GREATER WORCESTER COMMUNITY FOUNDATION
Investment Policy

I. PURPOSE

The Greater Worcester Community Foundation ("the Foundation") is a public charity established in 1975 to attract and retain gifts for general community improvement in the Central Massachusetts region. It distributes grants and awards for charitable activities in keeping with the intentions of its donors and as determined by the Board of Directors. Gifts and assets are managed in a commingled investment structure. The Board of Directors, ever mindful of its stewardship, has caused this statement to be prepared as a policy framework for a disciplined process designed to increase assets with minimal risk.

II. SPENDING POLICY

The Foundation Board of Directors has adopted a total return spending policy for its permanent funds. This policy determines a fixed percentage of each Named Fund's total market value to be made available for charitable distribution in the form of grants and awards. The total market value includes: dividend and interest income, and realized and unrealized capital appreciation. The spending rate is determined annually and does not apply to non-permanent funds. [See Appendix A for description of current spending rate.]

When making spending policy decisions, the Foundation Board of Directors will consider several factors under the "prudence standard" as established in accordance with Uniform Prudent Management of Institutional Funds Act (UPMIFA), as outlined below:

a. The duration of the funds
b. The purpose of the institution and organizational mission
c. General economic conditions
d. Potential effect of inflation or deflation
e. The expected total return of the portfolio (i.e. total return should exceed the distribution rate to preserve generational equity)
f. Organizational resources
g. Investment Policy – alignment with the spending need

III. INVESTMENT OBJECTIVE

The Foundation's investment objective is designed to ensure both preservation and growth of principal and a dependable source of revenue for charitable distribution and expenses. The Foundation has selected a mix of asset classes based on the historical relationship between

asset mix and total return. The portfolio will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the UPMIFA and is expected to exceed an appropriate blended index rate of return by 1% overall.

IV. DIVERSIFICATION OF INVESTMENTS AND ASSET ALLOCATION

Financial markets and inflation rates are cyclical. The Foundation's structure is meant to minimize the impact of market volatility through diversified asset allocation and manager selection. The Foundation's investment committee identifies asset classes and hires managers. In an effort to maintain portfolio diversification, the Foundation, under normal circumstances, will limit exposure to any single actively managed fund to 10%. The committee has the ability to make exceptions for up to 15% for an individual actively managed fund exposure providing the fund's attributes support the exception. If an actively managed fund position is above 15%, the committee must review the fund and consider bringing the exposure back under 15%.

[See Appendix B for current asset allocation target ranges and index benchmarks.]

V. INVESTMENT CONSULTANT

The Foundation may retain the services of an independent investment consultant for the purpose of assisting the Investment Committee in developing and attaining its investment objectives. Such consultant shall not be compensated by any firm the Foundation invests with, and shall be free of any other conflicts of interest. The consultant may be expected to

- offer alternative models of asset allocation;
- identify appropriate managers or funds;
- produce timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the entire Fund against its objectives and against other appropriate indices;
- and provide guidance on revisions and modifications as appropriate.

The Investment Committee will conduct an evaluation of its investment consultant annually. This evaluation shall include a review of the services and skills provided by the consultant, as well as a determination as to how successfully the incumbent consultant has helped the investment committee meet these objectives.

VI. INVESTMENT MANAGEMENT

The Foundation appoints investment managers following a systematic search for those with demonstrated quality in the desired style. The Foundation may consider mutual funds or pooled funds to optimize access to quality managers or minimize management fees and transaction costs. Managers are given the discretion to manage funds in accordance with the style for which they are employed, provided they comply with the restrictions and limitations as may

from time to time be determined by the Investment Committee.

VII. EVALUATION OF MANAGERS

The Foundation will employ the criteria more specifically set forth in Appendix C in evaluating manager performance. [See Appendix C for specific evaluation criteria for each asset class.]

ALL MANAGERS are expected to maintain a portfolio for the Foundation that is consistent with the management style for which they were employed. If a change in style is planned, the manager is required to make advance written notification to the Foundation.

VIII. BALANCING

At least once each quarter, the Investment Committee reviews the actual asset mix against the target and determines whether re-balancing is necessary, using these guidelines:

- Changes in asset class segments or sub-segments will be made anytime the quarterly weighting is outside the established weight range as defined by the asset allocation policy.

- Changes in the allocation may be considered anytime a segment weighting varies by 5% from the policy.

In the case of major market movements resulting in variations described under the above two guidelines, re-balancing may be made by the Treasurer and Executive Director prior to the next meeting of the Investment Committee.

IX. VARIANCE

The Foundation may at any time change its investment objectives or asset allocation, which may require that funds be transferred between asset classes, to new asset classes, or among styles within asset classes. These changes may result in increases, decreases or elimination of funds under management by a specific manager.

X. PERFORMANCE MEASUREMENT

When measuring performance of its investment managers against policy objectives, the Foundation will use performance net of management fees and transaction costs. Likewise, when calculating returns for quarterly reports to the Foundation, returns will be stated net of investment fees.

XI. COMMUNICATION AND REPORTING BY INVESTMENT MANAGERS

Investment managers are expected to communicate with the Foundation through its Investment Consultant, Investment Committee and Executive Director, in all significant matters pertaining to investment policy and management of Foundation assets. These matters may include major changes in the manager's investment outlook, strategy or portfolio structure; and any significant changes in ownership, organizational structure, financial condition or senior personnel staffing of the investment manager's organization.

Investment managers shall supply regular reports of quarterly transactions, evaluation and performance, in a format as may be requested by the Board of Directors. Reports are to include market valuations, industry segmentations, transaction registers, cash statements, and other necessary information. The report shall show inventories at cost, purchase date, market value and share or unit values at cost and market values.

At reasonable times and at the discretion of the Investment Committee, meetings may be held with each manager to discuss performance results, economic outlook, organizational changes and other pertinent matters. All documents, exhibits and other written material to be used during such conferences shall be submitted by the investment manager at least five business days prior to the conference.

XII. CONFLICT OF INTEREST

It is the policy of the Board of Directors to avoid conflicts of interest in its operations, including the selection of investment managers or funds. Each member of the Board of Directors, Investment Committee, and administration shall disclose the nature of any relationship with any manager of any fund under consideration.

No member of the Board of Directors, Investment Committee or administration shall have a material financial relationship in any management firm or any fund under consideration.

No independent investment consultant retained by the Foundation shall be a party to any transaction or have a financial or other interest in any investment manager providing services to the Foundation or any fund in which the Foundation has an investment.

XIII. IMPLEMENTATION OF THIS STATEMENT

All investment managers receiving funds from the Foundation shall conform to the policies stated herein. To the extent that the Foundation’s assets are not managed in accordance with this Statement, the investment manager shall conform in all respects within 60 days of receiving this Statement.

Update as of November 2022

APPENDIX A

The Foundation's current spending rate for permanent endowment funds is 4.0% of market value, averaged over twenty preceding quarters ending September 30. Contributions received after September 30 are normally not included in the calculation for the next fiscal year, although exceptions are made for significant gifts.

Spending policy effective March 12, 1991

Spending rate effective February 2017

Update as of November 2022

APPENDIX B

The approved asset allocation with target ranges and index benchmarks are as follows:

	Allocation Target (Range)	Benchmark
Total Equity	**60% (55-65)**	**MSCI AC World**
Private Equity	**5% (0-10)**	**All Private Equity Index**
Total Flexible Capital	**20% (15-25)**	**HFRI FOF Diversified**
Total Fixed Income	**10% (5-15)**	**Composite Benchmark**
Total Real Estate	**5% (0-10)**	**Composite Benchmark**
Cash Equivalents	**0% (0-10)**	**3-Month T-Bill**

Update as of November 2022

APPENDIX C

Evaluation of Managers

EQUITY MANAGERS

are expected to achieve an annualized rate of return over a three- to five-year period which exceeds an appropriate market index rate of return by 1.0%, compounded annually, net of costs and fees.

FLEXIBLE CAPITAL MANAGERS

are expected to achieve an annualized rate of return over a three- to five-year period which exceeds an appropriate market index rate of return, compounded annually, net of costs and fees, while also lowering annualized standard deviation.

FIXED INCOME MANAGERS

are expected to exceed appropriate market indices by 0.50%, compounded annually, net of costs and fees.

REAL ESTATE MANAGERS

are expected to achieve an annualized rate of return over a three- to five-year period equal to inflation plus Foundation spending rate, compounded annually, net of costs and fees, while also lowering annualized standard deviation.

Effective February 2017