



**HINDMAN SETTLEMENT SCHOOL
ENDOWMENT FUNDS**

INVESTMENT POLICY STATEMENT

I. PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding of the investment objectives of the Hindman Settlement School Endowment Funds. This Investment Policy Statement describes the performance standards that will be utilized by the Hindman Settlement School to evaluate investment performance on a continuing basis, provide a framework within which the investment advisor will make investment decisions and establish the guidelines for communication between the Executive Committee and their investment managers.

II. INVESTMENT OBJECTIVES

The long-term objectives of the Hindman Settlement School Endowment Funds are to provide for long-term growth and income without undue exposure to risk. These objectives shall be accomplished with a risk tolerance consistent with a balanced strategy for diversification utilizing fixed income, equities and cash equivalents. Investment managers will invest to produce a total return commensurate with the Hindman Settlement School's spending policy, risk parameters, targeted benchmarks and time horizon. It is intended that the time horizon for the performance objectives to be achieved by the investment manager will be over a three-year period. The Executive Committee reserves the right, however, to evaluate and make any necessary changes regarding the investment manager over a shorter or longer time period where it deems to be in the best interest of the Hindman Settlement School Endowment Funds.

All parties are expected to comply with all applicable trust, fiduciary and due diligence requirements that experienced investment professionals would reasonably be expected to follow, and to comply with all applicable federal, state and local laws, rules, and regulations.

III. ASSET ALLOCATION

Subject to the investment guidelines that follow, the portfolio may be invested in the following major asset classes within the percentage range of allocation:

<u>Category</u>	<u>% Range of Allocation</u>	
	Minimum	Maximum
Equity	40.00%	80.00%
Fixed Income	25.00%	50.00%
Cash Equivalents	-0-	10.00%
Specialized Investments	- 0-	10.00%

All investment managers are expected to remain within these ranges unless they have written consent from the Executive Committee stating that they may deviate from the above guidelines. Specialized investments (such as hedge funds, private placements and real estate) will require the review of the Investment Committee and



approval of the Executive Committee prior to investment. Such investments may be directed by these committees to be held separately for accounting and reporting of ongoing performance.

IV. INVESTMENT GUIDELINES

The Equity portion of the allocation should be broadly diversified within the following parameters:

Equity Securities – Permitted Investments include but are not limited to:

- US Common & Preferred Stocks
- US Convertible Securities
- US Equity Mutual Funds
- Equity Exchange Traded Funds
- International Common & Preferred Stocks
- International Equity Mutual Funds

Domestic Market Capitalization and International targeted ranges for diversification:

Large and Mid Cap	40 – 80%
Small Cap	0 – 30%
Micro Cap	0 – 10%
International	0 – 25%

The Fixed-Income portion of the allocation should be broadly diversified within the following parameters:

Fixed-Income Securities – Permitted Investments include but are not limited to:

- US Governments
- US Mortgage & Asset Backed
- Fixed-Income Mutual Funds
- High-Yield Bond Mutual Funds
- US Corporate Bonds
- Taxable Municipal Bonds
- Fixed-Income Exchange Traded Funds
- International Bond Funds

Fixed Income specific asset classes targeted ranges for diversification:

US Government and Agencies	50 – 100%
US Mortgages & Asset Backed	0 – 30%
Corporate Bonds	0 – 30%
High-Yield Bond Funds	0 – 10%
International Bond Funds	0 – 10%

In addition the fixed-income allocation should target an intermediate term average maturity not to exceed 10 years. Individual securities purchased must be rated by S&P and/or Moody's and be of investment grade Baa/BBB or higher. No individual or



aggregate issue shall exceed 5% of the manager’s portfolio by market value with the exception of US Government and its agency obligations.

Short-term cash reserves portion of the allocation

Cash Equivalents – Permitted Investments include but are not limited to:

- Money Market Mutual Funds
- Short-term Money Market Instruments

Target allocation is 5% cash/equivalents.

Specialized Investments – Permitted Investments include but are not limited to:

- Alternative Investments
- Private Equity Funds
- Hedge Funds
- Commodities
- Real Estate Investment Trusts (REITS)
- Real Estate Tenants-in-Common / Funds

Additional Investments Guidelines and Comments:

No specialized investments are permitted without the written consent of the Executive Committee of the Hindman Settlement School Endowment Funds.

V. BENCHMARKS

Portfolio performance will be measured against the following benchmarks:

<u>Sector</u>	<u>Benchmark</u>
Total Equity	70% S&P 500 / 20% Russell 2000 / 10% EAFE Index
Total Fixed Income	Lehman Intermediate Gov’t./Corp. Index
Total Portfolio	Weighted Index of 60% Equity / 35% Fixed Income / 5% Cash

VI. INVESTMENT MANAGER REVIEW

This statement of investment policy shall be reviewed annually. The investment manager is encouraged and expected to provide any suggestion regarding appropriate adjustments in this statement or the manner in which investment performance is reviewed.

Adopted and signed this 11th day of April, 2008.

 Glenn D. Leveridge
 Chair, Board of Directors

Investment Manager: _____

By: _____
 Authorized Signature Date