Statement of Investment Policy
for
The Dayton Foundation

APPROVED – March 9, 2022

Purpose

The purposes of this Investment Policy Statement are to:

1. Establish an understanding of the philosophy and investment objectives for the Foundation's Board of Governors, Finance Committee, donors, grantees and investment managers.

2. Serve as requirements for the investment managers retained.

3. Serve as the basis for monitoring the ongoing performance for each investment manager and The Dayton Foundation's designated discretionary assets.

These basic tenets are intended to balance the Foundation's duty to build community capital for future use with the corresponding obligation to support current and future community needs.

Scope

This Investment Policy Statement applies only to those assets for which the investment manager, Finance Committee and the Foundation's Board of Governors have discretionary authority. For restricted assets, the investment policies are contained in the individual agreements and/or fund file.

Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, the Foundation's Board of Governors, Finance Committee and its members 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 "about each asset in the context of the portfolio of investments, as part of an overall investment strategy." All investment actions and decisions must be based solely on the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Finance 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 Finance Committee is under a duty to the Foundation to manage the funds 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 the Foundation. In making and implementing investment decisions, the Finance Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Foundation are better served without diversifying.

In addition, the Finance Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Finance 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.

Distinction of Responsibilities

Board of Governors

The Board of Governors has the ultimate fiduciary responsibility for the Foundation's investment portfolio. The Board of Governors must ensure that appropriate policies governing the management of the Foundation 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 Finance Committee.

Finance Committee of the Governing Board of The Dayton Foundation

The Finance Committee is responsible for approving and implementing investment policies, monitoring compliance with them, and reporting thereunto the Board of Governors. This responsibility includes approving investment strategy, hiring and firing of investment managers, custodians and investment consultants, monitoring performance of the investment portfolio on a regular basis (at least quarterly), and maintaining sufficient knowledge about the portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement.

Finance Staff of The Dayton Foundation

The Finance Staff has daily responsibility for administration of the Foundation's investment portfolio and, within the investment policies outlined, consults with the Finance Committee and Board of Governors on all major and / or policy matters relating to the investment of the Foundation's portfolio. The Foundation Staff will serve as primary contact for the Foundation's investment managers, investment consultant, and custodian.

Investment Consultant

The Investment Consultant is responsible for assisting the Finance Committee in managing and overseeing the Foundation's investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

1. Provide the Finance Committee with quarterly performance reports within 45 days following the receipt of custodial statements of each calendar quarter;

2. Meet with the Finance Committee quarterly and as needed;

3. Monitor the activities of each investment manager or investment fund;

4. Supply the Finance Committee with other reports or information as reasonably requested.

Investment Objectives

1. Time Horizon:

It is intended that the investment objectives stated below will be achieved by the investment managers over a 5-year moving period, net of investment management fees and transaction costs. However, the Foundation's Finance Committee reserves the right to evaluate and make any necessary changes regarding the investment managers over a shorter-term basis using the criteria established in the "Evaluation of Investment Managers" section of this statement.

2. Strategy:

Investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate, natural resources, and infrastructure). Real assets also are expected to provide the added benefit of inflation protection. Fixed income securities and absolute return strategies will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio but is a residual to the investment process and used to meet short-term liquidity needs.

3. General Performance Objectives:

The primary objectives for the investment of the Foundation's assets will be to generate sufficient long-term growth of capital, without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the real (adjusted for inflation) purchasing power of the investments. The investment manager's greatest concern should be total return in a risk-averse philosophy and with consistency in investment performance. The objectives shall be accomplished utilizing a balanced strategy of equities and fixed income based upon a mix which is intended to provide for **REAL** growth, net of inflation and investment fees.

4. Specific Performance Objectives for Total Discretionary Assets (moving 5-year period):

A. The total return shall exceed the rate of inflation, as measured by the Consumer Price Index, by 4%.

B. The total return shall exceed a target Balanced Index composed of 20% Russell 1000 Index, 10% Russell 2000 Index, 20% MSCI EAFE Index, 10% MSCI Emerging Markets Index, 30% of the Bloomberg Barclays Capital Aggregate Bond Index and 10% S&P Real Assets Equity.

C. The total return of each manager for the discretionary assets is expected to rank above the median versus a manager universe with a similar asset mix.

D. The volatility, as measured by beta relative to the Target Balanced Index, shall be no greater than 1.20 and the risk-adjusted performance, alpha, shall be positive.

Asset Allocation

1. Deliberate management of the asset mix among classes of investments is both a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Fund, rather than judging asset categories on a stand-alone basis.

   The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Fund, 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 with the following target percentages and within the following ranges:

			Min	Target	Max
GLOBAL EQUITY			***40%***	***60%***	***80%***
Long Equities			*40%*		*80%*
	US Equities		*20%*	***30%***	*70%*
	Substyles may include:	*Large/ Mid Cap Equities*	*10%*	*20*	*60%*
		Small Cap Equities	*5%*	*10*	*20%*
	International Equities Developed		*10%*	***20%***	*30%*
		Large/ Mid Cap Equities	*10%*		*30%*
		Small Cap Equities	*0%*		*15%*
	Emerging Markets		*5%*	***10%***	*20%*
		Large/ Mid Cap Equities	*0%*		*15%*
		Small Cap Equities	*0%*		*5%*
		Frontier Markets	*0%*		*5%*
Hedged Equity	(LIMITED PARTNERSHIP OR INVESTMENT OTHER THAN MUTUAL FUND OR EXCHANGE-TRADED FUND IS PROHIBITED UNLESS EXPLICITELY AUTHORIZED)		*0%*		*20%*
GLOBAL FIXED INCOME/CREDIT			***10%***	***20%***	***40%***
	Interest Rate Sensitive		*5%*		*40%*
	Substyles may include:	*Core (Investment Grade)*	*5%*		*40%*
		Treasury Inflation Protected Securities	*0%*		*20%*
	Credit Sensitive		*0%*		*20%*
	Substyles may include:	*High Yield*	*0%*		*10%*
		Bank Loans	*0%*		*10%*
		International	*0%*		*10%*
		Emerging Debt	*0%*		*10%*
REAL ASSETS			***5%***	***10%***	***20%***
	Real Estate (REITS)		*0%*		*10%*
	Natural Resources		*0%*		*20%*
	Substyles may include:	*Commodities*	*0%*		*10%*
		Energy (MLPs)	*0%*		*10%*
DIVERSIFYING STRATEGIES			***0%***	***10%***	***20%***
	Absolute Return/Multi-strategy (LIMITED PARTNERSHIP OR INVESTMENT OTHER THAN MUTUAL FUND OR EXCHANGE-TRADED FUND IS PROHIBITED UNLESS EXPLICITELY AUTHORIZED)		*0%*		*20%*
CASH AND CASH EQUIVALENTS			*0%*		*10%*

Alternative Investments

All types of Alternative Investments, including but not limited to, venture capital, private equity, real estate, timberland, limited partnerships and hedged funds, are expressly prohibited unless approved by the Foundation in writing. If approved, any investment manager will be bound by the same "Manager Performance Objectives" stated herein, as well as all other relevant portions of this document.

THE DIVERSIFYING STRATEGIES/HEDGE FUND ALLOCATION IS ONLY ALLOWED BY EXPLICIT AUTHORIZATION FROM THE DAYTON FOUNDATION UPON REVIEW

In making asset allocation judgments, the Foundation is not expected to seek to "time" subtle changes in financial markets, or to make frequent or minor adjustments. Instead, the Foundation is expected to develop and adopt expressed guidelines for broad allocations on a long-term basis, in light of current and projected investment environments. The Asset Allocation shall be monitored on a quarterly basis and reviewed annually by the Finance Committee. Investment managers retained will invest in accordance with this document, but are expected to apply their own judgments within policy limitations.

The target allocation is based upon the Foundation's spending policy and represents the asset structure that can provide **REAL** growth of assets. The portfolio is intended to remain fully invested and the cash allocation is not intended to be a strategic target allocation.

2. Where applicable, the large cap asset allocation will be implemented through a portfolio of both active and passive managers.

3. The Consultant will provide guidance to the Finance Staff of The Dayton Foundation to monitor the asset allocation structure of the investment pool and will attempt to stay within the ranges allowed for each asset class. If the portfolio becomes overweighted or exceeds the range of percentage for that asset class, the Finance Staff of The Dayton Foundation will develop a plan of action, either for immediate rebalancing of the portfolio or a rebalancing that will occur over stated period of time.

3. In the event of severe economic or market conditions which would negatively impact the Foundation's assets, the investment manager may deviate from the stated asset structure after notifying the Finance Committee and receiving the requisite approval. Immediately thereafter, any such decision must be explained and confirmed in writing to the Finance Committee.

4. The Foundation may hold real estate assets received through its Gift Acceptance Program that may be reasonably expected to generate a positive net economic benefit to the Foundation and adhere to the adopted Guidelines and Restrictions of the Gift Acceptance Program. In assessing the economic benefit, the Foundation will consider the income, appreciation and diversification benefits of holding a particular real estate asset, net of all fees and expenses associated with such an investment.

5. The Foundation may hold privately held stock (S Corporation Stock and C Corporation Stock) received through its Gift Acceptance Program that may be reasonably expected to generate a positive net economic benefit to the Foundation and adhere to the adopted Guidelines and Restrictions of the Gift Acceptance Program. In assessing the economic benefit, the Foundation will consider the income and appreciation benefits of holding a particular privately held stock, net of all taxes and expenses associated with such an investment.

Illiquid and Semi-Liquid Investments

Illiquid investments include private equity, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

1. **Hedge Funds**
   The objective of the hedge fund allocation is to diversify the Fund and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

   Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

   For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

   a. **Strategy**
      The hedge fund universe can be divided into two broad categories: Absolute Return and Directional. Below are the definitions and examples of these strategies.

      i. **Absolute Return**
         These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage.

      ii. **Equity Hedge (Directional)**
         These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling.

Investment Manager Requirements

1. The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Foundation. However, all managers (pooled/mutual or separate) are expected to achieve the performance objectives.
2. Unless prior written approval is obtained from the Finance Committee to the contrary:

   a. Each investment manager must satisfy the performance objectives and asset allocation guidelines.

b. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with this Investment Policy Statement and The Dayton Foundation's policies.

c. The investment managers will be expected to report in writing quarterly and meet with the Investment Consultant at least annually, or more frequently as needed.

d. For diversification purposes, any discrete equity portfolio should have in excess of 20 positions.

e. The investment manager shall handle the voting of proxies and tendering of shares in a manner that is in the best interests of The Dayton Foundation and consistent with the investment objectives contained herein.

f. Unless, subject to other provisions in this Investment Policy Statement, the use of primary derivatives, including Structured Notes, lower class tranches of Collateralized Mortgage Obligations (CMO's), Principal Only (PO) or Interest Only (IO) Treasury Bond Strips, Inverse Floating Securities, Futures Contracts, Options, Options on futures contracts, Short sales, Margin trading and such other specialized investment activity are prohibited.

Moreover, the investment managers are precluded from using derivatives to effect a leveraged portfolio structure (if options and futures are specifically approved by the Finance Committee, such positions must be offset in their entirety by corresponding cash or securities).

In special situations, should the Finance Committee explicitly authorize the use of such derivative instruments a maximum derivative exposure will be identified given the unique circumstance. The following must be addressed and certain criteria shall be considered, including, but not limited to, the following:

i. Manager's proven expertise in such category.
ii. Value added by engaging in derivatives.
iii. Liquidity of instruments.
iv. Actively traded by major exchanges (or for over-the-counter positions, executed with major dealers).
v. Managers internal procedures to evaluate derivatives, such as scenario and volatility analysis and duration constraints.

g. There shall be no investments in non-marketable securities.

h. For each manager, equity assets in any particular industry shall not exceed the greater of:

1. 40% of the total market value of the investment manager's equity portfolio, or

2. 2.50 times the broad market Index (S&P 500 Stock Index, Russell 2000 and MSCI EAFE Index or relevant benchmark) sector weighting (Such as, technology, consumer non-cyclical, capital goods, consumer cyclical, transportation, energy, basic industry, utility, and financial).

i. No more than 25% of each manager's fixed income assets, at market value, shall be invested in any single industry (Financial, Industrial and Utility).

j. The investment manager must assure that no position of any one issuer shall exceed 8% of the manager's portfolio at market value, with the exception of securities issued by the U.S. government and its agencies.

k. There shall be no purchase which would cause a position in the portfolio to exceed 5% of the issue outstanding, at market value.

l. The fixed income portfolio must have an overall weighted average credit quality rating of A by Moody's and Standard and Poor's rating services, respectively. Split rated securities will be governed by the lower rating.

m. Each investment manager shall hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating.

n. Each high yield/bank loan investment manager shall:
   1. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's.
   2. Hold no more than 20% of the portfolio in investments rated below B. Split rated securities will be governed by the lower rating.
   3. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

o. Each investment manager shall maintain a duration within +/- 20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers).

p. Not more than 10% of an investment manager's portfolio shall be invested in commercial paper of any single issuer. The credit quality must be rated A1 and P1.

q. Not more than the FDIC insured amount shall be invested in the bank certificates of deposit of any single issuer.

3. Investment Manager shall carry no less than $2,000,000 in professional liability insurance, providing coverage for errors and omissions committed in the course of providing professional services to The Dayton Foundation as described herein. Investment Manager shall also carry an employee fidelity bond of no less than $1,000,000 (aka "crime" coverage).

4. Investment Manager agrees to defend, indemnify and hold The Dayton Foundation harmless from and against any and all claims, losses, expenses, costs, demands, attorneys' fees and other liabilities (collectively "claims") arising out of or relating to the services provided by Investment Manager pursuant to this agreement, excepting those claims resulting directly from the intentional misconduct of The Dayton Foundation.

Illiquid and Semi-Liquid Investment Requirements

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Foundation may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Finance Committee, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement (PPM) and Limited Partnership Agreement.

The Foundation is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Foundation, potential tax ramifications must be considered during the investment analysis and selection process. The Foundation shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Fund.

Evaluation of Investment Managers

All investment returns shall be measured net of fees. Each investment manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

a) Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing;
b) Ability to exceed the return of the appropriate benchmark index;
c) Adherence to the guidelines and objectives of this Investment Policy Statement; and,
d) Avoidance of regulatory actions against the firm, its principals or employees.

Performance shall be evaluated according to the following framework:
Short Term (less than three years) – *adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the Foundation and investment consultant and, continuity of personnel and practices at the firm.*

Intermediate Term (between 3 and 5 years*) – adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the Foundation and investment consultant; continuity of personnel and practices at the firm; *and ability to meet or exceed the median performance of other external peer universe of managers who adhere to the same or similar investment style.*

Long Term (rolling 5 year periods*) – adherence to the stated philosophy and style of management at the time the investment manager was retained; timely communication with the Foundation and investment consultant; continuity of personnel and practices at the firm; *ability to meet or exceed the median performance of other external peer universe of managers who adhere to the same or similar investment style; and, ability to outperform its respective target index.*

* Market cycles will vary in duration. Stated time frames apply to typical periods when market cycles occur every three to five years.

INVESTMENT MANAGERS

Open communication between the investment managers, the Foundation and its consultant are critical to the success of the Foundation. The manager shall communicate the following at least **annually**:

1. A review of key investment decisions, investment performance and portfolio structure;
2. An organizational/investment advisor update, including a report on any and all changes in organizational/investment advisor structure, investment personnel and process and a list of new relationships or clients that have terminated their services; and
3. A review of the manager's understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, the following is required of each investment manager:

1. **Monthly** transaction and asset statements shall be provided to the Foundation, its consultant and custodian (if not the same) no later than the **tenth** business day following month end;
2. **Quarterly** performance reviews;
3. **Immediate notification** to the Foundation and its consultant of any exceptions to this investment policy statement with a recommended plan of action to correct the violation; and

4. Other reports or information as may be reasonably be requested by the Foundation, its consultant or custodian.

Administrative and Spending Policy

The following spending policy for pure endowment funds:

Subject to gift instruments and statutory requirements, the spending policy is determined by a total return system. The amount to be spent in the coming year is calculated each March 31 and is reviewed and approved by the Governing Board annually. Effective July 1, 2018 (Fiscal Year 2019) and thereafter, the calculation is based on a 20-quarter moving average of the market value of the total fund, multiplied by an amount not to exceed four percent (4%). Prior to this period (Fiscal Year 2018: July 1, 2017 – June 30, 2018), the calculation is based on a 16-quarter moving average. It is the goal of the Governing Board to spend no greater than five percent (5%) annually (excluding restricted funds which mandate a spending rate) including the above four percent (4%) spending policy and Foundation expenses excluding investment manager fees.

* Note: Donor Advised Funds, Charitable Accounts Inc. Funds and Family Foundation Plus Funds, where historical values have been September 30th, will continue to use September for the administrative and spending policy calculation.

1. Distributions in excess of net annual pay-out of pure endowment funds will not be made except in an extreme and community-wide condition of emergency.

2. Distributions will be made from the total return of the portfolio, including interest, dividends and realized gains. Interest and dividends payments will be reinvested as they are earned.

3. The Finance Committee will recommend annually, to the Board of Governors for their approval, a pay-out rate to be distributed within each fiscal year (including charitable grants and Foundation expenses but excluding investment manager fees). Charitable grants will be pro-rated if the fund has been in existence for less than twelve months. Foundation fee assessments will not be prorated, but will be levied for the first full quarter following the inception of the fund.

4. Investment performance data will be freely disclosed to the Finance Committee, Board of Governors and others upon request, after individual trustees and investment managers have had an opportunity to review data on their own performance and request corrections of any possible errors.

Exemptions

Upon recommendation by the Finance Committee and approval by the Board, the Foundation may grant an exemption to the stated policy for investments that fall outside of the investment strategy defined by the investment policy. These investments may include, but are not limited to, stock or bond portfolios, real estate, and long-term financial agreements or contracts.

Conclusion

This Statement of Investment Policy shall be reviewed annually. The investment performance will be measured on a quarterly basis and the report will be provided by an independent third party. The investment managers may provide any suggestions regarding appropriate adjustments to this statement or the manner in which investment performance is reviewed.

Approved

_____

President, The Dayton Foundation Date

Acknowledged on behalf:

(Typed Name) _____

Investment Firm Date

By (Signature) _____

Authorized Officer Date

Approved June 24, 2003
Revised June 9, 2004
Revised December 1, 2004
Revised July 1, 2006
Revised December 6, 2006
Revised December 12, 2007
Revised June 15, 2009
Revised June 7, 2010
Revised September 13, 2010
Revised December 14, 2011
Revised March 10, 2014
Revised September 14, 2016
Revised March 8, 2017
Revised June 12, 2019

Addendum - Life Income Funds

The unique structure of Life Income Funds requires separate consideration in identifying investment policies. In general, Life Income Funds are segregated into 2 investment portfolios: Reserve/Restricted Fund (representing the net present value amount to fund the Annuity) and Residual/Unrestricted Fund (representing the excess amount above the Annuity's reserve value). The following objectives reflect each fund type's specific investment considerations:

Reserve/Restricted Annuity Fund

The primary objectives of this Fund shall be to achieve the Annuity's stated income return, in a prudent, high quality fixed income investment portfolio.

Residual/Unrestricted Fund

The investment objectives, asset allocation parameters and investment manager requirements shall be the same as those specified for the Dayton Foundation.

In the event earnings are insufficient to cover payments to Life Income Fund beneficiaries, the Foundation deems it appropriate to use principal.

Addendum – Socially Responsible Portfolio

The unique structure of a Socially Responsible Portfolio requires separate consideration in identifying appropriate investments that meet the identified socially responsible criteria. In general, Socially Responsible Portfolios will be segregated into a separate portfolio, but will be required to follow the identified investment guidelines and restrictions of the Dayton Foundation's Investment Policy Statement. The broad asset allocation identified in the policy will be adopted with a strategic target exposure of 65% equity and 35% fixed income. Where available and consistent with the general investment philosophy and parameters of the Dayton Foundation, it is preferred that a portion of the equity exposure be invested in domestic small cap and international equity. The investments in domestic small cap and international equity, where approved, are exempt from required social screens. The following objectives reflect the Socially Responsible Portfolio's specific investment considerations:

Socially Responsible

The primary objective of this Fund shall be to generate sufficient long term growth of capital, without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the real (adjusted for inflation) purchasing power of the investments following socially responsible investment guidelines identified by the donor. The specific socially responsible screens will be utilized by the mangers at a moderate sensitivity level and positive offsets will be allowed.

Specific Performance Objectives for Socially Responsible Assets (moving 5-year period):

A. The total return shall exceed the rate of inflation, as measured by the Consumer Price Index, by 4%.

B. The total return shall exceed a target Balanced Index composed of 55% of the Russell 3000 Index, 10% of the MSCI All World EX-US and 35% of the Bloomberg Barclays Capital Aggregate Bond Index.

C. The total return of each manager for the discretionary assets is expected to rank above the median versus a manager universe with a similar asset mix.

D. The volatility, as measured by beta relative to the Target Balanced Index, shall be no greater than 1.20 and the risk-adjusted performance, alpha, shall be positive.

Asset Allocation:

The following asset allocation guide shall apply to each investment manager:

Type of Security	Benchmark	Range
Equity	**65%**	**55 - 75%**
Large Cap Equity	45%	35 - 55%
Small Cap Equity	10%	5 - 15%
International Equity	10%	5 - 15%
Fixed Income	**35%**	25 - 45%
Cash	**0%**	0 - 10%

Addendum – Conservative Investment Portfolio

The asset allocation for the Conservative Investment Portfolio requires additional exposure to fixed income assets to reduce the overall volatility of the portfolio and increase the generation of income. The Conservative Investment Portfolio will follow the specified investment guidelines and restrictions of the Dayton Foundation's Investment Policy Statement, but will utilize a more conservative asset allocation. The broad asset allocation identified for the Conservative Investment Portfolio will be a 50% exposure to equity investments and a 50% exposure to fixed income investments. The following objectives reflect the Conservative Investment Portfolio's specific investment considerations:

Conservative Investment Portfolio

The primary objective of this Fund shall be to provide for long-term growth of principal and income without undue exposure to risk.

Specific Performance Objectives for Total Discretionary Assets (moving 5-year period):

A. The total return shall exceed the rate of inflation, as measured by the Consumer Price Index, by 3%.

B. The total return shall exceed a target Balanced Index composed of 40% of the Standard & Poor's 500 Stock Index, 5% of the Russell 2000 Index, 5% of the MSCI EAFE Index and 50% of the Bloomberg Barclays Capital Aggregate Bond Index.

C. The total return of each manager for the discretionary assets is expected to rank above the median versus a manager universe with a similar asset mix.

D. The volatility, as measured by beta relative to the Target Balanced Index, shall be no greater than 1.20 and the risk-adjusted performance, alpha, shall be positive.

Asset Allocation:.

The following asset allocation guide shall apply to each investment manager:

Type of Security	Benchmark	Range
Equity	**50%**	30 – 70%
Large Cap Equity	40%	30 - 60%
Small Cap Equity	5%	0 - 10%
International Equity	5%	0 - 10%
Fixed Income	**50%**	30 - 60%
Cash	**0%**	0 - 10%

Addendum – Broad Large Cap and Fixed Income Portfolio

Investment managers that have been approved and authorized by the Finance Committee of The Dayton Foundation as Broad Large Cap and Fixed Income will not be required to have international and small cap equity exposure. The Broad Large Cap and Fixed Income Investment Portfolio will follow the specified investment guidelines and restrictions of the Dayton Foundation's Investment Policy Statement, but will utilize an asset allocation dedicated to large cap equities and fixed income. The asset allocation identified for Broad Large Cap and Fixed Income will be a 65% exposure to large cap equity investments and 35% exposure to fixed income investments. The following objectives reflect the Broad Large Cap and Fixed Income Investment Portfolio's specific performance objectives:

Specific Performance Objectives for Broad Large Cap and Fixed Income Assets (moving 5-year period):

A. The total return shall exceed the rate of inflation, as measured by the Consumer Price Index, by 4%.
B. The total return shall exceed a target Balanced Index composed of 65% of the Standard & Poor's 500 Stock Index and 35% of the Bloomberg Barclays Capital Aggregate Bond Index.
C. The total return of each manager for the discretionary assets is expected to rank above the median versus a manager universe with a similar asset mix.

D. The volatility, as measured by beta relative to the Target Balanced Index, shall be no greater than 1.20 and the risk-adjusted performance, alpha, shall be positive.

Asset Allocation:.

The following asset allocation guide shall apply to each investment manager:

Type of Security	Benchmark	Range
Large Cap Equity*	65%	55 - 75%
Fixed Income	35%	25 - 45%
Cash	0%	0 - 10%

*Equity may included mid cap and small cap under approval

Addendum –Fixed Income Portfolio

Investment managers that have been approved and authorized by the Finance Committee of The Dayton Foundation as Fixed Income will not be required to have equity exposure. The Fixed Income Investment Portfolio will follow the specified investment guidelines and restrictions of the Dayton Foundation's Investment Policy Statement, but will utilize an asset allocation dedicated exclusively to fixed income. The asset allocation identified for the Fixed Income Portfolio will be 100% exposure to fixed income investments. The following objectives reflect the Fixed Income Investment Portfolio's specific performance objectives:

Specific Performance Objectives for Fixed Income Assets (moving 5-year period):

A. The total return shall exceed the Barclays Capital Aggregate Bond Index.
B. The total return of each manager for the discretionary assets is expected to rank above the median versus a Broad/Core Fixed Income manager universe.
C. The volatility, as measured by duration relative to the Index, shall remain within +/- 20% of the effective duration of the Bloomberg Barclays Capital Aggregate Bond Index.

Asset Allocation:.

The following asset allocation guide shall apply to each investment manager:

Type of Security	Benchmark	Range
Fixed Income	100%	90 - 100%
Cash	0%	0 - 10%

Addendum – Cash/Cash Equivalents Portfolio

Investment managers that have been approved and authorized by the Finance Committee of The Dayton Foundation as Cash/Cash Equivalents will not be required to have equity exposure. The Cash/Cash Equivalents Portfolio will follow the specified investment guidelines and restrictions of the Dayton Foundation's Investment Policy Statement, but will utilize an asset allocation dedicated exclusively to Cash/Cash Equivalents. The asset allocation identified for the Cash/Cash Equivalents Portfolio will be a portfolio with an average weighted maturity between one day and one year. The following objectives reflect the Cash/Cash Equivalents Investment Portfolio's specific performance objectives:

Specific Performance Objectives for Cash/Cash Equivalents Assets (moving 5-year period):

A. The total return shall exceed the 3-month U.S. Treasury Bills or IBC Donoghue Money Market Index.

B. Investment managers must invest at least 50% of the portfolio in U.S. Government Securities and/or U.S. Government Agency issues.

C. The weighted-average credit quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies).

D. The volatility, as measured by standard deviation, shall not exceed the standard deviation of 52-week Treasury Bills.

Asset Allocation:

The following asset allocation guide shall apply to each investment manager:

Type of Security	Benchmark
Cash/Cash Equivalents	100%