Coastal Community Foundation of South Carolina

Investment Policy Statement

I. INTRODUCTION

A. This Investment Policy Statement (this "Policy") was adopted by the Coastal Community Foundation of South Carolina ("Community Foundation") to establish a clear understanding of the Community Foundation's investment philosophy and investment objectives. The Investment Policy Statement defines the Community Foundation's investment objectives and the responsibilities and standards applicable to those involved in the investment and management of the Portfolio.

B. The purpose of the Community Foundation's investments is to accumulate a pool of assets sufficient to build community 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 Community Foundation.

C. The Board of Directors has delegated to the Investment Committee management and investment functions but retains the authority to act on all investment matters and to approve the Investment Policy Statement.

D. This Investment Policy Statement is not intended to constitute a legally binding agreement between the Coastal Community Foundation of South Carolina and Investment Consultant(s) or Investment Manager(s). Any agreement with Investment Consultant(s) or Investment Manager(s) will be consistent with the Policy and be pursuant to a separate, written agreement with such party. It is recognized that from time to time the Board's and the Investment Committee's policies, expectations, and objectives may change. Therefore, this Policy is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation. This Policy is intended to be a summary of an investment philosophy and the procedures that provide guidance for Community Foundation, the Board, Investment Committee, Investment Consultant(s), and Investment Manager(s).

II. COASTAL COMMUNITY FOUNDATION'S MISSION AND THE PORTFOLIO

A. The Coastal Community Foundation was established in 1974 as a non-profit corporation under the laws of the State of South Carolina and is governed by the community Foundation's Board of Directors. The Community Foundation has been recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is classified as a public charity. The Community Foundation's mission is to carry out exclusively charitable and educational purposes, primarily in and for the benefit of coastal South Carolina and such other geographic areas as the Board of Directors may from time to time designate. The Foundation's charitable purposes include:

(i) the administration for charitable purposes of property donated to the Foundation;

(ii) the distribution of property in accordance with the terms of gifts, bequests, or devises to the Foundation in accordance with determinations by the Board of Directors pursuant to its By-Laws;

(iii) the distribution of property for qualified charitable purposes;

(iv) the disposition, from time to time, of property held by the Foundation in such manner that will effectively serve its charitable purposes, notwithstanding changed conditions that may arise in the charitable and educational needs of the Service Area of the Foundation from the time of the original receipt of the property by the Foundation from a donor; and

(v) the conduct of activities intended to improve regional philanthropy and to encourage wise use of resources that have been dedicated to charitable purposes.

B. The Portfolio consists of managed funds which are funds to support the Coastal Community Foundation's current and future operations, serve as a continuing resource during economic downturns, and provide an additional source of support for the Community Foundation. The Portfolio is designed to ensure long-term financial security to the communities we serve and to provide an ongoing source of funding in perpetuity for the Community Foundation's activities, programs, and operating expenses.

III. THE ROLE OF THE INVESTMENT POLICY STATEMENT

A. Purpose

1. The purpose of this Investment Policy Statement is to provide guidelines for the prudent management of Coastal Community Foundation's investments and is intended to assist the Community Foundation's Investment Committee and the Board of Directors (the "Board") in the investment objectives and the responsibilities and standards applicable to those involved in the investment and management of the Portfolio.

2. The purpose of the Community Foundation's Portfolio is to support current community needs and to accumulate a pool of assets sufficient to build community capital for future use. 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 Community Foundation.

3. The Community Foundation's investment objectives are first to safeguard and preserve the real purchasing power of the Portfolio sufficient to meet its philanthropic and operational requirements and second to earn investment returns

that are commensurate with the Community Foundation's risk tolerance. The specific investment objectives for the Portfolio, for both the Pooled Fund and for the Un-Pooled Funds**,** are set forth below.

B. Scope

This Policy applies to all assets that are included in the Community Foundation's investment portfolio for which the Investment Committee has been given discretionary investment authority. The Community Foundation intends that all of its long-term assets should be managed under this Investment Policy Statement. Any deviations from this Investment Policy Statement must be approved by the Investment Committee in writing.

C. Fiduciary Duties

In seeking to attain the investment objectives set forth in the policy, the Investment Committee and its members will exercise prudence and appropriate care in accordance with the South Carolina Uniform Prudent Management of Institutional Funds Act, South Carolina Code of Laws, Sections 34-6-10 through 100, enacted in 2008 (#0289 of 2008), which includes the following statement of the governing fiduciary duty:

"Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, will consider the charitable purposes of the institution and the purposes of the institutional fund. In addition to complying with the duty of loyalty imposed by law other than this chapter, each person responsible for managing and investing an institutional fund will manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances".

All investment actions and decisions must be based solely in the interest of the Community Foundation. All persons providing investment advice or other services to the Investment Committee must meet this statutory standard for fiduciaries and therefore must provide full and fair disclosure to the Investment Committee of all material facts regarding any potential conflicts of interests. See Article VII B. hereof.

D. Responsibilities

1. Board of Directors

The Board of Directors has the ultimate fiduciary responsibility for the Community Foundation's investment portfolio. The Board must ensure that appropriate policies governing the management of the Community Foundation's assets are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets investment policy, approves the

Investment Policy Statement, and delegates responsibility to the Investment Committee for implementation and ongoing monitoring.

2. Investment Committee

The Investment Committee is responsible for implementing the Investment Policy. This responsibility includes approving asset allocation targets and ranges; establishing and modifying investment strategy; engaging and terminating investment managers, custodians, and investment consultants; monitoring performance of the investment portfolio on a regular basis (at least quarterly); and maintaining sufficient knowledge about the Portfolio and its managers and investment consultants to be reasonably assured of their compliance with the Investment Policy Statement.

3. Vice President of Finance and Chief Investment Officer (CIO)

The Vice President of Finance and CIO have daily responsibility for administration of the Community Foundation's investment portfolio and will consult with the Investment Committee and/or the Board of Directors on all matters relating to the investment of the Community Foundation's portfolio. The Vice President of Finance and CIO will serve as primary contact for the Community Foundation's investment managers, investment consultants, and custodians. The Vice President of Finance and CIO will work with the Investment Consultants to prepare reports and research requested by the Committee. The Vice President of Finance and CIO will work with the Chair of the Investment Committee in setting the meeting agendas.

4. Investment Consultant

The Investment Consultant is responsible for assisting the Investment Committee in all aspects of managing and overseeing the Community Foundation's investment Portfolio. The Investment Consultant is the primary source of investment education and investment manager information. On an ongoing basis the Consultant will:

a. Provide the Investment Committee with quarterly performance reports within 30 days following the end of the quarter.

b. Meet with the Investment Committee at least quarterly, and more frequently as needed.

c. Monitor the activities of each investment manager or investment fund.

d. Supply the Investment Committee with other reports or information as reasonably requested.

e. Recommend engaging and terminating investment managers.

f. Review the Investment Policy Statement and the Asset Allocation with the Investment Committee annually.

g. Advise the Investment Committee at least annually of the details of any relationships or transactions between it and its affiliates (i.e., parent company, subsidiaries, or materially jointly-owned entities) and the investment managers it recommends to the Community Foundation.

h. Provide periodic reports on the macro outlook for the economy and the potential effects on the portfolio.

i. Perform all due diligence on investment managers, custodians, and other vendors. Report immediately all qualitative (as well as quantitative) issues with respect to investment managers, custodians, and other vendors. This responsibility includes but is not limited to reporting to the Investment Committee the following additional due diligence criteria:

i. <u>Qualitative</u>
Personnel
Investment Process
Quality of Research
Implementation of Process
Business Evaluation

ii. <u>Reliability of Composite Returns</u>
Quality of Composite
Dispersion

iii. <u>Distinguishing Features of Firms</u>

iv. <u>Strengths of Firm/Discipline</u>

v. <u>Points of Consideration</u>

vi. <u>Current Issues</u>

vii. <u>Quantitative</u>
Rolling Five Year Annualized Returns
Standard Derivation
Beta
Sharpe Ratio
Alpha

The Investment Committee will formally review the investment consultant every three years and will provide a report to the Board of Directors of the outcome of the review.

5. Custodian

The Custodian is an integral part of managing and overseeing the Community Foundation's Portfolio. Open communications by the Custodian with the Community Foundation, its Investment Managers, and its Investment Consultant will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

The Custodian will provide monthly transaction reports no later than the fifteenth business day following month end, and monthly asset reports no later than the tenth business day following month end.

IV. INVESTMENT OBJECTIVES

A. Broad Objectives and Constraints

The first overall, long-term investment goal of the Community Foundation is to achieve an annualized total return (net of investment management fees and expenses), through appreciation and income, greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus the spending rate and fees (currently 5%), thus protecting the assets against inflation. Thus, the funds under the responsibility of the Investment Committee will be invested with the objective of preserving the long-term real purchasing power of the Portfolio's assets. Second, the Investment Committee will prudently seek an appropriate level of investment return. More specifically, the Community Foundation's investment objectives and constraints for the Pooled Fund include the following:

1. **Preservation of Purchasing Power**

   The Community Foundation aims to at least preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (described below) and the rate of inflation.

2. **Long-Term Growth**

   The Community Foundation seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.

3. **Time Horizon**

   The Community Foundation intends to invest for the long-term, with the total return on the Portfolio evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Community Foundation's objectives, but the Community Foundation aims to attain its objectives over a series of five-year periods.

4. **Risk Tolerance**

The Community Foundation seeks to mitigate risk in its Portfolio through diversification. The Community Foundation recognizes and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives of the Portfolio. In establishing its risk tolerance, the Community Foundation's ability to withstand short-and intermediate-term variability, as well as the statistical probability of loss for a given period of time for the Portfolio, is evaluated by the Investment Committee.

5. **Liquidity Requirements**

The Community Foundation seeks investment returns that will maintain adequate liquidity to meet its operational requirements for each one-year period as determined by the Board. The Board or Investment Committee will inform the Investment Consultants(s) (as defined below) of any anticipated need for additional liquidity as such need becomes known. The Investment Consultants(s) will presume no liquidity needs other than those provided by this Policy, the Board, or the Investment Committee.

B. Strategy

The Board and Investment Committee understand the long-term nature of the Fund and consider that investing in assets with higher return expectations outweighs their short-term volatility risk. An equity-oriented strategy is required to meet the Fund's investment objectives. As a result, the majority of assets will be invested in equity or equity-like securities.

Real Assets (real estate and natural resources) will be additive to growth in the portfolio. Real assets provide the added benefit of inflation protection.

Fixed income and diversifying 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.

C. Division of Assets for Investment Management Purposes

The long-term investment funds for the Community Foundation are divided into two pools for purposes of investment management: the Pooled Fund and the Un-Pooled Funds.

1. The Pooled Fund represents the major portion of the funds for long-term investment. For these funds, the Investment Committee retains complete responsibility for the selection of the external investment managers, along with all other aspects of investment policy.

2. The Un-Pooled Funds refer to those long-term assets managed by selected investment management firms outside the Pooled Portfolio. The Investment Committee maintains all fiduciary responsibilities for these assets and for setting investment policy. The investment managers for these funds are expected to comply with this investment policy. Prior to acceptance, the Investment Consultant will perform all due diligence on Un-Pooled managers and custodians as specified in this Investment Policy Statement and will recommend initial acceptance or rejection of this manager to the Investment Committee. The Investment Consultant will perform ongoing due diligence on all Un-Pooled managers.

D. Spending Policy

The distribution rate is based upon a total return approach, which utilizes both income and capital withdrawn for spending. The maximum allowable spending amount (grantable amount plus foundation fees) for fully endowed funds will target 5% (4% grantable plus 1% foundation fees) of the average of the previous 20 quarters of the fund's market value. Where the fund has not been in existence for 20 quarters, the actual number of quarters that the fund has been in existence will be used as the divisor. This Spending Policy does not apply to those funds where the fund agreement spells out a separate spending calculation. In order to maintain this spending percentage, the Community Foundation's goal (apart from CPI plus 5% each year) is to achieve a 5-year average net investment return of 7.5% or more. The Investment Committee and the Community Foundation Board must approve the distribution rate. The full Community Foundation Board, at its next regular meeting, must ratify the Committee decisions. If the full Community Foundation Board does not ratify the Investment Committee's spending policy decisions, new guidelines must be proposed and approved as promptly as possible.

E. Prudence Considerations

In managing and investing the Portfolio, the following factors, if relevant, must be considered:

- 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 Portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Community Foundation;
- the needs of the Community Foundation and of particular funds in the Portfolio to make distributions and to preserve capital;
- an asset's special relationship or special value, if any, to the charitable purposes of the Community Foundation;

- the requirement of diversification unless specifically not required;
- liquidity considerations;
- the impact of management or administration costs; and
- risk management.

F. Asset Allocation

Asset allocation will likely be the key determinant of the Portfolio's return 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 will be based on the impact to the total Portfolio, 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 Portfolio, 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:

Pooled Fund:

ASSET CATEGORY	TARGET	RANGE
Global Equity	57.0	47 - 67 %
Global Fixed Income	18.0	10 - 30
Real Assets	15.0	5 - 25
Diversifying Strategies	10.0	0 - 20
Cash	0.0	0 - 10

Un-Pooled Funds:

Asset Class	Target Weights	Min	Max
US Equities	55.0%	45.0%	65.0%
International Equities	20.0%	15.0%	25.0%
Fixed Income	25.0%	20.0%	30.0%
Cash	0.0%	0.0%	10.0%

G. Rebalancing

The Vice President of Finance will monitor the asset allocation structure of the Portfolio and attempt to stay on target or at least within the ranges allowed for each asset category. If the Portfolio moves outside of the ranges the Vice President of Finance, with advice from the Investment Consultant, will develop a plan of action to rebalance. Each quarter the Investment Committee will be apprised of the asset categories' positioning relative to the target. In many cases, the additions of new money or withdrawals for spending will be used to rebalance in a cost effective manner.

H. Liquidity for Pooled Fund

A goal of the Pooled 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 Committee 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 ongoing Portfolio construction process.

I. Liquid and Semi-Liquid Investments

Illiquid investments include private equity, private debt, real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

1. Private Equity

The objective of the private equity allocation is to outperform, over the long-term, the public equity markets by 3-5% points, net of fees. The return premium exists due to the higher risk, lack of liquidity, and the uneven distribution of information and access inherent in private markets.

For the private equity allocation to achieve the expected objectives without unnecessary risk, the Pooled Fund should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall private equity allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Category

The target allocations to venture capital, buyout, and special situations (distressed, mezzanine, infrastructure, etc.) will serve as a guideline for committing capital. As commitments to private equity are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns. "Vintage years" are the year in which the first influx of investment capital is delivered to a project or company. This marks when capital is contributed by venture capital, private equity fund, or a partnership drawing down from its investors. Careful consideration should be given to the "J" curve effect when investing in private equity and to space out private equity investments such that it mitigates, as much as possible, this effect on the overall portfolio.

c. Manager

Investments should be considered with several private partnerships (or a fund of funds) to mitigate manager specific risk, as well as deal specific risk.

d. Stage, Size of Firms, and Types of Firms

Investments should be considered across the life cycle of businesses. Within venture capital, this includes early, mid, and late stage companies. Buyout investments consist of small, mid, and large market firms, and may be in the form of traditional buyouts, growth equity, recapitalizations, or restructuring.

e. Geography

Investments should be considered across the U.S. and internationally (developed and emerging markets).

f. Sector

The Pooled Fund should be diversified by sector, as well as across industries within a sector.

2. Private Real Estate

The objective of the private real estate allocation is to provide low correlation to the public equity and fixed income markets and serve as an inflation hedge.

For the real estate allocation to achieve the expected objectives without unnecessary risk, the Pooled Fund should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular region or property type, but the overall real estate allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Categories

Private real estate investments should be considered in either value-added or opportunistic funds, which are designed to generate excess return for the overall real estate allocation. These strategies typically require some lease-up, development, or repositioning, as well as utilize more leverage than public REITs. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

By combining a public REIT allocation as a core holding (also provides liquidity) with investments in several private partnerships (or a fund of funds), manager specific, as well as property specific risk, within the real estate allocation can be diminished.

d. Geography

Investments should be considered across the U.S. and internationally.

e. Property Type

The Portfolio should be diversified across property types (e.g., apartments, office, industrial, and retail).

3. Natural Resources (Energy and Timber)

The objective of the natural resources allocation is provide low correlation to the public equity and fixed income markets and serve as an inflation hedge. These investments should be primarily in the private markets, which offer inefficiencies that can be exploited.

For the natural resource allocation to achieve the expected objectives without unnecessary risk, the Pooled Fund should seek access to top-quality managers and be diversified. Individual investments may be concentrated in a particular region, production stage, or commodity exposure, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Categories

The target allocations to energy and timber investments will serve as a guideline for committing capital. As commitments to natural resources are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A Portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

Investments should be committed to several private partnerships (or a fund of funds) to mitigate manager specific risk, as well as deal specific risk.

d. Geography

Investments should be spread across the U.S. and internationally.

e. Stage/Type

i. Energy

Investments in energy funds will focus primarily on the upstream end of the energy market with development and production, and to a lesser extent exploration. Exposure to the upstream markets will be gained through private equity investments, working interests, and royalty interests. Investment in downstream activities such as refining, transmission, and distribution may be considered opportunistically. Upstream markets offer two primary benefits:

1) Inefficiencies, which offer attractive investment opportunities, and

2) Exposure to the underlying commodity (oil and gas), which provides an inflation hedge.

ii. Timber

Investments with Timber Investment Management Organizations (TIMOs) should be diversified by wood type (hard and softwood, species, etc.). Investing in TIMOs exposes the portfolio to timber prices, providing inflation protection, with the potential to generate additional return through the underlying management of the timberland.

4. Hedge Funds

The objective of the hedge fund allocation is to diversify the Pooled Fund and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Portfolio should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Strategy

The hedge fund universe can be divided into two broad categories: Equity Hedge and Absolute Return. Below are the definitions and examples of these strategies.

i. **Equity Hedge (Directional)**

These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling. These investments generally fall into the Global Equity category.

ii. **Absolute Return**

These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage. These investments generally fall into the Diversifying Strategies category.

b. Manager Diversification

A "core-satellite" approach of combining a core allocation of fund of funds, with satellite investments in direct funds mitigates manager specific risk, as well as strategy specific risk.

V. IMPLEMENTATION

A. Time Horizon

The Investment Committee seeks to achieve or outperform the targeted expected returns, as defined by asset category and by the overall allocation decision, over a full market cycle. The Investment Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may produce significant over or under performance relative to the broad markets and the benchmark for that asset category. For this reason, long-term investment returns will be measured over a five (5)-year moving period. The Investment Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria established under "Manager Evaluation" below.

B. Manager Evaluation

- Each investment manager will be reviewed by the Investment Committee and the Investment Consultant on an ongoing basis and evaluated upon the following criteria:

    - Avoidance of regulatory actions against the firm, its principals, or its employees;

    - Adherence to the guidelines and objectives of this Investment Policy Statement;

    - Avoidance of significant deviation from the style and capitalization characteristics defined as "normal" for the manager;

    - Ability to exceed the return of the appropriate benchmark index and, for equity managers, produce positive alpha (risk-adjusted return) within the volatility limits set in the following "Summary of Quantitative Performance Objectives" table;

    - Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing; and

    - Stability of investment staff.

C. Summary of Quantitative Performance Objectives

All investment returns will be measured net of fees. The performance objectives for the Coastal Community Foundation will be reviewed on an ongoing basis and evaluated upon the following criteria.

D. Composite Performance Objectives - Pooled Fund

1. The primary objective of the Pooled 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 Pooled Fund is:

   Total Return greater than Consumer Price Index + Spending Policy + Administrative Fees

2. A secondary objective is to achieve a total return in excess of the Broad Policy Benchmark comprised of each broad asset category benchmark weighted by its target allocation and of each of the four categories constituting the Broad Policy Benchmark.

WEIGHT	INDEX	ASSET CATEGORIES
57%	MSCI AC World Index	Global Equity
18	Barclay' s Global Aggregate	Global Fixed Income
15	Consumer Price Index	Real Assets
10	DJ/CS HFI Multi-Strategy Index	Diversifying Strategies

3. A third investment objective is to achieve a total return by asset category and overall in excess of the Market Weighted Benchmark comprised of specific benchmarks weighted by the market value allocations of the managers. This benchmark will vary depending upon the managers selected and the current allocation to those managers. The specific benchmarks and weightings will be listed in the quarterly performance reports.
4. In addition to the benchmark comparisons, the risk of the Portfolio will also be monitored. Risk will measured versus the Market-Weighted Benchmark using the following metrics:
   i. Maintain a beta of 1.20, or less of the benchmark
   ii. Produce a positive alpha return
   iii. Maintain a standard deviation of +/- 20% of the benchmark.

E. Composite Performance Objectives - Un-Pooled Funds

1. The total return of each Un-Pooled Fund's target is to achieve a total return, net of fees, equal to or greater than spending, administrative fees, and inflation.

2. The total return of each Un-Pooled Fund's target is to exceed that of the Broad Policy Benchmark comprised of 55% Russell 3000 Index, 20% MSCI ACWI ex-US, and 25% Barclays U.S. Aggregate Index.

F. Manager Performance Objectives

1. **Liquid and Semi-Liquid Active Managers**

   The following table summarizes the quantitative performance objectives for the liquid and semi-liquid (hedge fund) active managers. Managers failing to meet these criteria over a full market cycle will undergo extensive qualitative and quantitative analysis. This analysis will focus on the manager's personnel, philosophy, portfolio characteristics, and peer group performance to determine whether the manager is capable of implementing that manager's [their] defined portion of the overall

Portfolio structure. These managers are expected to outperform their primary benchmark, and the equity (and REIT) managers are expected to maintain a beta (vs. the primary benchmark) of less than 1.20.

2. **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.

a. **Private Equity**

Returns will be compared to the appropriate peer group in the Thomson Financial Venture Economics universe of similar style (buyout or venture capital) and vintage year.

b. **Private Real Estate**

Returns will be compared to the NCREIF Property Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

c. **Timber**

Returns will be compared to the NCREIF Timberland Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

d. **Energy**

There are no suitable benchmarks for private energy. Private energy funds are utilized as an inflation hedge and thus, their returns will be compared to CPI + 8%.

VI. GUIDELINES & RESTRICTIONS

A. Overview

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care, and prudence has been met for the Fund's investments.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Fund. Although the Investment Committee cannot dictate policy to pooled/mutual fund investment managers, the Investment Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each traditional equity and fixed income investment manager will:

1. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement.

2. Immediately notify the Investment Committee and consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel.

3. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management.

B. Public Equity Manager Guidelines

Each active equity investment manager will:

1. Assure that no position of any one company exceeds 8% of the manager's total portfolio as measured at market.

2. Vote proxies and share tenders in a manner that is in the best interest of the Fund and consistent with the Investment Objectives contained herein.

C. Public Investment Grade Fixed Income Manager Guidelines

1. Each investment grade fixed income investment manager shall:

a. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's.

b. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating.

c. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers).

d. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U.S. government or its agencies.

D. Liquid and Semi-Liquid Investment Guidelines

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement (or other governing documentation). 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 Investment Committee cannot dictate policy. The Investment Committee, 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 Agreement (PPM) and Limited Partnership Agreement.

The Pooled Fund is part of the assets of a tax-exempt Community Foundation, 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 Pooled Fund, potential tax ramifications must be considered during the investment analysis and selection process. The Pooled Fund will seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Pooled 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 Committee will 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.

VII. OVERSIGHT AND MEETINGS OF THE INVESTMENT COMMITTEE

A. Oversight and Meetings of Investment Committee.

1. The Investment Committee will meet quarterly, and more frequently as necessary, to review the reports of the Investment Consultant and the Investment Managers; to evaluate the performance of the Portfolio and adherence by the Investment Consultant and the Investment Mangers to this Policy; and to consider new managers, adjusting investments, and any other matter regarding the Portfolio and its management. The performance of the Portfolio will be measured relative to its appropriate and agreed upon performance benchmarks (described above).

2. The Investment Committee will also make at least semi-annually reports to the Board regarding the Portfolio's investment performance and annually recommend to the Board the spending rate.

B. Addressing Conflicts of Interest Matters.

Each member of the Investment Committee must disclose to the Committee any actual or apparent conflict of interest in an investment matter to be considered by the Committee. All Investment Committee members will apply Article VIII of the By-Laws of Coastal Community Foundation regarding conflicts of interest and, at the discretion of the Chair, may be asked to not be present in the room or participate electronically when the matter with an actual or apparent conflict of interest is considered. The minutes will record that the Committee member has disclosed his conflict, has so recused himself or herself, and whether the member participated in the discussion of the matter.

VIII. REVIEWS OF THE INVESTMENT POLICY STATEMENT

The Investment Committee will review this Investment Policy Statement annually and more frequently if needed and recommend appropriate revisions to the Board for its approval. In conducting such review, the Investment Committee will consider with the Investment Consultant regarding the performance of the Portfolio, economic and market conditions, gather any other relevant information that will bear on this Policy, and develop appropriate proposed revision of the Investment Policy Statement.

IX. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategies detailed in this Investment Policy Statement and 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 mission and if at any time we wish to discuss improvements to this document, those discussions are welcome and should be coordinated as appropriate with the Chair of the Investment Committee, the Vice President of Finance and CIO, the Investment Consultant, or other staff member of Coastal Community Foundation and then presented to the Investment Committee for its consideration.

The Investment Committee coordinated this Investment Policy Statement with Fund Evaluation Group, its Investment Consultant, and by The Investment Committee's action on May 2, 2014, recommends that the Board of Directors approve this Investment Policy Statement.

For The Investment Committee Date

For Coastal Community Foundation Date

For Fund Evaluation Group Date

For Each Investment Manager Date
Manager's Name: ________________________
Its: ___________________________________