



city of muskogee FOUNDATION

INVESTMENT POLICY

I. Investment Policy

The Investment Policy of the City of Muskogee Foundation (“Foundation”) is developed by the Investment Committee (“Committee”) and approved by the Board of Directors (“Board”). The Investment Committee shall engage and oversee one or more professional consultants (“Consultant”) and one or more professional money managers (“Manager”) in the implementation of this Policy. For purposes of this Policy, Consultant refers to the responsibility conferred upon Foundation Management, Inc. (“FMI”) and its vendors, and Manager refers to independent, professional asset management firms responsible for executing specific investment strategies intended to achieve the objectives of this Policy but can also refer to FMI and its vendors with regard to the investment discretion granted to FMI by the Committee and Board.

The Investment Committee shall administer the investment process of the Foundation in accordance with approved Policy. This Policy shall be reviewed annually by the Investment Committee and revised as necessary. Revisions are subject to approval by the Board.

II. Purpose of the Investment Policy

The Committee desires to use the objectives and restrictions presented in this Policy as a framework to guide the Manager(s) in attaining the Investment Objective for the Funds and to define a level of risk that is deemed acceptable.

These policies and restrictions are not intended to impede the efforts of the Manager(s) to attain the Foundation’s overall objectives nor should they exclude the Manager(s) from appropriate investment opportunities. The Committee is allowed reasonable discretion in the asset allocation and diversification of the Funds, subject to the restrictions in this Policy.

III. General Objectives

Investments will be made for the sole interest and exclusive purpose of helping meet the funding needs of the Foundation. Investments will be made in accordance with the Oklahoma Uniform Prudent Investor Act, currently found at 60 O.S. §175.60 et. seq.

The Foundation’s Investment Objective is “Growth and Income”. The intent of the objective is to provide both current income and future growth to accommodate the Foundation’s spending policy plus normal inflation, thereby preserving the constant dollar value and purchasing power of the Foundation for future generations.

IV. Performance Expectations

Investment performance will be reviewed over a five-year time horizon or market cycle, using the most appropriate benchmarks for the types of investments held. The goal of each asset class is to

achieve the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark. The overall goal for the Foundation is to achieve a real rate of return after inflation that is equal to the spending rate identified in the spending policy.

A. Spending Policy - The Investment Committee will review the portfolio performance and other key indicators on a monthly basis. The Investment Committee, taking into account portfolio performance, inflation, and other variables, will present a grant budget proposal for the following year no later than the December board meeting of the current year.

B. Statement of Expectations

1. Investment return is viewed in totality, to include all income and dividends earned, as well as realized and unrealized appreciation and losses, net of all investment-related costs.
2. The Committee understands that past capital market experiences may not reflect future results, but expects the basic risk and return relationship between asset classes (to include equities, fixed income, cash, commodities and their components) to remain consistent with their past over long periods of time.
3. The Foundation expects that the realized rate of return, after inflation will vary over short measurement periods.
4. The Committee believes that overall portfolio return and risk is predominantly determined by asset allocation, and will strive to control portfolio risk through proper diversification.

V. Asset Allocation

The Board expects the Foundation’s asset allocation policy to reflect and be consistent with the investment objectives and risk tolerance expressed throughout this Policy. The following guidelines will be used by the Committee in determining the allocation of the Foundation’s assets:

Equities - The equity component of the portfolio shall normally constitute 50% to 70% of total Fund assets.

Fixed Income - The fixed income component, including cash and equivalents, shall normally constitute 30% to 50% of total Fund assets.

Alternative Investments – Non-traditional assets and investment strategies may constitute up to 10% of total Fund assets.

In the event that the allocations identified above should exceed the ranges allowed, the Committee will determine an appropriate remedy. The Committee has the authority to allow an exception to the aforementioned ranges, but each exception will be reported to the Board at its next scheduled meeting.

VI. Investment Managers

Each investment manager engaged to manage a portion of the Foundation’s assets shall:

1. Have full discretion in security selection, sector selection and portfolio turnover;
2. Initiate transactions on a best execution basis;
3. Vote all proxies in a manner believed to best benefit the Foundation as an underlying shareholder;
4. Serve as a fiduciary with respect to the portion of Foundation assets under their management.

At the Committee's discretion, the guidelines of this Policy can be applied to a Manager in full or can be suspended for specific Managers, whereby the Manager is expected to adhere to the asset class and/or style for which they were selected. In this instance, guidelines established with a Manager may vary from the authorizations and restrictions in this Policy.

VII. Investment Authorization and Restrictions

The authorizations and restrictions expressed herein are intended to guide the Committee in the oversight of the total portfolio.

A. Equities - The Board gives each Manager full discretion in security selection, sector selection, and portfolio turnover subject to this document and the following authorizations and restrictions.

1. Managers are responsible for maintaining proper diversification of equities and sectors in the portfolio.
2. Managers may invest in common stock, preferred stock, convertible preferred stock, and American Depository Receipts (ADRs) issued by corporations domiciled in foreign countries.
3. Investment in shares of equity mutual, exchange traded or commingled funds is allowed.
4. Managers are prohibited from investing directly in private placements, letter stock and uncovered options, and from engaging in short sales, margin transactions or other speculative investment activities.
5. Managers are permitted to invest in securities trading on foreign exchanges. Further, each Manager is permitted to manage the dollar-denominated currency exposure inherent in owning those foreign equity securities.

B. Fixed Income – The Board gives each Manager full discretion in security selection, sector selection, and portfolio turnover subject to this document and the following authorizations and restrictions.

1. Direct investment in obligations of, guaranteed by, or insured by the U.S. Government, its agencies or government sponsored enterprises is allowed.
2. Direct investment in obligations of U.S. banks or Savings and Loan Associations that are fully insured by the Federal Deposit Insurance Corporation is allowed.
3. Direct investment in corporate debt issues, which, at the time of purchase, are rated A- or better by Standard & Poor's or A3 or better by Moody's is allowed.
4. Investments in securities of a single debt issuer, with the exception of the U.S. Government, its agencies, and government sponsored enterprises, shall not exceed 10% of the fixed income component's market value.
5. The weighted average maturity of the fixed income component shall not exceed 10 years and an investment grade average long-term credit rating shall be maintained.
6. Investment in shares of fixed income mutual, exchange traded or commingled funds is allowed.
7. Managers are prohibited from investing in private placements.
8. Managers are prohibited from investing in tax-exempt securities of any municipal debt issuer, as well as any mutual, exchange traded or commingled funds investing primarily in tax-exempt municipal debt issues.

C. Cash Equivalents – The Board gives each Manager full discretion in allocation to and security selection of the cash equivalents component subject to this document and the following authorizations and restrictions.

1. To provide income, liquidity and preservation of principal, Managers may invest in commercial paper, repurchase agreements, U.S. Treasury Bills, certificates of deposit, as well as money market funds and short-term collective trust funds which contain the above securities.
2. The primary cash equivalents vehicle shall be a money market fund compliant with Rule 2a-7, promulgated under the Investment Company Act of 1940.
3. All assets in this category, other than money market and short-term collective trust funds must represent maturities of one year or less at the time of purchase.
4. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's or Moody's, respectively.
5. Uninvested cash reserves shall be kept at minimum levels.

D. Alternative Investments – The Board gives each Manager the authority to invest up to 10% of the Foundation's assets into investment strategies that are intended to be uncorrelated to traditional equity and fixed income investments, subject to explicit authorization by the Investment Committee and limited to the following authorizations and restrictions.

1. Unconstrained fixed income strategies intended to replicate the volatility of an intermediate-term fixed income portfolio while exhibiting reduced correlation to traditional equity and fixed income investments.
2. All restrictions in sections VII.A, VII.B and VII.C shall not apply to investment allocations in this section.

E. Other Investment Restrictions

1. Managers will not purchase assets other than those described above without the written consent of the Committee.
2. Investments in contracts of commodities are prohibited without prior written consent of the Committee.
3. The Committee may apply certain additional restrictions to any or all Managers.
4. The Committee may modify or eliminate restrictions for any or all Managers.
5. The Committee will not authorize private equity investments, private loans or other investment-related activities with individuals and/or businesses beyond what is explicitly allowed in this Policy.
6. Investments not specifically addressed within this Policy are forbidden without the written consent of the Committee.

VIII. Monitoring Procedures and Manager Evaluation

The Committee shall meet with Managers not less than annually for the purpose of discussing actual and comparative investment performance and strategy for meeting investment objectives. More frequent meetings with the Managers shall be on an as-needed basis. Each Manager shall provide a periodic statement, the frequency of which shall be determined by the Committee, showing transactions and current asset values. Exceptions to the meeting requirement will be granted to

Managers accessed via separate account platforms or registered mutual funds. Annually, the Board shall receive a comprehensive report on the performance and holdings of the Funds.

IX. Conflict of Interest

For Officers, Directors, Committee Members, Staff Members and certain Consultants:

None of the above shall derive any personal profit or gain, directly or indirectly, by reason of his or her participation with the Foundation. Each individual shall disclose any personal interest, which he or she may have in any matter pending before the Foundation and shall abstain from any vote on such matter.

**ADOPTED BY THE BOARD OF DIRECTORS OF THE
CITY OF MUSKOGEE FOUNDATION
on December 21, 2020**



Wren Stratton, Chair



Aaron George, Secretary