COMMUNITY FOUNDATIONS OF THE HUDSON VALLEY
INVESTMENT POLICY
(Approved by Board of Trustees May 21, 2009; amended September 19, 2013, May 15, 2014, and March 17, 2016)
(Addition of NYPMIFA Fund Spending Policy on March 17, 2011)

Investment Objectives:

The primary objective of the portfolio is to achieve long-term capital appreciation with a moderate level of risk. The secondary objective is to provide current income to support the Foundation's mission. It is the goal that, over time, the portfolio will achieve growth of principal and income sufficient to preserve and increase the portfolio's purchasing power. Therefore, the financial objective will be to earn a total return net of fees and expenses equal to or exceeding the "payout rate" (aka Spending Policy) plus an appropriate inflation rate, i.e. the growth of the CPI over the long term.

The Foundation recognizes that the assets are exposed to risk and may be subject to fluctuations in market value from year-to-year. This volatile performance is acceptable, as long as it is consistent with the benchmark performance of each asset class and of the portfolio as a whole over time.

Spending Policy:

Payout Rate

The Community Foundation's spending policy, also known as its payout rate, is used to determine the amount to be paid in grants from each endowment fund. The current payout rate is equal to the average market value of the past 20 quarters multiplied by 4%.

For funds with a balance over $25,000 and the donor has added gifts equaling 50% of the fund balance during the last 12 month period prior to March 31st, the payout can be calculated based on the March 31st balance rather than the current 20 quarter rolling average calculation. Donors need to be advised that principal will be accessed to fulfill this requirement. This alternative spending policy will be used only when donors request it.

NYPMIFA Fund Spending

A fund is affected by NYPMIFA if it is a donor-restricted permanent fund where the donor is absent and unable to modify the original expenditure guidelines in order to accommodate fluctuations in the fund's value.

In the event that the endowment fund value falls below historic dollar value*, spending from the fund will be limited to a tiered payout rate. This tiered rate will be equal to the then current board payout policy times the ratio of the March 31st 20 quarter average divided by the historic dollar value. For example, if the March 31st 20 quarter rolling average is 10% below the value of the historic dollar value, the revised payout percentage will be 3.6% (90% times 4%).

In the event that the endowment fund value exceeds the historic dollar value (disregarding adjustment for inflation), the Board Payout policy will be applied to the fund from that point forward.

*Historic dollar value is defined to include the amount originally donated and any subsequent gifts to the fund.

Responsibility/Authority:

The Investment Committee, appointed annually by the Board of Trustees in consultation with the Committee Chairman, shall consist of not more than fifteen (15) nor fewer than six (6) members. Members shall include the Treasurer, other Board and non-board members as may be deemed appropriate, and the President of the Foundation. In no case shall there be fewer than two (2) non-Board members. Per the Foundation's Bylaws, the Investment Committee will report to the Board of Trustees.

The Investment Committee shall meet at least quarterly, and more often if necessary, at the call of its Chair or the Chair of the Board, and shall have the following responsibilities:

- To establish and review, as appropriate, asset allocation policies and performance benchmarks for the portfolio.
- To select and/or terminate managers of the portfolio
- To monitor and evaluate the performance of the portfolio and portfolio managers

- To make investment decisions for ratification by the Board of Trustees with the expectation that those decisions will be made with care, skill and prudence.
- To seek assistance from consultants as it may deem necessary. Board of Trustees approval will be obtained if the consultant's fee exceeds the budgeted amount.
- When requested by donors who wish to use their own investment manager, review/approve/reject proposals from the recommended outside investment managers, and if accepted, monitor the performance of these managers quarterly.
- To review the investment policy annually and suggest whatever changes as may seem appropriate for Board approval.

Investment Strategies:

In order to obtain economies of scale of management costs, the Foundation shall manage the Unrestricted, Field of Interest, Designated, Nonprofit, Scholarship and Donor-Advised Endowment Funds [with the exception of donor advised funds that have been approved to use their own investment manager(s)] on a commingled basis. The Foundation will maintain the necessary sub-accounting on all commingled, pooled funds. The Foundation may establish separate investment entities with separate investment strategies and/or managers.

Investments of the Foundation will be diversified to prevent adverse effects of any given investment from unduly penalizing the overall portfolio performance. Diversification is interpreted to include different types, characteristics, and numbers of investments.

Foundation Investment Portfolio

Asset allocation between equities and fixed income instruments shall be one method of diversification of investments of Endowment Funds. The portfolio shall be structured to consist of 65% to 75% equity securities and 25% to 35% fixed income securities, with the norm being 70% equity/30% fixed income securities. The desirability of deviation from the norm can be determined from current market conditions. For these purposes, the term equities includes common stock, real estate securities, convertible bonds and convertible stock; fixed income instruments include Treasury and corporate bonds, other debt instruments with full backing of the U.S. Government and other instruments having a fixed maturity date. See "Permitted Investments" for a more detailed listing. Investments in balanced mutual funds shall be analyzed according to average stock/bond ratios of these funds. Although money-market funds are not considered appropriate investments for endowment funds in the long term, they nevertheless can often be useful and proper investments for Foundation funds over shorter periods, and as such will be considered as fixed income investments for purposes of this analysis.

Socially Responsible Investment Portfolio

For the general commingled pool of investments, the Foundation does not employ any social screens. However, the Foundation may choose to invest funds in a socially responsible manner. To this end, for this pool of funds the Foundation seeks selectively to avoid investing in companies that promote usage of tobacco, alcohol, other non-medical drugs and gambling and to avoid investment in companies that are rated poorly (by such screening device as the Manager or Foundation may reasonably choose) in the areas of diversity, treatment of employees, corporate governance and care for the environment. As social screening will always affect the composition of a portfolio, the Foundation recognizes that the screened portfolios may not follow the same asset allocations as the general pool and are likely to have risk and return characteristics that are somewhat different from a comparable, unscreened portfolio.

Short-Term Investments

The Community Foundation is committed to supporting a wide variety of program activities and grantmaking. This includes projects that have finite and short-term funding schedules, such as holding funds for specific projects of other not-for-profit organizations and charitable pass-through funds. Funds created through memorial contributions will be invested in Short-Term Investments until the purpose is defined and a fund agreement executed. For the purpose of this policy, a short-term investment period will be defined as five years or less. Any fund that is expected to exist for five years or less will generally not be invested in the endowment pool as these funds do not require the diversification and long-term investment returns that endowments need to stay viable.

For these reasons, the Foundation has established a separate Short-Term Investment Pool that is managed to achieve the objective of minimizing loss of principal. Assets in the short-term pool will be invested in cash and cash equivalents. Three possible alternatives are provided for fund holders:

1. For project funds requiring FDIC insurance: These project funds will be invested in an insured bank or brokerage money market or CD. Laddered CDs may be used when a project's time frame is known. For projects with accumulations of $250,000 or more, separate accounts will be established in order to keep the money FDIC insured or the funds will be deposited in a CDARS program money market or CD account.

2. For project funds not requiring FDIC insurance: These project funds may be invested in the Foundation's TD Ameritrade Premium Money Market Account or the equivalent. This investment is particularly attractive for large project funds, due to the fact that separate accounts do not need to be created.

3. For pass-through funds requiring FDIC insurance: Due to the uncertainty in the timing of withdrawals from these funds, they will be invested in a regional bank's FDIC insured money market. When the balance of the fund is below the minimum required amount for the money market, the balance will be transferred to the Foundation's checking account and remain there until depleted.

Asset Allocations and Benchmarks:

Asset Class/Investment Style	Minimum	Target Average	Maximum	Benchmark
US Equity – Large Cap Growth	10.5	15.5	21.5	S&P 500
US Equity – Large Cap Value	10.5	15.5	21.5	Russell 1000 Value
US Equity – Mid and Small Cap	9.3	13.3	17.3	Russell 2000
US Equity - Real Estate Securities	.7	1.7	2.7	Dow Jones U.S. Select (REIT)
Total US Equity		45		Russell 3000
International Equity	20	25	30	MSCI EAFE
Total Equity	65	70	75	
Fixed Income	25	30	35	Barclay's Capital Interm. Gov't /Credit Bd
Cash and Cash Equivalents	0		10	

Composite Benchmark for the Portfolio*:

Asset Class/Investment Style	Minimum	Target Average	Maximum	Benchmark
Total US Equity		45		Russell 3000
International Equity		25		MSCI EAFE
Fixed Income		30		Barclay's Capital Interm. Gov't /Credit Bd

*The benchmark against which total performance of the portfolio will be measured is **a weighted average** of the returns of the Russell 3000 (45%), MSCI EAFE (25%), and the Barclay's Capital Interm. Gov't /Credit Bond (30%).

Performance will be reviewed on a quarterly basis. The performance of the Portfolio and each of its managers or funds will be measured against the performance of the respective benchmark for the Portfolio and for the various asset classes for the following periods: the quarter just ended; the fiscal year-to-date (July 1 through the end of that last quarter); and the one year, three year, five year, and ten year periods ended with that quarter.

Permitted Investments:

Domestic Securities

The securities purchased shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. exchange, including NASDAQ.

Equity securities include: common stocks, real estate securities, and securities convertible into common stock of U.S. based companies.

Real estate securities include: Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trust's (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of the assets are equity financed properties). REITS may be perpetual life REITs or finite life REITs.

Convertible securities include: securities that are convertible into the common stock of U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (PERCs, CHIPs, ELKs). All convertible securities purchased must be U.S. dollar denominated securities. Individual convertible securities should be rated "B" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. For the purposes of asset allocation, convertible securities shall be considered equities. Private placement issues may **not** be purchased.

Fixed income securities include: Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. corporations, Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations and governments but traded in the U.S.), securitized mortgages (e.g. GNMAs, FNMAs, FHLMCs), collateralized mortgage obligations, asset-backed securities, taxable municipal bonds, and preferred stock. Private placement issues may **not** be purchased.

International Securities

Allowable international securities are: sponsored and unsponsored American Depositary Receipts (ADRs) or American Depositary Shares (ADSs) or other depositary securities of non-U.S. based companies traded in the U.S. and closed-end country funds. Equities of foreign domiciled companies that are traded in the U.S. may also be purchased so long as the securities are registered (or filed) with the Securities and Exchange Commission and traded on a recognized national exchange or over-the-counter market. Non-U.S. dollar denominated equity securities traded on recognized national or regional exchanges or over-the-counter markets outside the U.S. may also be purchased.

Alternative Asset Classes

Hedge funds include: funds that employ short selling and leverage as primary investment strategies; and funds that engage in currency hedging. Specific permission of the Foundation's Investment Committee must be obtained before purchase of any hedge fund. This applies to equity hedge funds purchased through individual managers or a partnership structure or a fund of funds.

Private equity investments are not permitted.

Diversification Requirements:

To minimize the risk of large losses, each investment manager shall maintain adequate diversification in his/her portfolio. Subject to the constraints outlined in this investment policy, each investment manager shall have the discretion to determine their portfolio's individual security selections.

Equities:

- Investments in any one individual equity should not exceed 5% of the market value of the investment manager's portfolio.

- Holdings of any single issue in each investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company.

- The maximum allocation to any single economic sector in a portfolio shall not exceed the greater of 15% of the market value of the investment manager's portfolio or 200% of the economic sector's weight in the S&P 500 Stock Index, or the investment manager's equity policy index, if different. Economic sector definitions shall be according to the investment manager's own classifications, which shall be provided to the Investment Committee.

- Large capitalization stocks generally would have market capitalizations of $10 billion and greater. For small and medium capitalization stocks, the market capitalization of any one equity security shall be between $100 million and $10 billion at the time of purchase. It is understood that the investment manager may hold securities with market capitalizations outside this range from time to time.

- There are no constraints on the economic sector allocations of the portfolio. The investment manager may concentrate portfolio holdings in a limited number of economic sectors.

- From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-U.S. companies that otherwise conform to the provisions of this investment policy.

- When investing in international equities or funds, the investment manager shall have discretion to determine the portfolio's country allocations.

- Currency hedging is not permitted. (It is recognized, however, that mutual or other commingled funds may engage in hedging activity as described below.)

  For commingled funds only: The fund manager may engage in various portfolio strategies to hedge the fund against movements in exchange rates between currencies. The fund manager may deal in forward foreign exchange among currencies of the different countries in which the fund may invest. The fund manger is limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the portfolio accruing in connection with the purchase and sale of its portfolio securities, or the payment of interest on portfolio securities. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in a foreign currency.

  The fund manager will not speculate in foreign forward exchange. Accordingly, the investment manager will not hedge a currency substantially in excess of the market value of securities which it has committed or anticipates to purchase which are denominated in the currency being hedged, and in the case of securities which have been sold by the investment manager, but not yet delivered.

Fixed Income:

- Fixed income securities (except for those listed below) shall be rated investment grade or higher ("BBB" or its equivalent) at the time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average credit quality rating of the fixed income portfolio is "A." Asset backed securities, mortgage backed securities, and CMOs shall be rated "AA" (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency.

- Fixed income securities of a single issuer or issue, with the exception of U.S. Government and Agency securities, are limited to no more than 5% of the market value of the fixed income portfolio.

- No more than 30% of the market value of an investment manager's portfolio may be invested in a single sector of the corporate fixed income market. Sector definitions shall be according to the investment manager's own classifications, which should be provided to the Investment Committee upon request.

- The maximum effective maturity of any single security should not exceed 30 years.

- Mortgage backed securities may be purchased on a "when issued" or "TBA" basis (a forward contract transaction for mortgage backed issues that are to be issued in the near term). A short-term investment can back a "when issued" commitment as long as its effective duration does not exceed 180 days. These short-term investments should be considered within the fixed income allocation of the portfolio.

- Collateralized mortgage obligations are limited to securities that are currently paying interest, receiving principal paydowns, and do not contain leverage. CMOs are limited to no more than 10% of the market value of the fixed income portion of the portfolio.

- Purchases of mortgage securities whose payments represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pay no principal (e.g. interest only securities) are prohibited.

- Mortgage securities whose payments represent the principal payments on the outstanding principal balance of the underlying mortgage-backed security and pay no interest (e.g. principal only securities) are prohibited.

- Purchases of mortgage securities whose payment of interest is determined by an index opposite to the changes in a market index (e.g. inverse floaters) are prohibited.

General:

- It is generally expected that the investment manager will remain fully invested in equity and/or fixed income securities: however, it is recognized that cash reserves may be utilized from time-to-time to provide liquidity or to implement some types of investment strategies.

- Transactions or unanticipated market actions that cause a deviation from these policy guidelines shall be brought to the attention of the Investment Committee by the investment manager prior to executing transactions, when practical. Such deviations may be authorized in writing by the Investment Committee, which can determine if the deviation constitutes a material departure from the spirit of this policy.

Exclusions:

Portfolio assets may not be used for the following purposes:

- Short Sales

- Purchases of letter stock, private placements (including 144A securities), or direct payments

- Leveraged transactions

- Commodities transactions

- Puts, calls (except covered calls), straddles, or other option strategies

- Purchases of real estate, oil and gas properties, or other natural resource related properties

- Investments in tax-exempt securities

- Investments in limited partnerships except for publicly traded Master Limited Partnerships and debt issued by real estate investment trusts

- Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement

- Investments by the investment managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Investment Committee)

- Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by the Investment Committee. Requests by investment managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions.

Manager Responsibilities and Reporting/Communications Requirements:

***Managers will*:**

- Comply with all guidelines and instructions contained in this Investment Policy.

- Assume broad discretion in the selection of individual securities or investments, subject to fiduciary standards and the investment objectives and policies outlined in this Investment Policy.

- Notify the Investment Committee immediately of any changes in the ownership of the firm, changes in responsibilities of key investment professionals, departures of investment professionals, or other significant matters.

- Notify the Investment Committee of any material changes in the investment manager's outlook, investment policy, and tactics.

- Make all trades on a best-execution basis.

- Provide monthly statements of assets and transactions.

- Meet with the Investment Committee on a semi-annual basis, or as requested, to review and explain their portfolio's investment results, key decisions of the period and the underlying rationale, general outlook and specific actions which may result, expected changes in strategy, and review portfolio holdings.

- Provide written performance reports for their portfolio. Performance results must be reported net of fees and must include comparative data for the relevant benchmarks for each asset class as defined earlier in this Policy in the "Asset Allocation and Benchmarks" chart and for their portfolio as a whole with comparative data utilizing the results of the "Composite Benchmark for the Portfolio" as defined earlier in this Policy.

- Provide, on a quarterly basis, performance reports for the following periods:

    The quarter just ended
    The fiscal year-to date (July 1, 20xx through the end of the last quarter)
    The one year period as of the end of that quarter
    The three year period as of the end of that quarter
    The five year period as of the end of that quarter
    The ten year period as of the end of that quarter

Review and Evaluation:

The Investment Committee will monitor and review the performance of the portfolio and the portfolio managers in accordance with the policy outlined above. The Investment Committee reserves the right to terminate an investment manager and to take action at any time with Board of Trustees approval. The Investment Committee will submit to the Board of Trustees a quarterly review of the portfolio's performance.

The Investment Committee will monitor and review the performance of donor recommended investment managers, not in accordance with this investment policy, and determine if the relationship between the Foundation and the donor recommended investment manager should continue.