INVESTMENT AND SPENDING POLICY STATEMENT 2024
OF THE KEOKUK AREA COMMUNITY FOUNDATION

PURPOSE

The purpose of this policy is to guide the Keokuk Area Community Foundation (KACF), its Board of Directors, its Investment Committee, and its investment managers in effectively and prudently managing, monitoring, and evaluating the Foundation's investment portfolio. The investment portfolio consists of all funds managed by the Investment Committee including funds owned by KACF on behalf of its Affiliate Foundation(s) and in particular the North Lee Community Foundation.

DIVISION OF RESPONSIBILITIES

Board of Directors

The Board of Directors of the Keokuk Area Community Foundation *(as the Foundation Accredited by National Standards)* is ultimately accountable for the portfolio but has determined that the portfolio is more likely to achieve return objectives if oversight and management are delegated to the Investment Committee. As a result, the Board of Directors of KACF has delegated to the Investment Committee full power and authority to make decisions related to investments of the Foundation, consistent with the investment policy approved and adopted by the Board.

Members of the Committee shall be elected by the KACF Board and shall serve at the pleasure of the Board. The Chair of the Board and the Executive Director of the Foundation shall be ex officio members of the Committee. Members of the Committee can include those nominated by The North Lee Community Foundation Board of Directors.

Members of the Committee who are not directors shall not be eligible for re-election after serving two consecutive full three-year terms without an interruption of at least one year.

The Chair of the Committee, who shall be a director of the KACF Board, shall be elected by the Board of KACF.

INVESTMENT COMMITTEE

The Investment Committee may consist of seven people, at least four of whom shall be KACF Directors. Members of the committee shall be people knowledgeable about investments and investment practices.

Subject to approval by the KACF Board, the Investment Committee is charged with the responsibility for formulating the Foundation's overall investment policies. The Investment Committee is also charged with establishing investment guidelines in furtherance of those policies; overseeing the investment assets of the Foundation; monitoring the management of the Foundation's assets for compliance with the investment policies and guidelines; and for meeting performance objectives over time.

The Committee will review the implementation of this Investment Policy at least annually, making recommendations for changes to the Board as needed, and will monitor the achievement of the Policy's objectives.

The Committee is responsible for selecting and managing relationships with investment managers, custodians, and other professionals engaged to assist in the Foundation's investments. The Committee may delegate investment and management authority in accordance with written agreements between the professionals and the Foundation.

The Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances in selecting, continuing or terminating investment professionals, establishing the scope and terms of any delegation, and monitoring performance and compliance with the scope and terms of the delegation and with this policy.

The Committee will provide relevant information to the investment managers concerning the Foundation's resources and any special considerations pertaining to any particular assets of the Foundation.

The Committee will meet at least at least quarterly. The Chair of the Investment Committee may also call special meetings of the Investment Committee as needed.

A majority of the Committee shall constitute a quorum for the transaction of business, and the act of a majority of the members of the Committee present at any meeting at which a quorum is present shall be the act of the Committee.

STANDARD OF CARE

In exercising its responsibilities, the Committee will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

STANDARDS FOR PRUDENT INVESTING

In investing and managing the portfolio, the Committee will consider both the purposes of the Foundation and the purpose of any specific institutional fund.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

In managing the portfolio, the Committee will incur only those costs that are appropriate and reasonable in relation to the portfolio or any specific institutional fund, the purposes of the Foundation, and the skills available to it and will use reasonable efforts to verify facts relevant to the management and investment of the portfolio or any specific institutional fund.

Except as a donor's gift instrument otherwise requires, and consistent with the Uniform Prudent Management of Institutional Funds Act, the following factors must be considered, if relevant, in managing and investing the investment portfolio, including the requirements for any specific institutional funds:

- general economic conditions
- the possible effect of inflation or deflation
- the expected tax consequences, if any, of investment decisions or strategies; the role that each investment or course of action plays within the Foundation's overall investment portfolio
- the expected total return from income and the appreciation of investments other resources of the Foundation
- the needs of the Foundation and a given institutional fund to make distributions and to preserve capital
- an asset's special relationship or special value, if any, to the purpose of the Foundation

RETURN OBJECTIVE

The Foundation's long-term investment objective is to preserve the real value of its permanent funds. This means that the Foundation seeks a total rate of return that supports the Foundation's grantmaking, expenses, investment fees, and inflation. **This absolute return target goal is 6%.**

The Foundation will normally measure whether it has achieved that objective over **the previous 8 quarters encompassing the previous two calendar years (Jan. 1 to March 30; April 1 to June 30; July 1 to September 30 and October 1 to December 31 constitute annual quarters of the Foundation's calendar year).**

The long-term horizon of the Foundation's investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, may also be used to reduce risk and overall portfolio volatility.

The investment portfolio will be diversified across asset classes and managers including, but not limited to, domestic equity, international equity, emerging markets, alternative equity, private equity, and fixed income.

Expendable funds generally will be invested in a portfolio of cash equivalent securities in order to preserve the fund's principal. However, the Foundation will consider recommendations from authorized fund representatives to invest expendable fund assets in one or more of the investment options available for permanent funds.

INVESTMENT PHILOSOPHY

The Investment Committee understands the long-term nature of the Foundation and believes that investing in assets with higher return expectations outweighs the short-term volatility risk. As such, the investment objective will be defined as:

Balanced- This objective incorporates a balanced emphasis between current income and longer-term capital appreciation. Assets are primarily invested in equity and fixed-income securities with moderate to strong emphasis on capital appreciation.

Asset allocation will likely be the key determinant of the Foundation's returns over the long term. Therefore, diversification of investments across multiple asset classes that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio includes assets with low correlations of returns that should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total portfolio, rather than judging each of the asset categories alone. This asset allocation may be implemented using either or both active and passively managed strategies.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Foundation, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. To achieve these goals, the asset allocation will be set with the following target percentages and within the following ranges:

	Target	**Range**
Cash Equivalents	**2%**	**0-5%**
Fixed Income	**22%**	**15-29%**
Equities	**58%**	**46-70%**
Real Assets	**8%**	**2-14%**
Alternative Investments	**10%**	**0-20%**

STANDARDS FOR INVESTMENT MANAGERS

The Foundation will enter into a written investment agreement with any investment manager it retains, including investment managers recommended by donors. The agreement must provide that:

- The Foundation is the sole owner of assets held in the fund

- All such assets are and must remain under the Foundation's sole control
- The manager's actions and performance will be overseen by the Investment Committee
- The manager will adhere to the Foundation's asset allocations, risk tolerance, and rebalancing requirements
- The manager will not purchase securities on margin or sell securities short without the advance approval of the Investment Committee or its designee
- The manager will rebalance as necessary to fall within the described target ranges for the investment pool or fund under management. The manager will review the need for rebalancing at least quarterly
- The manager agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services
- The agreement may be terminated at any time and assets will be transferred to the Foundation immediately upon termination

Funds will be invested in accordance with state law regarding prudent investing. The manager will provide quarterly, or upon request, statements to the Investment Committee or its designee, which shall include the current market value of the assets; the cost basis and date of acquisition; income received; distributions made; fees paid; securities transactions; and periodic statements of performance.

The statement shall also include gains and losses, both realized and unrealized. The Investment Committee or its designee may request additional information from time to time as it deems necessary to measure performance.

The manager must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation's administrative fee for any fund under separate management and distributable income.

The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.

Investment managers will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity or financial position of the manager's firm or its progress toward the goals and objectives of this policy.

Investment managers shall not invest any part of the Foundation's assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

INDIVIDUALLY MANAGED ACCOUNTS

At the Foundation's discretion, and with its advance approval, the assets of a particular component fund of the Foundation may be managed by an investment manager recommended by the fund's donor or advisor provided the value of the fund meets minimum criteria established by the Foundation and the investment manager satisfies the Foundation's criteria. Any such manager must acknowledge and agree to comply with this Investment Policy by signing a copy of this document. The manager must adopt and follow the target asset allocations of the Foundation. Manager performance will be reviewed on the same basis as the Foundation's other investment managers.

Board approval of a donor's recommended manager is contingent on the execution of a written agreement that meets the Standards for Investment Managers. Upon the death of the fund's original donor, the agreement between the Foundation and the investment manager may continue for a period of up to five years if the donor has so requested in writing. Additional extensions of the agreement must be approved by the Investment Committee.

Donors and fund advisors may not act as investment managers and the Investment Committee will not approve any investment manager who is a member of the donor's family or any investment firm controlled by the donor or investment advisor either individually or together with members of the person's family.

PERFORMANCE EVALUATION

The Investment Committee will review each investment manager on an ongoing basis and evaluate the manager based on the following criteria:

- The manager must consistently meet or exceed the benchmark or benchmarks that match the pool or fund under management
- Failing to come within 200 basis points of the benchmark over six consecutive quarterly periods will result in a six- month probationary period that may lead to termination of the investment manager
- Investment returns are measured net of fees

The Foundation will utilize the following benchmarks for the corresponding asset classes:

Asset Class	Index
Cash Equivalents:	FTSE 3-month Treasury Bill Index
Fixed Income:	Bloomberg Fixed Income Indices
Equities:	Russell 3000 Total Return Index
Real Assets:	FTSE EPRA Global Real Estate Index
Alternative Investments:	Wilshire Focused Liquid Alternative Return Index
International Equity:	MSCI ACWI ex USA Index (USD)

For pooled investment types, the Foundation will utilize the following blended benchmark, which corresponds to the Foundation's target asset allocations:

2%	FTSE 3-month Treasury Bill Index
22%	Bloomberg Fixed Income Indices
58%	Russell 3000 Total Return Index
8%	FTSE EPRA Global Real Estate Index
10%	Wilshire Focused Liquid Alternative Return Index

REBALANCING

Portfolio rebalancing shall be performed periodically to remain consistent with the established asset allocation. At a minimum, the portfolio's assets, governed by this policy, shall be reviewed annually, and trading costs shall be considered if cash flow is insufficient to effect the rebalancing. The allocation does not involve market timing and is intended to represent a diversified approach to investing based upon the Foundation's investment horizon. In many cases, the addition of new money or withdrawals for spending will be used to rebalance in a cost-effective manner.

CUSTODIANS

Each custodian will:

- Provide quarterly transaction reports and quarterly asset reports no later than the fifteenth business day following month end;
- Provide the Foundation special reports as reasonably requested;
- Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel, procedures or organizational structure.

LIQUIDITY

A goal of the Foundation is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the payout requirements and any extraordinary events. The Investment Committee understands that, in many instances, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process.

EXCESS BUSINESS HOLDINGS

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (*donor, advisor, members of their families and businesses they control*) may not exceed any of the following:

- 20% of the voting stock of an incorporated business
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity
- Any interest in a sole proprietorship

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation's policy to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Because they are not "business enterprises," the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs-including family partnerships, hedge funds, REITs, and so forth are excluded from the definition of business enterprise as long as 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.

SPENDING POLICY

The Foundation sets its annual spending policy for permanent funds by applying a percentage, determined annually by the Board of Directors based on the recommendation of the Investment Committee, to a fund's average net balance. Average net balance is based on a rolling eight quarter market *(see page 4)* value as determined by the Investment Committee. In determining the applicable percentage, the Investment Committee considers the Foundation's history, spending policies in place at other community foundations, and the foundation's responsibility to preserve the purchasing power of its permanent funds over time.

The amount that can be expended annually from permanent funds is determined annually by the Board of Directors based on the recommendation of the Investment Committee. This amount applies to endowed funds and to funds that may not meet the technical legal requirements of an endowed fund but that are intended by the donor to be of long duration.

The Board has determined that a reasonable annual spending rate shall be 4.5% of the average net balance of a permanent fund. The Investment Committee has recommended to the Board of Directors an ongoing spending target of 0-5%.

REPORTING

In order to ensure that the Board of Directors and the Committee are able to fulfill their duties with respect to prudent management of the portfolio, the Foundation's Executive Director will provide detailed reports at least quarterly to the Committee. Such reports shall include, though not be limited to, the performance of the Foundation's investment portfolio, actions taken with respect to the investment portfolio, and expected changes in investments.

The Chair of the Committee will report on the status of the investment portfolio and any actions taken to the Board of Directors at each Board meeting.

APPENDIX A – CERTIFICATION OF ACCEPTANCE BY INVESTMENT PROFESSIONALS

I have received, read, and understand the Keokuk Area Community Foundation's Investment Policy dated 9.24.2024. I will abide by the Policy with respect to the assets for which I am the investment manager, investment consultant, custodian or other investment professional.

I will notify the Foundation's Investment Committee, or its designee, in advance of any proposed investment that is inconsistent with this Policy and I will not make such an investment without the advance written approval of same.

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Date Signature

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Print Name

CONFLICTS OF INTEREST

Any actual or potential conflicts of interest possessed by a member of the Investment Committee must be disclosed and resolved pursuant to the Foundation's Conflict of Interest Policy.

Adopted by the Board of Directors: 9.24.2024

DATE

Board Secretary

Executive Director