



## **Lake City Education Foundation Endowment Fund Investment Policy Statement**

*Approved December 2020*

The Lake City Education Foundation Endowment and Scholarship Funds (the Funds) were created to provide perpetual financial support to programs and projects deemed appropriate by the board of directors.

The purpose of this Investment Policy Statement is to establish guidelines for the Funds' investment portfolio including endowed funds that support students and faculty. The Investment Policy Statement also incorporates basic accountability standards that will be used for selecting investments and monitoring the progress of the investments.

### **Investment Objective and Spending Policy**

1. The Funds are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a reasonably predictable and consistent level of distributions as directed by the board of directors.
2. Maximize return within reasonable and prudent levels of risk.
3. Distributions from the Funds will use of a total-return-based spending policy and be determined by calculating 4% of a twelve-quarter average of the total endowment fund value. The distribution should not erode real principal of each endowed fund. Distributions will be withdrawn from the Funds at the time of determination and held in cash or savings until awarded to the recipient(s).

### **Investment Allocations**

#### **Asset Allocation Model: **Balanced****

The Balanced Model is a diversified risk profile model designed to provide long term moderate growth through a combination of capital appreciation and current income. The balanced model derives from asset allocation models published periodically by numerous independent industry sources such as Ibbotson, Morningstar and Thomson Financial.

The portfolio will generally be invested in the following asset classes and allocation ranges:

Cash and Fixed Income: 39%  
Equities: 51%  
Other: 10%

<b>Category</b>	<b>Holding</b>	<b>Target Allocation</b>	<b>Acceptable Range</b>
Cash	Money Market	1%	1 – 10%
Fixed and Equity Income	Short Term Gov't Bonds Intermediate Gov't Bonds International Bonds High Grade Corp Bonds High Yield Bonds Convertible Bonds Equity Income Emerging Market Debt	38%	25 – 45%
Equities	U.S. and Developed Markets	48%	25 – 55%
Equities	International – Emerging Markets	3%	2 – 10%
Other	Alternative Investment (Commodities, Real Estate, Infrastructure, Managed Futures)	10%	0 – 22%

**Rebalancing:**

Periodic cash contributions and budgeted distributions will be utilized to maintain the asset allocations. Rebalancing of the portfolio will be addressed annually. Investments will be reallocated when they fall outside the minimum and maximum range. Asset allocation models published by industry sources will provide guidance for rebalancing decisions. No single investment security shall represent more than 5% of total portfolio assets.

**Investment Selection:**

The following criteria may be applied when selecting each money manager or mutual fund:

Minimum Track record: The product’s inception date should be greater than three years.

Stability of the organization: There should be no perceived organizational problems; the same portfolio management team should have been in place for at least two years.

Performance relative to a peer group: The product’s performance should be evaluated against the peer group’s median manager return, for 1-, 3-, 5-, and 10- year cumulative periods.

**Investment Policy Review and Monitoring:**

The board will review, reaffirm, or amend the Investment Policy Statement annually to determine whether there have been any material changes to the goals and objectives or to the risk/return profile. The Investment Advisor is responsible for assisting the board in making appropriate asset allocation and investment decisions based on the needs, objectives, and risk profile the board has outlined. The Investment Advisor will report to the board twice a year during the December and June monthly board meetings. December for the purpose of providing information prior to annual budget and June as the organization’s year concludes.