



ARIZONA
COMMUNITY
FOUNDATION

Externally Managed Funds Standards and Guidelines

Objective

This policy codifies the standards and guidelines for the management of investment advisors who manage charitable fund investments for ACF donors. Advisors will manage funds using agreed upon guidelines consistent with an appropriate risk/return profile that enhances the market value of the fund and achieves returns in excess of distributions, expenses and inflation. This policy is based on IRS requirements regarding the management of charitable funds.

Advisor Standards

Investment advisors agree to the following standards:

- 1) Be registered with appropriate regulatory agency with no material litigation pending or in process;
- 2) Disclose any real or perceived conflicts of interests that may exist;
- 3) Sign an Investment Management Agreement (IMA) between the advisor and ACF;
- 4) Confer with ACF's Chief Investment Officer (CIO) and document the asset allocation strategy and other factors regarding the management of the fund;
- 5) Inform ACF in a timely manner of all fund investment activities, returns, fees and compliance issues;
- 6) Consistent with IRS requirement, recognize ACF as the primary owner of the funds under management by the advisor.

Asset Allocation Guidelines

An appropriate risk/return investment profile will be selected for the management of the fund. As a result of discussions between ACF and the advisor, one the following asset allocation targets will be selected, documented and used as the guide for managing and reporting fund activities.

Approval from ACF’s CIO is required should an advisor wish to manage to a different asset allocation than those below, or employ alternative investments (i.e., non-equity or fixed income).

Capital Preservation Portfolio

	Target	Allowable Range
Money Market Fund(s)	100%	100%

Investment Objective: Seeks preservation of capital by investing in money market funds and fixed income instruments.

Balanced Portfolio

	Target	Allowable Range
Equity	50%	40% - 60%
Fixed Income	50%	40% - 60%

Investment Objective: Seeks capital appreciation in a balanced public equity and fixed income portfolio.

Growth Portfolio

	Target	Allowable Range
Equity	70%	60% - 80%
Fixed Income	30%	20% - 40%

Investment Objective: Preserve the purchasing power of assets by investing in a diversified pool of liquid public market securities targeting capital growth for long-term grant-making.

The advisor is responsible for rebalancing the portfolio in order to maintain portfolio asset allocation positioning within the allowable target ranges. In the event a rebalancing occurs due to the portfolio being outside of target ranges, the advisor will inform ACF’s CIO in the quarterly fund oversight report.

Oversight & Reporting

ACF's Investment Committee (IC) is the governing Board Committee that oversees the Externally Managed Funds Program with day-to-day oversight delegated to the CIO.

The CIO will perform the following primary oversight functions:

- 1) Ensure all investment documentation (IMA, asset allocation target guidelines, wiring instructions, contacts, etc.) is thorough, signed and maintained electronically;
- 2) Obtain on-line access from advisors for all funds managed on behalf of ACF;
- 3) Manage the communication regarding the completion of ACF's quarterly fund oversight report (Appendix A). Staff will conduct annual on-site due diligence visits and have periodic discussions with advisers to discuss financial markets, fund oversight reporting and other activities which further the relationship between the advisor and ACF to enhance service to the donor;
- 4) Based upon the quarterly reviews, the CIO will report to the IC and may recommend to the IC any actions, remedies or terminations necessitated by his findings.

Prohibited Investments

Use of the following asset classes and investment strategies are prohibited unless a written request is made by the advisor and approved by the CIO:

- Short sales, or any transaction on margin (borrowing)
- Venture capital or buyout private equity funds
- Non-negotiable securities or private placements
- Oil and gas limited partnerships
- Private Real estate limited partnerships
- Leveraged transactions
- ETI's (Economically Targeted Investments)
- An advisor's own stock or debt
- Annuities (fixed/variables, life settlements, etc.)
- Futures, Options or Derivative Instruments

Acknowledgement

Please indicate the asset allocation policy (Capital Preservation, Balanced, Growth, or Other*) to which you will be adhering in the management of the fund(s):

*If "Other" was listed above, the asset class targets and allowable ranges must be approved by the CIO. Please include the asset class targets and ranges that will be used in the management of the fund(s).

Please sign below to acknowledge receipt and acceptance of the Externally Managed Fund Program Policy for Investment Advisors.

Name of Fund(s) to be Managed

Advisory Firm

Advisory Firm Representative (Please Print Name)

Advisory Firm Representative Signature

Date