INVESTMENT POLICY STATEMENT

The purpose of this policy is to guide the Charlottesville Area Community Foundation ("CACF") Governing Board, Investment Committee, Investment Strategist and Director of Finance in effectively managing, monitoring and evaluating CACF's investment portfolio ("Fund"). The investment portfolio consists of all funds managed by the Investment Committee. This Investment Policy Statement replaces the one adopted March 10, 2014.

DIVISION OF RESPONSIBILITIES

Governing Board

The Governing Board appoints members of the Investment Committee and designates the Chairperson. The Chairperson of the Investment Committee will report periodically to the Governing Board on the status of the investments of the Endowment and on the policies and practices of the Committee.

Investment Committee

The Investment Committee is responsible and accountable, as delegated by the Governing Board, for the prudent management of the CACF's assets, including: 1) developing and maintaining the investment policy; 2) setting risk tolerances and controls; 3) allocating assets, including setting asset allocations guidelines and determining which asset classes will be used; 4) appointing and evaluating the Investment Strategist; and 5) reporting to the Board periodically the results of the investment program. The Committee will meet at least quarterly. The Committee may be composed of both Governing and non-Governing Board members. A quorum of the Committee is defined as a majority of members of the Investment Committee.

Investment Strategist

The Investment Strategist is charged with the responsibility for 1) adhering to the Investment Committee's asset allocation, 2) manager selection and monitoring of individual managers within each asset class, and 3) rebalancing asset classes and 4) periodically reviewing the appropriateness of the investments and managers, except the hedge fund(s). In doing so, he or she will assist in the attainment of the stated objectives while complying with all Investment Policy guidelines and standards. The Investment Strategist will serve as the primary contact for all of the money managers, except the hedge fund(s) and will consult with the Director of Finance on all changes made to the managers or asset classes. The Strategist will prepare and present appropriate quarterly reports in writing.
**Director of Finance**

The Director of Finance works with the Investment Strategist on monitoring the individual manager/fund portfolios and consults on manager hires and terminations. The Director of Finance will notify the Committee of all changes promptly once made.

**FINANCIAL OBJECTIVE**

CACF has a long term horizon for the majority of the investments. The primary financial objective is to grow the assets so that the purchasing power of future dollars is at least as great as current dollars, to ensure ongoing funding for the community programs. A secondary objective is to provide a first class investment program that is attractive to and meets the needs of the donor groups so that CACF is viewed as the program of choice in the community.

**INVESTMENT OBJECTIVE/VEHICLES**

The long-term horizon of the Fund allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedge funds and fixed income, will also be used to reduce the risk and overall portfolio volatility. The Fund will be diversified across asset classes and managers.

For component funds with less than a five year time horizon, investments will be made in a fixed principal money market option to maintain principal awaiting payout.

See Appendix A

**RISK TOLERANCE**

CACF recognizes that higher returns involve higher volatility and has indicated a willingness to tolerate volatility (similar to its passive benchmark of 75% equity and 25% bonds) in order to optimize the financial objective of the fund. The Fund will be appropriately diversified.

**RETURN OBJECTIVE**

The Fund will be managed to maximize annualized returns net of all costs over rolling 10 year periods while adhering to CACF’s stated risk parameters defined as a portfolio invested primarily in stocks (including hedge funds) and to a lesser extent in bonds.
BENCHMARK

The Investment Committee maintains a macro view of the CACF portfolio, focusing on risk tolerance and return expectations by setting the asset allocation percentages and reviewing returns versus their respective benchmarks. Currently, the portfolio will be measured against three benchmarks:

1. Inflation (CPI) plus 5%
2. Passive benchmark of 75% MSCI All Country World Index and 25% Merrill Lynch US Treasury 7-10 Year Index
3. Composite benchmark based on asset class

SPENDING POLICY

As set by the Governing Board, CACF maintains a spending policy on the total return of discretionary funds and recommends the same to all other component funds calculated on a semi-annual three year moving average of the Fund's market value.

PROXY VOTING POLICY

All proxies are voted by the managers with the sole purpose of maximizing shareholder value.

POLICY CHANGES

The Investment Committee will review this policy annually at its August meeting and make changes, if any, as necessary.
APPENDIX A

ASSET ALLOCATION RANGES

The Asset Allocation Ranges may change from time to time but does not affect the overall Investment Policy Statement and, therefore, are included here.

<table>
<thead>
<tr>
<th>Range</th>
<th>50-85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITIES</td>
<td></td>
</tr>
<tr>
<td>DOMESTIC</td>
<td>40%-70%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>15-50%</td>
</tr>
<tr>
<td>Mid Cap</td>
<td>10-20%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>5-12%</td>
</tr>
<tr>
<td>INTERNATIONAL</td>
<td>10%-20%</td>
</tr>
<tr>
<td>Developed</td>
<td>5-15%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>2-10%</td>
</tr>
<tr>
<td>FIXED INCOME &amp; CASH</td>
<td>10-25%</td>
</tr>
<tr>
<td>*NON-TRADITIONAL ASSETS</td>
<td>5-20%</td>
</tr>
<tr>
<td>REAL ASSETS</td>
<td>0-5%</td>
</tr>
</tbody>
</table>

Equities include both domestic (small-cap, mid-cap and large-cap) and international (developed and emerging market) equities. Fixed income is generally limited to domestic short and intermediate term investment grade bonds. Real assets includes, but are not limited to, REITs. Non-Traditional Assets currently include a single hedge fund (fund of funds).

*Percentage allocated to Non-Traditional assets is determined by the Investment Committee, not by the Investment Strategist.