



## INVESTMENT POLICY

Managed Funds  
Policy Statement

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### I. Investment Objectives

The investment objectives of The Parasol Tahoe Community Foundation (“Foundation”) with respect to assets of **Managed Funds** (“Funds”) are to manage them in a manner that will achieve a high total return consistent with their investment horizon profile and preserve capital and purchasing power over time.

### II. Roles and Responsibilities

The Foundation’s Board of Directors (“Board”) delegates the responsibility for all investment functions of the Foundation (i.e. establishing and reviewing investment policies and strategies, hiring investment managers, selecting and monitoring asset allocation, choosing investment options, establishing performance benchmarks and monitoring performance) to the Investment Committee (“Committee”). The Committee has the ability to hire investment consultants to aid in the selection and review of managers and in performance measurement. The Committee receives approval from the Foundation’s Board for its activities and actions on a regular basis. The Foundation’s financial staff assists the Committee by implementing investment policy and preparing asset allocation and performance reports. The financial staff also prepares and distributes reports of fund activity to Donors and Agencies quarterly.

### III. Spending Policy

The Board determines, in accordance with UPMIFA as adopted by the State of Nevada, the spending policy for all endowment funds. This distribution calculation is identified in each fund agreement. For agency endowment funds, special consideration will be given to donor gift agreements and agency needs.

### IV. Fund Investment Horizon Decisions

Donors and Agencies, in consultation with the Foundation’s financial staff, other senior personnel and members of the Committee, will select the appropriate investment horizon; i.e. Less Than One Year, Short Term (1-3 years), Intermediate (3-5 years) and Long Term (7+ years) for their funds; factoring into this decision such matters as anticipated payouts, investment risk tolerances, etc. The appropriateness of the investment horizon will be re-evaluated at least every two years. The investment horizon choice of each fund will be identified in their individual Fund Agreements.

## V. Asset Allocation, Diversification, Market Timing and Investment Vehicle Selection Decisions

Deliberate management of the asset mix among classes of investments is both an essential and appropriate activity. In the allocation of assets, investment diversification across asset classes that are not similarly affected by economic, political or social developments is a desirable strategy to reduce the volatility of overall returns. The general policy of the Committee shall be to diversify investments globally across equity and fixed income markets and across alternative investment strategies to provide a balance that will enhance the level and consistency of expected total return. Diversification is intended to reduce loss exposure to individual investments and strategies.

In making asset allocation judgments, the Committee is not expected to “time” changes in the financial markets or to make frequent or minor adjustments. Instead, the Committee is expected to develop and adopt asset allocation targets on a long-term basis, with consideration given to current and projected investment environments. Further, the Committee is responsible for creating target investment mixes for each category of investment horizon; i.e. Less Than One Year, Short Term (1-3 years), Intermediate (3-5 years) and Long Term (7+ years). See Exhibit A, Investment Portfolio Allocations for Managed Funds, for the specific asset allocation targets for each investment horizon.

The Committee is responsible for selecting investment vehicles (investment funds/managers) consistent with the asset allocation mix for each investment horizon.

The asset allocation targets for each investment horizon, plus our use of multiple funds or managers for each asset class, mitigates concentration risk. The exposure to any one security is intended to be under 3% of assets in any investment horizon.

## VI. Rebalancing Asset Allocation

Fund additions and withdrawals, as well as fluctuations in market levels, can cause changes in asset allocation for investment horizon portfolios. Therefore, the Committee will monitor the asset allocation at least quarterly and direct its rebalancing when allocations vary from their target by +/- 15%. Thus, for an allocation target of 10%, the desired range is 8.5% to 11.5%. This flexibility is intended to reduce transaction costs while capturing the benefits of the overall allocation strategy. The Foundation’s senior financial staff has the authority to execute rebalancing actions when allocations vary from their guideline by +/- 15%, and such actions will be reviewed by the Committee at its next meeting.

VII. Performance Benchmarks, Monitoring Periods and “Watch List”

The Committee will assign a performance benchmark appropriate to each investment vehicle. At least monthly, the Committee will compare performance to these benchmarks. Since ordinary market fluctuations can affect returns from various investment options differently for short time periods, the Committee generally intends to use a five (5) year moving period when evaluating investment performance of individual managers and funds. The Committee reserves the right to evaluate and make any necessary changes regarding the investment manager[s] over a shorter term using criteria established in section XII, “Evaluation of Investment Managers.” With a majority vote by the Committee, investment options may be placed on a “Watch List;” and investment vehicles that under-perform their benchmarks for a six-month period will be put on the “Watch List” for more intense scrutiny by the Committee. Once placed on the “Watch List,” no additional monies will be added to the fund. With a majority vote by the Committee, an investment option may be removed from the “Watch List.”

VIII. Overall Performance Objectives for Time Horizon Funds

1. Based upon the investment allocations for each time horizon, the total return after fees is expected to exceed the annual growth of the Consumer Price Index, plus a margin based on the time horizon of the fund. Specific objectives for each horizon are as follows:

Total Return Objectives	Managed Funds
<1 year	CPI +0%
Short Term (1-3yr)	CPI +1%
Intermediate (3-5yr)	CPI +2%
Long Term (>7yr)	CPI +3%

2. Based upon the investment allocations for each time horizon, the total return after fees for each horizon fund is expected to exceed a target benchmark index identified in Exhibit A.

IX. Performance Objectives for Equity Managers-Domestic and International

1. The total return after fees for each actively managed equity fund is expected to exceed the relevant performance benchmark: Domestic Large Cap - Russell 1000 Index; Domestic Small Cap – Russell 2000 Index; Core International - MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index. The total return after fees of passively managed equity funds is expected to match or exceed their benchmark.

2. The risk-adjusted performance (alpha) for each active equity manager is expected to be positive. The risk-adjusted performance (alpha) for each passive manager is expected to approximate 0%.

#### X. Performance Objectives for Fixed Income Managers

1. The total return after fees for each active fixed income manager is expected to exceed the Barclay's Aggregate Bond Index. The total return after fees of passively managed funds is expected to match or exceed the Barclay's Aggregate Bond Market Index.
2. Each active bond manager is expected to maintain portfolio duration within +/- 33% that of the Barclay's Aggregate Bond Index.

#### XI. Performance Objectives for Alternative Investment Fund Managers

Each alternative fund manager will be assigned an appropriate benchmark index for purposes of evaluating their returns. Examples include; HFRI Equity Hedge Index and HFRI Event Driving Index.

#### XII. Evaluation of Investment Managers

Investment managers will also be reviewed on an ongoing basis using the following criteria:

1. Adherence to the investment philosophy, style and process that were articulated to the Committee at the time the investment manager was retained.
2. Continuity of ownership, key personnel and practices at the firm.
3. Reasonableness and competitiveness of fees.

Material changes in any of the areas above will cause the manager/fund to be placed on the Watch List, and may trigger their termination. If these changes are deemed by the Committee to be unlikely to adversely impact future performance, the manager/fund will be removed from the Watch List.

#### XIII. Policies for Funds with Special Investment Needs

In cases where the Investment Horizon approach is inappropriate to the donor's/agency's investment needs, the Committee will work with the fund-holder to develop an investment allocation to suit their needs using the managers within the current portfolio of investments. The allocation will address issues such as tolerances for market value fluctuations, anticipated inflows/payouts, return expectations, and so forth. The allocation will be documented in writing and acknowledged by the fund-holder. These allocations will be reviewed periodically with the fund-holder and amended as necessary to reflect changing circumstances.

XIV. The Board recognizes that, under some circumstances, the Foundation may wish to utilize newer, more complex, or different investment strategies. Therefore, the Board is authorized to approve investment strategies not outlined in section V.

EXHIBIT A



Investment Portfolio Allocations  
for Managed Funds

	Benchmark	Less than 1 year	Short Term (1-3 years)	Intermediate (3-5 years)	Long Term (7+ years)
<b>Cash</b>					
Money Market	Average Money Market	70%	15%		
<b>Equities - Domestic</b>					
Large Cap	Russell 1000		10%	25%	25%
Small Cap	Russell 2000			15%	15%
<b>Equities - International</b>					
Large Cap	MSCI EAFE		5%	12%	16%
Emerging Growth	MSCI Emerging Markets				4%
<b>Alternative Funds</b>					
Long/short	HFRI Equity Hedge Index			2.4%	6%
Multi Strategy	HFRI Event Driven			5.6%	14%
<b>Fixed Income</b>					
Short Term Bond	Barclays 1-5 Yr Govt/Credit	30%	47%		
Intermediate Bonds	Barclays U.S. Aggregate		23%	40%	20%