



## **Zonta Foundation for Women Investment Policy Statement**

### **Introduction**

The Zonta Foundation for Women (the “Foundation”) maintains three investment accounts (the “Accounts”) to carry out the charitable service purposes of Zonta International (the “Organization”). The Accounts consist of a long-term account (“Long-Term Investment Account”) and two endowment accounts (“Endowment”).

The Zonta Foundation for Women Board has the overall fiduciary responsibility for the Accounts and has delegated oversight responsibilities of the Accounts to the Investment Committee.

The board has hired a professional investment adviser (the “Adviser”) to invest the Accounts (the “Investment Strategy”) and to assist the committee with its oversight responsibilities. The Adviser is a discretionary investment manager with the authority and responsibility to invest the Accounts, subject to guidelines of this Investment Policy Statement (IPS).

The Accounts shall always be managed in compliance with the standards of prudent investment. All board members, committee members, staff, and any designated investment adviser or investment manager shall exercise the judgment and care which persons of prudence, discretion, and intelligence exercise in accordance with applicable law (Uniform Prudent Management of Institutional Funds Act of the State of Illinois).

Financial assets may be subject to a specific donor restriction, if reflected in a record of a gift instrument, as to the investment and management of such assets and shall be invested and managed in accordance with the donor's restriction, as long as such restricted use comports with the mission of the Organization.

### **Purpose**

The purpose of this IPS is to set forth the objectives and guidelines governing the investment of the Accounts, in order that:

1. There be a clear understanding on the part of the board, committee, Zonta International Headquarters Staff and the Adviser of the investment objectives of the Accounts.
2. The Adviser be given guidance and limitations in the investment of the Accounts.
3. The board and committee have a meaningful basis to evaluate the performance of the Accounts, to meet their responsibility to prudently monitor the Accounts.

The Foundation intends this IPS to state the general attitudes, guidelines and a philosophy, which will guide all responsible parties toward the performance desired. The Foundation intends that the IPS be sufficiently specific to be meaningful but adequately flexible to be practicable.

### **Duties and Responsibilities**

**Board.** The board has overall responsibility for the Accounts and investment-related decisions. In managing the Accounts, the board must:

1. Consider the purposes of the Foundation and the purposes of the Accounts, subject to the intent of a donor expressed in a gift instrument.

2. Comply with the duty of loyalty imposed by law and act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
3. Incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the Organization, and the skills available to the Organization.
4. Make a reasonable effort to verify facts relevant to the management and investment of the Accounts.

The board's investment responsibilities for the Accounts include:

1. Establish and maintain this IPS, including the Investment Strategy.
2. Approve the hiring of investment professionals.
3. Approve the Accounts' strategic asset allocation.

The board may delegate one or more of its responsibilities with respect to the management of the Accounts to the committee or the Adviser.

**Investment Committee.** The board has delegated ongoing oversight of the Accounts to the committee; specifically, the committee will:

1. Evaluate and recommend revisions to this IPS to the board, including the Investment Strategy.
2. Evaluate and recommend investment professionals to the board to assist with their oversight responsibilities and invest the assets through a proposal process at least every six years, unless postponed by the board.
3. Review the Accounts' strategic asset allocation at least annually and report the results of the review, including any recommended changes, to the board.
4. Express the Accounts' risk posture to the Adviser.
5. Monitor the compliance of the Accounts' investments with this IPS and the approved investment policies and guidelines.
6. Evaluate the performance of the Accounts' investments.
7. Review investment expenses.
8. Provide periodic reports on investment performance results to the board.

The committee is subject to direction by the board and must report to the board before every Board meeting and as directed by the board.

**Adviser.** The board has retained a professional investment adviser/consultant (the "Adviser") to carry out the investment of the Accounts and to assist the board and the committee with their oversight responsibilities. The board may delegate day-to-day management of the Accounts' investments to the Adviser, except where prohibited by the terms of a gift instrument.

The primary responsibilities of the Adviser are to:

1. Assist in the strategic planning for the Accounts, which includes facilitating the review of this IPS and the Investment Strategy.
2. Facilitate the committee's annual review of the Accounts' asset allocation.
3. Manage the Accounts' asset allocation within the guidelines of this IPS.
4. Invest the Accounts' assets, which shall include the authority to select, implement and monitor investment managers.

5. Provide reports regularly, and as requested, detailing the performance of the Accounts and Investment Managers against stated objectives and appropriate benchmarks. Reports will detail portfolio performance over trailing time periods, including as of the Foundation's fiscal year end, for the latest quarter, year-to-date, one-, three-, five-year periods, and since portfolio inception periods, and a calendar year-end report. Fiscal year-end reporting will be delivered within 45 days of the fiscal year end.
6. Provide documentation to support all actions taken with regards to overseeing the Accounts on a regular basis and facilitate a review of all actions taken at least annually.
7. Communicate the investment results of the Accounts and Investment Managers, and the outlooks for the Accounts and the Investment Managers. The Adviser will communicate with the board at least annually, and with the committee on a quarterly basis and immediately when the situation so warrants.

## **Investment Objectives**

**Long-Term Investment Account.** The objective of the Long-Term Investment Account is to serve as an investment vehicle for assets that are not needed for near-term cash flow to generate investment income to cover operations of the Foundation.

Consistent with this objective, the Long-Term Investment Account's investment objectives are:

1. Generate capital appreciation and income sufficient to grow the inflation-adjusted value of the assets over the long term after effecting annual spending.
2. Target an annual rate of return of 5%, net of fees.
3. Preserve the long-term inflation-adjusted principal value of the assets.

The aggregate risk posture of the Long-Term Investment Account can best be characterized as moderate, based upon the results of an assessment which included the following factors:

- Time horizon of the Account.
- Financial condition of the Foundation and the Organization.
- Risk preferences of the board and committee.
- Stability of funding and donor base.
- General economic conditions.
- The possible effect of inflation or deflation.

**Endowment.** The objective of the Endowment is to serve as an investment vehicle for donations that are expected to be maintained in perpetuity.

Consistent with this objective, the Endowment's investment objectives are:

1. Generate capital appreciation and income sufficient to grow the inflation-adjusted value of the assets over the long term after effecting annual spending.
2. Target an annual rate of return of 7%, net of fees.
3. Preserve the long-term inflation-adjusted principal value of the assets.

The aggregate risk posture of the Endowment can best be characterized as moderately aggressive, based upon the results of an assessment which included the following factors:

- Time horizon of the fund.
- Financial condition of the Foundation and the Organization.
- Risk preferences of the board and committee.
- Stability of funding and donor base.
- General economic conditions.
- The possible effect of inflation or deflation.

## Investment Management Structure

**Asset Allocation.** Investments shall be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, asset class, specific maturity, specific issuer or sector unless the board reasonably determines that, because of special circumstances, the purposes of the Accounts are better served without diversification.

Strategic asset allocations will be established to facilitate the achievement of long-term investment objectives within established risk parameters. The strategic asset allocation will be based upon an appropriate financial simulation model that indicates optimal portfolio structure, calculated expected returns, and risk levels, and considers each fund's target rate of return and risk tolerance.

The strategic asset allocation targets and permissible asset allocation ranges for the Accounts are detailed in Appendix A.

The Adviser may make tactical shifts in the actual allocation of the Accounts' investments based upon the Adviser's assessment of current and prospective market conditions. Any such tactical asset allocation shifts are to remain consistent with the maximum and minimum asset allocation ranges outlined in Appendix A.

It is expected that the Accounts' actual asset allocation at any given time will vary from the strategic asset allocation, given the varying returns earned by different asset classes over any given period and potential tactical asset allocation shifts directed by the Adviser. The Adviser will periodically rebalance the Accounts' asset allocations using cash flows; if cash flows are not sufficient to bring the allocation to the target levels, the Adviser may rebalance assets to comply with these target levels.

**Permissible Investments.** To achieve the investment objectives, the investments may include but are not limited to:

- Cash and cash equivalents, including certificates of deposit (CDs).
- U.S. government and agency obligations (domestic bonds).
- Obligations of international governments (foreign bonds).
- Investment grade and high-yield corporate bonds.
- Liquid common stocks trading on U.S. and established foreign stock exchanges.
- Alternative investment strategies including, but not limited to, domestic and international real estate investment trusts (REITs), commodities, master limited partnerships (MLPs), and hedge funds.

In addition to individual securities, the Accounts may be invested in commingled investment vehicles such as money market deposit accounts (MMDA's), mutual funds, exchange-traded funds (ETFs), collective investment trusts (CITs), separately managed accounts (SMAs), and limited partnerships (collectively, "Investment Managers"). Any applicable prospectus or declaration of trust documents will govern the investment policies of the Investment Managers. A qualifying Investment Manager must be a registered investment adviser under the Investment Advisers Act of 1940. For classification purposes, Investment Managers will be considered based on the focus of their primary investment strategy.

No asset class or investment vehicle is expressly prohibited from inclusion in the Accounts unless otherwise specified by this IPS or by the terms of the gift instrument. The Accounts are prohibited from investing in the following financial instruments:

- Private placements.
- Unregistered or restricted stock.

- Trading on margin.
- Short sales.

Gifts of stock are liquidated upon receipt to minimize the risk associated with the stock market. The appropriate Fund will be credited with a contribution for the proceeds of the sale.

**Investment Manager Selection Criteria.** The following criteria shall be considered when selecting Investment Managers:

1. Past performance relative to other investments having similar investment objectives. Consistency of performance and the level of risk taken to achieve results will be considered.
2. Investment Manager investment style and discipline.
3. Fit of Investment Manager's strategy with other assets in the Accounts, including risk controls and diversification.
4. Investment management firm experience, personnel turnover, financial resources, and staff.
5. Willingness and ability to service the Accounts according to this Policy.
6. Any restrictions placed by the Investment Manager regarding liquidity of the Accounts' investments.
7. Assessment of potential future Investment Manager success.
8. The Investment Manager's attitude towards Environment, Social, and Governance (ESG) considerations.

When selecting Investment Managers, there will be a preference for Investment Managers whose strategies, objectives, and attitudes toward ESG factors align with the Organization's stated objectives and goals. Further, the Account shall avoid Investment Managers whose attitudes directly conflict with the Organization's stated objectives and goals. However, the Accounts should not sacrifice investment return, or take on additional risk, as a result of considering ESG factors.

## Performance Standards

**Accounts.** The performance of the Accounts is intended to be evaluated from a long-term perspective, recognizing that short-term fluctuations may cause variations in performance. The committee, with assistance from the Adviser, will monitor the Accounts' performance on a periodic basis to evaluate how successful the Accounts have been at meeting their stated investment objectives. The total return of the Accounts, net of fees, will be evaluated against composite benchmarks consisting of the representative indexes for each asset class, weighted equal to the targets detailed in Appendix A.

Should the overall market value of either Account decline by ten percent or more, the Committee chairman shall promptly report to the board, and the committee shall consult with the Adviser to discuss potential actions, which may include rebalancing the fund.

**Investment Managers.** The Adviser is responsible for monitoring and evaluating the performance of the Investment Managers. Performance will be evaluated in terms of an appropriate benchmark and peer group. Benchmarks and peer groups will be assigned to reflect the asset class which the Investment Manager has been selected to represent, not based on manager requests.

The Adviser intends to maintain a "Watch List" to track Investments which risk failing to meet expectations. Any Investment Manager may be placed on the "Watch List," in the discretion of the Adviser, when any of the following occur:

1. The Investment Manager performs below both its predetermined benchmark and the 50th percentile of its peer group for three consecutive quarters. For passive strategies (i.e. Index Funds) performance, adjusted for the stated fee, performs meaningfully below its predetermined benchmark for three consecutive quarters.

2. The Investment Manager performs below both its predetermined benchmark and the 50th percentile of its peer group in seven of the preceding twelve quarters. For passive strategies (i.e. Index Funds) performance, adjusted for the stated fee, performs meaningfully below its predetermined benchmark in seven of the preceding 12 quarters.
3. The Investment Manager has violated any law, established rule, or published regulation of the Securities and Exchange Commission (SEC), Department of Labor (DOL), or other applicable government agency or regulator with jurisdiction over the Investment.
4. There is a material change in the senior professionals managing the Investment Manager.
5. There is a significant change in the assets held under (or otherwise comprising) the Investment Manager and/or in the total assets under management by the manager of such Investment Manager.
6. There is an indication that the Investment Manager is materially deviating from its stated style and/or strategy.
7. There is a material increase in the Investment Manager's fees and expenses.
8. Any extraordinary event occurs that may interfere with the Investment Manager's ability to meet the performance expectations.

An Investment Manager may be removed or replaced at any time if deemed appropriate, for either performance or non-performance reasons. The decision to terminate an Investment Manager will be based on an assessment of the Investment Manager's ability to meet performance objectives in the future and cannot be made by formula.

### Investment Policy Review

This Investment Policy Statement will be reviewed at least once each biennium to determine whether stated investment objectives are still relevant. It is not expected that the IPS will change frequently; specifically, short-term changes in the financial markets should not require adjustments to the IPS.

### Document Control

Original Document	Date: November 2005
First adopted by the Foundation Board	Date: November 2005
Most recent review by the Foundation Risk Manager	Date: August 2021
Amended policy adopted by the Board, posted on website	Date: November 2023
Next review date	Date: August 2025
Committee responsible	Zonta Foundation for Women Investment Committee

## Appendix A: Asset Allocation Targets

### Long-Term Investment Account Strategic Asset Allocation Targets and Permissible Asset Allocation Ranges

Asset Class	Representative Index	Minimum	Target	Maximum
<b>Cash &amp; Equivalents</b>	Bloomberg Barclays U.S. Treasury Bill 1-3 Month	<b>0.0%</b>	<b>0.0%</b>	<b>20.0%</b>
<b>Core Fixed Income</b>		<b>10.0%</b>	<b>26.0%</b>	<b>56.0%</b>
Short-Term Bond	Bloomberg Barclays U.S. Government/Credit 1-5 Year		2.5%	
Core Bond	Bloomberg Barclays U.S. Aggregate Bond		14.0%	
Long-Term Bond	Bloomberg Barclays U.S Credit A+ Long		7.5%	
TIPS	Bloomberg Barclays US TIPS TR USD		2.0%	
<b>Plus Sector Fixed Income*</b>		<b>0.0%</b>	<b>9.0%</b>	<b>18.0%</b>
High Yield Bond	Markit iBoxx Liquid High Yield		4.5%	
Emerging Mkts Bond	Bloomberg EM USD Sovereign Index		4.5%	
<b>Equity</b>		<b>30.0%</b>	<b>60.0%</b>	<b>80.0%</b>
Global Dividend	MSCI World High Dividend Yield Index		25.0%	
U.S. Equity	Russell 3000		22.5%	
Foreign Equity	MSCI All Country World Index ex USA		12.5%	
<b>Alternative Investments</b>		<b>0.0%</b>	<b>5.0%</b>	<b>10.0%</b>
Commodities	Bloomberg Commodity		2.0%	
Global REITs	FTSE EPRA NAREIT Global REITs		3.0%	

\*Total Plus Sector Fixed Income allocation must not exceed total Core Fixed Income allocation

## Endowment Strategic Asset Allocation Targets and Permissible Asset Allocation Ranges

Asset Class	Representative Index	Minimum	Target	Maximum
<b>Cash &amp; Equivalents</b>	Bloomberg Barclays U.S. Treasury Bill 1-3 Month	<b>0.0%</b>	<b>0.0%</b>	<b>20.0%</b>
<b>Core Fixed Income</b>		<b>0.0%</b>	<b>8.0%</b>	<b>48.0%</b>
Short-Term Bond	Bloomberg Barclays U.S. Government/Credit 1-5 Year		0.0%	
Core Bond	Bloomberg Barclays U.S. Aggregate Bond		3.5%	
Long-Term Bond	Bloomberg Barclays U.S. Credit A+ Long		2.5%	
TIPS	Bloomberg Barclays US TIPS TR USD		2.0%	
<b>Plus Sector Fixed Income*</b>		<b>0.0%</b>	<b>7.0%</b>	<b>14.0%</b>
High Yield Bond	Markit iBoxx Liquid High Yield		3.5%	
Emerging Mkts Bond	Bloomberg EM USD Sovereign Index		3.5%	
<b>Equity</b>		<b>40.0%</b>	<b>80.0%</b>	<b>100.0%</b>
Global Dividend	MSCI World High Dividend Yield Index		35.0%	
U.S. Equity	Russell 3000		29.0%	
Foreign Equity	MSCI All Country World Index ex USA		16.0%	
<b>Alternative Investments</b>		<b>0.0%</b>	<b>5.0%</b>	<b>10.0%</b>
Commodities	Bloomberg Commodity		2.0%	
Global REITs	FTSE EPRA NAREIT Global REITs		3.0%	

\*Total Plus Sector Fixed Income allocation must not exceed total Core Fixed Income allocation