SOUTHERN MINNESOTA
INITIATIVE FOUNDATION

525 Florence Avenue • PO Box 695 • Owatonna, MN 55060-0695
PH 507.455.3215 • FAX 507.455.2098 • smifoundation.org

Southern Minnesota Initiative Foundation Request for Proposals for Investment Services 3/01/2019

BACKGROUND AND OVERVIEW

The Southern Minnesota Initiative Foundation (SMIF) is a donor-supported foundation helping to build stronger communities and businesses in 20 southern Minnesota counties. SMIF is currently seeking requests for proposals to manage SMIF's investment portfolio as part of its scheduled review process cycle.

SMIF currently has over $43 million dollars in its investment accounts. SMIF's current investment manager is Morgan Stanley, Outsourced CIO Institutional Services Group.

SMIF's endowment base is supported mainly by individuals, local government entities, businesses, foundations and the McKnight Foundation. SMIF also manages 28 community foundation's and several designated and donor advised funds. SMIF currently receives $750,000-$1,000,000 in endowment donations yearly and sets aside 4.0% of its endowment balance for programming purposes as part of its spending policy.

SMIF's Finance Committee currently manages the investment portfolio. The objective for the search is to select a firm with a strong emphasis on portfolio management guided through an investment policy statement, asset allocation and benchmarks that will be managed by the Finance Committee.

SMIF is also looking at complimentary services the firm would provide that would add additional value to the proposal. This includes, but is not limited to, the support of a planned giving program for SMIF, specialty asset management, banking services and any other items the firm would feel are of value.

SCOPE OF ENGAGEMENT

The services under review for this proposal are listed below:

- Background and Personnel (Including experience, qualifications, knowledge and structure)
- Investment Management
- Asset Safekeeping
- Value Added Services (Planned giving, specialty asset management, banking, etc.)
- Fees

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- Reporting Structures
- Donor Relationships
- Timeline for transition of funds
- The Firm's distinction and competitive advantage
- **RFP's due back by Friday, March 29th, 2019**

After reviewing the proposals, SMIF may select firms to make a formal presentation. Following the formal presentations, SMIF may:

- Reject any or all of the proposals
- Issue subsequent RFPs
- Cancel the RFP
- Negotiate with any, all or none of the proposers
- Solicit "best and final" proposals from all or some of the proposers
- Award a contract to or enter into an agreement with one or more of the proposers
- Accept a written proposal as an offer without negotiation; issue notice to proceed

This RFP does not commit SMIF to negotiate a contract or enter into an agreement, nor does it obligate SMIF to pay for any costs incurred in the preparation or submission of any proposal or in anticipation of a contract or agreement. SMIF reserves the right to contract and/or agree to do business with any one or more of the firms responding to this RFP based solely on its judgment of the qualifications and capabilities of the firms.

ENGAGEMENT PERIOD

The term of the contract should be at least three years with the basis for calculating fees fixed for the first three years. SMIF reserves the right to terminate the contract at any time with 30 days written notification.

INQUIRIES

Questions relating to this proposal should be directed to:

Brian Conzemius
CFO and Vice President
Southern MN Initiative Foundation
525 Florence Avenue
Owatonna, MN 55060
507-455-3215
brianc@smifoundation.org

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CONFIDENTIALITY

All information included along with this questionnaire should be treated as confidential.

RESPONDENT INFORMATION

Respondent's Name:
Respondent's Title:
Respondent's Phone Number:
Respondent's Fax Number:
Respondent's Email:

ESTIMATED TIMELINE

RFP Due:	Friday, March 29, 2019
Finance Committee Analysis:	Thursday, April 18, 2019
Presentations to Committee:	Thursday, June 13, 2019 (Tentative)
Board Decision:	To follow as needed

Timeline is an estimate right now, with more details to follow. The estimated schedule could be reduced or added to at any time during the process.

Attached is a list of suggested questions to answer, as well as a copy of SMIF's current investment policy statement. If your firm's investment management process is different than the questions format below, please adjust as necessary (i.e.: Your firm manages the stocks).

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Guiding Questions

I. Organization and Services:

1. Provide a summary of your firm and describe the overall financial strength of your company and/or parent company. Include the location of your organization's headquarters, depth of professional and support staff, year formed, ownership structure, primary contact person for this relationship, revenues generated from consulting services, and subsidiary or affiliate relationships.

2. How many analysts are employed by your organization who are responsible solely for investment manager research? How many analysts are responsible for performance evaluations, performance attribution analysis, manager evaluation and due-diligence, etc.?

3. Provide backgrounds or biographies of any individuals who might be involved in the service of our account, including titles, functions, academic credentials, professional affiliations and relevant work experience and performance.

4. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? Can your firm provide fiduciary services to its clients? Will your firm accept fiduciary responsibility in writing for managing SMIF's portfolio?

5. Please provide a full list of consulting services offered by your firm.

6. Describe your "consulting philosophy" (i.e. your role as a consultant).

7. What distinguishes your firm in the Outsourced CIO industry?

8. Indicate the number of years your firm has been performing Outsourced CIO services. Provide the entire range of services your firm provides to clients.

9. Provide total assets under Outsourced CIO management for charitable endowment and foundation clients. Also provide total assets under Outsourced CIO management.

II. Investment Policy and Guidelines:

1. Describe the process you will use to assist us in the development of our investment policy, spending policies, objectives and guidelines for our fund.

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2. How do you see the role of the investment committee in this process? Briefly describe the approach, the process and the tools your firm would use to assist in the review and refinement of an investment policy statement and key objectives.

3. Outline your fiduciary responsibilities in managing the assets? How would you assist the trustees and investment committee in meeting their fiduciary responsibilities?

4. Comment on your process for analyzing a client's portfolio structure and for recommending modifications. Additionally, how active is your management approach towards this portfolio?

5. What process would you use to recommend an asset allocation strategy for our fund? What data is used in your asset allocation model?

6. Describe your portfolio construction process and describe how you manage portfolio risk.

7. How are controls and disciplines implemented to ensure conformance to the Investment Policy?

8. Discuss your philosophy of diversifying assets according to different investment styles.

9. Describe your use and recommendation on alternative asset classes and how you monitor and account for these investments

10. Please provide a sample statement. It should include a comparison to the various indices. Are statements provided monthly? Can they be requested for specific time frames? (i.e. fiscal year vs. calendar year—Also included in Performance Measurement section)

III. <u>Manager Search/Database:</u>

1. Please provide a detailed description of your firm's investment manager evaluation process. Does your firm sell any of its research to outside organizations such as other investment consulting firms or investment managers? If so, how do you control conflicts of interest? Is your database proprietary? Do you subscribe to an outside vendor? If so, provide the name of the vendor.

2. What qualitative factors do you evaluate when researching investment management organizations? How does your firm identify qualitative problems at investment management organizations? How is historical investment performance used in your evaluation of investment managers? How do you verify a manager's performance composite?

3. Does your investment manager research/evaluation process call for the use of

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subjective ratings of qualitative factors? If so, please provide a sample of an investment manager rating. Provide a breakout of how the overall rating was derived.

4. How many managers are included in your database? Are managers required to pay your firm either hard or soft dollar fees to be included in your database? If so, how do you control conflicts of interest? Besides performance information, what other types of data are available on your database?

5. Describe the circumstances under which you would terminate an investment manager.

6. What part, if any, do proprietary and non-proprietary mutual funds play in your investment process?

IV. <u>Performance Measurement:</u>

1. Comment on your ability to provide performance measurement reports to suit the needs of the investment committee. How frequently do you provide investment performance measurement reports to the investment committee? Specifically, what types of exhibits would you use in a summary report which would be presented to the investment committee? Please provide some examples.

2. Describe the performance measurement software your firm uses. Is the software proprietary, or does your firm utilize the software of an outside vendor? If your firm uses non-proprietary software, do you have the ability to influence changes to the software to meet the demands of the marketplace and client?

3. What has been your investment performance for the past 1, 3, 5 and 10 year periods? Also include results since July 1, 2013 to present. Compare to indices. Provide returns both before and after fees.

4. Please describe how you monitor the style adherence of investment managers. Specifically, what types of reports would you use?

5. Describe the performance attribution analysis services you would provide.

<u>Additional Information:</u>

1. Is your firm presently being, or has it within the past five years been sued in a court of law for breach of fiduciary responsibility or for errors and omissions in the handling of client affairs? If so, please explain.

2. Can your firm or an affiliate of your firm provide custodial and fiduciary services?

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3. Please describe your firm's overall strategy, philosophy, and practices for "socially responsible investing."

4. State what you believe distinguishes your consulting services apart from your competitors? Who are your competitors? What services can't your firm provide?

5. What value added services can you provide to SMIF?

6. Clearly describe the breakdown of your fees for investment management services for our portfolio, including the break-out of fees or inclusion of fees for value added services (i.e. specialty asset management). Provide breakdowns of fee structure based on asset level.

   a) Describe the fees proposed by your firm for providing investment advisory services to SMIF. Please include fees paid directly to your firm, estimated fees paid to investment managers (if investment managers or funds are proprietary, please disclose), estimated fees for transactions, and estimated fees for custody.

   b) What is your fee structure for managed accounts? What brokerage commissions apply to the managed accounts?

7. Please provide a list of current client references and contacts we can talk to.

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The Southern Minnesota Initiative Foundation
INVESTMENT OBJECTIVES AND GUIDELINES

These Investment Objectives and Guidelines ("Policy") are issued for the guidance of Southern Minnesota Initiative Foundation ("the Fund") fiduciaries, including Morgan Stanley Wealth Management ("the Investment Advisor"), Sub-Advisors and the Fund's Finance Committee. Its purpose is to identify an asset allocation goal for the Fund, set forth an appropriate set of return goals and objectives for the Fund's assets, and define guidelines within which the Investment Advisor and Sub-Advisors may formulate and execute their decisions. The Committee has decided to participate in Morgan Stanley Wealth Management's Custom Investment Outsourcing program ("CIO"), in which Morgan Stanley Wealth Management (the "Investment Advisor") has dedicated investment professionals to make discretionary investment decisions on behalf of the Fund. Additionally, the Investment Managers under the jurisdiction granted by the Investment Advisory have discretion to make all investment decisions for the assets placed under its jurisdiction by the Investment Advisor.

I. Statement of Goals and Objectives

It is the intent of the Finance Committee to see that all Fund assets are invested with the care, skill, and diligence that a prudent person acting in their capacity would employ, and according to all rules, regulations, and laws currently in force governing the investment of such assets.

It shall be the long-term investment objective of the Fund to achieve a total return equal to or greater than the Fund's expected return, currently 7%. In order to achieve the stated objective, the Fund shall seek to achieve a long-term, above-average total return consisting of capital appreciation and income. Though it is the intent of the Fund to achieve an above-average return, that intent does not include taking extraordinary risks or engaging in investment activities not commonly considered prudent. In times when the securities markets demonstrate uncommon volatility and instability, it is the intent of the Fund to place more emphasis on the preservation of principal. The overall capital structure targets and permissible ranges for eligible asset classes are detailed in the Asset Allocation Policy Section.

II. Other Considerations and Assignment of Responsibilities

This Policy shall be revised to reflect modifications and revisions to the Fund that may develop from time to time. It is also the obligation of the Investment Advisor to review the Policy on a periodic basis to determine if, in the best interest of the Fund, any modifications or amendments should be made and to communicate any suggested change to the Fund's Finance Committee.

This Policy is prepared to provide appropriate guidelines, consistent with the Fund's return objectives and risk tolerances, to the Sub-Advisors. Should any Sub-Advisor believe that the Policy guidelines are unduly restrictive or inappropriate; the Investment Advisor should be advised immediately.

Morgan Stanley Wealth Management shall have, consistent with the Policy and the Morgan Stanley Wealth Managements Custom Investment Outsourcing program ("CIO"), Agreement ("Agreement") (Formally known as Consulting Group Institutional Services Agreement) between Morgan Stanley Wealth Management and the Fund, complete investment discretion with respect to Fund assets, including: formulating and assisting the Finance Committee of the Fund in the establishment, maintenance and monitoring of the Policy; formulating and implementing consistent with the Policy an investment strategy, including the selection of Sub-Advisors; reviewing such Sub- Advisor's performance over time; measuring and evaluating investment performance; providing "due diligence", or research, on the Sub-Advisor(s); communicating matters of policy, manager research, and manager performance to the Finance Committee; reviewing Fund investment history, historical capital markets performance and the contents of this Policy to any newly appointed members of the Finance Committee; and other tasks as set out in the Agreement.

III. Investment Guidelines

In executing its fiduciary responsibilities, the Investment Advisor may recommend investment managers ("Sub-Advisors") to the Finance Committee for the purpose of investing Fund assets on a discretionary basis according to the stated objectives and all other Policy constraints. It is expected that all Sub-Advisors employed by the Fund shall invest prudently, including the maintenance of suitable diversification and liquidity, as described below. To comply with the terms of this Policy:

1. The Investment Advisor, in recognition of the benefits of commingled or mutual funds as investment vehicles (the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these Funds), may, from time to time, elect to invest a portion of the Fund's assets in such funds. The Investment Advisor may populate any of the asset classes described below with mutual funds, exchange traded funds or collective trust funds. The Investment Committee understands and acknowledges that the Investment Advisor has no control over the management or portfolio composition of any Fund. While the Investment Advisor will use its best efforts to utilize funds with investment objectives and policies that are generally consistent with the Policy guidelines, the Investment Committee understands that individual fund's portfolio holdings may not at all times be consistent with the Policy guidelines.

2. 2. Fixed-income securities are to be selected and managed to ensure appropriate balances in qualities and maturities consistent with current money market and economic conditions. Active bond management is encouraged, as determined to be appropriate by the Sub-Advisors.

4. Average portfolio duration is generally expected to fall within a range of 3-6 years but can vary at the manager's discretion depending on the manager's outlook for interest rates, the economy, and other factors.

5. Sub-Advisors may maintain reserve and cash equivalent investments. However, these investments should be made on the basis of safety and liquidity, and only secondarily by yield available.

6. The ratings provided for in this Policy are for guidance only. The Sub-Advisors are responsible for independently analyzing the credit worthiness of securities and their appropriateness as an investment regardless of the classification provided by the rating service.

7. While the Sub-Advisor will monitor turnover, there shall be no specific limitation in this regard, recognizing the importance of providing flexibility to the Sub-Advisor to adjust the asset mix in changing market conditions.

8. No security of one issuer, excepting issues of the U.S. Government or its Agencies, or an investment in a mutual fund and/or commingled fund that seeks to gain access to a

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broader spectrum of fixed income securities, shall comprise more than 5% of total assets. No Sub-Advisor shall hold more than 10% of its assets in the securities of any single entity, excepting issues of the U.S. Government or its Agencies or an investment in a mutual fund and/or commingled fund that seeks to gain access to a broader spectrum of fixed income securities.
9. No more than 35% of total assets should be invested in any one economic sector.

A. Allowable Investments.

The following classes of securities are appropriate investment vehicles for investment of the assets of the Fund:

- Equity securities, including exchange-traded and over-the-counter common and preferred stocks, warrants, rights, convertible securities, depository receipts and shares, trust certificates, limited partnership interests, shares of other investment companies and real estate investment trusts and equity participations.

- Emerging market investments are permitted and involve greater risks than investing in developed countries. In general, western European countries, the United States, Canada, Australia, New Zealand, Hong Kong, Singapore, Malaysia and Japan are considered to have developed markets and economies and the rest of the countries in the world to have emerging markets and economies. The total emerging market equity exposure can be no more than 10% of the International Equity allocation.

- Fixed income securities, including bonds, notes, mortgage-related and asset-backed securities, convertible securities, Eurodollar and Yankee dollar instruments, preferred stocks and money market instruments. Fixed income securities may be issued by corporate and governmental issuers and may have all types of interest rate payment and reset terms, including fixed rate, adjustable rate, zero coupon, contingent, deferred, payment-in-kind and auction rate features. Additionally, the Investment Advisor may retain a sub-advisor which may invest up to 40% of the fixed income assets in mutual funds or commingled vehicles because of the ability to diversify more extensively in areas such as high yield, international fixed income and emerging market debt.

  The Fixed Income investments seek to achieve its investment objective by normally investing substantially all of its net assets in a portfolio of U.S. and Non-U.S. fixed income instruments including but not limited to the following types:

- Obligations of Non-U.S. governments and their subdivisions, agencies and government sponsored enterprises

- Obligations of international agencies or super-national entities

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- Obligations issues by the U.S. Government, its agencies and instrumentalities
- Mortgage-related and other asset-backed securities
- Corporate Debt Securities, including convertible securities and corporate commercial paper
- Inflation-index bonds issued by corporations
- Structured notes, including hybrid or "indexed" securities, event-linked bonds and loan participations
- Delayed funding loans and revolving credit facilities
- Bank certificates of deposit, fixed time deposits and bankers acceptances
- Debt securities, issued by states of local governments and their agencies, authorities and other instrumentalities
- Derivative instruments that have economic characteristics similar to securities referenced above.
- Money market Funds and money market instruments of an investment grade commonly held in money market Funds such as repurchase agreements, banker's acceptances, and commercial paper.
- With respect to derivatives:
  - No consent will be given for any derivative security used for the purposes of leveraging the portfolio's investments, the lone exception being the use of hedge funds upon approval.
  - The Investment Committee shall consider certain criteria including, but not limited to, the following in its evaluation of a derivative strategy: Sub-Advisor's proven expertise in specified category; value added by engaging in derivatives; liquidity; actively traded by major exchanges or executed through major dealers; and manager's internal procedures to evaluate derivatives
- The Fund may invest in hedge funds. Hedge Funds are private investments, generally structured as limited partnerships or investment companies. Hedge Fund investment managers are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives. When investing in a Fund-of-Hedge Funds ("FOHF") or individual hedge funds, offering memorandums must be reviewed to ensure that such investments would not constitute any violations with this Investment Policy.

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- A FOHF is managed by an investment manager, who subsequently invests in the hedge funds of multiple underlying investment advisors. Therefore, the FOHF are also referred to as Multi-Advisor Funds. Because they are diversified, the FOHF assist in reducing the individual fund-specific risk.

- The Finance Committee understands that hedge fund investments are less transparent than traditional investments but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the Finance Committee understands that liquidity in such investments may be limited. Liquidity constraints, including lock-up provisions will be taken into account when making allocations of such investments.

Alternative Investments are a broadly defined asset category with the objective of reducing overall portfolio risk or volatility through further diversification of the Fund. Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include but are not limited to: long/short equity, convertible arbitrage, merger/risk arbitrage, fixed-income arbitrage and distressed securities.

The referenced strategies may include investments in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities and currencies, spot commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (investment and non-investment grade, high-yield debt, distressed or other securities) and other assets. Strategies may utilize short selling and leverage.

The Investment Advisor acknowledges that investing in alternative investments is only suitable for experienced and sophisticated investors qualified to assess the high economic risks and that it will carefully review and consider all potential risks before investing.

B. Prohibited Investments.

The following investment practices and classes of securities are inappropriate for investment of the assets of the Fund:

- Investments into H&R Block, its common stock or any security issued by the company

C. Investment Objectives

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In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.
Specifically, the primary objective in the investment management for Fund assets shall be:
Long-Term Growth of Capital: To emphasize long-term growth of principal while avoiding excessive risk, primarily through asset diversification. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index. Standard deviation quantifies the volatility associated with the Fund's returns. Standard deviation measures the variation in returns around the mean return and will be utilized to measure the absolute volatility of the Fund's return.

D. Specific Investment Goals

It is the goal of the aggregate Fund assets to exceed: An absolute rate of return of 7.0
The time horizon for the Client's assets is long-term and is currently anticipated to continue without significant modification. For strategic planning purposes, a minimum of 7 to 10 years will be considered for decision-making purposes. Capital values do fluctuate over shorter periods and the Finance Committee recognizes that the possibility of capital loss does exist.
The investment goal above is the objective of the aggregate Fund and is not meant to be imposed on each investment account (if more than one account is used). The goal of each Sub-Advisor, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each Sub-Advisor, if any, shall be incorporated as part of this statement of investment policy.

E. Definition of Risk

The Initiative Foundation realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing Fund assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as designed in this statement of investment policy. The Initiative Fund defines risk as: The probability of not meeting the fund's objectives.
The Initiative Foundation recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The Fund assets will be structured to maintain prudent levels of diversification. The Investment Advisor is to make reasonable efforts to control risk and will evaluate regularly to ensure that the risk assumed is commensurate with the given investment style and objectives as stated in this Policy Statement.

F. Asset Allocation Policy.

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The investment management of the Fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market value)

Broad Market Allocation

	Lower Limit	Preferred Allocation	Upper Limit
Equities	40%	60%	80%
Fixed Income	20%	25%	40%
Alternatives	0%	15%	25%
Cash	0%	0%	5%

Style Allocation

	Lower Limit	Preferred Allocation	Upper Limit
US Large Cap Equity	18%	28%	38%
US Small/Mid Cap Equity	7%	12%	17%
International Equity	11%	16%	21%
REITs	0%	4%	7%
Commodities	0%	5%	10%
HFOF	0%	10%	15%
Fixed Income	20%	25%	40%
Cash & Equivalents	0%	0%	5%

2. Aggregate Fund Policy Benchmark

   44% Russell 3000 Index / 16% MSCI ACWxUS Index / 25% BC Aggregate Bond Index /10% HFRI Diversified Index / 5% Dow Jones-UBS Commodity Index.

3. The Fund may engage Sub-Advisors whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this Policy and must be approved by the Finance Committee.

4. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Investment Advisor will instruct the Sub-Advisor(s), on a quarterly basis, to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any

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individual Sub-Advisor's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Investment Advisor will instruct the Sub-Advisor to bring the portfolio into compliance with these guidelines as promptly and prudently as possible.

G. Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 4.0% of its endowment funds. These funds will use the moving average method of determining year to year spending in order to smooth distributions from the aggregate portfolio. The "portfolio value" will be determined based on a 3-year moving average of monthly portfolio market value, with a budgeting lead of one year, (That is, the moving average will be determined one year before the fiscal year in which the funds are to be spent).

IV. Review and Evaluation

The Finance Committee shall review, on a quarterly basis, the reports prepared by the Investment Advisor to determine if the assets are being properly managed according to this Policy. It is the intent of the Finance Committee to view the Fund's performance on the basis of a full 3-5-year market cycle, though attention will be paid to shorter time periods at the discretion of the Finance Committee. In the interim, a performance report upon request shall be prepared monthly by the Investment Advisor for review by the Finance Committee. This performance report will highlight the monthly performance of the Total Fund, the Sub-Advisors employed by the Fund, and their comparative benchmarks.
The Investment Advisor shall review, on a timely and regular basis, the performance of each Sub-Advisor. Any deviation from the stated objectives and policies may result in the dismissal of any Sub-Advisor employed. In addition, any deviation or change in the structure, management, or investment style of any Sub-Advisor employed shall precipitate a review by the Investment Advisor to determine whether that Sub-Advisor should be retained.
Performance of this Fund will be evaluated on a regular basis. Consideration will be given to the degree to which performance results meet the goals and objectives set forth below. Toward that end, the following standards will be used in evaluating investment performance.

1. The compliance of each Sub-Advisor with the guidelines expressed herein.

2. The extent to which the total rate of return performance of the Fund achieves or exceeds the targeted goals.

3. The various Investment Managers will also be compared to their appropriate underlying style indices in order to measure relative performance at the level of the individual asset class allocation. Should any Sub-Advisor fail to achieve its appropriate benchmark, the Investment Advisor shall conduct a more detailed review and evaluation to determine what, if any, action should be taken.

It is the expectation of the Investment Advisor that any Sub-Advisor employed shall achieve a return equal to or greater than the appropriate benchmark over a full market cycle

V. Communications

1. Documentation by the Sub-Advisors and custodian to the Fund indicating:

   (a) The Fund composition at book (cost) and at market value by sector, including, minimally, equity, fixed income, cash equivalents and un-invested cash balances.
   (b) Position, by individually named securities, showing both their respective book and market values.
   (c) All principal and income cash transactions, including sources of all interest and dividends in sufficient descriptive detail.

   Each Sub-Advisor is expected to be able to produce, upon written request of the Finance Committee or the Investment Advisor, documentation in support of its buy, sell and hold decisions.
2. Meetings

   A presentation of investment performance is desired semi-annually by the investment advisor

VI. Additional Sub-Advisor Responsibilities

Any Sub-Advisor retained shall notify the Investment Advisor in writing within 30 business days of any change in ownership, structure, or key personnel including partners, principals, officers, portfolio managers, financial conditions or of any material litigation filed against the firm or its principles relating to its business.

VII. Proxy Policy

It shall be the stated policy of the Finance Committee to delegate all authority for the exercise of ownership rights including authority to vote proxies to the Sub-Advisor retained and that Sub-Advisor shall execute voting responsibility in the best interest of the Fund and in accordance with applicable law. However, The Initiative Fund reserves the right to revoke this delegation of authority that has been granted to each Sub- Advisor.
To enable the Finance Committee to monitor the voting of proxies, the Sub-Advisor shall annually report to the Finance Committee and to the Investment Advisor its standing policies with respect to proxy voting, including any changes that have occurred in these policies. Additionally, Sub-Advisors shall provide a written annual report of the proxy votes for all shares of stock in companies held in the Fund's investment program. These reports shall specifically note any instances where proxies were not *voted* in accordance with standing policy.

VIII. Investment Policy Review

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To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee will review the investment policy at least annually.

IX. Adoption

The members of the Finance Committee approve and adopt this Investment Policy Statement and reserve the right to amend or terminate it at any time.