INVESTMENT OBJECTIVES, POLICIES AND PROCEDURES

I. INVESTMENT OBJECTIVES

A. Rate of Return Requirements

The Community Foundation supports the charitable purposes of the communities comprising St. Joseph County, Indiana as set forth in the Articles of Incorporation and Bylaws. Spending from investment return provides operating support to individual programs throughout the community.

The primary investment objectives of the Foundation are to:

(1) Preserve the real purchasing power of the principal

(2) Provide a growing stream of income to be made available for spending, ideally keeping pace with inflation, in order to sustain the operations and grant-making capacity of the Foundation.

The long-term annualized rate of return objective for the total fund is inflation plus 5 percent. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund and the additional 5 percent is required to provide for spending.

Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. The total return strategy ensures that investment objectives will be met with the intent of maximizing the long-term return of the entire portfolio, both from market value increases (realized and unrealized capital appreciation) and from current yield (interest and dividends). Portfolio managers are free to prudently allocate assets in a manner that they believe will produce the highest total return without the constraint of generating a specified amount of income for distribution.

B. Risk Tolerance

In light of the Foundation's long-term time horizon and limited liquidity needs over and above a sound spending policy, the fund can assume an above-average level of risk as measured by market volatility. The asset allocation and investment manager structure and guidelines should ensure adequate diversification in order to reduce volatility. Investment managers are to make reasonable efforts to control risk and that level of risk will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

C. Specific Targets

Specific total rate of return goals are expected to be met on a cumulative basis over a 3 to 5 year time horizon. These goals are as follows:

(1) The total fund performance objective will be to achieve an annualized total rate of return (net of fees) equal to or exceeding the U.S. Government Consumer Price Index (C.P.I.) plus 5 percent.

In addition, the total fund is expected to exceed a constructed policy benchmark comprised of 75% All Country World Index (ACWI) and 25% Bloomberg Aggregate Bond Index, net of fees and commissions, over a 3 to 5 year period.

In addition, the total fund is expected to exceed a constructed standard benchmark comprised of 65% All Country World Index (ACWI) and 35% Bloomberg Aggregate Bond Index, net of fees and commissions, over a 3 to 5 year period. The total fund will also be evaluated relative to other tax-exempt institutional funds, such as educational endowments and foundations that have similar investment objectives

(2) Asset classes and individual investment managers will be benchmarked against appropriate market indexes or manager universes or both, net of fees and commissions, over a 3 to 5 year period. Asset class benchmarks are listed in Exhibit A.

II. INVESTMENT POLICIES

A. Investment Constraints

(1) Liquidity
Liquidity needs are low. Except for investment purposes and spending requirements, the fund requires no sizable liquid reserves. In addition, investing in marketable securities will enable the fund to raise cash on short notice if necessary.

(2) Time Horizon
The fund has a very long time horizon, which is typical for most foundations. The horizon extends well beyond a normal market cycle, and for the purpose of investment strategy, can be considered to be in "perpetuity."

(3) Laws and Regulations
Most endowment and foundation funds are governed by state regulations, which embrace the Prudent Investor Rule. The Prudent Investor Rule is a flexible legal investment standard that allows a fund fiduciary to utilize modern portfolio theory to guide investment decisions and requires risk versus return analysis. Therefore, a fiduciary's performance is measured on the performance of the entire portfolio rather than individual investments. The Foundation operates in accordance with the Indiana Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

(4) Tax Considerations
The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. This general exemption from tax does not apply to the

“unrelated business taxable income” (“UBTI”) of an exempt organization. As these tax payments will reduce the yield from these investments, the Foundation will consider the expected net after tax return in determining the appropriateness of an investment. The additional tax cost and reporting requirements of an investment will also be considered prior to the investment being made.

B. Policies and Guidelines

(1) The Foundation portfolio will be a broadly diversified portfolio of various equity, fixed income, and alternative investment asset classes. In order to achieve the inflation plus 5 percent return objective, the portfolio must have a heavy weighting in equities. The long-term strategic asset mix targets are provided as Exhibit B.

(2) Decisions regarding the allocations among asset classes, or the addition of new asset classes, will be made when such actions are expected to produce incremental return, reduce risk, or both. The various expected return, risk, and correlation characteristics of asset classes will be analyzed when making such decisions. It is expected that extreme positions will be avoided to prevent the possibility of a significant reduction in value given adverse market conditions.

(3) Investment firms managing Foundation portfolios are expected to act in an ethical manner and with integrity in all phases of the investment process. It is expected that, as a minimum requirement, investment managers will comply with The Code of Ethics and Standards of Professional Conduct as established by the CFA Institute.

(4) The purpose of the Foundation's public equity investment portfolio is to provide capital appreciation. The equity portfolio shall consist of marketable securities that may be purchased on recognized exchanges in the U.S. and, in the case of international stocks, throughout the world.

(5) The purpose of the Foundation’s private equity investment portfolio is to provide long-term capital appreciation in excess of public equity markets.

The Foundation generally accepts the fair value measures of private equity assets provided by the Foundation’s external investment managers based on favorable review of each manager’s

(a) FAS 157-compliant fair valuation policy and procedures; and

(b) Annual audit conducted by a nationally recognized accounting firm.

(6) The purpose of the Foundation's fixed income portfolio is to generate income and preserve principal by hedging against deflation, while limiting the volatility of the total fund.

(7) Money market funds rated "A-1" (Standard and Poor's) or "P-1" (Moody's Investors Service) or higher should be utilized.

(8) Strict adherence to specific elements of these guidelines may be waived by the Investment Committee when collective, pooled, or mutual funds are utilized to meet the Foundation's investment objectives. The Committee will monitor portfolio transactions to identify variances from the guidelines.

III. INVESTMENT MANAGER SELECTION AND PERFORMANCE EVALUATION

A. Manager Selection Criteria

Portfolio managers and/or trustees of Foundation assets shall be approved by the Board of Directors based upon recommendations from the Investment Committee. Exhibit C provides an overview of key investment manager selection criteria that will be utilized by the Committee to analyze prospective investment management firms. Particular emphasis will be placed on a firm's ethical and financial viability, organizational structure, and experience of key personnel in addition to their historical performance record in both up and down markets.

B. Performance Evaluation

The Investment Committee will meet on a quarterly basis to review managers' adherence to investment objectives and guidelines and portfolio management performance. In advance of these meetings, the managers shall provide written reports containing sufficient schedules and narrative to evaluate their performance relative to investment objectives and guidelines.

The portfolio managers shall meet with the Committee to review individual reports as requested.

The Chair of the Committee will report on the status of the investment portfolio and any actions taken to the Board of Directors at each Board meeting.

Performance shall be measured on a total return, time-weighted basis and presented for the most recent quarter, year-to-date, and the trailing year, 3 years, 5 years and 10 years. Performance for periods greater than one year should be expressed on an annualized basis. In order to facilitate performance comparisons, investment results should be reviewed net of fees. Portfolio managers' time-weighted total returns will be compared to the appropriate market benchmarks for the asset class, peer universes of active fund managers and managers of similar investment style, i.e., growth, value, small-capitalization growth, etc.

IV. SPENDING POLICY

The objectives of the Foundation's spending policy are to allocate total earnings from the portfolio between current spending and reinvestment for future earnings, and to provide a predictable and growing stream of income to beneficiaries of Foundation grants. Achievement of these dual objectives will ensure that the fund preserves real purchasing power in perpetuity while providing ongoing operational support to designated charitable activities. The long-term annual spending rate target from the Foundation is five percent (5%). The Foundation's spending policy seeks to distribute annually five percent (5%) of a 12-quarter moving average of each fund's quarterly market values calculated as of December 31st. Funds with four or more quarters of history may expend five percent (5%) of the average fund value based on ending quarterly values since inception until twelve quarters of history have been achieved. No distributions shall be made from funds with fewer than four quarters of history.

The Foundation's Spending Policy may be adjusted at the discretion of the Committee depending upon market conditions.

Donor Advised Philanthropic Funds (non-endowed) shall be administered in accordance with the terms of their contractual agreement with the Foundation. Therefore, compliance with the general spending policy outlined above is not anticipated or required.

VI. EXECUTION OF POLICIES AND PROCEDURES

Responsibility for execution of the policies and procedures outlined in this statement shall be delegated by the Board of Directors of the Foundation to the Investment Committee. The Committee shall be composed of no more than 8 members with a minimum of 3 current or former Board members. Additional members shall be selected from the community at large based on their recognized expertise in the financial services area. The Chair of the Investment Committee shall be a current Board member. Members of the Committee are to be appointed by the Chair of the Board of Directors of the Foundation annually.

VII. CONFLICT OF INTEREST

Committee members are required to make known to the Committee and the Foundation president conflicts of interest pertaining to their involvement with current or prospective Foundation investment managers (e.g. board membership, employment of self or relatives, business relationships, etc.) prior to any discussion or actions involving such investment managers. When such a conflict exists, the committee member shall leave the room when actions involving the relevant investment manager are being discussed. The committee member may respond to direct questions from other committee members regarding the relevant investment manager but shall not advocate on behalf of that manager unsolicited. Further, the committee member shall abstain from voting on such matters. The conflict of interest and related abstentions from votes taken shall be noted in the minutes of the meeting.

rev Jul 2008; rev May 2009; rev May 2011; rev Mar 2013; rev May 2014; rev Mar 2015; rev Mar 2017; Nov. 16, 2021, June 21, 2022

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Exhibit A

Asset Class	Benchmark
Equity-Public	All Country World Index (ACWI)
U.S. Ex-U.S.	CRSP US Total Market Index FTSE Global All Cap Ex-U.S.
Equity-Private	All Country World Index (ACWI)
Fixed Income	Bloomberg Aggregate Bond Index

Exhibit B

Asset Category	Strategic Target	Target Ranges
Global Stocks	80	75 - 85
U.S.	40	35 - 45
Ex. U.S. (International)	17	12 - 22
Private Equity	23	18 - 28
Fixed Income	20	15 - 25
Cash	0	0 - 5
Totals	100	

Rev Mar 2012; Rev May 2013, Rev Oct 2015; Rev Feb 2017; Rev Aug 2018; Rev Mar 2025

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EXHIBIT C

Investment Manager Selection Criteria

I. Investment Philosophy
   a. Coherence
   b. Faithfulness of execution
   c. Fit with the Foundation's structure and objectives
   d. Capacity
   e. Leverage
   f. Investment terms (fees, liquidity, lock-up, etc.)

II. Performance Record
   a. Against the market
   b. Against other managers
   c. Against other managers of similar philosophy

III. Personnel
   a. Experience (in years) of professional personnel
   b. Years that the group has been together
   c. Financial incentives
   d. Availability of key personnel
   e. Interest in the Foundation
   f. Personal chemistry with the Foundation
   g. Conflicts of interest

IV. Organization
   a. Appropriateness of asset size (current and planned) and philosophy for the Foundation
   b. Degree of administrative complexity as evidenced by account size and discretion
   c. Similarity of clientele or familiarity with particular Foundation characteristics
   d. Research capability (as required by philosophy)
   e. Financial and Ethical Viability
   f. Decision-making process / levels of accountability
   g. Compliance / monitoring protocols
   h. Operational efficiency
   i. Conflicts of interest