Eastern Washington University Foundation

STATEMENT OF INVESTMENT POLICY

Policy Historical Actions

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Eastern Washington University Foundation

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STATEMENT OF INVESTMENT POLICY

I. INTRODUCTION AND PURPOSE

A. This statement of investment policies (the "Investment Policy") governs the investment management of the Eastern Washington University Foundation endowment fund (the "Endowment") and other operating funds (the "Operating Funds"), hereinafter collectively referred to as "the Funds." The intent of this Investment Policy is to provide the basis for the Board of Directors (the "Board") of the Eastern Washington University Foundation (the "Foundation"), through the Investment Committee (the "Investment Committee") of the Board, to give direction for the management of the Funds. The Investment Committee is empowered by the Board to establish investment objectives and policies, select the appropriate types of assets and to review and evaluate, on a regular basis, the performance of the Funds. The policies and objectives provided below apply to the overall Funds. This Investment Policy will be reviewed periodically by the Investment Committee and modified as conditions warrant and approved by the Board.

B. University Advancement builds a compelling case for choice and support of Eastern Washington University among all of its constituents by communicating and advocating for the university's distinctive regional position, role and contributions, thus forging relationships and securing commitments required to advance the institution's mission and priorities. The mission of the EWU Foundation Endowment is to support the educational mission of the Foundation and Eastern Washington University by providing a reliable source of funds for current and future use. In order to achieve this purpose, the Foundation has established three primary financial missions: to maintain the purchasing power of the assets held in the Endowment and the Funds in perpetuity, to achieve investment returns sufficient to sustain the level of spending necessary to support the Foundation's ongoing operations, and provide sufficient liquidity to allow the Foundation to properly carry out its mission over shorter time periods.

II. INVESTMENT POLICY RESPONSIBILITY AND GOVERNANCE

A. The Board recognizes that it has a fiduciary responsibility related to management of the Funds. Accordingly, the Board will appoint certain of its members to serve on the Investment Committee. The Investment Committee has the authority and is charged with the duty of keeping the Funds productive. The Committee is the governing body responsible for:

   i. developing this Investment Policy
   ii. monitoring compliance of the investment program with this Investment Policy
   iii. overseeing the Foundation staff in the discharge of their responsibilities as outlined below
   iv. retaining, monitoring and terminating Investment Managers, Advisors, and or Outsource Chief Investment Officer (OCIO) partners – collectively referred to as external investment partners ("Partners") as appropriate. Selection criteria should be clearly defined, the RFP for services widely disbursed and the interview/selection process highly collaborative; and
   v. approving the terms upon which Partners manage the Foundation assets, including without limitation, the terms of investment management agreements, asset allocation guidelines, fees and compensation, and performance measurement benchmarks. At least annually, the Committee shall review this Investment Policy to ensure the policies contained herein remain current and appropriate.

B. The Investment Committee may need to consider certain unique aspects of the Foundation's operations, capital structure, or financial statements when making investment decisions (including setting policies) to ensure the enterprise as a whole does not have potentially harmful exposures in any one area and the Funds remain consistent with the Foundation's overall risk profile.

C. Subject to specific legal limitations or other restrictions in a gift instrument, the Committee may hire and prudently delegate to Partners the management of some or all of the Foundation's assets. The Committee will act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances in:
    i. Selecting Partners
    ii. Establishing the scope and terms of the delegation, consistent with the purposes, goals, and mission of the Foundation
    iii. Periodically reviewing the Partners' actions in order to monitor the Partner's performance and compliance with the scope and terms of any delegated activities.

D. In this regard, the Investment Committee shall engage qualified external professional Partners that have demonstrated competence in their respective areas of expertise. These Partners shall have full discretion and authority for determining the investment strategy, security selection, and timing of purchases and sales of assets subject to applicable laws, regulations and the provisions of this Investment Policy. The duties and responsibilities delegated to Partners will be defined by specific contracts, applicable laws and regulations. The Partners shall invest and rebalance the portfolio's asset categories so that they are consistent with the stated Asset Allocation Targets and Ranges Schedule A. In addition, the Partners will, on a minimum of a quarterly basis, monitor the performance and investment process showing performance against the benchmarks to ensure that the objectives and guidelines are maintained and accomplished.

E. The Foundation's Staff is responsible for:
    i. Providing day-to-day monitoring, supervision and administration of the Foundation assets.
    ii. Providing day-to-day interaction and oversight of the Partners.
    iii. Apprising the Investment Committee of important portfolio information.
    iv. Transferring monies earmarked for endowed accounts into and out of the endowment pool for investment. Quarterly transfer period will be the first business day in October, January, April and July. Pledges are considered assets when paid and received into the endowment pool and will be transferred at that time.
    v. Allocate endowment pool earnings monthly in keeping with donor intent.

F. The Investment Committee may waive or modify any of the restrictions in this Investment Policy given appropriate circumstances. Any such waivers or modifications shall be made only after a thorough review of the situation. Any such waiver or modification should be documented in writing and maintained as a permanent record in the meeting minutes of the Investment Committee, per the Record Retention and Destruction Policy adopted by the Foundation on December 2, 2014. All such waivers and modifications shall be reported to the Board at the meeting immediately following the granting of the waiver or modification.

III. INVESTMENT PRINCIPLES

The primary investment objective of the Foundation is to preserve and enhance the purchasing power of the Foundation's assets. Accordingly, the Foundation seeks a long-term rate of return on investments that will grow its assets by an amount sufficient to offset inflation, required spending and program fees and expenses, over a full market cycle, while maintaining sufficient liquidity to meet obligations arising from planned activities. A secondary objective is to outperform, over long time periods – generally encompassing multiple market cycles, a policy benchmark which is defined later in this Investment Policy.

In furtherance of these objectives, the Foundation will generally diversify the portfolio among various asset classes and securities with the goal of reducing the investment portfolio's volatility and its non-systematic, single issuer, principal risk.

IV. SPENDING AND FEE POLICY

A. The objectives of the Foundation's spending policy are to provide a current source of funding for meeting the immediate needs of the Foundation, deliver year-to-year budget stability, and balance the short term needs of the Foundation with the goal of preserving or increasing the value of the Funds for future use. Spending from a new endowment fund may begin only after the fund has reached the minimum amount required and has been invested for a full twelve months prior to the first distribution assessment in December.

B. The Foundation does not follow a specific, static spending rate rule for determining the specific rate of spending for each year. Rather, each fiscal year, based upon best judgment, the Board will approve a specific pay-out ratio percentage which, when calculated and applied to the smoothed, average market value of the Foundation assets, produces sufficient payout dollars to meet program objectives and expenses. The average market value used in the calculation is the average market value of the Foundation's assets over the previous thirty-six months. This smoothing mechanism – using the average market value over the last thirty-six months instead of just the last quarter's ending market value - helps account for variations in recent, achieved investment results as well as the variability that will likely be experienced in future period results. The Board should review the calculated specific pay-out ratio for reasonableness in light of the Foundation's goals, mission, and total financial resources. The Board should, in general and on a long-term basis, only approve a calculated pay-out ratio percentage, which when adjusted for anticipated expenses and inflation does not exceed the long-term expected return of the Foundation's assets. In addition to the above, the Foundation's other resources and general economic and capital market conditions should be considered in setting the final pay-out rate.

C. Endowment Fee Policy will provide a current source of funding for meeting the operational needs of the Foundation. Percentages are determined annually by the EWU Foundation Executive Committee. The fee is assessed quarterly and the calculation will be based on the 36 month rolling average of the endowment's market value.

V. FINANCIAL AND INVESTMENT OBJECTIVES

A. The overall financial objective of the Foundation is to preserve without undertaking undue risk, the real (inflation-adjusted) purchasing power (as defined by the Consumer Price Index or "CPI") of the Funds in perpetuity, while providing a relatively predictable, stable and constant (in real terms) stream of earnings in line with the Foundation's spending needs.

The Funds should maintain sufficient liquidity to meet obligations arising from planned activities. Liquidity, in the form of assets sales or income generation, is necessary when meeting the Foundation's cash flow obligations related to 1) operations, 2) the general investment management of the Funds (e.g., capital calls, rebalancing toward policy targets), and 3) extraordinary events. Thoughtful liquidity management will enable the Funds to sell assets at a price equal or close to the last market price available. For this reason, the liquidity of the Funds at the total portfolio level will be monitored, which will help avoid the Funds becoming "frozen" in illiquid investments or vehicles.

B. The primary investment objective of the Funds is to attain a total net real return (net of inflation, investment management fees and expenses) of 3.0% over the long term (rolling five-year periods). It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods.

In addition to the absolute investment objective, the portfolio is expected to earn net of fee annualized returns equal to or greater than the Policy Portfolio benchmark (see Section VII Benchmarking and Monitoring) as selected by the Investment Committee, measured over rolling five-year periods. On an annual basis, a comparative review of performance and asset allocation against a group of peer institutions may be undertaken at the discretion of the Investment Committee.

VI. PORTFOLIO COMPOSITION

A. Since asset allocation is the primary driver of risk and return for diversified portfolios, the single most important investment decision the Investment Committee can make is the allocation of the Foundation's funds to various asset classes. The Investment Committee will establish and approve a set of customized asset allocation guidelines for each discrete pool of investible capital being managed for the Foundation. Each customized set of asset allocation guidelines will be aligned to support the underlying goals and objectives of each separate pool of investible capital.

B. The asset allocation guidelines will include a policy benchmark, representing the strategic asset allocation mix for the pool of Foundation assets being managed. The asset allocation guidelines will also include an approved target range that: (i) recognizes various asset classes may be under- and over-weighted due to the trading, settlement, and timing delays associated with fully implementing an investment program; (ii) recognizes it may be prudent and necessary for its Partners to operate outside the policy benchmark when the financial markets are stressed and subject to extreme levels of volatility; and (iii) allows its Partners to deliberately over- and under-weight the investment program's asset classes within prescribed target ranges when the Investment Advisor concludes an asset class represents either a unique value providing an excess return opportunity or presents too much incremental risk. The approved asset allocation guidelines for all of the Investment Advisors, when considered together, will reflect the overall liquidity needs and risk tolerance of the Foundation and will, in the judgment of the Investment Committee, represent the asset mix likely to satisfy the Foundation's long-term investment objectives.

C. The asset allocation policy should reflect a proper balance of the Foundation's investment objective, risk tolerance, and need for liquidity. To achieve its investment objective, the funds in the Endowment shall be allocated across asset classes that fall within the following two risk categories: "Risk Asset Classes" and "Risk Control Asset Classes." Risk Asset Classes are generally the return drivers of the portfolio, provide portfolio diversification benefits during the stable capital market conditions, but tend to see their diversification benefits diminish (as a result of rising correlations) during stressed capital market environments. Risk Control Asset Classes provide a dependable diversification benefit during all market environments as a result of their lower and more stable correlations (even in stressed capital market conditions). Balancing the allocations to these two risk categories can help maintain the Fund's diversification and overall risk profile throughout a variety of market conditions. Schedule A to the Investment Policy, which is also an integral part of each Partner's Investment Services Agreement, provides the asset allocation guidelines currently in effect for Foundation.

The following descriptions broadly define the underlying asset classes for each risk category:

i. Risk Asset Classes:

U.S. Equity: Publicly traded U.S. stocks are a core asset class of institutional portfolios with long-term investment horizons and modest liquidity constraints. The objective of the Domestic Equity portfolio is to generate investment returns with adequate liquidity through consistent exposure to common stock investments. The U.S. Equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the U.S. equity market which will primarily be achieved through the use of, but not limited to, commingled index funds and exchange traded funds (ETF's). The portfolio may seek to generate incremental returns (i.e., alpha or out performance) through an active investment strategy. The active investment strategy may include both skill and risk-based strategies employed in the form of both long only and/or long/short strategies. These strategies will be accessed primarily through commingled funds; ETF's, separately managed accounts (SMA's), and limited partnership structured vehicles. The primary benchmark for the Domestic Equity portfolio is the Russell 3000 and its component sub-indices (i.e., Russell 1000, Russell 2000, etc.).

International Developed & Emerging Market Equity: Publicly traded stocks of predominantly international markets, both in developed and developing regions. Although the correlations between international and U.S. equities has been on the rise in recent years and can rise rapidly in times of market stress, the Foundation believes that over long periods of time through globalization - increasing industrialization, strong demographic trends, and increasing depth and efficiency of capital markets in foreign markets – international equities offer the opportunity to generate higher returns than available in the U.S. markets alone and impart some diversification benefits. The objective of the International Equity portfolio is to generate investment returns with adequate liquidity and to provide modest diversification benefits to the entire portfolio. The International Equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost, broad exposure to the international equity markets and will primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio seeks to generate incremental returns (i.e., alpha or out performance) through its active investment strategy. The active investment strategy may include both skill and risk-based strategies employed in the form of both long only and/or long/short strategies. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the International Equity portfolio is the MSCI All Country World Index (ACWI) ex-US and its component sub-indices (i.e., MSCI EAFE, MSCI Emerging Markets, etc.).

High Yield Bonds: Includes investments in publicly and privately traded credit and credit-related securities which possess below investment grade ratings or characteristics of lower quality debt instruments. Investments in this segment of the portfolio will generally fall into three main categories – high yield (or "junk") bonds, levered loans/bank loan debt, and distressed debt securities. The underlying liquidity of these instruments will vary greatly and can be highly sensitive to current market conditions. In stressed market environment, liquidity can quickly diminish or disappear leading to significant market price discounts if these positions need to be liquidated. Given that these securities are not highly correlated with other risk asset categories (although correlations can rise dramatically in a falling, or poor capital market environment) they do provide some moderate overall portfolio diversification benefits. Investments in this sector tend to have shorter maturities/durations than high quality, intermediate maturity core fixed income investments (i.e., due to their lower credit quality standing) and higher current income returns. They are available in both fixed and floating rate/coupon form. One advantage of this portfolio segment is the above average yield these securities offer. That said, the portfolio will focus on total return – both income production and opportunities for capital appreciation in evaluating the opportunity set within this portfolio segment. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the High Yield Fixed Income portfolio will be the Merrill Lynch U.S. High Yield BB-B Bond index and the Credit Suisse Levered Loan Index.

Real Estate & Infrastructure: The long term objective of the Real Estate & Infrastructure portfolio is to provide equity-like returns while providing a partial hedge against inflation. Real estate and infrastructure investments (especially private real estate and infrastructure) provide good portfolio diversification benefits given their generally low correlations with other risk assets. Investments in real estate and infrastructure may be made in the form of both public market securities (i.e., primarily Real Estate Investment Trusts (REIT's) and other securities that possess many common characteristics of general public equity investments) and private real estate and infrastructure investments (i.e., actual direct investments, commingled fund vehicles, or limited partnership structures). Private investments in this asset class are invariably illiquid but come with the benefit of generally higher returns and better diversification benefits. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the Real Estate & Infrastructure portfolio will be FTSE/EPRA NAREIT Global Real Estate Index, the NCREIF Property Index, and the S&P Global Infrastructure Index.

Natural Resources & Commodities: Like the Real Estate & Infrastructure portfolio, the long term objective of the Natural Resources & Commodities portfolio is to provide equity-like returns while providing a partial hedge against inflation. Natural resource and commodity investments (especially the "private" assets in this segment) provide good portfolio diversification benefits given their generally low correlations with other risk assets. Investments in natural resources and commodities may be made in the form of both public market securities (i.e., futures contracts, swaps, as well as public equity investments) and private investments in timber, oil and gas, mineral rights, or other natural resources (i.e. actual direct investments, commingled fund vehicles, or limited partnership structures). Private investments in this asset class are invariably illiquid but come with the benefit of generally higher returns and better diversification benefits. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the Natural Resources & Commodities portfolio will be the Dow Jones/UBS Commodity Index, the Goldman Sachs Commodity Index, as well as a variety of other natural resource indices to better match the focus and sometimes concentrated nature of these investment strategies.

Private Equity: The Private Equity segment of the portfolio includes illiquid investments in private and public companies domiciled both domestically and internationally. These investments include venture capital, buyout, high yield, and subordinated debt. The Private equity portfolio's objective is to earn higher returns than the public equity markets over the long term. This portfolio invests in highly illiquid positions and should generate higher returns as compensation for that illiquidity. A secondary objective of these investments is diversification. The portfolio's strategy is to invest in a select group of funds (or fund of funds) managed by the highest quality management teams. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. Underlying fund managers are sought which have proprietary deal flow and whose experience enables them to bring strategic, operational, or technical expertise to a transaction in addition to financial acumen and capital. The portfolio will be diversified across investment categories and investment stage (i.e. vintage year). These investments are almost exclusively organized as limited partnership investments. The primary benchmark for the Private equity portfolio is the Russell 2000 +200 basis points and the Thompson Venture Economics Index series.

<u>Hedge Funds:</u> The purpose of the Hedge Fund Category is to improve the risk-to-return profile of the portfolio by lowering volatility through diversification while still providing the potential for excess returns from active management. The Hedge Fund segment of the portfolio includes semi-liquid investments in managers specializing in investment strategies that have low correlations and/or exposure to the publicly equity markets. The portfolio's strategy is to invest in a select group of funds (or fund of funds) managed by the highest quality management teams. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. The portfolio's liquidity will be moderate. This portfolio will focus on areas and strategies where active management can contribute a substantial portion of the return. The portfolio may utilize swaps, derivatives, ETFs or other instruments in order to manage risk, liquidity and/or cost. The objective of this asset class is to generate returns over the long run that meet the Endowment's overall objective while exhibiting defensive characteristics and acting as a diversifier and providing some growth. The primary benchmark for this asset class is the HFRI Fund of Funds Composite Index.

ii. Risk Control Asset Classes

<u>U.S. Investment Grade Bond:</u> The U.S. Investment Grade Bond segment of the portfolio will consist primarily of publicly traded debt instruments of the U.S. government, its agencies, and U.S. domiciled corporations. In general, the underlying investments which comprise this portfolio will be intermediate in maturity/duration, high quality (i.e. investment grade rated), and highly liquid/marketable. The objective of the U.S. Investment Grade Bond portfolio is to generate income and most importantly provide stability/down-side risk protection for the portfolio in times of capital market stress. A low and stable correlation between the U.S. Investment Grade Bond portfolio and the Risk Asset portfolios are the primary determinant of the portfolio's ability to fulfill this mission. The U.S. Investment Grade Bond portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the broad U.S., investment grade, bond market and will primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio may seek to generate incremental returns (i.e. alpha) through an active investment strategy. The active investment strategies will be accessed primarily through commingled funds, ETF's, and SMA's. The primary benchmark for the U.S. Investment Grade Bond portfolio is the Barclay's U.S. Aggregate Bond Index (and its maturity / duration segmented sub components).

<u>Inflation Protected Bonds (IPB):</u> The IPB portfolio will consist primarily of publicly traded, inflation-protected, debt instruments of the U.S. government, foreign governments, and high quality, investment grade corporations (both domestic and foreign). The objective of the IPB portfolio is to generate real, inflation-adjusted income and most importantly provide stability/down side risk protection for the portfolio in times of capital market stress. A low and stable correlation between the IPB portfolio and the Risk Asset portfolios are the primary determinant of the portfolio's ability to fulfill this mission. The IPB portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the broad or maturity/duration targeted segment - primarily the U.S. Treasury Inflation Protected Securities (TIPS) market - and will

primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio may seek to generate incremental returns (i.e. alpha) through an active investment strategy. The active investment strategies will be accessed primarily through commingled funds, ETF's, and SMA's. The primary benchmark for the IPB portfolio is the Barclay's U.S. TIPS Index (and its maturity/duration segmented sub components).

Cash: Cash investments are by their nature relatively risky investments for a Foundation given the general, long investment time horizon and low returns (i.e. often zero or negative returns on a real basis) – which result in a diminution in purchasing power - of these pools of capital. As a result, unless unusual circumstances exist, it is generally prudent to minimize the long term cash allocation in the portfolio. Cash positions do however have value for meeting transaction liquidity, portfolio rebalancing needs, and as a volatility cushion during times of turbulent capital market activity. Commingled funds, invested in short maturity/duration, high quality, highly liquid and marketable, interest bearing, money market securities will generally be used to fulfill this asset class segment. The primary benchmark for the Cash portfolio is the 90 day U.S. Treasury Bill Index.

D. The long-term policy targets and ranges for the asset class categories are contained in Exhibit B. These targets may be developed in consultation with the Partners using both quantitative factors (i.e. capital market assumptions for expected returns by asset class) as well as qualitative factors (i.e. total portfolio size of the Funds, liquidity profile, and available resources).

E. Rebalancing is a critical element in controlling the long-term asset allocation of the Foundation. The portfolio rebalancing policy will be implemented in a systematic and disciplined fashion using the guidelines outlined below. Consistent with the limitations imposed by the asset allocation guidelines, the Partners will periodically adjust the allocation of assets within the allowed target ranges depending on: (i) routine cash flows and net new money available for investment; and (ii) the relative performance of each and all asset classes. If the weighting of an asset class exceeds its target range, the Partners shall either (i) rebalance the portfolio to within the target range as soon as practically possible; or (ii) seek approval from the Investment Committee to adjust the target range.

   i. In general, the Partners are expected to review the portfolios at least quarterly to determine if any rebalancing activities are required. The Foundation's assets will be allocated in a manner consistent with the asset allocation guidelines, as determined by the Investment Committee and the Partners given prevailing market conditions, with variations around the expected long-term policy normal allocation levels permitted within the ranges set in the asset allocation guidelines.

VII. BENCHMARKING AND MONITORING

A. The Investment Committee will review performance regularly but not less than quarterly. For purposes of performance measurement, portfolio returns will be measured against a custom benchmark (the "Policy Portfolio Benchmark") composed (where possible) of investable indexes that serve as reasonable proxies for the asset classes contained in the policy portfolio (see Exhibit C). The Policy Portfolio Benchmark is designed to reflect the underlying exposures in the Funds and serves as a reasonable substitute for the strategic long term policy portfolio. The performance of the Funds is expected to outperform the Policy Portfolio Benchmark over rolling five-year periods.

B. Returns will be monitored at the total portfolio level, asset class category levels, and individual manager/strategy levels against their respective benchmarks. Investment Managers and underlying strategies will also be evaluated on a set of qualitative factors included but not limited to their adherence to stated investment philosophies, organizational stability, and ethical conduct.

VIII. APPROVED INVESTMENT VEHICLES

A. The following investment vehicles may be used with full discretion: mutual funds, common/collective funds, exchange traded funds (“ETFs”), exchange traded notes (“ETNs”), and separately managed accounts (“SMAs”).

B. Any limited partnerships or private investment vehicles that have illiquid characteristics require preapproval by the Investment Committee.

C. Sustainable and Responsible Investing: The investment committee may consider managers who focus on ESG (Environmental, Social and Corporate Governance) during the investment process.

D. In general, all in-kind gifts shall be liquidated as soon as practical after receipt and added to the Funds. Any exceptions to this policy shall be approved by the Investment Committee. Exceptions require clear documentation of the rationale for the exception and require a plan outlining the long-term intentions for managing the in-kind gift on an ongoing basis.

IX. INVESTMENT PROCEDURES

The endowment pool shall consist of readily marketable assets. Assets that cannot or will not quickly be converted to cash equivalents will be held separate from the investment pool, as gains and/or losses more properly relate to the fund to which asset was donated. The endowment pool will be unitized. Similar to a mutual fund, gifts or transfers to funds enter the pool on a monthly basis through the purchase of shares at the unitized, or prorated, market value at the end of the prior month of all endowment pool assets. When funds are withdrawn, withdrawals are based on the unit market value of the investment pool at the end of the month prior to withdrawal. Gains or losses properly belonging to a particular fund will be allocated to that fund and not the pool as a whole.

Income is also unitized and allocated to participants based upon the number of shares owned. Income is distributed annually based upon the spending rate. Any unspent distributions will generally be returned to principal at the end of the fiscal year.

X. OUTSIDE INVESTMENTS

A. Foundation endowment accounts are pooled in order to improve performance and the Investment Committee’s ability to oversee them, as well as reducing the overhead for Foundation staff to manage the funds. On an exception basis, some endowments may be invested independent of the pool. This includes accounts waiting for state match, and other situations. With the exception of the accounts waiting for state match, the minimum principal balance for independent endowments is $100,000. Although invested separately, asset allocation and restrictions, performance benchmarks, distribution policy and fees mirror that of the endowment pool unless otherwise stated below:
   - Authority to grant: These separate investments may be approved by the Executive Director with the concurrence of the Investment Committee.
   - Investments: Investment mix will be consistent with current investment policy for the endowment pool, unless otherwise indicated. As an example, accounts waiting for state match are to be invested in short or intermediate term investments, based on estimated time when matching funds are likely to be available.

- Receipt and disbursement of funds: New gifts will be transferred into the investment fund at least quarterly. Cash earnings until transfer are considered unrestricted. Earnings made available for distribution will be transferred out of the investment to cash in July of each year.
- Distributions: Distributions will be in accordance with current spending rate policies. In order to use a 3 year rolling average, these accounts will utilize the pool's historical unit values until separately invested for more than 3 years.

B. The Trusts shall have an overall asset balance that recognizes the long-term holding period of charitable remainder unitrusts and annuities. The primary need for earnings from this pool is to fund net income distribution requirements and secondary, to increase the total asset base of the trust. At the formation of each new internally managed trust it shall be the responsibility of the Investment Committee to select funds to invest to accomplish the requirements of the trust. The Investment Committee shall use prudent discretion in selecting financial institutions to hold and invest such funds, with consideration given to the donor's current Investment Advisors. For internally managed trusts, the individual Investment Advisors shall be required to meet with the Investment Committee at least once per year.

EXHIBIT A

POLICY PORTFOLIO TARGETS

This Policy Portfolio Targets table represents the strategic, long term asset allocation mix for the Funds. Each asset class target has a corresponding approved range that allows underlying asset allocations to move overtime. The asset class ranges provide the flexibility to be under- and over-weighted due to the trading, settlement, and timing delays associated with fully implementing an investment program. The approved ranges also allow for tactical adjustments to strategic allocations that may either defend against unacceptably high risks or take advantage of short-term return opportunities. It may be prudent and necessary to operate outside the ranges when the financial markets are stressed and subject to extreme levels of volatility.

			Allowable Range		
	Asset Class	Target Weight	Low	High	Benchmark
75% Risk Assets	**Global Equity**	**60%**	**50%**	**70%**	**MSCI All Country World Investable Market Index**
	U.S. Equity	45%	35%	65%	Russell 3000 Index
	International Developed	10%	5%	25%	MSCI World ex-USA Investable Market Index
	Emerging Market Equity	5%	0%	15%	MSCI Emerging Market Investable Market Index
	Real Assets / Alternatives	**10%**	**0%**	**20%**	*** Real Asset Custom Blended Benchmark**
	Global Real Estate	3%	0%	10%	FTSE EPRA/NAREIT Global REIT Index
	Global Infrastructure	3%	0%	10%	S&P Global Infrastructure Index
	Natural Resources & Commodities	4%	0%	10%	Morningstar Global Upstream Natural Resources Index
	Private Equity	0%	0%	10%	Russell 2000 Index + 2%
	Hedge Funds	0%	0%	10%	HFRI Hedge Fund of Fund Index
	Fixed Income	**30%**	**20%**	**50%**	**Bloomberg Barclays US Aggregate Bond Index**
	High Yield Bonds	5%	0%	10%	Bloomberg Barclays US Corporate High Yield Bond Index
25% Risk Control	Investment Grade Fixed Income	20%	10%	40%	Bloomberg Barclays US Aggregate Bond Index
	Inflation Protected Securities	5%	0%	10%	iBoxx 3-Year Target Duration TIPS Index
	Cash	<1%	0%	5%	BofA Merrill Lynch 91-Day Treasury Bill Index

* Real Asset Custom Blended Benchmark = 30% FTSE EPRA/NAREIT Global REIT Index, 30% S&P Global Infrastructure Index, and 40% Morningstar Global Upstream Natural Resources Index

EXHIBIT B

ASSET CLASS CATEGORIES AND TOTAL PORTFOLIO BENCHMARKS

Asset Class Categories	**Reasonable Proxy***
Global Equities	MSCI All Country World Investable Market Index
• US Large Cap Equities	Russell 1000 Index
• US Mid/Small Cap Equities	Russell 2500 Index
• US Equities	Russell 3000 Index
• Developed ex-US Equities	MSCI World ex-USA Investable Market Index
• Emerging Market Equities	MSCI Emerging Market Investable Market Index
Fixed Income	BB US Aggregate Bond Index
• High-Quality Fixed Income	BB US Intermediate Government/Credit Bond Index
• Inflation-Protected Fixed Income	iBoxx 3-Year Target Duration TIPS Index
• High Yield Fixed Income	BB US Corporate High Yield Bond Index
Real Assets / Alternatives	
• Global Public Real Estate Equities	FTSE EPRA/NAREIT Global REIT Index
• Listed Infrastructure Equities	S&P Global Infrastructure Index
• Natural Resource Equities	Morningstar Global Upstream Natural Resources Index
Alternatives	
• Private Equity	Russell 2000 Index + 2%
Cash	BofA Merrill Lynch 91-Day Treasury Bill Index

Total Portfolio	**Underlying Composites****
Policy Portfolio Benchmark:	60% MSCI All Country World Index (ACWI) ND
	30% BB US Aggregate Bond Index
	10% Real Asset Custom Blended Benchmark **

* : “BB” where presented in place of “Bloomberg Barclays” for corresponding fixed income indices.
** Real Asset Custom Blended Benchmark = 30% FTSE EPRA/NAREIT Global REIT Index, 30% S&P Global Infrastructure Index, and 40% Morningstar Global Upstream Natural Resources Index

EXHIBIT C

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS

The policies described in this Investment Policy are to be interpreted in light of that overall sense of stewardship, following the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Investment Committee shall comply with the key tenets of UPMIFA when making investment and/or expenditures- related decisions related to the Funds.

A. External Delegation of Investment Management

When delegating the management and investment of the Funds to an external agent, the following factors must be considered:

i. Prudence and good faith in hiring, establishing scope of delegation, and monitoring
ii. Explicit delegation that is concise and in writing
iii. Duty of external agent to take reasonable care to comply within scope and terms of delegation

B. Standard of Conduct for Managing and Investing

When managing and investing the Funds, the following factors must be considered:

i. Ongoing consideration of charitable purposes of the Foundation and the Funds
ii. Guidance outlined in the Prudent Investor Standards
iii. Appropriateness and reasonableness of costs incurred
iv. Deployment of a total return investment approach
v. Limit investment restrictions unless inappropriate for the Foundation
vi. Investment bias towards diversification maintained
vii. Other relevant factors include: general economic conditions, effects of inflation or deflation, role of investment within portfolio, other resources of institution, distribution and capital preservation needs, assets with special relationship or special value to the charitable purpose

C. Expenditure of Funds Related to the Spending Policy

When determining prudent spending levels across the Funds, the following relevant factors must be considered:

i. The duration and preservation of the Funds
ii. The purposes of the Foundation and the Funds
iii. General economic conditions
iv. Possible effects of inflation or deflation
v. Total expected return from both income and the appreciation of investments in the Funds
vi. Other resources available to the Foundation
vii. Investment policies of the Foundation