



## **Investment Policy Statement**

### **I. GENERAL INFORMATION**

#### Our Organization

Alaska Conservation Foundation (ACF) is a public foundation solely dedicated to protecting Alaska's natural environment and the diverse cultures and ways of life it sustains. Since 1980, ACF has performed a vital role in preserving some of the last truly intact, wild and healthy ecosystems in our nation by providing strategic and financial support to our nonprofit partners including conservation leaders, organizations, and initiatives who are working toward our shared goals. Through our grant-making, we encourage broad-based support for and innovative solutions to Alaska's most pressing conservation issues in pursuit of a healthy environment, healthy communities and sustainable economies. The Alaska Conservation Foundation envisions an inspiring Alaska that is naturally thriving, biologically and culturally diverse, rich in wildlands, bountiful in terrestrial and marine life, sustainable in its economic development and thoughtfully protected—forever.

#### Scope of This Investment Policy

This Statement of Investment Policy reflects the investment policy, objectives, and constraints of the Alaska Conservation Foundation.

#### Statement of Purpose

This Statement of Investment Policy is set forth by the Board of Trustees of the Alaska Conservation Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Alaska Conservation Foundation assets.
3. Offer guidance and limitations to all Investment Consultants and Investment Managers regarding the investment of Alaska Conservation Foundation assets.
4. Establish a basis for evaluating investment results.
5. Manage Alaska Conservation Foundation assets according to prudent standards as established in common trust law including the Universal Prudent Management of Institutional Funds Act (UPMIFA).
6. Establish the relevant investment horizon for which Alaska Conservation Foundation assets will be managed.
7. Establish the decision process and factors for appropriating funds from endowed assets for making grants. This decision process applies only to assets that are endowed in perpetuity.

In general, the purpose of this Statement of Investment Policy is to outline a philosophy and attitude which will guide the investment management of Alaska Conservation Foundation assets. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## **II. DEFINITIONS**

1. "Foundation" shall mean the Alaska Conservation Foundation.
2. "Finance and Investment Committee" shall refer to the committee established, in part, to direct and monitor the investment of Foundation assets in accordance with this Statement of Investment Policy, as specified by applicable resolution or other action by the Board of Trustees of the Foundation.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over Foundation management or any authority or control over management, disposition or administration of Foundation assets.
4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of Foundation assets.
5. "Investment Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring with respect to investment of all or part of Foundation assets.
6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this Statement of Investment Policy.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the Foundation is infinite.

## **III. DELEGATION OF AUTHORITY**

The Finance and Investment Committee of the Alaska Conservation Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of Foundation assets. As such, the Finance and Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Consultant. An Investment Consultant may be employed to assist the Finance and Investment Committee in: establishing investment policy, objectives, and guidelines; selecting Investment Managers; reviewing such Investment Managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The Investment Manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's investment objectives.

3. Custodian. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts.
4. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Finance and Investment Committee to assist in meeting its responsibilities and obligations to administer Foundation assets prudently. The expense of obtaining any such assistance must be approved by the Executive Committee of the Foundation if that expense was not an approved budget item.

#### **IV. ASSIGNMENT OF RESPONSIBILITY**

##### Responsibilities of the Board of Directors in Managing and Investing the Corporation's Financial Assets

In managing the financial assets of the Foundation, the Board of Directors will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances. When making investment and management decisions, the Board shall consider the Foundation's purposes, as well as the purposes of the specific Funds.

In making decisions regarding management and investment of the Foundation's financial assets, the Board of Directors, as required by applicable law, shall consider the following factors, if relevant:

1. general economic conditions;
2. the possible effect of inflation or deflation;
3. the expected tax consequences, if any, of investment decisions or strategies;
4. the role that each investment or course of action plays within the overall investment portfolio of the specific Fund;
5. the expected total return from income and the appreciation of its investments;
6. other resources of the Foundation;
7. the needs of the Foundation and the specific Fund to make distributions and to preserve capital; and
8. an asset's special relationship or special value, if any, to the purposes of the Foundation.

The Board of Directors shall not make management and investment decisions regarding an individual asset in isolation but rather in the context of the specific Fund's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Fund and the Corporation. The Board shall make reasonable efforts to verify facts relevant to the

management and investment of the Funds and may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of the Corporation and the skills available to the Corporation.

Within a reasonable time after the Corporation's receipt of a gift of property or other financial assets, the Board shall make and carry out decisions regarding retaining or disposing of the property, or the rebalancing of the Fund or Funds applicable to such gift in order to ensure compliance with the purposes, terms, and distribution requirements of the Corporation (including the diversification requirements and other aspects of this policy) as necessary to meet other circumstances of the Corporation and the requirements of applicable law, subject to any restrictions imposed by the terms of the gift.

#### Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of an advisor to the Finance and Investment Committee of the Alaska Conservation Foundation. Investment advice concerning the investment management of Foundation assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Statement of Investment Policy. Specific responsibilities of the Investment Consultant include, but are not limited to:

1. Assisting in the development and periodic review of investment policy, including active asset allocation and portfolio optimization.
2. Conducting Investment Manager searches when requested by the Finance and Investment Committee.
3. Providing "due diligence," or research, on the Investment Manager(s).
4. Obtaining timely reports from the Investment Managers to determine compliance with investment objectives, staff changes, and portfolio performance.
5. Monitoring the performance of the Investment Manager(s) to provide the Finance and Investment Committee with the ability to determine the progress toward the investment objectives.
6. Communicating capital market performance, Investment Manager research, and Investment Manager performance to the Finance and Investment Committee.

#### Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include, but are not limited to:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Statement of Investment Policy.

2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Foundation's investment management.
4. Informing the Investment Consultant regarding any qualitative change to the Investment Manager's organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Finance and Investment Committee, on behalf of the Foundation, and communicating such voting records to the Investment Consultant on a timely basis.

#### **V. GENERAL INVESTMENT PRINCIPLES**

1. Investments shall be made solely in the interest of the Foundation and shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations.
2. Foundation assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of the assets of a foundation of like character and with like aims.
3. The investment of Foundation assets shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

#### **VI. INVESTMENT OBJECTIVES**

The Board of Directors feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that this Foundation is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at or above the rate of inflation over the Foundation's investment horizon.

#### **VII. INVESTMENT MANAGEMENT POLICY**

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance and Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

## **VIII. DEFINITION OF RISK**

The Finance and Investment Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing Alaska Conservation Foundation assets should understand how it defines risk so that the assets are managed in a manner consistent with the Foundation's objectives and investment strategy as designed in this Statement of Investment Policy. The Finance and Investment Committee defines risk as:

The probability of not meeting the Foundation's objectives.

## **IX. INVESTMENT GUIDELINES**

### Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance and Investment Committee will periodically provide the Investment Consultant with an estimate of expected net cash flow. The Finance and Investment Committee will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

### Allowable Assets

1. Cash Equivalents
  - Treasury Bills
  - Money Market Fund
  - Short Term Investment Fund (STIF Fund)
  - Commercial Paper
  - Banker's Acceptances
  - Repurchase Agreements
  - Certificates of Deposit
2. Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds

- Mortgage Backed Bonds
  - Preferred Stock
  - Fixed Income Securities of Foreign Governments and Corporations
  - Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs (tranche is a class of bonds in a CMO offering which share the same characteristics).
3. Equity Securities
    - Common Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non-U.S. Companies
    - Stocks of Non-U.S. Companies (Ordinary Shares)
  4. Mutual Funds
    - Mutual Funds that invest in securities as allowed in this statement.
  5. Other Assets
    - Guaranteed Income Contracts (GIC's)

#### Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. **The Investment Manager(s) may not invest Foundation assets in derivative securities unless specifically approved by the Finance and Investment Committee.**

#### Socially Responsible Investments

The endowment fund shall be screened to exclude any companies whose businesses cause substantial environmental damage (i.e. fossil fuels, mining, and timber). The portfolio should also exclude any companies whose primary business is to directly service these industries including providing equipment, transport and services. The fund shall also exclude investments in any owners and designers of nuclear facilities and the companies that service them.

The fund seeks to invest in companies that are achieving positive impact through their community activities, charitable giving, environmental responsibility, environmental problem-solving, commitment to diversity, family-friendly programs and policies, commitment to a lowering their carbon footprint, and innovative and inclusive employee benefits and programs.

#### Asset Allocation Guidelines

Investment management of the assets of the Alaska Conservation Foundation shall be in accordance with the following asset allocation guidelines:

1. Aggregate Foundation Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	40%	80%
Fixed Income including Cash and Equivalents	20%	60%

2. It is the policy for the Alaska Conservation Foundation Endowment to target an asset allocation of 60% equities/40% fixed income over the long term. The Investment Manager is given discretion to determine the most appropriate allocation given current market conditions within the above stated maximums and minimums.
3. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, they are expected bring the portfolio into compliance with these guidelines as promptly and prudently as possible. At a minimum, the fund should be rebalanced on an annual basis.

Diversification for Investment Managers

The Finance and Investment Committee does not believe it is necessary or desirable that securities held in the Foundation represent a cross section of the economy. However, it does believe it is necessary and desirable to maintain a prudent level of portfolio diversification. At the time of purchase, no more than 5% of the equity portion of the fund shall be invested in the securities of any one company. Investment in any particular sector as defined by the S&P 500 shall not exceed 10 percentage points above the sector weight in that index. No more than 10% of the total fixed income investments (including cash) shall be invested in any one non-government issuer. There is no limitation on investment in direct obligations of the US Treasury or US Government Agency debt.

**X. SELECTION OF INVESTMENT MANAGERS**

The Finance and Investment Committee' selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Finance and Investment Committee requires that each Investment Manager provide, in writing, acknowledgment of its fiduciary responsibility to the Alaska Conservation Foundation.

**XI. INVESTMENT CONSULTANT AND INVESTMENT MANAGER(S)  
PERFORMANCE REVIEW AND EVALUATION**

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Finance and Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement of Investment Policy. The Finance and Investment Committee will evaluate the portfolio(s) but may terminate an Investment Consultant or Investment Manager for any reason including the following:



1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **XII. SPENDING POLICY**

Decisions to appropriate funds from the Alaska Conservation Foundation assets for expenditure or to accumulate such funds shall be made only by the Board of Directors. The Board may authorize the Finance and Investment Committee of the Board to assist the Board in carrying out its responsibilities with respect to the expenditure of the Foundation's endowment funds. The Finance and Investment Committee may be authorized to make recommendations to the Board of Directors regarding the expenditure of the Foundation's endowment funds but the final decision as to such matters shall be made by the Board. The Finance and Investment Committee, in making a recommendation to appropriate funds for expenditure or to accumulate such funds, and the Board of Directors, in making a decision to appropriate funds for expenditure or to accumulate such funds, must act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and must (a) consider the uses, benefits, purposes and duration for which the Alaska Conservation Foundation endowment fund was established and (b) consider each of the following factors, if relevant:

1. the duration and preservation of the endowment fund;
2. the purposes of the Alaska Conservation Foundation and its endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Alaska Conservation Foundation;
7. where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and
8. the Alaska Conservation Foundation's investment policy.

### **XIII. INVESTMENT POLICY REVIEW**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance and Investment Committee plans to review the Foundation's investment policy at least annually.

### **XIV. PROCEDURES**

1. All endowment funds will be comingled and managed as a single investment fund in accordance with this policy.
2. Deposits, withdrawals, interest, dividends, realized gain, unrealized gain and investment fees will be posted monthly.
3. ACF will charge an annual management fee as per ACF policy or as per agreement with the donor.
4. The ACF's management fee is taken at the end of the fiscal year and is based on the balance in the endowment on March 31.
5. The amount that may be expended from each fund will be calculated annually based on the rate approved by the Board of Trustees as per Section XII. The spending rate will be applied to the 3-year rolling average balance of each fund as of March 31<sup>st</sup>. No expenditures will be allowed for funds that have been in existence less than 12 months as of March 31<sup>st</sup>.

**Investment Policy Statement - Revision History**

**Revision 1:** Approved by the board of directors in May, 2007

**Revision 2:** Proposed in April 2015, Committee reviewed and edited June 18, 2015. Adopted 9/26/2015.