



INVESTMENT POLICY

1. **Background and History of the Foundation:** The Renton Community Foundation (the “Foundation”) is a not-for-profit 501(c)(3) corporation. It evolved from the Renton Chamber Foundation and is responsible for managing funds, including endowment, restricted and unrestricted accounts, entrusted to it in order to enhance the quality of life in the Renton community.
2. **Investment Philosophy:**
 - 2.1 The primary investment goal is to:
 - a. Preserve the real (inflation-adjusted) purchasing power of the assets and income of the Foundation’s portfolio;
 - b. Preserve and protect the Foundation’s assets by earning a total return that will allow the Foundation to focus and respond to current and future needs;
 - c. To optimize investment opportunities for all the money received, whether funds are to be expended within a day or endowed in perpetuity.
 - 2.2 This statement of Investment Objectives and Policy Guideline is set forth in order that the Foundation and its investment manager have a clear and mutual understanding of the investment objectives and policies for this account in order to ensure that the account is managed in accordance with the Foundation’s goals, and to minimize concerns caused by changing economic and market conditions. The investment manager is given guidance and limitations on investing this account; and the Foundation has a meaningful basis for evaluating the investment manager.
 - 2.3 These Investment Objective and Policy Guidelines are intended to represent the Foundation’s current intent for the management of this account. This policy will be reviewed periodically to ensure that it continues to reflect the Foundation’s attitudes, expectations and objectives. This policy is intended to provide the investment manager with meaningful guidance, but still be flexible enough to be practicable.

- 2.4 The Investment Committee oversees investments. Committee membership will include Board members. The committee is responsible for recommending investment policy and strategy, recommending the hiring of outside professional managers and monitoring investment performance against industry benchmarks.
3. Objectives: The assets are to be invested in a manner consistent with an objective of “Balanced” in order to accomplish these priorities ranked in order of importance:
- 3.1 Capital appreciation due to a relatively long (3-5 year) time horizon;
- 3.2 Growth of principal; maintenance of purchasing power;
- 3.3 Generation of current income;
- 3.4 Diversification / stability of principal.
4. Asset Allocation / Asset Mix:
- 4.1 Allocation Range:
- | | |
|--------------|--------|
| Equity | 55-75% |
| Fixed Income | 25-45% |
| Real Assets | 0-15% |
| Money market | 0-10% |
- 4.2 Equity Mix:
- | | |
|----------------|--------|
| US Large Cap | 20-35% |
| Other equities | 25-40% |
| Hedged | 0-10 |
- 4.3 Fixed Income Mix
- | | |
|-----------------------|--------|
| US Investment Grade | 10-30% |
| Foreign Invest. Grade | 5-15% |
| High Yield | 0-10% |
| Hedged | 0-10% |
- 4.4 Real Assets
- | | |
|-------------|-------|
| Real Estate | 0-10% |
| Commodities | 0-5% |
5. Allowable Investments:
- 5.1 Equity (individual securities, mutual funds, and ETFs)
- US Common stocks
 - Foreign stocks (both ADRs and local shares)

- Preferred stocks
- Hedged strategies (mutual funds only)

5.2 Fixed Income (individual securities, mutual funds, and ETFs)

- US Treasuries, agencies, and corporate bonds
- Foreign sovereign and corporate bonds
- Hedged strategies (mutual funds only)

5.3 Real Assets (mutual funds, and ETFs)

- Real estate investment trusts
- Commodities indexes

5.4 Cash Equivalents (individual securities, mutual funds, and ETFs)

- Money market funds
- Certificates of deposit
- US Treasury Bills

6. Constraints:

6.1 Liquidity: The Foundation should provide the investment manager with periodic updates on anticipated cash requirements. The portfolio will be invested in alignment with these forecasts, but will typically hold 2% in money market funds for periodic value withdrawals and fees. In many cases, the Foundation or the investment manager may feel that it is appropriate to “average” into the market over a period of up to six months. In these instances, cash balances may exceed the targeted cash level for up to six months.

6.2 Legal: Assets managed by the investment manager are governed by the fiduciary standards of applicable state and federal legislation.

6.3 Taxes: The investment manager will operate subject to the terms of this document and will do nothing to jeopardize the tax-exempt status of the Foundation.

6.4 Prohibited Investments:

- Collateralized mortgage obligations, limited partnerships, and venture capital investments.
- Futures, options; margin activity, short selling, direct commodity investments, foreign currencies – unless within a mutual fund as part of a hedged strategy.

7. Performance Goals:

7.1 The investment manager will report in writing each quarter and the Investment Committee will review compliance with the portfolio

composition, restrictions and performance goals. Performance will be reported to the Board of Directors at least annually.

- 7.2 The investment manager intends to meet with the Foundation at least annually to review their account and this Statement of Investment Policy. The investment manager will be evaluated based on consistency of approach, investment results in context with the account's goals, objectives and policies, and comparative performance figures.
- 7.3 Benchmark: The investment manager will report portfolio performance results alongside the following benchmark. Discussion of performance should include sources of over/under performance relative to the benchmark.
- 25% Russell 1000
 - 25% MSCI ACWI x-US
 - 15% Russell 2000
 - 35% Barclays Aggregate
8. Communication and Reporting: The investment manager will be expected to keep the Foundation informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation and other matters affecting its investment policies or philosophy. The Foundation also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the firm. Whenever the investment manager believes that any particular guideline should be altered or deleted, it will be the investment manager's responsibility to initiate written communication with the Foundation expressing its views and recommendations.

Adopted: August 27, 2013