

**COMMUNITY FOUNDATION
OF ST. CLAIR COUNTY**

***STATEMENT OF INVESTMENT POLICIES,
PROCEDURES AND OBJECTIVES***

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Introduction

The Community Foundation of St. Clair County is a 501(c) (3) organization whose primary mission is to serve charitable needs and enhance the quality of life in St. Clair County. The Foundation's goal is to do this by providing a flexible and desirable vehicle for donors having a variety of charitable goals and needs and by servicing as responsible stewards over the assets entrusted to us. The Foundation also strives to respond to community needs and to maximize the resources available to meet these needs through community-wide, collaborative efforts.

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for The Community Foundation of St. Clair County, hereinafter, "Fund". It is the responsibility of the Finance and Investment Committee, hereinafter referred to as "Committee," acting on behalf of the Board of Trustees, to select investments which will provide maximum financial resources for the Foundation, balancing risk and return, and in recognition of the fiduciary responsibilities of the Board of Trustees. This document will further describe the standards that will be utilized by the Committee in monitoring the asset allocation policy, investment manager guidelines, investment performance standards and procedures for managing the Fund's assets.

The purpose of the Fund is to accumulate a pool of assets sufficient to meet the needs of the Community Foundation of St. Clair County Fund. These assets are to be invested in a manner consistent with the Prudent Investor Rule.

Investment objectives consider both the Fund's financial needs and the Committee's tolerance for investment risk, inflation expectations, and Fund liquidity needs. A strategic asset allocation policy is developed to ensure achievement of investment objectives, maximize expected investment returns with a prudent amount of investment risk and in recognition that the capital markets may behave differently throughout the life of the Fund.

Investment guidelines are established for each manager, consistent with their investment style and Fund return/risk/liquidity objectives. Performance standards are developed as a means of independently determining whether or not investment objectives are being achieved. Each manager has specific performance standards based on their investment style, which incorporate return, risk and time horizon. Conformance to these standards and policies is closely monitored and evaluated in an unbiased analysis each quarter. This analysis includes an evaluation of each manager's contribution to the achievement of overall Fund investment objectives.

Responsibility of the Committee

1. The Committee is responsible for investment policies and strategies, in the selection of investment managers and/or advisors, and other fiduciaries, and monitoring the performance of the managers, advisors, and other fiduciaries.
2. The Committee shall have fiduciary responsibility for the assets of the Foundation Fund. The Committee may delegate the fiduciary responsibility, in whole or in part, to one or more investment managers who would have discretion regarding decisions to buy, sell, and retain particular investments, subject to this policy.
3. Any and all recommendations from donors pertaining to the investment of their gifts shall be considered advisory only. Donor recommendations will only be considered for gifts expected to be a minimum of \$500,000. The Foundation's Finance and Investment Committee will have final determination for all Foundation Investments.
4. Investment managers shall be either registered under the Investment Adviser Act of 1940 or a bank as defined in the Act.
5. The Committee may authorize the investment manager to buy, sell, exchange, convert and otherwise trade any stocks, or other securities, and may establish and execute securities transactions through accounts with such brokers or dealers as it may select and within the constraints of the guidelines set forth in this policy.

All Committee responsibilities and decisions referenced in the above sections are subject to Board approval.

Scope

This Investment Policy Statement applies only to those assets which are part of the Foundation Fund and for which the investment manager(s) and the Committee have discretionary authority.

Investment Objectives

The primary objective of the investments for the Fund will be to provide for long-term growth of principal, through capital appreciation, income, donor development and gifts. The focus will be on consistent, long-term capital appreciation, with income generation as a secondary objective, with an appropriate level of risk. Moreover, emphasis shall be placed on maintaining “real” growth of assets, net of inflation, spending and fees.

The Fund’s investment objective is to earn a “real” rate of return which exceeds the rate of inflation by at least 4% per year over rolling five-year periods. The rate of inflation is defined as the annual rate of change in the Consumer Price Index.

The Fund's objective is based on the expected returns under the strategic asset allocation policy, which follows. This asset allocation policy should result in normal fluctuation in the Fund's actual return, year-to-year. The expected level of volatility (return fluctuation) is appropriate given the Fund's current and expected tolerance for short-term return fluctuations. Appropriate diversification of Fund assets will reduce the Fund's investment return volatility.

Asset Allocation Policy

This strategic asset allocation policy is consistent with the achievement of the Fund's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Fund's long-term financial needs. Conformance with statutory investment guidelines is also considered.

The Committee established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the Fund's current investments and present market conditions. The Committee intends to review these allocation targets at least annually, focusing on changes in the Fund's financial needs, investment objectives and asset class performance.

<u>Asset Class</u>	<u>Manager Role</u>	<u>Benchmark</u>	<u>Allocation Range</u>	<u>Target Allocation</u>
U.S. Equities	Passive Large Cap Core	Russell 1000	25 to 45%	35%
	/Passive Mid Cap Core	S&P MidCap 400	5 to 25%	15%
	Active Small Cap Core	Russell 2000	0 to 20%	<u>10%</u>
Subtotal			30 to 70%	<u>60%</u>
International Equities	Active Global, (excluding U.S.) Mutual Fund	Morgan Stanley EAFE (net)	0 to 10%	5%
U.S. Fixed Income	Active U.S. Intermediate Core Plus	Lehman Brothers Intm. Aggregate	20 to 40%	25%
Alternative Investments	Active Commingled Fund-of - Funds	91-Day T-Bill + 5%	0 to 10%	5%
Real Estate	Active Commingled Fund, Diversified Core	NPI-ODCE Property Index	0 to 10%	5%
Cash Equivalents	Active/Passive Money Market		0 to 30%	<u>0%</u>
Total				100%

The Committee acknowledges that alternative asset classes are available and intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class, and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Investment Guidelines

U.S. Equities Each passive manager will invest in a broadly diversified portfolio of publicly held stocks, issued by companies comprising the corresponding index. Individual security weighting within the portfolio should approximate the security's weight in the underlying index.

Active managers will invest in a broadly diversified portfolio of publicly held stocks, issued by companies domiciled in the United States. Up to 10% of each equity portfolio's current market value may be invested in ADR's (American Depository Receipts). Managers may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios' assets in the outstanding securities of one issuer at the time of purchase.

Portfolios should exhibit market-like return and risk characteristics (market-like is defined as the manager's performance index). Portfolios should consist of stocks with growth or value characteristics and corresponding capitalization ranges which are consistent with the manager's style.

The objective of each portfolio is to equal or exceed the return of the manager's respective index, with equal or less return volatility, over all periods. Portfolios are expected to be fully invested at all times, however; managers may raise cash if this is deemed appropriate under the circumstances.

Non – U.S. Equities The active international equity manager will invest in non-U.S. equity securities or stock equivalents issued by foreign corporations. The portfolio should consist primarily of (more than 75%) securities of foreign domiciled corporations listed and actively traded on foreign stock exchanges. The portfolio's investment objectives and guidelines should be consistent with the Fund's overall investment policies, procedures and objectives. The portfolio should not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of the portfolio's assets in the outstanding securities of one issuer.

The portfolios should exhibit market-like return and risk characteristics and consist of stocks with growth or value characteristics and corresponding capitalization ranges that are consistent with the manager's style.

The objective of each portfolio is to exceed the returns of the MSCI EAFE (net) Equity Index; with equal or less return volatility, over all periods. The portfolio is expected to be fully invested at all times, however cash can be used if this is deemed appropriate under the circumstances.

Fixed Income The active intermediate core plus manager will invest in a diversified portfolio of U.S. dollar-denominated debt securities issued by the U.S. Government, agencies, and U.S.-domiciled companies. The manager may also invest in issues of mortgage pass-through securities, collateralized mortgage obligations and asset-backed receivables. The manager may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of the portfolios' assets in the outstanding securities of one issuer, except for Treasury and Agency securities. The overall portfolio quality rating should be A+ or above.

As part of the core plus strategy, the manager may invest up to 25% of the portfolio in high yield securities (CCC to BB rated) with at least 80% of the high yield portfolio consisting of B and BB rated securities. The manager may invest up to 20% of the portfolio in non-U.S. dollar denominated fixed income securities; the minimum credit rating for international fixed income securities is single B at the time of purchase.

The objective of the portfolio is to exceed the returns of the Lehman Intermediate Aggregate Bond Index plus 0.75% per year, with less return volatility over all periods. The portfolio is expected to be fully invested at all times, however; the manager may raise cash if this is deemed appropriate under the circumstances.

Alternative Investment Strategies (Fund of Funds) The active manager of managers will invest in a broadly diversified portfolio of hedge funds. The manager may not invest more than 8.0% of the portfolio's assets in the outstanding securities with a single hedge fund.

The long-term objective of the portfolio is to exceed the returns of the 91 Day T-Bill Index plus 5.0% per year. The volatility of the portfolio should be similar to a core fixed income portfolio (target 5.0% annualized standard deviation). The portfolio is expected to be fully invested at all times, however the manager may raise cash if this is deemed appropriate under the circumstances.

U.S. Real Estate The manager will invest primarily in U.S. properties, both geographically diverse and diversified by property type.

The manager will not a) invest more than 10% of the portfolio in properties where there is significant leasing risk, b) invest more than 50% of the portfolio's assets in all types of leverage, c) invest more than 20% of its total assets in publicly traded REITs, d) invest more than 5% of total assets in non-traditional property types and structures.

The objective of the portfolio is to exceed the returns of the NPI-ODCE Property Index by at least 100 basis points annually before fees. The portfolio should be fully invested at all times, however the manager may raise cash if this is deemed appropriate under the circumstances.

Cash Equivalents The cash equivalents manager may invest in any institutional money market fund that follows objectives and policies. 1) The fund seeks to provide current income while maintaining liquidity and a stable share price of \$1. 2) The Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. 3) To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). 4) If unrated, the security rating must be determined by the manager, subject to the limitations in item 3. 5) The Fund maintains a dollar-weighted average maturity of 90 days or less.

The objective of the portfolio is to exceed the returns of the 91-Day Treasury Bill Index, with less return volatility over all periods. The portfolio should be fully invested at all times.

In General Investment managers are fiduciaries with discretion to implement the guidelines

within the direction provided by this Policy Statement. All managers are expected to be familiar with and follow the investment guidelines in a manner consistent with the Prudent Expert Rule. Managers should present (and obtain approval on) material changes in their investment style, philosophy or process to the Committee before implementing changes for the Fund.

All active managers (except commingled fund investments, including real estate, hedge fund of funds, ETFs, and All Asset Funds) are prohibited from using warrants, options, futures, collectibles, leveraging the portfolio, mutual funds (money market funds exempted), hedge funds, LLCs, unit investment trusts, margin purchases or short sales, securities of Plan service providers (custodial bank notwithstanding), and loaning or pledging securities.

If an active manager would like to purchase a security, which falls outside of this Fund's investment guidelines (commingled funds exempted), or is in doubt as to the goal and intent of these guidelines, they should submit a written request for clarification to the Committee prior to purchase. Any security not specifically defined or permitted within is prohibited for investment on behalf of this Fund.

Performance Standards

Performance standards are necessary for determining whether or not the Fund's investment goals are being met. They also provide an objective basis for evaluating individual manager performance and their contribution to the Fund's overall objectives.

Total Fund Performance

The Fund's investment objectives are to 1) earn a “real” rate of return which exceeds the rate-of-inflation (Consumer Price Index) by at least 4% annually over rolling five-year periods, and 2) equal or exceed the return of the Policy Index (a.k.a. the Fund's performance standard) over five-year rolling periods.

On a risk-adjusted basis, the Fund's performance is expected to equal or be greater than the Policy Index over all five-year rolling periods. The Fund's absolute investment risk is expected to be less than the Policy Index over the same periods.

The Policy Index is a hypothetical fund invested 35% in the Russell 1000 Equity Index, 15% in the S&P Midcap 400 Equity Index, 10% in the Russell 2000 Index, 5% in the MSCI EAFE (net) Index, 25% in the Lehman Intermediate Aggregate Bond Index, 5% in 91-Day T-Bill + 5%, and 5% in the NPI-ODCE Property Index.

Compared to other foundation funds (of similar size and purpose), this Fund's performance is expected to be comparable to similar funds' performance over rolling twelve-month periods. Over five-year rolling periods, the performance ranking is expected to be at or above the 40th percentile of this same universe.

U.S. Equity Performance

Passive, U.S. Large Cap Core Equity Manager

Over all three-year periods, portfolio returns are expected to equal the returns of the Russell 1000 Equity Index (performance standard). The volatility of portfolio returns, as measured by the annualized standard deviation of quarterly returns, is expected to equal to the standard over the same periods.

The manager may use cash equivalents at his discretion; however the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Period</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 0.30%
2 Years	Standard less 0.20%
3 Years or more	Equal the Performance Standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than three years, the manager is expected to rank at the 40th percentile or above.

The manager will be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 30 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County.
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of these performance objectives, compliance with Fund investment guidelines and overall contribution to the Fund's investment objectives (value added).

Passive, U.S Mid Cap Core Equity Manager

Over all three-year periods, portfolio returns are expected to equal the returns of the S&P Mid Cap 400 Equity Index (performance standard). The volatility of portfolio returns, as measured by the annualized standard deviation of quarterly returns, is expected to equal to the standard over the same periods.

The manager may use cash equivalents at his discretion; however the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Period</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 0.30%
2 Years	Standard less 0.20%
3 Years or more	Equal the Performance Standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than three years, the manager is expected to rank at the 40th percentile or above.

The manager will be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 30 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County.
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of these performance objectives, compliance with Fund investment guidelines and overall contribution to the Fund's investment objectives (value added).

Active U.S. Small Cap Equity Manager

Over all three-year periods, portfolio returns are expected to exceed the returns of the Russell 2000 Equity Index (performance standard). The volatility of portfolio returns, as measured by the annualized standard deviation of quarterly returns, is expected to equal or be less than the standard over the same periods.

The manager may use cash equivalents at his discretion; however the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Period</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 5.0%
2 Years	Standard less 3.0%
3 Years or more	Exceed the performance standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than five years, the manager is expected to rank at the 40th percentile or above.

The manager will be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 500 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County Fund.
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of these performance objectives, compliance with Fund investment guidelines and overall contribution to the Fund's investment objectives (value added).

Non-U.S. Equity Performance

International Equity Fund

Over all three-year periods, portfolio returns are expected to exceed the returns of the MSCI EAFE (net) Equity Index (performance standard). The volatility of portfolio returns, as measured by the annualized standard deviation of quarterly returns, is expected to be equal to or less than the standard over the same periods.

The fund manager may use cash and equivalents at their discretion; however the rate of return standard applies to the total portfolio return, in U.S. dollars, net of all hedging and other investment expenses, and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Periods</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 5.0%
2 Years	Standard less 2.5%
3 Years or more	Exceed the performance standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The managers' peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the managers are expected to rank at the 50th percentile or above in their peer group. For cumulative periods greater than three years, the managers are expected to rank at the 40th percentile or above.

The manager will be placed on probation/terminated for any of the following:

1. Failure to achieve applicable goals on an annualized basis for a trailing three-year period.
2. Net-of-fee total returns under performing their style benchmark by 500 basis points for any two cumulative quarters in a twelve month period.
3. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County.
4. Significant changes in management style.
5. Major changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of performance objectives, compliance with the Plan's investment guidelines and overall contribution to the Plan's investment objectives (value added).

U.S. Fixed Income Performance

Active, Intermediate Core Plus Fixed Income Manager

Over all three-year periods, portfolio returns are expected to exceed the average annual returns of the Lehman Intermediate Aggregate Bond Index plus 0.75% per year (performance standard). The volatility of those returns, as measured by the annualized standard deviation of quarterly returns is expected to be equal to or less than the standard over the same periods.

The manager may use cash equivalents at his discretion; however, the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Period</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 2.0%
2 Years	Standard less 1.0%
3 Years or more	Exceed the performance standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than three years, the manager is expected to rank at the 40th percentile or above.

The manager will be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 200 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County Fund.
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of these performance objectives, compliance with Fund investment guidelines and overall contribution to the Fund's investment objectives (value added).

Alternative Investment Strategies

Active, Fund of Funds Manager

Over all three-year periods, cumulative portfolio returns are expected to exceed the average annual returns of the 91 Day T-Bill Index plus 5% per year (performance standard). The volatility of those returns, as measured by the annualized standard deviation of quarterly returns, is expected to equal or be less than 5.0% over the same period.

The manager may use cash equivalents at his discretion; however the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or security selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term underperformance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Periods</u>	<u>Minimum Return Expectation</u>
1 Year	91 Day T-Bill plus 5%
2 Years	91 Day T-Bill plus 10%
3 Years or more	Exceed the performance standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than three years, the manager is expected to rank at the 40th percentile or above.

The manager may be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 500 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County Fund
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of performance objectives, compliance with Plan investment guidelines and overall contribution to the Plan's investment objectives (value added).

U.S. Real Estate Performance

U.S. Core Real Estate Equity Open-End Commingled Fund

Over all three-year periods, cumulative portfolio returns are expected to exceed the returns of the NPI-ODCE Property Index by 3.0% (performance standard). The volatility of portfolio returns, as measured by the annualized standard deviation of quarterly returns is expected to be equal to or less than the standard over the same periods.

The fund manager may use cash equivalents at his discretion; however, the rate of return standard applies to the total portfolio return and will not be adjusted for market timing or property selection decisions by the manager.

While the manager's performance may deviate from the standard for short periods of time, significant short-term under performance may make it impossible to achieve full period objectives without taking inappropriate risks.

Performance over shorter time intervals will be evaluated using the following standards:

<u>Cumulative Periods</u>	<u>Minimum Return Expectation</u>
1 Year	Standard less 2.0%
2 Years	Standard less 1.0%
3 Years or more	Exceed the performance standard

The manager's performance will be compared to the performance achieved by a peer group (universe) of other investment firms, with a similar investment style, philosophy, and process. The manager's peer group rank is expected to fluctuate from one quarter to another. For rolling 12-month periods, the manager is expected to rank at the 50th percentile or above in their peer group. For consecutive periods greater than three years, the manager is expected to rank at the 40th percentile or above.

The manager may be placed on probation/terminated for any of the following:

1. Net-of-fee total returns under performing their style benchmark by 200 basis points for any two cumulative quarters in a twelve-month period.
2. Failure to comply with the Investment Guidelines of the Community Foundation of St. Clair County Fund
3. Failure to meet performance standards on an annualized basis for a trailing three-year period.
4. Significant changes in management style.
5. Significant changes in the firm's ownership, management or portfolio manager.

At a minimum, the manager will be evaluated based on achievement of performance objectives, compliance with Plan investment guidelines and overall contribution to the Plan's investment objectives (value added).

Investment Oversight Procedures

Each investment manager should communicate their proposed investment strategy for achieving the Fund's investment objectives relative to the stated objectives and guidelines to the Committee and its Consultant at the time of hire and at least annually, thereafter.

The Committee will monitor the investment performance of each manager and the overall deployment of the Fund's assets. Monitoring may include periodic meetings with the managers and a quarterly performance evaluation performed by the Investment Consultant. Each performance evaluation will include current period and historical, time-weighted rates of return for each investment portfolio and the overall Fund. Each manager will be evaluated against the previously specified performance standards. Additional quantitative measures and analysis will be employed to objectively monitor the manager's compliance with investment policies and guidelines.

Managers are requested to provide the Committee with quarterly statements showing portfolio holdings, security prices, cash flows, and transactions. In addition, the Fund's custodian will also deliver a separate accounting of Fund assets, cash flows, expenses, and related transactions.

The managers are also expected to keep the Committee apprised of any material changes in their investment style, objectives, market outlook, key personnel and business conditions within their firm, on a diligent basis.

Due Diligence Process Conducted by the Investment Consultant

As an ongoing process when preparing the quarterly investment performance report, the Investment Consultant will examine compliance with the *Statement of Investment Policies, Procedures and Objectives (PP&O)*, including:

I. Asset Allocation

- a. At least quarterly, the Consultant will review the actual asset allocation of Fund versus the target allocation.
- b. Recommend rebalancing as necessary.
- c. Rebalancing recommendations will be subject to market conditions and target ranges.

II. Total Fund Objective Compliance

- a. On a risk adjusted basis, the Fund performance will be compared to the Policy index on a quarterly-basis and longer time periods.
- b. The Fund performance and the Policy Index return will be compared to a peer group on a quarterly-basis and longer time periods (rolling five-year periods).
- c. The Fund performance is compared to a "real" rate of return benchmark (CPI + 4%) over rolling five-year periods.

III. Investment Manager Objective Compliance

- a. Performance objectives will be established for each investment manager.
- b. On a quarterly basis, the Investment Consultant will reconcile the custodial

- statements with the investment manager statements
- c. Individual investment manager performance will be compared to an appropriate index and the appropriate peer group on a quarterly-basis and longer time periods.
- d. Consultant will also confirm that the investment manager has not violated the guidelines stated in the *PP&O*.

IV. Risk Management

- a. Diversification: Fund investments will be diversified in order to minimize the impact of the loss from any given investment as may be relevant to an asset class.
 - 1. *International Exposure*: The Investment Consultant will contact all investment managers on a quarterly basis and determine the percentage of holdings in international markets.
 - 2. *High Yield Exposure*: The Investment Consultant will contact investment managers on a quarterly basis and determine the percentage of holdings in the high yield market.
- b. Portfolio Guidelines: The *Statement of Investment Policies, Procedures and Objectives (PP&O)* will be updated as deemed necessary to ensure that the portfolio meets its objectives and operates within acceptable risk parameters.

V. Communication to the Finance & Investment Committee

- a. The Investment Consultant will provide written quarterly investment reports to the Foundation President, Controller, and Finance & Investment Committee. The “Conclusions and Recommendations” page will summarize performance and list “action” items, as required. For example:
 - 1. Recommend rebalancing of assets,
 - 2. Recommend formal action be taken relative to an investment manager’s underperformance (probation or termination), as outlined in the *Statement of Investment Policies, Procedures and Guidelines*.
 - 3. Report aggregate percentage of Total Fund assets invested in international markets as well as the high yield securities markets.
 - 4. Recommend updating the *Statement of Investment Policies, Procedures and Guidelines*, as deemed necessary.
- b. The Investment Consultant is on the “first call” list with investment managers hired by clients. This means that they will be notified immediately of any significant changes at the investment management firm, such as a change of portfolio manager. The Investment Consultant will immediately contact the client – specifically the President and/or the Controller of the Foundation. Appropriate action will be taken after the consultation.
- c. Additionally, when deemed prudent, the Investment Consultant will contact the President and/or Controller of the Foundation regarding significant Capital Markets events.

The Committee is to review Fund investment objectives and related policies at least once every 24 months. However, a review may be undertaken at any time, subject to changes in

the Fund's financial needs, manager activities and performance, and capital market conditions.

With regard to proxy voting, the Committee confers the right to vote proxies to the investment managers, unless the Committee in writing otherwise notifies the managers. It is expected that managers will vote for the sole benefit of the Endowment Fund and consistent with the objectives contained herein. A summary of votes cast shall be submitted to the Committee on an annual basis. This summary must identify the company, number of shares held, subject proxy issues, actual vote (whether for or against management's recommendation), and justification.

Amended December 2007

ADDENDUM

Community Foundation of St. Clair County
Policy: Investment Recommendations from Donors
(Approved 6/28/05; Revision Approved 9/25/07)

Background

From time to time, donors and/or their representatives may have a desire to recommend specific investments, strategies, brokers or fund managers. On a case-by-case basis, the Foundation will review such recommendations and act according to the policy outlined below.

Criteria

1. Any and all recommendations from donors pertaining to the investment of their gifts shall be considered advisory only.
2. Donor recommendations from individual donors during their lifetime will only be considered for gifts expected to be a minimum of \$500,000. At this giving level, if a donor's recommendation is accepted, the Foundation's Finance & Investment Committee will direct that broker, manager, or institution, as to specifically what asset class or vehicle they may invest in. The selected broker, manager or institution may not change the investment allocations or asset class without the permission of the Foundation's Finance & Investment Committee.
3. Donors making gifts of \$1,000,000 or more may request that their assets stay with a particular broker, manager or institution, and that that person or entity be given permission to allocate the investments across any of the approved asset classes or vehicles, as the donors determine is in the best interest of the Fund.
4. From time to time, the Foundation may have donors with charitable goals or interests that are better suited for either a more conservative investment approach, or a longer term, more aggressive investment approach. In such instances, and on a case-by-case basis, the Foundation's Finance & Investment Committee may approve variations to our recommended asset allocations to accommodate such needs.
5. Recommendations from community groups, such as for "Community Funds" will be considered providing that the donors intend for the fund to reach a minimum fund balance of \$25,000 within one year, and \$100,000 within five years.
6. Funds failing to reach the dollar level objectives outlined in #2 may be transferred back into the Foundation's general investment pool to minimize investment management and administrative costs.
7. The Foundation's Investment Committee will have final determination for all Foundation investments.
8. Donor recommendations will only be considered if they fall within the Foundation's published Investment Policy.
9. Any recommended broker, manager or institution must be approved by the Foundation's Finance & Investment Committee.

10. Should the Foundation accept the donor's recommendation, the selected broker/manager will make quarterly reports in a timely and efficient manner to the Foundation and the Foundation's Investment Advisor (currently Asset Strategies Portfolio Services, Inc., Auburn Hills, MI).
11. As requested, the selected broker/manager will make personal presentations at meetings of the Foundation's Investment Committee.
12. Investment management fees must be consistent with fees paid by the Foundation for other similar investment services.
13. The donor will be advised in writing that total fees charged against their fund for investment management fees and administrative fees may be higher than if the funds were invested in existing Foundation vehicles.
14. Donor shall be asked to sign a 'hold harmless' agreement with the Foundation if the donor's recommendations are accepted.
15. Upon the death of the donor(s) the Foundation will transfer the assets into the Foundation's general investment pool.

Right to Terminate Services

1. Both the donor and the investment broker/manager will be notified in writing that the Foundation reserves the right to terminate their services and withdraw all funds if their investment practices, fees or performance fall outside of expected levels as determined solely by the Foundation's Finance & Investment Committee.