Community Foundation
CENTRAL BLUE RIDGE

Investment Policy Statement

Approved September 27, 2022

Contents

I. Introduction

The Community Foundation of the Central Blue Ridge (the "Foundation") serves the independent cities of Staunton and Waynesboro, and the counties of Augusta, Nelson, and Highland in Virginia. The Foundation's mission is to enrich the quality of life in the region by responding to community needs and inspiring philanthropy.

The purpose of this Investment Policy Statement ("IPS") is to establish guidelines for the ongoing oversight and management of the Foundation's investment portfolio (the "Fund"), focusing on the areas that most influence investment returns and risks. This IPS incorporates accountability standards that will be used for monitoring the progress of the Fund's investment program and for evaluating the contributions of the Investment Adviser hired on behalf of the Fund and its beneficiaries.

The Fund's investment assets include endowed funds, non-endowed restricted funds, and unrestricted funds.[1] This IPS provides guidelines to enhance the probability of achieving the goals and objectives of the Fund in a manner consistent with the laws, regulations and policies that govern the prudent management of investment assets in a fiduciary setting. This IPS is the formal document governing the investments of the Fund and serves as a communications link between the Foundation's Board of Directors (the "Board"), the Investment Committee (the "Committee"), and the Investment Adviser (the "Adviser").

It is the Board's intent that these guidelines provide meaningful guidance and set appropriate expectations regarding the management and performance of the Fund. While the IPS is not intended to be modified frequently, or in response to short-term market fluctuations, it shall be reviewed periodically and amended, as appropriate, to reflect the goals and objectives of the Foundation.[2]

Specific purposes of this IPS include:

- Assign and define responsibilities for all involved parties.
- Establish a clear understanding of the Fund's investment objectives.
- Establish specific asset allocation guidelines and portfolio risk parameters.
- Establish the basis for assessing performance of the Fund's investments and of the Investment Adviser.
- Administer the Fund in compliance with the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the laws of Virginia.
- Establish the appropriate investment time horizon for management of Fund assets.

II. General Guidelines

[1]-*Endowed funds* are intended to create income in perpetuity. Such income may be unrestricted or restricted to specific uses, depending on the terms of the donor agreement. Principal is not generally expended.
-*Non-endowed restricted funds* have donor-imposed restrictions as to their use. Both principal and income may generally be expended, subject to the conditions established in the donor agreement.
-*Unrestricted funds* are funds for which no donor-imposed restrictions exist. Such funds may be granted by a donor as a permanent endowment (in which case only income is generally expended) or may be part of an institution's reserves and expended at the discretion of the institution.

[2] This IPS is intended to govern all investment assets of the Foundation, but exceptions to certain IPS guidelines may be allowed in instances where donors have recommended specific investment advisers, as further described in Appendix D.

It is the intent of the Board to adhere to the provisions of Virginia UPMIFA in managing the Fund's investment assets. UPMIFA requires that institutions "act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." The following factors are set out under UPMIFA and will be considered by the Committee in managing and investing the Fund:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the Fund;
- The expected total return from income and the appreciation of investments;
- Other resources of the institution;
- The needs of the institution and the Fund to make distributions and to preserve capital; and
- An asset's special relationship or special value, if any, to the charitable purposes of the institution.

Risk control is an important element in the investment of the Fund's assets. The Board recognizes that risk and volatility are present to some degree with all types of investments. However, high levels of risk are to be avoided at the total portfolio level. This is to be accomplished through diversification by asset class, style of manager, sector, and industry limits. The Fund's investment program will emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Sections VI, VII and VIII below specifically address investment objectives, target asset allocations, levels of risk assumed, and permitted ranges for diversification.

As described below in Section X, this IPS will be reviewed by the Committee periodically and revised as necessary.

III. Roles and Responsibilities

Clear definition of responsibility, authority and accountability is critical to effective fiduciary oversight. Accordingly, this IPS defines the following roles and responsibilities of the parties responsible for the design, execution and monitoring of the Fund. More detailed descriptions of the duties of the parties are provided in Appendix A.

A. **Board of Directors -** The Board retains fiduciary responsibility for the prudent management and oversight of the Fund. It may, at its sole discretion, delegate various responsibilities for planning, directing, implementing, monitoring, safekeeping, and accounting for investment of the Fund to the Investment Committee and/or other qualified parties where it believes such is in the best interests of the Foundation. The Board will retain responsibility for the appointment of Investment Committee members; review and approval of the Investment Policy Statement; approval of Committee-recommended Investment Advisory Agreements and Custodian Agreements; and receipt and review of periodic reports from the Committee on the status of the Fund.

B. **Investment Committee -** The Committee is responsible for the broad design, oversight, and implementation of the Foundation's investment activities. To that end, the Committee has responsibility for the creation and maintenance of the IPS, including establishment of investment objectives, time horizon, Policy Asset Allocation, and other requirements and restrictions as it deems appropriate. Further, the Committee will select and engage qualified Investment Advisers to provide discretionary management of the Fund, and a Custodian, consistent with this IPS. Engagement of the Investment Adviser and Custodian are subject to review and approval by the Board.

C. **Investment Adviser -** The Investment Adviser shall recommend for Committee approval the establishment and maintenance of a detailed Portfolio Asset Allocation (consistent with the Policy Asset Allocation and broad guidelines provided herein). The Investment Adviser will have discretion regarding the day-to-day implementation of this Portfolio Asset Allocation and management of the Fund portfolio as authorized by the Committee.[3] The Investment Adviser will also perform other tasks as deemed appropriate and consistent with this IPS or as otherwise directed by the Committee.

D. **Investment Managers/Funds -** Investment Manager selection is the responsibility of the Investment Advisers as defined in this IPS. The Investment Managers (including mutual funds and commingled investment pools and/or vehicles) selected by the Investment Advisers have discretion to purchase, sell, or hold the specific securities that will be used to meet the investment objectives of their designated portfolios within the boundaries of the restrictions outlined in this Policy and, if applicable, their Investment Adviser-approved mandate. While it is understood that implementation through the purchase of a mutual or commingled fund may not allow the Committee to place restrictions on specific aspects of such management, it is expected that such investments employed by the Investment Adviser on behalf of the Fund will generally comply with the intent of this IPS.

E. **Custodian -** The Custodian (or through agreement, one or more sub-custodians) will maintain custody of securities and separately managed accounts, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales by the Committee, the Investment Adviser, or the Investment Managers. The Custodian will also perform regular accountings of all assets owned, purchased, sold, or transferred, as well as movement of assets into and out of the Fund and will cooperate on year-end reconciliation of holdings. (The Committee may, at its discretion, appoint the Investment Adviser firm to serve as Custodian if it believes that so doing would be prudent and in the best interests of the management of the Fund.)

F. **President/CEO -** The Foundation's President/CEO and/or other Foundation staff members, will provide support to the Committee in fulfilling its responsibilities as described in this IPS. The President/CEO will coordinate with the Committee and the Investment Adviser to ensure that sufficient assets are available to provide cash as needed for support of the Foundation. The President/CEO will accept responsibility for the timely and accurate recording and reporting of all Fund activities in compliance with applicable laws, regulations, and financial accounting and reporting standards as required to ensure the

[3] The Committee reserves the authority to review any and all proposed "diversifying investments" in advance of their implementation.

Foundation's ongoing status as a qualifying 501(c)(3) organization. Subject to the Foundation's "Executive Limitation Policies," the Board specifically delegates authority to the President/CEO to execute contracts, open and close accounts, implement withdrawals from the Fund, and to take other necessary actions to effectuate the terms of this IPS.[4]

Additional specialists such as attorneys, auditors, or consultants may be employed by the Board and/or Committee to assist in meeting the Board's fiduciary responsibilities and obligations to prudently administer the Fund. Reasonable and customary expenses for such experts may be borne by the Fund as deemed appropriate and necessary and as directed by the Board and/or the Committee.

IV. Time Horizon

While the time horizon of the Fund is generally viewed as perpetual, its investments will be managed with a stated long-term time horizon of 10 years. Investment results will be measured over shorter periods of time, as defined herein, to ensure that the Policy is being implemented in a manner that is appropriate for accomplishing the Investment Account's investment objectives.

The Committee does not expect that all investment objectives will be attained each year and recognizes that over various time periods, the Fund may produce significant over or under performance relative to the broad markets. For this reason, investment returns will be measured over rolling time-periods.

V. Spending Policy

For the purpose of making withdrawals from the Fund, the Foundation will use a total return spending policy, meaning that it will fund withdrawals from both income and appreciation of Fund assets. The withdrawal of Fund assets will generally be permitted to the extent that such withdrawals do not exceed a level that would erode the Fund's long-term real value over time. The Committee will review its spending policy annually for the purpose of deciding whether circumstances require any amendment to the Fund's spending policy, target asset allocation, or both.

The Committee will annually recommend a spending rate for Board approval, based on an analysis undertaken by the Investment Adviser at the direction of the Committee and/or the President/CEO. Such analysis will utilize various spending and capital market scenarios to derive a rate that is considered prudent in terms of preserving the real value of the Fund over the long term. The spending rate, once approved by the Committee and the Board, will be applied to the average of the prior 12-quarter Fund balances. This "smoothing methodology" is intended to minimize the impact of short-term market swings on the withdrawal amount.[5]

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[4] The Board reserves, however, authority to review and approve the selection of the Investment Adviser and the Custodian.

[5] In cases where a Component Fund Agreement calls for a specific spending methodology, that specific methodology will be applied in determining spending for that Component Fund. Spending from a Component Fund will generally be limited to an amount no greater than that calculated under the 12-quarter "smoothing methodology" referenced above.

As of the adoption of this IPS, the Fund's expected annual spending rate is 4.0% (for distribution to grant, scholarship and award recipients) and generally an additional 1.0% to support the operating expenses of the Foundation.[6] The amount to be drawn in support of operating expenses will be documented in each Component Fund Agreement.

Endowment Funds with Deficiencies

The Board intends to retain in perpetuity the original value of endowed gifts, together with subsequent gifts and accumulations. The Board acknowledges that the fair value of such funds may from time to time fall below their original value. Spending from such "underwater" endowments is specifically permitted, subject to the prudence standards enumerated under Virginia UPMIFA.

VI. Investment Objectives

The Fund is to be invested with the objective of preserving and growing the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of distributions in support of the Foundation's designated activities. The following Investment Objectives are established to guide this pursuit.

A. **Organizational Objective** - The primary long-term investment objective of the Fund is to provide a net real return that supports the Foundation as needed while preserving the purchasing power of the Fund. Accordingly, the Organizational Objective is to attain an average (as measured over rolling five-year periods, net of investment fees) annual total return equivalent to the Fund's average annual spending rate (including operating expenses) plus inflation (as measured by the Consumer Price Index). The Committee recognizes that this objective may not be attained in every rolling five-year period but anticipates that it should be attainable over a series of rolling five-year periods.

B. **Policy Objective** – A secondary long-term investment objective of the Fund is to attain an average annual return (as measured over rolling three-year periods, net of investment fees) equal to or greater than a broad market "Policy Benchmark" of 75% Equities / 25% Fixed Income with the Russell 3000 Index being the benchmark for the Equities component and the Bloomberg Barclays Aggregate Bond Index being the benchmark for the Fixed Income component of this Policy Benchmark. The Committee recognizes that this objective may not be attained in every rolling three-year period but anticipates that it should be attainable over a series of rolling three-year periods.

C. **Portfolio Objective** – On an interim basis (periods of rolling three years and less), the Fund's portfolio will be expected to generate average annual returns (net of investment fees) equal to or exceeding the "Portfolio Benchmark," defined as the weighted target allocations of the portfolio to various asset and sub-asset classes times (x) an appropriate and approved benchmark reflecting the market-level returns of such asset and sub-asset classes. The Committee recognizes that this objective may not be attained in every rolling three-year period but anticipates that it should be attainable over a series of rolling three-

[6] Spending rate exceptions may apply to individual component funds in instances where the donor has authorized a different administrative fee or where the component fund's balance triggers a minimum administrative fee as specified in the fund agreement.

year periods. The "Portfolio Benchmark" will be proposed by the Investment Adviser and approved by the Committee in a form substantially similar to that presented in Appendix C.

Peer Comparisons

The Committee will additionally assess the performance of the total Fund portfolio versus performance of comparable institutional portfolios (gross and/or net of fees, as available). Such peer comparisons will focus on portfolios of similar size and similar asset allocation over rolling one, three- and five-year periods.

VII. Asset Allocation

The Committee recognizes that the strategic allocation of Fund assets across broadly defined asset and sub-asset categories with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns. The Committee expects that actual returns and volatility may vary widely from expectation over short periods of time. While the Committee wishes to retain flexibility regarding changes to the Fund's asset allocation, it expects to make changes only in the event of material changes to the Fund, the assumptions underlying Fund spending policies, and/or significant changes in the capital markets or asset classes in which the Fund invests.

The Committee recognizes the importance of clearly reflecting the Fund's short-term and long-term return objectives and risk tolerances in an asset allocation framework that provides for both "strategic intent" and "effective implementation." To that end, the Committee has established the following asset allocation framework and guidelines to direct the prudent design and implementation of the Fund portfolio. This framework is intended to assign responsibility and authority for "strategic intent" to the Committee while delegating responsibility and authority for "effective implementation" to the Investment Adviser within the guidelines established in this IPS.

A. **Policy Asset Allocation** – The "Policy Asset Allocation" referenced in this IPS is defined as the Committee-established broad asset allocation guideline, intended to reflect the strategic return objectives and risk tolerances deemed by the Committee to provide for the prudent pursuit of the Fund's Organizational Objective. The Committee has approved the following Policy Asset Allocation for the Fund.

Major Asset Class	Minimum (%)	Preliminary Target (%)	Maximum (%)
Total Equities	70	75	85
Total Fixed Income	15	25	30
Cash	0	0	10
Total		100	

B. **Portfolio Asset Allocation** – As defined in this document, the "Portfolio Asset Allocation" shall be the Adviser-recommended, Committee-approved detailed asset allocation employed for the purpose of implementing the Fund's investment program and will define target, minimum and maximum allocations to approved sub-asset classes within each of the major asset classes defined in the Policy Asset Allocation. The Portfolio Asset Allocation will be presented to the Committee for approval at least semi-annually in a form substantially similar to the sample presented in "Appendix C – Portfolio Asset Allocation."

In all instances, the Portfolio Asset Allocation established, maintained, and implemented by the Adviser will remain in compliance with the Policy Asset Allocation guidelines established in this IPS.

Allowable investments within each of the major asset classes included in the Policy Asset Allocation above are defined in Appendix B of this Policy. Prohibited securities and transactions are also defined in Appendix B.

VIII. Operational Guidelines

A. **Liquidity** – Within the fixed income portion of the Fund, the Committee intends to include an appropriate allocation to relatively low-volatility, short-duration investments as a source of funding for unanticipated liquidity needs. The Investment Adviser will include this consideration in recommending a detailed portfolio allocation.

B. **Donor-Recommended Investment Advisers** – The Foundation recognizes that some donors may have preferred investment advisers. The Foundation may allow the use of such advisers in certain circumstances. Specific guidance is provided in Appendix D.

C. **Private and Illiquid Investments** – Recognizing the perpetual nature of the Fund and the potential merits of "Private Funds" and/or "Illiquid Investments,"[7] the Committee may, at its discretion, consider recommendations by the Investment Adviser to employ such investments in the portfolio. In considering such investments, the Committee and the Investment Adviser will exercise caution and due diligence to balance anticipated spending needs with the potential for long-term return enhancement. The maximum portfolio allocation to Private and Illiquid investments will be established by the Committee. Investments in "Private Funds" and/or "Illiquid Investments" are prohibited in portfolios managed by Donor-Recommended Investment Advisers.

D. **Diversification / Risk Management** – Thoughtful diversification across and within asset classes is the primary means by which the Committee expects the Fund to attain the stated return objectives and avoid undue risk of large losses over long periods of time. To protect the Fund against unfavorable outcomes within an asset class due to the assumption of large risks, the Investment Adviser will manage risk through careful application of asset allocation, diversification, and rebalancing in accordance with prudent fiduciary practices. Short-term volatility (absolute and relative to Policy and Portfolio Objectives) will generally

[7] "Private funds" are investment funds that do not trade on public markets and which are allowed to accept investments only from certain qualified investors – examples are hedge funds and private equity funds. "Illiquid investments," as defined in this context, are investments that cannot be readily liquidated through sale in the public markets. The liquidation schedule for private and illiquid investments is generally governed by the terms of an investment agreement and may be monthly, quarterly, annually, or some other period.

be expected, though extended periods of negative absolute returns or greater-than-market volatility in periods of negative market returns will be cause for specific review.

Investments in any individual security (other than diversified funds or commingled investment vehicles) will be limited to a maximum of 5% of the Fund's total assets. No greater than 10% of the Fund's total assets may be invested in any actively managed mutual fund.[8]

For purposes of monitoring risks, the Investment Adviser will provide to the Committee a quarterly analysis of portfolio risk metrics for relevant trailing performance periods including, but not limited to:

- Portfolio standard deviation relative to the Policy and Portfolio Benchmarks;
- Portfolio up/down capture relative to the Policy and Portfolio Benchmarks; and
- Other standard and customary "risk metrics" as may be requested by the Committee.

E. Rebalancing

Formal rebalancing policies are an important component of the management of the Fund, ensuring that it adheres to the established long-term Policy Asset Allocation, even as the capital markets demonstrate volatile patterns of performance. The Adviser is responsible for ensuring the continued compliance of the Fund's portfolio within the minimum and maximum ranges established in the Policy Asset Allocation.

Because different asset classes will perform at different levels in various time periods, the Adviser will monitor the asset allocation shifts of the Fund created by such differing performance across asset classes. When allocations deviate significantly, e.g., outside the minimum and maximum levels specified in the Portfolio Asset Allocation, rebalancing will be the responsibility of the Adviser and will be accomplished no less frequently than quarterly. The Adviser may, during periods of extreme market volatility, determine that rebalancing to comply with the target allocation should be temporarily suspended, so long as the Fund remains within the Policy Asset Allocation ranges. In such instances, the Adviser will promptly inform the Committee of this decision.

F. Selection/Termination of Investment Managers / Products / Funds

The Committee has delegated responsibility for the selection of Investment Managers/Funds, investment products and investment vehicles to the Adviser. The quantitative and qualitative factors to be considered by the Adviser in selecting such providers or products should include, but are not necessarily limited to:

- Total firm assets under management and assets specific to the product of interest;
- Stability and quality of the investment firm and its personnel;
- Manager's tenure with the specific product of interest;

[8] The 10% limitation will not be applied with respect to "passive" index funds or commingled investment vehicles.

- Historic performance of the Investment Manager's specific product;
- Risk adjusted performance of the product as measured by industry standard metrics;
- Consistency and correlation of the product's investment style;
- Overlap of investment style and/or fund holdings with other Investment Managers;
- Appropriate "fit" with the Foundation in light of the prohibited investments enumerated in Appendix B.
- Expense ratios and fees.

Portfolio performance for all Investment Managers/Funds will be compared to an appropriate benchmark index and a relevant peer group on a quarterly basis. Specific guidance on allowable investments and prohibited investments is provided in Appendix B.

The Committee recognizes the importance of a long-term focus when evaluating the performance of Investment Managers. The Committee understands the potential for performance over short-term periods to deviate significantly from the performance of representative market indices and expects the Adviser to exercise good judgment in decisions to terminate any Investment Manager. The Adviser will be expected to give additional scrutiny to an Investment Manager based on factors such as:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of the Foundation account;
- Any legal or regulatory action taken against the Investment Manager;
- Any material servicing deficiencies, including a failure to communicate in a timely fashion any material changes in the Investment Manager's outlook, investment policy, and tactics as well as significant changes such as any material event(s) that affect the ownership of the firm, any brokerage affiliation of such firm, its key investment personnel, or its management;
- Violation of the terms of the contract or changes to agreed upon services without prior written approval of the Adviser;
- Significant style drift from the intended investment style that the Investment Manager was engaged to implement; and
- Lack of diversification.

An Investment Manager may be replaced by the Adviser at any time.

G. Communication and Reporting

The Committee and the Adviser will agree on explicit reporting and meeting requirements, which will generally include monthly custodial and/or "flash reports" (showing portfolio positions and market values), together with quarterly reporting on portfolio performance, market values, attribution analysis, portfolio movements, and market commentary. The Adviser will meet formally with the Committee not less than semi-annually and will be available for more frequent meetings or discussions upon request. More detailed information on Communication and Reporting is provided under Roles and Responsibilities for the Investment Adviser in Appendix A.

H. Fees and Expenses

The Adviser will be expected to manage the Fund portfolio with a sensitivity to the fees incurred. Decisions to employ "active" funds or separate account managers will be made with a focus on the likelihood of the risk-adjusted returns justifying the cost of such strategies. All fees and expenses incurred in the management and oversight of the Fund should be limited to those deemed by the Adviser to be reasonable and necessary to accomplish the successful, prudent management of the Fund.

The Adviser will provide annually to the Committee a detailed analysis of all fees and expenses incurred in the oversight and implementation of the portfolio. This fee analysis will include all direct and indirect fees including Investment Adviser Fees, Investment Manager/Fund Fees, Custodian Fees and any other fees and expenses incurred on behalf of the Fund. The analysis will express such fees in both annualized basis points and actual dollars expended.

IX. Investment Adviser Evaluation

The Committee acknowledges that fluctuation in return characterizes the capital markets, particularly over short time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate the Adviser's performance with a focus on rolling three-year and five-year periods. The Committee may engage the services of an independent third-party service to facilitate this review and to provide relevant performance and asset allocation peer comparisons.

Not less frequently than every five years, the Committee will conduct a comprehensive review of the Investment Adviser relationship. This review will be both quantitative and qualitative in nature and may include the following factors:

A. Areas of quantitative assessment

- Overall portfolio performance relative to the Fund's investment objectives;
- Relative performance from tactical asset shifts within the portfolio;
- Relative performance of strategies directed by the Adviser;
- Overall ability of the Adviser to monitor existing managers and process to identify new managers/strategies;
- Overall risk and return of the portfolio relative to Organizational, Policy, and Fund Objectives and peers;
- Full disclosure of all fees paid to the Adviser as well as those paid to Investment Managers and those implicit in investment products and vehicles employed in the management of the Fund.

B. Areas of qualitative assessment

- Disclosure of any actual or potential conflicts, e.g., use of in-house investment products in the portfolio;[9]
- Strong compliance and litigation history;
- Clear and consistent communication with the Committee regarding portfolio implementation and investment process and any changes in the firm, e.g., firm ownership or significant personnel changes;
- Overall service level;
- Access to the firm's senior management as needed or requested by the Committee;
- Responsiveness to Committee requests and needs; and
- Overall value of the advisory services.

At its discretion, the Committee may pursue a comprehensive Request for Proposal process toward the objective of replacing the Adviser. The Committee will exercise appropriate due diligence in overseeing this process.

X. Investment Policy Statement Review

To ensure continued relevance of the guidelines, objectives, and expectations established in this IPS, the Committee will review this IPS every three years, or more frequently as it deems appropriate, and will make revisions as necessary. It is not expected that the IPS will change frequently, and it is not anticipated that short-term movements in the financial markets will require adjustments to the IPS.

XI. Other Considerations

It is understood that the primary objective of the Fund will be the preservation and growth of investment assets in support of the mission of the Foundation. With that understanding, the Committee may consider the following:

A. **Environmental, Social and Governance (ESG) Investing** – The Committee acknowledges the potential value of ESG Investing and may direct the Adviser to consider Investment Managers and funds that integrate ESG factors and/or criteria in their investment philosophy and security selection process.

B. **Diversity, Equity and Inclusion (DEI)** – The Committee understands the potential importance of DEI goals in the context of the Foundation's mission. Where practical and achievable, the Committee may consider directing the Adviser to incorporate DEI goals in its selection of Investment Managers and funds.

[9] In situations where the Adviser believes it is in the best interests of the Foundation to utilize in-house investment products, this will be disclosed for review and discussion by the Committee prior to implementation of such investments in the Fund.

XII. Accepted

This Investment Policy Statement has been reviewed and approved by the Board of Directors and is agreed to and accepted by:

____ _______________
Chair, Board of Directors Date

____ _______________
Chair, Investment Committee Date

Appendix A

Roles and Responsibilities

I. Investment Committee

The Committee shall have responsibility for overall investment policies, monitoring investment performance and approving all management contracts. As such, it is responsible for the broad design, oversight, and implementation of the Fund's investment activities. To that end, specific responsibilities include:

- Development and maintenance of a comprehensive IPS. In developing the IPS, the Committee will establish the Fund's investment objectives, risk tolerances, time horizon, Policy Asset Allocation, and other requirements and restrictions as deemed appropriate.
- Selection, engagement, and ongoing monitoring of a qualified Investment Adviser to provide management of the Fund consistent with the IPS.[10]
- Definition of specific investment authorities to be granted to the Investment Adviser.
- Selection and engagement of a Custodian for safekeeping of Fund investments.[11]
- Review of activities performed by the Investment Adviser to hire or terminate Investment Managers (including allocations of the Fund's assets to mutual funds or other commingled vehicles) and to allocate the Fund assets (within permitted ranges) for tactical reasons.
- Evaluation of the Investment Adviser on an ongoing basis as established in this IPS including a detailed review not less than every five years (or more frequently if needed) to benchmark the Investment Adviser's services, portfolio results and fees.
- Periodic reporting to the Board on matters related to Fund investments and the overall investment program related thereto. Such reporting shall include copies of the Investment Adviser's periodic reports providing a list of investments, performance versus benchmarks, and related information.

II. Investment Adviser

The Investment Adviser owes a duty of loyalty to the Foundation to exercise reasonable care to comply with the scope and terms of the delegation of certain investment duties as defined in this IPS, including:

- Advise the Committee regarding issues pertaining to maintenance of the IPS. Such advice shall reflect the current state of the economy, the capital markets, the implications of expected risk and return assumptions, and the potential impact on the Foundation's portfolio.
- Provide an annual analysis utilizing various spending and capital market scenarios to derive information that can be utilized by the Committee in establishing a spending rate for the year.
- Recommend for Committee approval a Portfolio Asset Allocation that seeks to accomplish the goals stated in this IPS with an emphasis on understanding and managing the investment risks inherent in the Fund while complying with the Policy Asset Allocation.

[10] Engagement of the Investment Adviser is subject to final review and approval by the Board of Directors.
[11] Engagement of the Custodian is subject to final review and approval by the Board of Directors.

- Provide investment management services (as a "fiduciary") within the guidelines established in this IPS, including the exercise of discretionary authorities as defined herein.
- As appropriate, present to the Committee for review and approval recommendations regarding investment in "private" or "illiquid" investment vehicles.
- Monitor individual Investment Managers/Funds to ascertain (1) compliance with their stated philosophies and styles, (2) any significant changes in ownership, organizational structure, financial condition or senior personnel staffing of the investment management organizations, (3) adherence to the investment guidelines set forth herein, (4) that this information and its relevance to the Fund is reported to the Committee, and (5) anticipated changes to the portfolio in response to the foregoing information.
- Inform the Committee of any material changes in the Investment Adviser's recommended investment strategy and any changes in ownership.
- Provide annually to the Committee a detailed analysis of total Fund fees including the Investment Adviser fee and all fees incurred in the management of the portfolio.
- Meet not less than semi-annually with the Committee to review and explain the Fund's investment results and related information.
- Provide the following quarterly reporting:

    - Economic and capital market analysis and commentary;
    - Investment performance for the total Fund versus Policy and Portfolio benchmarks for the most recent quarter, the fiscal year-to-date, and the most recent one, three- and five-year periods;
    - Investment performance for the Investment Managers/Funds versus approved benchmarks and relevant peers for the most recent quarter, the fiscal year-to-date, and the most recent one, three- and five-year periods;
    - Total Fund performance attribution for the trailing quarter, one-year, three-year and five-year periods reflecting the relative performance attributed to asset allocation and investment selection;
    - Summary of all activity that took place during the period and the rationale for any changes to the individual Investment Manager/Fund allocations and Portfolio Asset Allocation;
    - Asset allocation analysis of quarter-end portfolio positioning relative to Policy Asset Allocation and Portfolio Asset Allocation targets and ranges;
    - Portfolio liquidity analysis reflecting the impact of Private Funds and other Illiquid Funds, if any; and
    - Performance and asset allocation data to a Committee-designated third-party performance review service provider in the form and in compliance with the schedule required by such provider.

III. Investment Managers

Investment Manager selection is the responsibility of the Investment Adviser as defined in this IPS. Investment Managers are expected to invest the Fund's assets with 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 such aims. The Investment Managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy and, if applicable, their specific Investment Adviser-approved mandate.

Specific duties and responsibilities of the Investment Managers include:

- Managing designated assets on a discretionary basis.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes in economic outlook, investment strategy, or any other factors that affect the portion of the Fund portfolio over which the manager has discretion.
- Informing the Investment Adviser regarding any qualitative changes to the investment management organization. Examples include changes in portfolio management personnel, ownership structure and investment philosophy.
- Promptly voting all proxies and taking all related corporate actions in a manner consistent with the long-term interests and objectives of the Fund as described in this Investment Policy Statement. Each Investment Manager shall document his or her voting of proxies and related corporate actions and will comply with all regulatory obligations related thereto.
- For Investment Managers that directly purchase securities on behalf of the Fund, the Committee may require disclosure of brokerage commissions including those under any soft dollar or commission sharing arrangement. Broker selection is the responsibility of the individual Investment Managers and the Committee expects the purchase and sale of securities to be directed through brokerage firms offering the best price and best total execution (commission plus market impact).

If implementation is through the purchase of mutual or commingled funds, the Investment Adviser will ensure that the selection of such funds is generally in compliance with the intent of this IPS. The Committee acknowledges that it cannot place restrictions on any aspect of the underlying management of such funds.

IV. President/CEO

The President/CEO recognizes his/her responsibility to monitor Investment Adviser activities toward ensuring that the Fund is managed in compliance with this IPS and that sufficient assets are available to provide cash as needed. Specific responsibilities of the President/CEO include:

- Forecasting spending needs, timely communicating such needs to the Investment Adviser, and keeping the Committee informed of such needs.
- Coordinating with the Investment Adviser and the Committee, establishing a proposed spending rate for review and approval by the Committee.
- Implementing withdrawals from the Fund within the spending rate approved by the Committee.
- Monitoring the services rendered by all service providers and reporting material issues to the Committee.
- Keeping the Committee adequately informed as to the Fund's investment balances.
- Maintaining all documentation and materials related to the Investment Adviser and the Fund investments on behalf of the Committee.
- Facilitating the audit process by preparing financial statements and acting as an interface between the auditors and various service providers.
- Coordinating meetings, Investment Adviser presentations and discussions, and other investment related activities as needed.
- Preparing the Committee's meeting agenda and related materials.

- Managing investment assets outside the Fund, if any, under guidance of the Committee.
- Such other matters as are directed by the Committee from time to time.

Appendix B

Allowable Investments & Prohibited Assets/Transactions

I. Allowable Investments

It is the expectation of the Board that investment of Fund assets will be in accordance with the objectives stated in this IPS. The continuous implementation of this policy will take into account cash-flow targets, risk tolerance, time frames, liquidity issues and an assessment of other relevant factors. Subject to the guidelines provided herein and consistent with the investment objectives of the Fund, the Investment Adviser shall have full discretion for implementation of the Committee-approved Portfolio Asset Allocation. Such discretion will include selection of Investment Managers/Funds.[12]

Diversification across and within asset classes is the primary means by which the Committee expects the Fund to avoid undue risk of large losses over long time periods. To protect the Fund against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

A. Equities

"Equities" are broadly defined within this IPS as representing publicly traded common stock, ordinary shares and/or American Depository Receipts (ADRs) in the form of individual securities, exchange traded funds, mutual funds or separately managed accounts of US, developed international or emerging market companies. The equity allocation will be broadly diversified regarding geography, economic sector, industry, number of holdings, and other investment characteristics.

B. Fixed Income

"Fixed Income" is broadly defined within this IPS as individual securities, exchange traded funds, mutual funds or separately managed accounts of U.S. Treasury, agency and corporate debt securities as well as securitized debt securities (such as mortgage-backed, asset-backed, and bank-loan secured and middle market direct lending secured instruments). Fixed Income may also include emerging markets and high yield bonds, leveraged loans in the form of exchange traded funds, mutual funds and/or separately managed accounts. Money market instruments or other short-term fixed income securities may also be held in the Fixed Income allocation.

C. Diversifying Assets

The Committee may consider Investment Adviser recommendations to invest in certain "diversifying assets." In the event that the Committee approves such recommendation, the objective will be to avail the Fund of opportunities to dampen short-term volatility and/or

[12] The Committee reserves the authority to review all proposed "diversifying" investments (including any "private" or "illiquid" investments) in advance of their implementation.

enhance total return. "Diversifying Assets" are defined as any asset which, in substance and/or construction, is not traditionally recognized as: (i) cash or cash equivalent, (ii) a mutual fund, exchange traded fund, separately managed account or commingled fund intended to represent allocations to equities, fixed income, or cash or (iii) an individual stock, depository receipt, or bond listed on a nationally recognized domestic or international securities exchange.

To the extent that the Adviser believes the use of Private Funds and Illiquid Funds are appropriate and prudent components of the portfolio, any such investments will require prior approval by the Committee.[13] *The Committee will consider the Adviser's recommendation of the appropriateness of each proposed Diversifying Asset, taking into consideration the costs, risks, expected returns, liquidity and structure of the investment relative to the Organizational Objective and the Policy Objective established herein.*

II. Prohibited Assets/Transactions:

The Adviser will be responsible for ensuring that the investments of the Fund are managed to the standards set forth herein and for defining, documenting (for Committee approval) and enforcing a list of any securities, assets and transactions that are expressly prohibited in the management of the Fund as per the above guidelines. The Adviser will further accept responsibility for ensuring that separately managed accounts employed are in continuous compliance with these guidelines or that specific exceptions are approved, in advance of purchase, by the Committee.

Exclusions. Written consent of the Committee is required for any excluded investment. Where written consent is given, the Committee will require the Adviser to adhere to specific safeguards. Without the written consent of the Committee, direct investment in the following investments is prohibited:[14]

- Purchases of letter stock, private placements, or direct payments;
- Private placement convertible issues, also known as "144A" convertible securities;
- Direct purchases of real estate, with the exception of Real Estate Investment Trusts or securities of real estate operating companies;
- Investments by the Investment Adviser or an Investment Manager in their own securities or of their affiliates, or subsidiaries, excluding money market or other commingled funds unless specifically authorized by the Committee; and
- Any other security transaction not specifically authorized in this IPS.

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[13] "Private funds" are investment funds that do not trade on public markets and which are allowed to accept investments only from certain qualified investors – examples are hedge funds and private equity funds. "Illiquid investments," as defined in this context, are investments that cannot be readily liquidated through sale in the public markets. The liquidation schedule for private and illiquid investments is generally governed by the terms of an investment agreement and may be monthly, quarterly, annually, or some other period.
[14] "Direct investments," as used herein, refers to direct purchase of individual securities.

Appendix C (Sample)

Portfolio Asset Allocation and Portfolio Benchmark

Portfolio Asset Allocation:

Asset Class *	Minimum	Target	Maximum
Equities	**70%**	**75%**	**85%**
- Sub-Asset Class 1			
- Sub-Asset Class 2			
- Sub-Asset Class 3			
Fixed Income	**15%**	**25%**	**30%**
- Sub-Asset Class 1			
- Sub-Asset Class 2			
Diversifying Assets	**0%**	**0%**	**10%**
- Sub-Asset Class 1			
- Sub-Asset Class 2			
- Sub-Asset Class 3			
Cash	**0%**	**0%**	**10%**

Portfolio Benchmark:

Asset Class *	Target	Benchmarks TBD **
Total Equity	**75%**	
- Sub-Asset Class 1		
- Sub-Asset Class 2		
- Sub-Asset Class 3		
Fixed Income	**25%**	
- Sub-Asset Class 1		
- Sub-Asset Class 2		
Diversifying Assets	**0%**	
- Sub-Asset Class 1		
- Sub-Asset Class 2		
- Sub-Asset Class 3		
Cash	**0%**	

* Allocations to specific Sub-Asset Class investments will be proposed by the Investment Adviser and subject to review and approval by the Investment Committee.

** Specific benchmarks will be proposed by the Investment Adviser and subject to review and approval by the Investment Committee.

Appendix D

Donor-Recommended Investment Advisers
Operating Guidelines

The Foundation respects the relationships that some donors may have developed with specific financial advisers, and values relationships with financial advisers throughout the community. For these reasons, the Foundation has established a separate document entitled, "Donor-Recommended Investment Adviser Acceptance Guidelines" that pertains to the circumstances under which assets may be placed with a "Donor-Recommended Investment Adviser."

In instances where such placement of assets has occurred, and unless alternative arrangements have been agreed in advance by the Committee, the Donor-Recommended Investment Adviser must abide by the policies and guidelines provided in this IPS. The "Operating Guidelines" in this Appendix D provide additional guidance for Donor-Recommended Investment Advisers.

The Donor-Recommended Investment Adviser owes a duty of loyalty to the Foundation to exercise reasonable care to comply with the scope and terms of the delegation of certain investment duties as defined in the Foundation's IPS (and this Appendix D) related to the management of any Donor-Recommended Investment Adviser Portfolio ("Portfolio"), including:

- Recommend for Committee approval a Portfolio Asset Allocation that seeks to accomplish the goals stated in this IPS with an emphasis on understanding and managing the investment risks inherent in the Fund while complying with the Policy Asset Allocation.
- Provide investment management services (as a "fiduciary") within the guidelines established in this IPS, including the exercise of discretionary authorities as defined herein.
- As appropriate, present to the Committee for review and approval recommendations regarding investment in "private" or "illiquid" investment vehicles.
- Monitor individual Investment Managers/Funds to ascertain (1) compliance with their stated philosophies and styles, (2) any significant changes in ownership, organizational structure, financial condition or senior personnel staffing of the investment management organizations, (3) adherence to the investment guidelines set forth herein, (4) that this information and its relevance to the Fund is reported to the Committee, and (5) anticipated changes to the portfolio in response to the foregoing information.
- Inform the Committee of any material changes in the Donor-Recommended Investment Adviser's recommended investment strategy and any changes in ownership.
- Provide annually to the Committee a detailed analysis of total Portfolio fees including the Donor-Recommended Investment Adviser fee and all fees incurred in the management of the portfolio.
- Meet not less than annually with the Committee for a Portfolio review that should include an explanation of the Portfolio's investment results, general observations and market commentary, and related topics upon request, including a discussion of performance versus agreed-upon benchmarks. The Committee shall record these discussions in the minutes of its proceedings.

- Annually certify in writing the Donor-Recommended Investment Adviser's compliance with the relevant provisions of the Foundation's IPS (and this Appendix D) AND/OR other agreements as established and duly executed between the Foundation and the Donor-Recommended Investment Adviser.
- Provide the following quarterly reporting:
    - Investment performance for the total Portfolio versus Policy and Portfolio benchmarks for the most recent quarter, the fiscal year-to-date, and the most recent one, three- and five-year periods;
    - Investment performance for the Investment Managers/Funds versus approved benchmarks and relevant peers for the most recent quarter, the fiscal year-to-date, and the most recent one, three- and five-year periods;
    - Total Fund performance attribution for the trailing quarter, one-year, three-year and five-year periods reflecting the relative performance attributed to asset allocation and investment selection;
    - Summary of all activity that took place during the period and the rationale for any changes to the individual Investment Manager/Fund allocations and Portfolio Asset Allocation;
    - Asset allocation analysis of quarter-end portfolio positioning relative to Policy Asset Allocation and Portfolio Asset Allocation targets and ranges;
    - Portfolio liquidity analysis reflecting the impact of Private Funds and other Illiquid Funds, if any; and
    - Performance and asset allocation data to a Committee-designated third-party performance review service provider in the form and in compliance with the schedule required by such provider.

- If the Committee agrees to deviations from the Foundation's IPS, a separate written agreement with provisions to include, at a minimum, the following will be required:
    - An investment strategy designed to achieve the Fund's Organizational and Policy Objectives as defined in this IPS.
    - A Portfolio Asset Allocation presented to the Committee for approval at inception and then at least annually in a form substantially similar to the sample presented in "Appendix C – Portfolio Asset Allocation" of this IPS. In all instances, the Portfolio Asset Allocation established, maintained, and implemented by the Donor-Recommended Investment Adviser will remain in compliance with the Policy Asset Allocation guidelines established in this IPS.
    - Mutually agreed guidelines and requirements as deemed necessary by the Committee to ensure the effective management of the Portfolio consistent with the intent of the Foundation's IPS.