



Wisconsin Foundation
United Church of Christ

INVESTMENT POLICY
OF THE
Wisconsin Foundation United Church of Christ, Inc.

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I. PURPOSE

The purpose of this document is to establish an Investment Policy for the Wisconsin Foundation UCC, Inc., also referred to in this document as the “Foundation.” This document was drafted in October 2019 by the Foundation’s Board of Directors (“Board”) and was approved by the Board on _____. Specifically, this document will:

- Define the investment philosophy and process for managing the investment assets.
- Define appropriate asset classes, acceptable asset allocation ranges, and appropriate asset class benchmarks.
- Define roles of the Finance Committee, the Foundation Professional Staff, and Investment Consultant/Advisor.
- Establish asset allocation and investment parameters for Investment Consultants/Advisors to follow when making investment recommendations and decisions.
- Define standards for monitoring and evaluating the performance of Investment Managers.
- Define standards to preserve the portfolio’s purchasing power through asset growth at least equal to the spending policy plus the rate of inflation.

The Foundation seeks to achieve these objectives using the following investment philosophy.

II. INVESTMENT PHILOSOPHY

The Foundation will use a “Total Return” approach combining both income and capital appreciation when reviewing overall results.

As a long-term organization, the following issues are significant factors in the prudent allocation of the Foundation’s investment assets:

The portfolio has been constructed with the goal of achieving a rate of return that will support the Foundation’s distribution policy while protecting its assets from inflation. The Foundation believes that the most effective way to establish an appropriate volatility level for the portfolio is through a well-diversified mix of assets, and so it will strive to minimize overall volatility. In consultation with its Investment Consultants/Advisors, a strategic asset allocation policy has been adopted with the goal of balancing the opportunity for achieving the investment return objectives set forth in this Investment Policy with an appropriate level of risk.

Because there is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing, the Foundation has adopted a strategic long-term asset allocation. Over time, the portfolio allocation will remain fairly consistent with that called for in the strategic allocation (see Appendix A). Acceptable ranges for each asset class have been approved to provide flexibility to position the portfolio for evolving capital market conditions and expectations.

Within each asset class, the Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over a full market cycle (typically 3-5 years) that the Foundation will achieve its investment goals and reduce volatility.

III. PERFORMANCE OBJECTIVE

In order to achieve the objectives stated in the introduction to this policy, the Foundation will seek to earn a rate of return that is at least equivalent to the rate of inflation plus the spending rate. Thus, the long-term objective for these funds is to earn a return of at least the Consumer Price Index plus five percent. (Given the long-term asset class returns and asset allocation, this could prove to be an ambitious goal for the Foundation's assets.) The secondary objective is to perform well in comparison to similarly invested community foundations.

The Foundation's performance should be evaluated against various benchmarks according to asset allocation, return, risk and the objectives for cash flow and growth of the Foundation. Given that this goal is not directly related to market performance, success or failure in achieving it should be evaluated over a full market cycle.

In order to evaluate the performance over shorter time periods, the Foundation has also adopted a market benchmark for each asset class. For the portfolio as a whole, the total portfolio benchmark ("Benchmark") will consist of a suitable index for each asset class. These indices will be weighted on a quarterly basis according to the Foundation's strategic asset allocation targets for each investment pool, as listed in Appendix A.

The goal is to earn a rate of return that, over each a full market cycle, exceeds the weighted benchmark return after investment management fees have been deducted.

IV. ROLES & RESPONSIBILITIES

Initially, the Board will serve as the Finance Committee. The Board expects that as the size and complexity of the Foundation's assets grow, a separate Finance Committee will be formed. To avoid confusion in this document between the roles and responsibilities of the Board of Directors on the one hand, and the Finance Committee on the other, "Finance Committee" will be used to refer to the Board when it is acting on matters related to investment policy and procedures.

The Finance Committee has responsibility for recommending the establishment and modification of all elements of this Policy, i.e. the portfolio's asset allocation strategy, to the Foundation's Board of Directors. The Finance Committee, the Foundation's Professional Staff, and Investment Consultant/Advisor are charged with implementing this policy.

The Foundation's Finance Committee's Role

1. Overseeing the portfolio's investments, investment managers, and overall asset allocation.

2. Monitoring the investment performance of each manager/asset class versus the manager's/asset class benchmark using reports prepared by the Investment Consultant/Advisor.
3. Monitoring the appropriateness of each investment strategy given the Foundation's overall investment strategy, philosophy, and objectives.
4. Overseeing the process of monitoring the portfolio to ensure compliance with this policy, its guidelines, and restrictions.
5. Recommending to the Board of Directors the selection, hiring, and termination of the Investment Consultant/Advisor.
6. Recommending to the Board of Directors the selection, hiring, and termination of custodian(s) for investment assets.
7. Reviewing this Policy on an ongoing basis and recommending changes as may be necessary or desirable.
8. Recommending to the Board of Directors the hiring of outside services as deemed necessary.

The Foundation's Professional Staff's Role

1. Assisting the Finance Committee and Investment Consultant/Advisor with all components of this Investment Policy.
2. Communicating approved changes to the Investment Policy and investment portfolio
3. Recordkeeping of reports, statements, confirmations, etc.

Investment Consultant/Advisor's Role

1. Advise and assist the Foundation in the development of the Investment Policy, an investment strategy, and asset allocation, in order to achieve their stated objectives. The Foundation will be solely responsible for these decisions, and Investment Consultant/Advisor cannot alter or change any of the policies, strategies, or predetermined asset allocation ranges without prior written consent or amendment to this Investment Policy.
2. Subject to compliance with this Investment Policy, investment strategy, and asset allocation ranges, act on its own discretion when trading on behalf of the Foundation.
3. Purchase, sell, exchange, convert, and otherwise trade in securities and other investments, including closed-end, open-end investment companies (mutual funds), and exchange traded funds (ETF's), in the Foundation's account(s) as the Investment Consultant/Advisor believes to be in the Foundation's best interest and in a manner that wholly conforms to this Investment Policy, investment strategy, and asset allocations.
4. Assist the Foundation in opening brokerage accounts, and selecting and terminating any third-party investment portfolio and fund managers. Arrange for delivery and payment in connection with transactions for the account(s). (Investment Consultant/Advisor is not authorized to take delivery or possession of Foundation funds or securities except for fees due to the Investment Consultant/Advisor.
5. Review and select active portfolio and fund managers within approved allocation.

6. Select passive strategies and investment vehicles to implement the program.
7. Assist the Foundation's Professional Staff and the Finance Committee with their responsibilities.
8. Prepare investment reports for the Finance Committee's review that contain information necessary for the Finance Committee to exercise its investment responsibilities.
9. Monitor this policy and implement investment changes as needed.
10. Monitor each investment manager's ownership structure and investment personnel.
11. Monitor each investment manager for adherence to this policy as well as to his or her stated investment style.
12. Meet with each of the Foundation's active investment managers as needed.
13. Promptly reporting any findings against the firm or its principals, either by the SEC or any other regulatory authority, to the Chairperson of the Finance Committee, the Chair of the Board of Directors, and the Foundation's President & CEO. In addition, any lawsuits brought against the firm or its principals should also be immediately reported to the Foundation.

V. SELECTION, HIRING AND TERMINATION OF INVESTMENT CONSULTANT/ADVISOR

The Finance Committee appoints the Investment Consultant/Advisor to select and monitor investment holdings on behalf of the Foundation according to this Investment Policy. The performance of the Investment Consultant/Advisor and of the investment holdings will be evaluated according to the objectives of the portfolio, including return, risk, services, reporting, asset allocation, socially-responsible investing, and proactive communication to the Finance Committee.

VI. INVESTMENT PERFORMANCE REVIEW

The evaluation of portfolio performance starts with an assessment of whether or not the total portfolio is meeting the overall return and risk expectations of the Foundation.

With regard to the performance of individual managers/holdings, the Foundation recognizes that investments go through periods of over- and under-performance. Thus it is anticipated that there will be periods in which investment objectives are not met or when specific managers fail to meet their expected performance targets. Recognizing that no manager provides consistently strong performance all of the time, and that good years help offset bad ones, the Foundation acknowledges that managers must be given an opportunity to make up for poor periods.

The Investment Consultant/Advisor will report quarterly on individual manager performance as is warranted. In evaluating the performance and volatility of individual managers, the following measurements should be reviewed: Absolute return over a set period of time, return relative to a comparable benchmark, risk-adjusted return relative to a comparable benchmark, rate of return relative to a peer group, standard deviation, and beta.

At least annually, the Investment Consultant/Advisor shall meet with the Finance Committee to focus on:

- Adherence to stated Investment Policy guidelines.
- Recommendations on the Investment Policy guidelines.
- Material changes in the investment management organization's investment philosophy and personnel.

Major organizational changes such as those listed below warrant immediate review of the Investment Consultant/Advisor, including:

- Change in senior investment personnel
- Material changes in investment process, discipline or style
- Considerably inconsistent management across the Foundation's portfolios
- Significant personnel turnover
- Excessive growth of the firm
- Substantial account turnover
- Change in ownership

VII. ACCEPTABLE INVESTMENTS

The long-term target asset mix for the portfolio is articulated in Appendix A. The acceptable ranges for the long-term allocation of funds among asset classes and their corresponding benchmarks within the portfolio are articulated in Appendix A.

All securities will be subject to quality guidelines, according to the type of investment.

VIII. POLICY CHANGES

The Finance Committee will review the Investment Policy on at least an annual basis. Changes to this Investment Policy shall require the approval of the Foundation's Board of Directors.

APPENDIX A: STRATEGIC ASSET ALLOCATION The Foundation, in consultation with its Investment Consultants/Advisors, reviewed and approved the following Investment Policy objectives and guidelines:

1. Objective is to attain the optimum level of investment return consistent with the Foundation's risk profile and its commitment to socially-responsible investment.
2. Performance goals shall be met over a full market cycle. The Foundation uses a dollar cost averaging approach to investing but does not attempt to time the markets.
3. Performance goals and benchmarks will be reported at least quarterly to the Foundation's Finance Committee. Performance will be measured against established and agreed upon benchmarks.
4. Return on the investment portfolio shall target for total returns at least 5% greater than inflation as measured by the Consumer Price Index.
5. The target asset allocation is 65% equities/35% fixed income, with the flexibility to move 10% of the assets in either direction, dependent on investment performance, market conditions, and objectives for cash flow.
6. All securities will be subject to quality guidelines, according to the type of investment. Quality measures will be reported by the Investment Consultants/Advisors on a regular basis, as determined by mutual consent between the Foundation and the Investment Consultants/Advisors.
7. The investment portfolio will be suitable diverse. If total issues of any one corporation, or fixed income securities of any one issuer, exceed 10% of the market value of the entire portfolio at any time, such issues will be reduced in a reasonable period of time. These restrictions do not apply to issues of U.S. Government or to any issues guaranteed as to both principal and interest by the U.S. Government or to any open-end investment company (mutual fund). Individual equity investments may not exceed 5% of the market value of the equity portfolio at time of purchase except in the case of an open-end investment company (mutual fund), general index fund, or ETF investments.

APPROVED BENCHMARKS

Performance benchmarks will be established for each investment option by mutual consent between the Foundation and the Investment Consultant/Advisor. Manager and/or index performance will be evaluated relative to appropriate market indices and the relevant peer group. The benchmarking of the Foundation will occur on a continuous basis versus other foundations in regard to asset allocation and performance.