



## ENDOWMENT ASSET ALLOCATION

The Investor understands that one of the primary tools for controlling risk is the diversification offered by different asset classes. Additionally, the impact of economic return drivers on the assets held in the various Investment Pools (i.e., interest rates, inflation, liquidity, public/private, growth rates, valuation levels, etc.) differs according to their end purpose. In order to accomplish the necessary diversification, the Fund will seek to invest in a broad range of asset classes that derive returns in ways fundamentally dissimilar from one another.

The assets currently known as the Portfolio will be allocated among asset classes within the following ranges:

	Allowable Range
Cash & Enhanced Cash	0% to 10%
Fixed Income	18% to 28%
Global Equity	25% to 55%
Opportunistic	0% to 10%
Inflation Sensitive	5% to 15%
Hedged Equity	10% to 20%

### **Asset Class Descriptions and Benchmarks**

The following list describes the primary investments included in each of the asset classes listed above. The descriptions are intended to be an indication of the likely investments and not an exhaustive list. Most asset classes will be implemented using pooled vehicles such as mutual funds, common trust funds and limited partnerships.

- Cash & Enhanced Cash: 91 Day TBILL Index
  - High quality investments involving minimal risk of principal such as a diversified money market fund.
  
- Fixed Income: Barclays Aggregate Index
  - Fixed income securities of varying maturity including government bonds, government sponsored agency bonds, mortgage backed and asset backed securities, corporate bonds and notes.
  
- Equity: Global – MSCI All Country World Index (ACWI)
  - Global Equity invests in securities listed on the major exchanges around the world. Global equity securities may be domiciled in developed and emerging markets and will expose the Foundation to currency risk as the equities may be denominated in the local currency of the market in which they trade. The global equity pool may consist of pooled vehicles and/or separate accounts.
  
- Opportunistic: Blended benchmark reflecting the underlying Managers' strategy

- Opportunistic Investments are generally in the form of Limited Partnerships that are formed to take advantage of opportunities including those in privately traded assets. Participation in this asset class should be limited to funds offered by Managers with deep research capabilities and solid records of success through value oriented contrarian investing. By virtue of the implementation of their strategy, Opportunistic Investments tend to be very long term and often less liquid (commonly with lockups of 7-10 years) – private equity is an example of this type of strategy.
- Inflation Sensitive: Blended benchmark reflecting the underlying Managers' strategy
  - Investments will include high quality private commercial real estate and tactical inflation sensitive funds that will invest in a number of inflation related strategies including inflation-linked bonds, real estate investment trusts (REITs), commodities and commodities-linked equities. The tactical inflation sensitive funds can also be expected to have exposure to common stocks, fixed income, and cash securities domiciled in the U.S., developed international markets, and developing markets.
- Hedged Equity: HFRI Fund Weighted Index
  - Public hedging vehicles where the Manager has discretion to invest in a broad spectrum of securities and asset classes. It is expected that the asset allocation of these funds will vary significantly over time based on the Manager's view of the markets. Hedged Equity Investments may be liquid (i.e. – daily traded and priced mutual funds, commingled funds with routine liquidity, etc.) or in less liquid formats (i.e. – limited partnership with quarterly or annual liquidity).



## **INVESTMENT POLICY – NON-ENDOWED FUNDS**

The West Tennessee Healthcare Foundation (“Investor”) offers five investment options for Donor-Advised Funds (“DAFs”). At the inception of the fund, the Board of Trustees (the “Board”) shall select the investment option deemed by the Board to be in the best interest of the “Investor”; provided, however, that the Board will consider the donor’s preferences, and the Board will attempt to incorporate these preferences into investment selections pertaining to the fund, to the extent determined by the Board to be sound, reasonable, and prudent. The “Investor” has approved the following potential allocations for DAFs:

### **For DAFs to be held for a period of time less than twelve months:**

\_\_\_\_\_ **Option #1** – 100% allocation to cash. This allocation will be held in the Foundation’s cash account and will not earn a return, nor will it have any market risk.

### **For DAFs to be held for a period of time greater than twelve months:**

\_\_\_\_\_ **Option #2** – Conservative

\_\_\_\_\_ **Option #3** – Moderate

\_\_\_\_\_ **Option #4** – Growth

\_\_\_\_\_ **Option #5** – Endowment Portfolio

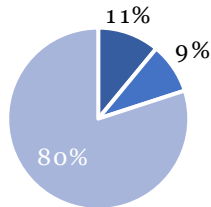
The donor understands that choosing one of these options may have market risk to the balance of the fund.

The Board will conduct an annual review of Donor Advised Funds to ensure that the selected investment option is still appropriate for the fund.

**INVESTMENT POLICY - DONOR ADVISED FUNDS**

Option #2

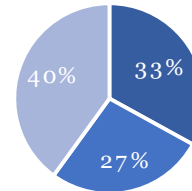
Conservative



- Fidelity 500 Index Fund S&P (FXAIX)
- Fidelity Global ex U.S. Index Fund (FSGGX)
- Fidelity U.S. Bond Index Fund (FXNAX)

Option #3

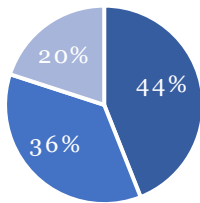
Moderate



- Fidelity 500 Index Fund S&P (FXAIX)
- Fidelity Global ex U.S. Index Fund (FSGGX)
- Fidelity U.S. Bond Index Fund (FXNAX)

Option #4

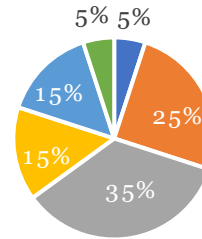
Growth



- Fidelity 500 Index Fund S&P (FXAIX)
- Fidelity Global ex U.S. Index Fund (FSGGX)
- Fidelity U.S. Bond Index Fund (FXNAX)

Option #5

Foundation Endowment Policy



- Cash
- Global Equity
- Inflation Sensitive Assets
- Fixed Income
- Hedged Equity
- Opportunistic

**Investment Option Expense:**

	Conservative	Moderate	Growth	Endowment
Total Expense Ratio:	0.027%	0.030%	0.032%	0.77%

\*Option #1 is 100% allocation to cash, reserved for Donor Advised Funds to be held at The Foundtaion for a period of time less than twelve months. This allocation will not earn a return, nor will it have any market risk.