

Investment Policy Statement

Approved by the Incourage Investment Committee on 4/6/2012 and the Incourage Board on 4/24/2012

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I. DEFINITIONS

PURPOSE

This investment policy statement (the "Investment Policy Statement") was adopted by the Board of Directors of Incurage Community Foundation, Inc. (the "Board") to direct the prudent investment of its endowed investment portfolio (the "Portfolio") in a manner consistent with the investment objectives stated herein. The Board has delegated oversight of the Portfolio to the Incurage Community Foundation investment committee (the "Committee").

This Investment Policy Statement shall be used by the Committee in its duty to oversee the investment advisors/managers.

It is expected that this document will be reviewed at least annually by the Committee. Any revisions will be recommended to the Board.

SCOPE

This Investment Policy Statement applies to the portions of the endowed fund assets of Incurage Community Foundation, Inc. (the "Foundation") for which the Committee has been given discretionary investment authority.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in this Investment Policy Statement, the Committee and its members must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

DEFINITION OF DUTIES

Board of Directors

The Board has the ultimate fiduciary responsibility for the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio 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 Committee for implementation and ongoing monitoring.

At least annually the Board will receive a performance report and review of the Investment Policy Statement from the Committee.

Investment Committee

The Committee shall be comprised of, but not limited to, the Board Chairperson, Treasurer, President/Chief Executive Officer, Chief Financial & Operating Officer and at least three Board members or at-large members of the community having financial/investment background and expertise. The Committee is responsible for implementing the Investment Policy Statement, with the exception of implementing Segment #3 of the Standard Pool of the Portfolio, which shall be the responsibility of the Mission Related Investment Committee. This responsibility includes, but is not limited to, approving investment strategy, recommending to the Board the hiring and firing of investment advisors/managers, monitoring performance of the Portfolio on a regular basis (at least quarterly), and maintaining sufficient knowledge about the Portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement.

Chief Financial & Operating Officer

The Chief Financial & Operating Officer (“CFOO”) has daily responsibility for administration of the Portfolio (including but not limited to; directing the investment of additional contributions to the Portfolio; directing the rebalancing of assets in the Standard Pool Segments #2 to be within the specified ranges, and rebalancing assets between Standard Pool Segments #1, #2 and #3, as may be needed on a periodic basis), and will consult with the Committee as needed on matters relating to the investment of the Foundation’s Portfolio. The CFOO will serve as the primary day-to-day contact for the Foundation's investment advisors/managers, and custodians.

(Any arrangement with a third party, outside consultant will be a separate contractual agreement approved by the Board.)

II. OBJECTIVES

PERFORMANCE OBJECTIVE

The performance objective (the “Performance Objective”) is to grow the market value of the Portfolio assets net of inflation, spending, and expenses, over a full market cycle (generally defined as a three to five year period) without undue exposure to risk. In quantitative terms, the Performance Objective is to earn a total return of 5% over inflation (as measured by the Consumer Price Index) over long periods. Given that market returns and inflation can deviate considerably, success relative to this objective will be evaluated over periods of ten years or longer with due consideration given to specific market conditions during such time.

It is also expected that the Portfolio will outperform an asset allocation target weighted benchmark, net of investment fees, over a full market cycle without exceeding a standard deviation of 1.2 times this index.⁽¹⁾ The benchmark index will be comprised of each asset class index weighted by its target allocation.

STRATEGY

Because the Portfolio is expected to endure into perpetuity, and because inflation is a key component in its Performance Objective, the long-term inflation risk of not investing in equity securities outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like diversified securities. Fixed income securities will be used to lower the short-term volatility of the Portfolio and to provide income stability, especially during periods of weak or negative equity markets. It is recognized that money market type allocations are included in the fixed income percentage weightings and can be a strategic asset. However, in a normal environment, money market type allocations should be no more than 5% of the total Portfolio.

INVESTMENT POOLS and ASSET ALLOCATION TABLES

In the event an endowed fund donor is allowed a choice between investment strategies, the following investment pools represent the investment options available. To the extent an endowed fund donor does not indicate a choice, or does not have a choice available to them, the assets will be invested in the Standard Pool.

⁽¹⁾ Measured on a total return basis. Total return includes income, realized and unrealized gains and losses.

Standard Pool:

The following Standard Pool overall asset allocation is in effect:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Domestic Equity - Large Cap	25.0 %	22.0% - 28.0%
Domestic Equity - Mid Cap	7.0 %	4.0% - 10.0%
Domestic Equity - Small Cap	<u>7.0 %</u>	4.0% - 10.0%
Total Domestic Equity	39.0 %	
International Developed Markets Equity	25.0 %	22.0% - 28.0%
International Emerging Markets Equity	<u>6.0 %</u>	3.0% - 9.0%
TOTAL EQUITY	70.0 %	66.0% - 74.0%
US Fixed Income	10.0 %	7.5% - 17.0%
Treasury Inflation Protected Securities	5.0 %	2.0% - 8.0%
Global Bonds	5.0 %	2.0% - 8.0%
Mission Related Investments	3.5 %	0.0% - 3.5%
Money Market	<u>1.5 %</u>	0.0% - 5.0%
TOTAL FIXED INCOME	25.0 %	21.0% - 32.5%
Long/Short Hedged Equity Funds	2.5 %	1.5% - 5.5%
Private Equity	<u>2.5 %</u>	0.0% - 5.5%
TOTAL	100.0 %	

Note: Specific ranges do not add to 100%

The Standard Pool is comprised of three asset allocation segments that are separate and distinct for asset management purposes, each with its own asset class targets and ranges as defined below. The amount of the Standard Pool allocated to each of segments #1 and #2 is to be determined at the discretion of the Committee. The amount of the Standard Pool allocated to Segment #3 is determined at the discretion of the Board and effective May 10, 2011 is targeted at 3.5% of the Standard Pool. The earnings and losses from all three segments are to be combined in arriving at the overall performance of the Standard Pool and the assets invested in all three segments are in the aggregate to comply with the asset class targets and ranges stated in the above Standard Pool asset allocation table.

Standard Pool - continued:

Standard Pool Segment #1 – Investment advisors as designated by the Committee (currently WoodTrust Bank) shall use their investment expertise to select and monitor investment managers for their individual portion of the overall Portfolio, each in accordance with the asset class targets and ranges as defined in this Standard Pool Segment #1:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Domestic Equity - Large Cap	26.00 %	23.00% - 29.00%
Domestic Equity - Mid Cap	7.25 %	4.25% - 10.25%
Domestic Equity - Small Cap	<u>7.25 %</u>	4.25% - 10.25%
Total Domestic Equity	40.50 %	
International Developed Markets Equity	26.00 %	23.00% - 29.00%
International Emerging Markets Equity	<u>6.00 %</u>	3.00% - 9.00%
TOTAL EQUITY	72.50 %	68.50% - 76.50%
US Fixed Income	15.00 %	12.00% - 18.00%
Treasury Inflation Protected Securities	5.00 %	2.00% - 8.00%
Global Bonds	5.00 %	2.00% - 8.00%
Money Market	<u>2.50 %</u>	0.00% - 5.00%
TOTAL FIXED INCOME	27.50 %	23.50% - 31.50%
TOTAL	100.00 %	

Note: Specific ranges do not add to 100%

Standard Pool - continued:

Standard Pool Segment #2 – The Foundation’s independent investment consultant (currently Colonial Consulting) shall use its investment expertise to recommend to the Committee (and the Committee to then recommend to the Board as needed) investment managers for this portion of the overall Portfolio, in accordance with the asset class targets and ranges as defined in this Standard Pool Segment #2:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Domestic Equity - Large Cap	25.85 %	22.85% - 28.85%
Domestic Equity - Mid Cap	7.25 %	4.75% - 10.75%
Domestic Equity - Small Cap	<u>7.25 %</u>	4.75% - 10.75%
Total Domestic Equity	40.35 %	
International Developed Markets Equity	25.85 %	22.85% - 28.85%
International Emerging Markets Equity	<u>6.40 %</u>	3.40% - 9.40%
TOTAL EQUITY	72.60 %	68.60% - 76.60%
US Fixed Income	6.65 %	3.65% - 9.65%
Treasury Inflation Protected Securities	5.35 %	2.35% - 8.35%
Global Bonds	5.35 %	2.35% - 8.35%
Mission Related Investment	0.00 %	0.00% - 0.00%
Money Market	<u>0.75 %</u>	0.00% - 5.00%
TOTAL FIXED INCOME	18.10 %	15.10% - 29.75%
Long/Short Hedged Equity Funds	4.65 %	1.65% - 7.65%
Private Equity	<u>4.65 %</u>	0.00% - 7.65%
TOTAL	100.00 %	

Note: Specific ranges do not add to 100%

Standard Pool Segment #3 – Effective May 10, 2011 the Board designated that Segment #3 (targeted at 3.5 percent of the Standard Pool) be established and that Segment #3 be governed by the Foundation’s Mission Related Investment Committee and a separate mission related investment policy statement.

50/50 Pool:

Investment advisors as designated by the Committee (currently WoodTrust Bank) shall use their investment expertise to select and monitor investment managers for their individual portion of the 50/50 Pool, each in accordance with the asset class targets and ranges as defined in this 50/50 Pool:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Domestic Equity - Large Cap	17.75 %	14.75% - 20.75%
Domestic Equity - Mid Cap	5.00 %	2.00% - 8.00%
Domestic Equity - Small Cap	<u>5.00 %</u>	2.00% - 8.00%
Total Domestic Equity	27.75 %	
International Developed Markets Equity	17.75 %	14.75% - 20.75%
International Emerging Markets Equity	<u>4.50 %</u>	1.50% - 7.50%
TOTAL EQUITY	50.00 %	45.00% - 55.00%
US Fixed Income	28.50%	25.50% - 31.50%
Treasury Inflation Protected Securities	10.00 %	7.00% - 13.00%
Global Bonds	10.00 %	7.00% - 13.00%
Money Market	<u>2.50 %</u>	0.00% - 5.00%
TOTAL FIXED INCOME	50.00 %	45.00% - 55.00%
TOTAL	100.00 %	

Note: Specific ranges do not add to 100%

Money Market Pool:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Cash Equivalents	100 %	

Rebalancing

In maintaining these asset allocation targets, the Committee, the CFOO and any investment advisors/managers will strive to remain within the acceptable ranges with the intent of rebalancing to targets as necessary. The appropriateness of the asset allocations are to be reviewed annually.

The domestic equity portion of the Portfolio is intended to be approximately evenly invested between growth and value managers, with no more than 60% of the domestic equity portion of the Portfolio being invested in one style (i.e. growth or value), to provide further diversification.

Spending Policy

Distributions shall be made in accordance with the Endowment Fund Distribution Spending Policy, as adopted by the Board. Withdrawals from the Portfolio may include cash required for administrative fees, investment and custodian fees, and distributions in accordance with the Endowed Fund Distribution Spending Policy.

III. IMPLEMENTATION

It is the intent of the Committee to hire professional investment advisors/managers to achieve the target asset allocation using diversified portfolios of multiple, style-specific managers/mutual funds.

Diversification among various management styles, industries, market capitalizations, business lines, equity and fixed income sectors is essential. The Committee's intent is to select and retain the best investment advisors/managers within each asset class and to maintain long-term mutually beneficial relationships with these investment advisors/managers. It is believed that over time, investment advisors/managers who understand the Foundation's long-term goals will be better able to contribute to the overall Performance Objective of the Foundation.

TIME HORIZON

The Foundation seeks to attain the Performance Objective over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods investment advisors/managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns compared to market benchmarks will be measured over a 5-year moving annual period. The appropriate benchmarks will include both the target asset allocation benchmark and the performance of other asset mixes and institutions. The Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria established under "Investment Advisor/Manager Performance Objectives" below.

INVESTMENT ADVISOR/MANAGER PERFORMANCE OBJECTIVES

All investment returns shall be measured net of fees with accruals included. Each investment advisor/manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

- a) Ability to exceed the return of the appropriate benchmark index over a full market cycle as set forth in the following chart;
- b) Adherence to the guidelines and objectives of this Investment Policy Statement;
- c) Avoidance of regulatory actions against the firm, its principals or employees; and
- d) Ability to measure and report actual performance as well as provide attribution for deviation from respective benchmarks.

SUMMARY of PERFORMANCE OBJECTIVES

The following table summarizes the individual asset class and the total Portfolio Performance Objectives:

ASSET CLASS	INDEX
Domestic Equity – Large Cap	S&P 500
Domestic Equity – Mid Cap	Russell MidCap
Domestic Equity – Small Cap	Russell 2000
International Developed Markets Equity	MSCI EAFE
International Emerging Markets Equity	MSCI Emerging Markets
US Fixed Income	Barclays Capital US Aggregate
Treasury Inflation Protected Securities	Barclays US TIPS
Global Bonds	Citigroup World Gov't Bond Index
Money Market Funds	US T-Bills
Cash Equivalents	US T-Bills
Long/Short Hedged Equity	S&P 500
Private Equity	S&P 500 + 5%
TOTAL STANDARD POOL (Segments #1 and #2)	Inflation + 5% & Target Weighted Benchmark
TOTAL 50/50 POOL	Inflation + 4% & Target Weighted Benchmark
TOTAL MONEY MARKET POOL	US T-Bills

IV. GUIDELINES AND RESTRICTIONS for SEPARATELY MANAGED ACCOUNTS

GENERAL

The guidelines stated below apply to investments in non-mutual and non-pooled funds (separate accounts), where the investment advisor/manager is able to construct a separate, discretionary account on behalf of the Foundation. Although the Committee cannot dictate policy to a pooled/mutual fund investment manager, it is the Committee's intent to select and retain only pooled/mutual funds with policies that are generally consistent with these guidelines. All managers (pooled/mutual or separate) are expected to achieve all Performance Objectives and other subjective criteria.

Each investment advisor/manager shall:

- a. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement and is expected to maintain a fully invested portfolio (5% or less in money market type funds);
- b. Immediately notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel of the advisor/manager;
- c. 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;
- d. Not invest in non-marketable securities, utilize leverage or engage in short selling;
- e. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure; and
- f. Only deviate from these guidelines with the advance permission of the Committee.

EQUITY GUIDELINES

Each equity investment advisor/manager shall:

- a. Assure that no position of any one company exceeds 7% of the manager's total equity portfolio as measured at market;

- b. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with this Investment Policy Statement;
- c. Maintain a minimum of 20 positions in the equity portfolio to provide adequate diversification; and
- d. Maintain adequate diversification among economic sectors by investing no more than 40% of the equity portfolio in any one economic sector, as defined by the relevant benchmark.

FIXED INCOME GUIDELINES

Each fixed income investment advisor/manager shall:

- a. Maintain an overall weighted average credit rating of “Aa” or better by Moody’s, or “AA-” or better by Standard & Poor’s;
- b. Hold no more than 20% of the fixed income portfolio in investments rated below investment grade (below Baa/BBB). Split rated securities will be governed by the lower rating;
- c. Maintain a duration within +/-20% of the effective duration of the benchmark index;
- d. With respect to the corporate sector of the fixed income portfolio, invest no more than 25% of the fixed income portfolio in any one economic sector as defined by Standard & Poor’s;
- e. Assure that no position of any one issuer shall exceed 5% of the manager’s total fixed income portfolio as measured at market value except for securities issued by the US government or its agencies; and
- f. With respect to global bond managers, maintain allocations to at least five countries. Furthermore, the 5% holding limitation in item e. above does not apply to the securities issued by the US and other governments.
- g. Invest no more than 80% of the fixed income portfolio in either corporate or mortgage-backed securities.

MONEY MARKET GUIDELINES

Each money market investment advisor/manager shall:

- a. Maintain a maximum weighted average maturity of less than one year;
- b. Invest no more than 5% of the manager’s cash equivalents portfolio in the commercial paper of any one issuer. All commercial paper must have a minimum rating of A1/P1 by Standard & Poores’ and/or Moody’s, respectively;

- c. Invest no more than the FDIC insurance limit in Bank Certificates of Deposit of any single issuer, unless the investments are fully collateralized by US Treasury or agency securities; and
- d. Assure that no position of any one issuer shall exceed 5% of the manager's total cash equivalents portfolio as measured at market value except for securities issued by the US government or its agencies.

ALTERNATIVE INVESTMENTS

In order to enhance Portfolio results, the Foundation may elect to invest in alternative investment strategies such as hedge funds or private equity. At present, long/short hedged equity funds and private equity are included in this area. These investments are permitted 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.

MISSION RELATED INVESTMENTS

As approved by the Board, the Foundation may elect to invest in mission related investment strategies. Mission related investments are investments that go beyond a financial return and in addition support the mission of the Foundation by providing a social benefit to greater south Wood County. These investments are permitted with the intention of utilizing the Foundation's assets in a manner that is both appropriate from a fiduciary standpoint and which is consistent with the Foundation's mission. Investments in this area will be carefully selected with a number of factors in mind including, but not limited to prospective returns, a thorough assessment of risk and the degree to which the investment is additive to the Foundation's overall strategy via enhanced diversification.

In order to gain the additional benefit of a mission related component, the Foundation is willing to forego some level of liquidity and marketability while also bearing the additional time and cost related to properly evaluating both prospective and current investments.

Prior to the establishment of Standard Pool Segment #3, a mission related fixed income investment was included in Standard Pool Segment #2. With the establishment of Standard Pool Segment #3, mission related investments are held in Standard Pool Segment #3, which is governed by the Foundation's Mission Related Investment Committee and a separate mission related investment policy statement.

BROKERAGE/SOFT DOLLAR USE

Investment advisor/managers shall seek best price/execution when purchasing or selling securities at all times. As outlined by AIMR's Soft Dollar Standards, each investment advisor/manager must recognize that brokerage is an asset of the Foundation's Portfolio,

not the investment manager. On an annual basis, each investment advisor/manager must:

- a. Verify to the Committee that it complies with the "Required" sections of AIMR's Soft Dollar Standards;
- b. Document and disclose any soft dollar use and its impact on the Foundation's Portfolio; and
- c. Disclose any affiliated broker relationships and the materiality of that relationship to the investment management organization.

PROXY VOTING

Each investment advisor/manager shall handle the voting of proxies and tendering of shares in a manner consistent with the objectives contained in the Investment Policy Statement and in the best interest of the Foundation. Each investment advisor/manager shall provide a written report to the Committee at least annually for voting of non-routine items. The report should include company name; number of shares voted; a description of the issues voted upon; and how the shares were voted.

SECURITIES LENDING

Lending of any of the Foundation's Portfolio of securities is expressly prohibited.

V. MONITORING AND REPORTING

CUSTODIANS

Each custodian is an integral part of managing and overseeing the Foundation's Portfolio. Open communications between the Foundation, its investment advisors/managers and its custodian(s) will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

Each custodian shall:

- a. Provide the Foundation, its investment advisors/managers and its outside consultants, if any, monthly transaction and asset statements no later than the tenth business day following month end;
- b. Provide the Foundation, its investment advisors/managers and its outside consultants, if any, special reports as reasonably requested; and
- c. Communicate immediately any concerns regarding Portfolio transactions or valuation, or material changes in trustee personnel or procedures to the Foundation's CFOO.

INVESTMENT ADVISORS/MANAGERS

Open communications between the investment advisors/managers, the Foundation and its consultant(s), if any, are critical to the success of the Portfolio. The following shall be provided by the investment advisor/manager in its annual meeting with the Committee and/or its outside consultant(s), if any:

1. A written review of key investment decisions, investment performance and portfolio structure;
2. An organizational update, including a report on any and all changes in organizational structure, investment personnel and process and a list of new relationships or clients that have terminated their services; and
3. A review of the investment advisors/managers understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, each investment advisor/manager shall:

1. Provide the Foundation and its outside consultant(s), if any, transaction and asset statements on a timely basis;
2. Provide the Foundation and its outside consultant(s), if any, written quarterly performance reviews and in person meetings as requested;

3. Immediately notify the Foundation and its outside consultant(s), if any, of any exceptions to this Investment Policy Statement with a recommended plan of action to correct the violation;
 4. Provide an annual summary of proxy voting and soft dollar brokerage to the Foundation and its outside consultant, if any, as defined in the respective sections of this Investment Policy Statement; and
 5. Provide other reports or information as may be reasonably be requested by the Foundation and/or its consultant(s), if any.
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