STATEMENT OF INVESTMENT POLICY, OBJECTIVES AND GUIDELINES FOR MARYHILL MUSEUM OF ART FUNDS

SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the Maryhill Funds, including endowment, restricted, Board restricted and unrestricted funds but exclusive of museum operating and temporarily restricted funds.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Finance Committee of the Maryhill Museum of Art in order to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
- Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
- Establish a basis for evaluating investment results.
- Manage Fund assets according to prudent standards as established in common trust law.
- Establish the relevant investment horizon for which the Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which 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.

DELEGATION OF AUTHORITY

The Finance Committee of the Maryhill Funds is a fiduciary with approval of the Board of Trustees, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Finance Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- **Investment Management Consultant**. The consultant may assist the Finance Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment **performance; and other tasks as deemed appropriate.**
- **Investment Manager**. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.

- **Custodian.** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, 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 the Fund accounts.
- **Co-Trustee**. The Finance Committee may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Fund assets.

Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Finance Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Finance Committee may reserve control over investment decisions and may act in lieu of one or more of the capacities set forth above. If Managers are appointed they will be held responsible and accountable to achieve the objectives herein stated and subject to the specific limitations described in this policy. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

DEFINITIONS:

- “Fund” shall include all funds of the museum with the exception of operating funds.
- “Finance Committee” shall refer to the committee established in the by-laws of the organization and appointed by the Board of Trustees.
- “Fiduciary” shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
- “Investment Manager” shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets, and may be the Finance Committee itself.
- “Investment Management Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation.
- “Securities” shall refer to the marketable investment securities which are defined as acceptable in this statement.
- “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the endowed funds is 15 years. The investment horizon for the remaining funds is variable.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Finance Committee

The Finance Committee shall have the power to deal with the Corporation's finances and investment portfolio in a reasonable and prudent business manner, subject to the approval of the Board of Trustees and the approved Investment Policy. Specific responsibilities of the Finance Committee include:

- The Treasurer shall be a member of the Finance Committee.
- The Chair of the Finance Committee shall be a Trustee and a member of the Executive Committee.
- The Finance Committee, at its discretion, has the ability to place a stop loss on any existing holding in the museum's investment accounts in order to preserve its capital.

Responsibility of the Investment Manager(s)
Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
- Informing the Finance Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Voting proxies, if requested by the Finance Committee, on behalf of the Fund, and communicating such voting records to the Finance Committee on a timely basis.

Responsibility of the Investment Consultant(s)
The Investment Consultant's role is that of a non-discretionary advisor to the Finance Committee of the Maryhill Fund. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- Assisting in the development and periodic review of investment policy.
- Conducting investment manager searches when requested by the Finance Committee.
- Providing "due diligence", or research, on the Investment Manager(s).
- Monitoring the performance of the Investment Manager(s) to provide the Finance Committee with the ability to determine the progress toward the investment objectives.
- Communicating matters of policy, manager research, and manager performance to the Finance Committee.
- Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Finance Committee.

GENERAL INVESTMENT PRINCIPLES

- Investments shall be made solely in the interest of the beneficiaries of the Fund.

- The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- The Finance Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
- Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

- Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
- Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
- Adherence to Investment Discipline—Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

GOAL

The Finance Committee feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that the Endowed Funds are to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective of this foundation is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Endowment Funds investment horizon. The Endowed Funds specific investment objectives will be established later in this document.

ATTITUDE TOWARD GIFTS

Future giving (contributions) to the Endowed Funds are expected to be inconsistent, and therefore, unpredictable. As a result, the Finance Committee has set an investment strategy with the objective of maintaining purchasing power of the Endowed assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power. Therefore, expectations may be expressed by the following equation:

Total Return = Spending + Inflation + Expenses, while Giving = Increase in Purchasing Power

SPENDING POLICY

With respect to the Endowed Funds, the Finance Committee places highest emphasis on meeting future needs of the museum. As such, the Finance Committee regards spending in dollar terms from year to year as inflexible. While spending is inflexible, and therefore relatively consistent and predictable, expected investment returns from "riskier" portfolios are not consistent and predictable.

Therefore, in order to reduce the likelihood of underperformance and excessive deterioration of real principal during such periods, the Endowed Funds must tend toward a more “conservative” investment strategy than might be the case if grant making from year to year were more flexible. The Finance Committee will set spending equal to a maximum of 5% of the portfolio value during the first three years. Thereafter, spending will be targeted at 5% of the Fund’s average three year portfolio value. Distributions from the Fund will be made as needed. This spending policy does not apply to the Sam Hill Reserve or the Project Reserve investment account managed by the Finance Committee.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Maryhill Funds is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for Fund assets shall be Long-Term Growth of Capital—to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, it is the goal of the aggregate Fund assets to exceed: An absolute rate of return of 6%

The investment goals above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

- Meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.
- Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy. Each manager shall receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Fund.

DEFINITION OF RISK

The Finance Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Maryhill Fund assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund’s objectives and investment strategy as designed in this statement of investment policy. The Finance Committee defines risk as: High volatility (fluctuation) of investment returns.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance Committee will annually provide investment counsel with a written estimate of expected net cash flow and annual budget. Periodic updates may be made either in writing or verbally. The Finance Committee will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Finance Committee requires that a minimum of 2% of Fund assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS
The Finance Committee requires that all of Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

INVESTMENT GUIDELINES
Allowable Assets:

- **Cash Equivalents**
  Treasury Bills
  Money Market Funds
  Certificates of Deposit
- **Fixed Income Securities**
  U.S. Government and Agency Securities
  Corporate Notes and Bonds
  Mortgage Backed Bonds
  Preferred Stock
- **Equity Securities**
  Common Stocks
  Convertible Notes and Bonds
  Convertible Preferred Stocks
  American Depository Receipts (ADR's) of Non-U.S. Companies
  Stocks of Non-U.S. Companies (Ordinary Shares)
- **Mutual Funds**
  Mutual Funds which invest in securities as allowed in this statement.

DERIVATIVE INVESTMENTS
Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, Collateralized Mortgage Obligation (CMOs): Planned Amortization Class (PAC) bonds, Interest-Only (IOs), Principal-Only (POs), residual bonds, etc., and interest rate swaps, among others. The Finance Committee feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Finance Committee will take a conservative posture on derivative securities in order to maintain its risk adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) must seek permission from the Investment Committee to include derivative investments in the Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

PROHIBITED ASSETS
Prohibited investments include, but are not limited to the follows:

- Commodities and Future Contracts
- Private Placements
- Options
- Limited Partnerships
- Venture-Capital Investments
- Real Estate Properties
- Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs

PROHIBITED TRANSACTIONS
Prohibited transactions include, but are not limited to the following: short selling and margin transactions.

ASSET ALLOCATION GUIDELINES
Investment management of the assets of the Maryhill Funds shall be in accordance with the following asset allocation guidelines:

Aggregate Fund Asset Allocation Guidelines (at market value)	Lower Limit	Strategic Allocation	Upper Limit
Domestic Large Cap Equities	30.0%	35.0%	40.0%
Growth Style	15.0%	17.5%	20.0%
Value Style	15.0%	17.5%	20.0%
Domestic Small Cap Equities	15.0%	20.0%	25.0%
Convertible Bonds	5.0%	5.0%	10.0%
Fixed Income	33.0%	38.0%	43.0%
Cash & Equivalents	2.0%	2.0%	5.0%

Evaluation Benchmark
Total return to exceed the performance of a policy index based upon the strategic asset allocation of the Fund to various broad asset classes. Specifically, the policy index will be a weighted index comprised of:

- 35% S&P 500
- 10% Russell 2000 Small Cap Index
- 05% Barclays Aggregate Bond Index
- 38% Barclays Government Bond Index
- 02% 90 Day T-Bills
- 10% Morgan Stanley Capital Indices EAFE (Europe, Australia, and Far East) International Index

The Finance Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Finance Committee regarding specific objectives and guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Finance Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Finance Committee expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Finance Committee.

DIVERSIFICATION FOR INVESTMENT MANAGERS

The Finance Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total fund, and no more than 30% of the total fund should be invested in any one industry. Individual treasury securities may represent 40% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS:

- Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better.
- Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.
- Fixed income maturity restrictions are as follows:
    - Maximum maturity for any single security is 30 years.
    - Weighted average portfolio maturity may not exceed 15 years.
- Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

SELECTION OF INVESTMENT MANAGERS

The Finance Committee's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Investment Committee requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Maryhill Fund.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Finance Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Finance Committee intends to evaluate the portfolio(s) over at least a three year period, but reserves the right to terminate a manager for any reason including the following:

Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review the investment policy at least annually.

ADOPTION

This statement of investment policy was revised on by the Finance Committee of the Maryhill Museum of Art during its meeting November 11, 2015. These revisions were presented to the Board of Trustees who adopted proposed changes to the museum Investment Policy on Saturday, November 14, 2015. This policy supersedes the previous policy adopted by the Board of Trustees in 2005, and revised in 2008, 2009 and 2010.