

HUNTINGDON COUNTY FOUNDATION

The foundation for the future.

INVESTMENT POLICY STATEMENT

Approved October 28, 2014

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EXECUTIVE SUMMARY

Type of Organization:Foundation

Time Horizon:Greater than 5 years

Expected Return:5% (3% over CPI)

Risk Tolerance: Low. Losses not to exceed -3% per year,
(Statistical confidence level of 95%)

1-Year Standard Deviation 5%

5-Year Standard Deviation 2%

| Asset Allocation: | <u>Lower Limit</u> | <u>Strategic Allocation</u> | <u>Upper Limit</u> |
|-------------------------------------|------------------------|---------------------------------|------------------------|
| Domestic Large Cap Equities Core | 50% | 60% | 70% |
| Domestic Small Cap Equity Core | 0% | 10% | 15% |
| International Equity | 0% | 0% | 10% |
| Domestic Fixed Income Core | 30% | 40% | 50% |
| Alternative Investments | 0% | 0% | 5% |

Evaluation Benchmark: Total return to exceed performance of a weighted index comprised of 50% S&P 500, 10% S&P 600, 40% BC Aggregate

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Foundation in effectively supervising, monitoring and evaluating the investment of the Foundation's assets. The Foundation's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Foundation's attitudes, expectations, objectives and guidelines for the investment of its assets.
- Setting forth an investment structure for managing the Foundation's assets. This structure includes various asset classes, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the investment time horizon.
- Encouraging effective communications between the Foundation and the money managers.
- Complying with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Foundation's assets and investments. This includes all relevant Pennsylvania statutes.

This IPS has been arrived at upon consideration by the Foundation of the financial implications of a wide range of policies and describes the prudent investment process that the Foundation deems appropriate.

OTHER PERTINENT INVESTMENT FACTORS

- The Foundation chooses to adopt an investment policy pursuing a total return approach to the management of the assets in its Portfolio.
- Each year spending will be equal to 4% of a moving average of the previous five years' yearend market values. The above notwithstanding and after the fund has 5 full years of experience, the change in the annual spending amount from year to year will never be less than 0%, nor more than 6%. This policy is intended to be consistent with the long-term preservation of the real value of the assets and to be governed by applicable federal and state laws.
- Absent unusual circumstances, stocks and bonds donated to the Foundation shall be sold upon receipt and the proceeds invested in accordance with this Investment Policy Statement.

- The foundation may employ consultants to gather, process, analyze, and display the pertinent information needed to effectively and efficiently implement policy and monitor the progress of the Portfolio versus stated objectives.

STATEMENT OF OBJECTIVES

The objectives have been established in conjunction with a comprehensive review and assessment of the Foundation's attitudes, goals, expectations, investment time horizon, risk tolerance level, present investment allocation, and current and projected financial requirements.

The objectives are:

- To maximize the return within reasonable and prudent levels of risk consistent with the liquidity needs of the Foundation.
- To provide exposure to a wide range of investment opportunities in various markets while limiting risk exposure through prudent diversification.
- To control costs of administering and managing the investments.

THE PORTFOLIO

The Portfolio will maintain an active allocation strategy. The portfolio will be permitted to invest in publicly traded marketable securities including, but not limited to, investment companies (mutual funds), common stocks, fixed income and cash or cash equivalents. Investment companies are selected and monitored on the basis of the following criteria:

- The manager's specification and adherence to a clearly articulated and appropriate investment philosophy and process.
- Stability in the manager's organization and personnel.
- Favorable comparisons of performance results to appropriate indices that take into account risk, asset class, and investment style.

From time to time, the Portfolio may also hold illiquid investments donated to the Foundation such as real estate, artwork, membership interests in private partnerships or other non-marketable securities. Money managers will not initiate these investments but shall, to the best of their abilities, track and maintain current valuations for reporting purposes and shall consider these as "alternative investments".

GUIDELINES AND INVESTMENT POLICY

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years; therefore interim fluctuations should be viewed with appropriate perspective. Similarly, the Foundation's strategic asset allocation is based on a long-term perspective.

It is the Foundation's intention to maintain sufficient liquidity at all times that are in excess of upcoming disbursements as well as unexpected cash flows.

Risk Tolerances

It is important to recognize the difficulty in achieving the Foundation's objectives in light of the uncertainties and complexities of contemporary investment markets. The Foundation has recognized and acknowledged that some risk must be assumed in order to achieve the long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability was considered. The Foundation's current financial condition, prospects for the future and other factors suggest collectively that some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

Performance Expectations

The initial target rate of return for the Foundation has been based upon the Callan Associates Capital Market Assumptions for the five years following the date of this document. It recognized that market performance varies and that this rate of return may not be meaningful during some periods.

Over a complete business cycle, the overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above the customized index comprised of market indices weighted by the strategic asset allocation of the Foundation.

Asset Allocation Constraints

The Foundation believes that his risk and liquidity posture is, in large part, a function of asset class mix. The Foundation has reviewed the long-term performance of various asset classes, focusing on balancing the risks and rewards of market behavior.

Based on the Foundation's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal Portfolio was identified as outlined in the Executive Summary.

Rebalancing of Strategic Allocation

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Foundation. If there are no cash flows, the allocation of the Foundation will be reviewed at least quarterly.

If cash flows are deemed to be insufficient to bring the Portfolio within the strategic allocation ranges, the Foundation shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges (Strategic Allocation).

DUTIES AND RESPONSIBILITIES

Investment Adviser (if one is hired)

The Adviser is responsible for assisting the Foundation in making appropriate asset allocation decisions based on the particular needs, objectives, and risk profile of the Foundation. The Adviser will be available on a regular basis to meet with the Foundation and periodically review the portfolio for suitability based on information provided by the Foundation.

Foundation

The Foundation must provide the Adviser with all relevant information on financial condition, net worth, and risk tolerances and must notify the Adviser promptly of any changes to this information. The Foundation should read and understand the information contained in the prospectus of each mutual fund in the Portfolio selected.

Reviewed and Accepted by:

Foundation

Date