



# GREATER NEW ORLEANS FOUNDATION

*For a vibrant region.*

## **STATEMENT OF INVESTMENT POLICY AND GUIDELINES**

(Investment Strategy for Assets Under Management with Tiff Only)

Revised  
October 2009

## **I. HISTORY, PURPOSE and RESPONSIBILITIES**

### **HISTORY**

The Greater New Orleans Foundation (the “Foundation”) is a nonprofit community foundation organized to:

- Act as the steward for community endowed assets which are used to respond to local opportunities and issues.

### **PURPOSE**

The Investment Policy Statement (“IPS”) will assist the Board of Directors (“Board”) and the Investment Committee (“Committee”) in communicating with and monitoring the various Investment Advisor(s) (“Advisor”) that will be engaged to manage the assets of the Foundation. The Investment Committee may employ mutual funds, pooled investment funds, and other types of collective investment vehicles as investment advisors to manage some or all of the Foundation’s assets. It is understood that when these Advisors are utilized, their policies/procedures (prospectus, etc.) supersede the Foundation’s Investment Policy Statement.

### **RESPONSIBILITIES**

#### **Responsibilities of the Foundation:**

The Foundation recognizes its responsibility to insure that the assets of the Foundation are managed:

- For the exclusive interest of the Foundation, its donors, and the community; and,
- Effectively and prudently, in full compliance with laws and principles that govern community foundation investing.

The Foundation acknowledges that the ultimate responsibility for investment results rests with the Board.

#### **Responsibilities of the Committee:**

The specific responsibilities of the Committee in the investment process include but are not limited to:

- Complying with all applicable rulings and regulations of relevant regulatory agencies.
- Complying with all applicable rulings and regulations concerning prudent investing.

### Responsibilities of the Committee (cont):

- Determining the Foundation's projected financial needs and communicating such to the Advisor on a timely basis.
- Expressing the Foundation's investment risk tolerance level.
- Developing sound and consistent investment policy guidelines, which the Advisor can use in formulating investment decisions.
- Establishing reasonable investment objectives.
- Selecting qualified Advisor(s).
- Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met.
- Taking appropriate action to replace an Advisor(s) for failure to perform as expected.

The Committee recognizes that their role is advisory as to investment strategy and policy. The determination and selection of specific investments and securities is delegated to the Advisor.

The investment policy objectives, goals and guidelines that follow represent the views of the Committee regarding the investment of the Foundation's assets. The Statement of Investment Policy will need to be reviewed and possibly revised from time to time to ensure that this Statement continues to reflect the Committee's attitudes, expectations, and objectives.

### Responsibilities of the Advisor:

The Investment Committee may employ mutual funds, pooled investment funds, and other types of collective investment funds as investment vehicles for some or all of the Foundation's assets. It is understood that when these vehicles are utilized their policies/procedures (prospectus, etc.) supersede the Foundation's Investment Policy Statement.

#### Adherence to Statement of Investment Policy

- The Advisor is expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies and stated herein, or as expressed in any written amendments of instructions.
- The Advisor's acceptance of the responsibility to manage assets of the Foundation will constitute a ratification of this Statement of Investment Policy, affirming the belief that they are realistically capable of achieving the Foundations investment objectives within the guidelines and limitations stated herein.

### Discretionary Authority:

The Advisor will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under their jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Advisor's current investment strategy and compatible with the Foundation's investment guidelines. If, and to the extent, a manager-of-managers approach is taken with respect to the Foundation's assets, the Advisor may delegate the discretionary authority to buy, hold and sell securities to the underlying managers in the program.

### Each Advisor is expected:

- To be covered by liability and fiduciary insurance; and,
- To have its employees bonded to the extent required by applicable law or governmental regulation.

### Communication:

- The Advisor will keep the Committee informed of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting their investment policies or philosophy.
- The Advisor will inform the Committee of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of its firm.
- Whenever the Advisor believes that any particular guideline should be altered or deleted, it will be the Advisor's responsibility to initiate written communications with the Committee expressing its views and recommendations.

### Reporting:

- Committee expects to receive timely notices of transaction activities as well as quarterly reports.
- Information needed to assist the Committee in conducting its evaluation of the Advisor's performance as it relates to Foundation assets will be presented on a timely basis.

### Proxy Voting:

The Advisor, as part of its duties and responsibilities, shall have the sole and exclusive right to vote any and all proxies solicited in connection with securities held by the Foundation. The Advisor shall keep accurate records with respect to its voting of proxies and shall submit a report upon request to the Committee summarizing the votes cast.

The Committee has the right to vote Proxies of the securities held in the portfolio. It has delegated this right to the Advisor. The Committee acknowledges that the Advisor may further delegate proxy voting authority to underlying managers should a manager-of-managers program be utilized.

## II. INVESTMENT OBJECTIVES

The primary financial objective for the Foundation is to increase the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of investment management. The Committee has established a 5.00% real rate of return objective for the Foundation's portfolio. Additionally:

- The Board has established a spending policy that attempts to balance the long-term objective of maintaining the purchasing power of the Foundation with the goal of providing a reasonable, predictable, stable, and sustainable level of spendable revenue to support current needs. (The Greater New Orleans Foundation follows a Total Return Spending Policy for its component funds. Component Funds are invested for maximum total return {within acceptable risk parameters}, without distinction between income and capital gains. The market value of the fund is measured as of the end of each of the past 12 quarters, and 4% of the average of those 12 market values is made available for grants. This method appropriately puts the focus on the long-term growth of the fund. This, in turn, encourages the appropriate use of equities in the fund, helping the fund to grow at a rate greater than inflation.

The Total Return Spending methodology has additional benefits. It offers a more predictable grant stream than an income only approach, due to the smoothing effect of using a 12-quarter rolling average of market values).

- Investment performance will be reviewed quarterly. It is not anticipated that the objectives will be satisfied in every single quarter or year, it is, however, expected that performance objectives will be met over a market cycle. Analysis of performance should always be within the context of the prevailing investment environment and the Advisor's particular investment style.
- At least two of the following investment objectives are expected to be achieved over a market cycle (expected to be a three to five year time period).
  - a. To achieve a total return that is in the top half of a representative universe (with like asset mixes) of professionally managed funds.
  - b. To exceed by at least 50 basis points (net of expense) on an annualized basis, the return of a Market Index constructed to reflect the Foundation's asset mix.
  - c. Exceed the rate of inflation (as measured by the CPI) by approximately 500 basis points on an annualized basis.
  - d. In down markets (defined by linking down quarters of the Market Index) achieve a return that places the Foundation in the upper third of comparable funds.

### **III. INVESTMENT GUIDELINES**

The Committee recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of risk is warranted and encouraged in order to allow the Advisor the opportunity to achieve satisfactory long-term results consistent with the policy and guidelines of the Foundation.

Therefore, the following asset classes are permitted, with minimum, target, and maximum allocations as indicated:

	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Total Return Assets</b>	<b><u>20%</u></b>	<b><u>60%</u></b>	<b><u>95%</u></b>
Global Equities	20%	54%	80%
<i>Public Equities</i>	20%	42%	60%
<i>Private Equities</i>	0%	12%	20%
High Yield Bonds	0%	6%	15%
<b>Inflation Hedges</b>	<b><u>0%</u></b>	<b><u>12%</u></b>	<b><u>35%</u></b>
Marketable Real Estate (REITs)	0%	2%	10%
Commodities	0%	2%	10%
Private Realty & Resources	0%	8%	15%
<b>Deflation Hedges</b>	<b><u>0%</u></b>	<b><u>5%</u></b>	<b><u>15%</u></b>
Conventional Bonds	0%	5%	15%
<b>All-Purpose Hedges</b>	<b><u>10%</u></b>	<b><u>23%</u></b>	<b><u>60%</u></b>
TIPS	5%	15%	25%
Cash Equivalents	0%	8%	20%
Other Hedging Assets	0%	0%	15%

This policy portfolio represents the Committee's long-term view. The Committee recognizes that investments in certain alternative investments (e.g., private equity and real estate) are called down over time. Commitments to such asset classes do not necessarily result in immediate exposure to the underlying assets. Therefore, certain other assets may be held as substitutes until such exposure is obtained. The Committee acknowledges that private investment call down schedules as well as significant market movements may cause the Foundation's asset mix to fall outside the ranges indicated above. Such divergences should be monitored carefully by the Advisor and corrected, ideally through cash flows, within a reasonable period of time.

#### **IV. INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

- Performance results for the Advisor will be measured on a quarterly basis
- Total Foundation performance will be measured against a Market Index weighted to the long-term asset allocation policy.
- The investment performance of the total portfolio and equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted benchmarks and peer databases.
- 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.
- While the Committee intends to fairly evaluate the portfolio performance over a period of time, the Committee reserves the right to change the Advisor for any reason, (contractual and otherwise), including, but not limited to:
  - a. Unacceptable justification for poor results.
  - b. Lack of responsiveness to the Committee's overall concern about the market—inflexibility of approach.
  - c. Failure to meet Committee's communication and reporting requirements.
  - d. Changes in personnel and/or ownership.
  - e. The Committee believes a change of Advisor would be beneficial to the Foundation (sufficient reason is the sole judgment of the Committee).

**V. ACKNOWLEDGEMENT AND TENURE**

This statement of Investment Policy and Guidelines is designed as a business plan to assist the Committee and Advisor. It should be viewed as a flexible document whose purpose is to assist all parties in the management of the Foundation's assets. This document does not amend or supersede the investment management agreement between the Foundation and the Advisor.

\_\_\_\_\_ Date \_\_\_\_\_  
The Greater New Orleans Foundation

\_\_\_\_\_ Date \_\_\_\_\_  
Advisor