

**SAMPLE INSTITUTIONAL INVESTMENT POLICY
STATEMENT (IPS)**

SAMPLE

ABC Corporation Foundation

Adopted August 2024

This Investment Policy Statement (“Policy”) is intended to govern the investment practices of the assets of ABC Corporation Foundation (“Foundation”), so that all individuals with either direct or indirect responsibility may understand and manage ABC Corporation Foundation investment assets, hereafter referred to as the “Foundation”.

This Policy addresses the following issues:

- The general goals of the Foundation
- The specific investment objectives of the Foundation
- Asset allocation and rebalancing policies
- Measurement and evaluation of investment performance
- Policies and guidelines for Investment Managers

A. Policy

Foundation assets will be managed on a total return basis while taking into account the level of liquidity required. The Foundation recognizes the importance of the long-term preservation of capital, but also adheres to the principle that varying degrees of investment risk are generally rewarded with commensurate returns over the long term. Therefore, investments with different types and degrees of risk are appropriate for the Foundation, provided that such risks are regularly identified and managed.

B. Roles and Responsibilities

The Investment Committee is authorized by the ABC Corporation Foundation Board (“Board”) to act on behalf of the Foundation subject to this Policy Statement and the Foundation’s By-Laws. Therefore, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Investment Consultant. This delegation of authority

allows for sufficient flexibility in the management process to capture investment opportunities as they arise.

The Investment Committee is responsible for:

1. Establishing and maintaining the Investment Policy Statement and Target Asset Allocation.
2. Monitoring the performance and risk profile of the Foundation as a whole.
3. Reviewing the Investment Consultant's implementation of the investment program.
4. Hiring, terminating, or replacing the Investment Consultant.
5. Reviewing and addressing all potential conflicts of interest.

The Investment Consultant is responsible for:

1. Selecting, rebalancing, terminating, and making tactical shifts between Investment Managers.
2. Monitoring the appropriateness of each Investment Manager's strategy given the Foundation's overall investment strategies, philosophies, and objectives.
3. Monitoring the investment performance of each Investment Manager compared to the benchmark established for that Investment Manager.
4. Overseeing Foundation investment assets and reporting on the status of the investments.
5. Sourcing and managing the liquidity needs of the Foundation as it relates to both periodic withdrawals and contributions.

C. Investment Goals and Objectives

The investment objective for the Foundation is to preserve and enhance the real purchasing power of these assets over time. Another consideration and objective of the Foundation is to prudently manage risk by diversifying investments in a manner that lowers overall volatility.

Return

The expected return objective for the portfolio is to provide an annualized total return, net of fees, equivalent to the Foundation's spending policy (5.0%) plus the rate of inflation (as measured by the Consumer Price Inflation ("CPI")) over a full market cycle which is defined as a seven to ten-year time period. Additionally, the Foundation has set a goal of outperforming, net of all investment expenses, a blended market index which best represents the strategic asset allocation of the Foundation's overall investment structure.

Total Portfolio Blended Benchmark (based on the asset allocation described in Section E below):

- | | |
|-----|---|
| 55% | Equity Blended Benchmark – comprised of 65% of the Russell 3000 Index and 35% of the MSCI All Country World Index Ex-U.S. |
| 29% | Barclays Capital U.S. Aggregate Bond Index |
| 16% | HFRX Global Hedge Fund Index |
- The **Russell 3000 Index** is a capitalization-weighted stock market index maintained by FTSE Russell. It measures the performance of the largest 3000 U.S. publicly held companies as measured by total market capitalization and represents approximately 98% of the investable U.S. public equity market. The Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.
 - The **MSCI All Country World Index Ex-U.S.** (MSCI ACWI Ex-U.S.) is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI). It is designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets.
 - The **Bloomberg Barclays US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).
 - The **HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

Risk

Higher returns involve higher volatility, and the Foundation is willing to tolerate some volatility (based on the target allocation of the Foundation) in order to meet its long-

term total return objectives. However, it is intended that the Foundation assets be managed and diversified in a manner that seeks to minimize principal fluctuations over the established time horizon. The Foundation should experience risk as measured by volatility or variability of return not materially higher than that of the blended benchmark as defined above.

The investment goals above are the objectives of the aggregate portfolio and are not meant to be imposed on each Investment Manager / Strategy.

D. Spending Policy

The spending policy of these funds shall be based on a total return concept which takes into consideration actual income (dividends and interest) and changes in market value (realized and unrealized capital gains and losses).

The spending rate from these funds is currently 5.0%. It is understood that the actual spending may be less than this figure but will generally not exceed this figure. The spending goal is to be reviewed at least annually and may need to be adjusted given the actual performance of the portfolio versus the estimated return objective for the portfolio (as described in Section C above).

E. Asset Allocation

Diversification across asset classes is a core principle of prudent portfolio management. Academic research suggests that the decision to allocate assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. The asset class targets and ranges below show the approved investment levels associated with the Foundation's investment objectives. Within each of these asset categories, sub asset classes and strategies, which are expected to act and react in combination, will be used. The portion of the Foundation invested in each sub-class and strategy will change periodically to reflect the Investment Manager's and or Investment Consultant's tactical investment policy so long as it is within the acceptable ranges listed. Any proposed investment changes outside these ranges must be approved by the Board prior to being implemented. Asset allocation targets and ranges should be reviewed by the Investment Committee annually.

Target Asset Allocation

	Tactical Minimum	Strategic Target	Tactical Maximum
Global Equity	40%	55%	70%
U.S. Large Cap Equity	10%	25%	45%
U.S. Small/Mid Cap Equity	4%	11%	21%
Non-U.S. Developed Markets	6%	14%	24%
Non-U.S. Emerging Markets	0%	5%	14%
Opportunistic	0%	0%	7%
Global Fixed Income	14%	29%	44%
U.S. Investment Grade Bonds	9%	24%	44%
Non-U.S. Bonds	0%	3%	9%
High Yield Bonds	0%	3%	9%
Opportunistic	0%	0%	4%
Diversified Strategies	0%	16%	31%

From time to time, market conditions may cause the portfolio's investments to vary from the established target allocations. To remain consistent with the asset allocation guidelines established by this Policy, each broad asset class (as defined above) in which the Foundation invests shall be reviewed periodically for potential rebalancing back to target or initial allocations. The Investment Consultant retains the ability to not rebalance the Foundation back to target or initial allocations based on market conditions, economic events or account activity as long as allocations remain within the permissible ranges.

Liquidity is required to meet cash flow needs as well as unanticipated expenditures or draws. Therefore, a liquid reserve of no more than 2% may be maintained to aid in payment of expenses and or distributions from the Foundation.

Liquidity guidelines: Investments may be made through a combination of externally managed strategies (separate account managers and/or manager models), Mutual Funds, and Exchanged Traded Funds (ETFs) that provide daily liquidity. Investments in illiquid Limited Partnerships are prohibited without prior written approval of the Board.

F. Asset Class Guidelines

1. **Cash** is intended to serve as the principal source of liquidity for operating cash flow for the Foundation. It will be invested in only the safest assets including Treasury bills, Agency notes, or very safe money market instruments that focus on Treasury bills and equivalents. The focus is on safe, highly liquid assets as opposed to generating significant yield. There are no manager-specified limits for cash.
2. The purpose of the **Fixed Income** allocation will be to (i) provide current income to support operating cash flow, (ii) provide capital stability during uncertain economic times, and (iii) to provide overall portfolio diversification. As a result, both credit quality and preservation of principal will be a core emphasis of this allocation thus positions in investment grade securities issued by sovereign governments, corporations and/or financial institutions will be core holdings within the fixed income portfolio. Non-dollar fixed income investments and below investment grade investments will be utilized as well to add additional diversification to the global fixed income portfolio. In addition, opportunistic strategies and/or holdings may be permissible at times. Examples of opportunistic fixed income holdings may include but are not limited to the following: Preferred Stocks, Convertible Bonds, Floating Rate Bonds, TIPs, Bank Loans, etc. No more than 20% of the entire portfolio at cost should be invested with a single active fixed income strategy.
3. The purpose of the **Equity** allocation is to provide long-term capital appreciation. Equity managers will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns in aggregate higher than the relevant broad market indices (i.e., the Equity Blended Benchmark), net of fees, over full market cycles (7-10 years). However, these returns are subject to significant variability over short- to medium-time periods of less than five years. In addition, opportunistic strategies and/or holdings may be permissible at times. Examples of opportunistic equity holdings may include but are not limited to the following: Equity Sector Funds, Country Specific Funds, Master Limited Partnerships, Real Estate Investment Trusts, Precious Metals, Natural Resources, Commodities, etc. No more than 20% of the entire portfolio at cost should be invested with a single active equity strategy.
4. **Diversified Strategies** share characteristics with several asset classes but are not an asset class per se. Examples may include investments commonly characterized as hedged strategies, both equity and credit, as well as managed

futures, macro allocation, and market neutral strategies, among others. Ideally, these strategies will be accessed via publicly traded mutual funds or ETFs which offer greater transparency and liquidity. These types of strategies may incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns which exhibit relatively lower correlation to broad market indices over intermediate time horizons. Over time, diversified strategies should generate returns between that of equity and fixed income markets with a volatility profile between that of equity and fixed income as well. No more than 5% of the entire portfolio at cost should be invested in any individual underlying fund or strategy within the Diversified Strategies portfolio.

G. Prohibited Investments

The following categories of securities or security transactions are not permitted for direct investment without the prior written approval of the Board:

- Limited Partnerships in the form of Hedge Funds, Private Equity, Private Real Estate, Timber, etc.
- Letter Stock or other non-marketable securities
- Options / Futures
- Collectibles

The prohibited investment list does not prohibit the Foundation from investing in funds or strategies that may contain some of these investments (i.e. commodity futures may be an underlying investment of a fund in which the Foundation owns for diversification).

H. Cash Flows and Rebalancing

Interest and dividends generated by Investment Managers will generally be re-invested according to the Investment Manager's mandate. The Investment Consultant will be responsible for making choices about additions or withdrawals to or from different Investment Managers, as per Section B (Roles and Responsibilities) as well as Section E (Asset Allocation).

I. Procedures on Receipt of Funds

All in-kind gifts to the Foundation shall be sold upon receipt, or within a reasonable period thereafter. The retention of a gift for investment purposes requires the prior approval of the Directors. The Investment Consultant will be responsible for investing gift proceeds as per Section B (Roles and Responsibilities) as well as Section E (Asset Allocation).

J. Meeting Schedule

The Investment Committee and Investment Consultant will meet in person no less than annually, or as requested by the Board, in order to review performance and the Foundation's compliance with Investment Policy objectives and guidelines.

K. Conflict of Interest Policy

Any situation which brings to mind the question of a possible conflict of interest should be brought to the attention of the Board; members should be sensitive to even the appearance of impropriety. Generally, a conflict of interest exists whenever litigation, a contract, or other relationship being entered into, reviewed, or modified is:

- Between the Foundation and a Board member, or the employer, business partner, or immediate family of a Board member; or
- Between the Foundation and an organization in which a Board Member's employer, business partner, or immediate family is director, officer, or legal representative, or has a material financial interest.

A conflict of interest does not arise simply because Board members or members of their families are incidentally benefited as members of a class of persons entitled to benefit from a transaction, policy, or program consistent with purposes and accomplished in good faith. For these purposes, "family" includes parents, siblings, children, grandchildren, and their spouses.

This policy is not intended to prohibit investing with firms or investment managers with whom a Board member is affiliated; rather such relationships must be disclosed, and the affiliated Board member should recuse him/herself from any decisions pertaining to the affiliated firm.

L. Policy Review

This Investment Policy Statement will be reviewed annually by the Directors and be either reaffirmed or amended.

Adopted this day _____

By: _____
President, Board of Directors

By: _____
Chair, Investment Committee

Disclaimer: This is a sample document and is hypothetical. It is for informational purposes only. Information on this document should not be construed as personal investment advice. Consult with your trusted advisors and legal team before taking action.

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