COLORADO SPRINGS HEALTH FOUNDATION
STATEMENT OF INVESTMENT POLICY
Proposed Revisions, March 2021

I. Overview

This Statement of Investment Policy (“Policy”) was established for the investment program of the Colorado Springs Health Foundation (“CSHF”). The purpose of this Statement is to detail the financial goals to be achieved and to articulate the investment strategies that will be used to accomplish those goals. The Statement assists the investment decision-making process by communicating goals and strategies and by providing discipline to the investment decision-making process through clearly stated guidelines. The intent of this Statement is to provide guidelines that are specific enough to be meaningful but also flexible enough to take into account practical considerations.

All transactions that utilize assets of the Foundation will be undertaken for the sole benefit of the Foundation. All fiduciaries should act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The assets of the Foundation will be invested in a manner consistent with fiduciary standards of prudence, the Articles of Incorporation and Bylaws, and any federal, state, Internal Revenue Service or other applicable laws or regulations.

II. Introduction

This Policy describes a specific set of investment policies and procedures that will assist the Colorado Springs Health Foundation (CSHF) Finance Committee in overseeing the investment of the CSHF's assets (the Portfolio). The guidelines serve to:

1. Articulate a plan for investing the CSHF's fund assets
2. Communicate an investment framework between the Finance Committee and the Investment Advisor/ Consultant
3. Articulate standards for the portfolio performance measurement
4. Define CSHF's payout policies
5. Ensure that the funds will be wisely invested and managed to secure the existence of the Foundation in perpetuity.

III. Background

A. CSHF was established on September 29, 2012. The Foundation was created when University of Colorado Health leased the majority of the assets of the former hospital. CSHF provides grants for the purpose of addressing health issues in the City and Memorial Health System service area.
B. CSHF is a non-profit organization as defined by 501 (c) 3 of the United States Internal Revenue Service Code of 1986 as amended and operates as a public charity as further defined in Section 509 (a) (3) of the IRS code.
C. CSHF operates on a fiscal year. The fiscal year begins January 1 and ends December 31. The annual operating and payout budgets coincide with the fiscal year.

D. CSHF receives funds from the City of Colorado Springs according to the terms of the lease between the City of Colorado Springs and UCHealth. CSHF is in a position to accept gifts and bequests from donors who wish to contribute to this effort. CSHF also will accept various gifts from previously established trusts which had designated Memorial Hospital or any of its related companies as a beneficiary.

IV. Duties and Responsibilities

CSHF's Trustees are responsible as fiduciaries to manage all of its investable assets. Trustees oversee the Portfolio's performance and ensure Portfolio asset allocation is consistent with this Policy. Trustees direct the Finance Committee to assume responsibility for managing, monitoring and evaluating the investment program on an ongoing basis. Trustees may hire outside advisors/consultants to assist with developing, implementing and managing the assets of the investment program. No less frequently than every three years, Trustees will assess the investment advisory/consultancy relationship and results and report its findings to City Council.

The Finance Committee is responsible to do the following on at least a quarterly basis:

- Review performance and allocation reporting:
  - Examines the Foundation's actual asset allocation relative to the long-term target
  - Compares investment performance relative to designated benchmarks
  - Provides portfolio characteristics
- Monitor developments among the Portfolio's investment managers
- Track capital markets and economic development-related impact on the portfolio's performance and positioning.

In addition, the Finance Committee is responsible to:

1. Update annually the payout policies
2. Monitor the portfolio's strategic asset allocation as articulated in this Policy
3. Review the Policy statement as needed to incorporate any changes in CSHF's circumstances. Changes to the Policy can be made only by unanimous affirmation by the members of the Finance Committee, ratification by a majority of the full Board of Trustees and subsequent approval by City Council in accord with City Council Resolution 92-12. Written confirmation of the changes will be provided to all Finance Committee members and to any other parties hired on behalf of the Portfolio as soon thereafter as practical.
4. Communicate all decisions of the Finance Committee to the full Board of Trustees
5. In coordination with the full board, conduct the process to select and retain a qualified professional investment advisor/consultant.
6. Review the recommendations for the appropriate investments

Investment Advisor/Consultant Responsibilities:
The Investment Advisor/Consultant shall formally report on the investment performance of the investment funds on at least an annual basis. Investment Advisor/Consultant responsibilities include:

- Providing independent review, analysis and recommendations regarding oversight of the portfolio
- Reviewing and recommending asset allocation and investment funds in accord with the Policy
- Monitoring the Portfolio's investment managers' activities
- Facilitating investment-related activities with CSHF and the Custodian
- Providing the Finance Committee with quarterly performance reports
- Presenting to Trustees on a periodic basis
- Reviewing and recommending changes to the Policy as needed

Investment Manager Responsibilities:
The Finance Committee, with assistance from the Investment Advisor/Consultant, will delegate the selection, purchase and sale of individual securities to qualified industry experts. Each individual investment manager will exercise discretion over assets in accord with specific investment guidelines.

Investment managers that utilize a separate account to manage Portfolio assets will adhere to specific investment manager guidelines established by the Finance Committee with the assistance of the Investment Advisor/Consultant.

Custodian Responsibilities:
Trustees will hire a Custodian for the Portfolio to perform standard custodial functions, including security safekeeping collection of income, settlement of trades, collection of proceeds for maturing securities, distribution of income and daily investment of cash. The Custodian will provide monthly account statement and other reports to CSHF.

V. Investment Objectives and Payout Policy

A. The Portfolio is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions (in real terms) in support of CSHF.
B. For the purpose of making distributions, the Portfolio shall make use of a total return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.
C. The distribution of Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the Portfolio's real assets over time. The Finance Committee will seek to reduce the variability of annual Portfolio distributions by factoring past spending and Portfolio asset values into its current spending or payout decisions. The Committee will review its spending or payout assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Portfolio's payout policy, its target asset allocation, or both.
D. The Board of Trustees awards grants, including approval of its operating budget, in accordance with the payout policy adopted annually. The annual cash payout is currently defined as no greater than 5% of the average fair market value of total assets, using a three-year, 12-quarter trailing average.

E. Annually, preferably at calendar year-end, the Foundation will compare and report its total asset value with the value of the corpus as defined in Resolution 92-12, Section 2, and calculated by the City of Colorado Springs.

VI. Portfolio Investment Policies

ASSET ALLOCATION POLICY

The asset allocation strategy is designed to reflect, and be consistent with, the investment objectives expressed in the Policy. The Finance Committee recognizes that the strategic allocation of Portfolio assets across broadly defined asset classes will be the most significant determinant of long-term investment returns. The Finance Committee understands that given the long-term nature of the Portfolio's investment objectives, short-term returns may deviate significantly from expected long-term return expectations. The Finance Committee will seek to invest in various asset classes and investment manager styles to create a broadly diversified portfolio:

- Long-only marketable equity investments are emphasized within the Portfolio to seek to achieve long-term growth;
- High quality fixed income is an important ballast for the Portfolio during periods of economic or capital markets uncertainty;
- Alternative investments provide exposure to return sources that aren't readily available by investing in long-only marketable investments or fixed income;
- Cash investments will, under normal circumstances, be considered as a means to fund liquidity needs. With this in mind, modest cash balances may be considered as an alternative to fixed income if the expected return for cash is comparable to that of high-quality fixed income.

Outlined below are the long-term strategic asset allocation guidelines, determined by the Finance Committee, in consultation with the Investment Advisor/Consultant, to be the most appropriate, given the fund's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

Asset Class	Target	Allowable Range
Equity	67%	50% to 85%
Fixed Income	18%	15% to 35%
Alternative Investments	15%	0% to 15%
Cash	0%	0% to 10%

To the extent the Portfolio holds non-traditional, illiquid, and/or non-marketable investments including (but not limited to) hedge funds, private equity or debt, or real estate, these assets will be treated collectively as "alternative investments" for purposes of measuring the Portfolio's asset allocation.

Allocation Implementation:
Various asset classes and investment manager styles are used to create a broadly diversified portfolio. The Finance Committee recognizes that passive investing provides a low-cost alternative for gaining broadly diversified exposure to asset classes. Both active and passive options are considered acceptable means for asset classes exposure, and active or passive strategies may be used, depending on the approach deemed most favorable and preferred by the Finance Committee. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Finance Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. Single Securities Purchased on Behalf of the Portfolio: With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single security purchased on behalf of the Portfolio shall represent more than 5% of total Portfolio assets.
2. Mutual Funds or Comingled Funds: With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.

Investment Portfolio Rebalancing:
The Portfolio should be rebalanced to maintain the desired risk/return posture implied by the target asset allocation detailed above. If a cash contribution is made or withdrawal is needed, the Portfolio should be rebalanced toward the target allocation, as possible, except as determined otherwise by the Finance committee. In addition, the Portfolio will be rebalanced if the actual asset allocation mix falls outside of the allowable ranges noted above. The Finance Committee may, at their discretion, choose not to rebalance, although exceptions are anticipated to occur infrequently. Exceptions may occur due to, for example, transaction costs (entry/exit fees, commissions, negative market impact), or based on market conditions (for example, during periods of high volatility or uncertainty).

INVESTMENT GUIDELINES

Use of Pooled Funds:
A pooled fund describes a portfolio which “pools” together the assets of a group of investors. Pooled funds are efficient investment vehicles used to access high quality investment managers and to create diversified portfolios. A mutual fund is an example of a pooled fund. CSHF recognizes that the investment manager sets each pooled fund’s investment policies, strategies, objectives and guidelines, and that CSHF generally does not have the opportunity to modify these in any way. As such, the investment policies of a pooled fund selected by CSHF may not fully meet those in this Policy. Notwithstanding this consideration, CSHF may utilize pooled funds that meet the desired risk and return characteristics and satisfy, to the extent possible, the policies, objectives and guidelines in this Policy.

Fiduciary Standard:
The assets will be invested in a manner consistent with the Articles of Incorporation and any federal, state or Internal Revenue Service laws or regulations. Investment assets shall be managed as a prudent investor would in a fiduciary setting, by considering the purposes, terms, distribution requirements, and other circumstances. In satisfying this standard, the Finance Committee shall exercise reasonable care, skill and caution. Investment decisions should be evaluated within the context of the entire portfolio (rather than on an individual investment basis) and as part of an overall investment strategy having a risk and return profile reasonably suited to the investment objectives of the Foundation.

Securities Lending:
Securities lending is prohibited.

Securities Trading:
Investment managers have a fiduciary obligation to obtain best execution for CSHF. Transactions must be executed in such a manner that CSHF's total cost or proceeds in each transaction is the most favorable under the circumstances of the particular transaction. The manager should consider the full range and quality of a broker's services in placing trades, including, among other things, execution capability, commission rate, financial responsibility, the value of research provided and responsiveness to the manager.

Proxy Voting:
Investment managers have a fiduciary obligation regarding proxy voting. The investment manager must consider proxies as an asset of CSHF and is expected to vote only in the best economic interest of the Foundation.

VII. Portfolio Review Standards

The Finance Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives.

Performance Benchmarks:
The Finance Committee, in consultation with the Investment Advisor/Consultant, identifies the performance benchmarks for each investment manager and the total portfolio. Performance benchmarks are used to represent the performance of broad asset classes (including, as examples, the Russell 3000 for US equities, the Bloomberg/Barclays Aggregate for fixed income, and the MSCI AC World ex US Index for international equities, among others) and to measure the relative performance of the portfolio's investment managers.

CSHF's goal is that active investment managers outperform, on a net-of-fee basis, the designated passive index, and rank above median within a comparable peer universe of active investment managers. Index comparisons are used to measure the performance of an active manager against a passively managed index alternative. Peer universe comparisons are used to measure the performance of an active manager against other active investment managers who manage portfolios in a similar style.

Time Horizon:
CSHF's goal is that active investment managers outperform their designated benchmark on a rolling three- and five-year basis. These periods were chosen to allow investment managers the opportunity to meet their performance benchmarks given shorter-term fluctuations due to style biases. Investment managers who fail to meet the performance benchmarks may be terminated.

Additional standards for Investment Managers:
Any significant changes in investment philosophy and process, organizational structure, investment staff or other non-performance reasons may be cause for termination (subject to the terms of agreement between CSHF and the manager), regardless of the status of investment performance relative to the designated benchmarks.

Annually, an independent auditor shall review the CSHF financial statements to ensure they are fairly presented.