

Ripley County Community Foundation

Investment Policy Statement Revised September, 2011

I. Statement of Purpose

The intent of this Investment Policy Statement is to establish guidelines that will govern the investment activities of Ripley County Community Foundation (RCCF) and any Registered Investment Advisor/Consultant or FINRA Registered Representative (Investment Consultant/Advisor) retained by RCCF to direct RCCF's assets and/or to provide investment advice regarding assets owned by RCCF including segregated accounts within RCCF. The policies and guidelines set forth herein are intended to be sufficiently specific to be meaningful, but flexible enough to permit the Finance/Investment Committee (Committee) to exercise informed discretion necessary to achieve RCCF's investment objectives and satisfy the unique requirements of RCCF's charitable programs.

II. Delegation of Responsibilities

The Board of Directors of RCCF (Board) has overall authority for RCCF's investment policy and hereby delegates to the Committee the responsibility for administration of the policy. The Board will maintain oversight authority for the overall investment management process. The Committee members will be appointed by the Executive Board

III. Duties of the Finance/Investment Committee

The Committee of RCCF shall have responsibility for: (i) formulating investment strategies, (ii) authorizing the acquisition and/or disposition of investments managed by "advisory" consultants (see IV), (iii) appointing Investment Consultants for segregated accounts held by RCCF to manage assets and/or provide investment advice regarding such assets, (iv) monitoring the portfolio for compliance with the approved policies and guidelines, (v) recommending changes and revisions to the policies and guidelines, and (vi) reporting to the Board on all material matters relating to the portfolio.

The Board recognizes that no policy can anticipate all situations, conditions, and opportunities that may arise. Therefore, the Committee may prudently deviate from this policy with such actions reported at the next regular meeting of the Board.

IV. Investment Consultant/Advisor(s)

An Investment Consultant/Advisor may not deviate from this policy without prior written approval from or recorded vote in the Committee. The Committee may approve prudent deviations from this policy with such actions reported at the next regular meeting of the Board. An Investment Consultant shall be characterized either as an "Advisory Consultant"

(hired to provide investment advice) or as a “Discretionary Consultant” (hired to direct and invest assets on a discretionary basis).

A. Advisory Consultant: An Investment Consultant hired to provide only investment advice and recommendations shall be referred to as an Advisory Consultant. Each Advisory Consultant must acknowledge, in writing, its acceptance of responsibility as described in this Article IV. Such written acknowledgement may be made using the form provided in Schedule A. Specific Responsibilities of an Advisory Consultant include:

1. Prompt execution of trades in accordance with instructions by RCCF.
2. Prompt liquidation of assets in accordance with instructions by RCCF.
3. Providing investment advice regarding changes to the portfolio based on this Investment Policy Statement and the goals of the investment account.
4. Reporting investment performance results of the investment account to RCCF, on at least a quarterly basis. Such report shall include an overall summary of the market during the reporting period including the performance of any relevant benchmark for the account.
5. Providing monthly valuation of the investment portfolio based on the previous month’s closing prices.
6. Communicating any major changes in the economic outlook, investment strategy, or any other factor that may affect implementation of the investment program, or affect the achievement of the investment objectives established by RCCF.
7. Informing RCCF of any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, and investment style deviation, among other items.

B. Discretionary Consultant: An Investment Consultant hired to provide discretionary management of assets shall be referred to as a Discretionary Consultant. Each Discretionary Consultant must acknowledge, in writing, its acceptance of responsibility as a fiduciary and as further described in this Article IV. Such written acknowledgment may be made using the form provided in Schedule A. Each Discretionary Consultant shall have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in the Statement. Other specific responsibilities of a Discretionary Consultant include:

1. Discretionary investment consulting, including the implementation of decisions to buy or sell securities and to alter asset allocation within the guidelines and investment objectives established by the Committee as set forth in this Investment Policy Statement.
2. Monitoring the cash position and, when necessary, liquidating investments in a timely manner to satisfy grant requests, fees, and other authorized disbursements.

3. Reporting investment performance results of the investment account to RCCF, on at least a quarterly basis. Such report shall include an overall summary of the market during the reporting period including the performance of any relevant benchmark for the account.
4. Providing monthly valuation of the investment portfolio based on the previous month's closing prices.
5. Communicating any major changes in the economic outlook, investment strategy, or any other factors that may affect implementation of the investment program, or affect the achievement of the investment objectives established by RCCF.
6. Informing RCCF of any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, and investment style deviation, among other changes.
7. Voting proxies on behalf of RCCF and communicating such voting records to RCCF on a timely basis.

V. General Investment Principles

1. Investments shall be made solely in the best interest of RCCF and consistent with the guidelines and objectives established by the Committee.
2. The segregated accounts within RCCF and the total portfolio shall be invested with care, skill, prudence, and diligence under the prevailing circumstances that a prudent person in a like position would exercise under similar circumstances and in a manner the Committee reasonably believes to be in the best interest of RCCF.
3. Investment of RCCF assets shall generally be so diversified as to minimize the risk of large losses.
4. RCCF may employ one or more investment consultants of varying styles and philosophies to attain the overall investment objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return yield.

VI. Investment Objectives

RCCF's assets shall be managed in such a manner that assures funds are available to satisfy grants, thereby fulfilling our Foundation's mission in support of our community. The primary investment objective for segregated accounts within RCCF and for the total portfolio shall be to achieve over any five-year period a rate of return, time-weighted to adjust for inflows and outflows, that is greater than the increase in the Consumer Price Index and at least equal to the risk-adjusted return of standard market indices (see Schedule B) deemed appropriate by the Committee. This formulation creates an "absolute basis (CPI)" and a "comparative basis (market indices and benchmarks)" in establishing goals and objectives for measuring investment performance.

VII. Volatility of Returns

RCCF recognizes that in order to achieve its objectives for RCCF assets, the investments will experience volatility of returns and fluctuations in market value. RCCF will tolerate some volatility as measured against the risk/return analysis of standard market indices deemed appropriate by the Committee. An Investment Consultant may propose an appropriate benchmark to gauge its investment performance. The benchmark, which may include one or more indices, will be used as a measure of the Investment Consultant's performance as well as to measure the allowable volatility (risk).

VIII. Marketability of Assets

RCCF generally requires that the majority of its assets shall be invested in liquid, publicly-traded securities, subject to the exception process described in this Investment Policy Statement. Exceptions must be approved in writing by the Committee, *in advance of the investment*, if the Investment Consultant presents an acceptable investment plan. Liquid securities are those that can be transacted quickly and efficiently for RCCF absent significant liquidation penalties or fees and with minimal impact on market price.

IX. Investment Guidelines

It is RCCF's intention to avoid employing market-timing techniques and to eschew high portfolio turnover rates. An Investment Consultant may petition the Committee for its approval of investments or investment strategies, including those prohibited by Paragraph 2 of the Article IX. If an Investment Consultant desires to invest in a manner that requires approval by the Committee, the Investment Consultant agrees to submit a written investment plan to the Committee. The Committee will review all investment plans proposed by an Investment Consultant. Any exception to this Investment Policy must be approved in writing by the Committee, *before the investment is made*.

The following pre-set boundaries apply to the investment of RCCF's assets:

1. Specifically allowable investments
 - a. Cash equivalents
 - Treasury bills
 - Money market funds
 - Commercial paper
 - Repurchase agreements
 - Certificates of deposit so long as RCCF's exposure does not exceed the insurance limits available through the FDIC, NCUA and/or similar agencies
 - Inter-bearing checking and savings accounts.
 - b. Publicly traded fixed income securities
 - U.S. government and agency securities
 - Corporate notes and bonds

- “Convertible” bonds and notes
 - Mortgage-backed bonds and asset-backed bonds
 - Preferred stock
 - Securities of foreign (non-U.S.) entities denominated in U.S. Dollars
- c. Publicly traded equity securities
- Common stocks
 - Convertible preferred stock
 - American Depository Receipts of non-U.S. companies
 - Securities of foreign (non-U.S.) entities denominated in U.S. Dollars
 - Managed Futures
- d. Investment management companies (open end mutual funds, closed-end funds, and exchange-traded funds “ETF’s”)
- Management companies which invest in Real Estate, REITs, and/or Commodities
 - Management companies which invest in securities that are allowed in this Statement¹
- e. Covered “Call” and “Put” options
- f. Subject to prior written approval by the Committee, fixed annuities and variable annuities, which invest in investments that are allowed in this Statement. All annuities must be issued by a commercial insurance company with high financial ratings. The issuing company must be rated in the top two rating levels by any two of the following insurance company rating services: AM Best rating of A+ (2nd highest rating level of 15 categories) or higher; Standard and Poors rating of AA+ (2nd highest rating level of 20 categories) or higher; Fitch Financial Strength rating of AA (2nd highest rating level of 24 categories) or higher; Moody’s Investors Service “Long-Term Insurance Financial Strength” rating of Aa (2nd highest rating level of 9 categories) or higher.
- g. Hedge Funds or Fund of Funds Hedge Funds. Alternative investments, including but not limited to Commodity Funds, master limited partnerships, and private equity.

¹ Some mutual funds invest in derivative securities, including options and futures, to achieve certain portfolio objectives. The use of options and futures as hedges is not prohibited and will not disqualify the mutual fund investment. However, the use of options and futures by mutual funds must be analyzed to ensure that these securities are not used to speculate, to create leverage and/or result in unacceptable risk.

h. Subject to prior written approval by the Committee, life insurance contracts including variable life insurance contracts, which invest in investments that are allowed in this Statement. All life insurance contracts must be issued by a commercial insurance company with high financial ratings. The issuing company must be rated in the top two rating levels by any two of the following insurance company rating services: AM Best rating of A+ (2nd highest rating level of 15 categories) or higher; Standard and Poors rating of AA+ (2nd highest rating level of 20 categories) or higher; Fitch Financial Strength rating of AA (2nd highest rating level of 24 categories) or higher; Moody's Investors Service "Long-Term Insurance Financial Strength" rating of Aa (2nd highest rating level of 9 categories) or higher.

2. Specifically unallowable investments or investment practices (without prior, *written* approval from the Committee)
 - Debt financed investments, including margin purchases
 - Short-selling
 - Derivative securities, including options and futures contracts, except inside mutual funds, annuities or life insurance
 - Restricted stock
 - Closely-held companies
 - Real Estate Property directly owned by the Foundation
 - Non-public Real Estate Investment Trusts (REITs)
 - Non-public Partnerships
 - Loans to individuals or businesses (except specifically allowed fixed income securities as previously defined)
 - Artwork
 - Other non-marketable, hard-to-value assets
3. In the event that RCCF receives publicly marketable securities or non-publicly traded securities as a gift into the portfolio, this policy dictates that such securities are to be liquidated as soon as reasonably possible unless otherwise directed.

Each Investment Consultant shall advise the Committee of any restriction within this Statement that prevents the investment plan from obtaining the objectives and goals set forth herein.

X. Safekeeping and Custody

All investment securities purchased by each Investment Consultant or held as collateral on deposit or investment shall be held in third-party safekeeping at an insured depository. All securities in segregated accounts shall be held in the name of Ripley County Community Foundation and shall be free and clear of any liens. Further, all investment transactions shall

be transacted on a cash, regular (next day) or skip-day settlement basis. The depository shall issue a safekeeping receipt to RCCF listing the specific securities and other pertinent information. The depository will also provide reports that list all securities held for RCCF as required by the Committee. The appropriate officials and representatives of the depository responsible for, or in any manner involved with, the safekeeping and custody process of the RCCF assets shall be bonded in such a fashion as to protect RCCF from losses from malfeasance and misfeasance.

XI. Performance Review and Evaluation

Investment performance shall be measured based on total return (that is, the aggregate return from capital appreciation, dividend and interest income) rather than a cash yield basis. Performance reports generated by the Investment Consultant shall be compiled at least quarterly and submitted to RCCF for review. The investment return on the segregated accounts and the total portfolio will be measured against commonly accepted performance benchmarks and standard market indices. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines set forth in this Statement. See Asset Allocation, Benchmarks, and Total Portfolio Policy Index (Schedule B)

All investment returns shall be measured and reported net of portfolio managers' fees and consultant fees.

RCCF intends to evaluate the segregated accounts and the total portfolio over at least a five-year period, but reserves the right to terminate an Investment Consultant for any reason including the following:

1. Investment performance which is significantly less than the established benchmark given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Investment Policy Statement, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

The Committee shall review the performance of the Investment Consultant at least annually. A written summary of the annual investment review shall be conveyed to RCCF's Board at a regularly scheduled Board Meeting.

XII. Investment Policy Review

To ensure continued relevance to the guidelines, objectives, financial status and capital market expectations as established in this Statement, the Finance Committee intends to review this Investment Policy Statement annually.

Ripley County Community Foundation

Schedule A

ACKNOWLEDGEMENT BY INVESTMENT MANAGER

The undersigned acknowledges receipt of and accepts the terms and conditions of the Investment Policy Statement of Ripley County Community Foundation.

The undersigned further elects to provide services to Ripley County Community Foundation for the _____ account as a(n):

- Advisory Manager

- Discretionary Manager

By: _____

Printed: _____

Date: _____

Please print this page, sign and return to
the Ripley County Community
Foundation by fax at 812-933-0096 or by
mail to the address below

Asset Allocation Model

Schedule B

Asset Class	Long-term Target Weights	Range Min	Range Max
Equities	60%	35%	70%
Large Cap Equities (Domestic and Foreign)		30%	50%
Mid Cap Equities (Domestic and Foreign)		10%	35%
Small Cap Equities (Domestic and Foreign)		5%	20%
Emerging Market Equities (Multi-Cap)		0%	15%
Fixed Income	30%	15%	40%
Core Fixed Income		10%	30%
Treasury Inflation Protected Securities		0%	20%
High Yield		0%	10%
Emerging Market Debt		0%	10%
International Fixed Income		5%	15%
Alternative Investments	10%	0%	25%
Real Estate, Private and Public		0%	15%
Commodity Index Funds		0%	15%
Master Limited Partnerships		0%	15%
Private Equity		0%	10%
Managed Futures		0%	10%
Hedge Funds (multi-strategy/multi-manager “fund of funds”)		0%	10%
Cash	0%	0%	10%

The Committee recognizes:

1. US (Domestic) and Foreign (International) Equity Investing: As the world’s economies and capital markets have grown in competition with each other, and as investment reporting is trending toward more uniformity and transparency, the line of distinction between investing domestically and “overseas” has blurred. Therefore, we do not set specific allocation targets in these two categories.
2. Equity Investing Styles (Value versus Growth): Value stocks, over long stretches of time (10-year, 15-year, 20-year periods) have outperformed growth stocks but growth stocks have significant spans of outperformance compared to value stocks. Therefore, the Committee stipulates that the equity portion of the portfolio will have an overweight bias to value, but such bias is not designated in specifically targeted percentages.
3. Cash: Reported cash on the Asset Allocation Model will consist of cash and cash equivalents held directly as such. Cash as held inside various investment management firms’ portfolios is not considered as cash in the reporting format of the Asset Allocation Model.

The Ripley County Community Foundation's Master Benchmarks/Index Policy:

Weight	Index	Asset Category
42.5%	Russell 1000	US Equity
22.5%	MSCI EAFE	Foreign Equity
35%	Barclays Capital Aggregate US Bond Index	Fixed Income

Russell 1000 Index

The Russell 1000 Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the US market by market capitalization.

The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

MSCI EAFE

The MSCI EAFE Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI (Morgan Stanley Capital Index) country indices that represent developed markets outside of North America: Europe, Australasia, and the Far East.

The MSCI EAFE Index is calculated in US Dollars on a real time basis and disseminated every 60 seconds during market hours.

Barclays Capital Aggregate Bond Index

The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most US traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected Securities are excluded, due to the tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in the US.

The Barclays Capital Aggregate Bond Index is an intermediate term index. The average maturity as of December 31, 2009 was 4.57 years.