

FOUNDATION FOR THE CAROLINAS

INVESTMENT ALLIANCE PROGRAM

FOUNDATION FOR
THE CAROLINAS

Updated February 2020

Table of Contents

Overview of FFTC's Alliance Manager Program.....	3
Alliance Manager Investment Policy Statement.....	5

1. Overview of FFTC's Alliance Manager Program

Foundation For The Carolinas ("FFTC") enters into strategic alliances with qualified investment institutions to help achieve a donor's philanthropic objectives. To be an alliance partner, FFTC requests that the proposed investment manager meet certain criteria established by its Investment Committee set out below and further described in the Alliance Manager Investment Policy Statement ("Alliance Manager IPS").

Investment Consultant

FFTC's investment consultant is currently Mercer Investment Management, Inc. ("Mercer"). FFTC works closely with its consultant to set investment policies. While our strategic alliances often begin with a recommendation of a donor, the investment consultant will review the activities of the alliance relationships based on the guidelines described in the IPS and make recommendations to FFTC staff and the Investment Committee for those Alliance Managers.

Alliance Managers must comply with the following:

Approval

The Alliance Manager must be pre-approved by the FFTC Investment Committee.

- ◆ Each potential manager must provide Mercer and FFTC Staff with information which will allow Mercer to make a recommendation to FFTC's investment committee. The information requested will be based on Exhibit A in the Alliance Manager IPS.
- ◆ Mercer will assess the firm's performance, investment philosophy, organizational structure, and other criteria set out in the Request For Information as well as other information it deems necessary to make a recommendation.
- ◆ The FFTC Investment Committee will review Mercer's recommendation at its quarterly meeting.
- ◆ The Alliance Manager will be contacted by FFTC staff regarding the Committee's decision.
- ◆ Once approved, FFTC Staff will meet with the manager to review the information reporting requirements contained in the Alliance Manager IPS and obtain an executed copy of the Alliance Manager IPS.

Minimum

The minimum balance required to establish an Alliance Manager account is \$250,000.

Performance

Mercer will report the performance of each Alliance Manager to the Investment Committee on a quarterly basis.

The performance will be compared to the appropriate benchmark agreed upon with FFTC Staff as part of the approval process described above.

Quarterly and Monthly Reporting

In order to produce accurate trust and fund accounting information, FFTC will need access to detailed monthly account activity. The Alliance Manager must provide FFTC with online access to the account. If online access is not available, monthly account statements should be sent to the address below within ten (10) business days after month end. Accounts should be titled in the name of Foundation For The Carolinas, for the benefit of (donor name).

The Alliance Manager is also required to provide investment activity to Mercer on a quarterly basis using the template shown in Exhibit B of the Alliance Manager Investment Policy Statement.

Mail Monthly Account Statements to:

Foundation For The Carolinas
Attn: Investment Accountant
220 North Tryon Street
Charlotte, NC 28202
704.973.4500

Custody and Custodial Fees

FFTC prefers that each Alliance Manager custody the donor's investment with Charles Schwab & Co., Inc., however, FFTC will allow the Alliance Manager to use their preferred custodian.

FFTC Fees and Grants

FFTC's administrative fee schedules are based on a tiered structure in accordance with the following schedules:

Center for Personal Philanthropy and Center for Corporate Philanthropy Administrative Fee Schedules:

Up to \$1 million	1.00%
Next \$2 million	.85%
Next \$2 million	.65%
Next \$5 million	.45%
Next \$5 million	.35%
Over \$15 million	.25%

The investment management fee charged by the Alliance Manager and custodial fees charged by the Alliance Manager are in addition to the FFTC administrative fee. Please note, there are no other additional investments fees charge by FFTC. It is expected that Alliance Managers will charge a competitive investment fee.

A one-time set up fee of \$1,000 will be charged to all Investment Alliance accounts.

For grants issued by the donor, FFTC will fund the grant in advance and then subsequently invoice the Alliance Manager for reimbursement of the grant paid as well as any FFTC administrative fees as described above. Invoices for FFTC administrative fees and grants paid by FFTC will be issued electronically to the Alliance Manager on a monthly basis.

IRS Rulings

IRS rulings enable donors to designate investment preferences that require FFTC to retain final discretion regarding those recommendations. Investments are subject to market and interest rate fluctuation risks and any gain or loss generated by the asset allocation or investment preferences will be credited or charged back to the Gift Fund.

Foundation For The Carolinas
Alliance Manager Program
Investment Policy Statement
February 12, 2020

This Alliance Manager Program Investment Policy Statement (this “Policy Statement”) acknowledges the responsibilities of _____, as an alliance manager (the “Alliance Manager”), in connection with Foundation For The Carolinas’ (“FFTC”) Investment Alliance Manager Program (the “Alliance Program”).

Purpose

This Policy Statement sets out investment policies and guidelines that govern the Alliance Program of FFTC. The Alliance Program is available for FFTC charitable gift funds (“funds”) with an opening balance in excess of \$250,000. The Alliance Program contemplates a contractual relationship between FFTC (legal owner of the account for the benefit of the donor) and each alliance manager whereby, on behalf of FFTC each alliance manager will provide investment options designed to meet FFTC’s investment objectives through recommendations offered by donors. The Internal Revenue Service has issued rulings that enable donors to recommend investment preferences but require FFTC to be the legal account holder and retain final discretion regarding those recommendations. This Policy Statement describes FFTC’s investment objectives for the Alliance Program and establishes broad guidelines for the alliance managers to consider when developing portfolio options offered to and selected by FFTC including managing and overseeing the desired investment performance objectives and the necessary investment reporting requirements. It is intended that the Alliance Manager reference this Policy Statement when developing an investment strategy as part of its participation in this program.

Board of Directors

FFTC’s Board of Directors (the “FFTC Board”) has the final responsibility for overseeing all FFTC investments. To implement these responsibilities, the FFTC Board sets and approves the Policy Statement and has delegated responsibility to FFTC’s Investment Committee (the “Investment Committee”) for implementation and ongoing monitoring.

Investment Consultant

The Alliance Manager should provide FFTC and its investment consultant (“Investment Consultant”) with the information outlined in Exhibit A unless the investment institution has already been approved by FFTC. The information requested in Exhibit A will be used by the Investment Consultant and FFTC staff as part of their due diligence in preparing a recommendation to the Investment Committee for final approval of the Alliance Manager to the Alliance Program. Exhibit B outlines the reporting responsibilities of the Alliance Manager. Exhibit C sets forth the additional obligations of the Alliance Manager to FFTC under the Alliance Program. FFTC’s Investment Consultant will report the performance of the Alliance Manager to the Investment Committee and such performance will be compared to the appropriate benchmark agreed upon as part of the set-up process for establishing a new account. As of August 15, 2017, Mercer Investments LLC is FFTC’s Investment Consultant.

The Alliance Manger must perform the following steps with FFTC:

- Review and execute the Investment Policy Statement.
- Provide information required in Exhibit A, Exhibit B and/or Exhibit C, as applicable, to Investment Consultant and/or FFTC staff.

Alliance Manager's Authority

The Alliance Manager will be responsible for making all investment decisions regarding all assets placed under their management and will be accountable for managing the assets with the intent to achieve the investment objectives agreed upon when establishing an Alliance Program account. Documentation supporting these objectives may be contained in the Alliance Manager's account agreements. Such authority shall include asset allocation and manager selection decisions that are reflective of the Alliance Managers' current investment outlook and compatible with these investment guidelines. The asset allocation will be monitored by the Investment Consultant and FFTC staff. Any material changes to the asset allocation should be discussed with FFTC staff in advance of any changes.

FFTC recognizes there can be differences between the investment guidelines contained in this Policy Statement and the Alliance Manager's account agreements including but not limited to asset allocation, investment strategies and liquidity. Where material differences exist, the Alliance Manager should inform FFTC of those differences as soon as practical and agree upon a mutually acceptable resolution.

Custodian

FFTC prefers that each alliance manager custody the donor's investment with Charles Schwab; however, FFTC will allow the Alliance Manager to use their preferred custodian.

Investment Objectives and Guidelines

Investment Return

Invested assets should be managed with the primary focus on total investment return. The total net return objective should meet or exceed the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum targeting the “**maintenance purchasing power of the investments**”. The assets should be managed in a manner that increases the probability of meeting the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending. FFTC recognizes the possibility that losses may occur from time to time. Investments shall be diversified so as to minimize the risk of losses, unless under the particular circumstances it is clearly prudent not to do so.

Asset Allocation

Asset allocation is the key determinant of a portfolio’s return over the long-term. Diversification of investments across multiple asset classes that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the investment portfolio, rather than judging asset categories on a stand-alone basis.

The following broad asset allocation is provided as a guideline for the Alliance Manager to use when developing the asset allocation for the Alliance Program account.

<u>ASSET CATEGORY</u>	<u>TARGET</u>	<u>RANGE</u>
Growth Assets	75.0%	65 – 85%
Risk Reduction Assets	25.0%	15 – 35%

Growth Assets

Intended to be the primary source of long-term growth for the portfolio. The primary asset class for this category is global public equity but can also include asset classes such as growth fixed income, real assets, long-biased hedge fund and other diversifying strategies. While recognizing growth assets have higher expected returns, they also have higher volatilities.

Risk Reduction Assets

Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities and hedge funds, and may be further categorized as interest rate sensitive and credit sensitive.

General investment guidelines mandate that the overall portfolio be prudently diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

Cash Flow

The assets should be invested with due consideration of the cash flow and administrative requirements of the underlying fund. Safety should be evaluated on an overall basis rather than for each individual investment.

Rebalancing

The Alliance Manager will monitor the asset allocation and attempt to stay within target ranges for each portfolio developed by the Alliance Manager agreed to by FFTC.

Liquidity

A goal of FFTC is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to maintain policy asset allocation ranges, meet the spending policy payout requirements and any extraordinary events. The Investment Committee understands that in many instances, investment opportunities come with liquidity constraints. The tradeoff between opportunity and liquidity will be considered throughout the portfolio construction process. In general, the Alliance Manager should construct a portfolio that can be liquidated in less than ninety (90) days.

Evaluation and Performance Measurement

The Investment Committee expects the Alliance Manager's portfolio to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the Investment Committee recognizes that over various time periods, a portfolio may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: a minimum of five years).

Performance Evaluation Procedure

The Investment Consultant, FFTC staff and the Investment Committee will monitor portfolio performance and asset allocation for the Alliance Manager. A portfolio's total return shall be compared to the target weighted benchmark portfolio agreed upon between the Alliance Manager and FFTC. In addition to the benchmark comparison, other portfolio statistics may be taken into consideration. See Exhibit "B" for a description and frequency of portfolio reporting requirements.

The Investment Committee will determine which Alliance Manager accounts should be monitored more closely by FFTC Staff and Mercer. For those accounts, FFTC Staff will provide quarterly updates to the Investment Committee on the additional steps taken to more closely monitor the portfolio and any changes made by the manager to address the Investment Committee's concerns.

FFTC monitors and evaluates a significant number of these Alliance Manager Relationships, and requires efficient delivery of information from each Alliance Manager on a quarterly basis. So to meet the requirements of this Policy and of the FFTC Board and Investment Committee, FFTC requires delivery of account return and asset allocation information by the 15th day following month end.

IN WITNESS WHEREOF, the undersigned have executed this Policy Statement and warrant and represent that they have the authority to execute and deliver this Policy Statement on behalf of the parties hereto.

Alliance Manager:

Foundation For The Carolinas

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Phone: _____

Phone: _____

Email: _____

Email: _____

Date: _____

Date: _____

Exhibit A

New Alliance Manager Request for Information

I. Firm Overview

1. Please list the firm's full name and lead portfolio or relationship manager.
2. Please provide:
 - a. address (main office)
 - b. phone number
 - c. e-mail address
 - d. web-site address
3. For delivery and verification of investment approach and account information, please provide primary contact at your firm to work with FFTC's Investment Consultant:
 - a. name
 - b. title
 - c. address
 - d. phone number
 - e. e-mail address
 - f. tenure with firm
 - g. name of primary assistant
 - h. name of primary backup
4. Please provide a brief history of the firm.
5. Please describe the firm's ownership structure.

II. Investment Program

- a. Name or designation of investment program (if any)
- b. Describe your asset allocation process. Please differentiate in your description your firm's and your own involvement in selecting managers and/or securities
- c. Describe the manner and selection process in which assets will be invested (e.g. through the use of mutual funds, ETFs or individual securities)
- d. How many people are dedicated to research
- e. Describe your rebalancing strategy
- f. Describe your sell discipline for securities or termination philosophy for managers
- g. Please provide a proposed portfolio allocation and include the expected long-term return, standard deviation, Sharpe ratio and other portfolio characteristics you think are relevant for FFTC and Investment Consultant to assess the overall risk and return characteristics of the portfolio.

III. Fees

- a. What is the proposed advisory fee?
- b. What is the custody fee?
- c. What is the estimated total investment management fee for the program, including expense ratios, transaction and custody fees?

IV. Custody

FFTC allows Alliance Managers to propose the use of a custodian other than FFTC's custodian.

Please provide the following custodian information:

1. Name of custodian
2. Do you receive soft dollars or other compensation for the use of the custodian?

V. Conflicts of Interest

Describe any circumstances under which you or your firm receives compensation, finder's fees, commissions or any other benefit from investment managers or third parties. Please be sure to include detailed disclosure of 12b-1 fees. If there are 12b-1 fees, please provide the name/s of the primary mutual fund family/families utilized and the fund class recommended for clients. Please include the average 12b-1 fee of each fund family.

VI. Other

1. Please list all types of insurance coverage maintained by the firm. Please include:
 - a. type
 - b. dollar amount
 - c. carrier
2. Has the firm been involved, or currently involved, in any litigation or been sanctioned by the SEC? If yes, please describe in detail.
3. Please provide a copy of the firm's ADV.

Exhibit B

Alliance Manager Program Reporting Requirements

Annually:

- An organizational update, including an ADV report, containing any and all changes in organizational structure, investment personnel and processes.
- A review of the managers' understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.
- A review meeting with FFTC staff which will include:
 - A review of key investment decisions, investment performance and portfolio structure
 - Review of individual investment manager performance.
 - Review of current asset allocation and a comparison to target allocations as agreed to by FFTC staff when establishing the alliance manager relationship.

Quarterly:

- Performance information as requested by Investment Consultant or FFTC. See Quarterly Reporting template within this exhibit.

Monthly:

- Monthly transaction and asset statements shall be provided to FFTC no later than the fifteenth (15th) business day following month end.

Other:

- Immediate notification to FFTC and Investment Consultant of any changes to the portfolio which are not contained in the investment guidelines and policies agreed upon when establishing the Alliance Program account.
- In addition to the reporting requirements outlined in the Policy Statement, FFTC may reasonably request additional information concerning the investment portfolio's performance as well as information related to a specific investment manager or the investment institution with whom the Alliance Manager is affiliated.

Manager Name:

FFTC Account Name:

Account Number:

US All Cap Equity

Large Cap Equity

Mid Cap Equity

Small Cap Equity

International Developed Markets Equity

International Emerging Markets Equity

Global Equity

Fixed Income

Real Assets *(REITs, Natural Resources, Commodities)*

Diversifying Strategies *(Absolute Return, Hedge Fund)*

Cash

Other

**for Other, please describe nature of investment(s)*

Benchmark Allocation

If there were portfolio benchmark adjustments since last quarter, please provide a breakdown of the individual benchmark index components and their respective target weights.

Quarterly Market Value & Cash Flow Information

	<u>Beginning MV</u>	<u>Flows In</u>	<u>Flows Out</u>	<u>Mgmt Fee</u>	<u>Ending MV</u>	<u>Mgr Perf. (mo.)</u>
Month 1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Month 2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Month 3	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**please exclude income & dividends from the flows in/out data; 'this activity should be included in the Ending MV column*

Portfolio Performance *(as of Quarter End Period)*

** Net of Fees*

% format (0.00%)

Quarter	<input type="text"/>
Year to Date	<input type="text"/>
1 Year	<input type="text"/>
3 Year	<input type="text"/>
5 Year	<input type="text"/>
7 Year	<input type="text"/>
10 Year	<input type="text"/>
Inception	<input type="text"/>
Inception Date	<input type="text"/>

Exhibit C

Alliance Manager Additional Obligations

The Alliance Manager agrees it will act as a fiduciary and manage the investment portfolio, on behalf of FFTC, subject to the investment objectives and other terms and conditions set forth in the Policy Statement (as may be amended from time to time). However, the parties hereto recognize that certain objectives, terms and conditions of the Policy Statement, including but not limited to asset allocation, investment strategies and liquidity, may differ from those set forth in the Alliance Manager's account agreements. Where material differences exist, the Alliance Manager will inform FFTC of those differences and agree upon a mutually acceptable resolution.

The Alliance Manager hereby affirms that it (a) is an entity, duly organized, validly existing and in good standing under the laws of its state of organization, and is authorized to do business in each other jurisdiction wherein its ownership of property or conduct of business legally requires such authorization, (b) has the power and authority to own its properties and assets and to carry on its business as now being conducted and as contemplated, (c) has reviewed and has agreed to be subject to all the terms, conditions and guidelines of the Alliance Program and the Policy Statement, except as noted above, (d) has the power and authority to execute, deliver and perform, and by all necessary action has authorized the execution, delivery and performance of, all of its obligations under the Alliance Program and this Policy Statement, (e) is in compliance in all material respects with all federal, state and local laws, rules, registrations and regulations applicable to its properties, operations, business, and finances (including, without limitation, that the Alliance Manager is a registered investment advisor with the U.S. Securities and Exchange Commission and is properly registered with the U.S. Commodity Futures Trading Commission (or state basis for exception therefrom)), and (f) shall provide prompt written notice to FFTC and Investment Consultant upon becoming aware of (1) any material governmental or regulatory inquiries or actions against the Alliance Manager, (2) any default by the Alliance Manager under this Policy Statement, (3) commencement of any material litigation or bankruptcy proceeding involving the Alliance Manager or its properties or assets, or (4) the occurrence of a material adverse change in the business, properties, assets or operations of the Alliance Manager.

The Alliance Manager shall defend, indemnify and hold harmless FFTC, its Board of Directors, officers, employees, agents, or contractors (the "Indemnified Parties") from any and all claims, losses, damages, or expenses, including reasonable attorneys' fees and litigation expenses, which any of the Indemnified Parties may incur at any time from any person or party arising out of or resulting from claims or actions in connection with the Alliance Manager's fraud, breach of fiduciary duty, negligence, willful misconduct, or breach under the Alliance Program, the Policy Statement or items related thereto.

Neither party hereto may assign its rights and interest hereunder without the prior written consent of the other party. This Policy Statement shall be governed by the laws of the State of North Carolina, without reference to the conflicts or choice of law principles thereof. Both parties agree that any dispute arising out of this Policy Statement shall be adjudicated in either the state or federal courts located in Mecklenburg County, North Carolina and in no other forum.