INVESTMENT POLICY STATEMENT

Board Approval Date: March, 2024

Introduction
The Community Foundation of Greater New Britain connects donors who care with causes that matter in Berlin, New Britain, Plainville and Southington. The Foundation achieves this mission by administering and investing funds. Each year the Foundation approves grants to humanitarian, education and cultural organizations to make our community a better place to live, work, and raise a family.

Primary Investment Goal
The primary investment goal of the Foundation is to preserve the portfolio's purchasing power through asset growth in excess of Foundation spending and inflation, while providing the maximum funding possible for current community needs.

Compliance with Connecticut's UPMIFA Regulations
CFGNB follows Connecticut's Uniform Prudent Management and Institutional Funds Act which has established standards of prudence over those acting in a fiduciary capacity for a non-profit organization's funds. The standards require prudent oversight in three areas: investment conduct, expenditure of funds and delegation of the management or investment of the endowment.

Investment Portfolios & Asset Allocation
The Finance and Investment Committee has adopted a long-term investment horizon that has carefully weighed the chances and duration of investment losses against the long term potential for appreciation of assets. The desired investment objective is a long-term real rate of return on assets that exceeds foundation spending policy plus inflation as measured by the Urban Consumer Price Index. This target rate of return is based upon the expectation that future real rates of return will be close to the historical long run rates of return experienced for each asset class as a part of this integrated investment strategy.

The asset allocation target ranges set forth in Appendix B represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted rang

In developing strategic asset allocation guidelines for the foundation, an emphasis is placed on the long-term characteristics of individual asset classes, and the benefits of diversification among multiple asset classes. Consideration is also given to the proper long-term level of risk for the foundation.

Roles and Responsibilities

Management – Management is responsible for working directly with both the Investment Adviser and the Finance & Investment Committee. Often times this will entail providing a means of communication concerning issues, topics and their resolution to both parties. Management will also work directly with the Investment Adviser to generate the information necessary to produce an accurate and informative reporting structure to the Finance & Investment committee and Board of Directors.

Finance & Investment Committee - The Finance & Investment Committee is responsible for establishing and maintaining the Foundation's Investment Policy and oversight of the investment assets.

Formal changes to the Investment Policy requires Board approval which shall only be submitted to the Board upon a simple majority vote of the Finance & Investment Committee. As such, the Finance Committee is authorized, but not required, to delegate certain responsibilities to a professional investment adviser and/or other professional experts, monitor the investments to insure they are in compliance with the policies and guidelines set forth within, monitor the investment performance, and to report to the Board any violations to this policy.

Investment Adviser – The Investment Adviser is charged with the day-to-day responsibility of overseeing the Portfolio and may discharge some of its responsibilities to authorized individuals within its employment. To that end, the Investment Adviser's responsibilities include: advising the Finance and Investment Committee with regard to establishing and maintaining the Portfolio's investment policy, ensuring the Portfolio remains in compliance with the Investment Policy, and maintaining the Portfolio's evaluation framework. The Investment Adviser (or the individuals it so authorizes) will meet periodically to discharge its responsibilities. The Investment Adviser shall undertake its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. The Investment Adviser recognizes (and CFGNB acknowledges) that some risk must be assumed to achieve the Portfolio's long-term investment objectives. The Investment Adviser will direct, in its' sole discretion and without first consulting CFGNB, the investment and reinvestment of the assets in CFGNB's account (the "Account") in securities, mutual funds, sub-advisers, independent investment managers and/or programs, and cash or cash equivalents.

Custodian – The Custodian is responsible for the safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by your Account, collect dividends 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 your Account.

Proxy Voting

Each investment manager utilized by the Investment Advisor is responsible for and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. The Investment Advisor, does not vote proxies. CFGNB shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Account.

Selection Criteria for Investment Managers

Investment managers retained by the Portfolio shall be chosen by the Investment Adviser using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager; specifically a clearly defined investment philosophy and consistent investment process;
- How well the manager's investment style or approach complements other assets in the Portfolio;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund;
- An assessment of the likelihood of future investment success, relative to other opportunities.

•

The Portfolio will utilize a multi-manager structure of complementary investment styles and asset classes to invest the Portfolio's assets.

Securities Guidelines

The Portfolio's investments may include separately managed accounts and/or mutual funds/co-mingled funds, including limited partnership structures. The Finance & Investment Committee understands that managers have full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups, as particularly detailed in the Investment Policy Statement of each of the Portfolio's separately managed accounts or in the prospectus/offering memorandum for each mutual fund/co-mingled fund in the portfolio.

The Investment Adviser will consider the following to insure proper diversification and function for each of the investment managers:

1. Will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least $25 million under management (or, as an organization, $100 million in the same strategy) at the time of selection.

2. Will be regularly evaluated for proper diversity and each will provide material information on a timely basis.

3. With respect to fund-of-funds, in addition to meeting the selection criteria and guidelines detailed above, each fund/strategy will include an appropriate number of underlying sub-strategies and investment managers to be considered well diversified.

Investment Monitoring and Reporting

The Finance & Investment Committee and the Investment Adviser will periodically review performance of the individual investment mandates being used in the Portfolio and the Portfolio as a whole. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact and that the investment continues to be appropriate for the Portfolio. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going and continuous one.

Performance and analytical reports will be generated by the investment adviser and communicated to the Finance & Investment Committee for review.

Both the asset allocation and the performance of CFGNB's Portfolios will be reviewed at least annually, and bids for investment management services will be reviewed every 3 to 5 years.

<u>Liquidity</u>

The Investment Advisor should manage the Portfolio to provide adequate liquidity to meet the spending and operational needs of the Foundation. Portfolio liquidity will be monitored using the following guidelines:

Category	Guideline	Description
Liquid	No less than 70%	daily to thirty days
Semi-liquid	No more than 20%	up to three years
Illiquid	No more than 15%	greater than three years

No new commitments to illiquid investments will be made if the current market value of the liquid holdings falls below 70%.

Spending Policy

The Foundation's spending policy is designed to maintain the long-term, real purchasing power of the endowment and to provide a reasonable, predictable, and sustainable level of spending. The Foundation defines the target "Spending Policy" as the total of the annual grants and the Foundation management fee. The annual Spending Policy is calculated as follows:

- Grants – 4.0 of the trailing 20-quarter moving average as of September 30, and
- Foundation Management Fee-1.5% , Scholarship funds 1.85% ,Discretionary funds and Field of Interest funds 1.85% and Donor Advised 1.75% of the trailing 20-quarter moving average as of September 30th.

Under the direction of the Finance and Investment Committee by the end of the second quarter of the year after each year's spending has occurred, the Foundation shall produce a financial report reflecting the previous 5 trailing years of:

- The total of the 20 quarter moving average of all the endowed funds for each year.
- The recommended (budgeted) amount for the Grants and the Foundation Management Fee
- The actual grants spending and Foundation management fee for each year.
- Quantitative and qualitative descriptions of how and why the actual grants spending and Foundation management varied from the targeted Spending Policy.

The aforementioned report shall be provided to the Board of Directors after approval by the Finance & Investment Committee.

The Spending Policy applies to all endowed funds held by the Foundation; including donor advised and designated funds. The Board of Directors of the Foundation must approve any material deviation from the Spending Policy.

Appendix A

CFGNB Investment Policy Statement

Treatment of Excess Business Holdings

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations'. That is, the holdings of a donor advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:

• Twenty percent of the voting stock of an incorporated business
• Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Donor advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that currently hold such assets will have a much longer period to divest under the same complicated transition relief given to private foundations in 1969.

What is a business enterprise?

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

• Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
• Income from dividends, interest, royalties and from the sale of capital assets
• Income from leases unless the income would be taxed as unrelated business income
• "Functionally-related" businesses and program-related investments
• Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships, and other types of holding company arrangements.

What is a disqualified person?

Donors and persons appointed or designated by donors are disqualified persons if they have—or reasonably expect to have—advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors' and advisors' families are also disqualified, but the section does not define "family" and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 49580)(3).

CFGNB Policy with regard to assets categorized under the PPA as "excess business holdings":

CFGNB will identify and monitor any new gift to a donor advised fund of any interest qualifying as an "excess business holding" under the PPA. CFGNB will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, CFGNB will dispose of any excess business holding prior to the five year time limit, except in the event that the Treasury Department grants an additional five year holding period. CFGNB will notify potential donors of such interests of this requirement prior to the contribution of such interest.

1. The language is clear that it is only the donor advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by funds that are not donor advised.

2. Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

3. Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the de minimis rule, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

4. Excess holdings acquired by purchase must be disposed of immediately if purchases by disqualified persons cause the donor advised fund to have excess holdings, the donor advised fund will have 90 days to dispose of the excess.

The Investment Advisor generally intends to deploy a broad array of investment strategies and managers to execute the investment strategy for the Portfolio. Investment across the capital market opportunity set should be anticipated, an approach which may entail allocations to: equities across the capitalization, style, and country spectrums; fixed income across the duration, quality, and country spectrums (including tax-exempt securities where appropriate); other strategies including, but not necessarily limited to, real estate, commodities, inflation-protection mandates, hedge funds, market neutral, and other alternative strategies; and cash and/or cash equivalents. Certain of these strategies that may be utilized entail varying degrees of liquidity.

APPENDIX B

Target Allocation

Asset Class	**Min Weight**	**Target Weight**	**Max Weight**	**Primary Benchmark Index**
Equities	**45.0%**	**60.0%**	**75.0%**	**MSCI All Country World**
Fixed Income	**10.0%**	**20.0%**	**30.0%**	**BC Aggregate Bond**
Foreign	0.0%		15.0%	
High Yield	0.0%		10.0%	
Alternatives	**0.0%**	**20.0%**	**20.0%**	**Various**
Hedge Funds	0.0%	10.0%	20.0%	
Private Equity	0.0%	5.0%	15.0%	
Real Assets	0.0%	5.0%	15.0%	
Cash	**0.0%**	**0.0%**	**10.0%**	**90-day T-bill**