



COMMUNITY
FOUNDATION
OF GREATER MEMPHIS

**INVESTMENT POLICY OBJECTIVES & GUIDELINES FOR
INDIVIDUALLY MANAGED INVESTMENT POOLS**

INTRODUCTION

The Community Foundation of Greater Memphis, Inc. was formed as a not-for-profit public charity in the State of Tennessee and is exempt from income taxes under state and federal regulations. Its purpose is to provide funds for charitable organizations primarily in Memphis, West Tennessee, Northern Mississippi, and Eastern Arkansas.

This Statement of investment guidelines is hereby set forth in order that:

- The Board of Governors (the “Board”) shall have clearly defined investment guidelines as set forth herein.
- The assets of the Foundation shall be invested most productively and should experience long-term growth.
- The individually managed investment pool managers (“investment pool managers”) shall be given guidance and limitations as set forth herein and understand what is expected of them by the Board.
- There will be a basis of evaluation for all individually managed investment pools.

OBJECTIVES

The investment objectives of the Foundation will be to attain a favorable total return with emphasis on preservation of principal and long term growth. Since the Foundation may make charitable distributions at any time, consideration must be given to providing sufficient cash flow and liquidity to meet these distribution requirements.

RESPONSIBILITY

The Board is charged with the responsibility of investing the assets of the Foundation. The Board shall discharge its duties solely in the interest of the Community Foundation of Greater Memphis and for the exclusive purpose of meeting the Foundation’s financial needs. These duties shall be discharged with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. In addition, the Board will conduct a thorough review of any person or entity providing services to the Foundation to avoid any potential conflict of interest situations.

INVESTMENT MANAGEMENT

The Board is authorized to engage the services of investment managers, as defined under the Investment Advisors Act of 1940, and other investment professionals to provide the specialized research and skilled manpower to meet these investment objectives and guidelines. Accordingly, the Board requires all investment pool managers to adhere to the “prudent man rule” under such federal or state laws as are applicable, or which may be applicable in the future to investments of Foundation assets.

DELEGATION OF AUTHORITY

The investment pool managers will be held responsible for making all investment decisions regarding the assets under their direction. The Board will provide each investment manager with a copy of the guidelines. Each investment pool manager will observe the guidelines and philosophies stated herein and will be required to operate within these guidelines.

GIFT ACCEPTANCE

The Community Foundation of Greater Memphis accepts gifts of any amount in the form of cash, stock, real estate, personal property, partnership interests or other assets, including gifts through trusts, estates or insurance policies. The Foundation’s staff is responsible for acceptance and review of all gifts. However, the Foundation reserves the right to refuse any gift that it believes is not in the best interest of the Foundation.

For further gift details, please see the Foundation’s Gift Acceptance Policy Statements.

PROXY VOTING

The Board recognizes that proxy voting is a fiduciary responsibility and requires that proxies be voted based on those factors which would enhance the value of the Foundation’s investments. The Board delegates their authority to vote proxies to the investment pool managers recommended by the donor. In addition, the Board requires the investment pool managers to maintain accurate voting records and to vote proxies for the exclusive benefit of the Foundation.

INVESTMENT GUIDELINES

Policy guidelines will be modified periodically by the Board after considering the advice and recommendations of the Foundation’s attorneys, accountants, investment managers, consultants or other professionals retained to render advice to the Foundation. Any modifications of the policy guidelines shall be in writing and agreed upon by the Board and signed by an authorized representative.

PERMISSIBLE ASSETS

In order to provide for adequate investment diversification across a broad range of assets, the following types of assets are approved for investment:

- U.S. or International Common Stock
- U.S. or International Preferred Stock

- Emerging Market Common Stock
- Emerging Market Preferred Stock
- Covered Call Options Contracts
- Protected Put Option Contracts
- U.S. Government and Agency Securities Foreign Government Bonds
- Corporate Bonds (minimum Baa rating by Moody's or BBB rating by Standard and Poor's)
- High Yield Corporate Debt (only through commingled or mutual fund vehicles)
- Mortgage Backed Securities
- Collateralized Mortgage Obligations
- Convertible Securities
- Commercial Paper with a minimum A1/P1 rating Money Market Funds
- Mutual Funds
- Real Estate - Publicly Traded REITS
- Alternative Strategy Funds (hedge funds, private equity or private real estate)
- Interests in Limited Partnership or Limited Liability Companies with specific Committee approval

Excluding assets not traded in the public markets (i.e. alternative strategies, limited partnerships, limited liability companies or commingled funds), assets selected for the Foundation must have an ascertainable market valuation at least monthly and must be readily marketable. In the case where alternative strategies, limited partnerships, limited liability companies or commingled funds are utilized, market valuations must be available at least quarterly and have annual withdrawal provisions to maintain reasonable liquidity.

The following assets and/or transactions are prohibited:

- Uncovered Options – Puts or Calls
- Commodities
- Restricted Stock
- Dedicated Short Selling

ASSET ALLOCATION

In order to preserve the corpus and reduce volatility, investment pool managers are allowed to allocate their funds among a diversified mix of equity securities, fixed income securities, cash, and alternative strategies. However, it is the philosophy of the Board that the asset mix of investment pool managers be maintained within the guidelines below:

<u>Maximum Equity-Oriented</u> ¹	75%	<u>Minimum Equity-Oriented</u>	30%
Maximum Fixed Income	70%	Minimum Fixed Income	25%

¹ The amounts allocated to Alternative Investment Strategies (includes hedge funds, private equity or private real estate) or Real Estate Investment Trusts must be added to the amounts in the equity allocation for purposes of comparing to the 75% maximum equity-oriented limit.

Maximum Cash & Equivalents 15% Minimum Cash & Equivalents 0%

Individually managed investment pools may utilize alternative investment strategies. Utilization of alternative investment strategies by individually managed investment pools may be pursued but must receive approval by the Foundation's staff and legal counsel.

If a donor wishes to recommend an equity-only, fixed income-only, or alternative strategy-only fund, the guidelines and requirements as set forth in the Investment Markets section must be met by the investment pool manager.

INVESTMENT MARKETS

1. Diversification of Equity Securities

The Board believes that it is necessary and desirable that equity securities held in an individually managed investment pool represent a diversified portfolio. The equity investment manager(s) will be allowed to choose the degree of concentration in various regions, industry sectors or issues. However, the initial purchase of a single equity security shall not exceed 15% of the total portfolio market value. If price appreciation causes a security to exceed the 15% limitation, a sale of the issue shall not be required except as warranted by investment considerations.

2. Investment Markets – Equity Securities

In order to broaden the investment opportunities for the investment pool manager(s) , the managers are permitted to invest in equity securities listed on the New York Stock Exchange, the American Stock Exchange, principal regional exchanges, and in over-the-counter securities for which there is a strong market providing ready liquidity of the specific security. Domestic investment managers are permitted to utilize American Depository Receipts (ADR's). Global, international and emerging markets equity managers are allowed to invest in equity securities traded on established exchanges worldwide and permitted to utilize Global Depository Receipts (GDR's). In addition, they and are allowed to choose the degree of country and industry exposure within their fund.

3. Diversification of Fixed Income Securities

The Board believes that it is necessary and desirable that fixed income securities held in an individually managed investment pool represent a diversified portfolio. The fixed income investment manager(s) will be allowed to choose the degree of concentration in various regions, industries and issues. With the exception of U.S. Government securities, the securities of a single fixed income issue shall not represent more than 15% of the total portfolio market value. If price appreciation causes a security to exceed the 15% limitation, a sale of the issue shall not be required except as warranted by investment considerations.

4. Investment Markets – Fixed Income Securities

In order to broaden the investment opportunities for the investment pool manager(s) the managers are permitted to invest in fixed income issues offered in both primary and secondary markets. Fixed income securities may include bonds, notes and pass-through securities issued or guaranteed by the U.S. Government or its agencies, U.S. corporate bonds, notes, debentures, mortgage-backed securities, asset-backed securities, or bonds issued by foreign governments or corporations. Should the rating on a debt or preferred stock security purchased subsequently fall below the minimum Baa (Moody's)/BBB (Standard and Poor's) rating, a sale of the issue shall not be required except as warranted by investment considerations.

5. Cash & Cash Equivalent Securities

All cash, wherever and whenever possible should be invested in interest bearing instruments that have an investment grade rating. These investments should have stable pricing and daily liquidity. Investments in special purpose vehicles or other types of derivative investments are prohibited as a cash equivalent investment. It is required that the duration of any cash and equivalent investment would be consistent with those of other comparable money market vehicles.

6. Alternative Investment Strategies

Alternative Investment Strategies include hedge funds, private equity and private real estate. These strategies may be employed through the utilization of commingled funds, limited partnerships, or limited liability companies. Before alternative strategies are accepted, several criteria shall be addressed and illustrated by the manager. These criteria may include but not be limited to the following:

- Liquidity of the fund and its underlying investments
- Leverage utilized by the fund
- Potential volatility of the strategy
- Risk controls used by the manager
- Verification and duration of track record
- Assets under management
- Management fees and operating expenses of the fund
- Verification of auditor and audited financial statements

With the exception of private equity and private real estate investments, it is expected that alternative strategy managers provide liquidity at least annually. In addition, the managers are required to provide the Foundation with a listing of assets in their fund and estimated market values of the fund's investments. Where fund of funds are utilized, the fund should provide a list of the managers and strategies employed and the audited value of a donor's investment.

7. Diversification of Alternative strategies

In order to reduce risk and provide reasonable diversification, funds of funds are the preferred vehicle for any alternative investment strategy. The alternative strategy manager(s) will be allowed to choose the degree of concentration in various strategies or

investments. In order to control risk, fund of funds managers are prohibited from utilizing fund level leverage (leverage in addition to the underlying manager's leverage) to enhance the overall return of their fund.

REPORTING REQUIREMENTS

Reports detailing the investment holdings and account transactions will be submitted to the Foundation staff monthly, a performance review will be submitted to the Foundation staff quarterly, and an annual report summarizing the following will be submitted to the Foundation within 30 days following each December 31. In addition, the Foundation would also require the following:

1. Statement of all assets on hand reflecting both the cost basis and market value of each asset and the related unrealized gains and losses.
2. Statement of all contribution of assets to the account.
3. Statement of all sales, redemptions, purchases and principal payments.
4. Statement of all distributions from the account.
5. Statement of all income received and expenses paid.
6. Statement of all realized gains and losses.
7. Any manager correspondence that would provide portfolio commentary, strategy outlook, and changes in investment strategy, ownership structure or key personnel.
8. Audited financial statements for alternative strategy managers.