

# Individually Managed Funds

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The Individually Managed Fund program at the Community Foundation allows donors to continue their relationships with their trusted financial advisors while benefiting from best-in-class donor and grantmaking services of the Community Foundation.

Donors initiate the process of establishing an Individually Managed Fund by recommending an investment advisor of their choice to manage charitable fund assets of \$1 million or more. Advisors retain client relationships and can develop portfolios with Community Foundation input, customized to their clients' investment preferences, risk tolerance and time horizons, with the goal of increasing the assets available for their philanthropy.

## Role of the Community Foundation

Our staff will work with donors to develop a giving strategy that is easy, effective and fulfilling. We handle grants administration and processing, so donors can focus on their charitable passions. We provide exclusive opportunities to connect with other donors as well as philanthropic partners and thought-leaders in their areas of interest. Donors will have 24/7 secure, online access to review their fund and recommend grants.

The result is a highly personalized and rewarding philanthropic experience for both donors and their advisors.

## How to Get Started

The Community Foundation's Investment Committee and staff qualifies recommended advisors through a review of the advisor's credentials and proposed asset allocation, investment selection and fees.

Please see our [Investment Policy Statement for Individually Managed Funds](#) on the following pages.

If you wish to have a personal meeting or phone call, we welcome the opportunity to discuss this option in more detail. Please contact [Molly Dean Bittner](#), Sr. VP of Philanthropic Services, or [Michelle Nelson](#), Chief Financial Officer, at 804-330-7400.

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# Investment Policy Statement for Individually Managed Funds

## Purpose of Policy Statement

This Investment Policy Statement governs the assets of a donor advised fund managed by an investment manager recommended by the donor (hereinafter referred to as an “Individually Managed Fund”). The Community Foundation permits such separate management of Individually Managed Funds in certain circumstances if the value of the Individually Managed Fund is \$1,000,000 or more.

This Investment Policy Statement applies to the investment of the assets held in any Individually Managed Fund.

## Minimum Funding Required

The minimum balance to establish an Individually Managed Fund is \$1,000,000. Following a market decline or reduction in assets due to payment of grants and expenses, the Community Foundation will allow Individually Managed Funds to drop below the \$1,000,000 threshold for up to two quarters. At any time that the Individually Managed Fund balance remains below the \$1,000,000 threshold for more than two quarters, the Community Foundation may terminate the investment manager and reinvest the assets of the Individually Managed Fund with its Signature Investment Option and other investment assets. The Community Foundation’s Investment Committee may allow exceptions to the minimum threshold in its sole discretion.

## Investment Objectives

Assets of an Individually Managed Fund shall be managed with the primary objective on total net investment return, which should meet or exceed the rate of inflation (as defined by the broad, domestic Consumer Price Index) plus any spending and administrative expenses. Under this primary objective, the long-term net investment return should maintain the purchasing power of the assets. The assets should be invested in a manner that will meet this primary investment objective, while limiting volatility. The Community Foundation recognizes that investment losses may occur. Investment managers should consider adequately diversifying investments globally and by asset class to minimize the risk of losses.

## Asset Allocation

The Community Foundation’s Investment Committee recognizes that asset allocation is a key determinant of investment return over the long-term. A globally diversified portfolio with less correlated returns from various assets should help reduce the volatility of returns over long periods of time. In determining the appropriate asset allocation for an Individually Managed Fund, the inclusion or exclusion of an asset class should be based on the impact of the overall portfolio, rather than judging the asset class on a stand-alone basis. The Community Foundation delegates responsibility

for determining asset allocation ranges to the investment manager of the Individually Managed Fund. The investment manager should assume an investment horizon of at least five years for non-endowed funds, unless instructed otherwise.

General investment guidelines mandate that the overall portfolio be prudently diversified, even within asset classes, to avoid undue exposure to any single economic sector, industry group or individual security.

In Individually Managed Funds with assets of less than \$5,000,000, alternative investments should be avoided due to liquidity and reporting constraints. Any alternative investments for an Individually Managed Fund with assets of less than \$5,000,000 must be approved by the Community Foundation's Investment Committee before implementation.

## Rebalancing

Each investment manager for an Individually Managed Fund shall monitor the Fund's asset allocation and attempt to stay within target ranges for each major asset category identified when establishing the Fund's investment strategy. The investment manager should consider rebalancing on a quarterly basis, based on a consideration of market conditions. An investment manager should report to the Community Foundation's Investment Committee or Chief Financial Officer in any circumstances where it is determined that rebalancing would be imprudent.

## Liquidity

In managing an Individually Managed Fund, the investment manager shall balance investment objectives with liquidity needs of the donor advised fund. Assets should be invested with due consideration of the cash flow and administrative needs of the Individually Managed Fund. Liquidity is necessary to maintain policy asset allocation ranges, for use in grantmaking and to pay for expenses of the Individually Managed Fund and component fund. In general, the investment manager should construct portfolios that permit immediate liquidity. Additionally, leverage should be avoided within any Individually Managed Fund. To allow for grantmaking and payment of administrative fees, each Individually Managed Fund should have cash or cash equivalents of approximately 5% of its total assets as of the beginning of each calendar year. If the Community Foundation anticipates greater liquidity needs because of expanded grantmaking activity, the Community Foundation shall notify the investment manager so that a larger allocation of cash may be maintained. Cash raised at the beginning of the year for grantmaking and expenses shall be maintained by the Foundation rather than the investment manager.

An investment manager of an Individually Managed Fund should notify the Foundation staff immediately of any exceptions to this Investment Policy Statement with a recommended plan of action. Other reports or information may be requested by the Foundation staff.

## Performance

The Community Foundation will evaluate short, intermediate and long-term performance of the investment manager of an Individually Managed Fund. Performance will be compared to the performance of the Community Foundation's Investment Pools, other investment managers of Individually Managed Funds and applicable benchmarks or indices.

**Short-Term Performance** (less than 3 years) – The Community Foundation's evaluation of short-term performance should ensure that the stated philosophy and style of the investment manager is consistent or reasonable given shifts in market conditions and/or personnel or leadership changes at the investment manager.

**Intermediate-Term Performance** (3-5 years) – The Community Foundation's evaluation of intermediate-term performance should ensure that the stated philosophy and style of the investment manager is consistent or reasonable given shifts in market conditions and/or personnel or leadership changes with the investment manager. Additionally, the investment manager should demonstrate that it can meet or exceed the policy benchmarks established once the account for the Individually Managed Fund has been open for at least three years.

**Long-Term Performance** (5-10 years) – The Community Foundation's evaluation of long-term performance should ensure that the stated philosophy and style of the manager is consistent or reasonable given shifts in market conditions and/or personnel or leadership changes with the investment manager. Additionally, the investment manager should demonstrate that it can meet or exceed the policy benchmarks established once the account for the Individually Managed Fund has been open for at least five years. Termination of the investment manager should be considered in the event of significant underperformance.