



Great Pond Mountain Conservation Trust

Investing & Spending Policy

Author: Finance/Investment Committee

Adopted: March 28, 2017

Revised: _____

Land Trust Standards and Practices

This policy complies with LTA Standard 6, Practice F.

Introduction

Purpose of Policy: To guide investment of funds to be held long term

Responsible Committee: Finance Committee and Board

I. SCOPE

These policies and guidelines (hereafter “Policy”) shall apply to certain funds (hereafter “Funds”) held by the organization including all donor-restricted funds and all funds that are not donor-restricted but are designated by the Board of Directors (hereafter called “Board”) as “Board Restricted,” “Board Designated,” “Unrestricted,” etc. In general, all funds covered by this Policy are held for long-term investment.

This policy shall not apply to program-related funds; funds held for the benefit of the organization by a trustee that is not an institution; funds held for the organization by a community foundation; or funds defined by Title 13 MRSA Section 5102 (hereafter Maine Uniform Prudent management of Institutional Funds Act or “UPMIFA”). Nor shall this policy apply to funds that will be expended in the short term. In general, short-term funds shall be held in bank deposit accounts, short-term fixed income instruments or dollar denominated money market mutual funds.

II. PURPOSE

This Policy is hereby adopted by the Board to meet its fiduciary duty to balance the competing goals of preservation of principal, generation of current income, and long term growth of the funds subject to the Policy.

The Board hereby adopts the provisions of UPMIFA (Title 13 MRSA Sections 5101-5111).

The Board has delegated to the Finance/Investment Committee (hereafter “Committee”) authority to oversee the day-to-day management of the Funds on behalf of the organization as set forth in Financial and Asset Management Policy, as the same may be from time to amended. It is necessary that the Committee, and any third-party investment manager(s) engaged by the Board, have a clear understanding of the purpose and objective inherent in managing the Funds. To this end, the Policy will:

- Identify the investment-related responsibilities of the Committee, and any third-party manager(s) retained to manage the Funds.
- Address the funding and liquidity needs of the Funds, recognizing the desire to protect assets from inflationary erosion.
- Establish formal investment guidelines incorporating prudent asset allocation and total return goals
- Create reasonable standards of investment performance, or benchmarks, against which performance of the Funds, and any third-party manager(s) will be measured.
- Provide a framework for regular authorized constructive communication between the Committee and Investment Manager, as required, and between the Investment Manager and the Board of Directors at least annually.

This Policy should be reviewed at least annually, to ensure that it continues to reflect the provisions of Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Maine Uniform Prudent Investor Act (MUPIA) and the objectives of the organization.

III. ROLE OF THE COMMITTEE

The Finance/Investment Committee (the “Committee”) is acting in a fiduciary capacity with respect to the Fund, and reports to the Board of Great Pond Mountain Conservation Trust and to the Executive Director, and is responsible for overseeing the investment of all assets owned by, or held in trust for the organization, hereafter “the Fund.”

- The investment policies for the Fund contained herein have been formulated consistent with the organization’s anticipated financial needs and in consideration of the organizations’s tolerance for assuming investment and financial risks, as reflected in the majority opinion of the Committee.
- Policies contained in this document are intended to provide guidelines, where necessary, for ensuring that the Fund’s investments are managed consistent with the short-term and long-term financial goals of Great Pond Mountain Conservation Trust. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Institution.

- The Committee will review this Investment and Spending Policy at least once per year. Changes to this Policy can be made only by affirmation of the Board of Directors, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Fund as soon thereafter as is practical.

IV. ETHICAL CONSIDERATIONS

Persons involved in the investment process on behalf of the organization shall refrain from personal business activity that may conflict, or may appear to conflict, with the proper execution of the investment program, or which may impair their ability, or appear to impair their ability, to make impartial investment decisions.

V. OBJECTIVE

The primary objective of the Funds is to provide a predictable source of supplemental annual income (interest, dividends, and capital appreciation) to support the charitable work of the organization.

The secondary objective of the Funds is to realize a long-term total return that is equal to or greater than, the real rate of inflation. This is intended to maintain the purchasing power of the Funds.

These objectives should be realized in a manner that is consistent with the Maine Prudent Investor Act (18-B MRSA §901 - §908) and UPMIFA (Title 13 MRSA §5101- §5111).

VI. ASSET ALLOCATION

- The Committee expects that the actual returns and return volatility may vary from expectations and return objectives across short periods of time.
- Fund assets will be managed as a balanced Fund composed of four major components: Core Equity, Core Fixed Income, Satellites, and Alternatives. The expected role of equity investments will be to maximize the long-term real growth of Fund assets, while the role of fixed income, satellites, and alternative investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Fund equity investments.
- Cash Investments will, under normal circumstances, only be considered as temporary Fund holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income classes.
- To the extent the Fund holds nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative

investments for purpose of measuring the Fund’s asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 30% of total Fund assets and, to the extent they are owned, will proportionally reduce target allocation to the three primary asset classes itemized below. Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee to be the most appropriate, given the Fund’s long-term objectives and short-term constraints. Fund assets will, under normal circumstances, be allocated across broad asset and sub asset classes in accordance with the following guidelines:

Major Asset Class	Allocation Range	
Core Equity	20%	60%
Core Fixed Income	30%	60%
Satellite	0%	40%
Alternative	0%	30%
Cash	0%	10%

VII. REBALANCING

It is expected that the Fund’s actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub asset classes. The Fund will be rebalanced to its target normal asset allocation under the following procedures:

- The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Fund to realign the current weightings closer to the target weightings for the Fund.
- The investment manager will review the Fund quarterly (January, April, July, and October) to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
 - I. If any asset class within the Fund is +/- 5 percentage points from its target weighting, the Fund will be rebalanced.
 - II. If any fund within the Fund has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
- The investment manager may provide a rebalancing recommendation at any time.
- The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

VIII. INVESTMENT GUIDELINES

The organization and any third-party investment manager(s) engaged by the organization shall manage the Funds in accordance with this Policy and applicable regulations including the MPUIA and UPMIFA.

The following investment guidelines have been established to define the level of risk that is acceptable within the Funds. It is expected that investment managers will adhere to these guidelines, unless modifications have been made in writing. Investment managers may manage the Funds' asset allocation within the ranges indicated above.

Investment managers are authorized to diversify within each asset class and employ sub-asset classes at their discretion. Both active and/or passive investment strategies may be employed.

In general, investment managers are expected to be fully invested. However, the Board recognizes that holding a higher allocation in cash equivalents is occasionally appropriate. If the cash allocation of Funds is expected to exceed the typical allocation range for an extended period (i.e. +90 days) the investment manager shall review the position with the Committee at the next investment review.

Equity Securities

Diversification

In general, the equity ratio shall be diversified by country, market capitalization, style, and industry / economic sectors defined by the Global Investment Classification System (GICS). Not more than 5% of the equity allocation shall be invested in any one company at the time of purchase. Not more than 25% of the equity allocation shall be invested in any one industry / economic sector at the time of the purchase.

Permissible Equity Investments

- Common stocks listed or traded over the counter or on a U.S. exchange
- Foreign securities listed on a U.S. exchange
- American Depository Receipts (ADRs)
- Preferred Stock or securities convertible to common stock
- Mutual funds, commingled funds or exchange traded funds investing in above securities
- Warrants on any of the above securities
- Covered options

Excluded Equity Investments

- Letter stock, private or direct placements
- Commodities contracts
- Securities of the investment manager or affiliates excluding money market funds
- Uncovered options

- Short sales
- Margin purchases, lending or borrowing of funds

Fixed Income Securities:

Diversification

In general, the fixed income Fund shall be diversified by issuer (i.e. sovereign, agency, corporate, ect.) country, maturity, etc. Except for debt securities issued or guaranteed by the United States, its agencies or instrumentalities, not more than 5% of the fixed income allocation shall be invested in the securities of any one issuer at the time of purchase.

If a bond is downgraded, or if a previously unrated bond is subsequently rated below investment grade by a major rating agency and the investment manager elects to hold the bond, the investment manager shall review this decision with the Committee at the next investment review or sooner if deemed prudent.

Permissible Investments:

- Debt securities issued or guaranteed by the United States, its agencies, or instrumentalities
- Corporate bonds, debentures and other forms of corporate debt obligation
- Indexed notes, floaters, variable rate obligations, mortgage and asset backed securities
- Foreign bonds (sovereign and corporate) denominated either in U.S. or foreign currency
- Mutual funds, commingled funds or exchange traded funds, investing in the above securities
- Preferred Stock
- Convertibles
- Individual municipal or corporate debt securities rated BBB or above
- Below investment grade credit: Pooled investments only

Alternatives

Diversification

In general, the alternative portion of the Fund shall be diversified by asset class, trading style, and manager. No more than 20 % of any alternative mandate can be fulfilled by a single management team, unless the team has a separate investment mandate and trading style. Alternatives used in the Fund must comply with the act of 1940 and be daily liquid.

Permissible Investments

- 1940 Act compliant daily liquid securities
- Global Macro
- Market neutral
- Managed futures
- Long/short

- 130/30
- Liquid private equity
- Liquid private debt
- Leveraged fixed income

Excluded Alternative Investments

- Illiquid or gated securities
- Private placements
- Limited partnerships

Satellites

Diversification

In general, the satellite portion of the Fund shall be diversified by nontraditional, liquid asset classes with no asset class being larger than 15% of the total Fund. All satellite securities must comply with the act of 1940 and be daily liquid.

Permissible Investments

- 1940 Act compliant daily liquid securities
- Emerging market debt
- Emerging market equity
- Global high yield
- Bank loan
- Domestic and global REIT's
- Global Infrastructure
- Commodities

Excluded Alternative Investments

- Illiquid or gated securities
- Private placements
- Private real estate
- Limited partnerships

IX. PERFORMANCE STANDARDS

Investment managers are expected to produce investment performance results that are comparable to an applicable blended benchmark over short-term (1-3 years) and long-term (5+ year) periods.

Manager performance shall be reviewed not less than annually.

Asset Class	Benchmark
Large Cap U.S. Equity	S&P 500 Stock Index
Mid Cap U.S. Equity	S&P 400 Stock Index
Small Cap U.S. Equity	Russell 2000 Stock Index
International Equity	MSCI EAFE Index
U.S. Fixed Income	Barclay's Aggregate Bond Index
Alternatives	HFRI
Cash	90-Day Treasury Bill
High Yield Bond	S&P High Yield Index
Global Bond	City World Bond
Emerging Markets Bond	JP Morgan EM Bond Index

X. RESPONSIBILITIES

It is the responsibility of the Board to ensure the Fund is managed prudently and in the best interest of the organization. The Board has delegated day to day authority to oversee the management of the Fund to the Finance Committee.

Board Responsibilities Include:

- Develop investment goals, objectives, and performance measurement standards, which are consistent with the goals of the Fund.
- Comply with statutory requirements for the management of institutional funds.
- Evaluate and appoint investment managers to invest and manage Fund assets
- Approve a spending policy for the Fund. In extenuating circumstances, the Board may limit endowment spending so as to preserve the purchasing power of the Fund.
- Communicate investment goals, objectives, and standards to the investment manager, including any material changes that may subsequently occur.
- Review and evaluate investment results in the context of established standards of performance and adherence to the investment guidelines
- Take whatever action is deemed prudent and appropriate, e.g. when the investment manager fails to meet mutually accepted performance standards or materially violates the Policy.

Investment Manager Responsibilities Include:

- Make day-to-day investment decisions with respect to assets under its management.
- Comply with this Policy, all written instructions provided by the Board, and all federal and state regulations pertaining to the investment of such funds.
- Inform the Board promptly of any material changes in the manager's outlook, policy, tactics, or in the firm's structure including ownership, financial condition, and staff turnover.

- Keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions.
- Provide proactive advice on investment guidelines and asset allocation.
- Provide access to monthly online Fund reports by Fidelity to persons authorized.
- Provide a report comparing Fund performance to the relative indices on a quarterly and year to date basis, no less than quarterly.
- Make payment from the Fund to such person or organizations as designated in writing by authorized persons.

XI. SPENDING POLICY

In general, distributions from the Fund support the charitable work of the organization including operational and capital needs. The Fund may include numerous donor gifts and pools of assets. Some of the assets may be designated for a particular purpose, based on explicit restrictions made by donors, while other assets may not be donor restricted and may be used for Board-designated purpose. The Fund may include assets as follows:

- **Donor Restricted:** Such assets have donor-imposed restrictions that may be temporary or permanent. Restrictions may relate to using the funds at or within a defined period of time (time restricted); or may relate to using the funds for a defined purpose (purpose restricted). Expenditure of donor-restricted funds shall be governed by the gift instrument or UPMIFA, as appropriate.
- **Board Designation:** Such assets are not donor-restricted and may be appropriated for current or future expenditure or accumulated as the Board, in its sole discretion, may elect. However, such assets may have Board-imposed time restrictions and/or purpose restrictions as well as expenditure restrictions, such as maintaining Historic Dollar Value {HDV}. Expenditure of such funds shall be governed only by this Policy and not by UPMIFA.
- In establishing a spending policy for the Fund, the primary goal is to balance long-term and short-term needs in carrying out its charitable purposes consistent with expected total return on its investments, price-level trends and general economic conditions. In addition, the organization desires to provide for a predictable spending pattern over an infinite period.

To achieve these goals, the following spending guidelines are established:

Spending Percentage

The Spending Percentage shall be determined by March 1 of each year and be calculated and drawn down in accordance with the GPMCT Financial and Asset Management Policy.

Percentage Calculation

The rolling twelve-quarter average market value is defined as the sum if the quarter end market value of each of the preceding twelve (12) fiscal quarters. This amount shall be determined as of March 1 of each year for each fund and be available for expenditure in the following year. Should a fund not have twelve (12) preceding fiscal quarters, the market value of that fund shall be calculated as follows:

In the first year the amount to be withdrawn , if any, shall not exceed five percent (5%) of the value of the fund on the draw determination date. In the second year, the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the fund calculated as the average of the market value for the first and second year.

Assets Subject to the Spending Policy

- Board designated Funds including all principal, accumulated appreciation, and accumulated interest and dividend income associated with these assets.
- Accumulated appreciation and accumulated interest and dividend income generated from assets classified as permanently restricted whose income is unrestricted or temporarily restricted.
- For those funds that lack an explicit donor prohibition against appropriation of appreciation, the appreciation may be appropriated by the Board and used for charitable purposes.

Assets Not Subject to the Spending Policy

- Assets not included in the Fund.
- Donor-restricted assets that restrict expenditure

Decision Making

The Board of Directors must approve the expenditure of any endowment asset.

XII. AMENDMENTS

The Board may amend this Policy from time to time as appropriate. The Board also reserves the right to direct the investment manager(s) to take any appropriate actions, whether or not consistent with this Policy, if market conditions, liquidity needs or other circumstances so indicate.

XIII. DOCUMENTATION

The minutes of the Committee and Board, as applicable, shall document compliance with this policy or reasons for deviation therefrom.

The organization shall maintain an accounting of the pooled funds, which shall be updated quarterly, indicating thereto and current market value of each of the sub-funds.

XIV. EXPENSES

Expenses associated with investment advisory services shall be paid from the fund in advance on a quarterly basis.

Adoption

This policy was adopted by the Board of Directors of Great Pond Mountain Conservation Trust on the _____ day of _____, at a duly constituted meeting at which a quorum was present.

Signature of authorized officer

Date