NORTH CAROLINA
COMMUNITY FOUNDATION

Overview of the NCCF
Charitable Investment Partners Program ("ChIPP")

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Charitable Investment Partners Program

This Charitable Investment Partners Program (**ChIPP**) overview sets out expectations and responsibilities of Charitable Investment Partner Program manager (**ChIPP Manager**), in connection with North Carolina Community Foundation (**NCCF**) Charitable Investment Partner Program.

I. PURPOSE

This overview includes policies and guidelines governing ChIPP. ChIPP is available for NCCF charitable funds with a combined balance exceeding $1,000,000. ChIPP establishes a contractual relationship between NCCF (legal owner of the investment account) and each ChIPP manager providing investment management services designed to meet NCCF investment objectives. This overview describes NCCF investment objectives and establishes guidelines for ChIPP Managers, including investment performance objectives and reporting requirements. The ChIPP Manager must execute and follow the NCCF Investment Policy Statement (IPS, attached hereto as Exhibit A) when developing an investment strategy as part of its participation in this program.

II. ROLES & RESPONSIBILITIES

The **NCCF Board of Directors** is responsible for managing Foundation assets and has delegated responsibility to the **NCCF Finance Committee** for oversight and management of the NCCF investment portfolio. Including the establishment of investment policies and procedures, and ongoing monitoring and evaluation of investment performance. The Board has final approval of the IPS.

The **Investment Advisor,** hired by the **NCCF Finance Committee,** is charged with monitoring and overseeing the Foundation's portfolio, including asset allocation, investment performance, benchmark development and comparisons, and material changes to investment managers in such areas as investment strategy, management and key personnel, ownership, and legal or regulatory issues.

NCCF Management is responsible for administrative management of the investment portfolio, including investment activity apportionment, performance and investment manager fee monitoring, and overall financial institution relationship management. NCCF Management conducts due diligence, establishment of and liaison with ChIPP managers.

The **ChIPP Manager** must perform the following with NCCF:

- Review and execute the **NCCF IPS**, attached hereto as Exhibit A; and
- Provide information requested in and acknowledgement/agreement to the following:

- Exhibit B, **Request for Information**: Completed during the onboarding process for **ChIPP Managers** and used by NCCF staff as part of due diligence in preparing a recommendation to the **NCCF Finance Committee** for final approval of the **ChIPP Manager**.

- Exhibit C, **Reporting Responsibilities:** All managers must meet the minimum reporting requirements listed. NCCF staff, working with the **Investment Adviso**r, will report performance and benchmark and peer comparisons of **ChIPP Managers** to the **NCCF Finance Committee**.

- Exhibit D, **ChIPP Manager Additional Obligations:** All managers must meet the requirements listed.

Once approved, the **ChIPP Manager** will be responsible for making discretionary investment decisions regarding assets under their management and will be accountable for meeting investment objectives set out in the NCCF IPS. Such authority shall include asset allocation and manager selection decisions that are reflective of the ChIPP manager's current investment outlook and compatible with the NCCF IPS.

III. FEES AND GRANTS

NCCF's support fee schedules are based on a tiered structure in accordance with the following schedules:

Endowments (excluding Scholarships)
- Up to $1 million = 1%
- $1 million to $3 million = .75%
- $3 million to $10 million = .5%
- $10 million + = .25%

Scholarship Endowments: 2%

Non-Endowed Funds: 1%

The investment management and custodial fees charged by the ChIPP Manager are in addition to the NCCF support fee. It is expected that ChIPP managers will charge institutional account-level investment fees, competitive with the other investment managers for the Foundation.

North Carolina Community Foundation

October 2019

INVESTMENT POLICY STATEMENT

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NORTH CAROLINA
COMMUNITY FOUNDATION

OVERVIEW

PURPOSE

This Investment Policy Statement (IPS) was adopted by the North Carolina Community Foundation to establish a clear understanding of the Foundation's investment philosophy and objectives. This document has been established between the Finance Committee of the North Carolina Community Foundation (hereafter referred to as the "Finance Committee" and the "Foundation") acting on behalf of the Board of Directors of the Foundation and the Investment Advisor and other investment managers engaged to invest assets of the Foundation under conditions set forth herein.

The overall investment objective of the Foundation is to preserve and protect fund principal while achieving a long-term net rate of return sufficient to cover the current spending policy plus an administrative fee and inflation, over a complete market and economic cycle. Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon and asset diversification.

SCOPE

This Policy applies to all assets that are included in the Foundation's investment portfolio for which the Investment Advisor and Finance Committee have discretionary investment authority.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in the policy, the Finance Committee, the Investment Advisor and other investment managers shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Finance Committee of all material facts regarding any potential conflict of interest. Investment managers must be a Bank, Trust Company, Insurance Company or Registered Investment Advisor (RIA) or another entity specifically approved by the Board of Directors.

DEFINITION OF DUTIES

BOARD OF DIRECTORS / FINANCE COMMITTEE

The Board of Directors is responsible for the management of the assets of the Foundation. The Board of Directors shall discharge its duties solely in the interest of the Foundation, with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Within the broad framework of this IPS the Finance Committee shall have direct responsibility for the oversight and management of the Foundation's investments and for the establishment of investment policies and procedures. The following are responsibilities of the Finance Committee:

1. Establish reasonable and consistent investment objectives, policies, asset allocation, and guidelines.
2. Select qualified investment professionals, including Investment Managers, Investment Advisors, and Custodians.
3. On an as-needed basis, with or without the Investment Advisor, meet with an Investment Manager if concerns arise about investment performance, levels of risk, strategy, personnel, or organizational structure.
4. Determine the Foundation's investment objectives, risk tolerance and time horizon and communicate these to the Investment Advisor and Investment Manager(s).

5. Monitor investment objectives and evaluate portfolio performance to assure that the Investment Manager(s) adhere to policy guidelines.
6. Develop and enact proper control procedures to include the engagement, termination and replacement of investment professionals.
7. Review of investment performance by the Board of Directors will be done annually or more frequently if desired, however, the review of performance by the Finance Committee will be quarterly.
8. Recommend to the Board of Directors proposed changes and revisions to this Investment Policy Statement from time to time.

The Finance Committee may engage Investment Managers whose disciplines require investments outside the asset allocation guidelines. However, if the Finance Committee wishes to consider assets not approved in this Investment Policy Statement, they may do so only with the approval of the Board of Directors.

INVESTMENT ADVISOR

The Investment Advisor is responsible for all aspects of monitoring and overseeing the Foundation's portfolio. On an ongoing basis the Investment Advisor will:

1. Implement the overall investment strategy, including the selection/termination of securities and/or investment professionals, within these investment policy guidelines.
2. Monitor the asset mix and allocate assets of each investment strategy within these investment policy guidelines and should the allocation be out of range at calendar year-end, work with the Investment Manager(s) to rebalance as soon as reasonably possible.
3. Provide the Finance Committee with quarterly reviews including account values, investment performance, benchmark comparisons and market commentary.
4. Provide the Finance Committee with views on important developments in the economy and the securities markets, and their potential effect on investment strategy, asset allocation, and account performance.
5. Inform the Finance Committee of contemplated changes in the Investment Advisor's investment philosophy, strategy, or performance.
6. Assist the Finance Committee periodically, with a review of the Investment Policy Statement, including an assessment of the current asset allocation and investment objectives; policies, goals and/or guidelines.
7. Supply the Finance Committee with other reports or information as reasonably requested.
8. Execute all duties provided for in the Investment Advisory Agreement.

INVESTMENT MANAGERS

Investment Managers will have full discretion to make all investment decisions within the limitations set forth in this Investment Policy Statement. Specific responsibilities of the Investment Manager(s) include:

1. Perform discretionary investment management including decisions to buy, sell, or hold various securities.
2. Provide the Investment Advisor with copies of all available statements, documents, and reports in a timely manner after the close of each period.
3. Communicate any major changes to economic outlook, investment strategy, or any other factors, which would affect expected performance or process to the Investment Advisor and the Finance Committee.
4. When appropriate, vote proxies and keep all records that will be governed by the Investment Manager's client agreement.
5. Comply with applicable law, report any discrepancies, and notify the Investment Advisor and the Finance Committee of any legal action taken against the Investment Manager(s), any arbitration

involving the Investment Manager(s), or any judgments against the Investment Manager(s) or any of its employees.

6. Implement this Investment Policy Statement to achieve the investment objectives.
7. Notify the Investment Advisor and the Finance Committee should circumstances occur which the Investment Manager believes would require a modification of this Investment Policy Statement in order to achieve the Foundation's stated objectives.
8. Notify the Investment Advisor and the Finance Committee of any material change in the investment philosophy, management, key personnel or ownership of the Investment Manager, within 45 days of occurrence.

OBJECTIVES

The overall, long-term investment goal of the Foundation is to achieve an annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation plus any spending and administrative fee, thus protecting the purchasing power of the assets.

STRATEGY

The Foundation recognizes that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets also provide the added benefit of inflation protection.

Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs.

SPENDING POLICY

Growth and income from the investment portfolio will provide for annual grant making. Funds available to distribute are currently calculated on a calendar year basis based on 5% times the average of the previous 12 quarter-ending balances by fund.

ASSET ALLOCATION

Asset allocation will likely be the key determinant of the Foundation's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total portfolio, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Foundation, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of four asset categories: Global Equity, Global Fixed Income/Credit, Real Assets and Diversifying Strategies. Each category serves a specific role within a portfolio. An allocation to all four categories can provide diversification to major market risk factors and provides a simple framework to review the exposures within the portfolio. The categories are defined in the Exhibit.

REBALANCING

The Investment Manager will actively manage the asset allocation based on their determination of market valuations but remain within the ranges at all times. Should any category move out of acceptable range due to market movements, the Investment Manager will use prudence in rebalancing the portfolio, either immediately or over the subsequent few months.

LIQUIDITY

A goal of the portfolio is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In many instances, the most appropriate investment option is one that comes with liquidity constraints.

Illiquid investments include private equity, private debt, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity may be considered throughout the portfolio construction process.

Any investments in less than liquid strategies require the prior approval of the Finance Committee and the authorized signature of the Foundation President. Individual managers with accounts greater than $10 million may propose liquidity-constrained investments to Foundation staff for Finance Committee consideration.

PERFORMANCE MEASUREMENT

TIME HORIZON

The Finance Committee seeks to achieve the investment objective over a full market cycle. The Finance Committee does not expect that the investment objective will be attained in each year and recognizes that over various time periods, the portfolio may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured net of fees over a 5-year moving period.

COMPARISONS

Investment performance will be reviewed and evaluated on multiple criteria. First and foremost, investment performance must support the Foundation's mission of building long-term charitable assets for the benefit of our communities, forever. The investment portfolio is invested to preserve fund principal while supporting meaningful annual distributions to our charitable partners. As this benchmark is not directly related to market performance, the success of this strategic criterion may be determined over decades.

A second assessment of investment performance of the Foundation is to that of our peers, both within North Carolina and across the nation. Multiple resources provide survey data needed to evaluate Foundation investment performance to other community foundations.

Lastly, investment performance is evaluated in reference to nationally recognized and available investment indices, such as the Russell 1000 equity index or the Bloomberg Barclays U.S. Aggregate bond index. Comparisons to investment indices will take two forms:

- Broad Policy Benchmark – exceed the total return of a mix of asset <u>class</u> benchmarks weighted by their long-term strategic allocation as outlined in the Exhibit. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions. This benchmark is intended to assess the long-term success of strategic portfolio construction decisions.

- Target Weighted Benchmark – achieve a total return in excess of Target Weighted Benchmarks, comprised of each asset <u>style</u> category benchmark weighted by its target allocation. This benchmark is intended to assess the long-term success of tactical and active manager decisions.

GUIDELINES AND RESTRICTIONS

GENERAL

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

- Private Placements
- Purchasing Options
- Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
- Individual Mortgages
- Lettered stock or other non-marketable securities
- Unregistered Stock Transactions
- Margin Transactions including, but not limited to:
  - Short Selling
  - Margin Transactions
  - Currency Hedging

ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected. To assure continued relevance of this Investment Policy Statement, the Finance Committee shall review this Investment Policy Statement at least annually.

North Carolina Community Foundation Chair of Finance Committee	Date
North Carolina Community Foundation Chair of Board of Directors	Date
FEG Investment Advisors	Date
Investment Manager	Date

EXHIBIT - ASSET ALLOCATION

Asset Categories	Minimum	Target	Maximum
Global Equity			
Domestic Large Cap Growth/Value	16%	20.0%	45%
Domestic Mid Cap	0%	5.0%	15%
Domestic Small Cap	0%	5.0%	15%
International	16%	24.0%	45%
Private Equity*	0%	6.0%	10%
Total Equities	**32%**	**60.0%**	**85%**
Global Fixed Income			
Global Fixed	0%	4.0%	10%
Domestic Fixed	12%	14.0%	20%
Private Fixed Income*	0%	2.0%	5%
Total Fixed Income/Credit	**12%**	**20.0%**	**30%**
Real Assets			
Liquid Real Assets	0%	4.0%	10%
Private Real Assets*	0%	6.0%	10%
Total Real Assets	**0%**	**10.0%**	**20%**
Diversifying Strategies			
Liquid Alternative Strategies	0%	4.0%	10%
Illiquid Diversifying Strategies*	0%	6.0%	10%
Total Diversifying Strategies	**0%**	**10.0%**	**20%**
Cash & Equivalents			
Cash & Equivalents	0%	0.0%	10%
Total Cash & Equivalents	**0%**	**0.0%**	**10%**
Total		***100.0%***	

*May be proposed for Finance Committee consideration by individual managers with accounts greater than $10 million.

EXHIBIT - ASSET ALLOCATION (cont'd)

ASSET ALLOCATION DEFINITIONS

GLOBAL EQUITY	Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, they also have higher volatilities. Includes both long-only and liquid hedged equity mandates.
GLOBAL FIXED INCOME/CREDIT	Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities, and can be further categorized as interest rate sensitive and credit sensitive.
REAL ASSETS	Intended to insulate the portfolio from inflation shocks and to provide a source of non-correlating returns with other asset categories. Includes real estate investment trusts (REITs), natural resources (e.g., Energy, Master Limited Partnerships), and commodities.
DIVERSIFYING STRATEGIES	Intended to provide diversification from systematic market risk, as the primary determinant of returns are typically from manager skill (alpha) rather than market return (beta). Includes liquid non-directional strategies that seek low correlations to the public equity and fixed income markets.

LIQUIDITY CATEGORIES

• CLASSIFICATION OF ASSET	• RANGE(S)	• TIME NEEDED TO LIQUIDATE
Liquid	At Least 55% of the Portfolio	≤ Monthly
Semi-Liquid*	No More Than 20% of the Portfolio	> Monthly to ≤ 3 Years
Illiquid**	No More Than 25% of the Portfolio	> 3 Years

* Excludes any initial, lock-up period(s) and/or redemption gate(s).

** For illiquid investments, market movements could cause the Fund to move outside the ranges, in which case, rebalancing will not be necessary, but future illiquid commitments may need to be adjusted.

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Charitable Investment Partners Program ("ChIPP")

REQUEST FOR INFORMATION

EXHIBIT B

I. Firm Overview

1. Provide the firm's full name and contact information.
2. Provide primary contact's name, contact information and tenure with your firm.
3. Provide a brief history of the firm.
4. Describe the firm's ownership structure.
5. Provide the firm's total Assets Under Management or Advisement (AUM / AUA).

II. Investment Program

1. Discuss the firm's asset allocation philosophy and methodology
2. Describe your manager and/or fund identification, access, and selection processes.
3. Describe the investment asset selection process (e.g. mutual funds, ETFs and/or individual securities).
4. How many people are dedicated to research?
5. Describe your rebalancing strategy.
6. Describe your sell discipline for securities or termination philosophy for managers.
7. Describe the firm's approach to portfolio risk management and monitoring.
8. Do you have the ability to establish a separate account under NCCF's ownership with the custodian for all assets gifted to the foundation from current and future donors without the need for a new account per donor?

III. Fees

1. What is the proposed advisory fee?
2. What is the custody fee, if not included in the advisory fee?
3. What is the estimated total investment management cost including expense ratios, transaction, and custody fees?

IV. Custody

1. Please provide the firm name and contact information for your preferred custodian.
2. Do you receive soft dollars or other compensation for the use of the custodian?

V. Conflicts of Interest

1. Describe any circumstances under which you or your firm receives compensation, finder's fees, commissions or any other benefit from investment managers or third parties.

VI. Other

1. Please detail the firm's fiduciary or professional liability, errors and omission and any other insurance coverage maintained by the firm.

2. Has the firm been involved, or currently involved, in any investigation, litigation or sanction by the SEC or other regulatory body? If yes, please describe in detail, highlighting actions initiated by clients.
3. Does your firm assume fiduciary responsibility in its role as an investment manager?
4. Is your firm, its parent, or affiliate a registered investment advisor with the SEC under the Investment Advisors Act of 1940?
5. If yes, please provide a copy of the firm's ADV, Part 1 and 2.
6. Disclose any conflicts of interest your firm and/or members of your firm may have with NCCF.
7. Discuss the firm's disaster recovery plan.
8. NCCF reserves the right to make public, investor management performance. Does this present an issue to the firm?

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REPORTING REQUIREMENTS

EXHIBIT C

Annually:

- An organizational update, including an ADV report, containing any and all changes in organizational structure, investment personnel and processes.
- A review of the managers' understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.
- A review with NCCF staff which will include:
  - Key investment decisions, investment performance and portfolio structure
  - Investment manager performance with benchmark and peer comparisons
  - Current asset allocation and a comparison to target allocations provided in the NCCF IPS.

Quarterly:

- Performance information as well as economic and financial market commentary and outlook.

Monthly:

- Monthly account statement including transactions and a list of assets provided no later than the tenth (10th) business day following month end in electronic form to the NCCF and the NCCF Investment Advisor for consolidated and comparative purposes.

Other:

- Immediate notification to NCCF staff of any changes to the portfolio which are not contained in the investment guidelines and policies agreed upon when establishing the ChIPP account.
- NCCF may request additional information concerning the investment portfolio's performance as and information related to the firm, investment or manager selection, or other counter-parties.

Charitable Investment Partners Program (ChIPP)

ChIPP MANAGER ADDITIONAL OBLIGATIONS

EXHIBIT D

The ChIPP Manager agrees it will act as a fiduciary and manage the investment portfolio, on behalf of NCCF, subject to the investment objectives and other terms and conditions set forth in the NCCF IPS (as may be amended from time to time). However, the parties hereto recognize that certain objectives, terms and conditions of the NCCF IPS, including but not limited to asset allocation, investment strategies and liquidity, may differ from those set forth in the ChIPP Manager's account agreements. Where material differences exist, the ChIPP Manager will inform NCCF of those differences and agree upon a mutually acceptable resolution.

The ChIPP Manager hereby affirms that it (a) is an entity, duly organized, validly existing and in good standing under the laws of its state of organization, and is authorized to do business in each other jurisdiction wherein its ownership of property or conduct of business legally requires such authorization, (b) has the power and authority to own its properties and assets and to carry on its business as now being conducted and as contemplated, (c) has reviewed and has agreed to be subject to all the terms, conditions and guidelines of ChIPP and the NCCF IPS, except as noted above, (d) has the power and authority to execute, deliver and perform, and by all necessary action has authorized the execution, delivery and performance of, all of its obligations under the ChIPP Manager and the NCCF IPS, (e) is in compliance in all material respects with all federal, state and local laws, rules, registrations and regulations applicable to its properties, operations, business, and finances (including, without limitation, that the ChIPP Manager is a registered investment advisor with the U.S. Securities and Exchange Commission and is properly registered with the U.S. Commodity Futures Trading Commission or state basis for exception therefrom), and (f) shall provide prompt written notice to NCCF Staff and the Investment Advisor upon becoming aware of (1) any material governmental or regulatory inquiries or actions against the ChIPP Manager, (2) any default by the ChIPP Manager under the NCCF IPS, (3) commencement of any material litigation or bankruptcy proceeding involving the ChIPP Manager or its properties or assets, or (4) the occurrence of a material adverse change in the business, properties, assets or operations of the ChIPP Manager.

The ChIPP Manager shall defend, indemnify and hold harmless NCCF, its Board of Directors, officers, employees, agents, or contractors (the "Indemnified Parties") from any and all claims, losses, damages, or expenses, including reasonable attorneys' fees and litigation expenses, which any of the Indemnified Parties may incur at any time from any person or party arising out of or resulting from claims or actions in connection with the ChIPP Manager's fraud, breach of fiduciary duty, negligence, willful misconduct, or breach under the ChIPP, the NCCF IPS or items related thereto.

Neither party hereto may assign its rights and interest hereunder without the prior written consent of the other party. ChIPP shall be governed by the laws of the State of North Carolina, without reference to the conflicts or choice of law principles thereof. Both parties agree that any dispute arising out of the account agreement, the NCCF IPS or this overview shall be adjudicated in either the state or federal courts located in Wake County, North Carolina and in no other forum.