

SAMPLE

Donor Advised Fund Statement of Investment Policy

Source: Aegis Institutional
Investment Consulting of UBS

Section 1 - Executive Summary

Name of institution SAMPLE
Name of account Donor Advised Funds
Inception date of Donor Advised Fund July 2, 2009
Portfolio value \$70,000,000 as of July 2008
Portfolio time horizon Long-Term
Primary investment objective Total investment return
Spending Policy (Custom / Donor) 3.75% Annually – Based on prior 12 Quarter rolling average adjusted for inflation
Specific investment strategies Growth
Absolute investment strategies Absolute real return of 3.00%
Return in excess of market index by 1.00%

Evaluation benchmark

Asset Class	Minimum	Target	Maximum	Index
Large Cap	10%	20%	35%	Russell 1000
SMID Cap	5%	15%	20%	Russell 2000
International	5%	10%	15%	MSCI EAFE
US Fixed Income	35%	38%	65%	LB Aggregate LB Intermed Govt/Credit
Non US Fixed Income	0.0%	15%	20%	SSB World Govt Bond
Cash Equiv	1.0%	2.0%	5%	T-Bill (90 Day)

Section 2 - Introduction & Purpose

This statement of investment policy is set forth by the Donor Advised Fund Board to reflect the investment policy, objectives, and constraints of the entire Fund.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

The statement of investment policy consists of the following sections:

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The Donor Advised Fund Board is responsible for directing and monitoring the investment management of Donor Advised Fund assets. As such, the Donor Advised Fund Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

Investment Management Consultant

The consultant may assist the Donor Advised Fund Board in: establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

Investment Manager

The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Donor Advised Fund's investment objectives.

Custodian

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Donor Advised Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold as well as movement of assets into and out of the Donor Advised Fund accounts.

Co-Trustee

The Donor Advised Fund Board may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of the Donor Advised Fund assets.

Additional specialists such as attorneys, auditors, actuaries, Donor Advised Fund consultants, and others may be employed by the Donor Advised Fund Board to assist in meeting its responsibilities and obligations to administer Donor Advised Fund assets prudently.

The Donor Advised Fund Board will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve

the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such expenses must be customary and reasonable, and will be borne by the Donor Advised Fund as deemed appropriate and necessary.

Definitions

- **Donor Advised Fund** shall mean the Donor Advised Fund.
- **Donor Advised Fund Board** shall refer to the governing board established to administer the Donor Advised Fund as specified by applicable ordinance.
- **Fiduciary** shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Donor Advised Fund assets.
- **Investment Manager** shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Donor Advised Fund assets.
- **Investment Manager Consultant** shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
- **Securities** shall refer to marketable investment securities which are defined as acceptable in this statement.
- **Investment Horizon** shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is Perpetuity.

Section 3 - Assignment of Responsibility

Responsibility of the Donor Advised Fund Board

The Donor Advised Fund Board is charged by law with the responsibility for the management of the assets of the Donor Advised Fund. The Donor Advised Fund Board shall discharge its duties solely in the interest of the Donor Advised Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Donor Advised Fund Board relating to the investment management of Donor Advised Fund assets include:

- Projecting the Donor Advised Fund's financial needs relative to the anticipated spending rate of charitable giving by the Donor, and communicating such needs to the Investment Managers on a timely basis.
- Determining the Donor Advised Fund's risk tolerance and investment horizon, and communicating these to the appropriate parties.
- Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Donor Advised Fund's assets.
- Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants, and Custodians.
- Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
- Developing and enacting proper control procedures; i.e. replacing Investment Managers due to fundamental change in investment management process, or failure to comply with established guidelines.

Responsibility of the Investment Managers

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Donor Advised Fund's investment management.
- Informing the Donor Advised Fund Board regarding any qualitative change to investment management organization: i.e. changes in portfolio management personnel, ownership changes, investment philosophy, etc.
- Voting proxies, if requested by the Donor Advised Fund Board, on behalf of the Donor Advised Fund, and communicating such voting records to the Donor Advised Fund Board on a timely basis (unless this responsibility is reserved by the Donor Advised Fund Board).

Responsibility of the Investment Consultant

The Investment Consultant's role is that of a non-discretionary advisor to the Donor Advised Fund Board. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- Assisting in the development and periodic review of investment policy.
- Conducting investment manager searches when requested by the Donor Advised Fund Board.

- Providing "due diligence", or research, on the Investment Managers.
- Monitoring the performance of the Investment Managers to provide the Donor Advised Fund Board with the ability to determine the progress toward the investment objectives.
- Communicating matters of policy, manger research, and manager performance to the Donor Advised Fund Board.
- Reviewing Donor Advised Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Donor Advised Fund Board.

Section 4 - Investment Objectives

General Investment Principles

- The Donor Advised Fund shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.
- Investment of the Donor Advised Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- The Donor Advised Fund Board may employ one or more investment managers of varying styles and philosophies to attain the Donor Advised Fund's objectives.
- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
- Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
- Understanding that risk is present in all types of securities and investment styles, the Donor Advised Fund Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Donor Advised Fund's objectives. However, the investment managers are to make reasonable efforts to control risks, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment styles and objectives.
- Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

Specific Investment Strategies and Goals

Absolute real return of 3.00%

Return in excess of market index by 1.00%

The investment goal(s) above are the objectives of the aggregate Donor Advised Fund, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

- Meet or exceed the market index, or blended market index, selected and agreed upon by the Donor Advised Fund Board that most closely corresponds to the style of investment management.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Donor Advised Fund.

Section 5 - Risk & Liquidity

Definition of Risk

The Donor Advised Fund Board realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Donor Advised Fund assets understands how it defines risk so that the assets are managed in a manner consistent with the Donor Advised Fund's objectives and investment strategy as designed in this statement of investment policy. The Donor Advised Fund Board defines risk as **the probability of not meeting the fund's spending rate.**

Liquidity Requirements

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Donor Advised Fund Board will periodically provide investment counsel with an estimate of expected net cash flow. The Donor Advised Fund Board will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with Donor Advised Fund cash requirements that might arise, the Donor Advised Fund Board requires that a minimum of 1.00% of Donor Advised Fund assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury securities.

After giving consideration to the Donor Advised Fund's longer-term objectives and liquidity requirements, the Donor Advised Fund Board requires at least 90.00% of Donor Advised Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Donor Advised Fund, with a minimal impact on market price.

Diversification of Investment Managers

The Donor Advised Fund Board does not believe it is necessary or desirable that securities held in the Donor Advised Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification:

- the securities of any one company or government agency should not exceed 5.00% of the total Donor Advised Fund.
- there is no required level of diversification for industries.
- there is no required level of diversification for individual Treasury securities.
- there is no required level of diversification for total allocation to Treasury securities.

Guidelines for Fixed Income Investments and Cash Equivalents

Donor Advised Fund assets may be invested only in fixed income securities rated A1/A+ (Moody's/Standard & Poor's) or better.

Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade (BBB- by Standard & Poor's or Baa3 by Moody's).

Section 6 - Asset Allocation

Aggregate Donor Advised Fund Asset Allocation Guidelines

Investment management of assets of the Donor Advised Fund shall be in accordance with the following asset allocation guidelines (at market value):

<u>Asset Sub-Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Benchmark</u>
Large Cap Equities	10.0%	20.0%	35.0%	Russell 1000
Small/Mid Equities	5.0%	15.0%	20.0%	Russell 2000
Non-US Equities	5.0%	10.0%	15.0%	MSCI EAFE
US Fixed Income	35.0%	38.0%	65.0%	LB Aggregate
Non-US Fixed Income	0.0%	15.0%	0.0%	SSB World Gov Bond
Cash Equivalents	1.0%	2.0%	10.0%	T-Bill (90 Day)

The Donor Advised Fund Board may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Donor Advised Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Donor Advised Fund Board regarding specific objectives and guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Donor Advised Fund Board will instruct the Investment Managers to bring the portfolios into compliance with these guidelines as promptly and prudently as possible.

In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Donor Advised Fund Board expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Donor Advised Fund Board.

Section 7 - Investment Guidelines

Allowable Equity Securities

- Common stocks
- Convertible notes & bonds
- Convertible preferred stock
- Non-US common or preferred stock

Allowable Fixed Income Securities

- US Government & Agency securities
- Corporate notes & bonds
- Mortgage backed bonds
- Preferred stock
- Collateralized Mortgage Obligations (CMO's)

Allowable Cash Equivalent Securities

- Treasury bills
- Money market funds
- STIF funds
- Commercial paper
- Banker's acceptances
- Repurchase agreements
- Certificates of deposit

Allowable Other Securities

- GIC's
- Real estate investments
- Venture capital investments
- Commodities & futures contracts
- Private placements
- Options

Prohibited Transactions

There are no specific prohibited transactions.

Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges:

- New York Stock Exchange
- American Stock Exchange
- NASDAQ over-the-counter market

Prohibited Equity Securities

- ADR's of non-US corporations
- Mutual funds that invest in equities

Prohibited Fixed Income Securities

- Non-US fixed income securities
- Mutual funds that invest in debt securities

Prohibited Cash Equivalent Securities

Prohibited Other Securities

- Limited partnerships

In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this policy statement, written approval is required from the Donor Advised Fund Board.

Section 8 - Definitions of Benchmarks

Russell 1000

A domestic equity benchmark that measures the performance of the 1,000 largest companies in the Russell 3000 Index, and represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization

Russell 2000

A domestic equity benchmark that measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization.

MSCI EAFE

A market capitalization weighted equity index composed of companies representative of the market structure of 20 Developed Market countries in Europe, Asia (including Australia) and the Far East.

LB Aggregate

A fixed income benchmark composed of securities from the Lehman Brothers Government/Corporate Bond Index (investment grade bonds with maturities greater than 1 year), Mortgage-Backed Securities Index (fixed-rate securitized mortgage pools by GNMA, FNMA and the FHLMC), and the Asset-Backed Securities Index (credit card, auto and home equity loans). Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

T-Bill (90 Day)

A fixed income benchmark composed of 3-month United States Treasury Bills purchased at the beginning of each of three consecutive months.