INVESTMENT PHILOSOPHY

The Community Foundation serves as the steward of endowment funds that are to serve the community forever. These funds must be managed with a long-term time horizon to preserve and enhance the value of the initial endowment gift while allowing for an annual distribution to serve current needs.

To accomplish this goal, the endowment pool is globally diversified, providing exposure to a wide range of asset classes. Such diversification allows the pool to benefit from the strong performance of individual asset classes while mitigating the negative impact of poor performance in any single asset class.

The pool will have the majority of its assets invested in equity, both public and private, with the remainder in fixed income and diversifying strategies, or hedge funds. The Community Foundation's approach to private equity and diversifying strategies is cautious. Investments tend to be made in funds of funds, and the asset allocation to these strategies is monitored closely to make sure that the portfolio maintains an appropriate level of liquidity. Hedge funds are included in the pool to reduce the impact of market volatility.

The pool includes a balance of passively managed and actively managed funds, with a preference for passively managed funds in asset classes where markets typically work with relative efficiency. Actively managed funds are included in instances where there are specific market conditions which suggest active management can deliver superior performance.

The Investment policy, which sets asset allocation guidelines and related ranges for the allocations, allows the Community Foundation to overweight investment in asset classes that show promise but are trading at relatively low values and liquidate assets trading at relatively high values. The pool is rebalanced regularly to assure the asset allocation is consistent with the guidelines established by the Investment Policy.

OVERSIGHT ROLE OF INVESTMENT COMMITTEE

The Investment Committee oversees the implementation of the Investment Philosophy and the Investment Policy. The long-term objective is to achieve total return in excess of the sum of the distribution rate, the long-term inflation rate, the aggregate costs of portfolio management, and any growth factor which the Committee may, from time to time, determine appropriate. The Committee does not attempt to "investment for the moment." It invests for the long-term.

The implication of this approach is that in those years when a particular asset class has outstanding performance, the composite pool's return may underperform that class. On the other hand, when one or more asset classes have particularly poor performance, the composite pool should outperform. While the pool is designed to deliver an annualized return sufficient to cover distribution, inflation, and fees over the long-term, which it has done since inception, it may not deliver that return in any given year or series of years, depending on overall market performance.

The Investment Committee is attentive to fees paid to investment managers. It has negotiated a favorable fee structure with its investment consultant and uses passively managed funds where possible, in part to keep fees low.

GREATER CEDAR RAPIDS COMMUNITY FOUNDATION