The Portage Foundation

Endowment Investment Objectives and Policy Statement

Approved by Investment & Finance Committee: April 22, 2021
Pending Approval by Board of Trustees: June 24, 2021

1. ORGANIZATION AND PURPOSE

1.1 Organization Overview

The Portage Foundation was established in 1997 from the assets realized through the sale of the Greater Portage Area Visiting Nurse Association and Hospice. The Foundation was created to build a permanent source of income to meet community charitable needs and the philanthropic needs for our donors. The Portage Foundation is recognized by the Internal Revenue Service as a 501(c)3 public charity and acts as a vehicle for giving, a source of grant assistance, a manager of non-profit endowment and as a facilitator around community issues.

The Portage Foundation is organized as a community foundation, and is therefore, “a tax-exempt, nonprofit, autonomous, publicly supported, nonsectarian philanthropic institution with a long-term goal of building permanent, named component funds. These funds are established by many separate donors for the broad-based charitable benefit of the residents of a defined geographic area.” (Source: National Standards for U.S. Community Foundations)

MISSION STATEMENT: The Portage Foundation is building a thriving and dynamic community for Portage County and the region. We inspire philanthropy, build endowments, impact causes and foster projects, and engage community leaders. In other words, we help the people in Portage County, OH.

1.2 Purpose

This Investment Objectives and Policy Statement (IPS) details the policies, procedures, asset allocation and guidelines of The Portage Foundation (PF) as established by its Board of Trustees. It defines and assigns the responsibilities of all individuals and groups involved in the investment process. The IPS is designed to be specific, yet understandable and flexible enough to be practical.

The provisions of this IPS will comply with the provisions of UPMIFA (Uniform Prudent Management of Institutional Funds Act) which has been adopted in Ohio to the extent applicable to the Foundation Funds.

2. INVESTMENT OBJECTIVES

The overall long-term investment objective is for the Foundation to grow at the distribution rate plus the rate of inflation over a market cycle. Inflation is measured by the consumer price index (CPI). This investment objective should be achieved with the least required level of portfolio volatility and risk. Assets should be invested in a diversified portfolio, consisting primarily of equities, fixed income, alternative investments, and cash equivalents, which is conducive to participation in a rising market while allowing for adequate protection in a falling market. However, contributions to the Foundation that are restricted for pass through charitable purposes may be invested according to an appropriate short-term investment strategy in an effort to maintain the original contribution value. The Foundation may also utilize an appropriate short-term investment strategy for a portion of the Foundation's Funds to provide a source of liquidity to fund its operating needs.

Due to the inevitability of short-term market fluctuations, which may cause variations in the investment performance, investment objectives are expected to be achieved over rolling three and five year periods or full market cycles.

3. SPENDING POLICY

It is the Foundation's policy to distribute up to 5% of the Endowment funds annually. To smooth the volatility of the distribution amount, the Foundation will apply the 5% distribution rate to an average of the market value of each individual endowment measured at the end of the three previous year-ends. 80% of the calculated distribution (4% of the average 3-year market value) will be transferred to a spending account for distribution according to donor intent specified in the donor agreement (endowment account memorandum of understanding) between PF and the donor. 20% of the calculated distribution (1% of the average 3-year market value) will be transferred to PF's cash account as an administrative fee to assist in funding daily operations.

PF will assess an administrative fee of up to 1.5% on all contributions to the Foundation which are restricted for pass through charitable purposes.

It is the responsibility of the Investment & Finance Committee to review the spending policy annually, or as deemed necessary, and recommend any changes to the Board of Trustees.

4. DUTIES AND RESPONSIBILITIES

4.1 Investment & Finance Committee

The Investment & Finance Committee is responsible for ensuring that the investment process is managed in a prudent manner, seeking to meet the Foundation's return objectives and maintaining the real or inflation-adjusted value of the portfolio. The Committee has authority to determine the investment policies for the Foundation with the support of an investment consultant. The Committee, with the assistance of the investment consultant, will review investments and allocation on a quarterly basis. Moreover, in accordance with the State of Ohio's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Committee will take the following into consideration when making both investment decisions and setting spending policy:

- Duration and preservation of the funds;
- Need of the endowment to make distributions and preserve capital;
- Expected total return from income and appreciation;
- The role that each investment plays within the overall portfolio;
- General economic conditions;
- The possible effect of inflation or deflation;
- Other resources of the organization;

- Assets of special relationship or special value to the charitable purpose.

4.2 Investment Consultant

The investment consultant is responsible for providing information and analysis to assist the Committee with the following*:*

- Reviewing asset allocation and investment strategy to determine if the current strategy meets the investment objective of the Foundation;
- Monitoring the performance of the total portfolio to determine if the collective investment strategy is outperforming the established benchmarks over rolling time periods;
- Tactical changes to asset allocation following the investment process of the firm and within the guidelines of the IPS;
- Selecting, retaining and replacing investment managers;
- Communicating with all investment managers to determine portfolio composition and ascertain information concerning organizational change;
- Providing a quarterly performance evaluation report and assessment to the Foundation;
- Monitoring the performance of each investment manager retained by the Foundation to determine how the investment is performing relative to the established benchmarks over rolling time periods;
- Performing an annual fee assessment of the investment portfolio.
- Discretionary Authority: investment advisor is authorized to invest, sell, and reinvest proceeds in the Foundation's Accounts, at its discretion, and without the Board's prior consent to any proposed action within the guidelines of this IPS.

4.3 Investment Managers

Each investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's investment objectives. Each investment manager will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper any investment manager, the investment manager should request modifications that it deems appropriate.

4.4 Institutional Custodian

The custodian will physically maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. The custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts. The custodian is also responsible for providing monthly statements to the Foundation and investment consultant. Access to online balances and statements should be made available.

4.5 Additional Providers

Additional specialists such as attorneys, auditors, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer the Foundation prudently. If such experts employed are deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Foundation as deemed appropriate and necessary.

5. INVESTMENT OBJECTIVES AND CONSTRAINTS

5.1 Asset Allocation Guidelines and Performance Benchmarks

The total portfolio shall be diversified both by asset class (equities, fixed income, cash equivalents), and by economic sector, industry, quality, size, investment style, geographic location, etc. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio.

The asset allocation target for the Foundation and relevant performance benchmarks is as follows:

Asset Class	Target Allocation	Allowable Range	Benchmark
U.S. Equity	50%	30% - 70%	Russell 3000
International Equity	20%	5% - 35%	MSCI All Country ex US
Fixed Income and Cash	30%	10% - 50%	Barclays U.S. Aggregate
Total	**100%**		

The total portfolio will be constructed and maintained to provide prudent diversification with regard to managers, styles, regions, sectors, and number of holdings. Excluding mutual funds, index funds, and ETF's no single manager should exceed 20% of the total portfolio.

5.2 Equity Portfolio Guidelines

The purpose of the Equity Portfolio is to provide a total return that will simultaneously provide for growth in principal and current income sufficient to support the Foundation's charitable activities, while at the same time preserve the purchasing power of the Portfolio's assets. It is recognized that the Equity Portfolio entails the assumption of greater market variability and risk.

Specific Equity guidelines are as follows:

- The objective for the Domestic Equity Portfolio is to outperform the broad market as represented by the Russell 3000 Stock Index over a full market cycle. The objective of the International Equity Portfolio is to outperform the MSCI All Country ex US Index. Performance will be monitored on a quarterly basis and evaluated over rolling three and five year periods.
- The Equity Portfolio will be broadly diversified according to economic sector, industry, number of holdings, style and other investment characteristics. However, it is recognized that in order to achieve its investment objective, the components of the Equity Portfolio must be actively monitored. Several complementary investment styles will be used to reduce portfolio risk.
- When considering active management, equity investment style is expected to be a criterion for manager selection within the context of a diversified manager structure. Decisions as to individual security selection, security size and quality, number of industries and holdings, turnover and other tools employed by active managers and mutual funds are to be defined as individual manager standards and applied subject to the usual standards of fiduciary prudence. However, managers are expected to invest consistently in the style for which they were hired.
- Unless otherwise instructed, an equity manager may, at its discretion, hold investment reserves of cash equivalents, but with the understanding that performance will be measured against stock indexes described in its investment guidelines.
- In an actively managed portfolio, no single issue/holding should exceed 5% of the manager's total market value at the time of purchase without the prior permission of the Finance Committee. Furthermore, if any single issue/holding exceeds 6% of an actively managed portfolio due to market appreciation, it is the manager's responsibility to communicate this to the Finance Committee or retained Investment Consultant.
- Each Equity Investment Manager shall vote proxies for those securities under management absent any specific directive to the contrary by the Finance Committee.

5.3 Fixed Income Portfolio

The purpose of the Fixed Income Portfolio (bonds and cash equivalents) is to provide a deflation hedge, to reduce the overall volatility of the Portfolio, and to produce current income in support of the needs of the Foundation.
Specific Fixed Income guidelines are as follows:

- The objective of the Fixed Income Portfolio is to outperform the Barclays U.S. Aggregate Bond Index. Performance will be monitored on a quarterly basis and evaluated over rolling three and five year periods.
- A portion of the Fixed Income Portfolio may be allocated to Non-Core Fixed Income strategies with the prior consent of the Finance Committee. These strategies may include, but are not limited to, International Fixed Income, Emerging Market Fixed Income, High Yield Fixed Income, Global Currencies, and Preferred Securities. The purpose of including Non-Core Fixed Income in the portfolio is to enhance the overall risk-return characteristics of the Portfolio.
- Fixed Income Account Managers are expected to employ active management techniques, but changes in average maturity should be moderate and incremental. Significant changes in overall average maturity should be communicated to the Finance Committee unless an index fund or mutual fund is used.

- In general, the portfolio shall be well diversified with respect to type, industry and issuer in order to minimize risk exposure. However, obligations carrying the full faith and credit of the U.S. Government or Government Agency may be held without limitation. Generally, other than investments in the U.S. Government or Government Agency, no single debt issue will be allowed to exceed 5% market value of the debt portfolio.

5.4 Socially Responsible Investing

The Investment & Finance Committee retains the right to require an investment manager divest of any securities deemed unsuitable. Any socially responsible restrictions do not apply to mutual funds or pooled investment vehicles.

5.5 Allocation of New Capital

Foundation gifts will be commingled for the purpose of investing with the exception of gifts accepted with special instruction. Additions to principal shall be allocated by the Investment & Finance Committee in accordance with the guidelines established in this Investment Policy Statement.

6. SELECTION OF INVESTMENTS AND MANAGERS

The investment consultant intends to retain investment managers with some or all of the following attributes to manage the Foundation:

- The institution should be a bank, insurance company, investment management company or an investment adviser under the Registered Investment Advisers Act of 1940;
- The institution should be operating in good standing with regulators and clients, with no material pending or concluded legal actions;
- The institution should provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information to the investment consultant.

Assuming the minimum criteria are met, the particular investment manager under consideration should meet the following standards for selection:

- Performance reporting should be in compliance with the CFA Institute's Global Investment Performance Standards (GIPS);
- Risk and risk–adjusted return measures should be evaluated by the Committee and the investment consultant and be within a reasonable range relative to an appropriate, style-specific benchmark and peer group;
- The investment manager should demonstrate adherence to the stated investment objective;
- Fees should be competitive compared to similar investments.

7. REMOVAL OF AN INVESTMENT MANAGER

There may be circumstances which provide the Investment Consultant reason to consider the removal of an investment manager. Following are the general guidelines which may give reason to remove an investment manager:

- Failure to comply with the investment policy statement;
- Failure to meet any of the relevant benchmarks or peer groups;
- Significant qualitative changes to the investment management organization.

Each investment manager shall be reviewed ongoing in regards to performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results at least annually. If the investment manager has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance by the investment manager, within a reasonable time, shall be grounds for removal. Any decision to remove an investment manager will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those items noted above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the removal decision process.

The Investment & Finance Committee and the Board will review the performance of the Investment Consultant annually on the ability of the Investment Consultant to achieve the goals of this document. The Committee and Board understand the long term investment objectives of endowment funds and will undertake these reviews over three and five year periods or full market cycles. A formal review of the Investment Consultant can be initiated by the Investment & Finance Committee at its discretion, but is not anticipated to be any more frequent than every three years.

8. STATEMENT OF INVESTMENT POLICY REVIEW

To assure the continued relevance of the guidelines and objectives, as established in this investment policy statement, the Investment & Finance Committee should review the investment policy annually, or as deemed necessary and provide any recommended changes to the Trustees.