



# Individually Managed Funds Policy Statement

The Sioux Falls Area Community Foundation is pleased to offer an [Individually Managed Funds Program](#), enabling donors to recommend an external investment advisor to manage the assets of their fund(s). The Community Foundation retains the donor recommended external investment advisor as long as the external investment advisor is qualified, follows the Foundation’s investment policy, and meets the Foundation’s due diligence criteria. [Our Individually Managed Funds Policy Statement as of September 2020 follows:](#)



The objective of the Individually Managed Fund Program is to enable donor advised funds to be invested with an external investment advisor in a manner that aligns with the fund’s time horizon and the donor’s grant-making intentions, and is within the parameters outlined in our investment guidelines for each asset class.

## Individually Managed Funds Policy

### Fees and Administration

- The Foundation will charge regular administrative fees on each account based on the balance of the account as determined by the Foundation’s Fee Policy.
- The Foundation’s current Fee Policy is:
  - 1.00% on the first \$1M
  - 0.50% on the next \$4M
  - 0.25% on the next \$5M
  - 0.125% on balances above \$10M
- Fees for investment management of Individually Managed Funds arranged individually with external advisor.
- Minimum opening balance of \$150,000 is required for an Individually Managed Fund.
- If the fund has 3 years of inactivity without new gifts into the fund or grants out, the Foundation’s Special Gifts & Investments Committee will consider moving the fund to a Foundation managed portfolio.



# Individually Managed Funds Policy, Continued

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## Relationship Management

- The Foundation considers continuous recommendation of donor in maintaining individually managed account.
  - If donor recommends termination of external advisor with assets transferred to the Foundation's main endowment pool or another external advisor, Foundation will consider recommendation after approval by Special Gifts & Investments Committee.
- The Foundation has sole discretion to terminate or retain external advisor based on compliance with Foundation Investment Policy for Individually Managed Funds.
- In general, after the death of the donor, the Foundation will move individually managed funds into a Foundation managed portfolio; however, special circumstance to retain external advisor will be considered by the Special Gifts & Investments committee.

## Due Diligence

- The Foundation's Special Gifts and Investments Committee monitors, on an ongoing basis, the performance of external advisors, considering returns net of fees. The Foundation has the discretion, due to continual under performance, to move the funds into the main endowment pool at the Foundation.
- External advisor must disclose fee structure with Foundation.

## External Advisor Requirements

- Online access to accounts must be provided.
- Monthly statements must be made available within the first 5 business days following the first of the month.
- Fees will be collected on a quarterly basis.
- Quarterly return information must be provided.

# Investment Guidelines for Each Asset Class

## All Holdings

- All holdings should be readily marketable with daily liquidity, and appropriately diversified.
- No more than 10% of a fund managed by an external investment advisor may represent securities of a single issuer (with the exception of treasuries), unless authorized by the Special Gifts & Investments committee. This excludes mutual funds.
- The assets of a fund may not be invested in the following: hedge funds without daily liquidity, short positions (excluding mutual funds), private equity investments, futures and options contracts, private fixed income investments or any investment where there is a risk of loss of more than the amount invested.

## Equity

- Publicly traded equities, mutual funds and exchange traded funds (ETFs) may be purchased as a part of the allocation to equity within the fund.
- The equity portion of the investment fund will seek geographical and sector diversity.

## Fixed Income

- Below investment grade fixed income holdings are limited to 25% of the fund balance.

## Cash/Cash Equivalents

- A key objective for cash investments is to maintain price stability at all times, although this is not guaranteed.

## Alternative Investments

- Direct investment in commodities or non-US currencies is prohibited. Investment in any securities without daily liquidity is prohibited.

# Individually Managed Funds: Investment Options

## Aggressive Growth Option

Suggested ranges with this option:

	POLICY TARGET	MINIMUM	MAXIMUM
EQUITIES	100	85	100
FIXED INCOME	0	0	15
CASH	0	0	15

- Benchmark: 100% MCSI All Country World Index
- Appropriate Time Horizon: At least 20 years
- This investment option:
  - Emphasizes very long-term capital appreciation as a primary source of return. Current income is not required.
  - Implies a willingness to risk significant principal loss, so long as the investments are positioned to earn a high rate of return over the long term.
  - Implies a long-term time horizon available for investment, in order to benefit from total returns that would normally accrue to a patient investment strategy.
  - Is expected over the long term to provide for asset growth at a rate substantially in excess of the rate of inflation, net of investment and administrative expenses.
  - Diversifies the investments in order to provide opportunities for long-term growth.

## Growth Option

Suggested ranges with this option:

	POLICY TARGET	MINIMUM	MAXIMUM
EQUITIES	75	60	90
FIXED INCOME	25	10	40
CASH	0	0	15

- Benchmark: 75% MSCI All Country World/25% Bloomberg Barclays US Aggregate Bond Index
- Appropriate Time Horizon: At least 15 years
- This investment option:
  - Shall emphasize long-term moderate capital appreciation as a primary source of return. Current income is a supplementary source of gains.
  - Recognizes that the assets are exposed to risk and may be subject to large fluctuations in market value from year to year. This volatile performance is acceptable as long as the assets are invested primarily for capital appreciation over the long-term.
  - Is expected to earn long-term returns sufficient to increase the purchasing power of assets over the long-term, net of investment and administrative expenses.
  - Implies a long-term time horizon available for investment in order to benefit from total returns that would normally accrue to a patient investment strategy.

# Individually Managed Funds: Investment Options

## Growth & Income Option

Suggested ranges with this option:

	POLICY TARGET	MINIMUM	MAXIMUM
EQUITIES	50	35	65
FIXED INCOME	50	35	65
CASH	0	0	15

- Benchmark: 50% MSCI All Country World/50% Bloomberg Barclays US Aggregate Bond Index
- Appropriate Time Horizon: At least 10 years
- This investment option:
  - Is a balanced approach expected to achieve a positive rate of return over the long term that could support on-going cash flow requirements.
  - Is expected to earn long-term returns from capital appreciation and current income.
  - Recognizes that assets are exposed to risk, and the market value of the fund may fluctuate from year to year. This volatile performance is acceptable as long as the assets are invested to generate sufficient return for the risk assumed.
  - Implies a long-term time horizon available for investment, in order to benefit from total return that would normally accrue to a patient investment strategy.

## Capital Preservation Option

Suggested ranges with this option:

	POLICY TARGET	MINIMUM	MAXIMUM
EQUITIES	25	5	40
FIXED INCOME	75	60	90
CASH	0	0	15

- Benchmark: 25% MSCI All Country World/75% Bloomberg Barclays US Aggregate Bond Index
- Appropriate Time Horizon: At least 5 years
- This investment option:
  - Is a risk-averse approach that emphasizes a stable source of current income and some capital appreciation over the long-term.
  - Implies a willingness to risk some declines in value over the short-term, so long as the assets are positioned to generate current income and exhibit some capital appreciation.
  - Diversifies the investments in order to provide opportunities for long-term growth, and to reduce the potential for large losses that could occur from holding concentrated positions.
  - Implies a short to intermediate-term time horizon available for investment.

# Individually Managed Funds: Investment Options

## Current Income Option

Suggested ranges with this option:

	POLICY TARGET	MINIMUM	MAXIMUM
EQUITIES	0	0	15
FIXED INCOME	100	85	100
CASH	0	0	15

- Benchmark: 100% Bloomberg Barclays US Aggregate Bond Index
- Appropriate Time Horizon: At least 3 years
- This investment option:
  - Is expected to generate on-going returns over the short-term and long-term, principally from a stable source of current income. The investments may seek capital appreciation as a secondary source of return so long as the primary objective of maintaining stable income is not jeopardized.
  - The market value from year to year should be relatively stable, even if it means sacrificing some opportunities for growth.
  - The investments will be diversified by number of issues, issuers and issue type. They will also emphasize a high degree of liquidity in order to fund on-going cash requirements.
  - Implies a short time horizon available for investment.

## Cash Reserve Option

Suggested range with this option:

100% cash and cash equivalents

- Appropriate time horizon: Anything less than 3 years
- This investment option:
  - Was established to receive and invest assets for temporary investment. The assets are invested in a money market fund that is expected to provide current income, preserve principal value over most market cycles and provide a high degree of liquidity.

**TO GET STARTED, PLEASE COMPLETE**

[Appendix A: Asset Management Request](#)

[Appendix B: Advisor Acknowledgment](#)



**SIOUX FALLS AREA  
COMMUNITY  
FOUNDATION**

200 N. CHERAPA PLACE | SIOUX FALLS, SD  
605.336.7055 | SFACF.ORG

# Appendix A | Asset Management Request



Sioux Falls Area Community Foundation  
200 N. Cherapa Place  
Sioux Falls, SD 57103

It is my request that the \_\_\_\_\_ Fund ("The Fund") be managed in a separate account at \_\_\_\_\_ by \_\_\_\_\_.

(INVESTMENT MANAGEMENT FIRM) (INVESTMENT MANAGER)

I/we understand that this investment manager will take instruction only from authorized employees of the Sioux Falls Area Community Foundation. I/we would like to recommend the:

- Aggressive Growth
- Growth
- Growth & Income
- Capital Preservation
- Current Income
- Cash Reserve

Option as the asset allocation.  
(PLEASE CHECK YOUR PREFERENCE)

I/We understand this fund will be assessed such reasonable fees and expenses as are charged to other similar funds administered by the Foundation.

\_\_\_\_\_  
(DONOR SIGNATURE)

\_\_\_\_\_  
(DONOR SIGNATURE)

\_\_\_\_\_  
(DATE)

## Appendix B | Advisor Acknowledgment



Name of Investment Management Firm: \_\_\_\_\_

Name of Investment Manager  
Responsible for Foundation Account: \_\_\_\_\_

Email: \_\_\_\_\_

Phone: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

I acknowledge I have received a copy of the Foundation's Individually Managed Investment Policies, have read and understood the policies and am able to comply with the monthly reporting requirements.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



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