Community Foundation of Greater Muscatine
Investment Policy

Revised: March 2, 2022

I. Purpose

The purpose of this Investment Policy is to provide the Foundation's Investment Committee with a documented comprehensive framework that embraces sound judgment and time-tested investment strategies and practices for guiding its actions and decisions when investing Foundation funds under its fiduciary control. This Policy and any change thereto are required to be approved by the Foundation's Board of Directors before being implemented or applied.

II. Classes of Investment Assets

A. Operating funds: represent Foundation funds designated for the purpose of funding operating costs. The operating guideline is to limit the balance of such funds at any one time to no more than is forecasted or budgeted to operate for more than the next twelve-month period of time. In this instance, safety of principal and investment liquidity are of paramount importance.

B. Short-term investment assets: represent pass-through monies, monies that will be typically needed within a year, or assets that are expected to be invested for less than 5 years. Safety of principal and investment liquidity are of paramount importance in this instance as well.

C. Long-term investment assets: represent monies that are expected to be held by the Foundation for more than one year and typically for a much longer period of time such as continuing charitable funds, endowment funds and Foundation operating income funds that are to be invested for long-term capital growth.

III. General Investment Guidelines

A. The overall investment objective is to maximize the "total return" on Foundation assets while limiting investment risk consistent with fund type and distribution requirements of specific funds.

B. These guidelines recognize and acknowledge the investment risk and financial return truism, that is, the greater the degree of investment risk (risk of loss of principal) one is willing to assume, the greater the potential financial reward. The objective of these guidelines is to balance investment risk and return within acceptable and prudent limits.

C. The investment return objective of the Foundation is to grow investment assets as follows:

1) Operating funds: a competitive net rate of return consistent with a combination bank checking and money market account.

2) Short-term assets: a competitive net rate of return consistent with a money market account, short-term certificates of deposit, and/or mutual funds or exchange-traded funds (ETFs) invested in short-term U.S. treasury obligations or short-term high-quality investment grade corporate bonds.

3) Long-term assets: a competitive net rate of return consistent with a combination of equity and fixed income investments with the minimum goal being to exceed the rate of inflation by 2% per year on average with a longer-term target of a compounded annual growth rate dependent on the long-term model portfolio chosen.

D. The emphasis of these guidelines is to earn a competitive investment return consistent with the fund type involved. In other words, each fund type and portfolio has its own risk/reward profile.

E. Investment diversification is a crucial investment principle to manage investment risk and shall be routinely applied whenever applicable. To the extent practicable, the investment portfolio shall be diversified so that no single investment security or class of securities will have a disproportionate impact on the total portfolio.

F. "Dollar cost averaging" is a proven investment strategy, especially for equity investments, and shall be applied whenever applicable in recognition that investment markets routinely experience short-term fluctuations in value.

G. With respect to mutual or ETF bond or equity funds, index funds are generally favored over managed funds unless the fund has an established history of out-performing its like index funds. U.S. bond and equity funds are generally favored over similar global funds.

H. Refer to attached Schedules 1 and 2 for more specific information regarding investment model portfolios, their composition, and the relative weightings and targets of individual securities.

I. The Investment Committee manages and invests its funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires an organization, and those who manage and invest its funds, to:

1) Give primary consideration to donor intent as expressed in a gift instrument;
2) Act in good faith, with the care an ordinarily prudent person would exercise;
3) Incur only reasonable costs in investing and managing charitable funds;
4) Make a reasonable effort to verify relevant facts;
5) Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
6) Diversify investments unless, due to special circumstances, the purposes of the fund are better served without diversification;
7) Dispose of unsuitable assets; and
8) In general, develop an investment strategy appropriate for the fund and the organization or charity.

IV. Bank Checking and Money Market Account Investment Guidelines

A. Operating funds typically will be "parked" in the Foundation's bank checking and money market accounts. However, operating money may also be commingled and invested across the portfolios. New gifts are routinely deposited in either a checking account, money market account, or short-term bank certificate of deposit as received depending upon the size of the gift. If the gift is to be invested in a long-term investment, this action will typically be done as the funds/portfolios are rebalanced.

B. As a general guideline, liquid cash will be maintained in the Foundation checking account with the remainder of the funds invested in a money market account or other short-term investments such as certificates of deposit. These balances will be aligned to meet the needs of fund granting and fluid investing.

C. The investment objective is to preserve the asset principal while earning a competitive rate of interest income on the funds.

D. Checking account will be used for parking funds transferred from other investment accounts that have been approved or requested for immediate or near-term payout.

E. A money market account is used principally to temporarily “park” long-term funds until they are invested in normal long-term fixed income/equity investments and to facilitate their electronic transfer to these other investment funds.

V. Model Investment Portfolios

A. Foundation offers both short- and long-term model investment portfolios with differing risk/reward profiles. And, additional customized portfolios can be designed to accommodate specific special investment situations.

B. Short-Term Model Portfolios: Liquid Model Portfolio and Measured-Risk Model Portfolio (refer to Schedules 1 and 2 for investment composition of each portfolio).

C. Long-Term Model Portfolios: Conservative Growth Model Portfolio, Active Growth Model Portfolio and Dynamic Growth Model Portfolio (refer to Schedules 1 and 2 for investment composition of each portfolio).

VI. Short-Term Asset Investment Guidelines

A. Short-term investment assets shall be invested in a competitive money market account, appropriate duration of laddered Certificates of Deposit and/or in short-term government treasury/agency, inflation-protected securities, or investment-grade corporate, or traditional balanced mutual bond fund or equivalent exchange-traded fund.

B. Short-term Certificates of Deposits (CDs) may encompass certificates of various durations ranging from 4-days up to 60-months or longer giving consideration to cash requirements and interest rates. FDIC and NCUA insurance limits applicable to CD investments made with a specific financial institution will be a risk factor that is routinely considered and minimized to the extent practicable.

C. The Certificate of Deposit Account Registry Service (CDARS) may be utilized for the short-term investment in certificates of deposits in order to receive FDIC insurance coverage. This service is defined in more detail on Schedule 1.

D. The investment objective is to preserve the asset principal while earning a competitive rate of income on the funds.

E. Preference will be given to the financial and investment institutions that have representation in the greater Muscatine area to the extent their rates are competitive in recognition of the fact that most of such monies are raised locally and are anticipated to be used for local charitable purposes.

F. However, in order to maximize the coverage of FDIC/NCUA insured limits on certificate of deposit bank balances, the Foundation may utilize other than local banks for investing short-term fixed income assets including the Certificate of Deposit Registry Service (CDARS).

G. In the interest of full disclosure, to the extent bank checking and savings accounts, money market deposit accounts, and bank certificates of deposit balances at any single financial institution exceed the applicable FDIC/NCUA insured limit, this amount is not insured. It is for this reason that this investment risk will be minimized and diligently monitored and disclosed to the Investment Committee requiring routine review and approval.

H. Please refer to Schedules 1 and 2 for the short-term model investment portfolios.

VII. Long-Term Asset Investment Guidelines

A. Long-term funds shall be generally invested in a portfolio with a combination of fixed income and equity investments consistent with the respective long-term model investment portfolio.

B. The general long-term investment guideline, however, provides flexibility for a specific long-term fund to be invested 100% in a fixed income investment when safety of principal is deemed to be of paramount importance and the amount of the fund is typically a modest amount (i.e., a start-up fund in its early years).

C. It is believed a disciplined and patient investment strategy is the best way for the Foundation to achieve greater long-term income and fund growth.

D. As a general guideline, the fixed income/equity investment ratio for each long-term model portfolio will be different.

E. The Foundation's long-term model investment portfolios shall stratify fixed income and equity securities to provide investment diversification and incorporate different risk/reward profiles that are deemed to collectively best meet its Investment Policy and client expectations.

F. Long-term asset investment performance shall be evaluated applying a longer-term time horizon such as a moving five-year period. Appropriate peer investment fund performance will be the key comparative performance benchmark used to evaluate the Foundation's long-term portfolio performance. In addition, proven third party resources such as Morningstar, Moody's, Standard & Poor's, and Dow Jones Industrial Average may be used to aid in monitoring and evaluating the on-going quality and performance of individual mutual funds and/or equity investments.

G. Again, preference will be given to the financial and investment institutions that have representation in the greater Muscatine area to the extent their rates are competitive in recognition of the fact that most of such monies are raised locally and are anticipated to be used for local charitable purposes. But, in order to maximize the coverage of FDIC/NCUA insured limits on certificate of deposit bank balances, the Foundation may utilize other than local banks for investing long-term assets including the Certificate of Deposit Account Registry Service (CDARS).

E. Please refer to Schedules 1 and 2 for more specific information for each current long-term model investment portfolio.

VIII. Fixed Income Investment Guidelines

A. The Foundation's fixed income investment portfolio may encompass a wide variety of securities including but not limited to:

1) Money Market Account(s), however, these accounts are normally used as a temporary holding account and typically held to a minimum balance sufficient to cover anticipated short-term cash needs or to facilitate the electronic transfer of funds.

2) Certificates of Deposits (the FDIC/NCUA insurance limit applicable to investments made in a single financial institution will be taken into account). The approved temporary maximum investment exposure at any single insured institution is $350.000.

3) Low-fee, highly reputable, broadly based mutual government and/or corporate bond funds or exchange-traded funds (ETFs) that have demonstrated a history of above-average performance. U.S. bond funds may encompass treasury/agency, investment-grade corporate, inflation-protected securities, traditional balanced funds, and in very select and limited circumstances below-investment-grade high-yield corporate bonds. Also, in a select and limited circumstance, a global, international, or emerging markets bond fund may be utilized.

B. The financial goal is to earn a total annual rate of return that exceeds the annual rate of inflation however, it is recognized that there will be periods when the achievement of this goal will be virtually impossible.

C. Fixed income investments will employ investment "laddering" of maturity dates to the extent applicable.

D. Preference will be given to financial and investment institutions that have representation in the greater Muscatine area to the extent their rates are competitive in recognition that most fund monies are raised locally and can be anticipated to be used for local charitable purposes.

E. New certificates of deposit may be purchased in any amount that meets the respective financial institution’s minimum dollar amount, if it has one. The Foundation staff will simply survey either local institutions or local CDARs providers for the best return and make the most advantageous purchase. In the event of identical rates, the purchase will be rotated.

F. The maximum FDIC/NCUA insured limits applicable to a financial institution for bank checking and savings accounts, money market deposit accounts, and short- and long-term certificates of deposit shall be an important investment consideration in an effort to reduce portfolio investment risk and exceeding them is to be generally avoided. But, exceeding the maximum insured limits is permissible on an exception basis assuming all relevant investment factors have been considered before making the investment (i.e., a judgment regarding the strength of the specific financial institution, the amount and duration of the uninsured investment, and the applicable rate of investment return). The maximum temporary investment exposure at any single insured institution shall not exceed $350,000. However, to the extent the maximum FDIC/NCUA insured limit is exceeded with any financial institution at a quarter-end, this fact shall be routinely disclosed to, reviewed and approved by the Investment Committee at each quarterly committee meeting.

G. However, in order to maximize the coverage of FDIC/NCUA insured limits on bank checking and savings accounts, money market deposit accounts, and certificate of deposit balances, the

Foundation may utilize other than local banks for investing long-term fixed income assets including the Certificate of Deposit Account Registry Service (CDARS). The Investment Committee shall approve each long-term fixed income investment prior to any investment being made.

H. In the interest of full disclosure, to the extent bank checking and savings accounts, money market deposit accounts, and bank certificates of deposit balances at any single financial institution exceed the applicable FDIC/NCUA insured limit, this amount is not insured. It is for this reason that this investment risk will be minimized and diligently monitored and disclosed to the Investment Committee requiring routine review and approval.

I. To the extent a fixed income mutual fund or exchange-traded fund (ETF) is included in a model portfolio, only high-quality and proven fund families will be considered that have maintained a long and sterling reputation for honesty, integrity, low-cost, and above-average “net” investment performance (with the latter consideration being evaluated over a complete market cycle). The Committee will routinely reference proven independent third-party performance and quality rating resources to aid in evaluating, selecting, and monitoring specific mutual funds held in the Foundation’s investment portfolio or are being considered as a future investment by the Foundation.

IX. Equity Investment Guidelines

A. Equity investment decisions shall be based on the fund type that has taken in to account the investment goal, time horizon for use, and tolerance for risk.

B. Equity investing is based on the belief and confidence in the future long-term prosperity and competitiveness of corporate America and that equities will out-perform other types of investments over the longer term.

C. Equity investment portfolio performance requires more frequent and closer monitoring and analysis by the Investment Committee than does fixed income investments.

D. The favored equity investment portfolio shall consist of low-fee, highly reputable, broadly based indexed equity mutual fund(s) or exchange-traded fund(s) (ETFs) encompassing various investment styles and sectors such as an S&P 500 Index Fund, Mid-Cap Index Fund, Small-Cap Index Fund, International Index Funds or other such mutual funds that have demonstrated a history of above average performance. The underlying objective is to maintain prudent portfolio diversification. The specific equity funds included in a model portfolio may differ from model portfolio to model portfolio.

E. To the extent an equity mutual fund or exchange-traded fund (ETF) is included in a model portfolio, only high-quality and proven fund families will be considered that have maintained a long and sterling reputation for honesty, integrity, low-cost, and above average "net" investment performance (with the latter consideration being evaluated over a complete market cycle). The Committee will routinely reference proven independent third-party performance and quality rating resources to aid in evaluating, selecting, and monitoring specific mutual funds or equities held in the Foundation's investment portfolio or are being considered as a future investment by the Foundation.

F. U.S. equities are strongly favored over global or international equities, however, limited use of global and/or international equities are also approved. So equities may encompass large-cap, mid-cap, small-cap, growth, blend, value, real estate investment trust, global, international and emerging markets funds.

G. An investment in an individual equity/stock (a single entity) generally will be avoided given its higher investment risk. However, the Committee may elect to make an exception for stock in a "locally-based publicly-held entity" where first-hand knowledge of the entity is known and assuming the investment concentration doesn't present a portfolio diversification concern.

H. Individual equity investments are subject to periodic "fund rebalancing" to adjust for fund balance changes occurring over time due to fund appreciation/depreciation. The purpose of this rebalancing is to maintain investment diversification consistent with the Investment Committee's predetermined individual fund targets (percentages) for the portfolio. Fund rebalancing is a standard agenda item at each quarterly Investment Committee meeting.

I. As a general guideline, rebalancing between total fixed income and equity investments will be done when the shift between the two equals or exceeds 5.0% of total combined investments to avoid "forced" liquidations and purchases. Every effort is made to rebalance with "new money" to be invested to avoid this situation. However, the Investment Committee may direct a rebalancing at any time.

J. As a general guideline, rebalancing within equity investments will be done whenever the fund rebalancing differences are determined to be financially material to the respective model portfolio involved.

K. Model portfolio fund rebalancing between fixed income and equities will take into consideration the approximate amount of any financially material "mixed funds" such as a "balanced" equity fund that encompasses investments in both bonds and stocks such as the Vanguard Wellington Fund.

L. Portfolio fund rebalancing is normally executed in total immediately following a quarterly or special Investment Committee meeting; however, the rebalancing process may be extended over a longer time period based on the direction given by the Committee that takes in to consideration prevailing or anticipated market conditions and/or the amount or nature of funds involved to rebalance the respective model portfolio.

X. Reporting of Foundation Funds

A. The Investment Committee is responsible for specifying the applicable fund, investment information, and valuation data it needs to perform its assigned responsibilities.

B. Foundation management is responsible for providing specified fund, investment information, and valuation data to the Investment Committee and Foundation Board of Directors as may be requested.

C. The Treasurer of the Board of Directors serves as a member of the Investment Committee and Liaison to the Board of Directors. Following each regularly scheduled quarterly Investment Committee meeting, the Liaison informs the Board of Directors at their next regularly scheduled meeting of investment activity including quarterly investment performance.

D. An annual evaluation of investment performance will be reported to the Board of Directors utilizing *the Foundation's Empowering Endowment document,* which compares actual investment performance to its applicable broader market performance benchmark.

E. The *Foundation's Empowering Endowment* document in its "Model Portfolio Analytics" and "Portfolio Performance Reporting & Metrics" sections includes a variety of common investment portfolio analytical data including disclosures on model portfolio index/managed funds, sector exposure of each model portfolio, actual performance of each model portfolio, and compounded annual growth rate of each model portfolio over various time periods (i.e., 3-years, 5-years, 10-years, etc.).

XI. Investment of Charitable Funds

A. Component funds designated as temporary restricted are known as Charitable Funds and are by definition short-term funds with less than an expected 12-month investment horizon or there is a need to preserve the fund balance from possible investment loss.

B. Charitable funds are normally invested in a short-term model portfolio, but not necessarily exclusively. There is latitude to invest a portion of component funds in longer-term bank certificates of deposit in order to increase the overall investment return of short-term assets. The amount eligible for longer-term investment is the projected amount in excess of short-term payouts to be paid from maturing short-term laddered securities.

C. Short-term model portfolios typically encompass money market accounts, short-term and long-term certificates of deposit, and short-term mutual bond funds. Please refer to Schedules 1 and 2 for current specific fixed income securities and target goal percentages.

D. As a practical administrative practice, Charitable Funds are typically intermixed with other Foundation funds in its bank checking and savings account and/or money market deposit account until they are specifically invested in their respective model portfolio. Even then, component fund investments and other Foundation fixed income investments deposited in a specific financial institution that are subject to FDIC/NCUA insured limits are combined for determining the insured limit. In other words, there is investment risk for a pro rata portion of Charitable Funds that may exceed the insured limit.

E. The Certificate of Deposit Account Registry Service (CDARS) may be used for the short-term investment of Charitable Funds to provide FDIC insurance coverage.

XII. Investment of Long-term Continuing Charitable Funds and Endowment Funds

A. As a general investment philosophy, endowment funds will be invested with a long-term investment horizon in an effort to increase investment performance.

B. Continuing Charitable Funds, those not intended as pass-through and which retain the majority of the corpus, may be invested with a long-term investment horizon in an effort to increase investment performance. Typically, the most conservative long-term model portfolio would be utilized for these investment purposes.

C. The Active Growth Portfolio is the default investment model used for the investment of long-term funds, however, there are additional optional long-term investment portfolios available for endowments. Each model portfolio is designed to offer a differing risk/reward profile. The investment composition of each model portfolio is specified on Schedules 1 and 2.

D. The long-term model portfolios invest in some of the same mutual bond and equity funds, but at different mix levels and in some cases in different funds.

E. The determination of which investment portfolio is to be applied to a specific charitable pass through or endowment fund is typically made with the donor recognizing the differing risk/reward profile of each portfolio and the character/amount of the specific fund while in consultation with the Executive Director. For example, what is deemed to be the most conservative portfolio might be selected for investing a scholarship fund, especially during its fund building stage or when preservation of principal must be balanced against long-term investment growth.

There is also flexibility for a specific long-term fund or portion thereof to be invested in a short-term model portfolio that has a significant weighting of fixed income investments when safety of principal is critical and/or the fund balance is a modest amount (i.e., a start-up fund in its early years). The Community Foundation staff or the Investment Committee in concert with donor wishes will make this investment model portfolio determination.

F. Multiple long-term model portfolios were developed to capitalize on the fact history has proven that equities have outperformed any other type of investment over the long-term. However, these models were designed to also reflect a range of differing risk/reward profiles. So these model portfolios, and most specifically the more aggressive ones, are best utilized for investing all or a portion of long-term funds that can tolerate the normal short-term ups and downs of the equity market and is seeking long-term capital appreciation that equities have historically delivered. The selection of one or more of these model portfolios should be done with caution and with a clear recognition of their differing investment risk!

G. Long-term funds may be invested in one or multiple model investment portfolios.

H. The initial liquidation and reinvestment of new endowments received may be spread out over time depending on the Committee's assessment of prevailing and anticipated market conditions and the nature or character of the particular investment vehicles received. Typically, under normal market conditions such new funds are liquidated and invested in a portfolio over a 90-day time period but may be spread over as much as a year from date of receipt if deemed by the Committee to be a more appropriate and prudent investment strategy.

XIII. Investment of Unrestricted Foundation Operating Funds

A. Unrestricted Foundation operating funds are designated to cover both short- and long-term Foundation operating expenses to the extent needed. Funds required to cover operating expenses budgeted for the next fiscal year shall be invested in a short-term model portfolio. Any funds being held for long-term capital growth are eligible to be invested in accordance with any of the long-term investment portfolios subject to approval of the Board of Directors. The model portfolio utilized is typically based on the character of the respective funds involved.
B. Financial reporting of unrestricted Foundation operating funds shall be reported on the Foundation's Income Statement to clearly distinguish these funds from all other restricted and unrestricted funds that have been invested for other donors.

XIV. Financial Philosophy and Strategy for Awarding Grants by the Foundation

A. The Foundation's annual granting goal is to be based on the longer-term investment return or expected return to be earned by the granting funds.

B. In the case of donor-advised funds, donors may advise the Foundation regarding grants from such funds.

C. The Investment Committee recommends the Foundation Granting Committee strive to award 5% of the value of each granting fund annually as a general guideline. This target is based on the following assumptions: a long-term gross annual return on invested fund monies of 7%-10%, less a 1% Foundation annual management fee, and less 1%-3% annual allowance for the fund principal to grow to keep up with inflation.

D. Naturally, in any given year, actual investment performance will likely be higher or lower than the long-term 7%-10% goal. If the gross return is only modestly lower, the Committee recommends the Foundation be permitted to invade the fund corpus if necessary, on a short-term basis. However, a persistent Bear Market or Bull Market could force a reconsideration of this 5% general guideline, at least, on an interim basis.

E. Given the dynamics of investment markets over time, the Committee agrees to review this general granting guideline and recommend any change in rate, if appropriate, at least annually.

XV. Exception to These Normal Investment Guidelines

A. The Investment Committee may temporarily depart from its normal investment policies and strategies when doing so are believed to be in the Foundation's and donor's best interest, so long as the alternative is consistent with the Foundation's investment objective. For instance, the Committee is expected to periodically change specific investment funds and/or fund mix targets based on actual or anticipated fund performance and broader economic conditions and such changes could be significant during periods of unusual economic conditions.

B. Documentation of any exception to the normal investment guidelines will be provided to the Board for review and approval.

SCHEDULE 1

CURRENT INVESTMENT PORTFOLIOS

The Community Foundation of Greater Muscatine offers both short-term and long-term investment model portfolios and clients have a choice of investing in multiple portfolios.

- Short-term Model Portfolios: (1) Liquid and (2) Measured-Risk.
- Long-Term Model Portfolios: (1) Conservative Growth; (2) Active Growth; and (3) Dynamic Growth.

The approved bond and equity investment instruments are mutual funds and/or exchange-traded funds (ETFs). All funds are offered through The Vanguard Group and represent both indexed and managed funds, but not all may be Vanguard funds.

The performance of each investment instrument is routinely monitored by Foundation management and reviewed in-depth on a quarterly basis by its Investment Committee. The performance of each mutual bond and equity fund is routinely measured against its respective performance benchmark(s) and, of course, against other fund alternatives. The Investment Committee makes changes to these funds (both to specific funds and their target allocation) based on its judgment of individual fund performance and its assessment of broader investment market conditions.

<u>Short-Term Investment Portfolios</u>

The Liquid Model Portfolio is invested primarily in laddered certificates of deposit (CDs) which are 100% insured by the FDIC/NCUA which means there is no risk of loss of capital. However, during periods of extraordinarily low interest rates on CDs, assets may also be invested at a lesser target level in a money market and/or a short-term treasury/agency, inflation-protected securities, or investment-grade mutual bond fund or equivalent ETF fund where there is a possibility of loss of capital, but this risk is believed to be low. This portfolio was designed primarily for investing assets for up to two years or less as a guideline and when preservation of capital is paramount.

The Measured-Risk Model Portfolio was designed for investing 3-5 year short-term assets still conservatively but for assets that can accept some investment risk for a potentially higher return. 30% of the assets are invested in 100% FDIC/NCUA insured laddered certificates of deposit and 5% in a very low risk money market account. The remaining 65% of the fund's assets are invested in some combination of conservative-oriented short-term mutual bond funds (treasury/agency, inflation-protected, investment-grade corporate) and "balanced" equity funds in an effort to earn a higher return than the no-risk certificates of deposits. This portfolio may also invest in comparable exchange-traded funds (ETFs). The current fund composition, investment mix, goal range, and investment target applicable to each security held in this portfolio is outlined in Schedule 2.

The investment risk/return for each short-term model portfolio is managed through a combination of four different conservative asset allocation strategies: (1) the percentage of the portfolio allocated between no-risk or nominal risk fixed income and measured-risk conservative mutual bond funds and balanced equity/bond mutual funds; (2) the specific investment fund choices included in each portfolio; (3) the targeted allocation mix assigned to each investment security; and (4) the duration of the certificates of deposit. A client may invest in either or both short-term model portfolios as well as one or more long-term model portfolios.

SCHEDULE 1

Long-Term Investment Portfolios

There are three long-term investment model portfolios with differing risk/reward profiles ranging from comparatively conservative to comparatively aggressive.

- The Conservative Growth Model Portfolio is a more conservative portfolio option comprised of approximately 60% fixed income investments and 40% equity investments used for investing long-term continuing charitable funds and endowments wanting preservation of capital.

- The Active Growth Model Portfolio is comprised of approximately 40% fixed income investments and 60% equity investments and represents the "default" investment portfolio used for investing long-term endowment funds.

- The Dynamic Growth Model Portfolio is a higher growth-oriented portfolio option consisting of approximately 25% fixed income and 75% equity investments typically utilized for the investment of endowment funds and unrestricted Foundation funds invested for long-term capital growth.

The investment risk/return for each long-term model portfolio is managed through a combination of the allocation between fixed Income and equity investments, the selection of specific investment securities, and in the allocation mix of specific securities. The current model portfolio composition, investment mix, goal range, and investment target applicable to each security held in each model portfolio is outlined in Schedule 2.

The approved fixed income securities encompass cash/money market and a variety of primarily U.S. indexed/managed mutual bond funds including short-, intermediate- and long-term treasury/agency, inflation-protected, U.S. high-yield corporate and global/international mutual bond funds or similar exchange-traded securities. The approved equity securities encompass mutual equity funds, primarily U.S., indexed/managed, large-cap, mid-cap, small-cap, growth, value, balanced, real estate investment trust, and global/international and emerging markets equity mutual funds as well or ETF equivalents.

CDARS (the Certificate of Deposit Account Registry Service)

The Foundation utilizes the CDARS service for investing in certificates of deposit when it confronts FDIC/NCUA insured limitations by local financial institutions. CDARS combines the security of access to FDIC insurance with the convenience of working with a local bank – either CBI Bank & Trust and/or First National Bank of Muscatine.

The Foundation is often challenged to find an area bank or credit union for depositing short-term or long-term money that is covered by FDIC or NCUA insurance protection because the FDIC insured limit with these local financial institutions has already been met by the investment of other funds.

CDARS offers CD maturities ranging from 4 weeks to 5 years and the Foundation can choose terms that best suits its immediate investment needs. There is one interest rate per maturity, all CDARS investments are listed on the regular bank statement, and there are no annual fees or transaction fees – the CD interest rate is net of any such costs.

The Foundation utilizes CDARS for investing in certificates of deposit in both short-term and long-term model portfolios.

SCHEDULE 2

SHORT-TERM INVESTMENT PORTFOLIOS

"LIQUID" MODEL PORTFOLIO"

This is the Foundation's most conservative investment model portfolio and is most applicable for the investment of short-term assets when liquidity and security of principal is of paramount importance and investment return is secondary. As a guideline, this model portfolio was designed to conservatively invest assets for up to two years or less.

This model portfolio in normal short-term interest rate environments invests 80% of its assets in insured risk-free certificates of deposit (CDs). CDs are the preferred fixed income securities. However, this portfolio also includes two alternative fixed income securities that may be utilized during periods when short-term CD's are earning extraordinarily low interest rates in order to preserve investment flexibility and portfolio return. The short-term inflation-protected securities index mutual fund is capped at a maximum 15% target and the money market mutual fund is typically held at approximately 5%, but can temporarily hold uninvested assets. While these two securities are not insured against a loss of principal, this risk is believed to be low. As a practical matter, this portfolio will make every reasonable effort to maximize CD investments because they are insured.

Investment Securities	**Goal Range**	**Target**	**Target as % Total Portfolio**
Fixed Income: 100%			
Cash/Vanguard Federal Money Market (VMFXX)	5-50%	5.00%	5.00%
Certificates of Deposit (CD's)	80–95%	80.00%	80.00%
Vanguard S/T Inflat-Protect Secur. Indx (VTAPX) *	0-15%	15.00%	15.00%
Total Portfolio		**100.0%**	**100.00%**

Both the specific selection of investment securities and their respective targeted mix percentages in this Liquid Model Portfolio above may change over the course of time due to changing market/economic conditions and expectations. However, such portfolio changes are anticipated to be very infrequent.

* Fund approved and added on 4-29-21

The short-term investment goal is to exceed the annual rate of inflation, at a minimum, prior to charging the Foundation's applicable annual service fee.

SHORT-TERM INVESTMENT PORTFOLIOS (Continued)

"MEASURED-RISK" MODEL PORTFOLIO"

The primary driver of investment returns on specific fixed income short-term securities are prevailing interest rates. For this reason, it is prudent for a fixed income oriented investment portfolio to encompass a combination of short-term securities that provides investment flexibility to reallocate assets between or among such securities as interest rates rise and fall. This portfolio offers an opportunity to more effectively manage through changing interest rate cycles rather than to surrender to them.

This short-term model portfolio is designed with a flexible conservative investment profile by: (1) providing a broader range of short-term securities to invest in; (2) by broader security goal ranges; and (3) allocating as much as 25% of the portfolio between two conservative mutual balanced equity funds. However, it is important to also recognize that these advantages carry greater investment risk than a portfolio strictly or principally invested in risk-free certificates of deposit. This portfolio is likely to be most attractive for the investment of "longer" short-term assets that are not anticipated to be needed for a 3-5 year time period verses invested assets that may be needed sooner.

Investment Securities	**Goal Range**	**Target**	**Target as % Total Portfolio**
Fixed Income: (Approx. 85%)			
Cash/Vanguard Federal Money Market (VMFXX)	5-25%	6.67%	5.00%
Certificates of Deposit	30-75%	40.00%	30.00%
Vanguard Ultra-S/T Bond (VUSFX)	0-25%	13.33%	10.00%
Vanguard S/T Inflat-Protect Secur. Indx (VTAPX)	0-25%	13.34%	10.00%
Vanguard S/T Federal Admiral (VSGDX)	0-25%	13.33%	10.00%
Vanguard S/T Investment Grade Admiral (VFSUX)	0-25%	13.33%	10.00%
Vanguard S/T Treasury Index (VSBSX)	0-25%	0.00%	0.00%
Vanguard S/T Bond Index (VBIRX)	0-25%	0.00%	0.00%
Total Fixed Income		100.00%	**75.00%**
Equities: (Approx. 15%)			
Vanguard Wellesley Income Admiral (VWIAX)	0-15%	60.00%	15.00%
Vanguard Wellington Admiral (VWENX)	0-15%	40.00%	10.00%
Total Equities		100.00%	**25.00%**

Both the specific selection of investment securities and their respective targeted mix percentages in the Measured-Risk Model Portfolio above may change over the course of time due to changing market/economic conditions and expectations. However, such portfolio changes are anticipated to be very infrequent.

The investment goal for this short-term model portfolio is to exceed the annual rate of inflation, plus 1%-2% prior to charging the Foundation's applicable annual service fee.

SCHEDULE 2

LONG-TERM INVESTMENT PORTFOLIOS

"CONSERVATIVE GROWTH" MODEL PORTFOLIO

This portfolio is designed to be a more conservative long-term investment portfolio option with its 60% fixed income allocation and 40% equity allocation. It employs similar fixed income and equity securities as the much larger Active Growth Portfolio, but with different target mixes. This model portfolio provides the opportunity for long-term assets to be invested with a strong conservative bias yet provide important potential portfolio asset growth that has historically been attributed to equity securities.

Investment Securities	Goal Range	Target	Target as % Total Portfolio
Fixed Income: (Approx. 60%)			
Vanguard Federal MM Fund & Bank MM (VMFXX)	5-10%	8.33%	5.00%
Vanguard S/T Inflat-Protect Sec Indx Adm (VTAPX)	0-20%	16.67%	10.00%
Vanguard S/T Investment Grade Adm (VFSUX)	0-20%	16.00%	9.60%
Vanguard Inflation-Protected Index Adm (VAIPX)	0-30%	28.00%	16.80%
Vanguard Total Bond Mkt Index Adm (VBTLX)	0-15%	10.00%	6.00%
Vanguard Core Bond Fund Adm (VCOBX)	0-15%	11.00%	6.60%
Vanguard I/T Bond Index Fund Adm (VBILX)	0-15%	10.00%	6.00%
Total Fixed Income		**100.00%**	**60.00%**
Equities: (Approx. 40%)			
Vanguard 500 Index Fund Adm (VFIAX)	10-40%	35.00%	14.00%
Vanguard Small-Cap Index Fund Adm (VSMAX)	5-15%	7.50%	3.00%
Vanguard Small Cap Value Index Adm (VSIAX)	5-15%	7.50%	3.00%
Vanguard Mid Cap Index Adm (VIMAX)	5-15%	7.50%	3.00%
Vanguard Mid Cap Value Index Adm. (VMVAX)	5-15%	7.50%	3.00%
Vanguard Wellington Fund Adm (VWENX)	0-20%	10.00%	4.00%
Vanguard Windsor II Adm (VWNAX)	0-05%	2.50%	1.00%
Vanguard Div. Appreciation Index Adm (VDADX)	0-10%	5.00%	2.00%
Vanguard High Dividend Yield Index (VHYAX)	0-10%	5.00%	2.00%
Vanguard Growth Index Fund Adm (VIGAX)	0-05%	2.50%	1.00%
Vanguard Total International Stk Indx Adm (VTIAX)	0-10%	5.00%	2.00%
Vanguard International Value (VTRIX)	0-10%	5.00%	2.00%
Total Equities		**100.00%**	**40.00%**

Both the specific selection of investment securities and their respective targeted mix percentages in the Conservative Growth Model Portfolio above may change over the course of time due to changing market/economic conditions and expectations. However, such portfolio changes are anticipated to be very infrequent.

The long-term investment goal of this model portfolio is to exceed the annual rate of inflation by a minimum of 2% with a longer-term target of a compounded annual growth rate of 5-7% prior to charging the Foundation's applicable annual service fee.

LONG-TERM INVESTMENT PORTFOLIOS (Continued)

“ACTIVE GROWTH” MODEL PORTFOLIO” *

This portfolio is the “default” long-term investment portfolio for continuing charitable funds, endowment funds, and unrestricted Foundation funds for long-term capital growth. Most Community Foundation long-term assets are currently invested in this model portfolio. It is comprised of approximately 40% fixed income investments and 60% equity investments. This model portfolio with its increased securities allocation to equities is most applicable for the investment of long-term assets that are seeking long-term growth, but yet preserves the downside protection of the more conservative fixed income securities.

Investment Securities	**Goal Range**	**Target**	**Target as % Total Portfolio**
Fixed Income: (Approx. 40%)			
Vanguard Federal MM Fund & Bank MM (VMFXX)	5-10%	12.50%	5.00%
Vanguard S/T Inflat-Protect Sec Indx Adm (VTAPX)	0-15%	10.00%	4.00%
Vanguard S/T Investment Grade Adm (VFSUX)	0-20%	12.00%	4.80%
Vanguard Inflation-Protected Index Adm (VAIPX)	0-30%	22.50%	9.00%
Vanguard Core Bond Fund Adm (VCOBX)	0-30%	17.00%	6.80%
Vanguard I/T Bond Index Fund Adm (VBILX)	0-30%	17.00%	6.80%
Vanguard Long Term Bond Index Adm (VBLAX)	0-15%	9.00%	3.60%
Total Fixed Income		**100.00%**	**40.00%**
Equities: (Approx. 60%)			
Vanguard 500 Index Fund Adm (VFIAX)	15-40%	30.00%	18.00%
Vanguard Small-Cap Index Fund Adm (VSMAX)	4-15%	7.50%	4.50%
Vanguard Small Cap Value Index Adm (VSIAX)	4-15%	7.50%	4.50%
Vanguard Mid Cap Index Adm (VIMAX)	4-15%	7.50%	4.50%
Vanguard Mid Cap Value Index Adm. (VMVAX)	4-15%	7.50%	4.50%
Vanguard Wellington Fund Adm (VWENX)	0-05%	2.09%	1.25%
Vanguard Windsor II Adm (VWNAX)	0-10%	5.00%	3.00%
Vanguard High Dividend Yield Index (VHYAX)	0-10%	4.75%	2.85%
Vanguard Dividend Growth Fund (VDIGX)	0-10%	4.75%	2.85%
Vanguard Growth Index Fund Adm (VIGAX)	0-10%	3.33%	2.00%
Vanguard Real Estate Index Fund Adm (VGSLX)	0-10%	5.00%	3.00%
Vanguard Total International Stk Indx Adm (VTIAX)	0-15%	9.25%	5.55%
Vanguard International Value (VTRIX)	0-10%	5.83%	3.50%
Total Equities		**100.00%**	**60.00%**

Both the specific selection of investment securities and their respective targeted mix percentages in the Active Growth Model Portfolio above may change over the course of time due to changing market/economic conditions and expectations. However, such portfolio changes are anticipated to be very infrequent.

The long-term investment goal of this model portfolio is to exceed the annual rate of inflation by a minimum of 2% with a longer-term target of a compounded annual growth rate of 7-9% prior to charging the Foundation’s applicable annual service fee.

LONG-TERM INVESTMENT PORTFOLIOS (Continued)

"DYNAMIC GROWTH" MODEL PORTFOLIO

This is a bolder "growth-oriented" long-term investment model for the investment of continuing charitable funds and endowment funds and unrestricted Foundation funds being invested for long-term capital growth that can tolerate the volatility of the equity market with expectations of benefiting from the higher long-term capital appreciation that equities have historically delivered. It consists of approximately 25% fixed income and 75% equity securities including several higher risk/return equity securities. The selection of this model portfolio should be done with caution and with a clear recognition of its increased investment risk.

This model portfolio is the Foundation's most aggressive portfolio partially due to its asset allocation between fixed income and equity securities, the particular securities chosen in each instance, and by their respective investment targets. This model portfolio was designed for the portion of long-term assets invested responsibly with a "growth focus" that can tolerate periodic market valuation changes.

Investment Securities	**Goal Range**	**Target**	**Target as % Total Portfolio**
Fixed Income: (Approx. 25%)			
Vanguard Federal MM Fund & Bank MM (VMFXX)	5-10%	8.00%	2.00%
Vanguard Inflation-Protected Index Adm (VAIPX)	0-20%	14.00%	3.50%
Vanguard High-Yield Corporate Adm (VWEAX)	0-30%	24.00%	6.00%
Vanguard Total Bond Mkt Index Adm (VBTLX)	0-20%	12.00%	3.00%
Vanguard Core Bond Fund Adm (VCOBX)	0-30%	24.00%	6.00%
Vanguard Long Term Bond Index Adm (VBLAX)	0-25%	18.00%	4.50%
Total Fixed Income		**100.00%**	**25.00%**
Equities: (Approx. 75%)			
Vanguard 500 Index Fund Adm (VFIAX)	10-30%	20.00%	15.00%
Vanguard Small-Cap Index Fund Adm (VSMAX)	5-15%	8.00%	6.00%
Vanguard Small Cap Value Index Adm (VSIAX)	5-15%	8.00%	6.00%
Vanguard Mid Cap Index Adm (VIMAX)	5-15%	8.00%	6.00%
Vanguard Mid Cap Value Index Adm. (VMVAX)	5-15%	8.00%	6.00%
Vanguard Windsor II Adm (VWNAX)	0-15%	8.00%	6.00%
Vanguard U.S. Growth Fund Adm (VWUAX)	0-15%	8.00%	6.00%
Vanguard Real Estate Index Fund Adm (VGSLX)	0-15%	8.00%	6.00%
Vanguard Total International Stk Indx Adm (VTIAX)	0-15%	10.00%	7.50%
Vanguard International Value (VTRIX)	0-15%	7.33%	5.50%
Vanguard Emerging Mkts Stk Index (VEMAX)	0-10%	6.67%	5.00%
Total Equities		**100.00%**	**75.00%**

Both the specific selection of investment securities and their respective targeted mix percentages in the Active Growth Model Portfolio above may change over the course of time due to changing market/economic conditions and expectations. However, such portfolio changes are anticipated to be very infrequent.

The long-term investment goal of this model portfolio is to exceed the annual rate of inflation by a minimum of 2% with a longer-term target of a compounded annual growth rate of 9-11% prior to charging the Foundation's applicable annual service fee.