

THE UNITED JEWISH FOUNDATION BALANCED POOL,  
THE JEWISH FEDERATION OF METROPOLITAN DETROIT PENSION FUND,  
AND THE JEWISH FUND

**Statement of Investment  
Objectives & Policies**

November 2019

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**STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES FOR  
THE UNITED JEWISH FOUNDATION BALANCED POOL  
THE JEWISH FEDERATION OF METROPOLITAN DETROIT PENSION FUND,  
AND THE JEWISH FUND**

**Revised November 2019**

**I. Purpose of Statement**

This Statement of Investment Objectives and Policies (the “Statement”) is intended to:

- A. Establish formal yet flexible guidelines incorporating prudent risk parameters, appropriate asset guidelines, and realistic return goals for the management of the assets of the United Jewish Foundation of Metropolitan Detroit (“JMFD”) Balanced Pool, the Jewish Federation of Metropolitan Detroit Pension Fund (Pension Fund), and The Jewish Fund (the “Funds”).
- B. Outline the investment related responsibilities of the JFMD and the Jewish Fund staff, Investment Committee, Board of Trustees, and the providers of the investment services retained to assist with the management of JFMD assets.
- C. Ensure that JFMD is invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person would use in the investment of an investment pools of like characters and with like aims.
- D. Provide a framework for regular constructive communication between the Board, Investment Committee, staff and JMFD’s providers of investment services.
- E. Create standards of investment performance by which the Investment Managers and total portfolios will be measured over a reasonable time period.

It is expected that this Statement will be reviewed annually by the Investment Committee, and amended as necessary by the Investment Committee Chair to ensure the relevance of its contents to current capital market conditions and the needs of JFMD.

## II. Investment Objectives

In pursuing the investment objective for the Funds, the Investment Committee seeks to outperform (net of investment management fees) the customized policy benchmark for the Funds, a measure of the markets in which the Funds' assets are invested, and rank in the top half in a universe of peers over a market cycle. Market Cycles may differ markedly in length, and there is no standardized measure for a Market Cycle's term, though generally the Committee expects most Market Cycles to last from three to five years. Shortfalls relative to the return targets for the Funds may be tolerated over portions of a Market Cycle, provided that the return objectives for the Funds are met over a full Market Cycle.

The target return and spending for each pool of assets is as follows.

	<b>Balanced Pool</b>	<b>Jewish Fund</b>	<b>Pension Fund**</b>
Spending	6.00% *	5.00%	NA
Actuarial Return	NA	NA	6.20%
Inflation	2.00%	2.00%	NA
Target Return	8.0%	7.0%	6.20%

\*Certain individual funds have agreed upon a designated return in calculating spending; this may cause the actual spending rate to vary.

\*\*The primary objective of the Pension Plan is to meet commitments to employees at a reasonable cost. This involves:

1. Seeking to maintain an adequately funded status with regard to current pension liabilities. Investment results are the critical element in achieving the investment objectives, while reliance on contributions is a secondary element.
2. Managing overall costs of running the plan.
3. Having the ability to pay all benefit and expense obligations when due.

### III. Asset Allocation

Investment diversification is a policy consistent with the intent to minimize the risk of large losses to the total assets of the Funds. The Investment Committee has identified policy target allocations to offer broad asset diversification, and it has engaged multiple investment managers to diversify investments across these broad asset classes.

It is the policy of the Investment Committee to invest the Funds' assets as follows:

Asset Class	Balanced Pool			Jewish Fund		
	Target Weight	Minimum	Maximum	Target Weight	Minimum	Maximum
Equity	65%	55%	75%	60%	50%	70%
Fixed Income	25%	20%	40%	35%	20%	40%
Real Assets	10%	0%	20%	5%	0%	20%

Asset Class	Pension Fund		
	Target Weight	Minimum	Maximum
Equity	70%	60%	80%
Fixed Income & Cash	25%	20%	40%
Real Assets	5%	0%	20%

#### BROAD ASSET CLASS DEFINITIONS

- **Equities** can include strategies such as global equities, domestic equities, international equities, and emerging markets equities. They can include structures such as separate accounts, mutual funds, and commingled funds for long-only equities, and limited partnerships and mutual funds for long/short equities and private equity.
- **Fixed Income** can include strategies such as global fixed income, domestic fixed income, international fixed income, and emerging markets debt instruments. It can include structures such as separate accounts, mutual funds, and commingled funds for long-only fixed income, and limited partnerships and mutual funds for long/short fixed income and opportunistic structures. Securities can include, but are not limited to Treasuries, U.S. government agency securities, asset-backed securities, and other sovereign bonds, as well as corporate bonds, other non-agency securities, and derivatives on any of the aforementioned securities.
- **Real Assets** refer to investments or strategies composed of real property, buildings and developments, timber, or commodities (through public mutual funds, commingled funds, and private partnerships), all of which generally respond more directly to changes in inflation than other asset classes. The primary goal of an allocation to real assets is to hedge against unexpected inflation, to maintain the real purchasing power of future grants.
- **Cash & Cash Equivalents** are high quality, liquid, fixed income assets with a maturity of less than one year.

## IV. RISK GUIDELINES

### A. DIVERSIFICATION

1. ***Across Different Investment Categories.*** The portfolios will be diversified across three different investment categories plus cash.
2. ***Among Investment Managers.*** The Funds will be diversified across several external investment managers. No single investment may be greater than 25% of the assets of a Fund.
3. ***Within an Investment Manager's Organization.*** A Fund's investment with any single investment manager will not comprise more than 10% of the manager's firm-wide assets under management.
4. ***Among Securities (Positions).*** For investment managers who conduct an investment process that is intended to result in a diversified portfolio, single position sizes in excess of 10% of that manager's portfolio will be highlighted in the quarterly report. For investment managers who conduct an investment process that is expected to result in a concentrated portfolio, the degree of concentration must be monitored by the Consultant and included in the Consultant's quarterly report to JFMD.

### B. VOLATILITY

1. ***Measurement:*** For purposes of this Statement, and for ongoing monitoring of investment managers and the aggregate investments of JFMD, "volatility" will be defined as the annualized standard deviation of total returns.
2. ***Limit:*** The aggregate volatility of each of the Balanced Pool, Jewish Fund, and Pension is expected to be less than a blend of 70% the volatility of global equities, as measured by the MSCI ACWI World Index, and 30% of U.S. investment grade broad fixed income securities, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, over any three-year period. Any one of the investment managers in the Funds may exhibit volatility greater than this limit, but that volatility must be offset by lower volatility through diversification in other types of investment strategies so that the aggregate portfolios remain within this volatility risk limit.

### C. LEVERAGE

JMFD understands that "leverage" is an attempt to quantify the exposure of an investment manager's portfolio, not necessarily that portfolio's risk. JMFD recognizes that leverage can be a useful tool for investment managers, but it must be used judiciously, subject to an investment manager's experience and the overall volatility of the investment category and strategies/structures employed.

1. ***Measurement:*** For purposes of this Statement, and for ongoing monitoring of investment managers and the aggregate investments of each of the Funds, "leverage" will be defined as the notional long exposure of a portfolio plus the absolute value of the notional short exposure of that portfolio, divided by net capital.
2. ***Limit:*** Each Fund's aggregate leverage across all investments may not exceed 1.5 times. Any aggregate portfolio leverage exceeding one times must be due to risk-mitigating

positions such as short positions that offset long positions. All underlying investment pools will avoid highly levered investment strategies.

#### D. ASSET CLASS LIQUIDITY

1. **Measurement:** For purposes of this Statement, and for ongoing monitoring of investment managers and the aggregate investments of JFMD, “illiquidity” will be defined as the market value of an asset class’ illiquid investments divided by the total market value of the asset class. Illiquidity is defined as an asset with liquidity that is equal to or greater than one quarter (91 days).
2. **Limits:**
  - a) For Equity: At least 50% of assets must be available within 91 days.
  - b) For Fixed Income: At least 33% of assets must be available within 91 days.
  - c) For Real Assets: At least 33% of assets must be available within 91 days.

#### E. KEY MARKET EXPOSURE

1. **Measurement:** For purposes of this Statement, and for ongoing monitoring of investment managers and the aggregate investments of JFMD, Key Market Exposure is the primary measure of the portfolio’s risk within an asset class. By no means are the guidelines below the sole way to measure risk within an asset class portfolio; however, the Consultant will monitor and report quarterly on exposure to at least the following specific Key Market Exposures:
  - a) For Equity: “Net Market Exposure”, defined as the notional market value of long positions, minus the notional market value of short positions.
  - b) For Fixed Income: “Duration”, defined as effective interest rate duration.
  - c) For Real Assets: “Net Market Exposure”, defined as the notional market value of long positions, minus the notional market value of short positions.
2. **Limits:**
  - a) For Equity: “Net Market Exposure” of the aggregate equity managers must be greater than 0.5 times capital, and may not exceed 1.0 times capital.
  - b) For Fixed Income: “Duration” of the aggregate of the fixed income managers may not exceed 1.5 times the duration of the Bloomberg Barclays Capital U.S. Aggregate Bond Index.
  - c) For Real Assets: “Net Market Exposure” of the aggregate of the real asset managers must be greater than 0.5 times capital, and may not exceed 1.0 times capital.

#### F. MANAGER RISK CONTROLS

Inconsistencies of Investment Manager from Investment Policies:

When an investment manager is managing a separate account for the JMFD’s assets, and there are inconsistencies between the investment process of the manager and the JMFD’s investment policy guidelines, the Investment Staff will work with the Investment Manager to

prepare guidelines applicable only to that manager. These specific guidelines will be approved by the Investment Committee prior to the inception of the account.

#### G. DERIVATIVES POLICY

Derivative securities may be used only to hedge the portfolio's investment risk or to replicate an investment that would otherwise be made directly in the cash market. The notional amount of derivative exposure (i.e., the principal value) cannot exceed the position being hedged or replicated. The use of derivatives should not cause the characteristics, including investment risk, of the portfolio to exceed or violate these guidelines for the underlying portfolio.

Examples of permitted use derivatives include:

- To gain inexpensively the approved stock or bond market exposure contained in these investment guidelines.
- To convert financial exposure in a given currency to that of another currency (e.g. to hedge Japanese Yen exposure back to the U.S. Dollar), forward contracts and currency futures may be used. The value of any individual currency hedge must fall between 0% and 100% of the long position associated with that hedge.
- To adjust the duration of a bond portfolio within the range that is consistent with both the manager's investment policies and these approved guidelines.

Leveraged or speculative use of derivatives is prohibited. All other uses of derivatives are also prohibited, unless specifically approved in writing by the Investment Committee. Managers using derivatives must have in place systems to analyze and monitor duration, liquidity and counter party credit quality in order to minimize the risks associated with the use of derivatives.

## **V. MUTUAL, COMMINGLED, AND ALTERNATIVE FUND GUIDELINES**

JFMD will generally give investment managers broad latitude to invest in a wide variety of securities and instruments, subject to each investment manager's particular area of expertise. There may be investments in pooled vehicles such as mutual funds, commingled funds, or other commingled fund structures for alternative investments. As JFMD cannot direct the particular investment policies of these types of funds, it is understood that these funds will be governed by their own written investment guidelines and fund documents.

Nevertheless, the broad guidelines outlined below will govern the selection and retention of appropriate vehicles:

### **A. AGGREGATE ASSETS**

The Committee and the Consultant will determine for each investment manager whether the level of aggregate assets under management is 1) large enough to ensure sufficient diversification, efficient trading, and economies of scale in administrative expenses and transaction costs and 2) not too large or too small to cause the investment manager to deviate from the portfolio construction methods upon which the performance record was built.

### **B. ORGANIZATIONAL CHANGES**

The Consultant will monitor the organizations providing investment services to the mutual or commingled funds, and report any changes which may negatively affect the consistency of the investment method.

### **C. EXPENSES**

The Consultant will monitor both management fees and administrative expenses, to ensure that expense levels are appropriate and reasonable, and within normal and customary ranges.

### **D. PORTFOLIO CHARACTERISTICS**

The Committee and the Consultant will establish general expectations of each fund's or pool's aggregate portfolio characteristics to create proper diversification within JFMD's portfolios, fulfill specific needs or purposes within these portfolios, and comply with the investment strategy and asset allocation policy.

## VI. PERFORMANCE STANDARDS

### A. PERFORMANCE MEASUREMENT

1. Over a three- to five-year market cycle, the return earned by the Funds should exceed the rate of return of their policy benchmark. The policy benchmark is the return earned by taking the target asset class weights and applying the benchmarks which are selected to represent, or most closely represent, what the net of fee return would be for each Fund if it were passively invested in index funds.

The Balanced Pool and Jewish Fund also seek to outperform the median endowment fund within their peer universe.

2. Each broad asset class will have a primary benchmark. For the three broad asset classes, the benchmarks are listed below

<u>Asset Class</u>	<u>Benchmark Index</u>
Equity	MSCI All Country World IMI Index
Fixed Income	Bloomberg Barclays U.S. Aggregate Index
Real Assets	1/3 Bloomberg Commodity Index, 1/3 FTSE EPRA/NAREIT Global Index, and 1/3 Barclays U.S. TIPS 1-10 Year Index

3. Each investment manager will be compared to an appropriate style index (e.g. the S&P 500 Index, the Russell 2000 Growth Index, etc.). A complementary investment objective is that the rate of return for each investment manager should compare favorably over comparable periods to that of other managers of a like style and discipline. For performance evaluation purposes, all rates of return will be examined after the deduction of investment management fees.

### B. AUTOMATIC REVIEW PROCESS FOR INVESTMENT FUNDS

Investment performance reviews of all funds will be conducted quarterly by the Consultant to ascertain progress against the return objectives of each component. The Consultant will provide a one page summary of the review process each quarter in the written report.

Beyond these customary reviews certain circumstances or events, as outlined below, will trigger automatic reviews and where appropriate, reconsideration by the Committee of the appropriateness of continuing to use the affected manager in the investment structure. None of these circumstances or events shall serve as automatic causes for changing investment managers, but will merely indicate the need for review.

1. Disappointing Relative Performance
2. Disappointing Risk-Adjusted Performance
3. Fund Management Organization Changes
4. Deviation from Investment Methods that Built Historical Records
5. Relative Performance in Excess of Expectations

## **VII. RESPONSIBILITIES**

### **A. Leadership of the United Jewish Foundation, the Jewish Federation of Metropolitan Detroit, and The Jewish Fund:**

1. Establishment of financial policies and spending rates for the organizations.

### **B. Investment Committee Chair:**

In the management and investment of JFMD's assets, the Investment Committee Chair must act prudently and for the best long-term interest of the organization. Specific duties and responsibilities of the Investment Committee Chair related to the investment of JFMD's assets shall be:

1. Approval of a Statement of Investment Objectives and Policies that are to guide JFMD's assets for the United Jewish Foundation Balanced Pool, the Jewish Federation of the Metropolitan Detroit Pension Fund, and The Jewish Fund.
2. Establishment of the Investment Committee agenda, including the collection and approval of meeting materials.
3. Provide leadership and guidance to the Investment Committee in performing its fiduciary responsibilities noted below.
4. Development of critical strategic and governance recommendations.
5. Approval of all portfolio rebalances and transfers in accordance with approved policy targets.
6. Periodically review summary information regarding JFMD's investment structure and performance against established objectives and policies.
7. Develop, review, and recommend to the Investment Committee the asset allocation for JFMD's investments.

### **C. Investment Committee:**

The Investment Committee is designated by the United Jewish Foundation President and the Investment Committee Chair delegated with the responsibility for managing JFMD's investments. Specific duties and responsibilities of the Committee, with assistance from Investment Staff and the Investment Consultant, shall be to:

1. Establish a Statement of Investment Objectives and Policies that are to guide the investment of the Funds' assets for the United Jewish Foundation Balanced Pool, the Jewish Federation of the Metropolitan Detroit Pension Fund, and The Jewish Fund.
2. Retention, review and/or dismissal of outside professionals, such as investment managers, consultants and custodians.
3. Evaluate, engage, monitor, and remove Investment Managers for JFMD's investments.
4. Review quarterly information regarding the United Jewish Foundation, the Jewish Federation of Metropolitan Detroit, , the Jewish Federation of the Metropolitan Detroit Pension Fund,

and The Jewish Fund's investment structure and performance against established objectives and policies including reports on the investment managers.

5. Develop, review and approve investment guidelines for each Investment Manager, as appropriate.
6. Appoint, evaluate and remove, if necessary, the investment Consultant.

**D. Finance Staff of the United Jewish Foundation and the Jewish Federation:**

The Investment Staff is responsible for the day-to-day investment related activities of the organization. The Investment Staff will work closely with the Investment Consultant to complete Staff's responsibilities, and in many cases rely heavily upon the Investment Consultant to supply independent advice and support for the completion of those responsibilities. The Investment Staff shall:

1. Prepare a Statement of Investment Objectives and Policies, and recommend this to the Investment Committee.
2. Ensure that policies established by the Statement of Investment Objectives and Policies are followed and adhered to.
3. Serve as the primary liaison with Investment Manager(s), Consultant(s), and Custodian Banks(s).
4. Oversight of the day-to-day activities of the Funds and the implementation of any changes approved by the Investment Committee including, but not limited to, the addition and/or removal of Investment Managers, rebalancing of assets and transferring of funds, Investment Manager compliance, and the preparation of investment reports for the Investment Committee.

**E. Investment Managers:**

Given the Investment Objectives of JFMD, the Investment Managers shall recognize the long-term responsibilities and purposes of the organization and manage its assets utilizing the same care, skill, prudence and diligence under the circumstances then prevailing that experienced investment professionals would use in like activities for like funds with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, federal, and international political entities as it pertains to fiduciary duties and responsibilities.

The Investment Manager(s) are responsible for frequent and open communication with the Investment Consultant and a designee of the Investment Committee on all significant matters pertaining to investment policies and the management of the Fund's assets. Some of the key reporting responsibilities include the obligation to:

1. Inform the Investment Consultant of major changes in any of the following:
  - a. The Investment Manager's investment outlook, investment strategy and portfolio structure.
  - b. The ownership, organizational structure, financial condition or senior personnel staffing of each investment Manager.

2. Provide the Investment Consultant with quarterly transaction, valuation and performance reports.
3. Ensure that all documents, exhibits, and written materials that will be used during the quarterly meetings between the Investment Committee and the Investment Managers be submitted to and received by the Investment Committee at least 5 business days in advance of these meetings.
4. Provide the Investment Consultant with proof of liability and fiduciary insurance coverage.
5. The selection of specific portfolio holdings in accordance with the Funds' investment policy and manager-specific guidelines.
6. Notifying the Investment Committee immediately of (1) any guideline that impairs or prevents the achievement of performance objectives; (2) new developments or circumstances that warrant a change in the guidelines; (3) any disciplinary action by any regulatory authority or loss / non-compliance with any AIMR, SEC or other professional standards; and (4) any material deviation from the standards listed herein.

**F. Custodian Bank:**

The Investment Committee recognizes that accurate and timely completion of custodial functions is necessary for effective investment management and accurate records. The Investment Committee identifies the following as responsibilities of the custodian for JFMD:

1. Provide complete custody and depository services for the designated accounts, including, but not limited to, the safekeeping of securities entrusted to it, the collection of dividends and interest on those assets, and receipt and disbursement of cash flows as directed by the finance staff or the investment managers.
2. Provide for investment of any cash to avoid lingering uninvested amounts.
3. Implement in a timely and effective manner the investment actions as directed by the Investment Manager(s).
4. Collect all income and principal realizable and properly report on the periodic statements.
5. Provide monthly and annual accounting statements as well as on-line real time accounting for JFMD, including all transactions; these should be based on accurate security values both for cost and market value. These reports should be provided within a time frame acceptable to the Committee.
6. Report to staff situations where security pricing is either not possible or subject to considerable uncertainty.
7. Distribution to the Investment Manager(s) in a timely manner all proxy voting materials.
8. Provide assistance to the Investment Committee, the Investment Consultant, and staff, to complete such activities as the annual audit, transaction verification or unique issues.

**G. Investment Consultant:**

The Committee may elect to engage an independent investment-consulting firm to assist the Committee's activities. The Consultant is expected to be proactive in recommending changes in

investment strategy, asset allocation, and Investment Managers if the situation warrants change. The Consultant's responsibilities are as follows:

1. Assisting in the development of investment policies, objectives, and guidelines;
2. Preparing asset allocation analyses as necessary and recommending asset allocation strategies with respect to JFMD's objectives;
3. Recommending Investment Managers;
4. Preparing and presenting performance evaluation reports in accordance with CFA Institute promulgated standards;
5. Attending Committee meetings to present evaluation reports no less than semi-annually and at other meetings as requested;
6. Reviewing contracts and fees for both current and proposed Investment Managers and Custodians;
7. Providing research on specific issues and opportunities, and assisting the Committee in special tasks;
8. Assisting in the rebalancing;
9. Communicating investment policies and objectives to the Investment Managers, and monitoring their adherence to such policies and reporting all violations;
10. Notifying the Committee of any significant changes in personnel or ownership of the consulting firm;
11. Notifying the Committee immediately of any litigation or violation of securities regulations in which the consulting firm is involved;
12. Notifying the Committee of any fee arrangements that generate revenue outside of the consultant's retainer income and might be considered a conflict of interest.
13. Notifying the Committee of any significant changes in portfolio Managers, personnel or ownership of any investment management firm hired by JFMD;
14. Notifying the Committee immediately of any litigation or violation of securities regulations in which any Investment Manager is involved; and
15. Overall, being proactive with the Administration of JFMD and the Committee in the management of JFMD's assets.

## **VIII. MISCELLANEOUS**

### **A. Use of Pooled Funds**

Investments in pooled funds (e.g., mutual funds, common trust funds, etc.) are permitted provided it is accepted that such assets will be managed in accordance with the objectives, policies and restrictions set forth in the investment's prospectus, offering memorandum or applicable document that highlights the investment's guidelines. When investing in commingled vehicles, the Committee will select strategies that are consistent with goals and objectives of the Funds.

**B. Liquidity**

The Investment Committee will advise investment managers of any anticipated need for liquidity as such needs become known. Investment managers are to presume no liquidity needs other than those provided to it by the Investment Committee.

**C. Proxy Voting**

The Investment Committee delegates the responsibility for voting proxies to the individual investment managers, and expects proxies to be voted vigorously and in the best interests of the Funds.

**D. Brokerage**

Selection of brokers is at the sole discretion of each Investment Manager. The Investment Managers will use their best efforts to obtain brokerage services resulting in fulfillment of the twin goals of best execution of trades and the lowest net cost to JFMD.

**F. Rebalancing Procedures**

Normal cash flows will be used to maintain actual allocations as close to the target allocations as is practical. At times, markets may move in such ways that normal cash flows will be insufficient to maintain the actual allocation within the permissible ranges. In these cases, balances should be transferred as necessary between the asset types to bring the allocation back to the target allocations. The Investment Committee Chair approves all asset transfers.

## **IX. MONITORING OBJECTIVES AND INVESTMENT PERFORMANCE**

All objectives and policies are in effect until modified by the Investment Committee. They will be reviewed at least annually for their continued appropriateness. The Funds will be monitored on a continual basis for consistency in each manager's investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility.

If, at any time, a manager believes that any guideline inhibits its investment performance, it is the manager's responsibility to clearly communicate this view to the Investment Committee.

Each investment manager will report the following information quarterly: total return net of all commissions and fees and additions and withdrawals from the account; portfolio composition and structure; individual security holdings; and such other information as the Investment Committee may reasonably request.

Managers may be required to reconcile the record of holdings, transactions and dividend and interest income with the Funds' custodian on a quarterly basis.

On an annual basis, each manager should provide the staff a copy of its form ADV. Regular communication concerning investment strategy and outlook, and any material change therein, is required.