Non-Endowed Investment & Spending Policy v 12.14.22
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HOMER FOUNDATION
NON-ENDOWED FUNDS INVESTMENT AND SPENDING POLICY #20-01 v.12.14.22

I. Introduction

The investment policy of the Homer Foundation (HF) Non-Endowment Funds, outlined below, is designed to ensure effective management of the Foundation's assets to serve the current needs and long-term best interests of the southern Kenai Peninsula. The Homer Foundation assets are a collection of individual donations from private citizens and other organizations. The investment policy is primarily designed to provide additional annual income for the support of local charitable needs. This investment policy was developed with the long-term interests of the community in mind, adheres to accepted investment principles, and reflects the mission of the Homer Foundation.

II. Role of the Finance Committee

The Finance Committee (the "Committee") is acting in a fiduciary capacity with respect to the Portfolio and is accountable to the Board of Trustees to the Foundation for overseeing the investment of all assets owned by or held in trust for, the Portfolio.

A. This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.
B. The investment policies for the Fund contained herein have been formulated consistent with the Institution's anticipated financial needs and in consideration of the Institution's tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
C. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio's investments are managed consistently with the short-term and long-term financial goals of the Fund. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and the financial circumstances of the Institution.
D. The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as is practical.

III. Investment objective and spending policy

A. The Fund is to be invested to preserve the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Institution.

B. The Fund shall make use of a total-return-based policy, meaning that fund balances will increase or decrease at least quarterly based on overall Non-Endowed Portfolio performance for that time period. The entirety of the fund balance is available for distribution with Board approval.

C. Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy at Section IV. A. herein.

IV. Portfolio investment policies

A. Asset allocation policy

1. The Committee recognizes that the strategic allocation of Portfolio assets across the broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio assets value stability.
2. The Committee expects that actual returns and returns volatility may vary from expectations and return objectives across short periods. While the Committee wishes to retain flexibility concerning making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.
3. Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Fund equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed-income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.
4. Where applicable without excessive risk or cost, the Fund will use investments screened for certain environmental, social, and governance factors determined by the Committee.
5. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed-income asset classes.
6. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset classes by the following guidelines:

	Lower Limit	Strategic Allocation	Upper Limit
Asset Class			
Total Stocks	40	50	60
U.S. Stocks	-	30	-
International Stocks	-	20	-
Total Bonds	-	50	-
Total Reserves	-	0%	-
Reserves	-	0%	-

B. Diversification policy

1. Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:
    a) With the exception of fixed-income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total portfolio assets.
    b) With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
    c) Concerning fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

C. Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be rebalanced to its target normal asset allocation under the following procedures:

1. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.
2. The investment manager will review the Portfolio semiannually to determine the deviation from target weightings. During each semiannual review, the following parameters will be applied:

        a) If any asset class (equity or fixed income) within the Portfolio is +/–5 percentage points from its target weighting, the Portfolio will be rebalanced.
    3. The investment manager may provide a rebalancing recommendation at any time.
    4. The investment manager shall act within a reasonable period to evaluate deviation from these ranges.

D. Other investment policies

Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their Portfolio.

V. Monitoring portfolio investments and performance

The Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. At a frequency to be decided by the Committee, it will formally assess the Portfolio and the performance of its underlying investments as follows:

A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:
    1. The Portfolio's absolute long-term real return objective.
    2. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines.
        a. U.S. Equity: CRSP US Total Market Index or a similar broad domestic equity index
        b. Non-U.S. Equity: FTSE Global All Cap ex US Index or a similar broad international equity index
        c. Investment Grade Fixed Income: Barclays Capital US Aggregate Float Adjusted Index
        d. International Fixed Income: Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index Hedged
        e. Real Estate Investment Trusts: MSCI US REIT Index
        f. Cash: Citigroup 3-Month T-Bill Index

B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:
    1. A market-based index appropriately selected or tailored to the manager's agreed-upon investment objective and the normal investment characteristics of the manager's portfolio.
    2. The performance of other investment managers having similar investment objectives.

C. In keeping with the Portfolio's overall long-term financial objective, the Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

D. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Committee. Each investment manager is expected to be available to review portfolio structure, strategy, and investment performance annually with Investment Committee.

VI. Description of Foundation Assets

A. Endowed Assets- These assets are encumbered. The assets are intended to support the organization's mission in perpetuity. As such, the investment horizon is long (>10 years) and liquidity requirements are limited.
B. Non-Endowed Assets- These assets may not be perpetual in nature, with no set limit on the amount and timing of the distributions. The unpredictable nature of the liquidity requirements suggests that these funds shall be invested with a lower risk profile.
C. Restricted/Project Funds- These assets are short-term in nature (< 2-year duration) and are generally for projects and/or grants that have already been committed to. These funds should be invested as Cash Equivalents.