

# Turkish Philanthropy Funds

## Statement of Investment Policies and Guidelines

Adopted on 02.12.2009

### I. AUTHORITY

---

*From the By-Laws of the Foundation:*

**Section 3. Investments.** The Board of Directors shall hold, use, manage, administer, and, at their discretion, dispose of the properties of the Corporation, and shall collect all incomes revenues and profits arising there from. The funds of the Corporation arising through the receipt and collection of incomes, revenues and profits, sale of properties or otherwise, shall be invested in such properties and investments as may be determined by the Board of Directors, from time to time, to be prudent investments for assets of the Corporation. In the making of any investment, the Board of Directors shall have absolute discretion, without limitation, in the determination of what properties constitute a suitable investment for any assets of the Corporation, provided that such investments are legal investments for fiduciaries under any present or future statute, decision, or rule of law.

### II. OBJECTIVE

---

To develop, implement and monitor prudent investment management of the Foundation's capital market assets in order to secure, over time, inflation and risk adjusted, acceptable total rates of return for both the total fund and the individual asset classes authorized for investment. These returns must be consistent and competitive in order to fund the Foundation's spending policy and expenses, to preserve the asset base and further enhance the asset base through capital appreciation.

### III. INVESTMENT COMMITTEE GOVERNANCE

---

1. The Chairman of the Committee is appointed by the Board for a one-year term.
2. The Investment Committee will consist of the President & CEO, the Chairman of the Board, and at least 2 members selected from both within the Board and community, and appointed by the Executive Committee with ratification by the Board.
3. The Chairman of the Committee will call at least quarterly meetings or as needed.
4. Retention or termination of Investment Managers will be determined by the Investment Committee subject to approval by the Board.
5. The Chairman of the Committee will at least quarterly, on behalf of the Committee and on call, report to and review the activities of the Committee with the Executive

Committee and Board, and assume responsibility for educating the Board on matters of fiduciary responsibility and investments.

#### **IV. DELEGATION OF RESPONSIBILITIES**

---

##### **Responsibilities of Investment Committee**

- Establish, and revise as appropriate, the Statement of Investment Policies and Guidelines.
- Establish, and revise as appropriate, target asset allocation.
- Utilize qualified, external, multiple, discretionary, and cost-effective management by asset class and style.
- Establish appropriate and reasonable investment performance benchmarks for the management of the authorized asset classes.
- Establish mutually acceptable fee schedules with individual managers.
- Meet with managers periodically to review investment performance and stewardship as fiduciaries.
- Establish, and revise as appropriate, allocations across investment styles and investment managers that are consistent with the Foundation's target asset allocation.
- Periodically rebalance the Foundation's assets taking into consideration the target asset allocation.
- Provide each investment manager with specific investment objectives and guidelines that are consistent with the overall investment guidelines of the Foundation.
- Evaluate the investment performance of each of the investment managers relative to their respective objectives.
- Select, contract with, and when appropriate, terminate investment managers.
- Participate with Foundation management in donor asset development and communication both directly, when requested, and indirectly via alliances within the investment and professional communities.
- Report to the Board on investment matters at least quarterly

##### **Responsibilities of the Foundation Staff**

- Oversee the day-to-day operational investment activities of the Foundation subject to policies established by the Investment Committee.
- Implement the allocation of the Foundation's assets among asset classes, investment styles and investment managers as approved by the Investment Committee.
- Implement the periodic rebalancing of Foundation assets as directed by the Investment Committee.

### **Responsibilities of the Investment Manager(s)**

- Manage the Foundation's assets with full discretion, in accordance with the investment objectives and guidelines stated herein and in accordance with the manager contract between the Foundation and the investment manager.
- Communicate promptly, or at least quarterly, with Investment Committee and/or their staff and the investment consultant regarding all significant matters, including, but not limited to:
  - investment returns
  - changes in the investment manager's investment outlook and strategy,
  - shifts in portfolio construction (asset mix, sector emphasis, etc.),
  - commentary regarding major influences on performance,
  - changes in the investment manager's ownership, organizational structure, or professional staffing (additions and departures), and
  - other changes of a substantive nature.
- Comply with all laws and regulations that pertain to the investment manager's duties, functions, and responsibilities as a fiduciary of the Foundation.
- Manager(s) are to provide, in writing, proof of Liability and Fiduciary insurance.
- Non-bank manager(s) must be registered under the Investment Company Act of 1940.
- Meet with the Investment Committee and the investment consultant as requested.

### **V. RETURN AND RISK PARAMETERS**

---

The Investment Committee recognizes that the capital markets can be unpredictable at times and that different investment postures could result in periods when the market value of the funds needed for future years' activities' investments may decline in value. The Investment Committee understands that TPF will monitor these investments through difficult phases in market cycles and will act accordingly, understanding that TPF has a low tolerance for market downturns, given its relatively short investment time horizon. Accordingly, the Investment Committee has established the following return and risk parameters.

- Assets will be strategically allocated within asset classes and investment styles in order to enhance investment returns.
- The investment program's assets are to be sufficiently diversified to reduce volatility.
- Diversification of assets may be achieved by:
  - allocating assets to multiple asset classes,
  - allocating assets among various investment styles, and

- retaining multiple investment management firms with complementary investment philosophies, styles, and approaches.
- TPF has four different strategies for:
  - **Operating Funds** which are assets needed to cover general operating expenses over a 12 month period. Operating Funds shall be invested in short-term income instruments.
  - **Endowment Fund** which are the primary investment objective to maximize long-term real (after inflation) investment returns recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns.
  - **Named Funds** are assets for which investment options are recommended by donors. Investment Committee should offer different options that spans from maximizing long-term real (after inflation) investment returns to providing an investment environment for achieving returns higher than cash equivalents.
  - **Program Funds** which are assets needed for grantmaking and other programs. To afford the liquidity necessary for grantmaking and other program expenses, specific policies regarding liquidity, and asset mix and diversification will be established by the Investment Committee:

## VI. SELECTION OF INVESTMENT MANAGER(S)

The Investment Committee is responsible for appointing investment manager(s). In selecting an investment manager, the Investment Committee has delegated to the investment consultant the task of researching and recommending investment managers. It is expected that no fewer than three potential alternative candidates will be evaluated with the goal of selecting one investment manager. In investigating potential managers, the investment consultant must, as a minimum, use the following procedures:

- Identify a range of possible investment manager candidates.
- Obtain relevant information about the investment managers' experience, qualifications and investment approach.
- Evaluate experience, qualifications and investment approach. Included in this evaluation will be an analysis of past performance and investment management fees.
- Document the selection process.

These procedures are not meant to be all-inclusive. It may be necessary in certain circumstances to consider additional procedures.