

*Boys & Girls Clubs of Central Carolina
Foundation, Inc.*

INVESTMENT POLICY STATEMENT

Latest Review: April 24, 2025
Originally Adopted: April 27, 2022

INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between, the Board of Directors for the Boys & Girls Clubs of Central Carolina Foundation (Foundation) and its investment advisor (Advisors) as to the investment objectives and policies applicable to the entity's Investment and Reserve Portfolio.

This IPS has been arrived at upon consideration by the Board of Directors of a wide range of policies, and describes the prudent investment process the Board of Directors deem appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

The objectives of the Board of Directors are to adopt the following general "safe harbor" provisions:

- Use prudent experts (registered investment adviser, bank, or insurance company) to make the investment decisions.
- Demonstrate that the prudent expert was selected by following a due diligence process.
- Give the prudent expert discretion over the assets
- Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

This Investment Policy Statement will:

- Establish reasonable expectations, objectives and guidelines in the investment of the portfolio's assets.
- Set forth an investment structure detailing permitted asset classes and expected allocation among asset classes.
- Encourage effective communication between Advisors and the Board of Directors.
- Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Board of Directors.
- Assist the Board of Directors in effectively supervising, monitoring and evaluating the management of the investment and reserve portfolio.

This IPS is not a contract. This IPS is intended to be a summary of an investment philosophy that provides guidance for the Board of Directors and Advisors.

OVERVIEW OF THE CURRENT SITUATION

The Board of Directors has sought the assistance of Advisors with regard to the management of these assets primarily as a result of not having sufficient investment experience and thus requiring the service of a prudent expert.

The allocation of these assets will be determined between the Board of Directors and the advisor, and maintained as described in this Investment Policy Statement.

INVESTMENT OBJECTIVES

This is an investment and reserve account established to provide an investment portfolio and cash reserve for the Foundation. The objective of the assets is to provide long-term growth, but with the ability and option to consider income needs and market conditions based on a predetermined range of asset allocations. The range of asset allocations are defined within this document. A portion of the dividends and interest produced from a total return prospective can be used to supplement the annual operating budget of the Foundation if necessary and to support the operations of the Boys & Girls Clubs of Central Carolina, at a draw down rate not to exceed a 5% distribution annually. The cash components of the overall allocation should be held at FDIC insured banking institution or within the advisors' overall investment portfolio.

There are no immediate liquidity needs for the investment portfolio. The investment portfolio is held for long-term unforeseeable needs and to ensure long-term prosperity of the Foundation. This should provide growth that outpaces inflation, provides some downside protection, but still maintains a long-term objective.

Time Horizon

The investments portfolio's strategic asset allocation is based on this long-term perspective. Capital values do fluctuate over shorter periods and the Board of Directors recognize that the possibility of capital loss does exist.

However, historical asset class return data suggests that the risk of principal loss may be minimized by holding assets for longer time periods.

The reserve, or cash portion, of the overall asset allocation can be held at FDIC insured banking institutions including money markets and Certificates of Deposit. The duration on the Certificates of Deposit should not exceed 5 years. The rate of interest should be competitive to the market and remain under the maximum limit of insured deposits in any one institution.

Risk Tolerance

The Board of Directors recognize and acknowledge some risk must be assumed in order to achieve the investment objectives of the investment portfolio, and that there are uncertainties and complexities associated with contemporary investment markets. The risk tolerance has been considered in establishing this IPS, the investment portfolio's ability to withstand short and intermediate term variability.

The long-time horizon of the investment and reserve portfolio and likelihood of annual additions suggests that some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

Expected Return

In general, the Board of Directors would like the assets to perform within a reasonable expectation relative to the overall asset allocation as well as the appropriate benchmarks per each individual asset class.

Liquidity

There is no immediate liquidity need beyond the reserve portion of the portfolio.

INVESTMENT MANAGEMENT/ADVISORS

Investment managers / Advisors (including mutual funds and money managers) will be chosen using the following criteria:

- Regulatory oversight: Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iv) a registered investment adviser; (v) investment firm or broker/dealer.
- The historical volatility and downside risk of each proposed investment
- Performance relative to a peer group: The investment option's performance should be evaluated against the peer group's median manager return, for 1-, 3- and 5-year cumulative periods.
- How well each proposed investment complements other assets in the portfolio.
- Minimum track record: The investment option should have sufficient history so that performance statistics can be properly calculated
- Assets in the product: The investment option should have sufficient assets so that the portfolio manager can properly trade the account.
- The likelihood of future investment success, relative to other opportunities.
- Expense ratios/fees: The investment option's fees should be fair and reasonable.
- Stability of the organization: There should be no perceived organizational problems.
- The current economic environment.

ASSET ALLOCATION

The following are asset categories and the percentage of the Investment Portfolios assets that the Board of Directors proposes should be committed to:

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| • Cash & Fixed Income | 35% to 50% |
| • Diversified Equities | 50% to 65% |
| • Other Investments (Real Estate, Commodities, Alternatives) | 5% to 20% |

Using the method of asset allocation and historical data, Advisors can measure the amount of risk expected in order to achieve various rates of return. Advisors are concerned with avoiding risk in two general areas: risk of loss of principal, and risk in loss of purchasing power due to inflation.

The Board of Directors believes long-term investment performance, in large part, is primarily a function of asset class mix. The Board of Directors has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

Historically while interest-generating investments, such as CD's and bonds, have the advantage of relative stability of principal value, these instruments provide little opportunity for real long-term growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting given the Investment and Reserve Portfolio's long-time horizon.

Diversification

Investment of the funds will be limited to the following categories:

Permitted Investment Categories

- Cash and cash equivalents, including money market funds
- Bonds (corporate, U.S. government, high yield and foreign corporate & government)
- Bank certificates of deposit
- Stocks (U.S. and foreign-based companies)
- Real Estate Investment Trusts (REIT)
- Commodities
- Certain Alternatives (managed futures, precious metals, hedge funds)

Excluded Categories for Investment

- Equipment leasing
- Options

At all times there must be a minimum of three investment categories represented among the Investment funds. There will be no maximum limit to the number of categories.

Additionally, the Board of Directors may employ a discretionary fund advisory program sponsored by the Advisors. Typically, these are professionally researched and managed programs using an optimal blend of investment strategies to meet the investment policy fund selection criteria.

Adjustment in Target Allocation

The approved asset allocation indicates an initial target for each broad investment category. From time to time, based on changing economic circumstances and various relative investment opportunities as perceived by Advisors, it may be desirable to make changes in the target allocation. The Advisors may determine such changes, as long as they are consistent with the objectives and guidelines of the Investment Policy Statement. Subsequent material changes to the Investment Policy Statement must be approved by the Board of Directors. When such changes are made, updates will be attached to this Investment Policy Statement as an Appendix and will be considered part of the Investment Policy Statement.

Rebalancing Procedures

The percentage allocation to each asset class may vary depending upon market conditions and adjustments to the allocation over time. In general, the asset allocation will be rebalanced as determined by the advisor but no less than once per calendar year. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the Investment and Reserve Portfolio.

REVIEW

The Board of Directors recognize that all investments go through cycles and therefore there will be periods of time in which the investment objectives are not met or when specific managers/investments fail to meet their expected performance targets.

Recognizing that no Advisor is perfect all the time and that good years help to make up for bad ones, the Board of Directors acknowledge the principle that managers/investments must be given an opportunity to make up for poor

periods and that unless there are extenuating circumstances, patience will often prove appropriate when performance has been disappointing.

The Board of Directors is aware of the ongoing review and analysis of the investment options is just as important as the initial due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Board of Directors discretion to take corrective action by replacing a manager if they deem it appropriate at any time. The Advisor will assist Board of Directors with the review.

The Board of Directors will meet with advisor at least annually to review underlying options available and determine whether existing options and allocations conform to the Investment Policy Statement. Board of Directors and advisor will also review periodically the TPA to determine if service and administration levels are acceptable.

Review Measurements

The Board of Directors will employ an investment monitoring methodology that will include, but not be limited to: Performance Measurements, Style Consistency, Fees & Expenses, Management Tenure and Investment Process and Portfolio Composition.

A similar methodology will be expected if the Board of Directors chooses to use the services of an advisory based asset management program sponsored by the Advisor.

DUTIES & RESPONSIBILITIES

The Board of Directors

The Board of Directors should provide Advisors with all relevant financial information on the company and risk tolerances and should notify Advisors promptly of any changes to this information.

The Board of Directors will be responsible for:

- Reviewing and maintaining this Investment Policy Statement.
- Prudently selecting a diversified asset allocation, with the help of Advisors, using Modern Portfolio Theory.
- Reading and understanding information contained in the prospectus of each investment in the Portfolio
- Consulting an Attorney about all legal matters concerning the Investment.
- Consulting an Accountant about all tax matters concerning the Investment.
- Monitoring and supervising all service vendors and investment options.
- Avoiding prohibited transactions and conflicts of interest.

Advisors

Advisors serve as an objective, third-party professional retained to assist the Board of Directors in managing the overall investment process. Advisors are responsible for guiding the Board of Directors through a disciplined and rigorous investment process to enable the Board of Directors to meet the fiduciary responsibilities outlined in this document.

Advisors shall act as the investment advisor to the Board of Directors until the Board of Directors decides otherwise.

Advisors will be responsible for:

- Advising the Board of Directors about the selection and allocation of asset categories.
- The identification of specific assets and investment managers within each asset category.
- The monitoring of the performance of all selected assets
- Recommending changes to any of the above.
- Periodically reviewing the suitability of the investments for the Board of Directors.
- Being available to meet with the Board of Directors as needed and being available at such other times within reason as the Board of Directors request.
- Preparing and presenting appropriate reports
- Exercising full investment discretion with regards to buying, managing, and selling assets held in the Reserve, or delegating this authority to a Separate Account Manager.

Custodian

Custodians are responsible for the safekeeping of the Investment and Reserve Portfolio assets. The specific duties and responsibilities of the

Custodians are:

- Valuing the holdings
- Collecting all income and dividends owed to the Investment and Reserve Portfolio.
- Setting all transactions (buy-sell orders)
- Providing monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall reserve since the previous report.

INVESTMENT POLICY REVIEW

The Board of Directors will review this IPS as needed to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

ADOPTION

Adopted and approved by the Board of Directors at the quarterly board meeting this 27TH day of April, 2022.

President

Treasurer