A. INTRODUCTION
This Investment Policy Statement (the “Policy”) governs the investment management of the BCF Pool (henceforth referred to as the “Portfolio”) of The Baltimore Community Foundation (“BCF”). It is anticipated that this statement will be effective until modified as conditions warrant by the Investment Committee (the “Committee”) with the approval of the Board of Trustees (the “Board”). The Committee is expected to propose revisions in the guidelines at any time the existing guidelines would impede meeting BCF’s investment objectives.

In addition to the Portfolio, BCF offers a Money Market Pool for donors with short term grant making horizons. The Money Market Pool is intended to be invested in a manner consistent with the objectives of:

(i) maintaining the principal value of the invested assets,
(ii) minimizing the potential that the principal value of assets will be impaired and
(iii) providing liquidity for grant making.

Due to the objective of preserving principal value of assets, the Money Market Pool is expected to be invested exclusively in money market instruments and short-term fixed income securities such that the average credit quality of the Money Market Pool is “A” or higher and the average duration of the Pool is less than 24 months. Despite the intention to maintain principal value, the Committee and the Board acknowledge that no securities with affiliated credit and/or interest rate risk are completely free of risk and principal losses may occur over short periods.

The subsequent policies defined within this document apply solely to the management of the Portfolio and not the Money Market Pool. The purpose of this Policy is to establish a clear understanding of the investment objectives and philosophy for the Portfolio. It is expected that this Policy will be reviewed at least bi-annually by the Committee. Any revisions will be recommended to the Board for approval.

B. INVESTMENT OBJECTIVES

The primary investment objective of the Portfolio is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power of BCF. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending.

A secondary objective is to achieve a total return in line with or better than the Portfolio benchmark comprised of each broad asset category benchmark weighted by its target allocation. (The benchmark is defined in Appendix II to this Investment Policy Statement.)
C. RESPONSIBILITIES

Board of Trustees
The Board of Trustees has the ultimate fiduciary responsibility for the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates responsibility to the Committee for implementation and ongoing monitoring. Any changes to the Investment Policy Statement must be approved by the Board. At least annually the Board will receive a performance report from the Committee.

Investment Committee
The Board has authorized the Committee to provide oversight of the Portfolio. The Committee is responsible for adopting the provisions of this Investment Policy Statement. This responsibility includes approving investment strategy; hiring and firing of investment managers, custodians, and investment consultants; monitoring performance of the Portfolio on a regular basis (at least quarterly); and maintaining sufficient knowledge about the Portfolio and its investment managers to be reasonably assured of their compliance with the Investment Policy Statement and individual manager investment guidelines, as appropriate.

Vice President Finance & Administration
The Vice President Finance & Administration (the “CFO”) has daily responsibility for administration of BCF and will consult with the Committee and the investment consultant on matters relating to the investment of the Portfolio. The CFO will serve as primary contact for the Portfolio’s investment managers, investment consultant, custodian, and the Committee.

Investment Consultant
The investment consultant is responsible for assisting the Committee and CFO in all aspects of managing and overseeing the Portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

- Provide proactive recommendations.
- Supply the Committee with reports or other information as reasonably requested.
- Monitor the activities of each investment manager or investment fund.
- Provide the Committee with quarterly performance reports within 25 days following quarter-end.
- Review this Investment Policy Statement with the Committee, including an assessment of BCF’s current asset allocation, spending policy, and investment objectives.

D. FIDUCIARY DUTY
In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence in investment decision making, stating “Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund’s portfolio…” All investment actions and decisions must be based solely on the interest of BCF. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

As summarized for the purposes of this Investment Policy Statement, the UPMIFA states that the Committee is under a duty to BCF to manage the Portfolio as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an
overall investment strategy having risk and return objectives reasonably suited to BCF. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of BCF are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

E. SPENDING POLICY FOR ENDOWED FUNDS

The spending rate is based upon a total return approach, which utilizes both income and capital appreciation. The maximum allowable spending rate for Endowed Funds shall be 5.0% of the previous twelve-quarter average of each Fund’s market value (applied to the twelve quarters ending each September 30th). The full amount does not necessarily need to be spent within the year and can continue to remain in the fund. The Committee shall review and approve any recommended changes to this policy made by the Executive Committee prior to approval by the Board.

F. ASSET ALLOCATION

The Portfolio is expected to endure into perpetuity and asset allocation will likely be the key determinant of the Portfolio’s returns over the long-term. The purpose of establishing an asset allocation is to construct a target or normal set of investments, based on long-term return, risk and correlation assumptions that properly balance the need for liquidity, preservation of purchasing power, and risk tolerance. The Committee, with appropriate input and assistance from the CFO and the investment consultant, shall periodically examine the Target Allocation (see Appendix I) and consider adjustments to the asset allocation as may be appropriate. Changes to the Target Allocation will be reviewed by the Committee and approved by the Board.

In addition to being diversified across asset classes, BCF will seek to be diversified within each asset class. This will provide reasonable assurance that the investment performance of any single security, issuer or class of securities, or active investment manager will not have a disproportionate impact on total performance.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Portfolio, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. To achieve these goals, the asset allocation will be set pursuant to the Target Allocation and within the Allowable Ranges outlined in Appendix I.

G. REBALANCING

In maintaining the Target Allocations, BCF will strive to remain within the Allowable Ranges with the intent of rebalancing to targets at least annually, and more frequently if necessary. Rebalancing asset weights to the Target Allocation is essential for maintaining the risk profile adopted by the Committee. The Portfolio’s actual asset allocation will be monitored regularly relative to the Target Allocation. It is recognized that adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but efforts will be made to rebalance as appropriate. Cash flow in or out of the Portfolio may create an opportunity to shift the allocation.

H. MONITORING OF OBJECTIVES AND RESULTS

BCF seeks consistent performance with its Portfolio Benchmarks (see Appendix II) over full market cycles and does not expect that all
investment objectives will be attained in each year. Furthermore, the Committee recognizes that over various time periods, the Portfolio may produce deviations relative to the Portfolio Benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes, at least 5 years). All objectives and policies are in effect until modified by the Committee. They will be reviewed at least annually at a meeting of the Committee for their continued appropriateness.

The Portfolio will be monitored on a continual basis for consistency of each investment manager’s investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions and market volatility. Portfolio results will be reviewed by the Committee on a quarterly basis, but results will be evaluated over rolling 3-to-5 year periods or a full market cycle, whichever is longer.

In the event that some portion of BCF Portfolio assets are managed by active investment managers, the Committee will regularly review these managers in order to confirm that they follow their stated objectives. Open communication between the investment managers, the Committee and the investment consultant are critical to the success of BCF. The following shall be provided by all active investment managers, as requested:

- A written review of key investment decisions, investment performance and portfolio structure.
- An organizational update, including a report on any and all changes in organizational structure, key investment personnel and process.
- Quarterly performance within 15 business days following quarter end.
- Immediate notification of any litigation relative to the investment manager’s business.
- Other reports or information as may reasonably be requested by the Committee or the investment consultant.

Each active investment manager will be reviewed by the Committee on an ongoing basis and evaluated based upon, not only performance, but the qualitative criteria listed below:

- Maintaining a stable organization.
- Retaining key personnel.
- Avoiding regulatory actions against the firm, its principals, or employees.
- Avoiding a significant deviation from the style and capitalization characteristics outlined in their stated objectives.

Although there are no strict guidelines that will be utilized in selecting investment managers, the Committee will consider the criteria above, as well as, the length of time the firm has been in existence, its track record, assets under management and the amount of assets BCF already has invested with the firm.

I. INVESTMENT GUIDELINES

The Committee will adopt specific investment guidelines for investment managers managing portfolio assets in a separately managed account. These account guidelines will be reviewed by the Committee, provided to the investment consultant and kept on file at BCF. They are incorporated herein by reference.

Assets managed in commingled vehicles are subject to the investment guidelines outlined in the prospectus or other governing agreement. Since, in these cases, BCF cannot impose its own guidelines, the Committee will, assisted by the investment consultant, determine beforehand whether the guidelines in the offering document are in accordance with the broad guidelines set out below and are acceptable and suitable for the given mandate.
Investment Manager Autonomy

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income level, turnover and the other tools employed by active investment managers are left to the broad manager discretion, subject to the usual standards of fiduciary prudence and the limits described below and/or in individual investment manager guidelines.

Diversification

Diversification will be achieved at the total Portfolio level and not necessarily at the individual portfolio or investment manager level. To produce overall diversification, investment managers may be selected to employ different management philosophies which together achieve the desired degree of diversification. Investment manager portfolios will be monitored for adherence to these philosophies.

J. DIVERSITY AND INVESTMENTS

BCF values diversity and seeks to communicate the importance of that value to all existing and prospective investment managers and to encourage them to review their commitment to race, equity, and inclusion. When hiring investment managers, the Committee will make a good faith effort to identify and include minority-owned firms in the search process.

Periodically, the CFO, with the assistance of the investment consultant, will survey the Portfolio’s investment managers to determine their diversity policies/practices and discuss the implementation of these policies with the investment manager.

At such time as the Committee seeks to hire a new investment manager, the Committee will:

- Include qualified minority investment managers for consideration in the candidate pool.
- Review the diversity policies/practices of the finalist investment manager candidates considered.
- Select the most qualified investment manager.
### APPENDIX I

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Portfolio Target Allocation</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>3%</td>
<td>2-7%</td>
</tr>
<tr>
<td><strong>Bonds</strong>¹</td>
<td>27%</td>
<td>23-31%</td>
</tr>
<tr>
<td><strong>U.S. Equity</strong></td>
<td>38%</td>
<td>32-44%</td>
</tr>
<tr>
<td><strong>Non-U.S. Developed Equity</strong></td>
<td>25%</td>
<td>21-29%</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td>7%</td>
<td>5-9%</td>
</tr>
<tr>
<td><strong>Hedge Funds</strong>²</td>
<td>0%</td>
<td>0-25%</td>
</tr>
<tr>
<td><strong>Real Return</strong>²</td>
<td>0%</td>
<td>0-5%</td>
</tr>
<tr>
<td><strong>Opportunistic</strong>²</td>
<td>0%</td>
<td>0-2%</td>
</tr>
</tbody>
</table>

¹Bonds: During the investment transition period Bonds will reside below the allowable range.

²Hedge Funds, Real Return, Opportunistic: The allowable range represents the weighting in the fund at March 31, 2016 through final redemption which varies based upon redemption restrictions.
## APPENDIX II

### Benchmarks by Asset Class BCF Pool

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Weighting</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>3%</td>
<td>Citigroup 3-month T-Bill Market Index</td>
</tr>
<tr>
<td>Bonds</td>
<td>27%</td>
<td>Barclays U.S. Aggregate Float Adjusted Index</td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>38%</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td>Non-U.S. Developed Equity</td>
<td>25%</td>
<td>FTSE Developed All Cap ex US Index</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>7%</td>
<td>FTSE Emerging Markets All Cap China A Inclusion Index</td>
</tr>
</tbody>
</table>