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Investment Policy Statement

[redacted] (the "Foundation") wishes to amend its existing investment policy to govern the ongoing investment of all of its restricted capital, intended for the long-term benefit of the Foundation. Those assets will be managed by an Investment Committee appointed by the governing Board, and subject to this Investment Policy (the "Policy").

Purpose

The purpose of this Policy is to specify general rules on the management of the Foundation's long-term portfolio (the "Portfolio") and to serve as a manual in the daily work for persons working with the Portfolio. The Policy specifies, among other things:

- in which assets and within which limits the Portfolio's funds may be invested;
- how the management of its results shall be reported; and
- how the responsibility for management is to be delegated.

Goals

1) To preserve the purchasing power of the Portfolio; and

2) To support the current operations of the Foundation with a steady flow of annual distributions.

Philosophy

The process of achieving these two goals involves balancing the demands of the current beneficiaries on the Portfolio versus the demands of future beneficiaries. It is the responsibility of the Board as fiduciary of the assets to strike that balance.

In order to achieve the first goal, the Portfolio should grow its assets at an annual rate at least equal to the Policy spending rate plus inflation, net of all expenses. Inflation should be measured by an index that accurately reflects the cost of the goods and services consumed by the Foundation, that is, the Consumer Price Index.

To achieve the second goal, the Board should appropriate for expenditure a percentage of the assets of the Portfolio every year, calculated using spending rule intended to smooth fluctuations, and preserve principal to the extent prudent.

Implementation

The return target of 4.5% real growth after expenses requires a strong equity orientation in the investments of the Portfolio based on the long-term historical returns of equities and fixed income assets. The risk of large fluctuations in the value, and therefore the distributions of the Portfolio due to equity volatility can be reduced by employing a diversified asset allocation. Diversification can also help to protect the value and payout of the Portfolio against periods of unanticipated inflation or deflation, or other economic stresses.

There are three management tools available to the Investment Committee to generate investment return in the Portfolio. Those are: 1) security selection; 2) market timing; and 3) asset allocation. Of those three tools, only asset allocation is appropriate for a part time, volunteer investment committee to utilize. The Investment Committee shall recommend for Board approval, a long-term asset allocation intended to serve the Portfolio through an entire market cycle, and in a range of economic conditions. The Investment Committee may from time to time adjust the asset allocation, but such changes should be gradual, and not in response swings in the value of assets in the market, but rather fundamental changes which impact the ability of the current allocation to meet the long term goals of the Portfolio.

The Investment Committee will predominantly utilize passive investments, such as exchange traded funds (ETF's) and index funds from nationally recognized institutions, to manage the assets of the Portfolio, following the approved asset allocation.

The Investment Committee may use security selection and market timing as an investment approach only through delegation to active investment managers, who must be selected and overseen using an independent investment consultant. As the assets of the Portfolio grow, the Investment Committee may engage an investment consultant to advise on the management of the entire Portfolio. A person who has special skills or expertise, or who is selected in reliance upon the person's representation that the person possesses special skills or expertise, shall have a duty to use those skills or that expertise in managing and investing the Portfolio.

In managing and investing the Portfolio, the following factors, if relevant, shall be considered by the Investment Committee:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall investment Portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation;

- the needs of the Foundation and the Portfolio to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

Rebalancing

The Investment Committee will periodically rebalance the Portfolio back to the Policy targets in order to avoid taking unnecessary risks by allowing the Portfolio allocation to drift too far from the Policy targets (passive market timing). Rebalancing is important to maintain, and benefit from, diversification, by forcing the Investment Committee to buy low priced assets and sell high priced ones, and provides a steady flow of cash for distributions. It is also important to prevent the Investment Committee from making investment decisions based on short term or subjective factors.

The Foundation shall diversify the investments of the Portfolio unless the investment Committee reasonably determines that, because of special circumstances, the purposes of the Portfolio will be better served without diversification.

The Portfolio will be rebalanced quarterly, or at any time that any allocation is above or below its Policy target range.

Asset Allocation

The Investment Committee shall invest the Portfolio assets using the following asset allocation targets and ranges:

US Equities 30% (24% - 36%)
Foreign developed equities 20% (16% - 24%)
Emerging market equities 10% (8% - 12%)

Real Assets 10% (8% - 12%)

High yield 10% (8% - 12%)
Mid duration US Treasuries 10% (8% - 12%)
Treasury Inflation Protected Securities (TIPS) 10% (8% - 12%)

The goal of the equity allocation is to generate long term investment return through capital appreciation, and a small dividend stream. International and emerging market exposure provide geographical and economic diversification. The allocation will consist predominantly of equity securities.

The goal of the real assets allocation is to provide a hedge against inflation, while also providing investment return, which is not completely correlated to equity investments.

Yield (current return) on these investments may also be higher. The allocation may consist of REIT's, or commodity oriented equities.

The goal of the fixed income allocation is to provide diversification from equities through low or negative correlation, and reduced volatility. Fixed income assets also provide a ready source of cash when equity prices are depressed, and forced sales would damage the Portfolio's ability to recover from market declines. High yielding corporate credit, including but not limited to traditional high yield bonds, convertible bonds, and MLPs, provides a high current return with the potential for higher capital appreciation. US Treasuries offer the safety of the full faith and credit of the US Government to back their principal value. In times of deflation or economic stress, they provide substantial return when most other asset classes decline. The allocation should have an average maturity of 10 years to provide that protection. TIPS are also a full faith and credit obligation of the US Government, but have the added protection that the yield and principal value is protected from inflation since it is paid out in inflation adjusted dollars at maturity, so they offer a very pure inflation hedge. They also pay a minimum of the face value, so in times of deflation, they have a fixed downside providing additional protection.

Benchmarking

The investment performance of the Portfolio will be benchmarked in three ways. First measuring total assets after spending and expenses compared to inflation to verify the long term goal of preserving the real purchasing power of the Portfolio. Second, measuring investment performance and volatility compared to 60/40 stock/bond mix to measure the added value of diversification. Third, measure investment performance compared to the NACUBO (or similar) average for endowments of the same size range to verify that performance is comparable to similar funds.

Individual index funds will be compared to the index they are meant to follow to verify their tracking.

Portfolio Payout

The distributions from the Portfolio will fluctuate based on the market value of the assets of the Portfolio. Portfolio payout will be calculated annually using a hybrid spending rule. Payout will be determined 80% by the previous year’s payout adjusted for inflation (using the HEPI index), and 20% by the Policy spending rate (4.5%) multiplied by the beginning market value. The Policy spending rate may be adjusted from time to time to account for long term increases or decreases in the purchasing power of the Portfolio.

In making a determination to appropriate or accumulate, the Investment Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- the duration and preservation of the Portfolio;
- the purposes of the Foundation and the Portfolio;
- general economic conditions;
- the possible effect of inflation or deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Foundation; and
- this Statement.

Limitations

1) Limitations of issuers

Investment may not be made in companies that actively serve as co-founders or major partners to the Foundation. The manager shall be informed, in writing, by the Foundation about which company's stocks or bond programs are included in this group, which currently consists of the following:

- ABB Asea Brown Boveri Ltd.
- The Axel Johnson Group
- DaimlerChrysler
- Oriflame
- SAP AG
- Skandia
- TeliaSonera AB
- ICA AB
- Vattenfall
- Volvo Cars Sweden AB

This limitation does not apply to investments within mutual funds, index funds, exchange traded funds, hedge funds and/or privately structured vehicles such as limited partnerships or LLCs.

2) Pledging

The Portfolio may not be pledged, with exception for temporary pledges necessitated by applicable payment schedules when closing securities transactions.

3) Specific ethical considerations

In addition to above mentioned general investment principles, the Portfolio may not knowingly invest in companies which have in excess of 10% in total revenues from any and all of the following:

- Defense material / munitions
- Manufacturing of alcoholic beverages
- Tobacco processing
- Distribution and production of pornography
- Investments are not allowed in companies which use child labor (§32 UN's Children's Convention)

This limitation does not apply to investments within mutual funds, Index funds, exchange traded funds, hedge funds and/or privately structured vehicles such as limited partnerships or LLCs.

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