



CFN Investment Policy

The Community Foundation for Nantucket (CFN) has a back-office contract with Greater Horizons (GH), a subsidiary of the Greater Kansas City Community Foundation. In that agreement, all of CFN's assets, including all component funds, are under GH's legal control (see paragraph labeled Accounts from our agreement below). CFN sends to GH all investment recommendations from charitable funds under management, and provides all fund advisers with the asset options available to them through GH. CFN does not have a separate Investment Committee, but rather adopts GH's Investment Policy, communicates regularly with GH's Director of Investments, and receives updates on their investment strategies, outlined in the attached GH Investment Policy Statement 11.07.16.

Accounts. In accordance with the services to be provided under this agreement, GH shall take, hold, invest and distribute all of the Foundation assets under GH's legal control. GH shall not act as trustee or fiduciary in any respect. **GH** shall have all powers necessary (i) to reasonably carry out the written recommendations of Foundation or its designated representative with respect to investments, and (ii) to carry out other duties with respect to the assets under GH's control. Foundation understands and acknowledges that GH is not under any duty to advise or make recommendations to Foundation with respect to the purchase, sale or other disposition of any assets in GH's control. GH will only rely and act on written recommendations given by Foundation or its representative which GH believes to be genuine. GH shall construe any and all investment recommendations given by the representative as having been authorized by Foundation. Written instruction shall be given by facsimile, e-mail or other electronic submission. **GH** shall not be liable for executing, failing to execute, failing to timely execute or for any mistake in the execution of any non-written recommendations. All investment recommendations must be received at least five (5) business days prior to the desired effective date of such recommendation.

INVESTMENT COMMITTEE

INVESTMENT POLICY STATEMENT

I. INTRODUCTION

The Investment Committee (“Committee”) of The Greater Kansas City Community Foundation (“Foundation”) is established in accordance with the bylaws of Foundation to establish investment policy, construct an investment program, monitor the performance of such a program and provide oversight of the Foundation’s investible assets (“Investment Portfolio”). This investment policy will:

- establish reasonable expectations, objectives and guidelines in the investment of the Investment Portfolio;
- set forth an investment structure detailing permitted asset classes and allocation among asset classes;
- create the framework for a well-diversified asset mix that can be expected to generate acceptable long term returns at a level of risk suitable for the Investment Portfolio; and
- set forth the standards for performance evaluation of the Investment Portfolio.

Any changes made to this Investment Policy Statement will be made in writing, as approved by the Committee.

II. PURPOSE AND INVESTMENT PHILOSOPHY

The purpose of the Investment Portfolio is to facilitate the funding of current and future charitable needs of the Greater Kansas City Community through its charitable funds and organizations.

The Investment Portfolio should be managed in a manner which is consistent with the philosophy of the Foundation and which reflects the unique purpose for the Investment Portfolio.

III. INVESTMENT OBJECTIVE

The primary long term investment objective of the Investment Portfolio is to seek market returns reflective of broad global equity, fixed income and cash markets at a very competitive cost through primarily passively-managed investment strategies. The Investment Portfolio is expected to preserve and grow the capital of funds, provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs of the Foundation now and in the future.

Over shorter time periods (i.e. less than two years), the underlying investment strategies within the

Investment Portfolio might deviate from the underlying benchmarks each strategy is meant to track, though over longer time periods it is expected that each strategy will perform in-line with its respective benchmark (gross of fees). As a result, the overall Investment Portfolio is expected to perform in-line with the broader global equity, fixed income and cash markets over time, though at a cost significantly below more actively managed strategies.

IV. TIME HORIZON

Charitable needs are ongoing; therefore, the investment program should have a lengthy time horizon to match the duration of those needs. While particular charitable needs can increase and decrease over time, it is the Committee's belief that each community's commitment to strengthening core values, providing assistance to those in need and making the community better for those who live there is a need that will be perpetual in nature. Therefore, the general time horizon for investments shall be considered "long term" and considered in a manner consistent with other continuing entities, such as retirement plans. In addition, through investment recommendations, individual charitable organizations and donors shall be free to recommend programs that meet the shorter time horizons of their charitable needs.

V. RISK TOLERANCE

The Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The Investment Portfolio will be structured to maintain prudent levels of diversification. Diversification of assets will be employed to ensure that adverse results from one asset class will not have an unduly detrimental effect on the Investment Portfolio. Diversification is interpreted to include diversification by type, by characteristic, and by number of investments.

For purposes of investment policy, the Investment Portfolio Pools shall be considered as four parts: the Equity Portfolio, the Short-Term Fixed Income Pool, the Intermediate-Term Fixed Income Pool, and the Cash Equivalent Pool. The Committee will establish long term policy target allocations and ranges for the asset classes within the Equity and Fixed Income Portfolios. The Committee recognizes that over the long term, the risks of owning equities has been, and should continue to be rewarded with a somewhat greater return than that available from income investments. The role of equity investments is to provide capital appreciation, in order to preserve the long term purchasing power of the Foundation assets. The role of income investments is to reduce the volatility of the Investment Portfolio, while providing a predictable stream of income. The role of the Cash Equivalent Portfolio is to provide short term funding needs and any required principal stability.

VI. PROCEDURES

The Committee shall generally meet semi-annually and at such other times as directed by the Committee Chair, the Foundation Chair, or President.

The Committee shall strive to comply with all applicable laws and regulations, and invest in accordance with the prudent investor standard.

The Committee (which may utilize active assistance and recommendations from an investment consultant) shall have responsibility for the following with respect to the Investment Portfolio:

- Establishing overall financial objectives and setting investment policy;
- Setting parameters for asset allocation;
- Establishing a process and criteria for the selection and termination of investment program managers, custodians;
- Selecting a qualified investment consultant;
- Selecting qualified investment manager(s);
- Selecting qualified custodian(s);
- In the case of the Cash Equivalent Portfolio, selecting appropriate investments;
- Monitoring investment results on a regular basis to assure that objectives are being met and that policy and guidelines are being followed; and
- Communicating on a structured and ongoing basis with those persons responsible for investment results.

The Committee expects an Investment Consultant to be proactive in advising and making recommendations to the Committee regarding:

- Investment Policy
- Asset Allocation
- Manager Selection
- Performance Evaluation
- Other Investment Matters

The selected Investment Manager(s) will be responsible for the following:

- Determining benchmark selection and related investment strategy, consistent with the Foundation's desire for a primarily passively-managed investment portfolio; and
- Implementing investment processes that ensure close tracking of each manager's underlying benchmark at a competitive cost relative to peers.

VII. ASSET ALLOCATION AND STYLE DIVERSIFICATION

Research suggests that the decision to allocate total assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. The Committee recognizes the strategic importance of asset allocation and style diversification in the investment performance of the assets over long periods of time. Domestic and international equities (large, mid and small capitalization), income securities and cash equivalent securities have been determined to be acceptable vehicles for the Investment Portfolio. Additional asset classes and style strategies

may be incorporated into the investment philosophy in the future.

A. Summary of Asset Allocation Guidelines

After reviewing the long term performance and risk characteristics of various asset classes, the Committee has determined and set forth on the attached Exhibits A-B, the asset allocation targets and ranges for the three Investment Pools (Equity Pool, Short-Term Fixed Income Pool, Intermediate-Term Fixed Income Pool), which in combination with the Money Market Pool comprise the asset class Investment Pools. Exhibits C-G display the Investment Mixes, which are the pre-set allocations comprised of the aforementioned underlying Investment Pools. The five Investment Mixes are Aggressive, Moderately Aggressive, Moderate, Conservative and Risk Averse.

The approved asset allocations for the Investment Pools and Investment Mixes indicate both an initial target allocation and a range for each investment category. From time to time, based on changing economic circumstances and the various relative investment opportunities as perceived by the Committee and its advisors, it may be desirable to make changes to the target allocations. The Committee and its advisors may determine such changes. Subsequent target allocation changes will be approved by the Committee and this Investment Policy Statement will be updated accordingly.

B. Rebalancing Procedures

From time to time, market conditions may cause the investment in various asset classes to vary from the established allocation. On a monthly basis, the Foundation staff, in coordination with the Investment Consultant will review both the specific asset allocation and the style targets for possible rebalancing back to the target allocation, to ensure consistency with the asset allocation guidelines established by this investment policy. The Committee may, at times, adopt a different rebalancing strategy.

VIII. SELECTION AND RETENTION CRITERION FOR INVESTMENTS

A. Investment Management

Investment Manager(s) (including mutual funds) shall be chosen using various criteria. Consideration of the Investment Portfolio's primarily passive approach to investment management will be an important factor in the consideration of Investment Manager(s), though more specific criteria include the following:

- Ability of passive managers to closely track respective underlying benchmarks, with minimal volatility in tracking error over a longer time period;
- Expenses and fees associated with each Investment Manager's strategy;
- The investment style and discipline of the proposed manager;
- The size of the organization as measured by the amount of assets under management with respect to the investment style under consideration;

- Experience of the organization, including tenure of key professionals, with respect to the investment style under consideration;
- Past performance, considered relative to other investments having the same investment objective, and anticipated future performance. Consideration shall be given to both performance rankings over various time frames and consistency of performance;
- How well each proposed investment complements other assets in the Investment Portfolio.

The Committee foresees the possibility of using mutual funds, collective trust funds, or limited partnerships and understands that the Committee would not have any specific control over the management of such funds with regard to guidelines and restrictions. However, when possible, the Committee intends to utilize funds that generally comply with the investment guidelines stated in this Investment Policy Statement.

i. Equity Pool

The following shall serve as the Committee's guidelines on the employment of equity securities within the Foundation's Investment Portfolio:

The Foundation's Equity Pool investments shall be managed with capital appreciation, through cost-effective participation in broad global equity markets, as a primary objective. A secondary objective is to provide a source of diversification for the Investment Portfolio, thus seeking to dampen portfolio volatility.

The Equity Pool may include traditional equity securities (i.e. domestic, international developed and emerging market equities) or other approved equity classes.

Security Types

The Equity Pool shall be comprised of primarily passive investment strategies, though, with the approval of the Investment Committee, active strategies will be allowed if deemed to be consistent with the goals of the Foundation. The passive portion shall utilize a strategy that matches the performance of the appropriate underlying equity benchmark, with minimal tracking error over a longer time period, in as cost-effective a manner as possible.

Equity securities shall consist of common stocks and equivalents (ADRs, issues convertible into common stock, etc.). Issues traded on the New York, American, Over the Counter, Regional Exchanges and foreign exchanges are appropriate. There are no specific constraints as to earnings record and dividend policy.

Diversification

The Equity Pool will maintain style, market capitalization and geographic diversification, and will regularly rebalance based on the guidance of the Committee within the ranges set forth on Exhibit A.

Restrictions

Investment managers are prohibited from engaging in the following transactions on behalf of the Foundation:

- a. Any transaction in which the investment manager or its employees have a conflict of interest.
- b. Any transaction that could cause a problem with the Foundation's tax-exempt status.
- c. Unless such transactions are consistent with the manager's style and disclosed in writing to the Foundation prior to the employment of the manager, any transaction investing in private placements, lettered stock, commodity future contracts, options, short sales, margin transactions or other specialized investment activities.

ii. Income Pool

The following shall serve as the Committee's guidelines on the employment of income securities within the Foundation's Investment Portfolio:

The Foundation's Income Pool investments, specifically the Short-Term Fixed Income Pool and Intermediate-Term Fixed Income Pool, shall be managed for capital preservation and current income, to help meet spending requirements, through cost-effective participation in broad fixed income markets, as a primary objective. A secondary objective is to provide a source of diversification for the Investment Portfolio, thus seeking to dampen portfolio volatility.

The Income Pool may include traditional income securities (i.e. domestic bonds) or other approved income classes (i.e. foreign bonds, interest rate swaps, derivatives, etc.). Exposure to the specific sub-sectors of the fixed income markets listed below is expected to be achieved through a primarily passive investment management approach.

a. Domestic Fixed Income

Quality

Domestic fixed income investments shall generally be of investment grade quality and shall meet the standard of the prudent investor. Credit risks should be consistent with the total return, cash flow and capital preservation needs of the Foundation.

Duration

The average effective duration of the Short-Term Fixed Income Pool shall not exceed four years, while the average effective duration of the Intermediate-Term Fixed Income Pool shall not exceed ten years. Duration shall remain consistent with each underlying manager's investment style.

Diversification

Diversification shall be maintained in a manner consistent with the manager's style. No more than 5% of the fixed income portfolio shall be invested in the obligations of

any single issuer excluding U.S. Government and agency securities, qualifying money market funds or investment purchases with a maturity of less than 91 days. (If more than one investment manager manages income securities, this restriction shall apply separately to each income portfolio.)

Restrictions

Investment managers shall generally avoid the purchase of illiquid issues. Domestic fixed income managers shall generally purchase only securities from an issuance of at least \$50 million dollars in such fixed income securities. Fixed income managers may purchase securities from any size issuance by an agency of the United States government.

b. Non-Investment Grade Securities

The Committee shall be permitted to utilize a non-investment grade fixed income strategy as part of either the Short-Term or Intermediate-Term Fixed Income Pools. Said strategies shall not exceed 10% of each respective Fixed Income Pool. The manager shall purchase only non-investment grade securities that are consistent with the manager's investment style as disclosed to the Foundation at the time the manager is engaged.

iii. Cash Equivalent Portfolio

The Foundation may maintain cash balances in amounts consistent with Foundation administrative policies designed to provide liquidity for grant making and payment of fees and administrative costs, or to provide any desired principal stability. The Committee may approve any type of cash equivalent instrument for purchase.

Money market funds shall comply with Rule 2A-7 of the Investment Company Act of 1940. This rule provides minimum standards concerning the quality, diversification and maturities allowed within the "money" funds. Generally, this limits money fund investments to tier 1 commercial paper, bank obligations, tier 1 short term corporate securities, U.S. Treasury securities, U.S. Agency obligations and repurchase agreements. It shall be permissible for the Foundation to utilize bank accounts and other investment purchases with a maturity of less than 91 days as investments for cash balances.

IX. PERFORMANCE OBJECTIVES

The overall fund performance will be reviewed by the Investment Committee on a semi-annual basis, with more frequent reviews performed by the Investment Consultant, in consultation with the Foundation's staff. An emphasis will be placed on long-term results achieved over a three-to five-year period. Objectives will be reviewed annually and adjusted, if necessary, after consultation with the Committee, Investment Consultant and Investment Managers.

The Investment Portfolio is to be invested in equity and income securities to achieve a total return, gross of management fees, that closely tracks the indices deemed most appropriate by the Committee. Investment managers will be held to an additional standard of closely tracking each of their respective benchmarks with total fees and expenses that are at, or close to, the lowest in the industry in their respective asset class. Investment managers whose performance deviates meaningfully from their respective benchmark over a prolonged time period (three years) will be subject to a more formal annual review by the Investment Committee in conjunction with the Investment Consultant.

A. Equity Pool

The overall investment objective of the Equity Pool is to as closely as possible track an appropriate blended market benchmark chosen by the Committee, gross of all fees, over a three-to five-year time period, in an attempt to gain broad market exposure at a competitive total cost. Individual performance benchmarks will be established for each investment at the time it is made.

Passive (or index) managers' performance, gross of fees, will be expected to be consistent with their corresponding index benchmarks.

Performance will be monitored quarterly, and equity managers will be evaluated over rolling three-to five-year periods. However, the Committee has discretion to evaluate and terminate a manager for any reason at any time.

B. Fixed Income Pools (Short-Term & Intermediate-Term)

The performance of each of the Fixed Income Pools is expected to track as closely as possible an appropriate blended benchmark chosen by the Committee, gross of all fees, over a three-to five-year time period.

C. Cash Equivalent Portfolio

The cash equivalent investment performance results will be compared against the 90-day T-bill.

D. Investment Mixes

Each Investment Mix set forth on the attached Exhibits C-G will be compared to the performance of a similarly structured index in line with the target allocation in each mix. This custom index will be comprised of appropriate indices determined by the Committee. Each Investment Mix should track as closely as possible the performance of the custom balanced index, gross of fees.

X. CONTROL PROCEDURES

A. Review and Evaluation of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis by the Committee. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy statement. It is not expected that the investment policy statement will change frequently. In particular, short term changes in the financial markets should not require an adjustment in the investment policy statement.

B. Review and Evaluation of Investment Manager(s)

The Committee shall evaluate all investment managers based on the following criteria:

- i. Investment managers, and all employees of such managers, shall strive at all times to operate in compliance with all applicable laws and regulations.
- ii. Passive investment managers are expected to achieve a total return, gross of fees, equal to the asset class benchmark. Such managers shall also be evaluated on the criteria of efficiency and tracking error.
- iii. Passive investment managers are expected to have the lowest, or close to the lowest, management fees within their respective asset classes.
- iv. Investment managers are expected to maintain the same investment style throughout the relationship as it had when hired by the Foundation. Investment managers shall notify the Foundation when any material change occurs in style, underlying benchmark, management fees, ownership or investment professionals (including client representatives) related to the Foundation's Investment Portfolio.
- v. Investment managers shall generally remain fully invested within the assigned investment mandate, excluding cash required for transactions, unless the market does not provide purchasing opportunities consistent with their style. In any event, manager performance will still be evaluated using the designated benchmark.
- vi. Proxies will be voted as directed by the investment managers. Investment managers are instructed to direct their vote in the manner most likely to produce the best long term return for the companies' shareholders.
- vii. Investment managers shall seek the best price and execution for security trades they execute and shall comply with all regulations concerning "soft dollars."

The Committee shall review the investment performance of the investment program on a semi-annual basis. Said review may be satisfied either through discussion at a Committee meeting or by reviewing quarterly reports. Review shall include comparisons to the benchmark established, but may also include comparisons with additional indices, peers and other investment classes or managers.

The Committee will generally evaluate investment managers over a three-to five-year time period, but the Committee reserves the right to terminate any investment mandate at any time, with or without cause. In addition, the Committee may consider prior performance information from a similar investment program, but is not required to do so.

XI. COMMUNICATIONS

Quarter-end regular accounting of transactions, portfolio holdings, yields, current market values, calculations of the portfolio's total rate of return on a latest quarter, year-to-date, three-year, five-year, seven-year, ten-year, and since inception basis will be provided by Investment Consultant.

The Committee shall require the Investment Managers to maintain communication with the Committee and the Investment Consultant with as reasonable frequency as market conditions and the portfolio warrant. Major market conditions and major portfolio changes should be called to the attention of the Committee and the Investment Consultant by the Investment Managers. Significant changes within an Investment Manager's operations of personnel and the anticipated impact on the assets should be brought to the attention of the Committee and the Investment Consultant immediately.

The Investment Consultant will provide comparative performance evaluation reports quarterly.

IN WITNESS WHEREOF, this Investment Policy Statement, as approved by the investment committee, has been adopted as of this 7th day of November, 2016.

For the Investment Committee of The Greater Kansas City Community Foundation

{Jd .W

Signed

David A. Anderson

Print Name

Director of Investments

Title

EXHIBIT A (11/07/16)

EQUITY POOL ALLOCATION

	Target Allocation	Allocation Range
Domestic Equities <i>(CRSP U.S. Total Market Index)</i>	75.0%	60.0% - 90.0%
International Equities <i>(FTSE Developed All Cap ex U.S. Index)</i>	20.0%	10.0% - 30.0%
Emerging Market Equities <i>(FTSE Emerging Markets All Cap Index)</i>	5.0%	0.0% - 15.0%

Benchmark index in parenthesis

EXHIBIT B (11/07/16)

FIXED INCOME POOL ALLOCATION (SHORT-TERM & INTERMEDIATE-TERM)

	Target Allocation	Allocation Range
<u>SHORT-TERM FIXED INCOME</u>		
Short-Term Core Aggregate Bond <i>(Barclays U.S. Gov't Credit-Float Adjusted 1-5 yrs)</i>	70.0%	60.0% - 80.0%
Mortgage-Backed Securities <i>(Barclays U.S. MBS – Float Adjusted)</i>	20.0%	10.0% - 30.0%
Short-Term Inflation-Protected Bonds <i>(Barclays U.S. Treasury TIPS 0-5 yrs)</i>	5.0%	0.0% - 10.0%
Short-Term Non-Investment Grade <i>(S&P/LSTA U.S. Leveraged Loan 100 - TR)</i>	5.0%	0.0% - 10.0%

INTERMEDIATE-TERM FIXED INCOME

Core Aggregate Bond <i>(Barclays U.S. Gov't Credit-Float Adjusted 5-10 yrs)</i>	70.0%	60.0% - 80.0%
Mortgage-Backed Securities <i>(Barclays U.S. MBS – Float Adjusted)</i>	20.0%	10.0% - 30.0%
Inflation-Protected Bonds <i>(Barclays U.S. Treasury TIPS 0-5 yrs)</i>	5.0%	0.0% - 10.0%
Non-Investment Grade <i>(Barclays High Yield Very Liquid)</i>	5.0%	0.0% - 10.0%

Benchmark index in parenthesis

EXHIBIT C (11/07/16)

“AGGRESSIVE” INVESTMENT MIX ALLOCATION

	Target Allocation	Allocation Range
Money Market <i>(90 Day T-Bill)</i>	0.0%	0.0% - 5.0%
Short-Term Fixed Income Pool <i>(Short-Term Fixed Income Pool Blended Benchmark)</i>	10.0%	0.0% - 20.0%
Intermediate-Term Fixed Income Pool <i>(Intermediate-Term Fixed Income Pool Blended Benchmark)</i>	10.0%	0.0% - 20.0%
Equity Pool <i>(Equity Pool Blended Benchmark)</i>	80.0%	75.0% - 85.0%

Benchmarks in parenthesis

EXHIBIT D (11/07/16)

“MODERATELY AGGRESSIVE” INVESTMENT MIXALLOCATION

	Target Allocation	Allocation Range
Money Market <i>(90 Day T-Bill)</i>	5.0%	0.0% - 10.0%
Short-Term Fixed Income Pool <i>(Short-Term Fixed Income Pool Blended Benchmark)</i>	21.0%	5.0% - 35.0%
Intermediate-Term Fixed Income Pool <i>(Intermediate-Term Fixed Income Pool Blended Benchmark)</i>	14.0%	5.0% - 35.0%
Equity Pool <i>(Equity Pool Blended Benchmark)</i>	60.0%	50.0% - 70.0%

Benchmarks in parenthesis

EXHIBIT E (11/07/16)

“MODERATE” INVESTMENT MIXALLOCATION

	Target Allocation	Allocation Range
Money Market <i>(90 Day T-Bill)</i>	15.0%	10.0% - 20.0%
Short-Term Fixed Income Pool <i>(Short-Term Fixed Income Pool Blended Benchmark)</i>	27.0%	10.0% - 40.0%
Intermediate-Term Fixed Income Pool <i>(Intermediate-Term Fixed Income Pool Blended Benchmark)</i>	18.0%	10.0% - 40.0%
Equity Pool <i>(Equity Pool Blended Benchmark)</i>	40.0%	30.0% - 50.0%

Benchmarks in parenthesis

EXHIBIT F (11/07/16)**“CONSERVATIVE” INVESTMENT MIXALLOCATION**

	Target Allocation	Allocation Range
Money Market <i>(90 Day T-Bill)</i>	25.0%	20.0% - 30.0%
Short-Term Fixed Income Pool <i>(Short-Term Fixed Income Pool Blended Benchmark)</i>	33.0%	15.0% - 45.0%
Intermediate-Term Fixed Income Pool <i>(Intermediate-Term Fixed Income Pool Blended Benchmark)</i>	22.0%	15.0% - 45.0%
Equity Pool <i>(Equity Pool Blended Benchmark)</i>	20.0%	15.0% - 25.0%

Benchmarks in parenthesis

EXHIBIT G (11/07/16)

“RISK AVERSE” INVESTMENT MIX ALLOCATION

	Target Allocation	Allocation Range
Money Market <i>(90 Day T-Bill)</i>	100.0%	100.0% - 100.0%
Short-Term Fixed Income Pool <i>(Short-Term Fixed Income Pool Blended Benchmark)</i>	0.0%	0.0% - 0.0%
Intermediate-Term Fixed Income Pool <i>(Intermediate-Term Fixed Income Pool Blended Benchmark)</i>	0.0%	0.0% - 0.0%
Equity Pool <i>(Equity Pool Blended Benchmark)</i>	0.0%	0.0% - 0.0%

Benchmarks in parenthesis