

Investment Policy Statement
The Coleman Foundation, Inc.
May 2019

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INVESTMENT POLICY STATEMENT

THE COLEMAN FOUNDATION, INC.

Portfolio Profile

The portfolio should be positioned to generate the targeted nominal return, through a combination of various equity, fixed income and alternative portfolios, which may be managed internally by the Foundation’s officers and externally by investment manager(s), limited partnerships, exchange-traded funds and/or mutual funds with Board oversight Subject to the established parameters, generating the targeted level of return over a full market cycle should be considered the critical objective.

Part I. INTRODUCTION

(1) BACKGROUND

The objectives and parameters set forth in this Investment Policy Statement (“IPS”) refer to the Coleman Foundation Inc.’s (the “Foundation”) entire investment portfolio, not to any individual money manager. This IPS is based upon a review by the Investment Committee (the “Committee”) of the Foundation’s overall investment program and represents the long-term investment interests of the Foundation.

(2) PURPOSE

This IPS is set forth by the Board of Directors (the “Board”) of the Foundation in order to:

- Define and assign the responsibilities of all involved parties;
- Establish a clear understanding for all involved parties of the Foundation’s investment goals and objectives;
- Offer guidance and limitations to all money managers regarding the investment of the Foundation’s assets;
- Establish a basis for evaluating investment results;
- Manage the Foundation’s assets according to prudent and established standards;
- Establish timelines for evaluating the Foundation’s asset management and the investment managers’ performance.

(3) GOALS

A) Targeted Growth

The portfolio should be managed to optimize the long-term rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides, at a minimum, for the Foundation's grantmaking and allows sufficient reinvestment to grow the assets at a rate that equals inflation, after accounting for all costs.

B) Total Return

Since the Foundation utilizes a total return approach with respect to its distributions, the designated money manager(s) should attempt to maximize the total return of their portfolios, rather than be particularly concerned with either the income or capital gains components of that return.

(4) STRUCTURE

A) Multiple Managers

In order to promote compliance with the asset allocation guidelines, ensure high quality investment management throughout all components of the portfolio, and facilitate performance monitoring, the equity and fixed income portions of the portfolio will be managed separately. To further promote diversification and to reduce risk, the equity and fixed income portions of the portfolio may be placed with multiple investment managers and other investment vehicles (including index funds) that have distinct investment philosophies and different levels of risk. While this strategy shall govern the investment of the portfolio on an ongoing basis, the precise asset allocation as well as the particular configuration of investment manager(s) and other investment vehicles may change from time to time, according to the judgment of the Foundation and market conditions.

B) Equity Portfolio

The purpose of the equity portion of the portfolio is to produce a total return, primarily through principal appreciation, as well as dividend growth, that will simultaneously provide for growth in principal to preserve the purchasing power of the Foundation's assets and make funds available for purposes of distribution in accordance with the Foundation's grantmaking policy.

C) Fixed Income Portfolio

The purpose of the fixed income portion of the portfolio is to reduce the overall volatility of the total portfolio, and to provide a dependable source of current income, along with predictable maturities, to help ensure a sufficient level of liquidity for distributions and other cash flow needs.

(5) PRIORITIES

The Foundation's portfolio priorities, in order of importance, are set forth below:

- 1) To comply with the investment parameters set forth in Part IV;
- 2) To generate the nominal rate of return set forth in Part III, Section 9(B);
- 3) To treat the preservation of the fund's principal as a critical objective.

Part II. RESPONSIBILITIES

(6) THE COLEMAN FOUNDATION, INC.

A) Board Oversight

The Board is charged with the responsibility for the management of Foundation assets. In approving this IPS the Board delegates certain authority to its Investment Committee, as stated herein, while reserving for itself the exclusive right to revise this IPS at any time it determines that would be in the best interest of the Foundation to do so. The Board, and by extension the Committee, shall discharge its duties solely in the interest of the Foundation, with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like nature with like aims. The Investment Committee will at all times maintain a high level of communication with the Board.

B) Investment Committee

The Board delegates to its Committee authority to oversee its investment program. The Board has empowered the Committee to make and implement financial and administrative decisions concerning the investment of the portfolio, subject to periodic review by the Board. The Foundation's operating officers are authorized to implement the decisions of the Committee, to serve as the Committee's primary liaison with the various service providers and to give specific instructions to the various service providers. The Committee and its agents, in carrying out their responsibilities, shall act in accordance with this IPS and all applicable laws and regulations.

C) Supervisory Role

Both the Board and the Committee recognize that their role in the investment process is supervisory, not advisory, and that the determination of specific investment strategies and the selection of individual securities is the duty of the designated investment manager(s) and other investment vehicles, subject to the parameters contained in this IPS.

D) Professional Experts

The Committee and Board members as necessary, are authorized to screen and recommend to the Board for approval qualified professional experts in various fields and to delegate certain responsibilities to them. These professionals shall include, but shall

not be limited to, investment consultants, investment managers, banks, brokerage firms and additional specialists such as accountants and attorneys as the Committee determines may be necessary to help it to discharge its responsibilities and obligations in administering the portfolio in a prudent manner.

E) Investment Managers

The Committee and Board members as necessary, are authorized to screen and recommend to the Board for approval investment management organizations, including mutual fund companies, to make the day to day decisions regarding the investment of the Foundation's cash and securities, according to this IPS. The Board shall have the right to terminate and replace such investment managers and mutual funds whenever it determines that it is in the interest of the Foundation to do so.

F) Performance Review

The Committee shall conduct regular monthly meetings and formal quarterly reviews accompanied by periodic reviews with respect to the designated money manager(s), mutual funds and the entire portfolio, in terms of investment performance relative to objectives and benchmarks, adherence to the designated guidelines in terms of investment risk and asset allocation, as well as investment style and investment activity.

G) Cash Flow

The Committee shall oversee the operating officers' determination and projection of cash flow requirements and the transmittal of such needs in a timely manner to the managers.

H) Asset Management

The Committee shall make recommendations in the regular investment committee meetings for any changes to the assets that are not placed under the discretionary authority of a designated money manager or in a mutual fund.

I) Re-Balancing

The Committee periodically may re-balance the portfolio's assets, as set forth in Part IV, Section (13) (F), and report such action or inaction to the Board.

(7) INVESTMENT MANAGERS

Each investment manager selected shall provide the services set forth below.

A) IPS Compliance

Manage their portfolio in compliance with the investment objectives and investment parameters set forth in this IPS under Parts III and IV, as well as any additional investment objectives and investment parameters set forth in a customized Investment Policy Statement that governs each money manager individually.

B) Exercising Authority

Exercising discretionary authority, within the limits of Part III, with respect to all investment decisions for all cash and securities placed under their management, including

decisions to buy, sell or hold individual securities, subject to all policies, guidelines, constraints, philosophies and parameters contained in this IPS and in their specific investment policy statement.

C) Exercising Care

Exercising a high degree of professional care, skill, prudence and due diligence in the management of assets under their direction, including full compliance with all provisions of any governmental regulations as they apply to prudent investment management and all ethical standards and practices as observed by the investment management industry, including, but not limited to, the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research.

D) Making Recommendations

Making recommendations to the Foundation as to changes in the money manager's investment policy statements should circumstances occur that cause an investment manager to believe that their investment policy statement needs to be modified because it represents an impediment to their ability to achieve the stated objectives and act in the best interest of the Foundation.

E) Providing Accountability

Each investment manager will be held responsible and accountable for following the overall guidelines set forth in their specific investment policy statement, and for actively working to achieve the stated objectives. Each investment manager shall acknowledge in writing their acceptance of these responsibilities.

F) Material Adverse Changes

On an ongoing basis the investment managers shall be obligated to notify the Foundation promptly of any change in ownership; significant change in the firm's personnel, asset base, or business practices; qualitative changes in organizational philosophy or structure; the filing of any law suits or regulatory actions against the firm, or any other factors that may impact the investment process or the managers' ability to provide quality investment management services on a continuous and uninterrupted basis.

(8) OTHER PROVIDERS

A) Broker

The Broker is the registered agent at various security exchanges who will execute trades for the purchase or sale of individual securities at the direction of the investment manager(s) or the Foundation. The Broker will also provide confirmation of each trade to the investment manager and the Foundation. The Broker is obligated to seek best execution for all trades.

B) Consultant

The consultant may assist the Foundation in: establishing investment policies, objectives and guidelines; selecting investment managers and other investment vehicles; reviewing

such managers and investments over time; measuring and evaluating investment performance; and such other tasks as the Foundation deems appropriate.

C) Custodian

The custodian will maintain control of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and payment of purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as handle the movement of assets into and out of the Foundation portfolio.

Part III. INVESTMENT OBJECTIVES

(9) RETURN

A) Introduction

The Foundation has established both “nominal” and “relative” return objectives for this portfolio. Both nominal performance and relative performance can impact strategic decisions. Nominal performance can help the Foundation to evaluate whether the portfolio’s current structure, i.e., its asset allocation and style diversification, have been successful in generating the performance that meets the Foundation’s annual return targets. Relative performance measures the value added by the portfolio’s designated money manager(s) and mutual funds, in relation to an appropriate style specific benchmark, regardless of the investment environment.

B) Nominal Return

To generate, on average, over a full market cycle, in terms of the total portfolio, an annual Gross Total Return (i.e., principal growth plus dividends and interest) of at least 8.0%. This figure is based upon a distribution rate of 5%, an assumed long-term inflation rate of 2.5% and assumed expenses of .5%.

C) Relative Return

Total Portfolio - Primary Benchmark

To generate, on average, over a full market cycle an annualized Gross Total Return at least equal to a customized benchmark comprised of a weighted average of the primary benchmarks for the individual components of the portfolio, as set forth on Appendix “A”, under “Investment Styles”.

Equity Securities - Primary Benchmark

To generate, on average, over a full market cycle an annual Gross Total Return at least equal to a customized benchmark comprised of a weighted average of the primary benchmarks for the individual equity components of the portfolio, as set forth on Appendix “A”, under “Investment Styles - Equity”.

Fixed Income Securities - Primary Benchmark

To generate, on average, over a full market cycle an annual Gross Total Return at least equal to a customized benchmark comprised of a weighted average of the primary benchmarks for the individual fixed income components of the portfolio, as set forth on Appendix “A”, under “Investment Styles – Fixed Income”.

(10) RISK

A) Total Portfolio

Numerous risk variables will be measured for assessing the relative risk that the portfolio has experienced. These variables will be measured against the Primary Benchmark. The Foundation understands that neither return nor risk, in and of themselves, presents a complete picture of a portfolio’s performance. As such, the Foundation may measure the portfolio’s risk-adjusted returns according to several accepted risk / return ratios.

(11) RETENTION REQUIREMENTS

A) Time Horizon

While the Foundation expects that the full evaluation period for the designated investment manager(s) and other investment vehicles shall be a full market cycle, the Foundation reserves the right to evaluate performance over a shorter time frame.

B) Performance Criteria

The Foundation expects that all investment managers and other investment vehicles will out-perform their primary benchmark, on a net of management fee basis, over a full market cycle. A failure to meet this requirement will trigger a review of an investment’s risk-adjusted returns over the period.

C) Non-Performance Criteria

A failure by any investment manager or other investment vehicle to comply with the portfolio’s investment parameters or to adhere to the firm’s historical investment style, buy discipline or sell discipline shall result in the Foundation reconsidering the use of that investment.

Part IV. INVESTMENT PARAMETERS

The parameters set forth in this Part were established for the primary purpose of maintaining a risk profile (both volatility and negative performance) in-line with the Foundation’s tolerance.

(12) PERMITTED / PROHIBITED ASSETS

The designated investment manager(s) may invest the portfolio in the types of securities listed, subject to the other parameters contained in this Part.

A) Equity

Domestic Common Stock
Foreign Common Stock
American Depository Receipts
Global Depository Receipts
Convertible Bonds
REITs

B) Fixed Income

U.S. Corporate Bonds
U.S. Government Securities
U.S. Government Agency Securities
Foreign Corporate Bonds
Foreign Government Securities
Foreign Government Agency Securities

C) Other Assets

Options
Commodities
Non-Listed Stock
Tax-exempt securities
Direct Ownership of Real Estate
Private placement / Limited Partnerships
Letter Stock, Private Placements or Direct Placements

(13) ASSET ALLOCATION

A) Multiple Styles

The Foundation has selected the investment styles set forth on Appendix “A”. These styles have been selected because of the manner in which they correlate historically with each other, so that when they are considered collectively they should help to maximize the portfolio’s long-term investment returns, on a risk-adjusted basis.

B) Allocation Targets

See Appendix “A”.

C) Targets

The target or strategic asset allocation represents the allocation that will exist at the inception of the investment program, and the allocation that (ideally) should be maintained to maximize the portfolio’s long-term investment returns, on a risk-adjusted basis. It is understood, however, that the portfolio may deviate from the target, based upon the performance of the designated investment manager(s), and other investment vehicles.

D) Maximum and Minimum Re-Allocation Points

The maximum and minimum re-allocation points will be monitored by the Investment Committee on an ongoing basis, based upon each sub-portfolio's and asset classes' current market value. The Committee will consider re-allocating the portfolio's assets so that the asset class or sub-portfolio that is outside of its target range is brought back within its target range.

(14) EQUITY DIVERSIFICATION

A) Introduction

The purpose of equity diversification is to provide the Foundation with reasonable assurance that no single security or sector will have a disproportionate impact on the total portfolio and to reduce the overall volatility of the entire portfolio. Therefore, the portfolio should be diversified by entity and sector, as well as other investment characteristics. However, it is not necessary or desirable that the securities held in the portfolio represent a perfect cross-section of the economy. Consequently, the designated Investment manager(s) will be allowed to choose the degree of concentration in any entity or sector.

(15) EQUITY CHARACTERISTICS

A) Market Capitalization

Stocks are traditionally classified along a capitalization continuum, ranging from microcap to small cap to midcap to large cap. The expected capitalization of a money manager's portfolio shall be a factor in the Foundation's investment manager selection. Consequently, the Foundation will expect the investment manager(s) selected to remain true to their designated capitalization focus.

B) Dividends

The designated money manager(s) shall be under no obligation to purchase only dividend paying equity securities. Whether or not an individual equity security pays a dividend shall be considered secondary, provided that the money manager(s) otherwise comply with the other parameters.

(16) FIXED INCOME CHARACTERISTICS

A) Corporate Bonds

The Foundation anticipates that if it elects to include corporate bonds in the portfolio, the bonds shall be rated "A2" or higher by Moody's or "A" or higher by Standard and Poor's, at the time of their purchase. In addition, if the Foundation elects to include corporate bonds in the portfolio, the Foundation will do so by utilizing some form of external management, either a money manager or a mutual fund, to actively manage the securities.

B) High Yield Bonds

The Foundation anticipates that if it elects to include high yield bonds in the portfolio, in order to provide a further element of diversification, it may do so by utilizing a diversified portfolio of high yield bonds.

(17) PORTFOLIO COMPOSITION

A) General

In order to ensure sufficient liquidity to meet all expected or unexpected cash flow needs, a majority of the assets selected for the portfolio shall have a readily ascertainable market value, shall be readily marketable, shall have adequate liquidity and shall be capable of being cost effectively traded.

B) Cash

Although the Foundation maintains its cash equivalents in various bank accounts that may exceed federally insured limits, these bank accounts are and should remain placed with high quality financial institutions to mitigate risk.

Any cash reserves should be held in the custodian's money market fund or invested in short term Credit and U.S. government securities. Cash reserves managed internally by the Foundation may also be invested in commercial paper – high quality issues rated A-1 by Standard and Poor's and / or P-1 by Moody; and with the approval of the Committee certificates of deposit and bankers acceptances of major money center banks that are members of the Federal Reserve System.

(18) MONEY MANAGER SELECTION

A) Introduction

The Foundation's selection of investment managers shall be based on prudent due diligence procedures. Criteria to be considered shall include: the experience of key personnel, investment philosophy, buy discipline, sell discipline, assets under management, organizational structure, long-term performance record, risk-adjusted returns, management fees and the firm's ethical and financial viability. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a mutual fund, bank or insurance company.

Part V. ADMINISTRATION

(19) MONEY MANAGER COMMUNICATIONS

A) Introduction

The Foundation considers a money manager's communication skills to be a critical factor in manager selection as well as in ongoing manager evaluation. To ensure a timely flow of information to the Foundation, regular communication shall be considered important. Such communication shall include, but by no means shall be limited to, the specific functions outlined below.

B) Meetings

The Foundation shall meet with representatives of each of the designated investment manager(s), whenever market conditions warrant.

C) Reporting

On a timely basis, the money manager(s) shall provide the Foundation with monthly valuations showing all securities held at both cost and market value; monthly investment performance results; a monthly listing of all transactions, principal additions and withdrawals; daily confirmations of all transactions; and such additional reporting as may be requested from time to time by the Foundation.

D) Current Activities

On an ongoing basis, the manager(s) shall be obligated to notify the Foundation of any material changes in their market outlook, investment strategy or portfolio structure; as well as any other factors that the manager(s) believe may impact the investment process.

(20) CASH FLOW

A) Liquidity

To minimize the possibility of a loss occasioned by the forced sale of a security to meet current cash requirements, the Foundation periodically will provide the designated money manager(s) with an estimate of expected cash flow. The Foundation intends to notify the money manager(s) in a timely manner to allow sufficient time to build up the necessary liquid reserves.

B) Distributions

Most income, dividends and interest earned in any of the sub-portfolios will be withdrawn on a monthly basis and transferred to the "cash" portfolio (do we do this?). Additional distributions from the various sub-portfolios generally will be taken on a quarterly basis, to help fund the Foundation's grantmaking, and to offset any shortfalls in the cash portfolio. Except as otherwise stated in this provision, the portfolio operates on a pure total return basis, and does not distinguish between income, capital appreciation and principal for purposes of distributions. The specific sub-portfolio(s) from which the

distributions will be taken will depend on the portfolio's current allocation in relation to its target allocation.

C) Expenses

Bank custody fees shall be paid directly by the Foundation. Other expenses, such as Foreign taxes, dividend charges and individual transaction costs shall be paid directly out of each managers portfolio account. Any mutual fund fees shall be paid directly out of the mutual fund.

(21) BROKERAGE

The brokerage arrangements shall be determined by the Foundation, although the Foundation shall accept recommendations from the designated money manager(s).

(22) PROXIES AND REORGANIZATIONS

In voting proxies and deciding any reorganization issues, the Foundation will accept recommendations from the designated money manager(s). The Custodian will vote proxies and decide any reorganization issues that affect any securities held in the Foundations "In-House Equity" account, according to the best interest of the portfolio.

(23) MISCELLANEOUS

A) Statutes and Regulations

The portfolio is subject to the Illinois version of the Uniform Management of Institutional Funds Act, 760 ILCS 50/1 et seq, and the provisions of the Internal Revenue Code applicable to private foundations.

B) Custodian

CIBC Bank and Goldman Sachs

C) Fiscal Year

The fiscal year-end of the Foundation is December 31.

D) Tax Status

The Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

E) Amendments

To ensure the continued relevance of the objectives and parameters set forth in this IPS, the Foundation plans to review this IPS at least annually. Based upon this review, the Foundation may modify the investment objectives or parameters, as warranted. Any such changes will be incorporated in a formal amendment to this IPS.

(24) ADOPTION

The following signatures affirm that this IPS has been read, understood and adopted by the Foundation on the date set forth below.

ADOPTED ON THIS

The Coleman Foundation, Inc.

Appendix A

The Coleman Foundation Asset Allocation Targets

	TARGET%	% of Category
Public Equity Domestic		
Large Cap Core	25.00%	36%
Small/Mid Cap Core	12.00%	17%
Small Cap Core	3.00%	4%
Micro Cap Core	3.00%	4%
Sub-Total:	43.00%	61%
Public Equity International		
Growth	10.00%	14%
Value	10.00%	14%
Sub-Total:	20.00%	29%
Private Equity		
Real Estate	5.00%	7%
Traditional	2.00%	3%
Sub-Total:	7.00%	10%
Total:		70.00%
Fixed Income		
Domestic Credit (high quality)	24.00%	86%
Real Estate	4.00%	14%
Total:		28.00%
Cash		
Daily Liquid / Cash Equivalents	2.00%	
Total:		100.00%

Appendix B

In-House Equity Account

The Investment Committee of the Coleman Foundation will manage a portion of the Foundation's US publicly traded equity portfolio internally. The parameters for the management of these securities are suggested to be:

- The amount of the In-house account will be constrained to a range of 10 – 20% of the overall Foundation asset size. With the average periodic weighting being 12.5%
- Securities under \$1 billion in market capitalization will be excluded from purchase
- Initial Public Offerings are excluded from purchase
- The average holding period of securities should be long-term (years) in expected duration
- A security may be sold for any reason

The parameters laid out above should help guide the management of the In-house security pool. The In-House account shall be reviewed on a quarterly basis by the Investment Committee for recommended changes.

The In-House account shall generally hold between 10 – 20 securities, ranging in market value between \$1 - \$2 million dollars. If a new purchase is initiated, the minimum level should be \$1 million.