DELAWARE COMMUNITY FOUNDATION

INVESTMENT POLICY

Adopted: May 17, 2017

Purpose

The Delaware Community Foundation (DCF) is a nonprofit organization that promotes and administers charitable investment Pools (Pools) to benefit the people of Delaware. The Board of Directors (Board) has adopted this Investment Policy to provide a framework for the investment management of the Pools.

The DCF Board and its delegates will delegate their duties with respect to the investment of the Pools solely in the interests of the DCF:

- For the exclusive purposes of providing the financial benefits for which the Pools were established and defraying reasonable expenses of administering them;
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- By diversifying the investments of the Pools so as to reduce the risk of large losses, unless doing so is clearly not prudent under the circumstances; and
- In conformity with the Bylaws and other policies adopted by the Board.

Delegation of Authority and Responsibilities

The **Board** is responsible for the oversight of all funds entrusted to its care, including the adoption of policy regarding the Pools' investment management.

The **Investment Committee** of the Board is responsible for recommending and implementing such policy. In addition, the Investment Committee may recommend special investment policies for individual funds as documented in a partnership program between DCF and a respective donor or agency. Such investment policies will conform to the spirit of this Investment Policy, including the specific guidelines of the selected Pool.

The Investment Committee will delegate certain responsibilities to professional experts. These experts include an Outsourced Chief Investment Officer (OCIO), investment managers and a custodian. At their discretion, the Investment Committee may employ additional specialists.

The **OCIO** oversees and manages the Pools and is responsible for the selection and implementation of investment managers and underlying strategies on behalf of the DCF and within the parameters described in this Investment Policy.

Investment Managers have discretion to purchase, sell, or hold securities as appropriate to meet the Pools' investment objectives. The Investment Committee will not exercise any control over investment decisions beyond the responsibilities described in this Investment Policy.

The OCIO provides services including but not limited to:

- Preparing quarterly reports for each Pool that includes asset allocation, performance, underlying asset class, fund and strategy returns, benchmarks and peer universes. Additional portfolio attribution will be provided as requested by the Investment Committee;
- Performing a quarterly review of the compliance of investment managers and the total Pools with this Investment Policy;
- Conducting manager evaluations and searches;
- Providing advice on matters such as market conditions, strategic and tactical asset allocation, investment policy and operations.

The **Custodian** will maintain possession of securities owned by the Pools, collect dividend and interest payments, and redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Pools' accounts.

Additional Specialists such as attorneys, auditors, actuaries, bankers, consultants or others may be employed by the Investment Committee to assist in meeting its responsibilities under this Investment Policy.

All **Contracts and Agreements** with parties other than DCF will be subject to this Investment Policy, which will be given to those parties.

Investment Return Objectives

DCF may employ multiple Pools on behalf of its donors and beneficiaries. The specific Pools will be documented in the **Appendix** and will define each Pool's objective, asset allocation and policy range, and investment strategy.

A long-term investment objective of the combined Pools is to achieve a total rate of return, net of fees and inflation, which provides for a sustainable spending rate established separately by the Board.

The intermediate term (i.e. five years) and longer term (i.e. ten years) investment objective of the combined Pools is to outperform a broad, policy index and median return of an appropriate peer universe. The benchmarks and asset classes for each Pool are defined in the **Appendix**.

Asset Allocation

The Investment Committee will direct the diversified investment of the Pools among multiple asset classes in order to achieve a balance of return and risk. Periodically, the Investment Committee will establish the strategic asset allocation of all Pools expressed as percentage weights of the asset classes or asset subclasses within them.

The Board has determined that the asset allocation policy may incorporate alternative asset classes (in certain Pools), in addition to traditional stock, bond and cash investments. The use of alternative investments is appropriate for the portfolio given the potential for higher risk-adjusted returns, lower volatility and capital protection in difficult markets. Because alternative investments historically have a low correlation to other asset classes, they can add diversification benefits and potentially improve a portfolio's long-term performance.

Stock and bond investments provide daily liquidity excluding Alternatives. The liquidity profile of alternative investments will depend on the strategy employed, but certain alternative investments may provide liquidity on a monthly, quarterly or semi-annual basis. Private alternative investments typically have longer term investment periods and therefore will be less liquid than stocks and bonds. Any exceptions must be brought to the Committee for approval.

Asset class benchmarks apply to the primary asset class within each investment manager's mandate. Additional benchmarks relevant to an asset class or individual manager's style may be specified by the Investment Committee.

In the Pools that permit Alternative Investments, the guidelines set forth below in **Investment Securities and Diversification** and **Additional Limitations and Restrictions** apply to the Pools' traditional investment managers. These guidelines and restrictions will not necessarily apply to the Pools' Alternative Investments. Investment guidelines for Alternative Investments will be evaluated individually prior to the Pools' investment decision.

Rebalancing Policy

The asset allocation established by this Investment Policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the strategic policy range. These divergences should be of a short-term nature.

To ensure divergence from the target policy is within acceptable limits, rebalancing of assets may be necessary. Rebalancing procedures are authorized in accordance with the Investment Management Agreement and are implemented by the OCIO.

Rebalancing among asset classes will occur to ensure that the asset allocation specified in this Investment Policy is maintained within acceptable strategic policy ranges for each Pool. The OCIO will identify the amount of assets that must be reallocated in order to maintain compliance with this Investment Policy and will issue the necessary instructions for the transfer of funds. When possible, cash flows will be used to effect rebalancing to minimize transaction costs.

Investment Securities and Diversification

As described in the Investment Management Agreement, the OCIO implements this Investment Policy through pooled investment vehicles, including mutual funds, collective investment trust funds or other alternative strategies (collectively, the Investments). The principle objectives and strategies of the Investments can be found in the prospectus, offering document, and related fact or term sheet, which govern and control any investment's objective, strategy and permitted investments.

It is the responsibility of the OCIO to provide a prospectus (or offering documents) for each investment and as necessary, educate the Investment Committee on the pertinent information contained within. Investments may use shorting strategies as outlined in the prospectus (or offering documents). Further, certain Investments may participate in securities lending as determined by the prospectus (or offering documents). Investments will be diversified within asset classes with the intent to minimize the risk of large losses to the Pools.

The Investments should emphasize diversification. The Investments will be diversified within its respective asset class by sector, industry, company size, geography, maturity, etc. The goal of the diversification strategy is to help ensure that no single industry, sector, class or company has a disproportionate or inappropriate impact on the specific Investment.

Alternative Asset Classifications

Private Alternative Investments, including but not limited to, venture capital, private equity, private placements, timberland, and limited partnerships are expressly prohibited unless approved by the Investment Committee. If approved, appropriate manager performance objectives and investment guidelines will be established for such mandate and, along with all other relevant portions of this investment policy, will bind the investment manager.

The following is a list of commonly acceptable strategies within Alternative Investments. The Investment Committee may or may not decide to utilize a strategy within one of these asset classes in order to most efficiently achieve the stated risk/reward objectives of DCF.

Commodities
A Commodities portfolio seeks to provide exposure to the benefits of Commodities. The two main portfolio benefits include low to negative correlation to the traditional equity and fixed income asset classes, and protection from inflation, particularly unexpected inflation. The portfolio should be diversified amongst the various types of commodities available. In order to get the true diversification value of commodities and the negative correlation to stock returns, utilizing funds or indices that provide direct commodity exposure as opposed to companies that collect, process or distribute them, is preferred. The benchmark for this portfolio will be the Bloomberg Commodity Index.

Hedge Funds
The strategies contained within this asset class are designed to reduce volatility or to increase returns while providing a low correlation to the movement of both the equity and fixed income allocations of the total portfolio. Any hedge fund of funds (or managers) must have ongoing due diligence, adequate liquidity and offer transparency to the underlying managers. The principal trading strategies within this universe include Relative Value, Event Driven, Long/Short Equity and Global Macro. Fund leverage should be fully disclosed to the Investment Committee. Special attention should be given to the type of fund structure used; as some structures may cause tax issues for DCF (Off-shore funds may be required in order to prevent these tax issues). The benchmark for this portfolio will be the HFRI Fund of Funds Diversified Index.

Dynamic Asset Allocation Fund
The goal of this strategy is to serve as an active overlay to a broader strategic portfolio allocation. The strategy seeks to maintain an asset allocation among global asset classes. The allocation among asset classes will be active, based on the views of current market conditions and outlook for each asset class.

The strategy may obtain its exposures to a particular asset class by investing directly (e.g., in equity and fixed income securities and other instruments) or indirectly (e.g., through the use of other pooled investment vehicles and derivative instruments, principally futures contracts, forward contracts, options and swaps). The proportional investments in each asset class may change from time to time as risk-adjusted return expectations shift.

Real Estate – Core Property
A Core Property strategy may pursue its investment objective by utilizing a fund of funds approach, which includes investments in various funds that invest directly in commercial real estate properties. The primary investments will be in domestic, open-end funds focused on core real estate properties. Core real estate properties are high-quality, income-generating office and industrial properties, leased or pre-leased to creditworthy companies and governmental entities. The strategy is also permitted to invest in less liquid strategies and properties focused on value-added and opportunistic real estate. Value-added and opportunistic investment strategies offer the potential for higher returns, often entail some amount of illiquidity, and are typically perceived as having a higher risk profile than core investment strategies. The benchmark for this portfolio will be the NCREIF Property Index.

Structured Credit
The strategy pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations (CDOs) and other structured credit investments. The portfolio will primarily invest in the equity and mezzanine debt securities of CDOs. CDOs involve special purpose investment vehicles formed to acquire and manage a pool of loans, bonds and/or other fixed income assets of various types. Additional investments may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps (collectively with CDOs, Structured Credit investments). The benchmark for this portfolio will be the S&P/LSTA Leveraged Loan Index.

Multi Asset Real Return – Inflation Protecting
The portfolio selects investments from a broad range of asset classes, including fixed income and equity securities, and commodity linked instruments. The portfolio seeks real return (i.e., total returns that exceed the rate of inflation over a full market cycle). Fixed income securities will include: (i) securities issued or guaranteed by the U.S. Government and its agencies and obligations of U.S. and foreign commercial banks, (ii) obligations of foreign governments; (iii) Treasury Inflation Protected Securities (TIPS) and other inflation-linked debt securities; (iv) U.S. and foreign corporate debt securities, including commercial paper, and fully-collateralized repurchase agreements with highly rated counterparties (those rated A or better); and (v) securitized issues such as mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and collateralized debt obligations. The portfolio may invest in debt securities of any credit quality and with a broad range of maturities. Equity securities may include common or preferred stocks, warrants, rights, depositary receipts, equity-linked securities and other equity interests. In addition to direct investment in securities and other instruments, the portfolio may invest in other funds; including exchange traded funds, other pooled investment vehicles, and real estate investment trusts and U.S. and non-U.S. real estate companies. A portion of the portfolio may invest in commodity-linked securities to provide exposure to the investment returns of the commodities markets, without investing directly in physical commodities, and in equity securities of issuers in commodity-related industries. Further the portfolio will have the ability to invest in commodity-linked swap agreements and other commodity-linked derivative instruments, futures contracts on individual commodities and options on them. The portfolio may invest in futures contracts, options, forward

contracts and swaps and credit default swaps for return enhancement or hedging purposes. The benchmark for this portfolio will be the Consumer Price Index. Use CPI instead

Exceptions to Alternative Investments are permitted only where consistent with the objectives of DCF and with prior approval of the Board.

Additional Investment Limitations and Requirements

Derivative Instruments may be utilized by the investment manager in order to obtain more efficient exposure to a specific type of security. However, at no time may derivative instruments be used to leverage the respective Pool. In addition, it is expected that an investment manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the instrument for the portfolio. Derivatives used may include: listed options, including the purchase of puts and calls and the sale of covered calls; listed futures contracts, which must be fully collateralized; currency forwards, futures and options sold to hedge currency exposure of foreign investments; and collateralized mortgage obligations that are rated AAA and are at least as stable as agency pass-through mortgage securities. Interest only, principal only and inverse floating rate instruments are prohibited, as are other derivatives which involve significant counterparty risk, barriers to entry or exit, or leveraged interest rate sensitivity.

Leverage: The use of leverage is prohibited, except by the Alternative investment managers. It should be clearly defined, understood and accepted by the Investment Committee.

Mutual Funds/EFT's are permitted investments only where devoted predominantly to investments authorized above and substantially in conformity with provisions of this Investment Policy as they apply to individual investment managers.

Specific guidelines applying to the OCIO may be adopted by the Investment Committee, including additional or more restrictive limitations, investment objectives and performance benchmarks.

Contributions in kind to the Pools will be sold as soon as practical and reinvested in conformity with this Investment Policy. The Investment Committee may approve exceptions where immediate sale would substantially impair the value of the contribution, or result in reduced future contributions by the donor.

Proxies will be voted by the investment managers.

Performance Monitoring

The Investment Committee and the OCIO will meet at least four times each year to review quarterly and longer-term investment performance and compliance of the OCIO and investment managers. The Investment Committee may review the OCIO at any time, but will normally do so during these regularly scheduled quarterly performance review meetings. The OCIO will perform a quarterly review of the compliance with the Investment Policy and any specific guidelines adopted by the Investment Committee, and of the Pools overall. The OCIO will promptly notify the Chairperson of the Investment Committee of any actual or potential compliance violation. The OCIO will propose a plan for correction to the Chairperson, who may approve the plan and, if appropriate, immediate action for later ratification by the Investment Committee.

Maintaining both a short-term and long-term perspective, the Investment Committee will evaluate whether the OCIO has:

- Performed satisfactorily when compared with the specific objectives for the Pools;
- Produced results that compare favorably to benchmarks and peer universes with similar portfolios; and
- Adhered to the relevant policies and objectives.

Criteria for the Review and Termination of the OCIO

The OCIO may be placed on "watch" status, replaced or eliminated if the Investment Committee loses confidence in the management of the strategy; when the characteristics of the portfolio no longer satisfy the desired or expected elements of the mandate; or when the current style is no longer deemed appropriate by the Investment Committee. The following are some examples of reasons that may cause the Investment Committee to lose confidence in the OCIO:

- Change in ownership of the firm
- Departure of key investment or management decision-makers
- Change in philosophy, style, process, or stated objective
- Continued or severe violations of the DCF Investment Policy
- Declining performance relative to peers and benchmarks

The OCIO will generally be placed on watch status for a period of time before a decision to terminate the relationship is made. There may, however, be circumstances under which the Investment Committee may elect to terminate the OCIO without placing them on watch first as well as during the actual watch status period.

Review

During their quarterly meetings, the Investment Committee and the OCIO will review the investment performance, asset allocation and compliance of the Pools. The intermediate term (i.e. five years) is the principal time frame for the evaluation of investment performance relative to benchmarks and peers.

An independent auditor will conduct an annual audit of the Pools. Such audit will include confirmation of securities held by the custodian, and their market value and earned income.

The Chairperson of the Investment Committee or his or her delegate will represent the Investment Committee at all Board meetings and report on investments of the Pools and related matters.

The Investment Committee will periodically review this Investment Policy and confirm it or make recommendations to the Board for its revision.

Recommended by the Investment Committee:

______________________________ ________________
Client's Signature Date

_______________________________ _______________
Client's Signature Date

Delaware Community Foundation
Client's Name (print)

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Agreed and Accepted:

Date: ____
By: ____
SEI Acceptance

Record of Policy Updates

Date	Description of update
June 30, 2005	Policy adopted
May 16, 2006	Policy revised
October, 2009	Policy revised
May 14, 2013	*Policy revised*
Sept. 29, 2015	Policy revised
May 17, 2017	Policy revised

Appendix

Flagship Long-Term Growth Pool (7 years or more)

The Pool seeks long term growth. It is a broadly diversified portfolio offering domestic and international market exposure, investing in large-cap and small-cap securities in developed countries and emerging markets with an allocation to alternative investments.

The desired investment objective is a long-term real rate of return on assets that is greater than the assumed rate of inflation as measured by the U.S. Consumer Price Index plus investment related fees and the sustained spend rate determined by the Board. The target rate of return for the Pool has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The Investment Committee realizes that market performance varies and that a real rate of return may not be meaningful during some periods.

Asset Class	Range	Target	Benchmark / Index
U.S. Equity	25-45%	35%	Russell 3000
Non-U.S. Equity	15-35%	25%	MSCI All Country World ex-U.S.
➢ Developed	15-25%	20%	
➢ Emerging	0-15%	5%	
Alternatives	10-25%	15%	HFRI Funds of Funds Composite
Fixed Income	10-30%	20%	Bloomberg Barclays U.S. Aggregate
Real Estate	0-10%	5%	NCREIF Property

Intermediate-Term Index Pool (3-7 years)

The Pool seeks medium to long term growth. It is a broadly diversified portfolio offering domestic and international market exposure, investing in large-cap and small-cap securities in developed countries and select emerging markets. The Pool will focus on having a strategic overweight to U.S. investments. Additionally, the Pool will invest in passive (i.e. index) equity strategies to keep costs lower than a traditional all actively managed portfolio.

The desired investment objective is a long-term real rate of return on assets that is greater than the assumed rate of inflation as measured by the U.S. Consumer Price Index plus investment related fees. The target rate of return for the Pool has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The Investment Committee realizes that market performance varies and that a real rate of return may not be meaningful during some periods.

Asset Class	Range	Target	Benchmark / Index
U.S. Equity	45-55%	50%	Russell 3000
Non-U.S. Equity	5-15%	10%	MSCI EAFE
Emerging Markets	0-5%	0%	MSCI Emerging Markets
Fixed Income**	35-45%	40%	Bloomberg Barclays U.S. Aggregate

*(** this needs to have different investments than what is in the Flagship Pool)*

Socially Responsible Pool (7 years or more)

The Pool is designed to provide sustainable long term financial returns by investing primarily in equity and fixed income securities of public companies that effectively and prudently govern with respect to their impact on the environment, business practices, contribution to local communities and promotion of diversity and equality in the workplace. Investments in the Pool are designed to encourage long term and meaningful change by influencing corporate behavior as well as promote positive socioeconomic impact, including, but not limited to, mitigating climate change, reducing waste, using clean energy and employing sound corporate governance and labor practices.

The Pool will focus on a Socially Responsible Investment (SRI) approach that incorporates Environmental, Social, Corporate Governance (ESG) criteria into its investment analysis and portfolio construction across a range of asset classes. ESG can be incorporated into the investment process in a variety of ways, including: active inclusion of companies with strong corporate social responsibility policies and practices; exclusion or avoidance of companies with poor sustainable track records; and integration of ESG factors into the investment process as part of a wider evaluation of risk and return.

The desired investment objective is a long-term real rate of return on assets that is greater than the assumed rate of inflation as measured by the U.S. Consumer Price Index plus investment related fees. The target rate of return for the Pool has been based upon an analysis of historical returns supplemented with an economic and structural review for each asset class. The Investment Committee realizes that market performance varies and that a real rate of return may not be meaningful during some periods.

Asset Class	Range	Target	Benchmark / Index
U.S. Equity	30-50%	40%	Russell 3000
Global Equity / Non-U.S. Equity	15-35%	25%	MSC World / MSCI ACWI ex-U.S. / MSCI EAFE
Emerging Markets	0-10%	5%	MSCI Emerging Markets
Fixed Income	20-40%	30%	Bloomberg Barclays U.S. Aggregate

Capital Preservation Pool (1 year or less)

The Pool seeks a high level of current income as is consistent with liquidity and stability of principal. It invests in a broad range of U.S. dollar denominated money market instruments and securities with an average maturities range of 40-60 days however no longer than 12 months that are marketable and liquid, offer competitive yields and whose issuers have a credit quality of A1/P1 or higher and/or backed by the U.S. Government

Asset Class	Range	Target	Benchmark / Index
Cash and Equivalents	0-100%	0%	BofA ML 3-Month T-Bill
Short Term U.S. Government Debt	0-100%	100%	BofA ML 3-Month T-Bill
Total		100%	