CENTRE FOUNDATION

Statement of Investment Objectives and Policies

Approved March 23, 2017

A. DESCRIPTION OF THE FOUNDATION

The Centre Foundation (the "Foundation") is a collection of donations from private citizens and organizations that, in the aggregate, form a fund or series of funds. The fund supports grant making to selected charities within the community and the operating expenses of the Foundation.

The Foundation is a publicly supported charitable organization under Section 501 (c) (3) of the Internal Revenue Code. Its purpose is to be a vehicle to receive and accept gifts to be administered for charitable purposes primarily in and for the Centre County Region of Pennsylvania.

B. PURPOSE OF STATEMENT

This Statement of Investment Objectives and Policies (the "Statement") is intended to:

a. Outline the investment-related responsibilities of the Board of Directors, the Investment Committee, the Foundation staff and the providers of investment services ("Agents") retained to assist with the management of the Foundation.

b. Establish formal investment guidelines incorporating prudent risk parameters, appropriate asset guidelines and realistic return goals.

c. Provide a framework for regular constructive communication between the Board, the Committee, the staff and the Foundation's providers of investment services ("Agents").

d. Create standards of investment performance by which the Investment Managers agree to be measured over a reasonable time period.

It is intended that this Statement will be reviewed at least annually by the Board of Directors and the Investment Committee to ensure the relevance of its contents to current capital market conditions and the needs of the Foundation.

C. INVESTMENT COMMITTEE

The Board of Directors of the Foundation (the "Board") has established an Investment Committee (the "Committee"). While the Board bears the overall fiduciary responsibility for the Foundation, the Committee shall recommend to the Board the specific investment policy for the Foundation and shall be responsible for its day-to-day guidance, monitoring and oversight.

a. RESPONSIBILITES

Of the specific duties and responsibilities of the Committee:

i. Those requiring Board approval are:

1. Recommended investment objectives and policies as outlined in this Statement.

2. Recommended engagement or removal of investment service providers.

3. Recommended specific asset allocation percentage targets for any Foundation commingled fund e.g. the general endowment pool, Charitable Gift Annuities Pool etc.

4. Recommended Spending Policies for grant making and operations.

5. Recommended exceptions to any of the restrictions in this Statement.

ii. Those not requiring Board approval:

1. Providing the Board with information regarding fund investment structure and performance against established objectives and policies.

2. Monitoring the investments with regard to the Foundation's fiduciary considerations.

3. Establishing specific asset allocation targets for each Investment Agent unless delegated to any individual Investment Agent with Board approval.

4. Periodically reviewing and recommending spending rates to the Board for grant-making and operating costs.

5. Negotiation of compensation arrangements for investment service providers.

6. Receiving, reviewing and retaining the reports of the investment service providers and any other external reports on the financial condition of the Foundation.

7. Making direct investments into individual mutual funds or ETF's in accordance with this Investment Policy as authorized and instructed by the Investment Committee.

b. COMMITTEE OPERATION

i. The Committee shall meet as required, but not less than four times each year. The actions of the Committee shall be recorded in formal minutes. The Committee may adopt procedures necessary to conduct its affairs.

ii. The Committee may authorize members or Agents to execute or deliver any instrument on its behalf including voting of proxies for securities or funds held. In such cases where an Agent is not permitted by law or rule to vote proxies on behalf of the Foundation, the Executive Director or Chair is authorized to vote proxies.

iii. The staff of the Foundation is authorized to carry out administrative functions required by Committee action.

D. INVESTMENT POLICY

a. LONG-TERM GOALS

The long-term goals of the Foundation's investment and spending policy will be:

i. To protect the invested assets of the Foundation and strive to maximize the total return to the extent possible without assuming excessive risk;

ii. To provide a relatively predictable, stable and inflation adjusted payout stream for grant-making and operations;

iii. To maintain a balance between spending and protecting the real (i.e., inflation adjusted) value of the Foundation's invested assets.

b. INVESTMENT RETURN AND RISK PARAMETERS

i. Annualized Return

The long-term objective is to achieve an average annualized total return that, at a minimum, will grow the invested assets by the rate of inflation, after having allowed for grant-making and operating expenses.

ii. Total Return

Investment objectives will be achieved using a total return strategy, where long-term return may come from both market value increases (realized and unrealized capital appreciation) and/or from current yield (interest and dividends).

iii. Relative Return

Over longer term horizons, covering one or more market cycles (typically lasting three to five years), we expect the investment managers, as a whole and individually, to outperform the internal asset allocation benchmark as outlined in this Statement. The overall index for judging relative performance shall be the weighted average of each component asset class return, using the target percentages and benchmarks detailed in Exhibit # 1.

iv. Volatility

In light of the Foundation's long-term horizon and limited liquidity needs over and above withdrawal policies, the fund can assume volatility consistent with a long-term investment return objective. The asset allocation and Investment Agent guidelines are designed to provide a balance that will avoid concentrations in any single asset class, risk level and manager style.

c. INVESTMENT CONSIDERATIONS

i. Liquidity

Liquidity needs are low. Except for investment purposes and spending requirements, the fund requires no sizable liquid reserves. In addition, investing in marketable securities will enable the fund to raise cash on short notice as necessary. The lack of liquidity needs would permit allocation to assets not readily liquid should the Board deem it appropriate.

ii. Time Horizon

The funds have a long time horizon, which is typical for most foundations. The horizon extends well beyond any normal cycle and for the purposes of the investment strategy, can be considered to be in "perpetuity."

iii. Laws and Regulation

This fund, as with most endowments and foundations, is governed by federal and state regulations as well as the Prudent Investor Rule. This Rule places greater emphasis on investment decisions in the context of the whole portfolio, rather than specific investments or courses of action, taken alone. Additionally, the Pension Protection Act governs excess business holdings with regards to assets held in donor advised funds. Please see Addendum for complete guidelines.

iv. Tax Consideration

The Foundation is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. Consequently, tax considerations are not a meaningful constraint, other than the fact that securities with tax-exempt features and that may generate unrelated business income for the Foundation should be avoided.

v. Other

Guided by the Prudent Investor Rule, the Investment Committee and the Foundation's Investment Agents shall implement reasonable care, skill and caution when choosing an investment strategy. The committee shall consider the needs of the beneficiaries, preserve assets, minimize risk, generate realistic amount of income and invest for the long term. The Prudent Investor Rule also mandates the application of the principal of diversification when constructing portfolios.

E. SPENDING POLICY

a. FOR GRANT-MAKING

i. The Committee's recommendation to the Board with respect to the spending rate for grant making will be formula based. It will be presented to the Board annually following the end of the third quarter.

ii. For the purpose of this formula, the asset base will be equal to a five-year moving average of quarterly market values, ending the third quarter of each year. The Committee shall be guided by, in part, the Foundation's Spending Policy which has, as an aspirational goal, an annual distribution of five percent (5%) of the calculated moving average.

iii. The entire allocation will be available on the first business day of the following calendar year.

b. FOR OPERATIONS

The Board may use a percentage of the Foundation's invested asset base for operations. The Committee endorses the Foundation's Spending Policy which has an goal of one and one-half percent (1.5%) or less for operational spending. The board may determine the need to make an exception to this goal in extenuating circumstances. This calculation is based on the current year average market value of the funds, in relation to actual current year expenses.

F. ASSET ALLOCATION AND REBALANCING GUIDELINES

Asset allocation is widely recognized as a primary determinant of long-term returns. The asset allocation guidelines and targets are designed to strike a balance among several competing objectives: Maximizing long-term investment returns, hedging against disasters (inflation and deflation) and moderating year-to-year volatility.

The Investment Committee will recommend to the Board specific percentage asset allocation targets. The major asset categories will be: Global Equities, Fixed Income, and Discretionary.
The Committee will review and reaffirm or recommend change to the targets at its regular quarterly meetings. A change in the asset allocation guidelines can be proposed at any time to the Board by the Committee. The current Board policy for asset allocation is attached in Exhibit #1.

The allocation targets will be maintained by using cash inflows or outflows to rebalance the funds among asset classes and investment service providers. If cash flows are not sufficient, the Committee or the Investment Agents will rebalance the components to the appropriate target levels.

Asset allocation will be based on market value.

G. PORTFOLIO GUIDELINES

a. GLOBAL EQUITIES

The purpose of the Foundation's equity investment portfolio is to provide total return. The equity portfolios shall consist primarily of marketable securities that may be purchased on recognized exchanges throughout the world. In any case, the following restrictions apply:

i. The equity securities of any one corporate issuer should not exceed 5% of the equity portion, based on market value, of any manager's portfolio.

ii. Regulated investment companies (Mutual Funds), Exchange Traded Funds (ETFs) or other commingled funds may be used after careful consideration and evaluation based on asset class representation, strategic approach, underlying holdings, ratings, rankings etc. Any such funds shall not be considered derivative securities.

iii. Within Global Equities, the portfolio's broad regional and country exposures must be held within 10 percentage points of the major component weightings of the equity index used as a performance-measurement benchmark (e.g. the MSCI All Country World Index). Details will be provided to agents at least annually by the Committee. The broad regional categories are: North American equities, other developed market equities and non-U.S. emerging market equities.

iv. Broad diversification as to investment management style (i.e. growth, value) and capitalization of equity holdings (i.e. large cap, small cap) must be maintained.

b. FIXED INCOME

The purpose of the Foundation's fixed income portfolio is to preserve principal by hedging against deflation, providing stability in the level of current income and limiting the volatility of the total fund. The following restrictions apply: Individual securities shall be diversified and be limited to obligations of the U.S. Government and its agencies, and corporate obligations regarded as investment grade by Moody's (Baa or better) and Standard and Poors (BBB or better) at the time of purchase.

Where co-mingled fixed income funds, with the exception of High Yield Bond Funds in "c" below are employed, each fund's average rating should be regarded as investment grade, consistent with the foregoing.

Cash and equivalent holdings will be included in the Fixed Income category. Cash includes short-term (maturity less than one year) fixed income instruments issued by the U.S. Government or its agencies, high quality corporate debt securities or money market instruments and bank certificates of deposit. Money Market Funds investing in such securities may be used. Any cash position in the portfolios will be included in the calculation of total return.

Given the total returns expectations of the Foundation, it is expected that the role cash and equivalents will play in any manager's allocation will largely be defensive.

c. DISCRETIONARY

The Discretionary allocation is designed to give the Investment Agents additional flexibility to structure their overall asset mix to seek greater return, or lower risk, or greater diversification, or a more defensive positioning. The following guidelines apply:

i. Any investments that are acceptable under sections a. and b. of the Portfolio Guidelines are acceptable for this allocation.

ii. Agents may invest in publicly traded mutual funds that may help meet the goals described above. These investments could include, among others:

 1. Sector funds (such as REITs, technology, health care, energy, precious metals, etc.).

 2. Commodity funds (such as a real asset fund, natural resources, timber funds, etc.).

 3. High Yield Bond funds.

 4. Market Neutral, Hedge, or Absolute Return funds.

 5. Non-U.S. Bond Funds

iii. If purchases of individual equities or fixed income securities are undertaken, no more than 5% of the Discretionary allocation may be invested in any one corporate issuer.

d. OTHER HOLDINGS

In an effort to enhance the overall investment of the Foundation's portfolio, the Investment Committee may oversee other commingled investments, subject to Board approval. More particularly, the Foundation may target up to fifteen percent (15%) of the total market value of the portfolio into private capital. Private equity, debt, and real estate markets are considered to be inefficient. The Foundation will invest in institutional quality private equity, debt, and real estate investment partnerships, which include, but are not limited to, venture capital, buy-out funds, private equity, private debt, distressed debt, natural resources/ commodities, and private real estate. Such investments will be evaluated for their impact on the Foundation's overall asset allocations into global equity, fixed income and discretionary investments.

e. RESTRICTED SECURITIES

Under the Prudent Investor Rule each investment is judged in the context of the entire portfolio. However, this Investment Policy does restrict some individual investments or strategies outside of a mutual fund or other commingled fund context. Some examples include, but are not limited to, those listed below:

i. Purchasing and selling commodities or commodity contracts.

ii. Selling securities short.

iii. Purchasing securities on margin or the use of leverage in any manner including any fund using leverage. (e.g. leveraged ETFs)

iv. Writing, purchasing, or selling naked options.

v. Derivative securities, except as may be used in a co-mingled fund

vi. Non-publicly traded securities.

Any questions that arise about acceptable or unacceptable investments should be directed to the Investment Committee.

The Committee may permit exceptions to any or all of these restrictions for any individual manager with Board approval.

H. INVESTMENT AGENTS OF THE FOUNDATION

a. INVESTMENT PROGRAM

The minimum threshold to establish a new investment management account is $1 million. The Foundation also allows investment managers to establish a "step-up account" with an initial amount of $500,000 and build to the $1 million minimum within three years. If the account fails to reach $1 million within the three years, the Foundation Board may elect to redistribute the money among other investment management accounts held by the Foundation.

Investment Agents must assume the following responsibilities:

i. To acknowledge in writing acceptance of the objectives, guidelines and performance benchmarks as defined in this Statement of Investment Objectives and Policies, and to invest the assets of the Foundation accordingly.

ii. To exercise full discretionary authority for funds under management as to all buy, hold, and sell decisions for each security under management, subject to the guidelines as defined in this Statement.

iii. To rebalance the asset classes in the portfolio as deemed appropriate by the Investment Agent to comply with Board policy.

iv. To recommend changes in this Statement based upon material and sustained changes to capital markets.

v. To vote all permitted proxies.

vi. To utilize the share class with the lowest total expense ratio when using publicly traded mutual funds for any portfolio component and to avoid funds charging any form of "load." Should 12 b-1 charges be incurred the amount received by Agent is to be credited against Agent's fee charged to the Foundation.

b. REPORTING

Soon after the end of each calendar quarter, each Investment Agent shall deliver to the Committee:

i. A statement displaying, at a minimum, the cost and market value for each individual asset holding and all transaction activity.

ii. A report showing the broad asset allocation of the portfolio within the three major categories: Global Equities, Fixed Income and Discretionary. In addition, a report such as that available through Morningstar, which shows asset types as well as geographic, capitalization sizes and industry allocation.

iii. A report showing the overall time-weighted rates of return, net of Agent's fees, for the latest quarter. Time-weighted rate-of-return performance measures allow comparisons to recognizable indices. This method corrects for the biases stemming from additions to and withdrawals from investments.

In addition, any performance comparisons by broad asset class would be helpful but are not required.

Return calculations should employ CFA Institute standards.

iv. A written discussion or commentary highlighting the just ended quarter's performance as well as any tactical investment strategy expectations for the coming quarter. The report need not be more than a few paragraphs in length.

v. An acknowledgement of any violations to the guidelines in this Statement.

c. REVIEW MEETINGS

At the request of the Committee, each Investment Agent will participate in an annual review meeting with the Committee or its representative(s), the agenda to include:

i. A review and appraisal of the investment program.

ii. A commentary on the investment results in light of the appropriate standards of performance.

iii. A synopsis of the key investment decisions made by the Agent, the underlying rationale, and how those decisions could affect future results.

iv. A discussion of the Agent's outlook, what specific investment decisions this outlook may trigger and how these decisions could affect future results.

d. COMMUNICATION

Each Investment Agent is responsible for maintaining communication with a designee of the Committee on all material matters pertaining to investment policies and the management of the Foundation's assets. In particular, each Investment Agent will:

i. Provide timely notice of any material changes in its investment outlook, strategy and portfolio structure.

ii. Provide timely notice of material changes in its firm ownership, organizational structure, financial condition, senior staffing and management that could substantially affect the ability of the Agent to manage the assets of the Foundation, where permissible by law.

iii. Provide timely notice of involvement in any litigation or regulatory investigation relating to the organization's investment activities that could substantially affect the ability of the Agent to manage the assets of the Foundation.

I. REVIEW PROCESS FOR INVESTMENTS

Investment performance review of all portfolios will be conducted quarterly to ascertain progress against the objectives of the Foundation. The quarterly reports should cover three basic areas:

- returns,
- comparison of returns to benchmarks and a peer group of similar portfolios,
- compliance with relevant policies and objectives.

Beyond these customary reviews, certain circumstances or events, as outlined below, will trigger automatic formal reviews and where appropriate, reconsideration by the Investment Committee of the appropriateness of continuing to use the affected Agent. None of these circumstances or events shall serve as automatic cause for changing Investment Agents, but will merely indicate the need for review.

A. Five-year cumulative return significantly trails benchmark index.

B. Ranking of portfolio's five-year returns against peer group is significantly above or below median.

C. Ranking of portfolio's one-year return against the peer group is significantly above or below median.

D. Turnover of portfolio manager or other personnel significant to the portfolio management process.

E. Ownership change.

F. Involvement in relevant regulatory investigation or litigation.

G. Aggregate assets are insufficient to ensure broad diversification, efficient trading, and economies of scale.

H. Assets grow too large to be managed in a manner similar to methods that built historical record.

I. Portfolio characteristics do not match stylistic expectations.

J. Significant change in fees.

EXHIBIT ONE

CENTRE FOUNDATION

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BOARD POLICY REGARDING ASSET ALLOCATION

	Range	Target	Benchmark
Global Equities:			
	40-80%	50%	MSCI All Country World US Dollar Index [1]
US Equities Other Developed Market Equities Emerging Markets Equities			
Fixed Income:	10-60%	30%	Bloomberg Barclay's US Aggregate Bond Index [2]
US Govt. and Corporate Bonds Inflation Linked Bonds Cash & Equivalents			
Discretionary:	0%-30%	20%	60% MSCI All Country World US Dollar Index [1] 40% Bloomberg Barclay's US Aggregate Bond Index [2]

Including by way of example:
Any of the Above
REITs
High Yield Bond Funds
Non-U.S. Bond Funds
Commodities
Others as may be approved in advance by Foundation

[1] The MSCI ACWI (All Country World Index) Index is a free float-adjusted, market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.
Total return calculations will be used, based on the Net Daily Total return index, expressed in U.S. dollars, all capitalization sizes (IMI) and no particular style. See for example: http://www.mscibarra.com/products/indices/international_equity_indices/gimi/stdindex/performance.html
[2] The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS.
Total return calculations will be used, expressed in U.S. dollars. See for example: https://ecommerce.barcap.com/indices/index.dxml

INSURANCE ADDENDUM

GUIDELINES FOR RETENTION OF INSURANCE POLICIES

If the death benefit above cash value is:

1. More than $8,000, hold on to the policy.

2. Less than $4,000, cash it in.

3. Between $4,000 and $8,000, decide on a case-by-case basis.

ADDENDUM

Treatment of Excess Business Holdings

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations[1]. That is, the holdings of a donor advised fund in a business enterprise, **together with the holdings of persons who are disqualified persons with respect to that fund,** may not exceed any of the following:

- Twenty percent[2] of the voting stock[3] of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Donor advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that currently hold such assets will have a much longer period to divest under the same complicated transition relief given to private foundations in 1969[4].

What is a business enterprise?
A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties and from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships, and other types of holding company arrangements.

What is a disqualified person?
Donors and persons appointed or designated by donors are disqualified persons if they have—or reasonably expect to have—advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors' and advisors' families are also disqualified, but the section does not define "family" and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(0(3).

Centre Foundation Policy with regard to assets categorized under the PPA as "excess business holdings"

- CF will identify and monitor any new gift to a donor advised fund of any interest qualifying as an "excess business holding" under the PPA.
- CF will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, CCCF will dispose of any excess business holding prior to the five year time limit, except in the event that the Treasury Department grants an additional five year holding period.
- CF will notify potential donors of such interests of this requirement prior to the contribution of such interest.

[1] The language is clear that it is only the donor advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by funds that are not donor advised.

[2] Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

[3] Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the *de mininds* rule, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

[4] Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor advised fund to have excess holdings, the donor advised fund will have 90 days to dispose of the excess.