Stark Community Foundation (SCF)

INVESTMENT POLICY STATEMENT (IPS)

I. Vision and Mission Statement

The mission of Stark Community Foundation (the Foundation) is to partner with individuals, families, businesses and nonprofits to help them achieve their charitable goals.

Our vision is a thriving, engaged and inclusive community.

II. Long Term Objective

The goals of the Foundation in relation to its investment assets (which are defined to include all the assets of the Foundation's component funds and supporting organizations, referred to throughout the remainder of the document as "Portfolio") are to:

- Preserve the Portfolio's purchasing power through asset growth in excess of the spending rate plus the rate of inflation
- Invest assets in order to maximize the long-term return while assuming a reasonable level of risk. Here, risk is generally defined as the traditional measure of standard deviation, but it is not limited to that definition. The goal is to utilize a broader definition of the word to include, but not be limited to; the risk of principal loss, liquidity risk, tracking risk against a specified benchmark, and investment manager specific risks.

In order to support the goals stated above, the Foundation aims for the Portfolio to earn a rate of return that is at least equivalent to the rate of inflation plus the Foundation's Spending Rate plus administrative costs. Thus, the long-term objective for the Portfolio is that it will earn a return of at least the Consumer Price Index plus 5.75%. The Spending Rate is further defined in the Spending Policy in Section IX of this IPS. Since this objective is not directly related to market performance, success or failure in achieving this goal should be evaluated over periods of time of between seven and ten years.

III. Shorter Term Objectives

The goal of the Foundation over each five-year period of time is to earn a rate of return on the Portfolio in excess of the total Portfolio benchmark return, after investment management fees have been deducted.

In order to evaluate the performance of the Managers over shorter periods of time, the Foundation also has adopted a market driven benchmark for each Manager. For the Portfolio as a whole, the total portfolio benchmark will consist of a suitable index for each asset class used. These indices will be weighted on a monthly basis according to the strategic asset allocation targets listed in Appendix A to this IPS. The benchmarks that will be used are listed in Appendix C to this IPS.

IV. Legal and Regulatory Framework

SCF is subject to Ohio's Uniform Prudent Investment Act (UPIA) which has established standards of procedural prudence over those acting in a fiduciary capacity for a non-profit organization's funds, including:

A. The duty to act solely in the interest of the fund.

B. The duty to manage and maintain reasonable expenses.

C. The duty to develop written investment policies and objectives.

D. The duty to satisfy the Prudent Expert Rule by retaining professional investment managers and consultants.

E. The duty to diversify the assets of a fund to minimize the risk of a large loss, unless it is clearly not prudent to do so.

F. The duty to avoid conflicts of interest.

V. Roles and Responsibilities

A. **SCF Investment Review Committee (IRC)** is a volunteer committee whose members are appointed by SCF's Distribution Committee and Board of Directors. The IRC reviews SCF's investments on a quarterly basis in meetings with the Investment Consultant; recommends investment policies; monitors adherence to the approved IPS; decides on selection, retention, and termination of Investment Managers; advises on selection of Investment Consultants and Custodians; monitors investment expenses; meets periodically with the professional Investment Managers; and advises SCF on any other investment-related matter that comes to its attention.

B. **SCF Staff** are responsible for the day-to-day administration of the IPS and work closely with the Investment Consultant to implement the decisions made by the IRC. SCF Staff also provide administrative support to the IRC.

C. **Investment Managers** are professional firms hired to perform asset management duties to a specific style mandate, along with other investment services. Each firm's responsibilities include adherence to this IPS and to the terms of its contract with SCF. All Managers are responsible for:

   1. Acting in accordance with "prudent man" principles with respect to the management of the Foundation's assets.

   2. Immediately reporting in writing, any violations of this IPS.

   3. Immediately reporting any findings against the firm or its principals, either by the SEC or any other regulatory authority. In addition, any lawsuits brought against the firm or its principals should also be immediately reported to the Foundation.

4. Preparing quarterly written statements, including past actions taken in the portfolio, future expected changes, and the impact of any changes on fund performance, relative to a specified benchmark over the past quarter.

5. Attending meetings with the IRC and Staff as needed.

6. Immediately communicating all pertinent changes in the Manager's firm to the Foundation. This includes, but is not limited to:

    - Changes in personnel involved in the Foundation's relationship
    - Changes in Manager's ownership
    - Changes in senior investment professionals' responsibilities
    - Changes in Manager's investment style
    - Changes in Manager's fees

7. Adhering to the investment strategy or style for which the Manager was selected.

D. **Trustee Banks** are licensed trust companies doing business in Stark County and which have adopted the Amended Resolution and Declaration of Trust Creating Stark County Foundation.

E. **Custodian(s)** is a professional firm hired to provide asset custody and other services. Each firm's responsibilities include adherence to this IPS and to the terms of its contract with SCF. The custodian will receive updated versions of this IPS and will be asked to acknowledge receipt and compliance.

F. **Investment Consultant(s)** responsibilities are governed by the terms of its contract with SCF. Major responsibilities include:

1. Reconciling monthly reports and records of the Managers with the reports and records of the Custodian; sending summary reports to the Foundation.

2. Monitoring each Investment Manager for adherence to this policy as well as to its stated investment style.

3. Monitoring each Investment Manager's ownership structure and investment personnel and reporting all significant changes to the Foundation.

4. Recommending the retention, selection, and termination of Investment Managers.

5. Recommending asset allocation strategy.

6. Monitoring this IPS and recommending changes as needed.

7. Regularly attending meetings of the IRC and presenting timely reporting of Portfolio performance.

8. Assisting Staff and the IRC with their responsibilities.

VI. Asset Allocation

The following factors govern the Foundation's asset allocation decisions:

A. To achieve the long-term benefits of a widely diversified portfolio, the Foundation has adopted strategic targets for each asset class that it utilizes. The portfolio weight for each asset class will be maintained within minimum and maximum percentages. The current strategic asset allocation including target ranges is shown in Appendix A.

B. Within each asset class, the Foundation seeks to earn strong risk adjusted return, when compared to a style specific benchmark after accounting for investment expenses. Investments will be diversified by investment style and strategy. Style/strategy diversification will increase the probability that the Foundation will achieve its investment goals and reduce volatility. The Foundation has adopted specific requirements and restrictions for each asset class. These are described in Appendix B.

C. While each asset class and strategy is to be carefully selected, the focus of the investment process is always on the overall portfolio.

D. There is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing.

E. In order to achieve a rate of return that will support its spending rate while protecting the assets from inflation, the Foundation must take some investment risk.

F. The most effective way to establish an appropriate volatility level for the portfolio is through its asset allocation (i.e. stocks, bonds, and alternative investments). Long term investment return and volatility depend on the portfolio's strategic asset allocation. In consultation with the Investment Consultant, a strategic asset allocation policy will be maintained which best balances the opportunity for achieving the investment return objectives as set forth in this policy with an appropriate volatility level.

G. In instances where individual account balances or liquidity restrictions limit the ability of Trustee Banks to diversify to the extent of the strategic asset allocation schedule identified within this policy, Trustee Banks have the flexibility to adhere to the Foundation's strategic asset allocation on a total Trust account relationship basis rather than at the individual account level.

VII. Spending of Principal

Disbursement of principal is governed by individual charitable agreements as well as by the Amended Resolution and Declaration of Trust Creating Stark Community Foundation. If there is a need to disburse principal beyond that required by the Spending Policy, the IRC will be consulted as to which assets should be sold if the disbursement of principal requires funding from more than one Investment Manager's account and/or Trustee Bank's account.

VIII. Administrative and Review Procedures

The IRC will review this Policy at least annually. The IRC will review the performance of the Portfolio assets during each quarterly meeting with the assistance of its Investment Consultant and the Foundation staff. These reviews will include:

A. Review of the Portfolio's overall asset allocation to assure compliance with the IPS.

B. Review of the assets held in each portfolio to assure compliance with the IPS regarding investment restrictions and the consistency of the manager's strategy.

C. Review of Portfolio performance against a specified benchmark that corresponds to the target asset allocation.

D. Review of individual investment manager performance against an assigned style specific benchmark.

E. Foundation Staff and the Investment Consultant will perform the above review at least monthly and report any deviations or concerns as soon as reasonably practicable to the IRC Chairman.

IX. Spending Policy and Time Horizon

The Foundation is a permanent institution. As a result, it has adopted stable long-term policies that increase the likelihood of achieving the investment objectives listed in this Investment Policy Statement. These objectives begin with the Foundation Spending Policy. In order to supply the Foundation with a predictable level of funds a total return strategy has been adopted. Therefore, spending as determined under the Spending Policy may be funded from cash income from interest and dividends, proceeds from the sale of securities and cash on hand.

The Foundation's Spending Policy payout for grantmaking is currently set at 4.75% of the 20-quarter trailing average market value of the assets. New component funds will be phased in on an annual basis. In addition, an estimated 1.00% payout for administrative expenses will be required. Specific component fund restrictions may take precedence over this Spending Policy.

By December 1 of each calendar year, the Distribution Committee, with advice from the Investment Review Committee, will consider current financial market conditions, interest rates, and investment returns. The Distribution Committee will then lower, retain, or raise the Spending Policy payout for the succeeding calendar year, but by no more than one-quarter of one percent (0.25%). Upon review by the Investment Review Committee and action by a ¾ majority of the Distribution Committee to change by more than one-quarter of one percent because of unprecedented conditions in the financial markets, a greater incremental change may be made, but this type of action is expected to be infrequent and to be taken with careful regard.

X. Deposits/Withdrawals

The IRC, with the advice of the Consultant, will determine the allocation of deposits and the withdrawal/liquidation of investments. If the IRC is not readily available, the Vice President for Finance of the Foundation, with the approval of the Chairman of the IRC, and with the advice of the Consultant, may determine how to allocate deposits and the withdrawal/liquidation of investments. Any action so taken will be reviewed by the IRC at its next scheduled meeting. All deposits, withdrawals, and liquidations pursuant to this paragraph must be consistent with the strategic asset allocation set forth in Appendix A to this Policy.

Appendix A
Strategic Asset Allocation

The Foundation has adopted the following strategic asset allocation. All figures listed here refer to an asset class's percentage of the total portfolio. The minimum and maximum weights listed here represent the acceptable allocation ranges for each asset class. Upon quarterly review, should the allocation to a particular asset class fall outside of acceptable range, the portfolio will be re-balanced so that all asset classes are within their permitted allocations.

ASSET CLASS	TARGET	MINIMUM	MAXIMUM
Core Fixed Income	8.0%	4.0%	15.0%
Bank Loans	2.0%	0.0%	6.0%
Emerging Market Debt	3.0%	0.0%	6.0%
Total Fixed Income	**13.0%**	**6.0%**	**20.0%**
US Large-Cap Equity	20.5%	15.5%	25.5%
US Mid-Cap Equity	6.0%	3.0%	9.0%
US Small-Cap Equity	6.0%	3.0%	9.0%
Total U.S. Equity	**32.5%**	**27.5%**	**37.5%**
Non-US Developed Equity	14.0%	9.0%	19.0%
Non-US Developed Small-Cap Equity	2.5%	0.0%	5.0%
Non-US Emerging Equity	5.0%	2.0%	8.0%
Total Non-U.S. Equity	**21.5%**	**16.5%**	**26.5%**
Defensive Equity	5.0%	0.0%	10.0%
Total Alternative Investments	**5.0%**	**0.0%**	**10.0%**
Real Estate	8.0%	0.0%	13.0%
Infrastructure	5.0%	0.0%	10.0%
Total Real Assets	**13.0%**	**0.0%**	**20.0%**
Private Equity	10.0%	0.0%	15.0%
Private Debt	5.0%	0.0%	10.0%
Total Private Market Investments	**15.0%**	**0.0%**	**25.0%**
TOTAL	**100.0%**		

Appendix B
Asset Class Definitions/Guidelines

Domestic Equity – Separately Managed Accounts

1. The domestic equity portfolio will be diversified according to economic sector, industry, number of holdings and other investment characteristics. However, it is recognized that any actively managed portfolio will not be as diversified as the market. To produce overall diversification, equity managers will be selected to employ different management strategies that together achieve the desired degree of diversification.

2. Domestic equity managers are permitted to hold up to 10% of their portfolio in American Depository Receipts ("ADRs") or foreign domiciled companies whose equity securities are traded in US markets.

3. No more than 5% at cost or 10% at market of a manager's portfolio may be held in the securities of a single issuer. If it exceeds the 10% threshold, the investment manager must either pare back the position or inform SCF in writing as to why the position should be over-weighted.

4. Each manager's equity exposure to any one industry group may not exceed +/-15% of their agreed benchmark's allocation. An industry group is defined to be one of the recognized sub-industry groups according to MSCI's Global Industry Classification Standard (GICS).

5. Short selling of securities is prohibited. This restriction does not apply to alternative investment managers.

6. Derivative instruments such as financial futures and options may not be used without the prior approval of the Foundation's IRC. This restriction does not apply to alternative investment managers.

7. A manager may only deviate from these guidelines with advance written permission of the Foundation's IRC.

International Equity – Separately Managed Accounts

The following definitions may be used to distinguish between developed and emerging international securities.

International Developed Equity: Listed equity securities traded on developed non-U.S. markets. Developed markets are defined as those included in Morgan Stanley's EAFE index plus Canada.

Emerging Markets Equity: Listed equity securities traded on emerging, non-U.S. markets. The definition of emerging markets shall correspond with country inclusion in the MSCI Emerging Markets benchmark.

All restrictions listed above for Domestic Equity, other than item number two (ADRs), also applies to International Equity with the following additions and modifications:

1. Managers must hold securities in a minimum of three countries at all times. Exceptions include investment managers with a mandate to pursue investments in only one country.

2. Each portfolio's equity exposure to any one country other than the U.S. may not exceed +/-15% of the assigned benchmark exposure. Exceptions include investment managers with a mandate to pursue investments in only one country.

3. Currency exposure may only be hedged back to the US dollar. The decision to hedge is left to the manager's discretion. Derivative instruments may be used to achieve currency hedging as permitted under this policy.

Core U.S. Fixed Income – Separately Managed Accounts

1. The duration of a manager's portfolio should be within 70% and 130% of the duration of their market benchmark.

2. Managers are permitted to invest in the following classes of fixed income securities:

    - Bonds or notes issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the US Government
    - Mortgage-backed securities
    - Corporate bonds issued in the U.S. and denominated in U.S. dollars
    - Asset-backed and CMBS securities
    - Municipal bonds (capped at 10% of the portfolio)

3. Fixed Income managers are expected to maintain an average quality rating for their convertible corporate bonds that does not fall below a composite rating of BBB, or equivalent, and a composite rating of A for straight corporate bonds, as rated by the major rating agencies. Securities downgraded to below investment grade range may be held at the manager's discretion, yet must be immediately reported to the client and consultant, and cannot exceed 5% of the total portfolio. The higher rating will be considered for issues that have received a split rating from the various credit rating agencies.

4. No more than 10% at market of a manager's portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government.

5. The portfolio's fixed income exposure to any specific industry group may not exceed +/- 30% of the assigned benchmark exposure.

6. Derivative instruments may be utilized by a manager in order obtain more efficient exposure to a specific type of security. However, at no time, may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the portfolio.

7. The diversification of fixed income securities by maturity, sector, and geography is the responsibility of the Investment Manager.

Non-Traditional Investments
In order to enhance portfolio results, the Foundation may elect to invest in non-traditional investment strategies, including, but not limited to hedge funds, private equity and debt, and real assets. These investments are made with the intention of raising portfolio returns and/or lowering total volatility. In most cases, these investments will be implemented via limited partnerships. Therefore, restrictions are established by the offering documents for each partnership.

Collective Investment Vehicles
Like alternative investments, traditional investments may be made through collective fund structures, including but not limited to mutual funds, commingled funds, LPs, and LLCs. Any investment pursued through a collective investment vehicle structure must adhere to the written objective and guidelines as stated in the prospectus, contract, offering memorandum, private placement memorandum, or other such governing document.

All investment managers who manage separate accounts on behalf of the Foundation must acknowledge receipt of the guidelines and restrictions contained herein.

Appendix C
Total Portfolio Benchmark

The Foundation's total portfolio benchmark is based on its strategic asset allocation using suitable market indices to represent each asset class. This custom index is calculated on a monthly basis using the weights listed below.

Asset Class	**Weight**	**Market Index**
US Large Cap Equity	20.5%	S&P 500
US Mid Cap Equity	6%	Russell Mid Cap
US Small Cap Equity	6%	Russell 2000
Developed Large International Equity	14%	MSCI EAFE (net)
Developed Small Int'l Equity	2.5%	MSCI EAFE Small-Cap (net)
Emerging Markets Equity	5%	MSCI Emerging Markets (net)
Bank Loans	2%	CSFB Leverage Loan
Aggregate Fixed Income	8%	Barclays Aggregate
Emerging Market Debt	3%	JP Morgan EMBI
Alternative Equity	5%	HFRI Equity Hedge
Private Equity	10%	Cambridge All PE
Private Debt	5%	CSFB Leverage Loan (lagged)
Real Estate	8%	NCREIF-ODCE
Infrastructure	5%	CPI + 4%

Managers within each asset class will be measured against a specific style benchmark along with the market benchmark for their asset class as indicated above.