Central Indiana Community Foundation, Inc.
The Indianapolis Foundation
Legacy Fund, Inc.

Investment Policy Statement

Revised February 2016

I. Definitions

A. Purpose

This Investment Policy Statement was adopted by Central Indiana Community Foundation, Inc., The Indianapolis Foundation and Legacy Fund, Inc. (hereinafter collectively referred to as 'Foundations') to establish a clear understanding of the Foundations' philosophies and investment objectives. This document will describe the standards utilized by the Joint Investment Board ("JIB") in monitoring investment performance as well as serve as a guideline for any investment manager retained.

The Foundations share a purpose to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligation to support current and future community needs. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the real inflation-adjusted value of assets, is crucial to the long-term success of the Foundations.

B. Scope

This Policy applies to all assets that are currently included in the Foundations' investment portfolio which is referred to as the "CICF Endowment Pool" (hereinafter referred to as the "Fund").

C. Investment Objective

The primary investment objective of the Fund is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power of the Fund. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending.

D. Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, the JIB shall exercise prudence and appropriate care in accordance with the Uniform Prudent Investor Act (UPIA). UPIA requires fiduciaries to apply the standard of prudence "to any investment as part of the total portfolio, rather than to individual investments." All investment actions and decisions must be based solely in the interest of the Foundations. Fiduciaries must provide full and fair disclosure to the Foundations' boards and JIB of all material facts regarding any potential conflicts of interests.

As summarized for the purposes of this Investment Policy Statement, the UPIA states that the JIB is under a duty to the Foundations to manage the funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundations. In making and implementing investment decisions, the JIB has a duty to diversify the investments unless, under special circumstances, the purposes of the Foundations are better served without diversifying.

In addition, the JIB must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the JIB to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

E. Description of Roles

1. **Central Indiana Community Foundation, Inc. Board of Directors**
   The Indianapolis Foundation, Board of Trustees
   Legacy Fund, Inc., Board of Directors
   The individual Boards of each of the three Foundations have the ultimate fiduciary responsibility for their Foundation's investment portfolio. The Boards must ensure that appropriate policies governing the management of the Foundations are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates responsibility to the Joint Investment Board for implementation, execution and ongoing monitoring.

2. **Joint Investment Board (JIB)**

   Specific oversight responsibilities of the Joint Investment Board (the "JIB") in the investment process, to be performed with the advice and assistance of appropriate consultants, professional advisors, and staff include:

   - recommending spending parameters that can be supported while also preserving the purchasing power of the Fund;
   - achieving an optimum level of return within specified risk tolerances;
   - developing a sound and consistent investment policy including asset allocation, diversification and quality guidelines;
   - reviewing and re-establishing policy targets and target ranges as needed;
   - selecting and monitoring professional service firms to assist with the management of the Fund, including consultants, custodians, accountants, legal advisors, etc;
   - hiring investment managers to invest the Fund's assets and taking action under appropriate circumstances to discharge any such manager for failing to perform in terms of stated expectations;
   - determining rebalancing moves as needed to maintain the diversification within the portfolio relative to policy targets;
   - monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met;
   - meeting a minimum of four times per year to carry out the aforementioned responsibilities.

   The JIB is authorized to delegate certain responsibilities to assist it in properly meeting the overall Board responsibilities as outlined above to an Investment Sub-Committee (the "Sub-Committee").

3. **Management & Staff**
   The management and finance staff for CICF, including the CEO, CFO and Investment Analyst are responsible for the ultimate management oversight of the investments of the Foundations and will assure that the investment approach is aligned with the Foundations' overall strategic plan. Their specific responsibilities include:

- oversight of day-to-day activities of the Portfolio and the implementation of any changes approved by the JIB or sub-committee;
- periodic reporting to the JIB, donors and Board;
- maintaining adequate documentation for due diligence and on-going monitoring of all investments to meet annual audit requirements.

4. **Investment Consultant**

The investment consultant is responsible for assisting the JIB and management in all aspects of managing and overseeing the investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant is responsible for:

- a periodic review of the investment policy and objectives;
- the measurement and evaluation of the Fund and investment manager performance;
- the ongoing monitoring of investment managers currently employed;
- reporting on developments that have had, or may have, a material impact on Fund performance;
- advising the JIB with respect to asset allocation, asset classes, and managers.

F. Spending Policy

The current spending policy for the Fund is 5% as adopted by each of the three Foundations. The spending policy is subject to change, by the approval of each Board. The spending rate is applied to each fund's year end balance to calculate the recommended amount of grant distributions for the subsequent year. Based on years of research and analysis by various endowment and investment professionals, the Boards believe the 5% spending policy provides both investment growth and consistent grant distributions

II. Investment Philosophy

A. Strategy

The JIB understands the long-term nature of the Fund and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets. Real assets provide the added benefit of inflation protection.

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Fund, but is a residual to the investment process and used to meet short-term liquidity needs.

B. Asset Allocation

Asset allocation will likely be the key determinant of the Fund's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Fund, rather than judging asset categories on a stand alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Fund while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. To achieve these goals, the asset allocation will be set with the following target percentages and within the following ranges:

	Target	**Range**
U.S. Equity	**15%**	**10-25%**
Developed ex-U.S	**12%**	
Emerging Markets	**8%**	
Total Global Equity	**35%**	**20 – 50%**
Venture Capital / Private Equity	12%	5-25%
Total Public and Private Equity	**47%**	**25 – 75%**
Total Marketable Alternatives	**25%**	**15-35%**
Marketable Real Assets	3%	
Non-Marketable Real Assets	10%	
Total Real Assets	**13%**	**5-20%**
Fixed Income	12%	
Cash	3%	
Total Fixed Income & Cash	**15%**	**10-25%**
Total Assets	**100%**	

C. Rebalancing

The investment consultant will monitor the asset allocation structure of the Fund and attempt to stay within the ranges allowed for each asset category. If the portfolio moves outside of the ranges, the investment consultant will develop a plan of action to rebalance and advise the management staff and JIB or sub-committee of the plan. Normal net cash flows will be applied to maintain actual asset allocations as close to policy targets as is practical. At times, markets may move such that normal cash flows may prove to be insufficient to maintain the actual allocation within the permissible ranges. In those cases, balances should be transferred as practicable between the asset classes to bring the allocations back to the policy target.

D. Liquidity

A goal of the Fund is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. The JIB understands that in many instances, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process.

E. Guidelines For Managers

1. U.S., Global Ex-U.S., and Emerging Markets Equities

The investment objective for the total equity allocation as outlined above is to outperform (net of fees) the appropriate benchmark relative to each asset class (e.g. Wilshire 5000, MSCI EAFE, and MSCI Emerging Markets) as noted in the quarterly performance reports. To ensure that this objective is met, the performance of each equity manager shall be measured against an appropriate equity index and, where appropriate, against a manager peer group, (e.g., CA U.S. Equity Manager Universe) and evaluated over a series of 3 and 5-year periods.

Decisions as to individual security selection, security size and quality, number of industries or holdings, current income levels, turnover, and the use of options or financial futures are left to broad manager discretion, subject to the usual standards of fiduciary prudence. Equity managers may, at their discretion, hold investment reserves of either cash equivalents or bonds without limitation in terms of asset size or period of time, but with the understanding that their performance will be measured against stock indices as described above.

2. Fixed Income

The investment objective for the fixed income allocation is to outperform (net of fees) a blended benchmark consisting of 75% Barclay's Capital Aggregate Bond Index and 25% JP Morgan EM Bond Index+; however, sub-allocations to the asset class (i.e. developed and emerging markets) will be expected outperform their most relevant benchmark index as outlined in the quarterly performance reports. In order to insure that individual manager performance objectives are met, the performance of each manager will be measured against their defined benchmark index and, where appropriate, against a bond manager universe (e.g., CA U.S. Bonds Manager Universe) and evaluated over a series of 3 and 5-year periods.

Money market instruments as well as bonds may be used in the fixed income fund, but equities are excluded. The fixed income fund manager(s) may employ active management techniques such as interest rate anticipation and credit selection. Since the fund is designed as a deflation hedge, a minimum average duration close to the Barclay's Capital Aggregate Bond Index should be maintained over time.

In general, the fixed income portfolio shall be well diversified with respect to type, industry, and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

3. Marketable Alternative Assets Managers

The primary investment objective of the marketable alternatives asset allocation is to provide a return comparable to those of the long-only equities portfolio, while exhibiting approximately one-half to three-quarters of the volatility of the S&P 500 measured by the standard deviation of returns and a moderate correlation with the balance of the Endowment. To insure that this objective is met, the performance of each marketable alternatives manager will be measured against the HFRI Fund-of-Funds Composite Index and against an appropriate marketable alternative manager universe (e.g., HFRI Fund-of-Funds Universe) and evaluated over a series of 3 and 5-year periods.

Decisions as to individual security selection, security size and quality, number of industries or holdings, current income levels, turnover, and the use of options or financial futures are left to broad manager discretion, subject to the usual standards of fiduciary prudence.

4. **Private Equity/Venture Capital Managers**
The primary investment objective of the private equity and venture capital allocation is to enhance the returns of the equity portfolio and diversify the total investment program. The Sub-Committee will review and determine the appropriate level of commitment for each non-marketable alternative assets fund investment and monitor the fund performance over the stated term life relative to similar fund strategies. It is understood that these investments are illiquid and long-term in nature. As such, the NMAA program shall be measured relative to a long-term benchmark (rolling 10 years) of S&P 500 + 4%. In order to ensure individual manager performance in the interim, individual managers should be evaluated against their peer universe (e.g. CA U.S. Buyout Mean) in appropriate vintage years as defined in the quarterly performance reports.

5. **Real Assets Managers**
The primary investment objective of the real assets allocation (including liquid and illiquid allocations to real estate, oil & gas, energy, commodities, natural resources, and other assets) is to hedge against periods of unanticipated accelerating inflation. They also exhibit a low correlation to asset classes and may, at times, be priced attractively relative to other equities.

In the case of marketable real assets, decisions as to individual security selection, security size and quality, number of industries or holdings, current income levels, turnover, and the use of options or financial futures are left to broad manager discretion, subject to the usual standards of fiduciary prudence. The JIB and/or sub-committee will review and determine the appropriate level of commitment for each private real assets fund investment and monitor the fund performance over the stated term life relative to similar fund strategies. It is understood that these investments are illiquid and long-term in nature. As such, the private Real Assets program shall be measured relative to a long-term benchmark (rolling 10 years) of CPI + 5%. In order to ensure individual manager performance in the interim, individual managers should be evaluated against their peer universe (e.g. CA means of the comparable industry) in appropriate vintage years as defined in the quarterly performance reports.

III. Evaluation & Performance Measurement

A. Total Fund Benchmarks

The JIB seeks to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the JIB recognizes that over various time periods, the Fund may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: at least 5 years).

1. The primary objective of the Fund is to achieve a total return, net of fees, equal to or greater than spending, administrative fees, and inflation. The primary objective of the Fund is:

   Total Return greater than Consumer Price Index + 5% + Administrative Fees

2. A secondary objective is to obtain annualized returns in excess of the policy portfolio's blended benchmark (defined in the performance reports) as selected by the JIB measured over rolling 5-year periods. The financial and the investment objectives should be achieved within acceptable risk levels. The JIB recognizes that the real return objective may be difficult to

attain in every five-year period, but believes it should be attainable over the long-term (e.g., a series of five-year periods).

B. Manager Evaluation

1. Each active liquid (and hedge fund) investment manager will be reviewed by the JIB on an ongoing basis and evaluated upon the criteria listed below. The JIB expects the managers to outperform the benchmarks over a full market cycle (for measurement purposes: at least 5 years). The JIB does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may significantly underperform their benchmarks. Each investment manager will be reviewed on an ongoing basis and evaluated on the following criteria:

   a. Stability of the organization
   b. Retention of key personnel
   c. Absence of regulatory actions against the firm, its principals, or employees
   d. Adherence to the guidelines and objectives of this Investment Policy Statement
   e. Consistency in the style and capitalization characteristics defined as "normal" for the manager
   f. Performance compared to the appropriate benchmark and, for equity managers, produce positive alpha (risk-adjusted return) within reasonable volatility limits
   g. Performance compared to a peer group of managers with similar styles of investing

2. Although there are no strict guidelines that will be utilized in selecting managers, the JIB will consider the criteria above, as well as the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Fund already has invested with the firm.

3. Private Illiquid Managers
   The majority of private equity, private real estate, and natural resource funds will be invested with private partnerships. These partnerships typically range from 7-15 years in life, during which time the Fund may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-5 years (depending on the strategy). New investments will create a drag on fund performance in the early years (3-5 years) until these investments begin to mature. This drag on performance is often referred to as the J-curve, due to the shape created by plotting a line graph with performance on the y-axis and time on the x-axis. Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) calculations and compared to an appropriate peer group. An IRR calculated from the inception of the partnership will be the primary performance measurement tool utilized for all private equity, private real estate, and natural resource managers.

C. Permissible Investments

For separately managed accounts of the Fund, individual manager guidelines, which govern permissible securities and dictate other expectations, apply. Where investments are made in commingled or mutual funds, the permissible investments are governed by the appropriate fund prospectus.

It shall be the goal of the JIB that the entire Fund have no one investment manager represent more than 20% of the total market value of the Fund and that the securities of any single issuer will not represent more than 5% of its assets (at market value), with the exception of the U.S. government and its agencies.

All investments will be U.S. dollar-denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency-denominated securities. As a general guideline that should apply to all assets managed, transactions should be entered into on the basis of best execution, which is interpreted normally to mean best-realized price.

D. Illiquid and Semi-Liquid Investment Guidelines

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Fund may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the JIB cannot dictate policy. The JIB, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement and Limited Partnership Agreements.

The Fund is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Fund, potential tax ramifications must be considered during the investment analysis and selection process. The Fund shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Fund.

E. Derivative Security Guidelines

1. For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the JIB shall consider certain criteria including, but not limited to, the following:

   a. Manager's proven expertise
   b. Value added by utilizing derivatives
   c. Liquidity of instruments
   d. Amount of leverage
   e. Management of counterparty risk
   f. Manager's internal risk controls and procedures

2. The strategies in which derivatives can be used are:
   a. Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
   b. Portable Alpha – Derivatives (typically futures or swaps) will be used to generate “beta”, while the notional exposure amount is actively managed to generate “alpha”.
   c. Fixed Income – Derivatives will be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.
   d. Overlay/Transition Management – Derivatives (typically futures contracts) will be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.
   e. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure.

IV. Conflict of Interest Policy

The JIB will generally not consider investments in funds directly managed by a member of the JIB. In addition, a member of the JIB employed by, or in any way compensated by, an investment or other firm that provides services to the Fund will disclose such relationships to the JIB and recluse him/herself from all discussions and votes on existing or potential investment or other services managed or provided by that firm. The JIB recognizes, however, that certain exceptions to this policy may be appropriate. Such exceptions will be made only upon a majority vote of the disinterested members of the JIB. Alumnae and friends of the Institution who run investment products will be subject to the same due diligence process as other managers under consideration.

V. Acknowledgement

We recognize the importance of adhering to the philosophy and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this objective, and therefore, recognize that suggestions regarding appropriate adjustments to this Investment Policy Statement or the manner in which investment performance is reviewed are welcome.

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Central Indiana Community Foundation, Inc.	(Date)
______________________________	______________________________
The Indianapolis Foundation	(Date)
______________________________	______________________________
Legacy Fund, Inc.	(Date)
______________________________	______________________________
Investment Manager	(Date)
______________________________	______________________________
Cambridge Associates LLC	(Date)