THE WALLACE FOUNDATION
INVESTMENT POLICY

Amended as of April 21, 2015

1. INVESTMENT GOAL

The investment goal of The Wallace Foundation (the Foundation) is to earn a total return that will provide a steady stream of income to fund the grant making and operations of the Foundation in support of its mission while preserving the real or inflation-adjusted value of the Foundation's total investment assets (the Total Portfolio) over long periods of time.

In an effort to meet this goal, the Foundation maintains a diversified Total Portfolio that is invested in various risk buckets, asset classes and investment styles. As a prudent investor, the Foundation's asset allocation plan considers the investment standards provided by government authorities and takes into account: general economic conditions; the possible effect of inflation or deflation; the expected tax consequences of investment decisions or strategies; the role that each investment or course of action plays within the overall investment portfolio of the Foundation; any special relationship or value of an investment to the mission of the Foundation; the expected total return of the portfolio, including both income and appreciation of investments; other resources of the Foundation; and the Foundation's needs to make distributions and preserve capital.

2. INVESTMENT OVERSIGHT

As described in the Foundation's Investment Committee Charter, the Investment Committee oversees the management of the Foundation's investment assets assisted by the Foundation's staff. The Foundation's Investment Committee and staff seek to manage and invest the Foundation's assets in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In fulfilling these responsibilities the Foundation's Investment Committee and staff: conduct regular reviews of its investment policy, asset allocation and investment risks to ensure they are appropriate; conduct regular reviews of the Foundation's investment fees and expenses to ensure they are reasonable and appropriate; and make reasonable efforts to verify facts relevant to the management and investment of the Foundation's assets. In addition, the Foundation's staff meets regularly with each of its investment managers to ensure they are managing the Foundation's assets appropriately and provides regular updates to the Investment Committee on the Foundation's investment portfolios.

The responsibilities of the Foundation's Investment Committee are described in its Committee charter, which is provided in Exhibit A. The Investment Committee delegates some responsibilities to the Foundation's investment staff, which may vary over time as described in the Committee charter in Exhibit A and the Asset Allocation Authority Matrix in Exhibit B.

3. POLICY PORTFOLIO

A. Definition

Our Policy Portfolio provides the underlying framework for our investment process. It is a conceptual portfolio that is allocated among Risk Buckets and Asset Classes in a mix that is judged to be most appropriate for the Foundation from the perspective of potential return and risk over the long term. Our Policy Portfolio is the outcome of a process that reviews the following factors, among others:

Long-term risk, return and correlation expectations for each Risk Bucket and Asset Class and reviews of global economic trends.

The results of our quantitative mean-variance optimization model, which identifies efficient asset allocations with expected returns that surpass those of all other portfolios for the same level of risk.

Current valuations for each Asset Class relative to historical averages.

Our projected spending for grants and expenses and the relative liquidity of our investments.

A key component of our Policy Portfolio is the establishment of ranges for each Risk Bucket and Asset Class that permit our investment staff to exercise their authority, within specified limits, to give a higher weighting to investments and managers with the most favorable outlooks. These ranges are set so their midpoints sum to 100 percent. The upper and lower ends of these ranges are used as triggers for rebalancing our Portfolio.

Our Policy Portfolio also enables us to measure the results of our investment decisions, with a focus on performance over rolling three- and five-year periods.

Our current Policy Portfolio is provided in Section 3.B. Definitions of our Risk Buckets are provided in Section 3.C. and definitions of our Asset Classes are provided in Exhibit C.

3. POLICY PORTFOLIO (continued)

B. Risk Bucket and Asset Class Ranges

		Percent	
Risk Bucket	**Asset Class**	**Midpoint**	**Range**
Growth			
	Market Stock	33	28-38
	Hedge Fund	17	14-20
	Private Equity	15	12-18
Growth Total		**65**	**55-75**
Diversifying			
	Opportunistic	14	11-17
	Fixed Income	4	1-7
Diversifying Total		**18**	**14-24**
Inflation Hedge			
	Market	7	4-10
	Private	5	3-7
Inflation Hedge Total		**12**	**10-14**
Deflation Hedge Total		**5**	**2-8**
Total Portfolio		**100**	

C. Risk Bucket Definitions

The Risk Bucket approach groups together Asset Classes whose returns are correlated with one another in order to create an Asset Allocation that has a diversified mix of return generators. For example, Market Stocks and Private Equity appear different but are both driven primarily by economic growth, while Bond returns are strongly affected by investor expectations of the direction of interest rates. The definitions for each of our Risk Buckets are provided below.

1. Growth Risk Bucket

Assets and investment strategies that have high correlations to the MSCI ACWI Index.

These investments position our portfolio to benefit from economic growth and the long-term capital appreciation potential of equities.

We seek to identify active managers that can generate excess returns, or alpha, over and above market indexes. We recognize that these investments can have high volatility in certain market environments.

3. POLICY PORTFOLIO (continued)

C. Risk Bucket Definitions (continued)

2. Diversifying Risk Bucket

Assets and investment strategies that have low correlations or beta to the MSCI ACWI Index.

These investments enable our portfolio to benefit from returns that are generated by sources independent of economic growth, such as changes in the direction of interest rates and currencies, illiquidity, and merger completion risk. This allocation is intended to provide stable, moderately positive returns and reduce our volatility during stock market downturns.

3. Inflation Hedge Risk Bucket

Assets and investment strategies that produce greater returns and maintain our purchasing power in periods of sustained inflation by generating strong nominal returns.

These investments position the portfolio to benefit from unexpected inflation risk. This allocation will offset declines in the real value of portions of our portfolio that are significantly harmed by unexpected inflation. We recognize that these investments can have high volatility in certain market environments.

4. Deflation Hedge Risk Bucket

Assets and investment strategies that produce capital appreciation and a stable source of income in periods of deflation.

These assets perform well in recessionary environments that typically accompany deflation by avoiding credit risk and generating strong returns in periods of unexpected deflation. This allocation reduces the risk that our portfolio will not have to resort to asset sales at depressed prices during recessions. We recognize that these investments can have high volatility in certain market environments.

4. INVESTMENT RETURN OBJECTIVES

A. Total Portfolio Return Objective

The primary long-term investment objective of the Total Portfolio is to generate a return net of all investment management fees that equals or exceeds the Consumer Price Index Plus 5.0% over rolling three- to five-year periods. This return will enable the Foundation to meet its mandated distribution requirements, while maintaining the purchasing power of its principal holdings. The returns on the Foundation's investments will be evaluated on a total return basis, including both income and capital appreciation.

4. INVESTMENT RETURN OBJECTIVES (continued)

B. Market Portfolio Return Objectives

The long-term investment return objective for our portfolio of marketable investments (Market Portfolio) is to exceed the return of the Policy Portfolio for our Market Portfolio, which is comprised of the market benchmarks shown below, weighted in proportion to the midpoints of each Risk Bucket and Asset Class in our Market Portfolio, by 100 basis points.

Portfolio Benchmarks for Market Portfolio		Midpoint Weight As a Percent of	
Market Portfolio Risk Bucket/Asset Class	**Benchmark**	**Market Portfolio**	**Total Portfolio**
Growth – Market Stock	MSCI All Country World Index	41.25	33
Growth – Hedge Fund	HFRI Fund of Funds Strategic Index	21.25	17
Diversifying – Opportunistic	A weighted average of 75% Barclays Aggregate Bond Index and 25% MSCI All Country World Index	17.50	14
Diversifying – Fixed Income		5.00	4
Inflation Hedge - Market **Energy and Natural Resource Stock** **Commodity Long/Short** **REIT Stock** **US TIP Bond**	An index calculated by equally weighting each of these at 25%: • A weighted average of 75% MSCI ACWI Energy and 25% MSCI ACWI Select Metals and Mining • Dow Jones-UBS Commodity Index • FTSE NAREIT Index • Barclays Capital US TIPS Index	8.75	7
Deflation Hedge **US LT Treasury Bond** **Cash**	An index calculated by weighting: • Barclays US Long Treasury Index (80%) • Bank of America 91-Day Treasury Bills Index (20%)	6.25	5
Total		**100.00**	**80**

C. Private Portfolio Return Objectives

The long-term investment return objective for our portfolio of private investments (Private Portfolio) is to exceed the return of the Policy Portfolio for our Private Portfolio, which is comprised of the customized End-to-End benchmarks shown below, weighted in proportion to the midpoints of each Risk Bucket and Asset Class in our Private Portfolio, by 100 basis points.

Portfolio Benchmarks for Private Portfolio		Midpoint Weight As a Percent of	
Private Portfolio Risk Bucket/Asset Class	**Benchmark**	**Private Portfolio**	**Total Portfolio**
Growth – Private Equity	End-to-end dollar-weighted index customized to match actual vintage year allocation	75	15
Inflation Hedge **Private Energy** **Private Real Estate**	End-to-end dollar-weighted index customized to match actual vintage year allocation	25	5
Total		**100**	**20**

5. ASSESSING INVESTMENT RISK

The Foundation regularly assesses its Total Portfolio for the risks identified below by conducting the reviews described:

A. Strategic Risk Reviews for our Total Portfolio

1. **Total Portfolio Inflation-Adjusted Market Value Review**
   Compares the current market value of our Total Portfolio to the market value we would expect to have if our Total Portfolio had generated a return, net of fees, equal to our benchmark, the Consumer Price Index Plus 5.0%, over the trailing ten years. This metric enables us to evaluate changes in the purchasing power of our Total Portfolio.

2. **Asset Allocation Review**
   Compares our current Asset Allocation to the midpoints of our Policy Portfolio. This metric highlights the over- and underweights in our Total Portfolio.

3. **Correlation and Beta Review**
   Monitors the sensitivity of our Total Portfolio and each Risk Bucket to global stock market movements, as measured by their correlation and beta metrics to the MSCI ACWI Index.

4. **Liquidity Review**
   Reviews the liquidity of our Total Portfolio in comparison to our Liquidity Coverage Ratio Policy, as provided in Exhibit D, to ensure that our Foundation has the ability to meet its cash needs for grants, expenses and capital calls at all times.

B. Strategic Risk Reviews for our Market Portfolio

1. **Risk-Adjusted Performance Review**
   Reviews the ratio of our Market Portfolio returns to their realized volatility in comparison to our Market Portfolio Benchmarks over the trailing three and five years. This metric enables us to assess the quality of our risk-adjusted returns.

2. **Policy Portfolio Market Scenario Review**
   Evaluates how our current Market Policy Portfolio might have performed in selected historical market stress scenarios, such as the global financial crisis in 2008.

C. Strategic Risk Reviews for our Private Portfolio

1. **Capital Call and Distribution Review**
   Enables us to monitor fluctuations in the net cash flow of our Private Portfolio.

2. **Capital Commitments**
   Monitors the unfunded commitments of our Private Portfolio.

5. ASSESSING INVESTMENT RISK (continued)

D. Tactical Risk Reviews at the Investment Manager Level

1. **Valuation**
   Reviews the pricing procedures and valuation policies used by the Foundation's investment managers and custodial trustee before accepting a reported value as fair value, and classifies its investments in a fair value hierarchy that conforms to the guidance provided by the Financial Accounting Standards Board (FASB).

2. **Due Diligence**
   Conducts due diligence meetings with the Foundation's investment managers to review their investment staffs, strategies, performance and valuation policies and procedures. The Foundation also inquires about the service providers, including auditors, prime brokers, fund administrators and custodial trustees, for the Foundation's private investment funds as part of its due diligence process.

3. **Leverage**
   Prohibits the use of leverage in the Foundation's separate accounts and monitors the leverage used by the private investment funds in which the Foundation invests.

4. **Derivatives**
   Permits its separate account managers that invest in marketable securities denominated in foreign currencies to invest, within prescribed limits, in foreign currency futures, options and forwards for currency hedging purposes.

   The Foundation monitors the exposure to these and other derivatives, such as interest rate and credit default swaps, in the private investment funds in which it invests.

5. **Counterparties**
   Inquires about the credit quality of the counterparties used by the Foundation's managers and conducts an independent check against S&P and Moody's ratings for these firms.

6. **Securities Lending**
   Does not permit securities lending in its separately-managed investment accounts and inquires about the securities lending activities of its private investment funds.

7. **Currency**
   Monitors the currency exposure in the Foundation's separate accounts and private investment funds.

6. SECURITY SELECTION LIMITS FOR MANAGERS

A. The Foundation's separate account managers are prohibited from purchasing securities that will create unrelated business taxable income as defined in Section 512 of the Internal Revenue Code of 1986, as amended. This precludes the acquisition of debt financed property including the purchase of securities on margin. However, the Foundation may invest in private investment funds in strategic asset classes that are expected to increase the Foundation's investment returns and portfolio diversification, including Private Equity, Private Real Estate, Private Energy and Hedge Funds that may generate unrelated business taxable income. The Foundation monitors the unrelated business taxable income generated by the private investment funds in which it invests on a regular basis.

B. Investment managers are prohibited from investing in any securities which would jeopardize the tax-exempt status of the Foundation as defined in Section 4944 of the Internal Revenue Code of 1986, as amended.

C. The Foundation's separate account managers are prohibited from purchasing non-marketable private placements due to their illiquidity. The Foundation monitors the holdings of non-marketable private placements in its private investment funds.

7. PROXY VOTING

Investment managers will vote proxies for the Foundation in accordance with their respective proxy voting policies.

The Foundation reviews quarterly reports from each of its separate account managers that describe the proxies voted on the Foundation's behalf for the quarter and year-to-date and reviews the proxy voting policies of each of its separate account managers annually.

8. DIRECTED BROKERAGE COMMISSIONS

Managers are permitted to direct brokerage commissions on their own behalf provided that they have verified that the Manager's directing of commissions:

- Will not hamper the Manager's ability to secure the best execution of trades.

- Will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934. The safe harbor is available only if the Manager has determined in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by the broker or dealer. Research services are defined as advice regarding the value of securities, the advisability of investing in securities and their availability, and reports on companies, industries, economic trends, portfolio strategy recommendations, and performance measurement services.

Managers are further required to submit quarterly reports which describe the uses of any directed brokerage commissions generated for the Foundation's accounts.

9. CUSTODIAL TRUSTEE AND PERFORMANCE MEASUREMENT FUNCTIONS

A. The Foundation will retain an independent firm to provide custodial trustee services for its separate accounts, which include maintaining records of assets held, executing trades for investment managers and collecting interest and dividends. The custodial trustee will provide monthly reports of assets held, security transactions, income and tax-based capital gains to the Foundation.

B. The Foundation will also retain an independent firm to provide performance measurement services, which include independent calculation of investment manager returns, comparisons to indexes and the calculation and review of relevant portfolio characteristics.

10. WITHDRAWALS

Withdrawals from the Foundation's accounts may be made at the request of representatives of the Foundation, as authorized by the Foundation's Investment Committee.

11. INVESTMENT AGENT NOTIFICATIONS TO THE FOUNDATION

The Foundation's investment agents are obligated to suggest and support revisions to their respective guidelines when they conclude that these guidelines may adversely affect their account's performance. Additionally, the investment agents are required to inform the Foundation of any material change in their fundamental investment philosophy, ownership, organizational structure, professional personnel, or account structure.

EXHIBIT A

INVESTMENT COMMITTEE CHARTER

The Investment Committee of the Foundation's Board of Directors (the Committee) oversees the management of the Foundation's assets. The Committee is authorized to:

1. Review and approve appropriate investment policies and guidelines for the Foundation's assets, including allocations among various asset classes, derivative strategies and practices, risk tolerances, and other strategic matters, including development of overall investment targets and benchmarks for each asset class.

2. Recommend to the Board of Directors, jointly with the President, the hiring or firing of the Chief Investment Officer (CIO).

3. Approve the design of the incentive compensation plan for the investment staff (including performance benchmarks) and recommend changes to the plan to the Governance and Compensation Committee

4. Jointly with the President, conduct the annual performance review of the CIO, and recommend changes in compensation and payouts under the incentive compensation plans to the Governance and Compensation Committee.

5. Delegate investment functions, including without limitation, authority to delegate to the CIO the authority to hire and fire investment managers and make commitments to private funds, subject to certain limitations and requirements, as provided below.

6. Review and approve the engagement or termination of appropriate custodians, investment performance measurement services and such other consultants the Committee may deem necessary to the prudent management of the Foundation's assets and review all direct and indirect investment fees.

7. Review and approve the Foundation's investment due diligence procedures that are designed to verify: the existence and proper valuation of the Foundation's assets, the continuity of key staff at the Foundation's investment managers and compliance by the investment managers with the Foundation's investment policies and guidelines.

8. Review the Foundation's liquidity and cash management practices.

9. Report to the Board of Directors on the investment performance of the Foundation's assets and the actions taken by the Committee.

10. Engage and work directly with appropriate expert advisors as necessary or advisable, including the expenditure of funds for the retention of such advisors.

11. Review disclosures by Board and staff members related to Foundation investment activity that could potentially give rise to a conflict of interest, and follow the Conflicts of Interest procedures described in the Board Member Code of Ethics and Staff Code of Ethics policies, respectively, and promptly report any such determinations made to the Audit Committee.

12. Periodically review the Committee's responsibilities and recommend any changes to the Governance and Compensation Committee.

13. Perform such other functions as the Board of Directors shall designate from time to time.

The management liaison to the Investment Committee shall be the Chief Investment Officer.

Delegations to the Chief Investment Officer

The Committee hereby delegates to the CIO:

- The authority, within the asset classes approved by the Committee, to hire managers of all types and make commitments to private funds, subject to the investment policies, risk tolerances, reporting requirements, and all other policies approved by the Committee and subject to the following limitations on amounts:

Market Assets		**Per Account**	**Per Manager**
Risk Bucket	**Asset Class**	**Maximum Initial Investment**	**Maximum Invested Assets Plus Subsequent Contribution**
Growth	**Market Stock**	**$50 million**	**$50 million**
Inflation Hedge	**Market Stock**		
Diversifying	**Fixed Income**		
Deflation Hedge	**Other**		
Growth	**Hedge Fund**	**$30 million**	**$30 million**
Diversifying	**Opportunistic**		
Inflation Hedge	**Hedge Fund**		
Private Assets		**Per Fund**	**Per Manager**
Risk Bucket	**Asset Class**	**Maximum Initial Commitment**	**Maximum Invested Assets Plus Subsequent Commitment**
Growth	**Private Equity**	**$20 million**	**$50 million**
Inflation Hedge	**Private Energy & Real Estate**	**$20 million**	**$50 million**

These limitations on amounts apply to the total value (including the proposed investment) with the fund or manager at the time the investment is made; they are not limits to which the investment must be reduced if market appreciation increases the assets under management by the fund or manager.

- The authority to fire managers of all types and asset classes, and to withdraw money from them, without limitation.

The CIO will provide the Committee with reports of the Foundation’s portfolio performance at each of its meetings and an analysis of the performance and prospects for each individual investment manager in the portfolio at least annually.

In carrying out his or her duties, the CIO shall adhere to the guidelines set forth in the New York Not-for-Profit Corporation Law Sections 554 (“Delegation of Management and Investment Function) and 552 (“Standard of Conduct in Managing and Investing in Institutional Funds”).

EXHIBIT B
ASSET ALLOCATION AUTHORITY MATRIX

Allocation Set By		
Investment Committee	Investment Committee	CIO
Risk Bucket	Asset Class	Sub-Asset Class
Growth	Market Stock	US Large Cap Stock US Small Cap Stock Developed Market Stock Emerging Market Stock
	Private Equity	Buyout Venture Fund of Funds
	Hedge Fund	Long/Short Equity Multi-strategy Credit
Diversifying	Diversifying Opportunistic	Global Macro Discretionary Global Macro Systematic Relative Value Asset Allocation
	Diversifying Fixed Income	Global Fixed Income
Inflation Hedge	Inflation Hedge Market	Energy & Resource Stocks Commodities REIT Stocks US Treasury Inflation Protected Bonds (TIPS)
	Inflation Hedge Private	Private Energy Private Real Estate
Deflation Hedge	Deflation Hedge	Cash and Cash Equivalents US Long-term Treasury Bonds Other Fixed Income

EXHIBIT C
ASSET CLASS DEFINITIONS

The definitions for each of our Asset Classes are provided beginning below.

1. **Growth - Market Stock**
   Investments with managers who hold exchange-traded equity and equity-like securities (e.g., common stock, preferred stock, and convertible bonds) of public companies worldwide.

2. **Growth - Private Equity**
   Investments in illiquid limited partnerships and similar funds that make direct investments in private companies or conduct buyouts of public companies that result in the delisting of those companies from market exchanges.

3. **Growth - Hedge Fund**
   Investments with managers pursuing several different investment strategies intended to produce returns largely correlated with the equity markets at lower risk, typically using a combination of leverage, short sales, hedging with derivatives, arbitrage, and private investments. The funds share similar legal and fee structures, usually involving a degree of illiquidity and the presence of both management fees and carried interests. Permitted Growth Hedge Fund sub-asset classes include:

   - **Long/Short Equity**
     Long and short equity investments in publicly-held companies;

   - **Credit**
     Investments in distressed and restructuring company debt and post-reorganization equity; and

   - **Multi-Strategy**
     Investments in Long/Short Equity, Credit, Relative Value (focuses on valuation discrepancies in the relationship between equity, fixed income and other securities) and Event Driven (investing in companies that are currently or have the potential to be involved in corporate transactions).

4. **Diversifying – Opportunistic**
   Investments with managers that use investment strategies that cross traditional stock and bond asset classes and alternative asset classes, including interest rate and currency derivatives, commodities, and volatility. These managers produce returns with low sensitivity to global equity markets, as measured by correlation and/or beta. They invest using leverage, short sales, derivatives and arbitrage in highly-liquid universes, such as global rates and currencies, and can invest to a limited extent in equity indexes and equity mutual funds. These funds include two types of investments: 1) mutual funds that charge management fees and offer daily redemptions, and 2) private funds that charge management fees and carried interest and permit monthly or quarterly redemptions. Permitted Diversifying Opportunistic sub-asset classes include:

   - **Global Macro Discretionary**
     Investments in a range of strategies that analyze movements in underlying economic variables and predict the impact these have on equity, fixed income, hard currency and commodity markets.

   - **Global Macro Systematic**
     Investments in strategies that rely on mathematical, algorithmic models that analyze movements in global economic variables or prices. Some of these models seek to predict the impact of these variables on equity, fixed income, currency and commodity markets. Other models seek to identify trends in prices. Managers that use these strategies rely primarily on their models with limited scope for staff judgment on portfolio positioning.

   - **Relative Value**
     Investments in a range of strategies that analyze spreads between securities that share financial and economic characteristics to identify deviations from historical relationships. These investments benefit when discrepancies in these spreads are recognized by the market.

   - **Asset Allocation**
     Investments with managers that allocate capital among traditional stock and bond asset classes and cash based on analysis of top-down asset class return forecasts and bottom-up security selection opportunities.

5. **Diversifying – Fixed Income**

Investments with managers that use traditional fixed income investment strategies in global investment grade and high yield markets. These managers generate returns with moderate volatility and low sensitivity to global equity markets. They may invest in government, corporate, asset-backed and other fixed income sectors and related derivatives. These managers do not use short sales or private investments but may use derivatives for hedging purposes. The funds in which we invest in this asset class have daily liquidity, management fees, no carried interest and two types of structures: 1) separate accounts under custody with the Foundation's custodial trustee and 2) mutual fund structures that have management fees with no carried interests. Permitted Diversifying Fixed Income sub-asset classes include:

- **Fixed Income**
  Investments in a broad range of securities issued by governments, government agencies, corporations, and financial institutions in both the United States and other countries. These securities include investment grade, high yield, defaulted debt, and preferred stock. They may be publicly or privately traded and carry a fixed, floating, or zero coupon structure. The final maturity of such investments is generally one to thirty years, but may extend longer.

6. **Inflation Hedge - Market**

Investments with managers who hold exchange-traded equity and equity-like securities (e.g., common stock, preferred stock, and bonds) that produce greater returns and maintain our purchasing power in periods of sustained inflation by generating strong nominal returns. Permitted Inflation Hedge Market sub-asset classes include:

- **Market Energy and Natural Resources**
  Investments with managers who hold exchange-traded securities of: energy companies; companies that are active in commodities other than energy; and commodities other than energy (such as precious and base metals, agricultural commodities and timber);

- **Market Real Estate**
  Investments with managers who hold exchange-traded equity and equity-like securities (e.g., common stock, preferred stock, and convertible bonds) of public companies worldwide in the real estate industry; and

- **Market Inflation Hedge Bonds**
  Investments with fixed income managers who hold debt instruments considered to provide protection against the decreased value of a currency.

7. Inflation Hedge - Private

Investments in illiquid limited partnerships and similar funds that make direct private investments that produce greater returns and maintain our purchasing power in periods of sustained inflation by generating strong nominal returns. Permitted Inflation Hedge Private sub-asset classes include:

- **Private Energy and Natural Resources**
  Investments in illiquid limited partnerships and similar funds that make direct investments in either or both of: energy companies and/or energy projects (exploration, production, refining, or distribution); companies that are active in commodities other than energy; and commodities other than energy (such as precious and base metals, agricultural commodities and timber);

- **Private Real Estate**
  Investments in illiquid limited partnerships and similar funds that make direct investments in the management or development of commercial, industrial, and residential real estate projects and land;

8. Deflation Hedge

Assets and investment sub-asset classes that produce capital appreciation and a stable source of income in periods of deflation. Permitted Deflation Hedge sub-asset classes include:

- **Cash and Cash Equivalents**
  Investments in high quality obligations that mature within two years, including U.S. government and agency securities, certificates of deposits and time deposits of U.S. and foreign banks, commercial paper, and other high-quality obligations of U.S. or foreign companies.

- **U.S. Long-term Treasury Bonds**
  Investments in fixed-interest debt securities with maturities of 10 or more years issued and backed by the full faith and credit of the U.S. government.

- **Other Fixed Income**
  Investments in a broad range of securities issued by governments, government agencies, corporations, and financial institutions in both the United States and other countries with maturities that generally are 10 years or less. These securities include investment grade, high yield, defaulted debt, and preferred stock. They may be publicly or privately traded and carry a fixed, floating, or zero coupon structure.

EXHIBIT D

LIQUIDITY COVERAGE RATIO POLICY

The foundation defines:

- Liquid Assets as assets that can be converted to cash in six months or less; and
- Coverage Ratio as Liquid Assets divided by the sum of the foundation's unfunded Private Asset commitments plus 10% of the current endowment value.

Ten percent of the current endowment value represents two years of projected spending at the Foundation's target draw of 5%. If a severe market downturn occurs and persists without at least a partial recovery, the Foundation would reduce grant spending – making the dollars represented by 10% of the beginning endowment value likely to cover more than two years of spending. The Coverage Ratio will enable the Foundation to develop a "glide path" to reduce grants while minimizing the harm to the programs it support.

The following actions will be taken based on the Coverage Ratio:

Coverage Ratio	Actions
2.2 and above	The only restrictions on new Private Asset commitments that apply are those listed in the Delegation of Authority limits in the Committee charter.
1.5 to 2.2	Delegated authority to the CIO to make new Private Asset commitments is suspended; new commitments to Private Assets require IC approval
Below 1.5	Moratorium on new Private Asset commitments Consider sales of some limited partnership interests in Private Assets on the secondary markets