THE NORTHWEST FOUNDATION ENDOWMENT
INVESTMENT POLICY
May 2018

I. STATEMENT OF PURPOSE

The purpose of this Investment Policy Statement (IPS) is to serve as a flexible framework within which the Northwest Foundation Inc. (the "Foundation") Board of Directors (the "Board") oversees the management of the Foundation endowment (the "Endowment"). While it should be interpreted in the context of applicable laws and regulations, as well as the Foundation's Bylaws, it is not intended to establish by its own force any legally binding obligations.

II. AUTHORITY

The Endowment. The Endowment is a collection of assets the largest portion of which is endowed funds established to provide for student scholarships. The Endowment has disciplined investment objectives and consistent management strategies that are intended to raise the corpus over time at a rate equal to or greater than the rate of inflation.

The Board. The Board establishes guidelines for the Endowment and designates a subset of the Board membership as the Finance Committee to assist it and its Executive Committee, as described below, in the implementation of this Investment Policy.

The Board oversees the investment practices of the Endowment, managed within the total assets of the Foundation. It monitors adherence to the Endowment investment philosophy, objectives and guidelines and makes appropriate changes.

The Board may retain, and terminate at any time for any reason, the services of professional experts in various fields to assist in its oversight and management of the investment practices of the Endowment. These include:

- *Investment Management Consultant*. The Investment Management Consultant ("Consultant") will provide recommendations to the Board in establishing investment philosophy, objectives and guidelines; establishing efficient asset mixes; researching and, with limited discretion, hiring and retaining investment managers; reviewing such managers over time; measuring and evaluating investment performance; and performing other appropriate tasks. The Consultant will provide Implemented Consulting services, defined as discretionary authority over the marketable securities portion of the portfolio, limited by the guidelines in this IPS. The Consultant may recommend private placements to be purchased as part of the alternative allocation of the portfolio but will have no discretionary authority to make initial commitments or initial purchases of these holdings on behalf of the Foundation without the prior approval of the Foundation Board. The Consultant will have discretion to make additional purchases or sell private placements that have already been approved by the Foundation Board as long as such allocations are within the asset allocation parameters stipulated herein. The Board will monitor the performance of the Consultant and the overall portfolio. The Consultant will monitor the performance of the underlying investment managers in the portfolio and will report to the Board. Performance evaluation standards are outlined in this IPS.

- ***Investment Managers.*** An Investment Manager ("Manager") is an investment firm. The Manager will have the discretion to purchase, sell or hold pooled investment vehicles or separate account managers (other than initial commitments or purchases of private placements) that will be used in the portfolio to meet the Foundation's investment objectives. Pooled investment vehicles and separate account managers will be considered Managers for the purpose of this document. Managers are chosen on the basis of their established skill, prudence and diligence in the management of investment portfolios.

- ***Custodian.*** The "Custodian" will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividend and interest payments, 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 Foundation accounts.

- ***Additional Specialists.*** Additional specialists, such as attorneys, auditors, and others may be retained by the Board as it deems appropriate.

III. ADDITIONS AND EXPENDITURES

Additions to Endowment. The Endowment increases in value by virtue of the earnings of the corpus (net of management costs), transfers of funds from other Foundation accounts, and through contributions to the Endowment fund (the "Fund"). All gifts of cash will be deposited immediately in the segment of the Fund designated by the donor. All gifts of securities will be sold as soon as received unless the Consultant deems otherwise.

Endowment Expenditures. Expenditures out of the Fund will be made periodically in accordance with the distribution policy established by the Board (the "Distribution Policy"). The Distribution Policy will recognize that the corpus of the Endowment produces earnings that are intended to serve the purpose established by the donor. Significant contributions have been made to the Endowment over the years with the donors' stated intent that they be employed to earn income that will be applied to specified purposes of the university, such as scholarships or department grants.

IV. INVESTMENT PHILOSOPHY, OBJECTIVES AND GUIDELINES

Investment Philosophy. The Board's investment philosophy is to exercise reasonable and prudent care in its investment of Foundation assets in considering the long- and short-term needs of the Foundation in carrying out its operations, as well as anticipated financial obligations or other purposes as set forth in the Distribution Policy. The Board recognizes that all investments are subject to unforeseen circumstances impacting markets and market volatility. Accordingly, while high levels of risk are to be minimized or avoided, the level of risk reflected in the asset class ranges of the Asset Allocation Section in this IPS has been deemed acceptable. Risk with a reasonable portion of Foundation investments may be warranted in order to ensure a total return necessary to achieve Foundation objectives.

Investment Objectives. Foundation assets should be invested in a manner consistent with the following objectives:

- ***Maximum Return.*** The primary objective of the Foundation is to achieve the highest rates of return feasible within the risk parameters set forth in this Investment Policy. The investment horizon for this Foundation is generally considered to be long-term (i.e. 25 years and beyond).

- ***Total Return.*** While the investment horizon for the Foundation is generally long-term, one of the key objectives is total return, defined as capital appreciation (long-term growth of principal) combined with dividend and interest income to meet short-term funding requirements.

- ***Preservation of Capital.*** Investment guidelines should be structured with the understanding that preservation of capital is necessary for meeting short-term financial obligations.

- ***Risk Aversion.*** While the Foundation's investment philosophy recognizes that some level of risk may be necessary to achieve Foundation objectives, excessive risk should be avoided.

- ***Liquidity.*** It may be necessary to liquidate investments in order to meet short-term financial requirements. Unless otherwise expressly approved by the Board, securities should be readily marketable with pricing no less frequent than daily and liquidity no less frequent than monthly. For equities, approved liquid markets include the New York Stock Exchange, American Stock Exchange and NASDAQ. The use of any other equity exchange by an Investment Manager requires prior Board approval. The Board will be responsible for setting the liquidity requirements of the Portfolio. The Consultant will maintain $500,000 in cash reserves at all times. Specific liquidity arrangements for any private placement will be considered as part of the board's approval process of that specific investment.

Investment Guidelines. Foundation assets should be managed in a manner consistent with the following guidelines:

- *Investment Asset Classes.* Within the broad asset allocation established in this IPS, the Foundation wishes to diversify holdings across a variety of sub-asset classes and investment strategies. The Foundation intends to follow a flexible asset allocation approach that will allow the Portfolio to participate in market opportunities as they become available.

  - Within the equity allocation, the Foundation expects to participate in a wide range of large, mid, and small capitalization U.S. and international stocks.

  - Within the fixed income allocation, the Foundation expects that the allocation will feature high quality, intermediate maturities of U.S. issuers. However, when deemed appropriate by the Consultant, other securities such as less than investment grade debt and international securities as well as securities with maturities outside the intermediate range may be utilized.

  - Within the alternative investments allocation, the Foundation expects that hedge funds, global real estate funds, and natural resources will be employed, along with other potential diversification strategies. Give the broad range of alternative asset classes that exist, the category is further delineated below between equity alternatives and fixed income alternatives. These two categories are expected to exhibit volatility and other risk characteristics similar to global equity and fixed income markets, respectively, over a full market cycle, though deviation from these risk characteristics is expected over shorter time periods. The consideration of private placements as part of this allocation is subject to the Investment Restrictions policy in this IPS.

- ***Equities Concentration Restrictions.*** With respect to Separate Account Manager equities, investments in a particular industry or company shall be based on a demonstrable analysis of the prospects for above-average return potential. No industry shall represent more than 20% of the equities portfolio, nor a single company more than 5%, without prior Board approval.

- ***Investment Restrictions.*** The Consultant may recommend investments of private placements but Foundation assets may not be initially deployed in any new private placement investments without the prior approval of the Foundation board. Margin transactions are explicitly prohibited at the overall portfolio level. Pooled investment vehicles may act within the limits of their offering documents with respect to margin transactions. Purchasing or holding title to real estate requires prior Board approval. Real estate held for the operations of the Foundation or for the benefit of the university shall not be considered part of the assets subject to this Investment Policy. No more than 15% of the aggregate portfolio will be invested in funds or strategies that have an investment term (or "lock-up" period) exceeding three years.

- ***Asset Allocation.*** Investments shall be allocated to the asset classes in accordance with the Asset Allocation section below. In determining where certain investments are categorized in the Asset Class table below, emphasis will be put on the nature of the underlying holdings and not the investment's vehicle or structure. When in doubt, the Consultant and Finance Committee shall determine where an investment shall be categorized for purposes of the Asset Class table below.

Asset Class	**Target**	**Minimum**	**Maximum**
Global Equities	55%	40%	70%
Fixed Income	25%	15%	35%
Alternative Investments	20%	0%	30%
Equity Alternatives(*)	10%	0%	20%
Fixed-Income Alternatives	10%	0%	20%

* Within Equity Alternatives, private equity will specifically have a target allocation of 5% and a maximum allocation of 10%.

V. PERFORMANCE REVIEW AND EVALUATION

Performance Review. Performance reports generated by Consultant will be compiled at least quarterly and communicated to the Finance Committee for review. A formal annual performance review will be conducted with the Board. The investment performance of the total portfolio, as well as asset class components, will be measured against appropriate performance benchmarks. Consideration will also be given to the extent to which the investment results are otherwise consistent with this Investment Policy.

Investment Performance Evaluation. The following considerations will apply to the evaluation of the performance of the Consultant:

- The time period for evaluation will generally be rolling three-year periods. Interim or shorter-term fluctuations in results will be viewed with appropriate perspective.

- No individual standard will be more important than another. Instead, all standards will be considered in aggregate.

- It is recognized that at varying points in time, individual Investment Managers may not generate a performance that achieves all standards concurrently.

- The evaluation will not be limited to the adopted standards. Organizational stability and adherence to an appropriate investment style strategy/process will be among the other areas given consideration.

Standard No. 1 - Market Indices

Total Fund:

- The guideline benchmark (overall performance) target for the aggregate Foundation investment portfolio shall be to equal or exceed, net of fees and on a risk-adjusted basis, the total return of a traditional institutional asset mix consisting of 65% MSCI All-Country World Index and 35% Barclay's US Aggregate Bond Index. This benchmark is based on the minimum target net annual rate of 5.95% in excess of inflation.
- In addition to the aggregate portfolio benchmark above, the benchmark for the Prairie Capital managed assets will be an index consisting of 60% MSCI All-Country World Index and 40% Barclay's US Aggregate Bond Index. The benchmark for the Commonfund managed assets will be an index consisting of 52.5% S&P 500 Index, 10.5% MSCI ACWI ex USA Index, 7% HFRI Fund of Funds Composite Index and 30% Barclay's US Aggregate Bond Index.
- The Consultant will compare each investment manager's return to a strategy-specific index.

Standard No. 2 - Risk

- Overall Portfolio: The standard deviation of returns (risk) shall be no more than 120% of the index benchmark noted in Standard No. 1 over a period of at least three years. Portfolio performance will be evaluated on a risk-adjusted basis.

- Investment Managers: Managers exceeding the 120% standard will be held to a proportionately greater return expectation.

- Similarly, the Consultant will compare each investment manager's standard deviation to the standard deviation of a strategy-specific index.

Standard No. 3 - Investment Consultant Universe Comparison

- The Consultant's performance will be compared to a peer group of similar investment consultants for similar institutions using National Association of College and University Business Officers (NACUBO) data.
- Both the total portfolio and the individual investment managers are expected to perform in the top one-half of their peer universe over a full market cycle, generally defined as a period of at least 3 years.

VI. INVESTMENT POLICY AND PORTFOLIO REVIEW

The Board will review this Investment Policy, the performance of the Endowment portfolio and the performance of the Consultant at least annually.

VII. EXECUTIVE COMMITTEE

In accordance with the Bylaws of the Foundation, Article II, Section 13(a), the Executive Committee has "general powers to manage the affairs of the corporation and to act on behalf of the Board of Directors in the intervals between meetings of the Board of Directors," and will practically manage the investment portfolio and carry out the provisions of this investment policy.

The Directors of the Northwest Foundation, Inc. adopt this statement of investment policy.

President, Northwest Foundation, Inc.