**
Equities	60%	80%
U.S. Equities	40%	65%
Developed Markets	5%	20%
Emerging Markets	0%	10%
Fixed Income	15%	40%
Alternative Investments	0%	15%
Cash	0%	10%

REBALANCING

The investment advisors will actively manage the asset allocation based on their determination of market valuations, but remain within the ranges at all times. Should any category move out of acceptable range due to market movements, the investment advisors will use prudence in rebalancing the portfolio, either immediately or over the subsequent few months.

ACTIVE and PASSIVE MANAGEMENT

The asset allocation will be implemented using both active and passive investment managers. Highly efficient areas of the capital markets may be managed using index funds and enhanced index/portable alpha strategies.

INVESTMENT STYLES
The Investment Advisors will allocate between styles (growth, core, value) based on market valuations and will use their discretion when determining the optimal long-term strategic allocations and short-term tactical allocations to each asset class within the permissible ranges.

IV. IMPLEMENTATION

TIME HORIZON
The Finance Committee seeks to achieve the investment objectives over a full market cycle. The Finance Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured net of fees over a 5-year moving period.

PRIMARY BENCHMARK
The primary objective of the Foundation is to achieve a total return, net of fees, in excess of inflation, spending, and administrative fees.

Total Return > Consumer Price Index + 5% (spending and administrative fees)

BROAD POLICY BENCHMARK
The secondary objective is to achieve a total return in excess of the Broad Policy Benchmark, comprised of each broad asset class benchmark weighted by its long-term strategic allocation.

Weight	Index	Asset Categories
53%	S&P 1500 Index	Domestic Equity
17%	MSCI ACWI ex. U.S. Index	International Equity
30%	Bloomberg U.S. Intermediate G/C Index	Fixed Income

RISK PARAMETERS
The volatility (beta) is expected to be no greater than 1.20 versus the Broad Policy Benchmark.

V. GUIDELINES AND RESTRICTIONS

The investment advisors shall:

a. Have full investment discretion with regard to security selection, consistent with this Investment Policy Statement and are expected to maintain a fully invested portfolio (10% or less in cash);

b. Immediately notify the Finance Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;

c. Not invest in non-marketable securities, sell securities short, buy securities on margin, borrow money or pledge assets, nor buy or sell uncovered options, commodities or currencies;

d. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein.

SPENDING POLICY

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated each June 30th and is reviewed and recommended by the Finance Committee and approved by the Board annually. The calculation is as follows:

a. An individual fund will not be eligible for spending in the coming year if the market value on June 30th is less than the paid historic gift (the individual fund is underwater). However, organizational funds are permitted to spend even when underwater.

b. The amount available for spending on grants and program expenses will be 4% of the 12 quarter rolling average of the market value of the endowment pool. For organizational funds only, the amount available for spending on grants and program expenses will be 5% of the 12 quarter rolling average of the market value.

c. Each fund will be assessed an administrative fee equal to ¼ of the appropriate percentage (as outlined in the Administrative Fee Policy) of the market value of the fund at the end of each quarter.

d. The amount calculated as available for spending shall be called spendable balance. Any spendable balance that is not spent at the end of the year, remains in the spendable balance and is carried over and available for spending in subsequent years unless the fund founder(s) request in writing that all or a portion of it be returned to the endowed portion of the fund.

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