



York County Community Foundation  
**INVESTMENT POLICY STATEMENT**

November 2017

## York County Community Foundation Fund

### INVESTMENT POLICY STATEMENT

Board Approved  
December 14, 2017

I.	INTRODUCTION.....	2
A.	BACKGROUND .....	2
B.	PURPOSE .....	2
C.	INVESTMENT OBJECTIVE.....	2
D.	SCOPE .....	3
E.	FIDUCIARY DUTY.....	3
II.	ROLES & RESPONSIBILITIES.....	3
A.	BOARD OF DIRECTORS .....	3
B.	INVESTMENT COMMITTEE.....	3
C.	STAFF .....	4
D.	INVESTMENT ADVISOR.....	4
E.	INVESTMENT CONSULTANTS.....	4
F.	CUSTODIAN(S).....	5
III.	INVESTMENT POLICY.....	5
A.	OPERATING GUIDELINES (EXHIBIT A).....	5
B.	REBALANCING.....	5
C.	SPENDING POLICY.....	5
D.	LIQUIDITY .....	6
E.	RISK CONSIDERATIONS.....	6
F.	GUIDELINES AND RESTRICTIONS .....	7
1.	Overview .....	7
2.	Public Equity Manager Guidelines.....	8
3.	Public Fixed Income Manager Guidelines .....	8
4.	Illiquid and Semi-Liquid Investment Guidelines.....	10
5.	Derivative Security Guidelines .....	12
IV.	MONITORING & EVALUATION.....	13
A.	TIME HORIZON.....	133
B.	COMPOSITE PERFORMANCE OBJECTIVES.....	13
C.	PRIMARY BENCHMARK .....	13
D.	BROAD POLICY BENCHMARK.....	13
E.	TARGET WEIGHTED BENCHMARK.....	144
V.	ACKNOWLEDGEMENT.....	15

EXHIBIT A GLOBAL ASSET ALLOCATION

APPENDIX A COMMONFUND SUPPLEMENTAL POLICIES AND GUIDELINES

APPENDIX B MASON ADVISORS SUPPLEMENTAL POLICIES AND GUIDELINES

## I. INTRODUCTION

### A. BACKGROUND

York County Community Foundation (“YCCF” or “Foundation”) is a community foundation which makes grants, loans and other awards to charitable organizations, in accordance with its mission statement, which benefit primarily the York County community. These awards are generally made from the investment returns generated by a pool of assets dedicated to the charitable benefit of the community in perpetuity.

### B. PURPOSE

The purpose of the Investment Policy Statement (which together with its Appendices is hereinafter referred to as the “IPS”) is to set forth the policies and procedures that shall guide the Board of Directors of YCCF (the “Board”), to ensure good philanthropic stewardship and prudent investment of its aggregate investment portfolio (the “Portfolio”), in a manner consistent with the investment objectives stated herein. The Board has delegated detailed financial oversight of the Portfolio to the Investment Committee (the “Investment Committee”).

The IPS shall be used by the Investment Committee in its duty to oversee the management and monitoring of the Portfolio. The IPS shall also be used by the Portfolio’s Investment Advisor, Investment Consultants, and Custodian(s) in their respective duties.

The IPS will be reviewed annually by the Investment Committee. Any necessary revisions to the IPS will be recommended by the Investment Committee to the Board for approval.

### C. INVESTMENT OBJECTIVE

The Board and the Investment Committee acknowledge the importance of preserving and growing endowed capital to achieve intergenerational equity while recognizing the necessity to accept risk in order to:

- Maintain real purchasing power by striving for long-term returns that exceed the sum of YCCF’s spending rate, its fees and expenses, and inflation; and
- Provide an appropriate source of liquidity, preserve capital, and provide financial support for the mission of YCCF.

In order to achieve its investment objective, YCCF will

- Delegate oversight of the Portfolio to the Investment Committee.
- Strive to have the Portfolio fully invested pursuant to the guidelines of this IPS.
- Hire independent, professional management in the form of an Investment Advisor, Investment Consultants and/ or Custodian(s).
- Maintain diversification of assets both by asset type and/or by manager within the target Asset Allocation ranges to ensure that adverse results from one security class will not have an unduly detrimental effect on the entire portfolio.

## **D. SCOPE**

This IPS shall apply to all endowment assets (unless a separate policy is adopted) which are controlled by YCCF; provided, however this IPS shall not apply to general operating bank accounts of YCCF.

## **E. FIDUCIARY DUTY**

The Portfolio shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations.

## **II. ROLES & RESPONSIBILITIES**

### **A. BOARD OF DIRECTORS**

The Board has the final responsibility for overseeing the investment of the Portfolio in accordance with this IPS, as may be amended by the Board. The Board must ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented in a manner consistent with the IPS. To implement these responsibilities, the Board sets and approves the IPS (as may be amended), and delegates responsibility to the Investment Committee for implementation and ongoing monitoring. At least annually the Board will receive a performance report and review of the Investment Consultants from the Investment Committee.

### **B. INVESTMENT COMMITTEE**

The Investment Committee is responsible for adhering to this IPS. The Investment Committee will:

1. Meet with the Investment Advisor/Investment Consultants to discuss the proposed Asset Allocation of the Portfolio, and direct an Asset Allocation in accordance with this IPS.
2. Meet with the Investment Advisor/Investment Consultants as appropriate to review their performance, philosophy and to assess that investment fees are in line with peers.
3. Report to the Board regularly on the return results of the Portfolio.

4. Recommend the hiring or termination of the Investment Advisor/Investment Consultants for Board approval.
5. Approve short term exceptions to this IPS and report to the Board for ratification.
6. Maintain written guidelines for each strategy managed by an Investment Consultant in a manner consistent with the Asset Allocation, this IPS and more fully described in the applicable Appendices.
7. Selection of the Investment Advisor and the Investment Consultants will be recommended by the Investment Committee and approved by the Board. Prospective Investment Advisors/Investment Consultants will be evaluated based on investment philosophy, past performance, general credibility and reputation, consistency of results and fee structure.

## **C. STAFF**

The President and/or the Chief Financial Officer will be responsible for day to day contact with the Investment Advisor/Investment Consultants.

## **D. INVESTMENT ADVISOR**

The "Investment Advisor" shall be the Board approved lead Investment Consultant. In addition to the Investment Advisor's asset management duties (relative to its Board directed assigned percentage of the Portfolio), the Investment Advisor shall also be responsible for overseeing and monitoring the aggregate asset allocation of the Portfolio ("Asset Allocation"), as well as any and all reporting related to the Asset Allocation. The Investment Advisor shall be responsible for reporting the Asset Allocation to the Investment Committee, and any recommended rebalancing required by this IPS, on at least a quarterly basis. In addition, the Investment Advisor shall assist the Investment Committee periodically, with a review of the IPS, including an assessment of the current Asset Allocation and investment objectives.

## **E. INVESTMENT CONSULTANTS**

The "Investment Consultants", or individually "Investment Consultant" (which may include the Investment Advisor, in its dual role), shall be Board approved, and shall be responsible for each Investment Consultant's Board directed assigned percentage of the Portfolio, said assigned percentage to be managed pursuant to the provisions of this IPS.

The Investment Consultants shall be responsible for all aspects of managing and overseeing that portion of the Portfolio that is allocated to each Investment Consultant. On an ongoing basis the Investment Consultant will:

1. Implement the overall investment strategy, including the selection/termination of securities and/ or investment managers (collectively "Investment Managers" or individually an "Investment Manager"), within guidelines of this IPS;
2. Monitor the asset mix and allocate assets of each investment strategy within the IPS guidelines;
3. Provide the Investment Advisor and the Investment Committee with quarterly performance reports. Supply the Investment Advisor and the Investment Committee with other reports or information as reasonably requested; and
4. Communicate with the Investment Advisor and the Investment Committee on an as needed basis relative to any Asset Allocation issues or material underperformance of any managers under an Investment Consultant's supervision.

## **F. CUSTODIAN(S)**

The Custodian(s) shall be determined at the discretion of the respective Investment Consultants, and the Custodian(s) shall be responsible for: (1) possession of the assets within the Portfolio, and (2) fulfilling the duties of trade execution to the standards directed by the Investment Consultants, and (3) issuing monthly reporting of the assets under their custody to the applicable Investment Consultant and YCCF's CFO.

In addition, the Custodian(s) shall:

1. Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.
2. Provide YCCF and the Investment Consultants special reports as reasonably requested; and
3. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.

## **III. INVESTMENT POLICY**

### **A. OPERATING GUIDELINES (EXHIBIT A)**

The Operating Guidelines, a template for which is set forth in EXHIBIT A, contain the Portfolio's target asset allocation and ranges for each asset class or investment strategy, together with the applicable guidelines and restrictions. Taken together, these constitute a framework to assist the Foundation and its Investment Consultants in achieving the Portfolio's investment objectives at a level of risk consistent with the parameters set forth in this IPS.

### **B. REBALANCING**

The Investment Managers will actively manage the Asset Allocation of their Portfolio based on their determination of market valuations in each fund, but remain within their target ranges at all times. Should any category move out of acceptable range due to market movements, the Investment Manager shall use prudence in rebalancing the portfolio, taking into consideration factors such as illiquidity and investment outlook.

Relative to the overall Asset Allocation of the Portfolio, the Investment Committee shall maintain the authority to oversee, manage and direct the Asset Allocation in accordance with the IPS. Specifically, it is the responsibility of the Investment Committee to review the overall Portfolio, and if necessary direct the Investment Advisor and/or the Investment Managers to reallocate the Asset Allocation in a designated manner.

### **C. SPENDING POLICY**

YCCF's annual payout to charitable beneficiaries of endowment funds is determined by a Board-approved payout rate known as the "Spending Policy" (currently at 4.5%). Annually, in September, the Board approves the Spending Policy for the coming year. The Spending Policy for each fund is calculated by applying the payout rate to the average market value of each endowment fund over 12 preceding quarters (or less in the case of newer funds), measured as of June 30th.

The use of a Spending Policy provides for a disciplined stream of income to charitable beneficiaries. It restrains spending in years when total return on funds (growth and income) exceeds the charitable payout, providing for growth of principal – and it enables spending in lean years, even if total return is less than the payout rate.

The intent of the Spending Policy is to provide reasonably stable grants while preserving the inflation-adjusted value of funds. The Spending Policy shall take into consideration the Foundation’s dual responsibility to make charitable distributions and to perpetuate endowments entrusted to it by donors.

- The current Spending Policy payout rate, as approved by the Board of Directors is 4.5% (as a general rule)
- 0% for any funds whose June 30 market value is 60% or less of historic endowment contributions

Donor advised funds are eligible for grants and distributions in excess of spending policy, subject to maintaining a minimum fund market value of \$25,000.

Organizational endowments (i.e. Heritage Funds) may elect a 0% automatic reinvestment spending option, subject to the limitations above.

## D. LIQUIDITY

A goal of the Portfolio is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the Spending Policy payout requirements and any extraordinary events.

Illiquid investments include private equity, private debt, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity will be considered throughout the Portfolio construction process, but with the following limits:

CLASSIFICATION OF ASSET	LIMITS
Liquid	At least 60% of the portfolio
Semi-Liquid	No more than 20% of the portfolio
Illiquid	No more than 20% of the portfolio

## E. RISK CONSIDERATIONS

While acknowledging the importance of preserving capital, the Investment Committee recognizes the necessity of accepting risk if the Portfolio is to be able to meet its long-term investment goals. It is the view of the Investment Committee that choices made with respect to asset allocation will be the major determinants of investment performance. The Investment Committee shall seek to ensure that the risks taken are appropriate and commensurate with the Portfolio’s goals.

The Portfolio shall be diversified both by asset class and within asset classes. Within each asset class, investments shall be diversified further among economic sector, industry, quality and size. The purpose of this diversification is to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact – positive or negative – on the overall performance of the Portfolio.

## **F. GUIDELINES AND RESTRICTIONS**

### **1. Overview**

The process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Portfolio's investments.

The Investment Advisor and Investment Consultants shall:

- a. Have investment discretion with regard to security selection with respect to each Investment Consultant's allocated percentage of the Portfolio, consistent with this IPS;
- b. Immediately notify the Investment Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel; and
- c. Vote proxies and share tenders, for any securities held directly, in a manner that is in the best interest of YCCF and consistent with the investment objectives contained herein.

The Investment Committee's intent would be to select and retain only pooled/mutual funds with policies that are similar to this IPS. However, in the event that an Investment Manager makes direct securities or non-mutual and non-pooled investments in a separate, discretionary account on behalf of the portfolio, the requirements stated below would apply. Each Investment Manager of a separate or discretionary account shall:

- a. Have discretion as to individual security selection, number of industries and holdings, current income levels and turnover, subject to the standards of fiduciary prudence and the provisions of this IPS;
- b. Immediately notify the applicable Investment Consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel; and
- c. Make no purchase that would cause a position in the Portfolio to exceed five (5%) percent of the outstanding voting shares of the company or invest with the intent of controlling management.

All Investment Managers (pooled/mutual and separate), however, are expected to achieve the performance objectives.

## 2. Public Equity Guidelines

The purpose of public equity investments, both domestic and international, in the Portfolio is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting total return goals of the Portfolio. This component includes domestic and international common stocks, American Depositary Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall be restricted to readily marketable securities of corporations that are traded on the major stock exchanges, and shall have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to the discretion of the Investment Manager(s), subject to the standards of fiduciary prudence and the provisions of this IPS.

Within the above guidelines and restrictions, the Portfolio's Investment Managers shall have discretion over the selection, purchase and sale of third party managers and/or individual equity securities. In the event that individual securities are purchased for the Portfolio, the Investment Manager shall:

- a. Assure that no position in any one company exceeds eight (8%) percent of the Investment Manager's total portion of the Portfolio as measured at market value.
- b. Where applicable, vote proxies and share tenders in a manner that is in the best interest of the Portfolio and consistent with the investment objectives contained in this IPS.
- c. Maintain adequate diversification.
- d. Construct a properly diversified Portfolio across applicable sectors and industries.

## 3. Public Fixed Income Guidelines

Domestic and international fixed income investments are intended to provide diversification and a dependable source of current income. Fixed income investments should reduce the overall volatility of the Portfolio's assets and provide a deflation or inflation hedge, where appropriate.

The fixed income asset class includes the fixed income markets of the U.S. and the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The Investment Managers shall take into account credit quality, sector, duration and

issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Within the above guidelines and restrictions, the Portfolio's Investment Managers shall have complete discretion over the selection, purchase and sale of third party managers, subject to the standards of fiduciary prudence and the provisions of this IPS. In the event that individual securities are purchased for the Portfolio, the Investment Manager shall:

1. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's.
2. Hold no more than ten (10%) percent of the Portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating.
3. Maintain duration within +/- twenty (20%) percent of the effective duration of the appropriate benchmark (does not apply to TIPS managers).
4. Assure that any one issuer does not exceed five (5%) of the Portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

Each high yield/bank loan Investment Manager shall:

1. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's.
2. Hold no more than twenty (20%) percent of the Portfolio in investments rated below B. Split rated securities will be governed by the lower rating.
3. Assure that any one issuer does not exceed five (5%) percent of the Investment Manager's Portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies

## Cash and Equivalents

The Portfolio's Investment Managers may invest in the highest quality commercial paper, repurchase agreements, U.S. Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. Investments in the obligations of a single issuer shall not at time of investment exceed 10 percent of the Fund's total market value, with the exception of the U.S. Government and its agencies.

Since the Investment Committee does not consider short-term cash equivalent securities to be appropriate investment vehicles for long-term portfolios, uninvested cash reserves shall be kept to a minimum except where needed to comply with the Portfolio's liquidity parameters. However, such vehicles are considered appropriate for the Portfolio: (i) as a depository for income distributions from longer-term investments, (ii) as needed for temporary placement of funds directed for future investment to longer-term investment strategies, and (iii) for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Investment Managers shall have complete discretion over the selection, purchase and sale of cash equivalent securities, subject to the standards of fiduciary prudent and the provisions of this IPS.

#### **4. Illiquid and Semi-Liquid Investment Guidelines**

- a) Illiquid investments include private equity, private credit, private real estate, and natural resources. Hedge Funds and core real estate are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments. If the Investment Committee approves an investment outside of the scope of the IPS, an appendix to this IPS will be provided to describe the investment and the appropriate guidelines for stated investment for YCCF.
- b) Each third party investment will require executed operating/investment documents. YCCF may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, YCCF cannot dictate policy. The Board, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement (PPM) and Limited Partnership Agreement.
- c) YCCF is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Portfolio, potential tax ramifications must be considered during the investment analysis and selection process. The Investment Advisor/Investment Managers shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Portfolio.

#### **A. Diversifying Strategies**

Diversifying investments may include hedge funds and other investments with the flexibility to provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Such strategies are not part of an asset class, but rather are an investment vehicle. The majority of hedge funds and other diversifying investments will have a “lock-up” period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most diversifying strategies will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). They are, therefore, semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the diversifying allocation to achieve the expected objectives without unnecessary risk, the Portfolio should seek access to skilled managers and be invested across multiple strategies. Individual investments may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified.

## **B. Private Investments**

Private investments are typically made through limited partners or limited liability corporations offered by professional investment managers. Private capital strategies may include venture capital, private equity (buyout and opportunistic). Other private investments may include private credit, private real estate and natural resources. Private investments typically offer no or limited ability to redeem or withdraw. YCCF may make illiquid investments using a fund-of-funds approach.

## **C. Real Assets**

Natural resources investment may include public equities of natural resource companies – either in the form of index investments or actively managed portfolios. Private natural resource investments may be made in limited partnerships investing in oil, gas, clean energy, services and other private natural resource investments.

Real estate investments may include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investments may be made only through professionally managed pooled real estate investment funds.

## 5. Derivative Security Guidelines

a) For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:

- (1) Manager's proven expertise;
- (2) Value added by utilizing derivatives;
- (3) Liquidity of instruments;
- (4) Amount of leverage;
- (5) Management of counterparty risk; and,
- (6) Manager's internal risk controls and procedures.

b) The strategies in which derivatives can be used are:

- (1) Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
- (2) Portable Alpha – Derivatives (typically futures or swaps) will be used to generate “beta”, while the notional exposure amount is actively managed to generate “alpha”.
- (3) Fixed Income – Derivatives will be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.
- (4) Overlay/Transition Management – Derivatives (typically futures contracts) will be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.
- (5) Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure. Due to the wide variety of strategies in which hedge funds employ, broad policies regarding prudent use of derivatives cannot be easily defined.

### Investment Restrictions

The Investment Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification shall be made only after a thorough review of the investment manager and investment strategy involved. An addendum supporting such waiver or modification shall be maintained as a permanent record of the Investment Committee. All such waivers and modifications shall be reported to the Board at the meeting immediately following the granting of the waiver or modification.

Adherence to the restrictions in these guidelines shall be measured as of the time of initial investment. It is recognized that subsequent market action may result in the investment or strategy ceasing to adhere to these restrictions, through no fault of the YCCF staff or the respective outside manager. In such a situation, the Foundation and the manager shall make reasonable attempts to bring the investment or strategy back within adherence to these restrictions, bearing in

mind the long-term interests of the YCCF and the Portfolio and the desirability of avoiding harmful forced sales of assets.

## IV. MONITORING & EVALUATION

It is the intent of the Board to hire an Investment Advisor that will implement the target Asset Allocation. The Investment Consultants are expected to select and retain the best managers for each asset class, and the Investment Consultants shall closely monitor the performances of each manager to ensure that the Portfolio continuously has “best in class” managers for each asset class.

### A. TIME HORIZON

YCCF seeks to attain investment performance results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over rolling 5 and 10-year periods. The Investment Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria establish herein.

### B. COMPOSITE PERFORMANCE OBJECTIVES

All investment returns shall be measured net of fees. The performance objectives for the Portfolio will be reviewed on an ongoing basis and evaluated upon the following criteria:

### C. PRIMARY BENCHMARK

The primary objective of the Portfolio is to achieve a total return, net of fees, in excess of the Spending Policy and inflation.

*Total Return greater than Consumer Price Index + 6%*

### D. BROAD POLICY BENCHMARK

The secondary objective of the Portfolio 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. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions. The benchmark is intended to assess to the long-term success of strategic, tactical, and active manager decisions.

WEIGHT	INDEX	ASSET CATEGORIES
70%	MSCI ACWI	Equity / Real Assets
30%	Barclays Aggregate	Fixed Income / Diversifying Strategies

## **E. TARGET WEIGHTED BENCHMARK**

Another investment objective is to achieve a total return in excess of the “Target Weighted Benchmark”, comprised of each asset category benchmark weighted by its target allocation. The Target Weighted Benchmark is comprised of specific indices, weighted in proportion to the portfolio’s long-term strategic target allocation. The Target Weighted Benchmark measures the contribution of any strategic biases (market capitalizations, style, countries and regions, credit quality...) when compared to the Broad Policy Benchmark as well as the impact of any tactical asset allocation decisions.

## V. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected.

---

York County Community Foundation

---

Date

INVESTMENT ADVISOR

---

CommonFund Asset Management

---

Date

INVESTMENT CONSULTANTS

---

Date

---

Date

# Exhibit A

## York County Community Foundation Fund

### GLOBAL ASSET ALLOCATION

November 2017

# INVESTMENT POLICY STATEMENT

## GLOBAL ASSET ALLOCATION

INVESTMENTS	MIN	TARGET	MAXIMUM	BENCHMARK
<b>EQUITY STRATEGIES</b>	<b>20%</b>	<b>66%</b>	<b>80%</b>	<b>MSCI All Country World Index</b>
Global Equities	20%	56%	70%	MSCI All Country World Index
Private Capital				MSCI All Country World Index
Private Equity	0%	7.5%	10%	
Venture Capital	0%	2.5%	4%	
<b>GLOBAL FIXED INCOME/CREDIT</b>	<b>5%</b>	<b>10%</b>	<b>80%</b>	<b>Bloomberg Barclay's Aggregate Index</b>
Cash and Equivalents	0%	0%	10%	3 Mo. US Treasury Bills
Core Fixed Income	5%	7%	20%	Bloomberg Barclay's U.S. Aggregate Index
Treasury Inflation Protected Securities	0%	0%	11%	Bloomberg Barclay's US TIPS Index
International Bonds	0%	0%	10%	
Credit	0%	3%	10%	Merrill Lynch High Yield Index Master II
<b>REAL ASSETS</b>	<b>0%</b>	<b>14%</b>	<b>30%</b>	<b>Weighted Average of Real Assets</b>
Real Estate	0%	9%	15%	NCREIF ODCE (Lagged)
Natural Resources	0%	5%	10%	S&P Global Large Midcap Commod/Resources Index
<b>DIVERSIFYING STRATEGIES</b>	<b>0%</b>	<b>10%</b>	<b>15%</b>	<b>HFRI FOF Conservative Index</b>
<b>TOTAL PORTFOLIO</b>		<b>100%</b>		<b>Weighted Average of Portfolio Benchmarks</b>

## LIQUIDITY

A goal of the Fund is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In many instances, the most appropriate investment option is one that comes with liquidity constraints.

Diversifying strategies such as hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. Illiquid investments include private equity, private debt, private real estate, and natural resources. The targets for private investments are long term and are expected to take several years to fully implement. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff

# INVESTMENT POLICY STATEMENT

between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits:

CLASSIFICATION OF ASSET	LIMITS
Liquid	At least 60% of the portfolio
Semi-Liquid	No more than 20% of the portfolio
Illiquid	No more than 20% of the portfolio

### PRIMARY BENCHMARK

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

*Total Return greater than Consumer Price Index + 6%*

### 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. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions. The benchmark is intended to assess to the long-term success of strategic, tactical, and active manager decisions.

WEIGHT	INDEX	ASSET CATEGORIES
70%	MSCI ACWI	Equity / Real Assets
30%	Barclays Aggregate	Fixed Income / Diversifying Strategies

### TARGET WEIGHTED BENCHMARK

Another investment objective is to achieve a total return in excess of the Target Weighted Benchmark, comprised of each asset category benchmark weighted by its target allocation. The Target Weighted Benchmark is comprised of specific indices, weighted in proportion to the portfolio’s long-term strategic target allocation. The Target Weighted Benchmark measures the contribution of any strategic biases (market capitalizations, style, countries and regions, credit quality...) when compared to the Broad Policy Benchmark as well as the impact of any tactical asset allocation decisions.

# INVESTMENT POLICY STATEMENT

## ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected.

---

York County Community Foundation

---

Date

---

Commonfund Asset Management Company

---

Date

# Appendix A

## York County Community Foundation Fund COMMONFUND SUPPLEMENTAL GUIDELINES

**November 2017**

# INVESTMENT POLICY STATEMENT

## COMMONFUND ASSET ALLOCATION

INVESTMENTS	MIN	TARGET	MAXIMUM	BENCHMARK
<b>EQUITY STRATEGIES</b>	<b>30%</b>	<b>66%</b>	<b>90%</b>	<b>MSCI All Country World Index</b>
Global Equities	30%	52%	70%	MSCI All Country World Index
Private Capital				MSCI All Country World Index
Private Equity	0%	10%	20%	
Venture Capital	0%	4%	8%	
<b>GLOBAL FIXED INCOME/CREDIT</b>	<b>0%</b>	<b>6%</b>	<b>40%</b>	<b>Bloomberg Barclay's Aggregate Index</b>
Cash and Equivalents	0%	0%	10%	3 Month T-Bill
Core Fixed Income	0%	2%	20%	Bloomberg Barclay's U.S. Aggregate Bond Index
Credit	0%	4%	10%	Merrill Lynch High Yield Master II
<b>REAL ASSETS</b>	<b>0%</b>	<b>14%</b>	<b>30%</b>	<b>Weighted Average of Real Assets</b>
Real Estate	0%	10%	15%	NCREIF ODCE (lagged)
Natural Resources	0%	4%	10%	S&P Global Large Midcap Commod/Resources Index
<b>DIVERSIFYING STRATEGIES</b>	<b>0%</b>	<b>14%</b>	<b>20%</b>	<b>HFRI FOF Conservative Index</b>
<b>TOTAL PORTFOLIO</b>		<b>100%</b>		<b>Target Weighted Benchmark</b>

## LIQUIDITY

A goal of the Fund is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In many instances, the most appropriate investment option is one that comes with liquidity constraints.

Diversifying strategies such as hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. Illiquid investments may include private equity, private debt, private real estate, and natural resources. The targets for private investments are long term and are expected to take several years to fully implement. Hedge funds and core real estate are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits:

# INVESTMENT POLICY STATEMENT

CLASSIFICATION OF ASSET	LIMITS
Liquid	At least 60% of the portfolio
Semi-Liquid	No more than 20% of the portfolio
Illiquid	No more than 20% of the portfolio

### PRIMARY BENCHMARK

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

*Total Return greater than Consumer Price Index + 6%*

### 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. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions. The benchmark is intended to assess to the long-term success of strategic, tactical, and active manager decisions.

WEIGHT	INDEX	ASSET CATEGORIES
70%	MSCI ACWI	Equity / Real Assets
30%	Barclays Aggregate	Fixed Income / Diversifying Strategies

### TARGET WEIGHTED BENCHMARK

Another investment objective is to achieve a total return in excess of the Target Weighted Benchmark, comprised of each asset category benchmark weighted by its target allocation. The Target Weighted Benchmark is comprised of specific indices, weighted in proportion to the portfolio’s long-term strategic target allocation. The Target Weighted Benchmark measures the contribution of any strategic biases (market capitalizations, style, countries and regions, credit quality...) when compared to the Broad Policy Benchmark as well as the impact of any tactical asset allocation decisions.

# INVESTMENT POLICY STATEMENT

## ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected.

---

York County Community Foundation

---

Date

---

Commonfund Asset Management Company

---

Date

# Appendix B - Mason Investment Policy Statement



## **Investment Policy Statement**

December 12, 2017

*For Funds Managed by Mason Investment  
Advisory Services*

## Table of Contents

I.	Asset Allocation .....	3
II.	Investment Restrictions .....	4
III.	Due Diligence Policy .....	4
IV.	Delegation of Authority and Responsibilities.....	6
V.	Appendix.....	8

## **I. Asset Allocation**

The Committee believes that for the fund managed by Mason Investment Advisory Services (the "Mason Fund") the risk and liquidity posture are, in large part, a function of asset class mix. The Consultant ("Mason") has presented, to the Committee, summary information about the long-term performance of various asset classes, focusing on balancing the risks and rewards of market behavior. Considering the Mason Fund's investment objective, time horizon, risk tolerances, performance expectations, and asset class preferences, an appropriate portfolio allocation was identified, as shown in the following "Asset Allocation Targets" chart. The targets shown in the chart will not be changed without Committee approval.

After the allocation strategy is implemented the percentage allocation to each asset class sub-category may vary by as much as 30% of the target on either side of the target amount. The Committee recognizes that significant capital market movements, as well as relative manager performance, can lead to the asset allocations moving beyond the allowable ranges of 30%. The Consultant shall monitor the asset allocation periodically and assure that it stays within the established ranges by rebalancing as needed. Any change in methodology will be communicated to the Foundation in writing contemporaneously.

See Appendix for asset allocation.

## **II. Investment Restrictions**

When selecting mutual funds and exchange-traded funds (ETFs), Mason will use due diligence criteria prescribed in this Investment Policy Statement (mutual funds and ETFs will be referred to as "managers" unless specifically referenced).

No "illiquid" investments may be purchased by Mason, such as private placements, limited partnerships, and hedge fund vehicles, among others without the approval of the Committee.

## **III. Due Diligence Policy**

For an asset allocation strategy to be effective, each asset class must be represented by using a manager (or managers) that will best represent the class objective. Otherwise, the results will most likely be different than anticipated. This is particularly true during times of adversity or crisis.

A qualifying manager must be a registered investment advisor under the Investment Advisors act of 1940. Mason will decide which managers to use based upon their particular contribution to the Mason Fund.

To identify managers who fit the implementation objectives, a rigorous research process is followed. The research process involves first an evaluation of fund families to identify superior families, followed by an analysis comparing the individual managers of the approved fund families in each asset class.

### **Fund Family Analysis**

Each of the approved fund families will be reevaluated on an annual basis. The analysis will include ranking a broad range of fund families as well as major ETF providers based on returns relative to peer universes. This performance ranking will focus on both open and terminated funds to get a full understanding of the success of the fund family as a whole over time, not just of the fund family's current offerings. We will compare performance ranking of each fund within each fund family amongst each particular fund's peer universe. These rankings will be averaged across each fund family's overall individual fund lineup. Only share classes which do not assess 12b-1 fees and only specific management mandates (not broad based fund of funds or target date funds) will be included. Fund share classes with 12b-1 fees will be eliminated to ensure comparisons of most competitively priced funds from each fund family being evaluated. Top fund families will then be compared based on their competitive cost structure, appropriate level of analytical talent, corporate culture, focus on long-term fundamentals, percentage of terminated/merged funds, and other intangibles.

Only when deemed necessary to obtain appropriate exposure to a desired asset class will we then look outside our list of identified superior fund families. For example where funds within superior fund families do not provide the appropriate exposure targeted it may be necessary to utilize the best available fund from another fund family.

### **Individual Manager Analysis**

Individual funds are selected from the approved fund families mainly on the basis of the style of manager(s) which is most appropriate in terms of constructing the target model portfolio. The manager(s) selected within each asset class should provide the appropriate level of diversification and style purity with the best likelihood of providing optimal performance after the hire date. While analysis will vary by asset class, the goal is to utilize funds from the particular superior fund families which provide strengths most relevant to the asset class being evaluated. Funds will be regularly evaluated for style drift and competitive cost structure.

### **Benchmarks and Reference Points**

Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the managers used to implement the allocation. To measure the success of the allocation strategy, the Committee will use both domestic and global stock/bond mixes, as well as a Growth Allocation Reference Point. These benchmarks are described below.

#### **Domestic and Global Stock/Bond Mixes:**

The domestic and global stock/bond mixes are comprised of the same ratio of equity to fixed income as that of the Mason Fund's long term targets (77% equity and 23% fixed income). These mixes are derived from the indices described below. Monthly rebalancing is assumed. The performance of the equity/fixed income mixes is presented net of the average annual ETF and index fund expense ratio, prorated monthly.

#### **77/23 Domestic Stock Domestic Taxable Bond Mix**

- 77% Wilshire 5000 Total Market Index
- 23% Barclays Capital Aggregate Bond Index

#### **77/23 Global Stock Global Taxable Bond Mix**

- 77% S&P Global Broad Market Index
- 23% Barclays Capital Global Aggregate Index

The Wilshire 5000 Total Market Index represents all U.S. equity securities that have readily available prices.

The Barclays Capital Aggregate Bond Index represents the performance of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The S&P Global Broad Market Index (BMD) is a top-down, float capitalization-weighted index which measures the performance of the entire universe of institutionally investable equity securities.

The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income market, including government, credit and collateralized securities.

The Mason Fund, which contains both domestic and global investments that are not intended to match the domestic and global weightings of these stock/bond mixes, may achieve returns that

are greater or less than these mixes, depending upon the relative performance of the domestic and global investments.

**Growth Allocation Reference Point:**

This reference point, produced by Morningstar as "Moderate Allocation", invests in both stocks and bonds and maintains a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash.

The Committee agrees that this is a reference point. The performance of the Mason Fund may be greater or less, depending upon how aggressive the asset allocation strategy is relative to the reference point.

**Benchmarks for Managers**

To measure the success of the managers used to implement the allocation, each manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus. Fund families whose performance has, in aggregate, tended to be superior when compared to relative performance of other fund families will be deemed acceptable and thus generally used.

**Other Considerations**

Although short term underperformance will be tolerated and closely monitored by Mason, managers are normally expected to perform at or above their peer group averages. Both qualitative and quantitative measures have been developed to determine when a manager termination is appropriate.

## **IV. Delegation of Authority and Responsibilities**

**Investment Consultant (Mason)**

For the Mason Fund, Mason will be the primary source of investment education and investment manager information. On an ongoing basis, Mason will:

- I. Provide the Committee with quarterly performance reports. This report will measure performance of the Mason Fund and each manager within the Mason Fund, with comparisons to benchmarks and reference points as described in the Due Diligence Policy section (Section III). Also, this report will illustrate actual asset allocations as compared to the targets set by this Policy Statement;
2. Report to the Committee quarterly;
3. Monitor the activities of each investment manager;
4. Provide the Committee with an annual review of this Policy Statement, including an assessment of the Foundation's current asset allocation, spending and distribution policy, and investment objectives; and
5. Supply the Committee with other reports or information as reasonably requested.

Mason shall supervise and direct the investment of the Mason Fund as specified in this Investment Policy Statement Appendix. Supervision is continuous, with limited discretion. Limited discretion means that Mason is responsible for assessing the appropriateness of asset allocation strategies but does not have discretion to change the strategy without the Committee's approval. Mason has discretion and is required to rebalance the Mason Fund to maintain the asset allocation using the methodology approved by the Consultant's Investment Committee. . Mason also has discretion to change managers as required by the Due Diligence Policy described in this Policy Statement.

## Appendix

Mason Investment Management Services (MIMS)  
D Asset Allocation Strategy

Recommended Asset Allocation	Model-D ALT	After Interest Rates Rise	After Interest Rates Rise
		Projected Change	Model-D
<b>Safety</b>			
Cash	1.00%		1.00%
Total Safety	1.00%		1.00%
<b>Income Assets</b>			
Short Term Bond	4.00%		4.00%
Intermediate Term Bond	4.25%	4.25%	8.50%
Long Term Bond	0.00%		0.00%
Inflation Protected Bond	4.00%		4.00%
International Bond	5.50%		5.50%
Total Income Assets	17.75%	4.25%	22.00%
<b>Growth Assets</b>			
Large-Cap Value	21.25%	-4.25%	17.00%
Large-Cap Growth	11.00%		11.00%
International Large Cap Value	7.00%		7.00%
International Large Cap Growth	5.00%		5.00%
Real Estate	7.00%		7.00%
Total Growth Assets	51.25%	-4.25%	47.00%
<b>Aggressive Assets</b>			
Small-Cap Value	11.00%		11.00%
Small-Cap Growth	5.00%		5.00%
International Small Cap	6.00%		6.00%
Energy/Natural Resources/Commodities	8.00%		8.00%
Total Aggressive Assets	30.00%		30.00%
Total Portfolio	100.00%		100.00%

We understand that if interest rates rise to Mason's predetermined threshold amount, Mason is authorized to reduce large cap value by 4.25% and increase intermediate term bonds by 4.25%.

The Investment Committee has the authority to adjust target asset allocation subcategories no more than plus or minus 5% of the portfolio.

Mason will require client's signature if a new asset class is added or an existing asset class is adjusted by more than 5%.

Mason will require client's signature if we modify the combined Safety and Income\* category or the combined Growth and Aggressive\*\* category.\*\*\*

\_\_\_\_\_  
Authorized Signer

\_\_\_\_\_  
Date

Note: it is normal for the portfolios to deviate to some degree from target percentages.

\*The Safety and Income category includes bonds and short term reserves.

\*\*The Growth and Aggressive category includes equities and investments of similar risk.

\*\*\*In other words Mason will not require client's signature to make changes among the growth and aggressive categories (generally from one equity category to another equity category) unless the change impacts an individual category by 5% or more. Similarly Mason will not require a client's signature to make changes between safety and income categories (generally from one bond or safety category to another bond or safety category) unless the change impacts an individual category by 5% or more. However, any modification which reduces or increases the combined broad growth or aggressive (generally equity targets) will generally not be made without prior client approval.