Where Local Good Grows

Hendricks County Community Foundation

Investment Policy Statement

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Introduction

The Investment Policy Statement was adopted by the Hendricks County Community Foundation, Inc. (“HCCF”) to direct the prudent investment of its assets. The purpose of the Investment Policy Statement (the “IPS” or “Policy”) is to define the HCCF’s investment objectives in order to develop a strategy that will help meet investment goals. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. HCCF is entrusted with the investment management of its funds received from donors and with carrying out the wishes of the donors in the best interest of the community.

This IPS is intended to:

- Define the investment assets to be governed by the IPS and allocation of duties among the Board, Finance Committee, Investment Consultant(s), and others with respect to such assets;
- Establish reasonable objectives for return and risk expectations that incorporate the following constraints: current time horizon; liquidity constraints; and any other unique circumstances regarding the assets;
- Establish appropriate target allocations and parameters around security types and asset classes;
- Establish appropriate benchmarks for the evaluation of investment performance and risk management;
- Establish expectations for investment and money managers, securities guidelines, and for the monitoring of selected managers;
- Encourage effective communication between all parties involved in the oversight, management and operation of the investment; and,
- Establish expectations of communication and reporting by the Investment Consultant(s) to the Board and the Finance Committee.

It is not expected that the Policy will change frequently, but it should be reviewed no less than every three years to ensure its continued appropriateness.

Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, the members of the HCCF Board and Finance Committee must guide with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions, executed by staff and guided by this IPS, must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Finance Committee of all material facts regarding any potential conflicts of interests. Any actual or potential conflicts of interest possessed by a member of the HCCF Board or Finance Committee must be disclosed and resolved pursuant to HCCF’s Conflict of Interest Policy.

Scope of Policy

This Policy applies only to those assets for which the Investment Consultant(s) and/or the Finance Committee have discretionary authority.

Delegation of Authority and Responsibilities

Board of Directors

The Board of Directors is ultimately responsible for the overall stewardship of HCCF's assets, ensuring the prudent investment and management of assets. It is responsible for establishing appropriate investment policies and for seeing that those policies are effectively implemented. The Board shall discharge its duties solely in the interest of HCCF, 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 and with like aims. Under the current system of governance, the Board has delegated to the Finance Committee the authority to develop the Policy and to oversee HCCF's investments on their behalf.

The Board has the authority to approve or reject an Investment Policy Statement developed by the Finance Committee. Once the Investment Policy Statement has been approved by the Board, the Board shall authorize the Finance Committee to implement the Investment Policy Statement. At least annually, the Finance and Investment Committee, possibly with the help of the Investment Consultant, shall present to the Board a performance report and review of the Investment Policy.

Finance Committee

The Finance Committee has several responsibilities, including developing and implementing the Investment Policy (see the current *Committee Charge – Finance Committee* for full responsibilities). This responsibility includes approving investment strategy, recommending to the Board the selection of the Investment Consultant(s), establishing the scope and terms of the delegation of the investment management of assets, and monitoring the Consultant's performance and compliance with the scope and terms of the delegation.

The Finance Committee's responsibilities for the investment portfolio include, but are not limited to:

- Developing and recommending to the Board of Directors investment objectives that are consistent with the financial needs of HCCF;
- Developing and implementing a policy for asset allocation consistent with HCCF's investment objectives;
- Assessing and recommending to the Board the Investment Consultant(s);
- With the Investment Consultant, selecting, and terminating if necessary, Investment Managers;
- Selecting appropriate benchmarks or comparisons to assess investment performance;
- Providing the Investment Consultant all relevant information on financial condition, liability structure, risk tolerances and changes to the current business plan that would affect the investment portfolio; and
- Reviewing and evaluating investment results in the context of predetermined performance standards and benchmarks.

President & CEO, Board Chair, Treasurer, or Secretary of HCCF

The Officers of HCCF shall sign all appropriate contracts, open accounts, and give any other authorizations needed to implement the terms of this Policy. The President & CEO has daily responsibility for administration of the portfolio and will consult with the Finance Committee and Board on all material matters relating to the investment of the portfolio. The President will serve as the primary contact for HCCF's Investment Consultant(s), Investment Managers, and Custodian (if any).

Investment Consultant(s)

The Board of Directors, upon recommendation from the Finance Committee, shall engage one or more Investment Consultant(s) to assist with its responsibilities for the assets of HCCF. The Investment Consultant(s) is expected to be proactive in their recommendations with respect to investment strategy, asset allocation, and investment managers. The Investment Consultant's responsibilities will include, but are not limited to:

- Assisting in the development of investment policies, objectives, and guidelines;
- Preparing asset allocation analyses as necessary and recommending asset allocation strategies consistent with HCCF's objectives;
- Recommending, evaluating, and monitoring investment managers (including manager search and selection);
- Preparing and presenting performance evaluation reports on a quarterly basis;
- Attending the Board and/or Finance Committee meetings as requested in the performance of their services;
- Providing independent and unbiased information;
- Notifying the Finance Committee of any conflicts of interest, or potential conflicts of interest;
- Providing research on specific issues and opportunities, and assisting the Finance Committee in special tasks;
- Assisting in the rebalancing of the investment portfolio;
- Communicating investment policies and objectives to the Investment Managers, monitoring their adherence to such policies, and reporting all violations;
- Notifying the Finance Committee of any significant changes in personnel or ownership of the Investment Consultant;
- Notifying the Finance Committee of any changes in Investment Managers, or in ownership of any Investment Manager, or significant changes of personnel;
- Notifying the Finance Committee of any known non-compliance of applicable laws, rules and/or regulations by the Investment Managers;
- Overall, being proactive with the Finance Committee in the management of the investment portfolio; and
- Any other responsibilities or services enumerated in a contract entered into between HCCF and the Investment Consultant.

The Consultant shall supervise and direct the investment of the Fund as specified in this Policy Statement. Supervision is continuous, with limited discretion. Limited discretion means that the Consultant is responsible for assessing the appropriateness of asset allocation strategies but does not have discretion to change the strategy, or Investment Managers, without the Finance Committee's approval. The Consultant also has discretion to change Investment Managers as required by the Due Diligence Policy described in this Policy Statement with appropriate notice to the Finance Committee.

Investment Managers

In addition to being diversified across asset classes, HCCF's assets managed by any single fund or separately managed account should not exceed 15% of the market value of the investment portfolio, except for an asset allocation fund that is diversified across various funds, asset classes, and securities, which shall be limited to 25% of the investment portfolio.

HCCF recognizes the difficulty in placing limitations on outside Investment Managers for socially responsible investment purposes. This Policy does not expressly prohibit investments in specific companies, industries, economic sectors, or geographies due to social responsibility or moral beliefs.

The Board recognizes that guidelines and constraints on portfolio management cannot be placed on certain investments, such as mutual funds and partnerships (i.e., pooled investments). It is the Investment Consultant's responsibility to recommend investments and Investment Managers that have a philosophy that is consistent with this Policy. It is understood that mutual funds are managed subject to their prospectus.

The following subsections represent the broad investment guidelines that are expected to be in place for all separately managed assets within the investment portfolio. It is expected that the individual Investment Managers used within each asset class will comply with these guidelines. The Finance Committee may, at its discretion, approve Investment Manager guidelines for individual managers that differ from the asset class guidelines depending on the Investment Manager's investment strategy and the role that the strategy is expected to play within the broader investment portfolio.

The following guidelines do not apply to assets invested in mutual funds, or pooled funds, where the Investment Manager is not able to construct a separate, discretionary account on behalf of HCCF.

U.S. Equity: The purpose of the U. S. equity allocation is to provide for capital appreciation over the long-term. Investment Guidelines:

- The equities allocation shall be readily marketable and well diversified across securities, industries, sectors, capitalization and styles.
- There shall be no short-selling.
- Derivatives may not be used.
- If the equity holding in any one company exceeds 10% of the market value of the portfolio value being managed, then the Investment Consultant must provide written communication to the Finance Committee.

Non-U.S. Equity: The purpose of the non-U.S. equity allocation is to provide for capital appreciation over the long-term. Investment Guidelines:

- The non-U.S. equity allocation shall be readily marketable and well diversified among developed and emerging market countries, geographic regions, industries and currencies.
- There shall be no short-selling.
- Derivatives may not be used.
- If the equity holding in any one company exceeds 10% of the market value of the portfolio value being managed, then the Investment Consultant must provide written communication to the Finance Committee.

Fixed Income: The purpose of the fixed income allocation is to provide stable current income and diversification of equity risk. Investment Guidelines:

- For fixed income separate accounts, an investment-grade (or core) fixed income manager's portfolio must have an overall weighted average credit rating of "A3" or better by Moody's and "A-" by Standard & Poor's rating services and shall not acquire any bond investment below investment-grade (Baa3/BBB-). In the event that an investment-grade fixed income manager's bond instrument is downgraded below investment-grade, the Investment Consultant shall be notified as soon as possible, but no later than three business days. The

Investment Consultant shall notify the Finance Committee in writing within two business days of notification from the fixed income manager with a recommendation to continue to hold the security or sell the security.

- Except for fixed income securities issued by the U.S. government and its agencies, the maximum exposure to any one fixed income issuer shall not exceed 5.0% of the investment portfolio being managed by a separate account fixed income manager.
- This Policy permits investments in below investment grade fixed income securities, and Investment Managers that invest in below investment-grade income securities, as approved by the Finance Committee. Exposure to below investment-grade fixed income securities may not exceed 5% of the total investment portfolio.
- Investments in certificates of deposit are permitted, and exposure to a single issuer must be below the FDIC-insured limit, which is currently $250,000.
- Derivatives may not be used.

For separately managed assets (i.e., excluding mutual funds and pooled investment funds), the Investment Managers' responsibilities with respect to assets under their management will include:

- Investing assets under their management in accordance with this Policy and any contractually agreed upon guidelines and restrictions;
- Exercising complete investment discretion over the assets entrusted to them, subject to this Policy and any contractually agreed upon guidelines and restrictions;
- Providing written documentation to the Investment Consultant of activity, valuations, performance data, and asset characteristics for assets under their management, within a timely manner customary for their asset class, including the timely delivery of K-1's or other documentation as required by IRS Regulations;
- Providing other information in a timely manner relating to the account as requested by the Finance Committee or Investment Consultant;
- Voting proxies for the assets under management in the best interest of HCCF;
- Monitoring portfolio activity daily to minimize uninvested cash balances;
- Be and remain registered under the Investment Consultants Act of 1940, as amended, unless exempted from registration by the SEC;
- Use the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced professionals acting in a like capacity and fully familiar with such matters would use in like activities, for like organizations, with like aims, in accordance and in compliance with all applicable laws, rules and regulations, including those of the State of Indiana;
- Communicating all significant changes pertaining to the Investment Manager, including, but not limited to, changes in financial condition, ownership, or professional staff responsible for performing services for HCCF or commencement of any material litigation; and
- Any other responsibilities or services enumerated in a contract entered into between HCCF and the Investment Manager.

Custodian (if applicable)

If separate from the Investment Consultant(s), the Custodian is an integral part of managing and overseeing HCF's portfolio. Open communications with HCCF, its Investment Consultant(s) and Investment Managers (if needed) will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems. In the absence of an outside Custodian, the Investment Consultant(s) shall fulfill these responsibilities.

The Custodian shall:

- Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.
- Provide the Foundation, its Investment Consultant(s) and Investment Managers (where applicable) special reports as reasonably requested; and
- Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.
- Provide a copy of its SAS 70 report to the committee annually.
- Provide the Investment Committee with a consolidated performance report for the entire portfolio on a quarterly basis.

Objectives and Policy Implementation

General Investment Objectives

The primary objective is long-term growth of principal without undue exposure to risk, through capital appreciation, income, diversification, asset allocation, and donor development. The focus is on consistent long-term capital appreciation, with income generation as a secondary consideration. Emphasis shall be placed on maintaining "real" growth of assets, net of inflation, spending, and fees, so that HCCF's assets will continue to grow in real dollars after meeting spending requirements.

HCCF also recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values) and the potential loss in purchasing power due to inflation are present to some degree with all types of investment vehicles. The assumption of a level of risk that is commensurate with HCCF's objectives is warranted and encouraged in order to allow the investment portfolio the opportunity to achieve satisfactory results consistent with the objectives and characteristics of the portfolio.

Return Need

HCCF seeks returns that are sufficient to preserve and increase the real, inflation-adjusted value of the investments, to meet spending needs for grantmaking, and cover operating expenses through investment and HCCF Administrative Fees. While there cannot be complete assurance that the investment objective will be realized, it is believed that the likelihood of realization is enhanced by diversifying the investments among multiple asset classes and by selecting active investment managers that have shown an ability to outperform an applicable benchmark over the long-term time horizon.

With a goal of an annual spending rate of 5.0% of HCCF investment portfolio's market value, as well as HCCF's Administrative fees and investment expense, the long-term target return goal is at least the rate of inflation as measured by the Consumer Price Index ("CPI") plus 5.0%. This return shall be assessed with an average of returns over twenty rolling quarters.

Volatility and Risk

HCCF recognizes that prudent investing requires the assumption of reasonable risk in order to increase the likelihood of achieving the desired investment performance. HCCF believes the asset allocation targets and ranges listed in Appendix A best suit its current diversification and risk requirements. It is understood that this strategy could produce an after-fee loss in a given year. It is generally understood that diversification across asset classes and within asset classes is critical to achieve a diversified portfolio.

General Investment Considerations and Constraints

- **Risk:** The Board of Directors ("Board") seeks to limit the overall level of risk commensurate with the chosen policy asset allocation.
- **Liquidity:** HCCF's investments will be primarily invested in marketable, liquid securities. Therefore, an explicit allocation to cash or cash equivalents is not needed. Up to 10% of HCCF's assets within an asset allocation class may be invested in illiquid funds subject to Finance Committee approval.
- **Time Horizon:** HCCF has a long-term time horizon for investments (at least ten years). The endowment is intended to be perpetual.
- **Taxes:** HCCF is an IRS Section 501(c) 3 organization and is not subject to federal income taxes. HCCF may be subject to unrelated business income tax ("UBIT"). Consideration will be given to UBIT, but the existence of taxes will not preclude an asset class from inclusion in permissible asset classes.

Spending Policy

The Finance Committee will recommend to the Board an annual Spending Rate, a percentage of the total portfolio market value in order to provide for grants. The Board will attempt to balance short-term grantmaking obligations with its goal to provide grants into perpetuity, and therefore, design a spending policy that is flexible. The general goal is to release up to 5% of the value of endowed funds for grantmaking in any year, with the recommendation on the Spending Rate subject to a look back of investment performance to inform the recommendation. The spending policy is detailed in the separate *Spending Policy for Endowment Funds.*

Policy Asset Allocation

The asset allocation shall be approved by the Finance Committee from time to time. The Finance Committee shall review asset allocation at least annually. The Investment Consultant will provide a report to the Finance Committee on a quarterly basis, which will include a summary of the asset allocation. Asset allocation targets in effect at the time of adoption of this Policy are shown in Appendix A attached hereto.

The Board of Directors has delegated to the Finance Committee authority to establish and adjust from time to time the asset allocation targets for various categories of investments. Following any adjustment of the targets, an updated version of Appendix A shall be attached to this Policy.

The Finance Committee shall report, as practicable, adjustments in asset allocation targets to the Board of Directors at the Board meeting following any adjustment. Minutes of meetings of the Finance Committee shall be included, as practicable, with other meeting materials. Such distribution of minutes shall suffice as a means of reporting any adjustments reflected in the minutes.

In the event the Finance Committee believes the investment allocation should not be maintained within the approved policy ranges, the Finance Committee will notify the Board to request approval to deviate from the asset allocation adopted as part of this Policy.

Investment Rebalancing

The asset allocation of HCCF's assets will be maintained within the target ranges set forth in Appendix A. Rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy ranges. Cash additions and withdrawals shall be allocated across portfolios to bring the asset mix within the target allocation ranges. If the asset allocation cannot be maintained within the policy limits through cash additions or withdrawals, assets shall be shifted across investment management portfolios to restore the portfolio to approved policy target ranges. In the event the Finance Committee believes the investment allocation should not be maintained within the approved policy ranges, the Finance Committee will notify the Board to request approval to deviate from the asset allocation adopted as part of this Policy.

The Investment Consultant will be responsible for reviewing the asset allocation on an ongoing basis, and alerting the Finance Committee when it is necessary to rebalance the portfolio as necessary to conform to the Policy. Rebalancing will be considered by the Investment Consultant on a quarterly basis with the completion of the performance evaluation reports.

Conflicts of Interest

All persons responsible for investment decisions or who are involved in the management of HCCF's assets or who are consulting to, or providing any advice whatsoever to the Finance Committee, shall disclose at the beginning of any discussion or consideration by the Finance Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Finance Committee may require such persons to remove themselves from the decision-making process. The intent of this provision is to eliminate conflicts of interest between the Finance Committee and the investment objectives for HCCF. In addition, all persons responsible for investment decisions (i.e., Board, Finance Committee, Investment Consultant, and Investment Managers) shall promptly disclose a potential duality or conflict of interest which occurs subsequent to the creation of the relationship with HCCF.

Excess Business Holdings

The Pension Protection Act of 2006 amended section 4943 of the Internal Revenue Code to limit ownership of closely-held business interests in a donor advised fund. A fund's holdings, together with the holdings of disqualified persons (donor, advisor, members of their families and businesses they control) may not exceed any of the following:

- 20% of the voting stock of an incorporated business;
- 20% of the profits interest of a partnership, joint venture, or the beneficial interest in a trust or similar entity;
- Any interest in a sole proprietorship.

These limitations do not apply if the donor-advised fund holds an interest that does not exceed two percent of the voting stock and two percent of the value of the business.

Donor-advised funds receiving gifts of interests in a business enterprise have five years from the receipt of the interest to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. To prevent a violation of these rules, it is the Foundation's policy is to divest itself of such holdings within five years from the date the Foundation acquired the asset. If that is not possible, the asset will be transferred to a new or existing fund that is not an advised fund.

Because they are not "business enterprises," the rule will not apply to most gifts of real property, although undeveloped land may become a business enterprise under some circumstances. Interests in investment partnerships and LLCs—including family partnerships, hedge funds, REITs, and so forth—are excluded from the definition of business enterprise as long as 95 percent or more of the entity's income is from passive sources. Examples of other property gifts that are excluded because they are not business enterprises include: oil and gas interests (non-working); life insurance; tangible personal property (as long as it is not inventory); and remainder interests in personal residences and farms.

Cash Management Policy

From time to time the Foundation may maintain large cash balances in reserve for future needs and contingencies. The Consultant is authorized to manage these reserves for enhanced yields consistent with a conservative cash management policy. To manage credit risk, instruments used for cash management will be limited to the following:

- Money Market Mutual Funds or cash alternatives such as bank deposit accounts and "ultrashort bond funds"
- Government issues (known as "Treasuries")
- Government-Sponsored Enterprise Securities (known as "Agencies"), such as Farm Credit System, Federal Home Loan Bank System, Federal National Mortgage Association, some of which are not explicitly backed by the full faith and credit of the U.S. Government.
- FDIC insured Certificates of Deposit, to be bought in increments up to the maximum insured limit per bank to assure insurance coverage and only at banks rated 165 ("Excellent") or higher, as rated by the Bank Financial Quarterly, issued by IDC Financial Publishing, Inc.

With the possible exception of the "ultra-short bond funds", no instrument will have a maturity at issue, or remaining maturity at purchase, of greater than twelve months. Generally, and depending upon the specific liquidity needs of the Foundation, a ladder strategy may be employed to further manage interest rate risk.

Amendment

This Policy may be amended, supplemented or rescinded at any time upon the approval of the Board of Directors. This Policy shall be reviewed by the Investment Consultant and the Finance Committee at least once every three years for potential modifications and enhancements.

Execution of Security Trades

The Board of Directors expects the purchase and sale of its securities to be made in a manner designed to receive the combination of best price and execution. HCCF recognizes that mutual fund shares are purchased and sold at the net asset value next determined after receipt of the order, and that accordingly, best price and execution may not be applicable to such transactions.

Investment Manager Selection, Ongoing Monitoring and Due Diligence

Manager Selection

The Board of Directors has delegated to the Finance Committee the responsibility to select Investment Managers upon the recommendation of the Investment Consultant. In selecting an Investment Manager, the Investment Consultant will make assessments of how the Investment Manager will fit into the existing investment portfolio and in a particular asset class or sub-asset class. This assessment is based on many factors, including but not limited to the following:

- Demonstrated ability to meet investment objectives;
- Sufficient organizational depth and continuity of investment professionals;
- Consistency of investment strategy and risk adjusted results;
- Historical up and down capture ratios;
- Confidence that past track record can be repeated in the future;
- Adequate reporting, administration and back-office support; and
- Fee structure.

Ongoing Monitoring

All Investment Managers will be evaluated based on a number of quantitative and qualitative factors. Such factors include, but will not be limited to: total return over time versus appropriate benchmarks and peer managers or investment universe; volatility (standard deviation); consistency and predictability of investment style; stability of key personnel; and overall performance over a market cycle.

Additional review will be performed by the Investment Consultant with consideration for possible termination of the Investment Manager for the following:

- Investment Managers with negative alpha for 3 and/or 5 year time periods;
- Investment Managers which perform below the median (50th percentile) of their peer group/investment universe over a 3-year period;
- Investment Managers which have expense ratios above the median (50th percentile) of their peer group/investment universe;
- Investment Managers that consistently perform below their applicable benchmark over multiple annual periods; and
- Investment Managers that undergo material organizational changes, including change in ownership, change in professionals, or evidence of wrongdoing.

The performance of the Investment Managers will be monitored on an ongoing basis by the Investment Consultant, and analysis and/or recommendations will be provided to the Finance Committee as deemed appropriate. The Finance Committee and Investment Consultant shall agree on appropriate benchmarks for each Investment Manager and/or asset class.

Due Diligence Policy

For an asset allocation strategy to be effective, each asset class must be represented by using a manager (or managers) that will best represent the class objective. Otherwise, the results will most likely be different than anticipated. This is particularly true during times of adversity or crisis.

A qualifying manager must be a registered investment advisor under the Investment Advisors act of 1940. The Consultant will decide which managers to use based upon their particular contribution to the Fund.

A rigorous research process, composed of both quantitative and qualitative review, is used to identify managers for strategy implementation.

Quantitative Analysis

The quantitative analysis narrows a large universe of qualifying managers into a small group of candidates. Managers who pass this phase of the research process have characteristics which give them a better likelihood of stronger future performance based on criteria outlined below. The goal is not to chase returns, but to select the funds with the best likelihood of success going forward. A *returns based style analysis* and a *holdings based analysis* are performed where helpful in establishing an accurate asset class fit.

Qualitative Analysis

The qualitative analysis involves an in-depth review of the management company and its history. A review of historical portfolios will be used to ascertain the true style and risk posture of the manager over time. Personal interviews and on-site office visits are made, when appropriate. Existing and potential new managers are continuously monitored/ researched in an attempt to identify the best managers for strategy implementation.

The research process involves first an evaluation of fund families to identify superior families, followed by an analysis comparing the individual managers of the approved fund families in each asset class.

Benchmarks and Reference Points

Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the managers used to implement the allocation. To measure the success of the allocation strategy, the Committee will use both domestic and global stock/bond mixes, as well as a Growth Allocation Reference Point. These benchmarks are described in Appendix A.

Benchmarks for Managers

To measure the success of the managers used to implement the allocation, each manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus. Fund families whose performance has, in aggregate, tended to be superior when compared to relative performance of other fund families will be deemed acceptable and thus generally used.

Other Considerations

Although short term underperformance will be tolerated and closely monitored by the Consultant, managers are normally expected to perform at or above their peer group averages over time. Both qualitative and quantitative measures have been developed to determine when a manager termination is appropriate.

The foregoing Investment Policy Statement has been approved:

Signatures:

Hendricks County Community Foundation, Inc.:

By:________________________________ ________________________
Board Chair Date

By:________________________________ ________________________
Treasurer Date

By:________________________________ ________________________
President & CEO Date

Investment Advisor:

By:________________________________ ________________________
Name and title Date

Appendix A:
Policy Asset Allocation

Asset Class	Target Allocation	Allowable Ranges
Equity:		
U.S. Equity	**30.0%**	**20.0% - 50.0%**
Non-U.S. Equity	**20.0%**	**5.0% - 40.0%**
Total Equity	**50.0%**	**25.0% - 60.0%**
Real Assets	**10.0%**	**0.0% - 20.0%**
Asset Allocation	**15.0%**	**0.0% - 30.0%**
Fixed Income	**25.0%**	**15.0% - 50.0%**

Cash and cash equivalent levels may be maintained as deemed appropriate by the Board of Directors and/or Finance Committee to meet liquidity and spending requirements.

Asset Class Summary

U.S. Equity – Portfolios are expected to focus on investments in the U.S. equity market.

Non-U.S. Equity – Portfolios are expected to focus on the world's developed and developing/emerging markets.

Real Assets – Investments include, but are not limited to, liquid funds that invest in real estate, oil & gas, timber, commodities, and natural resources.

Asset Allocation – Strategies may include investments in balanced funds (i.e., funds that invest in equities, fixed income, and other asset classes). Investments in liquid funds that allocate among various asset classes including hedge funds are permitted, subject to approval by the Finance Committee.

Fixed Income – Investments in both U.S. and non-U.S. fixed income securities are included in fixed income (including investment-grade and below investment-grade fixed income securities). Treasury Inflation Protected Securities ("TIPS") are included in the Fixed Income category.