

# INVESTMENT POLICY STATEMENT FOR EXTERNALLY-MANAGED INVESTMENTS

At Gulf Coast Community Foundation (Gulf Coast), donors may request an external investment advisor to manage the assets of their funds.

## Our Objective:

The objective of Gulf Coast's externally-managed investments program is to enable donor funds to be invested with an external investment advisor in a manner appropriate to the fund's time horizon and the donor's grantmaking intentions within the parameters of this Investment Policy Statement (IPS) for Externally-Managed Investments. This program does not apply to agency funds, which may not be invested with an external investment advisor.

This investment policy applies to the management and oversight of all Gulf Coast investments that are not managed by Gulf Coast's outsourced Chief Investment Officer in one of its internal investment pools.

## Fund Guidelines

### Minimum

The minimum balance to establish an externally-managed account is \$150,000. A balance of \$100,000 or greater must be maintained. External accounts which fall below the \$100,000 threshold for more than twelve (12) months may be brought into one of Gulf Coast's internal investment pools. Gulf Coast offers external investment advisors the opportunity to pool assets of multiple funds with similar time horizons and investment objectives. The minimum for an investment pool is \$150,000. Pooling arrangements must be approved by Gulf Coast's CFO and coordinated with Gulf Coast staff. The donor advisor shall be notified when assets are invested in a pooled account.

### Administrative Fee for Externally-Managed Funds

A minimum administrative fee of \$1,200 per year is charged on individual externally-managed funds. If a fund is invested in an externally-managed investment pool, Gulf Coast's regular minimum administrative fee for the fund type applies.

### Investment Fee for Externally-Managed Accounts

Investment fee charged by external investment advisor.

### Approval Process

A charitable donation can be recognized by the donor, as soon as the donation is received by Gulf Coast into a separate custodial account owned by Gulf Coast. The external investment advisor is not officially hired by Gulf Coast until the items listed below are completed. Note that these steps should be completed before the gift is received.

1. Gulf Coast has received an executed fund agreement from the donor advisor of the fund including a recommendation to use a specific external investment advisor. Donor advisors must provide a written recommendation to change an investment advisor for an established fund.
2. Gulf Coast has received from the investment advisor the acknowledgement to follow the IPS for Externally-Managed Investments, and investment allocation election (Appendix A).
3. External investment advisor due diligence procedures are completed by Gulf Coast. Due diligence procedures will be completed by Gulf Coast within a reasonable period of time. External investment advisors of existing funds in the program can be assumed to have already gone through Gulf Coast due diligence.

External investment advisors must be a (1) registered under the Investment Company Act of 1940 and in good standing, (2) a bank, (3) an insurance company qualified to perform the services of managing Foundation assets or (4) another person or organization authorized by applicable law or regulation to manage investment assets.

## Term

Gulf Coast values our relationships with our external investment advisors in transforming our community with our donors. It is Gulf Coast's intent to retain the donor-recommended external investment advisor as long as the external investment advisor is qualified, follows the IPS for Externally-Managed Investments, maintains satisfactory investment performance, and meets Gulf Coast's due diligence criteria. External investment advisors may continue to manage the investment funds following the passing of the donor advisor, provided that the external investment advisor was named by the donor. External investment advisors may not assign fund management to another external investment advisor, even if the advisors work for the same firm. While our goal is to deepen our impact in community through productive relationships with our external investment advisors, Gulf Coast may, in its discretion, close an account with an external advisor at any time if doing so is in the best interest of Gulf Coast in fulfillment of its fiduciary responsibilities.

# RESPONSIBILITIES

In accordance with IRS regulations pertaining to charitable gifts and donor advised funds, all assets are owned by and under the sole control of Gulf Coast. As such, all investment decisions must be made by Gulf Coast. Investment performance and compliance will be reviewed routinely by Gulf Coast's staff and Investment Committee.

## External Investment Advisor Requirements + Responsibilities

1. Establish the fund account with a qualified custodian approved by Gulf Coast in the name of "Gulf Coast Community Foundation" with a reference to the fund;
2. Verify that the donor and external investment advisor are not related parties. Recommended external advisors may not include:
  - a. Any donor of the fund or any family member of the donor,
  - b. Any entity of which the donor and/or his or her family members collectively own more than 35% of the total outstanding interests, or
  - c. Any advisor with advisory privileges over the fund.
3. Disclose any real or perceived conflicts of interests that may exist;
4. Act in accordance with UPMIFA prudent investor principles with respect to the management of the assets;
5. Sign an investment management or similar agreement between the advisor and Gulf Coast;
6. Adhere to this IPS for Externally-Managed Investments and the investment option selected for the donor fund, including managing within selected asset class ranges and rebalancing as appropriate;
7. Confer with Gulf Coast to select and document an appropriate asset allocation strategy and other material factors regarding the management of the assets;
8. Inform Gulf Coast in a timely manner of all material investment activities, returns, fees, compliance issues, significant changes in organizational structure or senior investment personnel involved in Gulf Coast's relationship;
9. If at any time an external investment advisor believes that any guideline inhibits investment performance, it is the advisor's responsibility to communicate this view in writing to the CFO;
10. Within 30 days of the end of each calendar quarter, present data on performance, asset allocation, and fees as requested by Gulf Coast;
11. Agree to participate in investment reviews with Gulf Coast as requested;
12. Remit payment to Gulf Coast within 30 days of request for the payment of grants, fees, annuities, and other fund liquidity needs;
13. Notify Gulf Coast within 1 business day of the receipt of contributions to the externally-managed account;
14. Provide online access to authorized Gulf Coast staff and consultants within 30 days of request;
15. Provide detailed monthly account statements electronically;
16. Provide data feeds to Gulf Coast's data warehouse;
17. Consistent with IRS requirements, recognize Gulf Coast as the sole legal owner of all externally-managed accounts. While the donor may express preferences to the advisor related to investment strategy, Gulf Coast retains full legal control and authority over the assets and all investment decisions.
18. Notify Gulf Coast of any breaches (active or passive) of investment guidelines that are not rectified within 30 business days and provide a plan to correct all breaches, inclusive of proposed timeline for completion.

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## Investment Committee Responsibilities

The Investment Committee has been granted authority and responsibility by the Board of Directors to manage and invest Gulf Coast's assets. In this capacity, the Investment Committee has the authority to retain qualified organizations or persons to perform the roles of investment advisors, custodians, and third-party consultants. The Investment Committee's responsibilities include:

1. Reviewing and updating investment philosophy and strategy; ensuring that prudent investment policies and practices are in place and updated as needed.; reviewing the IPS annually to ensure that it aligns with Gulf Coast's cash flow needs and future growth objectives.
2. Recommending IPS revisions to the Board of Directors.
3. Effectively delegating specific administrative and operational responsibilities dealing with the investment and reinvestment of the foundation's assets.
4. Ongoing monitoring of investments managed by external investment advisors, including compliance with this IPS, primarily through delegation of detailed account-level performance and regular compliance monitoring to Gulf Coast staff, who summarize results and report outliers to the Committee. With the assistance of Gulf Coast staff, the Committee will consider the implications of outliers and noncompliance with this IPS and take appropriate action as needed.
5. Regularly keeping the Board properly advised of the status of Gulf Coast's investments, and with support from Gulf Coast Staff, periodically educating the Board and donors in understanding Gulf Coast's investment strategy and performance.

## Gulf Coast Staff Responsibilities

The Finance Staff of Gulf Coast has daily responsibility for administration of the foundation's investment portfolio. The Chief Financial Officer of Gulf Coast informs the Investment Committee with respect to all matters involving Gulf Coast's portfolio and, within the parameters of this IPS, consults with the Investment Committee and the Board of Directors on all major and/or policy matters relating to the investment of Gulf Coast's portfolio. The Finance Staff serves as primary contact with external investment advisors, third-party consultants, and custodians.

1. Hire external investment advisor upon completion of due diligence and steps outlined in this IPS.
2. Ongoing monitoring of funds managed by external investment advisors.
  - Monitor the investment performance of each external investment advisor by fund against performance benchmarks specified in this IPS. This monitoring will include the latest year, 3 years and 5 years. Longer time frames will be evaluated as information becomes available.
  - Compliance with this policy including adherence to the appropriate investment option and policy guidelines/ranges contained herein.
  - The fee structure with the external investment advisor to ensure that it is not outside of industry norms.
3. Report fund performance and outliers to the Investment Committee at least annually.
4. Meet with donor advisor periodically to understand anticipated timing and amount of cash flows; assess impact on the selected investment strategy, and confer with external investment advisor if a change in investment strategy is appropriate.



# INVESTMENT GUIDELINES

## All Holdings

Each investment account/pool shall be appropriately diversified, in accordance with UPMIFA. All individual holdings should be readily marketable with daily liquidity, and appropriately diversified. No more than 10% of a fund may represent securities of a single issuer, with the exception of U.S. Treasuries. There is a 10% maximum position limit for any fund managers employed, excluding index fund exposure. The CFO of Gulf Coast may authorize exceptions to these position limits, at their discretion. See also prohibited investments, below.

## Equity

The purpose of the equity allocation, broadly defined to include domestic and foreign stocks, is to provide real appreciation of principal over the long run. Equities may carry greater return variability and risk; however, the diversification benefits of combining various equity components may enhance the overall portfolio risk-return profile. The equity portion of the investment fund must be diversified by sector, issuer, geography, and fund manager (where applicable). Fund investments that are not exclusively focused on equity investments (e.g. real estate, commodities, liquid alternatives, etc.) may be purchased as part of the equity allocation within the fund, provided all other criteria and restrictions articulated in this policy are met. The benchmark will not be adjusted to reflect exposure to any assets other than public equity exposure.

## Fixed Income Investments + Cash

The purpose of the fixed income allocation is to provide a hedge against difficult economic and financial market environments, to provide current income, and to reduce overall volatility of an account. Traditional fixed income investments, such as investment-grade bonds, will likely be the core allocation in this class. In addition, opportunistic fixed income assets such as highly-rated global and high yield securities in the portfolio can enhance the overall risk-return characteristics of an account. Investment in individual bonds must have a minimum average quality rating of BBB when purchased. Purchases of below investment grade mutual funds of ETFs are limited to 25% of the fixed income and cash exposure.

Along with traditional cash, short-term investment funds are permissible investments for cash assets, provided they carry an S&P rating of at least A1 (or an equivalent rating). Cash which is expected to be held for over one week should be invested into a U.S. Treasury money market account or interest-bearing cash equivalent.

## Prohibited Investments + Activities

The following investments and activities are prohibited without explicit written permission in the form of an advisor-specific addendum to this IPS for the external investment advisor.

- Any investment vehicle or security that cannot be fully redeemed or liquidated daily;
- Short sales, or any transaction on margin (borrowing);
- Limited partnerships or other private investment vehicles;
- Non-negotiable securities or private placements;
- Leveraged transactions;
- Securities lending;
- An advisor's own stock or debt;
- Annuities (fixed/variable, life settlements, etc.);
- Futures, Options or Derivative Instruments;
- Hedge funds without daily liquidity;
- Cryptocurrency
- Any securities or other investments not regulated by a recognized United States Federal authority;
- Any investment which generates unrelated business taxable income (UBTI);
- Any investment where there is a risk of loss of more than the amount invested

***Gulf Coast retains sole authority to evaluate and determine the permissibility of a proposed investment under this paragraph.***

# INVESTMENT OPTIONS

One of the following investment options shall be selected in alignment with the fund's time horizon and the donor's grantmaking intentions. Dollar cost averaging is permitted under this policy, provided that funds are fully invested within twelve months of account opening or of a contribution which exceeds 25% of the portfolio's then current market value. All other breaches of allowable range limits, whether through active investment activity or through passive portfolio movement, shall be corrected within 30 business days.

## Growth Portfolio

### • Asset Class Allocation

	Target	Allowable Range
Equity	70%	60 - 80%
Fixed Income	30%	20 - 40%

- **Benchmark:** 70% MSCI All Country World Index / 30% Bloomberg Government / Credit Bond Index
- **Appropriate Time Horizon:** 10+ Years
- **Fund Types:**
  - Required: Endowed Funds
  - Eligible: Donor Advised Funds, Quasi Endowed Funds, Designated if 10+ years
  - Ineligible: Charitable Gift Annuities

## Balanced Portfolio

### • Asset Class Allocation

	Target	Allowable Range
Equity	50%	40 - 60%
Fixed Income	50%	40 - 60%

- **Benchmark:** 50% MSCI All Country World Index / 50% Bloomberg Government / Credit Bond Index
- **Appropriate Time Horizon:** 3 - 10 Years
- **Fund Types:**
  - Required: n/a
  - Eligible: Donor advised and other non-endowed funds with a time horizon of 3-10 years
  - Ineligible: Charitable Gift Annuities, Endowed Funds

## Charitable Gift Annuity Portfolio

### • Asset Class Allocation

*Per Florida statute, investments of CGA reserves must not exceed an allocation of 50% to equities.*

	Target	Allowable Range
Equity	40%	40 - 50%
Fixed Income	55%	50 - 60%
Cash	5%	0 - 5%

- **Benchmark:** 40% MSCI All Country World Index / 55% Bloomberg Government / Credit Bond Index / 5% 91-Day T-Bills
- **Appropriate Time Horizon:** n/a
- **Fund Types:**
  - Required: Charitable Gift Annuities
  - Eligible: n/a
  - Ineligible: Funds other than Charitable Gift Annuities

## Short Term Portfolio

### • Asset Class Allocation

	Target	Allowable Range
Equity	0%	0%
Fixed Income / Cash	100%	100%

- **Benchmark:** Bloomberg 1 - 3 Year Government / Credit Bond Index
- **Appropriate Time Horizon:** < 3 Years
- **Fund Types:**
  - Required: n/a
  - Eligible: Donor advised and other non-endowed funds with a time horizon less than 3 years
  - Ineligible: Charitable Gift Annuities, Endowed Funds