



## Externally Managed Funds Standards and Guidelines

### Objective

ACF may allow a donor's charitable fund assets to be managed by an external investment advisor at the request and recommendation of the donor. Investment advisors who manage charitable fund assets on behalf of ACF must adhere to the standards and guidelines outlined in this document. Each externally managed fund may have unique investment objectives depending on relevant factors specific to each fund.

### Advisor Standards

Investment advisors must agree to the following requirements:

1. Must be registered, and in good standing, with an appropriate regulatory agency (e.g., SEC, FDIC, OCC, or FINRA) depending on institution type;
2. Verify that the donor and advisor are not related parties;
3. Disclose any real or perceived conflicts of interests that may exist;
4. Sign an investment management agreement - or similar - between the advisor and ACF;
5. Confer with ACF to select and document an appropriate asset allocation strategy and other material factors regarding the management of the fund;
6. Inform ACF in a timely manner of all material investment activities, returns, fees and compliance issues; and
7. Consistent with IRS requirements, recognize ACF as the sole legal owner of all externally managed fund accounts. While the donor may express preferences to the advisor related to investment strategy, ACF retains full legal control and authority over the assets and all investment decisions.

### Investment Strategy and Asset Allocation

Investment advisors must take into account all relevant factors in determining an appropriate risk/return profile for each fund. These factors should include, at a minimum, the following:

- Charitable fund's type and purpose (e.g., donor-advised fund, endowment, etc.);
- Donor's risk tolerance;
- Expectations for future grantmaking/distributions from the fund;
- Expectations for additional gifts/contributions into the fund;
- General economic conditions;
- Possible effect of inflation or deflation;
- Role that each investment or course of action plays in the overall portfolio of the fund;
- Expected total return from income and investment appreciation.

Following discussions between ACF and the advisor, one of the following asset allocation models will be selected, documented and used as the guide for the management, oversight, and reporting of fund activities.

Approval from ACF is required should an advisor wish to manage to a custom investment strategy that does not fit within the guidelines of one of the models outlined below.

### 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 short-term cash equivalent 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 in the quarterly fund oversight report.

### Oversight & Reporting

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

The Investment Staff will ensure completion of the following primary oversight functions:

1. Review and approval of newly recommended external investment advisors;
2. New account opening process, ensuring all investment documentation is comprehensive, fully executed by all necessary parties, and maintained electronically;
3. Obtain on-line access from advisors for all funds managed on behalf of ACF;
4. Communicate periodically with external advisers to discuss financial markets, fund performance, portfolio positioning, and other material issues related to the externally managed funds;
5. Ensure completion, aggregation, and review of ACF's fund oversight report for all externally managed funds;
6. Annually, the Investment Staff will provide to the Investment Committee a report summarizing key factors including performance, asset allocation, and fees. The Staff will also highlight any material issues or concerns and recommend actions, remedies, or terminations, as necessary.

### **Prohibited Investments**

Use of the following investments is prohibited unless a written request is made by the advisor and approved by ACF:

- Any investment vehicle or security that cannot be fully redeemed or liquidated within 30 days;
- Short sales, or any transaction on margin (borrowing);
- Limited partnerships or other private investment vehicles;
- Non-negotiable securities or private placements;
- 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.