

Daniel Foundation, Inc.  
Family Endowment Fund

# Statement of Investment Policy Objectives & Guidelines

Approved: February 14, 2003    Amended: July 09, 2009

Amended: May 22, 2012    Amended: November 10, 2012

# Table of Contents

<b>EXECUTIVE SUMMARY.....</b>	<b>4</b>
<b>SCOPE OF THIS INVESTMENT POLICY.....</b>	<b>5</b>
<b>PURPOSE OF THIS INVESTMENT POLICY STATEMENT.....</b>	<b>5</b>
<b>DELEGATION OF AUTHORITY.....</b>	<b>5</b>
<b>DEFINITIONS.....</b>	<b>6</b>
<b>ASSIGNMENT OF RESPONSIBILITY.....</b>	<b>7</b>
RESPONSIBILITY OF THE INVESTMENT MANAGER(S).....	7
RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S).....	7
<b>GENERAL INVESTMENT PRINCIPLES.....</b>	<b>8</b>
<b>INVESTMENT MANAGEMENT POLICY.....</b>	<b>8</b>
<b>GOAL OF FOUNDATION.....</b>	<b>9</b>
<b>ATTITUDE TOWARD GIFTS.....</b>	<b>9</b>
<b>SPENDING POLICY.....</b>	<b>9</b>
<b>INVESTMENT OBJECTIVES.....</b>	<b>10</b>
<b>SPECIFIC INVESTMENT GOALS.....</b>	<b>10</b>
<b>DEFINITION OF RISK.....</b>	<b>10</b>
<b>LIQUIDITY.....</b>	<b>11</b>
<b>MARKETABILITY OF ASSETS.....</b>	<b>11</b>
<b>INVESTMENT GUIDELINES.....</b>	<b>11</b>
ALLOWABLE ASSETS.....	11
PROHIBITED ASSETS.....	12
PROHIBITED TRANSACTIONS.....	12

ASSET ALLOCATION GUIDELINES.....12  
Re-Balancing of Asset Allocation Guidelines. ....13  
DIVERSIFICATION FOR INVESTMENT MANAGERS.....13  
GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS.....14  
**SELECTION OF INVESTMENT MANAGERS.....14**  
**PERFORMANCE REVIEW AND EVALUATION.....15**  
**INVESTMENT POLICY REVIEW.....15**  
**Conflict of Interest Policy .....15**

## EXECUTIVE SUMMARY

**Type of Plan:** Foundation

**Current Assets:** \$3,000,000

**Time Horizon:** 20 Years

**Expected Return:** CPI + 4%

**Risk Tolerance:** Moderate

**Asset Allocation:**

	<u>Minimum</u>	<u>Maximum</u>	<u>Strategic</u>
Global Equities	20.0%	75.0%	58.0%
Fixed Income	20.0%	60.0%	35.0%
Cash & Equivalents	0.0%	80.0%	2.0%
Limited Partnership Interest	0.0%	20.0%	0.0%
Alternative Investments	0.0%	25%	5.0%

# **Statement of Investment Policy, Objectives, and Guidelines**

## **SCOPE OF THIS INVESTMENT POLICY**

This statement of investment policy reflects the investment policy, objectives, and constraints of the entire daniel Foundation, Inc, Family Endowment Fund portfolio, which is comprised of permanently donor-restricted funds.

## **PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy is set forth by the Audit and Finance Committee of the daniel Foundation, Inc., Family Endowment Fund in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards as established in common trust law, including but not limited to the Uniform Prudent Management of Institutional Funds Act, as approved by the State of Florida.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## **DELEGATION OF AUTHORITY**

The Audit and Finance Committee of the daniel Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Audit and Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant shall assist the Audit and Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
  2. Mutual fund and/or Investment Manager. The mutual fund and/or investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
- 5 Investment Policy – Amended November 10, 2012

3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.
4. Co-Trustee. The Audit and Finance Committee may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Fund assets.
5. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Audit and Finance Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Audit and Finance Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Mutual funds and/or investment managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

## **DEFINITIONS**

1. "Fund" shall mean the Daniel Foundation, Inc. Family Endowment Fund.
2. "Audit and Finance Committee" shall refer to the governing board established to administer the Fund as specified by applicable ordinance, which shall be designated as the Audit and Finance Committee.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
5. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is 20 years.
8. "Donor-restricted endowment funds" shall mean donations made in the form of cash, cash equivalents, and marketable securities that are designated by donors to be restricted for a specific purpose(s) as endowment funds.

## **ASSIGNMENT OF RESPONSIBILITY**

### **RESPONSIBILITY OF THE INVESTMENT MANAGER(S)**

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the Audit and Finance Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Audit and Finance Committee, on behalf of the Fund, and communicating such voting records to the Audit and Finance Committee on a timely basis.

These requirements have limited applicability to mutual funds.

### **RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)**

The Investment Consultant's role is that of a non-discretionary advisor to the Audit and Finance Committee of the Daniel Foundation. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager and/or mutual fund searches.
3. Providing "due diligence", or research, on the Mutual funds/Investment Manager(s).
4. Monitoring the performance of the Mutual funds and/or Investment Manager(s) to provide the Audit and Finance Committee with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Audit and Finance Committee.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Audit and Finance Committee.
7. Provide spending analysis and forecasts in conjunction with actual and expected asset returns.
8. Retain and terminate mutual funds and/or managers in accordance with investment policy.
9. Make tactical asset allocation shifts within the constraints of the investment policy.

### **GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the Endowment Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. Investment horizon shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the Endowment Fund is in perpetuity.

### **INVESTMENT MANAGEMENT POLICY**

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.



2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Audit and Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

## **GOAL OF FOUNDATION**

The Audit and Finance Committee feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that this Foundation is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective of this foundation is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Foundation's investment horizon. The Foundation's specific investment objectives will be established later in this document.

## **ATTITUDE TOWARD GIFTS**

Future giving (contributions) to this Foundation are expected to be inconsistent, and therefore, unpredictable. As a result, the Audit and Finance Committee has set an investment strategy with the objective of maintaining purchasing power of Foundation assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power. Therefore, expectations may be expressed by the following equation:

Total Return = Spending + Inflation + Expenses, while Giving = Increase in Purchasing Power

## **SPENDING POLICY**

The Foundation place the highest emphasis on meeting their grant making obligations. As such, the Audit and Finance Committee regards spending in dollar terms from year to year as inflexible. While spending is inflexible, and therefore relatively consistent and predictable, expected investment returns from "riskier" portfolios are not consistent and predictable. Therefore, in order to reduce the likelihood of underperformance and excessive deterioration of real principal during such periods, these Foundations must tend toward a more "moderate" investment strategy than might be the case if grant making from year to year were more flexible. The Audit and Finance Committee will set spending equal to a maximum of 5% of the portfolio value during the first three years. Thereafter, spending will be targeted at 5% of the Fund's average three year portfolio value. Distributions from the Funds will be made as needed.

## **INVESTMENT OBJECTIVES**

In order to meet its needs, the investment strategy of the Daniel Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Fund assets shall be:

- 1) Preservation of purchasing power after spending – To achieve returns in excess of the rate of inflation over the investment time horizon in order to preserve purchasing power of the Endowment Fund's assets. Risk control is an important element in the investment of the Endowment Fund assets.
- 2) Long term growth of capital – To emphasize long term growth of principal while avoiding excessive risk. Short term volatility will be tolerated inasmuch as it is reasonably consistent with the volatility of a highly correlated market index.

## **SPECIFIC INVESTMENT GOALS**

Over the investment horizon established in this statement, it is the goal of the aggregate Fund assets to exceed:

**The rate of inflation (as measured by the Consumer Price Index) by 4% (i.e. CPI plus 4%)**

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Audit and Finance Committee that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Investment managers have been given a copy of the Daniel Foundation total portfolio Investment Policy Statement. Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Fund. This is not applicable to mutual fund managers.

## **DEFINITION OF RISK**

The Audit and Finance Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Daniel Foundation assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this statement of investment policy. The Audit and Finance Committee defines risk as:

High volatility (fluctuation) of investment returns relative to portfolios of similar investment style

## **LIQUIDITY**

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Audit and Finance Committee will periodically provide investment counsel with an estimate of expected net cash flow. The Committee will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Audit and Finance Committee requires that a minimum of 2% of Fund assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

## **MARKETABILITY OF ASSETS**

The Audit and Finance Committee requires that all of Fund assets be invested in liquid securities, defined as securities that can be quickly and efficiently converted to cash for the Fund, with minimal impact on market price.

## **INVESTMENT GUIDELINES**

### **ALLOWABLE ASSETS**

1. Cash Equivalents
  - Treasury Bills
  - Money Market Funds
  - Short Term Investment Funds
  - Commercial Paper
  - Banker's Acceptances
  - Repurchase Agreements
  - Certificates of Deposit
  
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mortgage Backed Bonds
  - Preferred Stock
  - Fixed Income Securities of Foreign Governments and Corporations
  - Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" or "stable average life" CMOs

## Equity Securities

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non – US companies – (Ordinary Shares)

### 4. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement

### 5. Other Assets – GIC's

## PROHIBITED ASSETS

Prohibited investments include, but are not limited to the following:

1. Futures Contracts
2. Private Placements
3. Real Estate Properties

## PROHIBITED TRANSACTIONS

Prohibited transactions include, but are not limited to the following:

1. Short Selling

## ASSET ALLOCATION GUIDELINES

Investment management of the assets of the Daniel Foundation shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Global Equities:	<b>20%</b>	<b>75%</b>	<b>58%</b>
Fixed Income:	<b>20%</b>	<b>60%</b>	<b>35%</b>
Cash/Cash Equivalents:	<b>0%</b>	<b>80%</b>	<b>2%</b>
Limited Partnership Interest:	<b>0%</b>	<b>20%</b>	<b>0%</b>
Alternative Investments:	<b>0%</b>	<b>20%</b>	<b>5%</b>

## Re- Balancing of Asset Allocation Guidelines:

As indicated above, the asset allocation percentages will be allowed to somewhat vary from their targets. A 5% target range above or below the target allocation shall be the guideline to rebalance. With the assistance of the Investment Consultant, the Audit and Finance Committee will review the actual asset-allocation percentages at least annually to determine if the lower or upper limits have been violated and/or the allocation is 5% above or below the target allocation. Where practical, cash inflows and outflows will be used to rebalance to the target-allocation guidelines.

If the cash flows are insufficient to bring the asset allocation back to target, then the Audit and Finance Committee with the assistance of the Investment Consultant shall decide whether to effect transactions to bring the asset allocation within the threshold ranges of 5%.

2. The Audit and Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Audit and Finance Committee regarding specific objectives and guidelines.
3. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Audit and Finance Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Audit and Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Audit and Finance Committee.

## DIVERSIFICATION FOR INVESTMENT MANAGERS

The Audit and Finance Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total fund, government agencies should not exceed 15% of the total fund, and no more than 25% of the total fund should be invested in any one industry. Individual treasury securities may represent 30% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

## GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS

1. Fund assets for intermediate and aggregate bond classes may be invested only in investment grade bonds rated BBB (or equivalent) or better. BBB rated bonds may not exceed 20% of the fixed income portfolio.
2. Fund assets for High Yield & Emerging Market debt may be invested in below investment grade bonds but in the aggregate are not to exceed 10% of the portfolio value.
3. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.
4. Fixed income maturity restrictions are as follows:
  - Maximum maturity for any single security is 15 years. The expected life for amortizing assets, rather than stated maturity, should be used when determining compliance with the maturity guidelines.
  - Weighted average portfolio maturity may not exceed 13 years. The average overall portfolio duration, with assets weighted by total current market value, shall not exceed 13 years.
5. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.
6. No more than 20% of the total fixed income portfolio shall be invested in the securities of a single corporate issuer.
7. Investments in Collateralized Mortgage Obligations (CMO's) shall be limited to 20% of the market value of the fixed income portfolio and shall be restricted to those CMO's listed under the section **Allowable Assets**.

## SELECTION OF INVESTMENT MANAGERS

The Audit and Finance Committee's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Audit and Finance Committee requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Daniel Foundation.

## INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Audit and Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Audit and Finance Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Mutual fund and/or Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

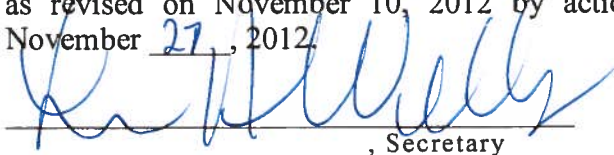
## INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Audit and Finance Committee plans to review investment policy at least annually.

Conflict of Interest Statement – it is required that each director, principal officer and member of each board of trustees shall annually sign the daniel Conflict of Interest Statement Policy #F – 17, as amended and agrees to comply with the policy, to wit:

The agency will ensure that no contractual relationships benefit the private interest of an officer, employee or director of the agency, unless approved by the Audit and Finance Committee.

I hereby certify that the above and foregoing statement of Investment Policy was adopted as revised on November 10, 2012 by action of the Audit and Finance Committee  
November 27, 2012.

  
\_\_\_\_\_  
, Secretary