

Incourage Investment Policy Statement

Capturing Opportunity – Conserving Place

Approved by the Incourage Board on February 16, 2016 – and as updated through June 7, 2019



Preamble

Incourage's investment policy for governing our prudent investment of financial assets begins with our stance as a philanthropy that is values-led, user-centered and place-based. Our Investment Policy Statement establishes a mission and values framework for all aspects of Incourage's financial asset management, including our *definitions* of purpose, scope and fiduciary responsibility; *objectives*; *implementation guidelines*; and *accountability* through transparency, monitoring and reporting.

Incourage operates from a central belief that people are our most important asset and positive community change happens when individuals have the opportunity to realize their full potential. Residents who feel a sense of ownership, shared responsibility and shared destiny by virtue of a shared place are essential in shaping healthy, sustainable and inclusive economic growth.

With values of equity, opportunity and shared stewardship, we work with residents to advance our core purpose of co-creating an inclusive, adaptive and sustainable community in our Central Wisconsin region.

Achieving that core purpose in our experience requires integrated management of a spectrum of institutional and community capitals including moral, human, social, intellectual, reputational and natural, as well as financial.

It assumes that economic value resides not just in financial currency, but in human integrity, skills, curiosity and relationships, including a commitment to steward all human and natural resources.

Often termed goodwill or intangible assets, we apply this frame to broaden the definition of wealth in our community, enlarging our own and the community's perspective to more properly value the contribution and potential of all residents, as well as our rich natural resources.

Our deployment and management of capital focuses first on how we can best connect and cultivate all capitals – particularly human capital – in a community that works well for all people within our region. We do this through investments in values-aligned regional funds, organizations, companies and projects. We then seek investments in corporations that reinforce these values in regional operations and more broadly. We take activist positions to challenge corporations whose regional operations undermine the values. We apply our mission and values framework to the management of our spending and operations.

The *scope* of our Investment Policy Statement provides guidance for Incourage's prudent investment of financial assets in the context of this integrated management of all capitals toward the end of co-creating an inclusive, adaptive and sustainable community.

Among the implications of this scope are that Incourage:

- Holds and seeks investments in private funds, organizations, companies and projects that are focused on creating a more equitable and environmentally sustainable economy in its Central Wisconsin region. This includes but is not limited to Community Development Financial Institutions (CDFIs) with a purpose to invest in underserved communities and to benefit underserved populations.
- Has created *investment criteria* to ensure that its management of financial capital optimally supports the short- and long-term goal of realizing a community that works well for all people, while minimizing the financial and other risks to both Incourage, the community it serves and the larger human and global community of which our region is a part.
- Actively seeks investments in companies, funds and projects within our region and state that are aligned with our mission and values while exercising all of the care, skill, prudence and diligence that a prudent person in like capacity and familiar with such matters would apply.

- As needed to fulfill our risk management responsibility for investment diversification, seeks investments in values-aligned companies, funds and projects within larger geographies. This includes a proactive commitment to seek opportunities to engage emerging managers who show potential to generate strong financial returns through values-aligned investment strategies.
- Secures strategic holdings in companies operating within our region that are *not* aligned with the goal of realizing a community that works well for all people, in order to hold those companies to account and seek to influence their management to adapt practices that are consistent with respect for workers, communities and a healthy, sustainable environment.
- Manages its spending and operations, including its purchasing function and supplier relationships, with the same mission and values framework as it applies to investment decisions. To help build regional value chains and foster wealth creation through recirculating local dollars, Incourage strives to utilize suppliers that are based within its region and state, subject to their ability to provide its requisite services and their alignment with its values of equity, opportunity and shared stewardship.
- Carefully monitors all of its public and private market investments with a view to tracking social, environmental and governance (ESG) factors *in addition to* the same vigorous financial monitoring that we have always conducted. Consistent with our integrated or connected capitals approach, Incourage is designing and will report on investment performance metrics that track changes in its own and its community's stocks of moral, human, social, intellectual, reputational and natural as well as financial capital. While measuring the often-intangible underlying assets can be challenging, Incourage will seek to track its performance in ways that reinforce and inform broader field practice in tracking investment performance on ESG criteria.

Incourage is implementing its mission- and values-aligned investment policy on multiple levels. Building upon 2010 and 2012 initial investments in two regional CDFIs focused on microenterprise, Incourage:

- Has evaluated and added CDFI investments focused on affordable housing, sustainable agriculture, food systems and microenterprise, and is evaluating state-issued bonds, as part of its fixed-income allocation.
- Is serving as lead investor on the development of the Tribune, a downtown Wisconsin Rapids community accelerator and the city's first LEED-certified building on the banks of the Wisconsin River.
- Has created a customized fund of publicly traded equities that prioritizes companies headquartered in or employing Wisconsin workers and actively votes company proxies and engages in shareholder dialogue to encourage responsible practices and business growth in Wisconsin, named the Wisconsin Shared Stewardship Equities Fund (WSSEF).
- Has built a portfolio of publicly held companies operating in its region with practices that undermine its values of equity, opportunity and shared stewardship. Through active ownership strategies, Incourage seeks to influence these corporations to adapt policies and practices that respect workers, communities and a healthy, sustainable environment.
- Has partnered with the USDA, to lead Blueprints for Tomorrow, a 25-month initiative that helped build networks and skills to generate a regional pipeline of investment opportunities that can accelerate the realization of a sustainable community. Incourage is already identifying investment opportunities and recruiting capital for this pipeline.
- Is developing a range of social, environmental, governance and connected capitals metrics to complement the financial monitoring of its investment portfolio.

Written in partnership with:



Lisa Richter, Managing Partner
Avivar Capital



Michael Miller, Managing Director
Colonial Consulting



Madeleine Beaubien Taylor, Ph.D., CEO
Network Impact

For more information, please contact:

Kelly Ryan, Incourage President & CEO | kryan@incouragecf.org | 715.423.3863

(6-7-2019)

Investment Policy Statement

As approved by the Incourage Board on February 16, 2016, including updates as confirmed by the Incourage Board through June 7, 2019.

- I. DEFINITIONS**
- II. OBJECTIVES**
- III. IMPLEMENTATION**
- IV. GUIDELINES and RESTRICTIONS for SEPARATELY MANAGED ACCOUNTS**
- V. MONITORING and REPORTING**
- VI. PORTFOLIOS**

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" of "Incurage") to direct the prudent investment of its investment portfolios (the "Portfolios") in a manner consistent with Incurage's mission and values.

Incurage is a values-led, user-centered and place-based philanthropy. With values of equity, opportunity and shared stewardship, Incurage works with residents to advance its core purpose of co-creating an inclusive, adaptive and sustainable community in its region. This includes greater south Wood County and the surrounding nine county area ("Central Wisconsin Region").

Achieving that vision in our experience requires integrated management of a spectrum of institutional and community capitals including moral, human, social, intellectual, reputational and natural, as well as financial.

It assumes that economic value resides not just in financial currency, but in human integrity, skills, curiosity and relationships, including a commitment to steward all human and natural resources. Often termed goodwill or intangible assets, we apply this frame to broaden the definition of wealth in our community, enlarging our own and the community's perspective to more properly value the contribution and potential of all residents, as well as our rich natural resources.

Incurage commits to align 100% of its financial assets to its mission, values and connected capitals approach.

It further recognizes that fulfilling its charitable purpose and effectively managing all of its capitals in furtherance of that purpose requires more than grant making. It also requires investing in the human and economic potential of our Central Wisconsin Region, as well as managing all of our financial assets to reinforce this purpose in the short- and long-term. Accordingly, the legal entity, Incurage Community Foundation, also uses the name Incurage Community Enterprises to encompass all of its work.

This Investment Policy Statement provides guidance for Incurage's prudent investment of financial assets, setting forth how Incurage will align 100% of its investment assets, spending and operations to its mission, values and connected capitals approach. It also serves as a basis for Incurage to disseminate its learning about the process and results of the approach.

During a period of transitioning its investment strategy to 100% alignment with mission and values, the full Board of Incurage has oversight of Incurage's investment Portfolios. As this Investment Policy Statement is refined and implemented, the Board may delegate oversight of the Portfolios to an Incurage investment Committee or Committees (the "Committee(s)"). Reference to the "Board" throughout this document includes reference to its Committees, as applicable.

This Investment Policy Statement shall be used by the Board and any future Committee(s) in their duty to oversee the investments and their advisors/managers.

It is expected that this document will be reviewed at least annually by the Board. At such time as Incurage may create Committee(s), those bodies may recommend any revisions for consideration by the Board.

SCOPE

This Investment Policy Statement applies to the investment assets of Incurage Community Foundation, Inc. d/b/a Incurage Community Enterprises.

FIDUCIARY RESPONSIBILITY

In seeking to attain the investment and mission objectives set forth in this Investment Policy Statement, the Board, and any Committees and their 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.

Increasingly, the standard for carrying out fiduciary responsibility for a charitable foundation recognizes that, in deciding whether to make an investment, foundation managers may consider all relevant facts and circumstances, including the relationship between a particular investment and the foundation's charitable purposes. As framed in IRS investment guidance for private foundations and consistent with charitable institution investment standards under state laws, foundation managers are not required to select only investments that offer the highest rates of return, the lowest risks, or the greatest liquidity, so long as the foundation managers exercise the requisite ordinary business care and prudence under the facts and circumstances prevailing at the time of the investment in making investment decisions that support, and do not jeopardize, the furtherance of the foundation's charitable purposes.¹

Incurage investment actions and decisions must be based solely in the interest of the organization and its capacity to most effectively fulfill its core purpose of co-creating an inclusive, adaptive and sustainable community. As such, Incurage will affirmatively seek investments that are place-based, user-centered and values-driven, with an emphasis on investments that reflect Incurage's values of equity, opportunity and shared stewardship. Incurage will seek to invest its assets in mission- and values-aligned companies, organizations and projects that benefit the people and sustain the natural resources of its Central Wisconsin Region and state, in each case applying business care and prudence under the relevant facts and circumstances. To achieve the benefits of investment diversification, Incurage will balance its Wisconsin investments with investments in companies whose operations are focused outside the state. Incurage will seek investments in companies that promote its values through fair labor practices, responsible environmental practices and generally contributing to equitable and healthy communities. Through active ownership, Incurage will advocate for such practices among all companies in which it invests.

Fiduciaries must provide full and fair disclosure to the Board or any Committee of all material facts regarding any potential conflicts of interest.

DEFINITION OF DUTIES

Board of Directors

The Board has the ultimate fiduciary responsibility for the Portfolios. The Board must ensure that appropriate policies governing the management of the Portfolios are in place and that these policies are being effectively

¹ Investments Made for Charitable Purposes, Internal Revenue Bulletin: 2015-39, Notice 2015-62, September 28, 2015, https://www.irs.gov/irb/2015-39_IRB/ar13.html accessed February 15, 2016.

implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and may delegate responsibility to a Committee, or Committees, for implementation and ongoing monitoring. At least annually the Board will perform a review of the Investment Policy Statement and the performance of the Portfolios (or will receive a report of such review from any Committees, if then existing).

Investment Committees

Upon ensuring that appropriate policies governing the management of the Portfolios with 100% mission and values alignment are in place and being implemented with requisite prudence and care, the Board may delegate oversight of any of the Portfolios to a Committee comprised of, but not limited to, the Board Chairperson, Treasurer, President/Chief Executive Officer, Chief Financial Officer and at least three Board members or at-large members of the community and/or national specialists having financial/investment background and expertise. Such Committee would be responsible for implementing all aspects of the Investment Policy Statement as it relates to that Portfolio. This responsibility includes, but is not limited to, providing advice to the Board with respect to investment strategy and implementation, recommending to the Board the hiring and firing of investment advisors/managers and/or direct investments, monitoring performance of the Portfolio on a regular basis (at least quarterly), and maintaining sufficient knowledge about the Portfolio, its managers and its investments so as to be reasonably assured of their compliance with the Investment Policy Statement.

Chief Financial Officer

The Chief Financial Officer (“CFO”) has daily responsibility for administration of the Portfolios (including but not limited to: directing the investment of additional contributions to the Portfolios; directing the rebalancing of assets in the Portfolios to be within the specified ranges, and rebalancing assets in the Portfolios, as may be needed on a periodic basis; and directing the liquidation of assets as needed for distributions), and will consult with the Board and/or Committee(s) as needed on matters relating to the investment of In courage’s Portfolios. The CFO will serve as the primary day-to-day contact for In courage’s investment advisors/managers, custodians and direct investments.

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

II. OBJECTIVES

PERFORMANCE OBJECTIVE

The performance objective (the “Performance Objective”) is to optimize social and financial performance, taken together, while exercising the requisite ordinary business care and prudence. Thus Incourge will seek to grow the market value of the Portfolio assets net of inflation, spending, and expenses, over long timeframes that are consistent with Incourge’s time horizon and the prudent assumption of risk. However, it may from time to time select individual investments, or groups of investments, that do not offer the highest expected rates of return, the lowest risks, or the greatest liquidity, when, pursuant to due diligence carried out with ordinary business care and prudence, such investments offer strong potential to advance Incourge’s mission and values. We further note that these investments, by virtue of their unique qualities, can serve to reduce total portfolio risk, thereby contributing to the probability of achieving Incourge’s objectives.

In quantitative terms, the specific Performance Objectives of the Portfolios are noted in Section VI - Portfolios. Given that market returns and inflation can deviate considerably, success relative to these objectives will be evaluated, where noted, over periods of ten years or longer with due consideration given to specific market conditions during such time.

It is also expected, where noted, that financial performance of the Portfolios will at least equal an asset allocation target weighted benchmark, net of investment fees, over long timeframes. The benchmark index will be comprised of each asset class index weighted by its target allocation.

Consistent with its connected capitals approach, Incourge is designing and will report on investment performance metrics that track changes in its own and its community’s stocks of moral, human, social, intellectual, reputational and natural, as well as financial (including investment) capital. While measuring the often intangible underlying assets can be challenging, Incourge will seek to track its performance in ways that reinforce and inform broader field practice in tracking investment performance on environmental, social and governance (ESG) criteria.

STRATEGY

Incourge will affirmatively seek investments that further its core purpose of co-creating an inclusive, adaptive and sustainable community, including both public and private market investments in companies headquartered or focused in the Central Wisconsin Region and the state whose products and processes promote Incourge’s values of equity, opportunity and shared stewardship. Given the challenges of creating a fully diversified portfolio of investments within Incourge’s region and state, Incourge will also invest in values-aligned companies that are located outside of these areas.

While Incourge will generally seek holdings in companies that are aligned with its mission and values, it will retain prudent levels of active ownership in companies operating in its region and beyond, whose practices undermine these values, with the express purpose of seeking to influence management to adapt more responsible policies and practices.

Given that Portfolio A is in part expected to support component funds of Incourge that are intended to endure into perpetuity, including certain donor-advised funds, designated funds, agency funds, scholarship funds, field of interest funds and unrestricted funds, and because inflation is a key factor in their financial Performance

Objectives, 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 Portfolios 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, subject to the acceptable ranges as noted in the applicable Portfolios.

INVESTMENT PORTFOLIOS and ASSET ALLOCATIONS

Incourage's investable assets are arranged in groupings of assets named Portfolios, the number of which may vary over time with the needs of Incourage and its component funds. The management of each Portfolio is subject to Incourage's overriding mission and values criteria, which over time may influence its approach to asset allocation. Portfolios may have asset allocations that vary by the intended purpose for the Portfolio. Specifics with respect to each current Portfolio are detailed in Section VI – Portfolios.

Rebalancing

In maintaining any asset allocation targets, the Board, the Committee, the CFO 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 in any given Portfolio are to be reviewed at least annually.

Unless otherwise specified herein, the domestic equity portions of the Portfolios are intended to be approximately evenly invested between growth and value managers, with no more than 60% of the domestic equity portion of the Portfolios being invested in one style (i.e. growth or value), to provide further diversification.

Distributions

Distributions from component funds generally subject to a spending policy shall be made in accordance with the Endowment Fund Distribution Spending Policy, as adopted by the Board. Withdrawals from the Portfolios (and from the component funds invested in the Portfolios) may include: cash required for service/administrative fees; investment and custodian fees; and as applicable, distributions in accordance with the Endowed Fund Distribution Spending Policy and functional expenses.

Incourage manages its spending and operations, including its purchasing function and supplier relationships, with the same mission and values framework as it applies to investment decisions. To help build regional value chains and foster wealth creation through recirculating local dollars, Incourage strives to utilize suppliers that are based within its region and state, subject to their ability to provide its requisite services and their alignment with its values of equity, opportunity and shared stewardship.

III. IMPLEMENTATION

It is the intent of the Board to proceed with aligning 100% of Incourage investment assets to mission and values without delay. It will pursue a steady and thoughtful implementation with all ordinary care, skill, prudence and diligence. The Board will utilize professional investment advisors/managers as needed to achieve the targeted mission and values alignment as well as financial goals of the specified asset allocation for each Portfolio. This includes retaining specialist investment advisors as needed to support Incourage's mission and values alignment.

While Incourage will seek to target a substantial portion of its investments to companies operating within its region and state, diversification among various management styles, industries, market capitalizations, business lines, equity and fixed income sectors, and geography is essential. The Board's intent is to select and retain the best and most values-aligned 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 Incourage's long-term financial goals, as well as its mission and values, will be better able to contribute to the overall financial Performance Objective, ESG objectives and other goals of Incourage.

TIME HORIZON

Incourage seeks to attain the financial Performance Objective over long periods. 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 no less than a five-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 Board reserves the right to evaluate and make any necessary changes regarding investment advisors/managers over a shorter-term using the criteria established under Investment Advisor/Manager Performance Objectives, below. Given the long time horizon that can be needed for investments that target revitalizing communities and/or emerging, innovative sectors to achieve expected financial and ESG objectives, Incourage will frequently apply timeframes longer than five years to evaluate selected investments and the Portfolios as a whole.

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. Adherence to the guidelines and objectives of this Investment Policy Statement, including ESG as well as financial criteria;
- b. Ability to at least meet the return of the appropriate benchmark index over a full market cycle as set forth in the following chart, and as may be further defined in each of the Portfolios;
- c. Avoidance of regulatory actions against the firm, its principals or employees; and
- d. Ability to measure and report actual financial and ESG performance as well as provide attribution for deviation from respective financial benchmarks.

SUMMARY of FINANCIAL PERFORMANCE OBJECTIVES

Specific Portfolio Performance Objectives are stated in Section VI – Portfolios. The following table summarizes certain individual asset class financial Performance Objectives:

ASSET CLASS	INDEX
Domestic Equity – Large Cap	S&P 500
Domestic Equity – Mid Cap	Russell Mid Cap
Domestic Equity – Small Cap	Russell 2000
Domestic Equity – WSSEF	Russell 3000
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
Private Equity	S&P 500 + 5%
TOTAL PORTFOLIO A	Inflation + 5%
TOTAL PORTFOLIO B	& Target Weighted Benchmark
TOTAL PORTFOLIO C	US T-Bills
	To be determined based on investments contained therein

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 and discretionary account on behalf of Incourage. Incourage will seek separate account managers who apply ESG criteria that are aligned with its mission and values and whose assets under management contribute to environmentally sustainable community and economic development within its Central Wisconsin Region and the broader state of Wisconsin, where possible. Furthermore, Incourage will seek opportunities to engage emerging managers who show potential to generate strong financial returns through values-aligned investment strategies. Although the Board cannot dictate policy to a pooled/mutual fund investment manager, it is the Board's intent to select and retain only pooled/mutual funds with policies that are generally consistent with the Incourage's ESG as well as financial 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 Board in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel of the advisor/manager;
- c. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure; and
- d. Only deviate from these guidelines with the advance permission of the Board.

WISCONSIN REGIONAL and STATE INVESTMENTS

Central Wisconsin Region and other investments within the state can be included in any of the Incourage investment Portfolios. They are encouraged to deploy Incourage's assets in a manner that is consistent with mission and appropriate from a fiduciary standpoint. In general, such investments will be selected based upon mission and values alignment, prospective financial returns, a thorough assessment of risk and the degree to which the investment is additive to Incourage's overall investment strategy via enhanced diversification. Where necessary, Incourage is willing to forego some level of liquidity and marketability on these investments, as well as incur additional time and cost to properly evaluate both prospective and current investments.

Examples of Central Wisconsin Region and statewide investments include:

- a. Investments in Community Development Financial Institutions (“CDFIs”) that provide financing to organizations, businesses, micro entrepreneurs, affordable housing and households in the Central Wisconsin Region or state of Wisconsin;
- b. Investments in equities and/or fixed income of mission- and values-aligned publicly or privately held companies either headquartered, or with significant operations and/or the employing of workers in the Central Wisconsin Region or state of Wisconsin, including the creation of a customized fund of publicly traded equities referred to as the Wisconsin Shared Stewardship Equities Fund (WSSEF); and
- c. Equity investments in selected publicly held companies either headquartered, or with significant operations and/or the employing of workers in the Central Wisconsin Region and beyond, whose practices undermine Incourage’s values, in which Incourage may take an active ownership position in order to hold those companies to account and seek to influence their management to adopt practices that are consistent with respect for workers, communities and a healthy, sustainable environment.

EQUITY GUIDELINES

In furtherance of its place-based investing priority, Incourage will proactively seek opportunities to invest in companies that are headquartered, or with significant operations and/or the employing of workers in Wisconsin, and funds that include Wisconsin companies.

Each equity investment advisor/manager shall:

- a. Assure that no position of any one company exceeds 10% of the manager’s total equity portfolio as measured at market value; and
- b. Vote proxies and share tenders in a manner that is in the best interest of Incourage and its community, consistent with the standards and values outlined in this Investment Policy Statement.

FIXED INCOME GUIDELINES

In furtherance of its place-based investing priority, Incourage will proactively seek opportunities to invest in fixed-income securities for which the underlying debt addresses Wisconsin community and sustainable economic development needs. Incourage may choose to place a portion of its fixed-income allocation in high performing Community Development Financial Institutions (CDFIs), which are financing intermediaries including loan funds that operate with a primary purpose of community development.

Each traditional 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;
- 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; and
- g. Invest no more than 80% of the fixed income portfolio in either corporate or mortgage-backed securities.

CASH EQUIVALENT GUIDELINES

Incourage seeks to place its cash and cash equivalents with regional financial institutions that are meeting area credit needs. Each cash equivalent or 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 & Poor's and/or Moody's, respectively;
- c. Invest no more than the federal deposit insurance limit in Bank or Credit Union Certificates of Deposit of any single issuer, unless the investments are otherwise federally insured, such as through FDIC insurance on Bank Certificates of Deposits that are part of the Certificate of Deposit Account Registry service (CDARS), or 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 and/or certificates of deposit as noted in item c. above, and except for Portfolio C in which investments may be specifically selected for specified component funds of Incourage.

ALTERNATIVE INVESTMENTS

In order to enhance Portfolio results or to achieve particular mission and/or values-aligned outcomes, Incourage may elect to invest in alternative investment strategies such as hedge funds or private equity. At present, private equity is included in this area and previously, long/short hedged equity was also included. These investments are typically 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.

BROKERAGE/SOFT DOLLAR USE

Investment advisors/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 Incourge's Portfolios, not of the investment manager. On an annual basis, each investment advisor/manager must:

- a. Verify 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 Incourge's Portfolios; and
- c. Disclose any affiliated broker relationships and the materiality of that relationship to the investment management organization.

PROXY VOTING

Given its value of shared stewardship, Incourge believes that the passive holding of company shares without assessment of the ESG as well as financial performance of the company does not fully fulfill our obligation as a shareholder.

With its separately managed accounts, Incourge will vote its proxies as follows:

- When Incourge's mission and values are directly involved, proxies shall be voted in a manner consistent with them. Specifically, Incourge will vote proxies in a manner that requires companies to adapt policies and practices that demonstrate respect for workers, communities, a healthy, sustainable environment and a sustainable community.

On issues of corporate governance Incourge will vote according to the following general guidelines:

- a. Ratify Auditors;
- b. Ratify Directors unless governance, or a mission- or values-related issue has been raised, or there is a lack of diversity on the board;
- c. Vote against golden parachutes for executives;
- d. Vote for proposals requiring a majority of independent directors;
- e. Vote for proposals requiring nominating and/or compensation committees to be composed exclusively of independent directors;
- f. Vote for incentive payments that are tied to social and environmental performance; and
- g. Vote for proposals recognizing the standing of stakeholders other than shareholders in governance and control.

Each investment advisor/manager shall handle the voting of proxies and tendering of shares in a manner consistent with these criteria and in the best interest of Incourge. Each investment advisor/manager shall provide a written report to the Board 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. Advisors/managers are encouraged to contact Incourge if they have questions about how to cast specific proxy votes.

SECURITIES LENDING

Lending of any of Incoimage's Portfolios of securities is expressly prohibited.

V. MONITORING and REPORTING

CUSTODIANS

Each custodian is an integral part of managing and overseeing Incourage's Portfolios. Open communications between Incourage, 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 Incourage, 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, where possible;
- b. Provide Incourage, 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 Incourage's CFO.

INVESTMENT ADVISORS/MANAGERS

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

- a. A written review of key investment decisions, investment performance, portfolio structure, and adherence to the ESG, as well as financial criteria, set out in this Investment Policy Statement;
- b. 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
- c. 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:

- a. Provide Incourage and its outside consultant(s), if any, transaction and asset statements on a timely basis;
- b. Provide Incourage and its outside consultant(s), if any, written quarterly performance reviews and in person meetings as requested;
- c. Immediately notify Incourage 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;
- d. Provide an annual summary of proxy voting and soft dollar brokerage to Incourage and its outside consultant(s), if any, as defined in the respective sections of this Investment Policy Statement; and
- e. Provide other reports or information as may be reasonably be requested by Incourage and/or its outside consultant(s), if any.

VI. PORTFOLIOS

Portfolio A:

Oversight Responsibility:

Incourage Board of Directors

Purpose:

Portfolio A is intended to be utilized by component funds of Incourage that are intended to be endowed and are seeking long term investment results to support a spending policy in accordance with the Endowment Fund Distribution Spending Policy. Other component funds of Incourage that have similar long term investment goals may also invest assets in Portfolio A.

Financial Performance Objective:

In quantitative terms, the financial Performance Objective of Portfolio A is to earn a total return of 5% over inflation (as measured by the Consumer Price Index), net of fees, over long periods, utilizing a target weighted benchmark, in support of a 4% grant spending policy.

Given that Portfolio A is in part expected to support component funds of Incourage that are intended to endure into perpetuity, including certain donor-advised funds, designated funds, agency funds, scholarship funds, field of interest funds and unrestricted funds, and because inflation is a key factor in their financial Performance Objectives, 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 Portfolios 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, subject to the acceptable ranges as noted in the applicable Portfolios.

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. Individual asset class Performance Objectives are detailed in the table in Section III – Implementation, under Summary of Performance Objectives.

Up until June 7, 2019, Portfolio A was comprised of two asset allocation segments that were separate and distinct for asset management purposes, each with its own asset class targets and ranges. Effective June 7, 2019, the separate segments were eliminated and all of the assets will be invested in the aggregate to comply with the asset class targets and acceptable ranges stated in the below Portfolio A overall asset allocation table.

Portfolio A – Asset Classes:

Incourage’s independent investment consultant (currently Colonial Consulting) and independent mission investing advisor (currently Avivar Capital) shall use their investment expertise to recommend to the Board investment managers, and monitor them, in accordance with the asset class targets and acceptable ranges as defined in this Portfolio A.

The following Portfolio A 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	8.0 %	5.0% - 17.0%
Treasury Inflation Protected Securities	4.0 %	1.0% - 7.0%
Global Bonds	4.0 %	1.0% - 7.0%
Central WI Region Fixed Income	10.0 %	2.0% - 13.0%
Money Market	<u>1.5 %</u>	0.0% - 5.0%
TOTAL FIXED INCOME	27.5 %	23.5% - 34.0%
Private Equity	<u>2.5 %</u>	0.0% - 5.5%
TOTAL	100.0 %	

Note: Specific ranges do not add to 100%

Portfolio B:

Oversight Responsibility:

Incourage Board of Directors

Purpose:

Portfolio B is intended to be utilized by component funds of Incourage that have distribution expectations that are in essence short-term in nature, thereby requiring stability of principal and a high level of liquidity.

Financial Performance Objective:

In quantitative terms, the financial Performance Objective of Portfolio B is to earn returns equaling or exceeding US T-bills through a portfolio of Cash Equivalents.

Portfolio Asset Classes:

Investment advisors as designated by the Board or Committee (currently Colonial Consulting, Avivar Capital, US Bank and/or the CFO) shall use their investment expertise to select and monitor investments or investment managers for their individual portion of Portfolio B, each in accordance with the asset class targets and ranges as defined in this Portfolio B:

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Cash Equivalents	100 %	

Portfolio C:

Oversight Responsibility:

Incourage Board of Directors

Purpose:

Portfolio C is intended to be utilized by specified component funds of Incourage for the purpose of holding specific investments that are deemed appropriate for the specified component fund(s).

Financial Performance Objective:

In quantitative terms, the financial Performance Objective of Portfolio C is individual to the specific investments that may be contained in it from time to time.

Portfolio Asset Classes:

Investments as designated by the Board that each may benefit one or more specified component funds of Incourage from time to time. Examples of investments that may be held in Portfolio C include loans from Incourage to its supporting organization, Community Property, Inc., to support mission and values aligned work, certificates of deposit with financial institutions in the region or state, and other investments that may be deemed appropriate for one or more specified component funds of Incourage from time to time.