

Person to Person

Statement of Investment Policies and Objectives

Approved _____

This Statement of Investment Policies and Objectives (the “Policy”) governs the management of Person to Person’s (P2P’s) endowment assets and it has been approved by P2P’s Board of Directors (the “Board”). It will remain in effect until modified by the Board, and it replaces the Investment Policy Guidelines dated May 7, 2013.

The Purpose of this Policy is to direct and coordinate the actions of P2P’s endowment Committee (the Committee), its Discretionary Investment Advisor and other advisors so that P2P’s investment objectives are achieved. Further, this policy has been adopted by the Board to comply with applicable law, including, without limitation, the Uniform Prudent Management of Institutional Funds Act, Conn. Gen. Stat. Sections 45a-535 et seq (the “Act”). The Board has delegated to the Endowment Committee the responsibility for the formation, oversight and execution of this Policy.

Philosophy

P2P’s endowment provides financial support to help P2P achieve its mission of providing emergency assistance for basic needs, and support for individuals and families in the lower Fairfield County community. Prudent investment oversight and sensible endowment spending underpin the purchasing power of the endowment and ensure that current and future families in our community continue to benefit from the income provided by the endowment.

Investment Objectives

The principal investment objective of P2P’s endowment program is to provide sufficient returns to maintain the real purchasing power of the endowment after spending and investment expenses. The realization of this goal should be measured over the long term (e.g., 20 years or more). The investment objective should be achievable within risk levels defined by this policy, and without taking risks atypical of similarly endowed not-for-profit institutions.

Responsibilities

The Board has delegated responsibility for achieving its investment objectives to the Investment Committee. In addition, the Board has delegated certain responsibilities for the day-to-day management of the endowment to its Discretionary Investment Manager.

Specifically, the Investment Committee shall:

- A. Develop portfolio objectives, monitor the attainment of those objectives, and provide regular reports to the Board.
- B. Establish an asset allocation (“Policy Portfolio”), subject to the approval of the Board, comprising long-term asset allocation targets and asset class ranges. The current Policy Portfolio is set forth in Appendix A.
- C. Establish appropriate benchmarks for asset class performance and for the overall portfolio. Composite and portfolio benchmarks are defined in Appendix B.
- D. Monitor the endowment to ensure there is sufficient liquidity to meet its spending policy obligation.
- E. Where appropriate, retain the services of investment consultants, a custodian bank, and legal advisors as necessary to manage the endowment program for P2P.

Specifically, the Discretionary Investment Manager shall:

- A. Provide comprehensive management, investment planning, and oversight with regard to the endowment, including the following:
- B. Provide quarterly investment performance reports and market analysis.
- C. Attend and report at scheduled meetings with the Committee and/or Board.

Allowable Annual Payout (AAP)

P2P's allowable annual payout is intended to balance the competing objectives of providing a predictable level of funding to support its mission with the desire to maintain the real purchasing power of the endowment over time, while meeting any designated gift requirements and observance of all laws. The Allowable Annual Payout policy of the Endowment Fund (including both distributions and management fees and expenses) will not exceed 6% of the average of the market value of the Endowment Fund for the prior three year-ends. The AAP includes all of the annual accrued net income of the Endowment Fund. The assets available for withdrawal shall be calculated at the beginning of each year by taking up to 5% of the prior three-year average of all Endowment Fund assets, as stated on the year-end balance sheet of P2P; provided, that, pledges as well as those portions of the Endowment Fund that are either Designated Gifts subject to P2P's Designated Gifts Policy or gifts subject to separately agreed upon terms and conditions between the donor and P2P are excluded from this AAP calculation and limitation.

The actual Annual Payout taken during any particular year shall be approved by the Board upon recommendation of the Finance Committee. As a general matter, the Finance Committee and the Endowment Committee will collaborate in establishing and annually reviewing the AAP to ensure that the policy remains aligned with financial objectives.

Asset Allocation

The purpose of establishing an asset allocation ("Policy Portfolio") for the endowment is to construct a target set of investments, based on long-term return, risk and correlation assumptions that properly balance the need for liquidity, preservation of purchasing power, and risk tolerance. The Committee shall periodically examine the Policy Portfolio targets and consider adjustments to the asset allocation as may be appropriate. Changes to the Policy Portfolio targets will be reviewed and approved by the Committee and presented to the Board, as necessary.

The Endowment's investments shall be diversified by manager and by asset class (e.g., equities, bonds, and alternative assets). In addition to being diversified across asset classes, the endowment will seek to be diversified within each asset class. The purpose of diversification is to provide reasonable assurance that no class of securities, or individual holding will have a disproportionate impact on the endowment's aggregate results.

To achieve its long-term investment objective, the endowment shall be invested primarily in equities, and will include asset classes to hedge against deflation and inflation. The asset allocation of the endowment should reflect the proper balance of P2P's need for liquidity, preservation of purchasing power and risk tolerance.

- A. **Equity** – The purpose of the equity allocation is to provide appreciation of principal that more than offsets endowment spending and inflation. In general, the equity allocation will be considered as the primary driver of returns for the endowment and will be diversified sufficiently as to avoid unwarranted concentrations within geographic regions, sectors, or capitalization. It is recognized that pursuit of high equity allocation is necessary for sufficient endowment returns but could entail the assumption of significant variability in price and returns.
- B. **Fixed Income** – The purpose of the fixed income allocation is to provide a capital appreciation and income, and to provide a hedge against deflation. It is recognized that, while expected to provide a steady stream of income over a long-term, the fixed income segment will be exposed to various risks, including inflation, changes in interest rates and credit risk.
- C. **Alternative Assets** -Alternative asset classes (including Hedge Funds, Private Equity and Venture Capital as well as Real Assets) may be used as sources of diversification and risk reduction. Allocations to Alternative Assets should be under the purview of the Discretionary Investment Advisor. This assures the Advisor's accountability for all investment decisions.

The Endowment Committee shall review the portfolio against the target asset allocation at least annually to determine if any rebalancing is necessary. Strategic changes deemed necessary will result in modification to this Statement of Investment Policies and Objectives, subject to the approval of the Board.

Rebalancing

The Endowment portfolio should be rebalanced quarterly or if the asset allocations move outside the allowable bands, as designated in Appendix A.

Monitoring and Reporting

All objectives and policies are in effect until modified by the Endowment Committee and, when applicable, approved by the Board. They will be reviewed by the committee for continued appropriateness at least annually.

Endowment results will be reviewed by the Committee at least semi-annually. Quarterly results will be sent by the Discretionary Investment Manager to P2P's finance department quarterly.

Derivatives

The primary intent of derivative security transactions will be to hedge risk in the portfolio or to implement investment strategies more efficiently and at a lower cost than would be possible in the cash market. In the case of equity portfolios, derivative securities primarily include index futures, options on index futures and currency futures and forwards. In the case of bond portfolios, derivative securities primarily include interest rate futures, options on interest rate futures, currency futures and forwards and collateralized mortgage obligations. With the exception of hedge funds managers (which are currently not authorized), derivatives will not be used to leverage portfolios and derivatives-based investment strategies will not expose the portfolios to greater risk than would be typical under a strategy utilizing only cash securities.

APPENDIX A

**PERSON TO PERSON
POLICY PORTFOLIO**

ASSET CLASS		POLICY TARGET	ALLOWABLE RANGE
GLOBAL EQUITIES		70%	60-75%
	U.S. EQUITY		30-70%
	INTERNATIONAL EQUITY		0-40%
	EMERGING MARKETS EQUITY		0-15%
FIXED INCOME		20%	20-40%
	U.S. GOVT/ TRSY US INVESTMENT GRADE		
	US HIGH YIELD		0-10%
ALTERNATIVE INVESTMENTS		10%	0-15%
	HEDGE FUNDS		
	PRIVATE CAPITAL REAL ASSETS		

APPENDIX B

PERSON TO PERSON

PERFORMANCE BENCHMARKS

	SHORT TERM BENCHMARKS	COMPETITIVE UNIVERSE	LONG-TERM BENCHMARKS
U.S. EQUITIES	RUSSELL 3000 INDEX		
INTERNATIONAL EQUITIES	MSCI EAFE INDEX		
EMERGING MARKET EQ	MSCI EMERGING MARKETS FREE		
US GOVT/TRSY	Barclays Agg		
US INVESTMENT GRADE	Barclays Aggregate		
US HIGH YIELD	BoA/Mer HY		
HEDGE FUNDS			
PRIVATE EQUITY			
REAL ASSETS			
CASH	TRSY BILLS		
TOTAL ENDOWMENT	BLEND BASED ON POLICY PORTFOLIO OF 70% EQUITY AND 30% FIXED INCOME	NACUBO ANNUAL RETURNS FOR SMALL COLLEGE ENDOWMENTS	SPENDING + INFLATION