Community Foundation of the Ozarks

INVESTMENT POLICY STATEMENT

Adopted January 26, 2016

I. Description

This Investment Policy Statement (IPS) details the oversight and management of the diversified investment portfolio (Fund) of the Community Foundation of the Ozark.

The investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the current and future mission of the Community Foundation of the Ozarks. To accomplish this objective, the Investment Advisory Board (IAB) seeks to generate a total return that will exceed not only its grants and distributions, but also all expenses associated with managing the Fund and the eroding effects of inflation. It is the intention that all total return (interest income, dividends, realized gains, and unrealized gains) above and beyond the amount approved for expenditure or distribution will be reinvested in the Fund. The Fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

II. Investment Liquidity

The Fund has a long-term investment horizon with relatively low liquidity needs. For this reason, the Fund can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the Fund may take advantage of less liquid investments such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the committee will conduct a periodic review of total fund liquidity.

III. Asset Allocation

To achieve its investment objective, the Fund will allocate across asset classes consistent with its investment objective. Other asset classes may be added to the Fund in an effort to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set.

The domestic equity segment is intended to provide long-term growth and offer high expected real returns and liquidity. The international equity segment is intended to enhance return and control risk by reducing the Fund's reliance on domestic financial markets. Private equity may provide even higher return potential by focusing on opportunities in less efficient and more illiquid markets. Flexible capital strategies are employed to offer market-comparable returns with lower expected volatility. Fixed income can help provide stability and protection in deflationary environments. Inflation-hedging strategies are utilized to provide a diversified hedge against inflation as well as a strong yield component. Lastly, cash provides short-term liquidity and serves as a funding source for distributions and rebalancing.

Please see ***Appendix A*** for specific asset allocation targets.

IV. Rebalancing

The Investment Advisory Board, Staff, and Investment Consultant will review the Fund's asset allocation periodically. Any deviations from asset class policy targets outside of the allowable ranges will be addressed through rebalancing or acknowledgment of a valid reason for remaining outside of stated policy ranges (such as liquidity or short-term transitions between managers).

The portfolio shall be balanced to the percentages in the asset allocation model no more than four (4) times per year. Cash receipts shall be invested as soon as practical according to the current asset allocation policy, unless otherwise approved.

V. Performance Evaluation Benchmarks

Benchmarks are useful to gauge the performance of the Fund, but they are best viewed over longer periods, generally three to five years. The Fund will be compared to its Policy Index, which represents the optimal "Policy Portfolio" selected by the Investment Advisory Board. The Policy Index is defined as the sum total of all the policy target weights for each of the asset classes multiplied by the returns of their respective benchmarks. Significant performance deviations from the Policy Index will be explained and appropriate actions taken if necessary. Benchmarks for each of the broad asset classes are established and reviewed by the Investment Advisory Board with the assistance of the consultant. In addition to the Fund and asset class benchmarking, all managers within each asset class will be compared to their own relevant style index benchmarks.

VI. Roles and Responsibilities

Various parties contribute to the successful management of the Fund's assets. The Investment Advisory Board is responsible for setting strategic direction, with Board approval, and for overseeing the investment of the assets in accordance with the Foundation's mission statement. The Investment Consultant (if retained) provides advice to the Investment Advisory Board regarding investment strategy and manager selection and assists in the performance evaluation process. The Board has ultimate responsibility for the diversified investment portfolio but delegates specific duties as described in the Investment Policy Statement. More specifically, the parties have the following responsibilities:

a. Investment Advisory Board

The Investment Advisory Board is to advise the Board of Directors on all matters related to the investment policy and investment guidelines, the selection of appropriate asset classes and investment managers and allocating funds to them, setting and changing the weighting of asset classes, establishing investment performance benchmarks, and appraising investment manager performance. The Investment Advisory Board will review and evaluate investment results and take whatever action is deemed prudent when an investment manager fails to meet performance standards or violates the investment guidelines.

The Investment Advisory Board shall consist of ten (10) to sixteen (16) persons serving staggered three (3) year terms. Members shall be selected by the IAB Nominating Committee as needed, with a minimum of three (3) members coming from the Community Foundation of the Ozarks Board of Directors. Membership on the Investment Advisory Board is limited to two (2) complete consecutive three (3) year terms.

The Community Foundation of the Ozarks Executive Committee shall appoint a chairman of the Investment Advisory Board. The Chairman will be a sitting board member, serve a minimum of two (2) year term, and be a member of the Executive Committee.

b. Investment Managers

Investment managers retained by the Fund are expected to manage assets in a style and manner consistent with the expectations set at time of hire. It is expected that the managers will communicate directly with the Consultant in a timely fashion and notify them of any material changes to the firm, staff, or strategy. Managers should utilize the same care, skill, prudence, and due diligence as prevailing practices that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in comparable investing scenarios and in compliance with applicable local, state, and federal laws, rules, and regulations, including but not limited to, those pertaining to fiduciary duties and responsibilities.

c. Investment Consultant

Should the Investment Advisory Board retain an Investment Consultant, the Consultant will be responsible for providing proactive advice and education to the Investment Advisory Board on investment guidelines, asset allocation, and manager structure. The Consultant will assist in the selection of new investment managers and will alert the Investment Advisory Board to any important developments at the current managers' firms. In addition, the Consultant will provide performance evaluation reports to the Investment Advisory Board on a monthly and quarterly basis. Reports will include the performance of each of the investment managers and the total fund compared to appropriate market indices and peer groups. Quarterly reports will contain significant details of the portfolios holdings, risk exposures, and performance. The Consultant will meet with the Investment Advisory Board at least quarterly to discuss fund performance and other pertinent matters.

The Investment Advisory Board shall periodically review the investment consultant. The role and performance of the Investment Consultant will be reviewed at least once every five (5) years.

d. Administrative Staff

The responsibility of the Administrative Staff is to coordinate the administration of the Fund with the Investment Consultant. This includes providing for the maintenance of proper accounting books and records, managing periodic disbursements, recording contributions, issuing reports, and attending to other similar administrative matters. The Staff will also provide support to the Board and the Investment Advisory Board as may be requested.

VII. MANAGER SELECTION AND MONITORING

The Investment Advisory Board will select and monitor external managers to invest the assets of the Fund. The Investment Advisory Board may delegate certain selection and monitoring functions to the Investment Consultant. The Investment Advisory Board will report on the status and performance results of the Fund to the Board no less than annually.

The Investment Advisory Board seeks managers who demonstrate effective strategies, sustainable advantages, and high-quality organizational structures. The Investment Advisory Board expects its active managers to generate superior relative risk-adjusted performance, net of all expenses. Passive mandates may be used in more efficient (occasionally, in less efficient) segments of the capital markets for the purpose of gaining market exposure. The Investment Advisory Board shall determine the respective maximum allocations to single active managers.

Staff and the Investment Consultant will conduct extensive due diligence prior to recommending each external manager to the Investment Advisory Board. Evaluations include meetings with key personnel and typically include at least one on-site visit to the principal office. Research also includes reviews of audited financial statements, reference checks with other clients and business associates, and comparison to competitors. The Staff and Consultant will use their respective networks of contacts to gain further confirmation of a manager's abilities and business practices. New firms have additional business risk and are subject to a more rigorous level of due diligence and more stringent ongoing monitoring. Selection of investment managers is not geographically restricted.

The Investment Advisory Board has the discretion to take corrective action by replacing a manager if deemed appropriate at any time. Corrective action typically occurs as a result of meaningful organizational or process-related change, and, in some cases, sustained relative underperformance. Significant short-term underperformance will also trigger a review. Each year the Investment Advisory Board will review each manager and evaluate organizational changes and performance as it relates to managers stated investment goals and peer results.

VIII. Spending and Distribution Policy

Spending is guided by several factors; most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and distributions from endowment funds to **4%** of the value of fund assets based on a 12-quarter rolling average. The spending amount will be calculated by multiplying the 12-quarter rolling average of fund assets times **4%**, divided by 4 (to arrive at quarterly spending).

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), spending shall comply with the evolving "prudent spending" guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

IX. Conflict of Interest

If any member of the Investment Advisory Board, Staff, or the Investment Consultant shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective member's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion. All parties must also comply with any other conflicts of interest policies adopted by the Community Foundation of the Ozarks.

X. Investment Policy Statement Review

The Investment Advisory Board will review the Investment Policy Statement and submit any changes for ratification by the full board on an annual basis.

Appendix A

Asset Allocation

The following asset allocation policy has been established. It is felt that this policy will provide the highest probability over time of meeting or exceeding the Fund's objectives, while avoiding excessive risk. Acceptable ranges for the policy targets are plus or minus three percentage points.

Asset Class	Policy Target
Domestic Equity	25.0%
International Equity	21.0%
Flexible Capital	20.0%
Inflation Hedging	12.0%
Fixed Income	20.00%
Domestic Fixed Income	*15.0%*
Global Fixed Income	*5.0%*
Mission-Related Investments	2.0%
Liquid Capital	0.0%

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