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STATEMENT OF INVESTMENT POLICY

FOR

THE XYZ FUND

Date 20YY

FOREWORD:

The Directors (the “Directors”) of XYZ Fund (“the Fund”) has established this Statement of Investment Policy to:

- express the Directors’ expectations, objectives, guidelines and underlying philosophy concerning investments to be made by the investment manager(s) for the Fund;
- establish criteria to monitor and evaluate the level of risk, diversification and performance of the investment manager(s); and
- comply with the prudence, due diligence, and other applicable fiduciary principles, including the prudent man rule (e.g., as outlined in the Prudent Investor Rule).

These guidelines will be revised, updated and modified as appropriate on a periodic basis to reflect such factors as changes in the investment environment, manager performance, Director expectations, and the Fund’s needs. This document and its revisions will be made available to all selected Investment Managers and they should be measured by their compliance with its intent.

STANDARDS OF MANAGEMENT:

The Directors have established investment objectives and a management structure that allows consideration for the following factors, if relevant in managing and investing the Fund:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall investment portfolio;
- the expected total return from income and the appreciation of investments;
- other resources of the Fund;
- the needs of the Fund to make distributions and to preserve capital; and
- an asset’s special relationship or special value, if any, to the purposes of the Fund.

INVESTMENT OBJECTIVES:

Time Horizon & Risk Tolerance

The purpose of the Fund is to pursue growth of capital adequate to preserve its long-term earning power. The investment guidelines are based upon a long-term investment horizon so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Fund’s strategic asset allocation is based on this long-term perspective. The Directors recognize the difficulty of achieving the Fund’s investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Directors also recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values) and

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the possibility of loss in purchasing power (i.e., inflation) are present to varying degrees in all types of investment vehicles. The Fund's prospects for the future, its current financial condition and several other factors suggest collectively that the Fund can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives. However, a high level of risk, high volatility and low quality rated securities are to be avoided.

Investment Objectives (by priority)

1. The primary objective is the pursuit of long-term capital growth, with a goal of meeting the long-term needs of the Fund.
2. The secondary objective is to preserve capital and dampen the year-to-year volatility of the value of the Fund to avoid severe declines that could greatly impact the availability of assets for withdrawals.

The first objective recognizes that the greatest risk to portfolios with a long-term orientation is reinvestment rate risk. There is therefore an implicit instruction to match maturity of the portfolio's assets with the long-term liabilities of the Fund. By definition, this means that under most conditions the majority of this portfolio will be invested in long-term assets. While protection against reinvestment rate risk necessitates some volatility, the Directors do not desire a high risk, high volatility approach which produces large gains as well as large losses. Thus, the second objective reflects a secondary concern for capital risk and is intended to keep periods of negative returns to a minimum.

SPENDING POLICY:

At least annually, the Directors will review the Spending Policy and determine whether changes are advisable. Annually, the Fund is authorized to withdraw up to 5% of the total market value (market value to be determined by averaging the December 31st market value of the portfolio for the last three years). The dollar amount and timing of any distribution(s) from the investment account will be left up to the discretion of both the Directors.

INVESTMENT GUIDELINES:

Types of Assets

In order to accomplish the investment goals, the Directors believe that the investments of the Fund must be diversified to provide the investment manager(s) the flexibility to invest in various types of assets. The following types of assets are among those approved for investment:

Equity Investments

TYPES:

- Common Stocks
- Preferred Stocks
- Convertible Securities (including Debentures)

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- Stock Mutual Funds
- Foreign Stocks (including ADRs)
- Exchange Traded Fund (ETFs)
- Real Estate Investment Trusts (REITs)

ALLOCATION LIMITS:

Equity investments are expected to comprise no more than 80% and no less than 30% of the total market value of the Fund at the time of purchase after a period of initial positioning for the portfolio.

Fixed Income/Cash Equivalents

TYPES:

- U.S. Government and Agency Securities (Bills, Notes and Bonds)
- Commercial Paper
- Certificates of Deposit
- Corporate Bonds
- Master Notes
- Insurance Company Contracts
- Mortgages
- Bond Mutual Funds
- Money Market Funds
- Exchange Traded Funds (ETFs)

ALLOCATION LIMITS:

Fixed income and cash equivalent investments are expected to comprise no less than 20% and no more than 70% of the total market value of the Fund at the time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's respectively. Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep provided through the custodian.

Total Fund Guidelines

The following types of assets or transactions are expressly prohibited (unless approved by the Directors):

- Tax Exempt Securities
- Warrants
- Eurobonds
- Naked Option Transactions
- Margin Purchase of Securities
- Short Sales of Securities
- Private Placements
- Unregistered or Restricted Stock
- Volatile derivatives such as those possessing elements of leverage, having risk

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characteristics beyond that of the underlying collateral.

Summary of Allocation Limits (at time of purchase):

	<u>Maximum</u>	<u>Minimum</u>
Total Stocks	80%	30%
Fixed Income	70%	20%

PERFORMANCE MEASUREMENT OF INVESTMENT OBJECTIVES:

- A. The Directors hire and review investment managers based on an evaluation of their investment philosophies and long-term performance. Investment manager(s) must adhere to their stated investment philosophies and goals.
- B. Investment performance results of the investment manager(s) shall be monitored on a quarterly basis, with a written annual report presented to the Directors and evaluated in accordance with the following:
 - Performance will be compared to an appropriate mix of equity indices (e.g., Russell 3000, MSCI ACWIxUS) and bond indices (e.g., Barclays Capital Aggregate) over a stock market cycle. Since full stock market participation at all times represents a level of risk and volatility not acceptable to the Fund, performance will not be compared directly to the stock market, but market comparisons may be made on a risk-adjusted basis.
- C. The Directors recognize that performance statistics only become meaningful over full market cycles, and thus will base performance evaluations on a market cycle analysis.
- D. It is expected that, to the extent allowed by the restrictions listed above, the investment manager(s) will at all times manage the Fund with the aim of meeting the above guidelines. The purpose of the investment management style is not to beat the market, but to use it when it suits the objectives of the Fund.
- E. The investment manager(s) must advise the Directors, in writing, of any material changes in the investment manager's organization, decision making structure, ownership, investment style, key personnel or any other significant change affecting the manager's relationship with the Fund along with a statement as to the anticipated impact on the investment manager's ability to provide the same style and type of money management on a continuing basis.

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ACKNOWLEDGEMENT:

As the Directors and Investment Manager for the XYZ Fund, we acknowledge and accept the foregoing Investment Policy Statement.

Date

Date
