

INVESTMENT POLICY STATEMENT

The Mankato Area Foundation ("MAF") is a community foundation whose purpose is to improve the livability in Greater Mankato through philanthropy.

This Investment Policy Statement ("IPS") reflects the investment objectives and constraints for MAF. It is to be used in the management of all investable funds of MAF. This IPS is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

INVESTMENT COMMITTEE

The MAF Board of Directors ("Board") has delegated to the Investment Committee ("Committee") the responsibility for the administration and supervision of the MAF investments within the purposes and limitations established by the Board. The Committee will annually review this IPS and the allocation of investments. Any changes to this IPS or the asset allocation parameters will be documented in the minutes and approved by the Board. The Board has the right to revise, rescind, or overrule any action of the Committee at the Board's discretion; any such changes are to be promptly communicated to the investment advisor and manager(s).

INVESTMENT OBJECTIVES AND RISK TOLERANCE

The Committee has established three portfolios determined by the investment time horizon for each portfolio.

Short Term Portfolio – the funds should be invested with an investment time horizon of less than one year. There should be sufficient liquidity so the funds may be used by MAF within a 12-month timeframe. The primary objectives of this portfolio are preservation of capital and liquidity. The risk tolerance for this portfolio is conservative.

Mid Term Portfolio – the funds should be invested with an investment time horizon of one year but less than three years. The primary objective of this portfolio is stability of principal, with a secondary objective of income. Investment maturities of funds shall be scheduled to coincide with projected cash flow needs as determined annually by the Committee. The risk tolerance for this portfolio is conservative to moderate.

Long Term Portfolio – the funds should be invested with a minimum investment time horizon of three years. The primary objective of this portfolio is prudent growth of principal with acceptable risk, and a secondary objective is rate of return. This portfolio should strive to achieve an average annual rate of total return of 4% over inflation (CPI-U adjusted), net of investment management fees paid. These objectives are to be measured over 1, 3, and 5-year time frames. The risk tolerance for this portfolio is moderate to aggressive.

The Committee recognizes the uncertainties and complexities of contemporary financial markets. The Committee also recognizes that risk must be assumed to achieve the investment objectives.

I. Investment Management Guidelines

The investment advisor and manager(s) will operate within the framework of this IPS and/or Advisory Agreement. The investment advisor will have full discretion over all investment decisions and shall comply with all fiduciary, prudence, and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules, and regulations. Decisions on individual investments will be evaluated not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably aligned with this IPS.

Any exceptions to this Policy must be reported by the investment advisor to the Committee along with a recommended course of action which is subject to the review and approval of the Committee.

II. Risk Management Guidelines

- A. **Asset Allocation:** Asset allocation, investment guidelines, and specific restrictions are specified in Appendix A. Over time, Appendix A may be adjusted to reflect both the changing needs of MAF and the long-term trends in the investment markets.
- B. **Investments:** Investments purchased must comply with the guidelines listed in Appendix A at the time of purchase. Any investment not specified in Appendix A must receive approval from the Committee prior to purchasing.

It is the intention of this IPS to restrict investment activities and strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives described in this IPS. Leveraged risk and high-risk transactions are specifically prohibited.

III. Investment Partner Program Guidelines

- A. **Asset Allocation:** Asset allocation and investment strategy for investment partner program advisor(s) will be adjusted to reflect the planned giving of the donor. Based on discussions and input from the donor, the advisor(s) will be instructed on the dollars required for the time horizons outlined in "Investment Objectives and Risk Tolerance" section of this IPS.
- B. **Investments:** Investments purchased by investment partner advisor(s) must restrict investment activities and strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of the donor's planned giving.

IV. Review

- A. **Investment Reporting and Performance:** Investment reports will be provided by all investment advisors to the Committee at least quarterly and will be reviewed by the Committee at least annually. The portfolios' performance will be evaluated over a suitably long-term investment horizon, generally across full market cycles on a rolling three to five-year basis. The portfolios' performance will be evaluated versus the benchmarks identified in Appendix A.

B. **Investment Policy Statement Review:** The IPS will be reviewed by the Committee at least annually to determine the continued feasibility of the IPS in achieving the investment objectives of the portfolios as set forth by the Committee, as well as to consider revisions of the IPS that may be desirable to the MAF. Any changes to the IPS will be documented in the form of an amendment and approved by the Board.

Approved: October 28, 2020.

Mankato Area Foundation:

Signature

Printed Name

Title

| | |
|-------------------|---|
| Original Policy | 7-26-2011 |
| Revised/Approved: | 11-28-2012 |
| | (long-term portfolio moved to CommunityGiving) |
| Revised/Approved: | 5-11-2016 |
| Revised/Approved: | 10-25-2017 |
| | (long-term portfolio moved to BTC Capital Mgmt) |
| Revised/Approved: | 10-24-2018 |
| Revised/Approved: | 10-28-2020 |

Mankato Area Foundation

Investment Policy Statement - Long Term Portfolio APPENDIX A

| Asset Type | Allocation Ranges | Static Benchmark |
|--|-------------------|-------------------------------------|
| Liquidity: | | |
| Cash & Cash Equivalents | 0 - 10% | BofAML 3-Month US T-Bill Index |
| Fixed Income: | | |
| Investment Grade | 15 - 35% | Barclays Gov/Credit Index |
| High Yield Below Investment Grade | 0 - 10% | Barclays High Yield 2% Capped Index |
| Equity: | | |
| Domestic Equities | | |
| Large/Mid Cap | 40 - 60% | Russell 1000 Index |
| Small Cap | 0 - 10% | Russell 2000 Index |
| International Equities | 0 - 25% | MSCI All Country W ex US Index |
| Alternative Investment Strategies + | 0 - 20% | As appropriate |

Additional Guidelines at Time of Purchase:

| | | At Time of Purchase: |
|---|------------------------|-------------------------------|
| Individual Equity Holding Exposure Maximum | < 5% total assets | Size Restriction |
| Certificates of Deposit Exposure Maximum | < FDIC Insurance Limit | Size Restriction |
| Fixed Income Portfolio Duration* | +/- 20% of Index | Barclays Aggregate Bond Index |
| Maximum Maturity per Bond Issue* | 30 years | Maturity Restriction |
| Minimum Average Portfolio Quality Rating* # | A | Quality Restriction |
| Individual Bond Purchase* | Investment Grade | Quality Restriction |
| Maximum Exposure to Any One Industry** | 15% total assets | Size Restriction |
| Dollar Denominated Investments* | 100% | Currency Restriction |

* Excludes Mutual Funds and ETF

** Excludes Full Faith and Credit US Government Guaranteed and Mutual Funds

Based on industry standards of the lowest rating, or highest two of three ratings from the National Rating Services

+ Alternative Investments as an Asset Type are extremely varied, and because of this, a single generally applicable benchmark is neither available nor appropriate. Therefore, the benchmark used for any holding categorized as an "Alternative Investment" will be as determined by Morningstar for the particular investment used.

Allowable Investment Vehicles Cash & Cash Equivalents:

Money Market Funds

Commercial Paper, Banker's Acceptance, Repurchase Agreements & FDIC Insured Certificates of Deposit

Individual Fixed Income Securities:

U.S. Government and Agency Securities Corporate Notes and Bonds

Mortgage-Backed (MBS, CMO, and CMBS) and Asset-Backed (ABS) Securities Municipal Bonds

Preferred Stocks

Convertible Notes and Bonds

Fixed Income Securities of Foreign Governments and Corporations

Individual Equities:

Common Stocks

Real Estate Investment Trusts American Depository Receipts

(ADR)

Mutual Funds and Exchange Traded Funds

Other Investment Guidelines

Unless expressly authorized by the Committee, the investment manager(s) are prohibited from:

1. Pledging, hypothecating, shorting or margining securities
2. Direct investment in commodities, futures, and options contracts
3. Private placements, venture capital, and all non-marketable securities are restricted
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss