

Community Foundation of the Ozarks

INVESTMENT POLICY STATEMENT

As of

July 2023

I. DESCRIPTION

This Investment Policy Statement (IPS) details the oversight and management of the investment pools of the Community Foundation of the Ozarks' assets.

The Diversified/Growth pool's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the current and future mission of the Community Foundation of the Ozarks. To accomplish this objective, the pool seeks to generate a total return that will exceed not only its operating expenses, but also all expenses associated with managing the pool and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, realized gains, and unrealized gains) above and beyond the amount approved for expenditure or distribution will be reinvested in the pool. The pool will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

II. INVESTMENT LIQUIDITY

The Diversified/Growth pool has a long-term investment horizon with relatively low liquidity needs. For this reason, the pool can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the pool may take advantage of less liquid investments such as private market vehicles and marketable alternatives, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the committee will conduct a periodic review of total fund liquidity.

III. ASSET ALLOCATION

To achieve its investment objective, the Diversified/Growth pool will allocate across asset classes consistent with its investment objective. Other asset classes may be added to the pool in an effort to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set.

The domestic equity segment is intended to provide long-term growth and offer high expected real returns and liquidity. The international equity segment is intended to enhance return and control risk by reducing the pool's reliance on domestic financial markets. Private markets may provide even higher return potential by focusing on opportunities in less efficient and more illiquid markets. Marketable alternative strategies are employed to offer market-comparable returns with lower expected volatility. Fixed income can help provide stability and protection in deflationary environments. Real Assets are utilized to provide a hedge against inflation as well as diversification from traditional fixed income and equity asset classes. Mission Related Investments are below market rate investments that support the mission of the Foundation by generating positive social and environmental impact, while generating reasonable competitive rates of financial return. Lastly, Liquid Capital provides short-term liquidity and serves as a funding source for distributions and rebalancing.

Please see Appendix A for specific asset allocation targets.

IV. REBALANCING

The Investment Advisory Board, Staff, and Investment Consultant will review the pool's asset allocation periodically. Any deviations from asset class policy targets outside of the allowable ranges will be addressed through rebalancing or acknowledgment of a valid reason for remaining outside of stated policy ranges (such as liquidity or short-term transitions between managers). Cash receipts shall be invested as soon as practical according to the current asset allocation policy, unless otherwise approved.

V. PERFORMANCE EVALUATION BENCHMARKS

Benchmarks are useful to gauge the performance of the pool, but they are best viewed over longer periods, generally three to five years. The Diversified/Growth pool will be compared to its Policy Index, which represents the optimal "Policy Portfolio" selected by the Investment Advisory Board. The Policy Index is defined as the sum total of all the policy target weights for each of the asset classes multiplied by the returns of their respective benchmarks. Significant performance deviations from the Policy Index will be explained and appropriate actions taken if necessary. Benchmarks for each of the broad asset classes are established and reviewed by the Investment Advisory Board with the assistance of the Investment Consultant. In addition to the pool and asset class benchmarking, all managers within each asset class will be compared to their own relevant style index benchmarks.

VI. INVESTMENT POOLS

In addition to the Diversified/Growth pool, the Foundation will maintain investment pools to meet varying needs of donors. The pools will provide distinct options in regard to asset allocation, manager selection, liquidity and investment management so that the needs of donors may be sufficiently met among pools. The number and structure of the pools should be sufficient to meet varied needs, yet not overly burdensome to the Foundation staff. The Foundation will offer the following investment pools:

- **DIVERSIFIED/GROWTH POOL**
- **ESG AWARE POOL**
- **ADVISOR MANAGED PROGRAM**
- **BALANCED POOL**
- **CASH POOL**
- **CRT POOL**

Please see Appendix C for a description of each pool.

VII. ROLES AND RESPONSIBILITIES

Various parties contribute to the successful management of the investment pools. The Investment Advisory Board is responsible for setting strategic direction, with Board approval, and for overseeing the investment of the assets in accordance with the Foundation's mission statement. The Investment Consultant (if retained) is tasked with developing an asset allocation policy to comply within the constraints of this policy and selecting and terminating investment managers or funds. The Investment Consultant provides advice to the Investment Advisory Board regarding investment strategy and assists in the performance evaluation process. The Board has ultimate responsibility for the pools but delegates specific duties as described in the Investment Policy Statement. More specifically, the parties have the following responsibilities:

a. Investment Advisory Board

The Investment Advisory Board is to advise the Board of Directors on all matters related to the investment policy and investment guidelines, the selection of appropriate asset classes setting and changing the weighting of asset classes, establishing investment performance benchmarks, and appraising the Investment Consultant and investment manager performance. The Investment Advisory Board will review and evaluate investment results and rely on the Investment Consultant to take whatever action is deemed prudent when an investment manager fails to meet performance standards or violates the investment guidelines.

The Investment Advisory Board shall consist of ten (10) to sixteen (16) persons serving staggered three (3) year terms. Members shall be selected by the Executive Committee as needed, with a minimum of three (3) members coming from the Community Foundation of the Ozarks Board of Directors. Membership on the Investment Advisory Board is limited to two (2) complete consecutive three (3) year terms. The Community Foundation of the Ozarks Executive Committee shall appoint a Chair of the Investment Advisory Board. The Chair will be a sitting board member, serve a minimum of two (2) year term, and be a member of the Executive Committee.

b. Investment Managers

Investment managers retained are expected to manage assets in a style and manner consistent with the expectations set at time of hire. It is expected that the managers will communicate directly with the Investment Advisory Board, Staff, and Investment Consultant in a timely fashion and notify these groups of any material changes to the firm, staff, or strategy. Managers should utilize the same care, skill, prudence, and due diligence as prevailing practices that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in comparable investing scenarios and in compliance with applicable local, state, and federal laws, rules, and regulations, including but not limited to, those pertaining to fiduciary duties and responsibilities.

c. Investment Consultant

Should the Investment Advisory Board retain an Investment Consultant, the Consultant will be responsible for providing proactive advice and education to the Investment Advisory Board on investment guidelines, asset allocation, and manager structure. The Consultant will develop and implement an asset allocation policy for the Diversified/Growth pool designed to achieve a prudent long-term risk-adjusted return consistent with the constraints of this policy.

The Consultant will select and terminate investment managers or funds and notify the Investment Advisory Board of such changes on a timely basis.

In addition, the Consultant will provide performance evaluation reports to the Investment Advisory Board on a monthly and quarterly basis. Reports will include the performance of each of the investment managers and the total fund compared to appropriate market indices and peer groups. Quarterly reports will contain significant details of the portfolios holdings, risk exposures, and performance. The Investment Consultant will meet with the Investment Advisory Board at least quarterly to discuss performance and other pertinent matters.

The Investment Advisory Board shall periodically review the Investment Consultant. The role and performance of the Investment Consultant will be reviewed at least once every five (5) years.

d. Administrative Staff

The responsibility of the Administrative Staff is to coordinate the administration of the pools with the Investment Consultant and Advisors. This includes providing for the maintenance of proper accounting books and records, managing periodic disbursements, recording contributions, issuing reports, and attending to other similar administrative matters. The Staff will also provide support to the Board of Directors and the Investment Advisory Board as may be requested.

VIII. MANAGER SELECTION AND MONITORING

The Investment Advisory Board has delegated investment manager selection and monitoring functions to the Investment Consultant. The Investment Advisory Board will report on the status and performance results of the Diversified/Growth pool to the Board of Directors no less than quarterly.

The Consultant will examine investment managers' investment objectives and processes; historical adherence to stated objectives and processes; depth of resources; quality of personnel; historical performance (including risk) versus various appropriate benchmarks; appropriateness of diversification; reasonableness of fees; and any other metric that may be material when evaluating investment managers' capabilities. The Investment Consultant will use all available information and its best judgment when seeking to hire skillful investment managers. The Investment Consultant may also select low cost, passively managed investment products where appropriate.

The Investment Consultant will conduct extensive due diligence prior to selecting each external manager. Evaluations include meetings with key personnel and typically include at least one on-site visit to the principal office. Research also includes reviews of audited financial statements, reference checks with other clients and business associates, and comparison to competitors. The Investment Consultant will use their respective networks of contacts to gain further confirmation of a manager's abilities and business practices. New firms have additional business risk and are subject to a more rigorous level of due diligence and more stringent ongoing monitoring. Selection of investment managers is not geographically restricted.

The Investment Consultant will constantly monitor each external manager to confirm the original investment thesis. The monitoring process includes performance, management changes, organizational changes, style drift and ethical, legal or compliance issues.

The Investment Consultant has the discretion to take corrective action by replacing a manager if deemed appropriate at any time. The Investment Consultant will notify the Investment Advisory Board of any manager change on a timely basis. Corrective action typically occurs as a result of meaningful organizational or process-related change, and, in some cases, sustained relative underperformance.

IX. DISTRIBUTION POLICY

Distributions are guided by several factors; most important is the historic value of the portfolio. Unless specified by the fund agreement, the Board has approved annual grants from endowments funds at a spend-rate between 3% and 5%. The grant formula is based on the approved spend-rate times the average quarterly market values of the fund over the prior twelve (12) trailing quarters through the fiscal year-end proceeding the fiscal year in which the grant is planned.

The grant formula does not include administrative or operating expenses. The spend-rate is approved by the Board annually at its regular meeting held in June. Unless specified by the fund agreement, distributions from new endowment funds will be available in the first fiscal year following the endowment fund’s one-year anniversary and will be calculated based on the same spend-rate parameters until the endowment fund reaches twelve (12) trailing quarters.

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), distributions shall comply with the evolving “prudent spending” guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Underwater Funds: A fund whose current fair value is below the corpus gift value is considered underwater. UPMIFA allows nonprofits to spend from an underwater endowment, if the governing board determines it is prudent to do so. The Board has approved a prudent spending policy for underwater funds to balance continued spend with preserving the purchasing power of original gift:

Amount Underwater	Reduction in Spending Rate
0-10%	No reduction
Over 10% less than 20%	50% reduction
Over 20%	No spending

X. DOLLAR COST AVERAGING (DCA) POLICY

DCA is a risk-reduction investment strategy in which the Foundation aims to reduce the impact of market volatility on large purchases of investments (units of the Diversified/Growth pool). Any new established funds or new contribution over the amount of \$100,000 will be subject to the DCA policy, unless the donor advises to invest the entire new addition into the Diversified/Growth pool immediately.

Gifts between \$100,000 and \$249,999 will be divided by two with the first half invested immediately and the remainder invested the following quarter. Gifts over \$250,000 will be divided by four with the first fourth invested immediately and the remainder invested equally over the next three quarters.

The DCA policy is not applicable to advisor-managed funds.

XI. CONFLICT OF INTEREST

If any member of the Investment Advisory Board, Staff, Investment Consultant or Advisor shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective member's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion. All parties must also comply with any other conflicts of interest policies adopted by the Community Foundation of the Ozarks.

XII. INVESTMENT POLICY STATEMENT REVIEW

The Investment Advisory Board and Investment Consultant will review the Investment Policy Statement and submit any changes for ratification by the full board on an annual basis.

Appendix A

ASSET ALLOCATION- POLICY TARGETS

The following asset allocation policy has been established. It is felt that this policy will provide the highest probability over time of meeting or exceeding the pool's objectives, while avoiding excessive risk. Acceptable ranges for the policy targets are listed in Appendix B.

Asset Class	Diversified / Growth Pool	ESG Aware Pool	Cash Pool
Liquid Capital	2.0%	0%	100%
Fixed Income	18.0%	30%	
<i>Domestic Fixed Income</i>	16.0%	26%	
<i>Global Fixed Income</i>	2.0%	4%	
Domestic Equity	29.0%	37.5%	
International Equity	24.0%	28%	
Real Assets	7.0%	4.5%	
Marketable Alternatives	10.0%	0%	
Private Markets	10.0%	0%	
Mission-Related Investments	0.0%	0%	
Liquid Alternatives	0%	0%	

Appendix B

ASSET ALLOCATION - POLICY RANGES

The IAB has established the following asset allocation policy ranges for each pool. It is felt that this policy will provide the highest probability over time of meeting or exceeding each pool's objectives, while avoiding excessive risk. Acceptable ranges for the policy targets are listed below.

Asset Class	Diversified / Growth Pool	ESG Aware	Balanced Pool	Advisor Managed	CRT Pool
Liquid Capital	0% - 10%	0% - 10%	45% - 55%	0% - 10%	0% - 10%
Fixed Income	10% - 40%	10% - 40%	5% - 25%	10% - 45%	10% - 40%
<i>Domestic Fixed Income</i>	10% - 45%	10% - 45%	5% - 25%	10% - 45%	10% - 45%
<i>Global Fixed Income</i>	0% - 10%	0% - 10%	0% - 5%	0% - 10%	0% - 10%
Domestic Equity	20% - 40%	20% - 40%	10% - 25%	20% - 50%	20% - 40%
International Equity	15% - 40%	15% - 40%	7.5% - 20%	15% - 40%	15% - 40%
Real Assets	0% - 20%	0% - 20%	0% - 10%	0% - 20%	0% - 20%
Marketable Alternatives	0% - 20%	0%	0%	0%	0%
Private Equity	0% - 10%	0%	0%	0%	0%
Liquid Alternatives*	0% - 10%	0% - 10%	0% - 5%	0% - 10%	0% - 10%

**Liquid Alternatives: Defined as 1940 Mutual Fund Act Liquid Alternative.*

Advisor-managed funds may choose to not utilize liquid alternatives or real assets. In this case, advisors may increase (within allowable ranges) the allocations within fixed income and/or equities.

Mutual funds must provide daily liquidity to investors and subscribe to a set of trading rules that govern how they invest their capital. Under these trading rules they must:

- Maintain 85% of their portfolio in liquid assets and hold no more than 15% of their assets in illiquid securities (defined as instruments that take longer than a single day to liquidate in the public markets)
- Cover the full value of liabilities created by any use of short sales by holding an equivalent amount of collateral within a separate brokerage or custodial account
- Limit any use of leverage in their portfolio to 33% of the gross asset value of the fund, using either derivatives or securities as margin collateral

Appendix C

DIVERSIFIED/GROWTH POOL (FIDUCIARY ADVISORS)

The Diversified/Growth pool's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the current and future mission of the Community Foundation of the Ozarks. To accomplish this objective, the pool seeks to generate a total return that will exceed not only its operating expenses, but also all expenses associated with managing the fund and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, realized gains, and unrealized gains) above and beyond the amount approved for expenditure or distribution will be reinvested in the pool. The pool will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

ESG AWARE POOL (FIDUCIARY ADVISORS)

The Environmental, Social, and Governance (ESG) Aware Pool is to maintain a similar risk/return profile as the Diversified/Growth pool while selecting investment managers who are actively incorporating ESG factors in their investment decision making. The Pool is not required to invest in dedicated ESG funds, instead managers must meaningfully integrate ESG analysis in their process. Specifically, when assessing a manager's ESG integration in the due diligence process, the consideration of ESG factors needs to be observable, material, and additive to the investment process of the manager.

BALANCED POOL (FORVIS ADVISORS)

The Balanced Pool strategy seeks to capture benefits from both Cash Pool and Diversified/Growth Pool. The investment strategy targets a 50% allocation to short-term investments with original maturities of three months or less and 50% allocation to asset classes in the diversified/growth portfolio, excluding marketable alternatives, private markets, and mission related investments.

CASH POOL (GUARANTY BANK)

The Cash Pool strategy seeks to preserve capital and maintain liquidity. The Cash Pool represents short-term investments with original maturities of three months or less. The Foundation participates in the Insured Cash Sweep (ICS) network program which allows the Foundation to insure its cash position. Cash deposits are sent to deposit accounts at other ICS network member institutions in the amounts under the standard FDIC insurance maximum of \$250,000.

CRT POOL (CENTRAL TRUST)

The Charitable Remainder Trust Pool (CRT) strategy seeks similar benefits as the Advisor-managed program. The Foundation is the trustee of charitable trusts. Each charitable trust is a separate legal entity subject to federal and state filings. At the end of each trust term, the remainder is paid to the Foundation to establish a component fund. Assets held in charitable trusts are recorded at fair value and liabilities are recorded by calculating the present value of estimated future payments using factors and guidance provided by the IRS. Each trust functions similar to endowed funds with specific distributions percentages and frequencies according to each trust documents.