RONALD MCDONALD HOUSE
OF DURHAM AND WAKE

Investment Policy Statement

September 29, 2017

Purpose

The statement of investment policy and spending guidelines is set forth by the Board of Trustees of the Ronald McDonald House of Durham and Wake (the "Organization") in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the investment goals and objectives of the assets of the Organization.

3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.

4. Establish a basis for evaluating investment results.

5. Manage assets according to the prudent person standards as established in common trust law.

6. Establish the relevant investment horizon for which the Fund assets will be managed.

7. Establish clear spending guidelines.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

A. Role of the Board of Trustees, the Finance Committee, Investment Committee and the Investment Manager

Role of the Investment Committee

The Board of Trustees has delegated the responsibility for the operations and investment activities of the assets to the Investment Committee (the "Committee") of the Organization as a subcommittee of the Finance Committee. This Committee is charged with carrying out the mandates of the Board by establishing investment objectives and policies, and

monitoring the implementation and the performance of the investments, including the following duties:

1. Create an Investment Policy Statement that sets forth appropriate risk and return objectives, including asset allocation guidelines. Review the IPS on at least an annual basis for possible updates. Attain signature approval and acceptance by the Finance Committee and the Investment Manager on an annual basis.

2. Projecting the Fund's financial needs and communicating such needs to the Investment Manager(s) on a timely basis.

3. Determining the risk tolerance and time horizons for each of the various investment funds and communicating these to the appropriate parties.

4. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the Fund's assets.

5. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

6. Quarterly evaluation of the performance of the Investment Manager(s) to assure adherence to policy guidelines and costs of investment management, and to monitor investment objective progress.

7. Developing and enacting proper controls procedures: For example, replacing Investment Manager(s) due to poor performance, cost, malfeasance, failure to communicate with the Board or its representative, failure to conform to written policies, and any other act(s) with which the Board may find cause.

8. Communicate to the Finance Committee regarding investment performance and recommended changes to strategy and the Investment Policy Statement.

9. Coordinate the Investment Policy Statement to be congruent with the RMH Endowment Policy and Gift Acceptance Policy.

10. Semi-annually report current asset allocation to the Finance Committee.

<u>Role of the Investment Manager</u>

The Investment Manager will be responsible for advising the Financial Policies Committee regarding:

1. Investment Policy and Strategy
2. Asset allocation
3. Performance Evaluation of Securities, including comparison with appropriate benchmarks.
4. Implementing security selection and timing within the stated Investment Policy Statement.
5. Rebalance accounts as needed to stay within agreed upon tolerance range of current asset allocation strategy.
6. Other investment matters as requested by the Investment Committee.

B. Overall Investment Objective

Primary Investment Objective:

The Fund's primary objective is to grow the corpus of the assets in order to provide financial support for the Organization. The Fund seeks to maximize its total rate of return, consistent with prudent risk taking, in order to maintain or increase the inflation-adjusted value of the portfolio after expenses and distribution requirements.

Other Objectives:

The Investment Manager should:

1. Seek to maintain stability of year-to-year returns.
2. Diversify the asset categories to avoid over concentration in any particular area.
3. Maintain an investment posture that is flexible, within guidelines, to the changing economic environment as well as to the volatile capital and securities markets.

Underlying Accounts:

The investment assets of the Organization may be divided into underlying accounts that may have differing investment objectives. The overall investment policy of the Organization's assets will take into account the individual objectives of these underlying accounts.

Current Underlying Accounts:

Endowed and Restricted Funds: The term "Endowed Funds" shall mean those funds which are contributed to and held by the Organization in the form of an endowment, the primary purpose of which is to generate income to be disbursed on an annual basis to the Organization for its operating budget. Income may be defined from time to time by the Board, either as accounting net income or as a percentage of the fixed value of Endowed Funds. Provided, however, in no event shall distributions in excess of income be made from the Endowed Funds, unless such distribution is authorized by the Board of Trustees. For purposes of the preceding sentence, distributions shall include, but not be limited to, invasion of principal in excess of annual income, or the mortgaging, encumbering or other borrowing of any Endowed Funds.

Current Endowed Fund Accounts:

GSK Endowment: Restricted Purpose, Duke Family Room
Kroc Endowment: Restricted Purpose, Operations
Security Blanket Endowment: Restricted Purpose, Organization
Futures Fund Endowment: Unrestricted

Current Restricted Funds:

WakeMed Family Room: Restricted Purpose, WakeMed Family Room
WakeMed House: Restricted Purpose, WakeMed House

C. Portfolio Composition and Asset Allocation

The Organization's Fund will invest in a broadly diversified portfolio with assets allocated in a manner that is intended to provide a long-term return in line with the performance objective. In order to execute its investment management directives, the Organization will hire an investment manager to provide these services. The Investment Manager will be given authority to invest the portfolio within allowable ranges, and will be given authority to invest within each asset class in a diversified manner at their discretion. The investment manager will keep the Investment Committee apprised of changes in asset class and sub asset class changes.

To achieve its long-term goal, the Organization has adopted a Strategic Asset Allocation Plan that envisions a reasonably stable distribution of assets among major asset classes and has adopted the following asset allocation objectives (all figures represent a percentage of total assets):

Asset Class	Strategic Asset Allocation %	Allowable Range
Equities	60 %	40%-70%
Single Stock Holding	3%	0% - 6%
Fixed Income	35 %	25%-50%
Real Assets	0%	0%-10%
Alternative Assets	0%	0%-10%
Cash & Equivalents	5%	2%-15%

The Investment Committee recognizes that in order to protect this capital base, a sound strategy of diversification should be implemented in order to limit overexposure to any one asset class, sector, style, geography, country, or manager. The purpose of such diversification between and within such account segments is to provide reasonable assurance that no single security or class of investment has a disproportionate impact on the total Fund. No single asset or issuer shall represent more than 6% of the value of the combined portfolios, with the exception of US Treasury Securities. Furthermore, the Investment Manager shall be free to use a wide array of investment vehicles in deploying the assets of the Organization such as, but not exclusively limited to: domestic and international equities; government, corporate, agency fixed income securities; mutual funds, exchange traded funds; or real assets. It should be understood, however, that not all asset classes are appropriate for the Organization's investments. All asset classes should be viewed in a prudent light with respect to the current portfolio makeup, marketplace environment, and specifics of the considered asset.

Prohibited Assets

Prohibited investments include, but are not limited to the following:

Futures Contracts
Private Placements
Options
GIC's

Limited Partnerships
Venture-Capital Investments
Non-rated corporate debentures

Prohibited Transactions

Prohibited transactions include, but are not limited to:

Short Selling
Margin Transactions

D. Fixed Income Guidelines

Fixed Income investments are intended to preserve principal and provide a source of current income. Over the long term Fixed Income should reduce the volatility of the portfolio. The Investment Manager will directly manage, hire and terminate external managers in this asset class on behalf of the Organization's Fund. The allocation will be primarily domestic and investment grade but is allowed to include exposure to international and non-investment grade securities.

E. Equity Guidelines

Equities are intended to provide long-term capital appreciation in excess of inflation. In order to achieve the goals of the Fund, the portfolio will be subject to the short-term market risk of this asset class. The equity allocation may include U.S. Large Cap Growth, U.S. Large Cap Value, U.S. Small and Mid Cap Growth, U.S. Small and Mid Cap Value and International Equities.

F. Cash and Liquidity Guidelines

A certain amount of cash equivalents may be held in order to provide for tactical investment decisions, rebalancing, accrued income and disbursements. Should expenditures be anticipated on a regular or ad hoc basis, sufficient liquidity should be maintained in order to provide for these needs.

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will periodically provide investment counsel with an estimate of expected net cash flow. The Committee will

notify the investment manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

H. Expenditure Policy

All income derived from investments will be available for unrestricted use, unless otherwise specified by the Board and/or the donor.

As noted above, "income" may be defined from time to time by the Board, either as accounting net income or as a percentage of the fixed value of Endowed Funds. Provided, however, in no event shall distributions in excess of income be made from the Endowed Funds, unless such distribution is authorized by the Board of Trustees. For purposes of the preceding sentence, distributions shall include, but not be limited to, invasion of principal in excess of annual income, or the mortgaging, encumbering or other borrowing of any Endowed Funds.

When distributions are expected or planned, the investment manager will be notified in advance in order to make the cash available.

I. Overall Performance Objective

The Organization's Fund will seek to provide significant, stable and sustainable funds to support its mission and to grow the corpus in real (inflation adjusted) terms. The Fund is willing to accept short-term volatility of its returns in order to generate attractive real returns for the Fund over the long term.

Performance updates shall be provided by the Investment Manager and reviewed by the Investment Committee at least twice per year.

J. Monitoring of Objectives and Investment Performance

All objectives, policies and guidelines are in effect until modified by the Investment Committee and approved by the Board. The Investment Committee will review objectives, policies and guidelines at least annually for continued appropriateness.

The Investment Committee will review a summary of investment assets, including current asset allocation, performance and transactions at least semi-annually and report to the Finance Committee as appropriate.

K. Contributions

In the event of additional infusions of capital, contributions to the Organization will be aggregated into the greater investment pool and invested accordingly. Contributions in the form of stock may be sold upon receipt and invested in accordance with the overall investment objectives.

To the extent that in-kind gifts are made to the Fund, and such in-kind gifts are not liquid securities, then the Fund may, in the discretion of the Board, continue to hold and manage any such assets, so long as the Board and staff continue to exercise reasonable efforts to convert such assets into liquid securities. The facts and circumstances regarding any such in-kind gifts shall control, and the holding of any such assets as a result of in-kind gifts shall not be in contravention of any other provisions of this investment policy statement.

Approved by Finance Committee:

By: _____

Date: _____

Agreed to by the Investment Manager:

By: _____

Date: _____