

Investment Policy Statement

For

Greater Montana Foundation (GMF)¹

¹ GMF's Investment Policy Statement was originally adopted its annual on June 3, 2005. It was amended at by the GMF Board of Trustees at the annual meeting on June 24, 2010.

The original GMF investment policy statement was first developed in 2005 by the GMF Trust & Investment Committee with the assistance of the GMF Investment Consultant (Craig Anderson) and the GMF Investment Advisor (Joe Robinson). An earlier draft of this investment policy statement was formally approved by the GMF Board of Trustees at its annual meeting in Missoula in 2005.

When the GMF Board voted to approve the investment policy statement on June 3, 2005, it did so with the understanding that the statement would include several conceptual amendments that were suggested at the June 3 meeting by Trustee Bill Whitsitt. Subsequently, Trustee Steve Browning filled in the language suggested by Trustee Whitsitt, and a new amended version of this Investment Statement was e-mailed on June 12, 2005 to the GMF Trust & Investment Committee by Committee Chair, Steve Browning. In view of the above, the copy of the Investment Statement that appears in the following pages should be considered to be enforceable guidelines.

It should also be noted that the GMF Board, when it adopted this policy statement in its June 3, 2005 annual meeting, it committed to revisit the language of this policy statement at its 2006 annual meeting. Subsequently, in its annual meeting on June 24, 2010, the GMF Board of Trustees amended the policy statement both to allow different types of investments and to revise he policy guidelines for investment.

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I. Introduction

- a. Purpose and Scope of the Foundation - The Greater Montana Foundation (the "Foundation") was established in 1958. While originally established for the purpose of assisting mass communications for the benefit of Montana citizens, the current stated purpose of the Foundation is to benefit the people of Montana by encouraging communication, with an emphasis on electronic media, on issues, trends and values of importance to present and future generations of Montanans.
- b. History of the Investment Statement
 - i. This statement presents the investment planning processes that have been adopted by the Greater Montana Foundation (the "Foundation") to manage assets entrusted to it.
 - ii. This statement has been formally approved by the Foundation's Board of Trustees (the "Board").
 - iii. This statement was initially developed by the Foundation's Trust & Investment Committee (the "Committee").
 - iv. Oversight of this statement is the Committee's responsibility.
 - v. Any changes to this policy made by the Committee are effective only until the next Board meeting.
- c. Definition of Key Terms - Throughout this investment statement the following four key terms (goals, policies, objectives and guidelines) are used repeatedly. These four terms are not synonymous. Each has a separate meaning. They should be interpreted to have the following meanings:
 - i. **Goals** - Investment goals are *general statements*, offering general directions and aims to be pursued by the Foundation in managing the assets that have been entrusted to it. The Board sets GMF's investment goals. These goals guide the Foundation's Trust and Investment Committee in selecting specific objectives for investing the Foundation's assets.
 - ii. **Policies** - Investment policies are *also general statements*, offering general methods or processes to achieve the Foundation's investment goals. The Board sets GMF's investment policies. These policies help guide the Foundation's Trust and Investment Committee in selecting guidelines necessary to achieve the Foundation's investment objectives.
 - iii. **Objectives** - Investment objectives are *specific statements*, including specific statements about measurable conditions, or "milestones", that must be accomplished in total, or in some combination, to continue meaningful pursuit of the Foundation's goals. These objectives are set by the Committee and are reviewed periodically by the Foundation's Board of Trustees.
 - iv. **Guidelines** - Guidelines are *also specific statements*, including measurable methods, criteria, tasks and programs selected by the Committee, in collaboration with the Foundation's Investment Consultant, for the purpose of achieving the Foundation's investment objectives. These guidelines are set by the Committee and are reviewed periodically by the Foundation's Board.
- d. Purposes of the Investment Statement
 - i. This investment planning statement is intended to provide guidance to the Foundation's Board and other parties interested in the management of the Foundation's assets.

- ii. The guidance and limitations set forth in this statement are intended to provide the Board and other interested parties with a clear understanding of the investment goals, policies, objectives and guidelines guiding the investment of the Foundation's assets.
- iii. It is the intent of this investment statement to provide a meaningful framework for the investment of the Foundation's assets and intended to be overly restrictive given changing economic, business, and capital market conditions.
- iv. It is understood that there can be no guarantees about the attainment of the investment objectives outlined here.
- v. This document provides goals, policies, objectives, and guidelines selected to manage the Foundation's assets.
- vi. Among other things, this statement
 - 1. Establishes guidelines for an appropriate risk posture to control the investment of the Foundation's assets.
 - 2. Establishes other investment guidelines regarding the selection of investment managers, mutual funds, exchange-traded funds, permissible securities and diversification of assets.
 - 3. Establishes the guidelines, including the criteria for evaluating the performance of the investment managers and of the Foundation's assets as a whole.
 - 4. The Board believes that the investment goals and policies established by this statement are dynamic.
 - 5. These dynamic goals and policies, as well as the investment objectives and guidelines established by the Committee, shall be subject to continuing review by the Board and its Trust & Investment Committee to ensure that they adequately reflect changes related to the Foundation and the capital markets.

II. Responsibilities of the Foundation Representatives

- a. Board of Trustees (The "Board")
 - i. The Board bears ultimate responsibility for Foundation assets and the appropriateness of its investment policy and execution.
 - ii. This responsibility includes establishing clear and reasonable investment goals and policies.
 - iii. Beyond the responsibility for establishing the Foundation's investment goals and policies, much of the work implementing this statement about the Foundation's investments rests with the Committee on Trusts and Investments.
- b. The Committee on Trusts & Investments (The "Committee")
 - i. The Board approved the creation of the Committee on October 19, 2004.
 - ii. Among other duties, the Committee was charged with the task of drafting an investment planning statement for the Foundation.
 - iii. The Committee's draft investment statement for the Foundation was approved by the Board at its annual meeting on June 4, 2005.
 - iv. The Committee is required to serve as the initial contact point for the Foundation on all matters relating to the investment of the Foundation's assets.
 - v. Specifically, the Committee shall perform the following duties:

1. With the assistance of an investment consultant, recommend a long-term strategic investment plan for the Foundation's assets, including an asset allocation strategy.
 2. This plan should include evaluating and determining the risk tolerance of the Foundation and establishing, reviewing and maintaining a long-term asset allocation policy consistent with the Foundation's long-term investment objectives, financial needs and circumstances;
 3. With the assistance of an investment consultant, recommend asset allocation parameters between asset classes, guidelines, goals, and tolerance for risk as documented in this investment policy.
 4. With the assistance of an investment consultant, determine an appropriate investment manager structure and the selection or termination of investment managers/funds;
 5. With the assistance of an investment consultant, recommend the selection or termination of investment consultants and custodians for the Foundation's assets;
 6. With the assistance of an investment consultant, monitor and evaluate the performance of the Foundation investment manager or managers;
 7. With the assistance of an investment consultant, help manage and oversee the Foundation's cash flows and to establish appropriate cash management guidelines;
 8. Where practical, to utilize separately managed accounts in making investments for the Foundation,
 9. Mutual funds, exchange-traded funds, other commingled investment vehicles, or limited partnerships may also be used from time-to-time to implement the investment strategy of the Foundation.
 10. For mutual, exchange-traded, other commingled funds, and limited partnerships the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments. Investment managers, however, shall be guided by the general principles and constraints outlined in this investment policy.
 11. Such other duties as may be described in this investment planning statement or as delegated by the Board of Trustees.
- c. Investment Consultant (the "Consultant") – The Consultant shall be retained by the Board of Trustees and shall have the following responsibilities:
- i. Assist the Committee in long-term strategic investment planning. This includes providing assistance in evaluating and determining risk tolerance of the Foundation, developing an investment policy, asset allocation strategy, and investment management structure;
 - ii. Assist the Committee in determining an appropriate investment manager structure and assistance in the selection or termination of investment managers/funds;
 - iii. Provide to the Committee quarterly performance measurement reports for agreed upon accounts and to assist the Board of Trustees in interpreting the results;
 - iv. Assist the Committee in establishing appropriate cash management policies including re Investment Custodian commendations for generating Foundation cash flows;

- v. Act as a liaison between investment managers and the Committee and thereby facilitate the communication of important information about the management of the Foundation's assets; and
 - vi. Execute other duties as may be mutually agreed to.
- d. Investment Custodian (The "Custodian")
- i. The Foundation's assets invested in managed accounts shall be held by an institution designated as the Custodian that shall manage, control, collect and use the assets of the Foundation in accordance with the terms of a separate Custodial Agreement, as well as the terms of this investment policy.
 - ii. Assets held in mutual funds, exchange-traded funds, other commingled funds, or limited partnerships are not required to be custodied with the same institution that acts as the Custodian for the managed accounts.
 - iii. The Committee recognizes that accurate and timely completion of custodial functions is necessary for effective investment management and accurate records. Following are the basic duties of the Custodian:
 - 1. Provide complete custody and depository services for the managed accounts;
 - 2. Provide for the investment of any cash;
 - 3. Implement in a timely and effective manner the investment actions as directed by the investment managers, the Board or an authorized representative;
 - 4. Collect all realized income and principal and properly report it on periodic statements;
 - 5. Provide monthly and annual accounting statements for the Foundation's assets, including all transactions. These should be based on accurate values and market values. These reports should be provided on a timely basis;
 - 6. Report to the Committee situations where security pricing is either not possible or subject to considerable uncertainty; and
 - 7. Provide assistance to the Committee to complete such activities as the annual audit, transaction verification or unique circumstances.
- e. Investment Managers
- i. The Foundation may have one or more investment manager.
 - ii. Each investment manager is expected to manage the Foundation's assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this investment policy and in accordance with applicable laws.
 - iii. Each investment manager is expected to manage the Foundation's assets in a manner consistent with "Prudent Investor" standards, and all other fiduciary responsibility provisions and regulations.
 - iv. Each investment manager shall at all times be registered as an investment adviser under the Investment Advisers Act of 1940 (where applicable) and shall acknowledge in writing that they are a fiduciary with respect to the assets they manage.
 - v. The Foundation's assets will be managed by experienced investment management firms.
 - vi. Except as noted below, each investment manager shall have the discretion to determine their portfolio's individual securities selection.
 - vii. The Foundation's assets are expected to operate within an overall asset allocation strategy defining the Foundation's mix of asset classes.

- viii. This strategy, described below, sets a long-term percentage target for the amount of the Foundation's market value that is to be invested in any single class of assets.
- ix. The allocation strategy also defines the allowable investment shifts between the asset classes above and below the target allocations.
- x. Each investment manager shall be delegated responsibility for establishing and maintaining the asset allocation strategy for its individual portfolio. Therefore, the asset allocation strategy for each investment manager's portfolio can deviate from the overall Foundation's asset allocation.
- xi. The Committee, however, is responsible for monitoring the aggregate asset allocation and will re-balance to the target allocation on a periodic basis.
- xii. Each investment managers shall be responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical.
- xiii. Each investment manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Committee upon request.

III. Elements of the Foundation's Investment Planning Statement

- a. Investment Goals - The Investment Goals of the Foundation are as follows:
 - i. To achieve a positive rate of return over the long-term that is essential to meet the cash flow needs of the Foundation;
 - ii. To maintain or grow the purchasing power of assets over the long-term, net of cash flows;
 - iii. To generate a level of current income sufficient to meet distribution needs, but when shortfalls occur in the Foundation's current income required to meet its distribution needs, those shortfalls may be made up from net realized capital appreciation;
 - iv. To achieve investment results over the long-term that compare favorably with those of other professionally managed portfolios, endowments and appropriate market indexes.
- b. Investment Policies - It is expected that observance of the following policies by the Foundation's investment managers will result in a well-diversified portfolio structure that will achieve a positive rate of return over the long-term that is essential to meet the cash flow needs of the Foundation. The Investment Policies of the Foundation are as follows:
 - i. To invest the Foundation's assets in accordance with sound investment practices, which emphasize long-term investment fundamentals.
 - ii. To follow a balanced investment approach and a patient investment strategy.
 - iii. To recognize that the Foundation's assets are exposed to risk and that the market value of those assets may fluctuate from year-to-year.
 - iv. To recognize that participating in volatile markets can be acceptable, so long as the Foundation's assets are invested primarily for capital appreciation over the long-term;
 - v. To diversify the Foundation's assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that may result from concentrated positions;
 - vi. To emphasize investments in marketable securities managed by professional investment managers but may also be in commingled fund investment vehicles;

- vii. To invest with broad diversification by asset class, number of issues, issue type, and other factors consistent with the investment objectives outlined in this investment policy; and
- viii. To invest with prudent levels of risk and with the expectation that long-term total returns (yield plus capital appreciation) will increase the purchasing power of the Foundation's assets, net of all disbursements.

c. Investment Objectives

- i. To earn returns higher than the "market," as represented by a benchmark index or mix of indexes reflective of the Foundation's return objectives and risk tolerance.
- ii. At this time, the primary benchmark or "policy index" for the Foundation's assets is to be constructed as follows:
 - 1. For Large Cap Stocks: 35% S&P 500 Stock Index
 - 2. For Small Cap Stocks: 5% Russell 2000 Index
 - 3. For Mid Cap Stocks: 5% Russell Midcap index
 - 4. For International Stocks: 10% MSCI EAFE Index
 - 5. For Bonds: 30% Barclay's Capital Aggregate Bond Index.
 - 6. For Real Assets 5% NAREIT Equity Index and 2.5% Goldman Sachs Commodities Index
 - 7. For Alternative Assets 7.5% HFRI Fund of Fund Index²
- iii. The Foundation is expected to exceed the average annual return of this primary benchmark on a risk-adjusted basis over a three- to five-year rolling time period and a full market cycle.
- iv. The Foundation also is expected to exceed the following performance targets:
 - 1. The real return objective (where the return is adjusted for inflation) is to achieve at least 5% return. The inflationary index to be used in making this calculation shall be the U.S. All Urban Consumer's Price Index ("CPI").
 - 2. The Foundation assets are expected to exceed the policy index return and the real return objective, each measured on a compound average annual return basis after the deduction of investment management fees and annualized over a three- to five-year rolling time period and a full market cycle: and
 - 3. Performance will be compared to a peer group universe comprised of other endowments and foundations.
- v. In establishing the investment objectives of the Foundation's assets, the Committee has taken into account the time horizon available for investment, the Foundation's financial needs and circumstances and the role these assets play in satisfying these needs and other factors that affect their risk tolerance.
- vi. In establishing the investment objectives of the Foundation's assets, the Committee also took into account the following factors:
 - 1. The time horizon available for investment;
 - 2. The Foundation's financial needs and circumstances; and

² No more than 15% of total plan assets [i.e. 6 & 7 above] can be invested in *real assets* and *alternative assets*.

3. The role that these assets play in satisfying these needs and other factors that affect risk tolerance.

d. Investment Guidelines

- i. In consultation with the Investment Consultant, the Committee has established the following guidelines for investment of the Foundation's assets:
 1. The Committee will monitor the Foundation's assets performance on a quarterly basis.
 2. The Committee will evaluate each investment manager's contribution toward meeting the investment objectives outlined below over a three- to five-year time period and a full market cycle, unless otherwise noted.
 3. General Guidelines for the Foundation's Investment Managers.
 - a. Each investment manager is expected to manage the Foundation's assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this investment planning statement and in accordance with applicable laws.
 - b. Each investment manager is also expected to discharge their responsibilities to the Foundation in a manner that is consistent with "Prudent Investor" standards, and all other fiduciary responsibility provisions and regulations.
 - c. Each investment manager shall at all times be registered as an investment adviser under the Investment Advisers Act of 1940 (where applicable) and shall acknowledge in writing that they are a fiduciary with respect to the assets they manage.
 - d. The Foundation's assets will be managed by experienced investment management firms.
 - e. To utilize separately managed accounts to implement the investment strategy of the Foundation, where practical.
 - f. Mutual funds, exchange-traded funds, other commingled investment vehicles, or limited partnerships may also be used from time-to-time to implement the investment strategy of the Foundation.
 - g. For mutual, exchange-traded, other commingled funds, and limited partnerships, the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments.
 - h. Investment managers, however, shall be guided by the general principles and constraints outlined in this investment statement.
 4. Selection Criteria Guidelines for Investment Managers - Investment managers and/or mutual, exchange-traded, commingled funds, and limited partnerships retained by the Board of Trustees shall be chosen using the following criteria:
 - a. Past performance relative to other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
 - b. The investment style and discipline of the investment manager and/or fund;

- c. How well the manager's (or fund's) investment style or approach complements other assets in the Foundation;
 - d. Level of experience, financial resources, and staffing levels of the investment management firm or fund;
 - e. Ability and willingness to service this account in a customized fashion as outlined in this investment policy, or the investment manager's agreement with the Foundation;
 - f. Restrictions, if any, on the frequency with which investors may transfer assets into or out of any fund or separately managed portfolio;
 - g. Type and appropriateness of reporting and investor communication materials;
 - h. Fees, relative to investment style and expected risk and return;
 - i. All mutual funds shall be registered investment companies as defined under the Investment Company Act of 1940;
 - j. The investment companies need not be classified as "diversified" investment companies (as defined in the Investment Company Act of 1940);
 - k. An assessment of the likelihood of future investment success, relative to other opportunities.
5. Guidelines Applicable to Commingled Fund Investments:
- a. The investment guidelines for any commingled, mutual funds, or exchange-traded funds and limited partnerships are detailed in the prospectus or Declaration of Trust for the individual funds.
 - b. Where there are differences between the investment guidelines of the fund and this investment policy, the Declaration of Trust (or prospectus) shall govern.
6. Guidelines Applicable to Separately managed accounts.
- a. Investment activity must be consistent within the requirements of this policy, the investment manager's management agreement with the Foundation and applicable laws.
7. Asset Allocation Guidelines for all managed accounts.
- a. Each investment manager shall be delegated responsibility for establishing and maintaining the asset allocation strategy for their individual portfolio.
 - b. Unless otherwise noted in these guidelines, under normal market conditions, each investment manager is expected to be invested primarily in equities and/or fixed income securities consistent with their investment style as described in Appendix 2 and the investment manager's management agreement.
 - c. Except for the initial three months after being retained by the Foundation, or as noted below, each investment manager shall not invest more than 10% of the market value of their portfolio in cash or cash equivalents.
 - d. There may be rebalancing required for the asset allocation of managed accounts, and if so the following will apply:

- i. The allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles.
- ii. Each investment manager will be expected to maintain the asset allocation of their portfolio consistent with the target asset allocation established for their portfolio (as described in the attachments to this investment policy).
- iii. Since capital appreciation (depreciation) and trading activity in each individually managed account can result in a deviation from the overall Foundation's allocation, the aggregate asset allocation of the Foundation will be monitored by the Consultant for the Foundation.
- iv. Working with the Consultant on these matters, the Committee will review the asset allocation and investment manager structure on a periodic basis.
- v. Should there be a deviation in an allowable range for an asset class or investment style, the Committee will meet or conference in order to decide when and how to rebalance the existing assets to within the allowable ranges with a bias towards the target allocation.
- vi. Due to the dynamic nature of market value fluctuations, the Committee recognizes and accepts the fact that deviations from the asset allocation ranges can occur during interim periods between reporting periods.
- vii. In addition to the activities covered by this paragraph, working with the Committee, the Board shall review and rebalance the actual asset allocation periodically in order to ensure conformity with the adopted strategic allocation.

8. Guidelines for Permitted Securities

a. Domestic Securities:

- i. The securities purchased shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter market.
- ii. Equity securities include: common stocks, real estate securities (defined below), and securities convertible into common stock of U.S. based companies.
- iii. Convertible securities include: securities that are convertible into the common stock of U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (e.g. PERCs, CHIPs, ELKs).
- iv. All convertible securities purchased must be U.S. dollar denominated securities.
- v. Individual convertible securities should be rated "B" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency.
- vi. For the purposes of asset allocation, convertible securities shall be considered equities.

- vii. Real estate securities include: Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trusts' (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of assets are equity financed properties). REITs may be perpetual life REITs or finite life REITs.
- viii. Fixed income securities include: Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. corporations, Yankee bonds and notes (bond or notes issued by non-U.S. based corporations and governments but traded in the U.S.), securitized mortgages (e.g. GNMA's, FNMA's, FHLMC's), collateralized mortgage obligations, asset-backed securities, taxable municipal bonds, and preferred stock.

b. International Securities

i. Allowable international securities are:

- 1. Sponsored and unsponsored American Depository Receipts (ADR's) or American Depository Shares (ADS's) or other depository securities of non-U.S. based companies traded in U.S., closed-end country funds and exchange-traded funds.
- 2. Equities of foreign domiciled companies that are traded in the U.S. may also be purchased so long as the securities are registered (or filed) with the Securities and Exchange Commission and traded on a recognized national exchange or over-the-counter market.

ii. Cash and Equivalents.

- 1. It is generally expected that the investment manager will remain fully invested in equity and/or fixed income securities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies.
- 2. Cash reserves shall be held in the custodian's money market fund, short-term maturity Treasury securities, or high quality money market instruments.

9. Guidelines for Excluded Investments

- a. For mutual, exchange-traded, other commingled funds, limited partnerships and the prospectus or Trust documents of the fund(s) will govern the investment policies of the Foundation investments.
- b. The Foundation's assets invested in separately managed accounts, however, shall be guided by the general principles and constraints outlined in this investment statement.

- c. Further, the Foundation's assets in separately managed accounts with the exception of when these strategies are used in alternative asset strategies, may not be used for the following purposes:
- i. Short sales;
 - ii. Purchases of letter stock, private placements (including 144A securities), or direct payments;
 - iii. Leveraged transactions;
 - iv. Purchases of securities not readily marketable;
 - v. Commodities transactions;
 - vi. Puts, calls, straddles, or other option strategies;
 - vii. Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts, commodity exchange traded funds and limited partnership funds;
 - viii. Investments in tax-exempt securities;
 - ix. Lending or otherwise hypothecating securities;
 - x. Investments in limited partnerships except for publicly traded Master Limited Partnerships; (remove)
 - xi. Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement;
 - xii. Purchases of non-U.S. dollar denominated securities;
 - xiii. Investments by the investment managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Committee);
 - xiv. Any other security or transaction not specifically authorized in this investment policy, unless approved, in writing, by the Committee.

10. Guidelines for Diversification Requirements

- a. To minimize the risk of large losses, each investment manager shall maintain adequate diversification in their portfolio.
- b. Subject to the constraints outlined in this Investment Statement, and the investment manager's agreement with the Foundation, each investment manager shall have the discretion to determine their portfolio's individual security selections.

11. Guidelines for Large/Medium Capitalization U.S. Stock Portfolio(s)

- a. Investments in any one individual equity security should not exceed 7% of the market value of the investment manager's portfolio;
- b. Holdings of any single issue in each investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company;
- c. The maximum allocation to any single economic sector in a portfolio shall not exceed the greater of 15% of the market value of the

investment manager's portfolio or 200% of the economic sector's weighting in the S&P 500 Stock Index, or the investment manager's primary equity policy index, if different. Economic sector definitions shall be according to the investment manager's own classifications, which should be provided to the Board or Directors or an authorized member upon request;

- d. Equities are limited to large and medium capitalization stocks.
- e. The minimum market capitalization at the time of purchase should be greater than \$1 billion; and
- f. From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-U.S. companies that otherwise conform to the provisions of this investment policy.

12. Guidelines for Fixed Income Portfolio(s)

- a. Fixed income securities (except for those listed below) shall be rated "BBB-" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency.
- b. The minimum dollar-weighted average credit quality rating of the fixed income portfolio shall be "A". Asset backed securities, mortgage backed securities, and CMO's shall be rated "AAA" (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency;
- c. Fixed income securities of a single issuer or issue, with the exception of U.S. Government and Agency securities, are limited to no more than 10% of the market value of the fixed income portfolio.

13. Guidelines for Broad investment grade portfolio(s) only:

- a. The maximum effective maturity of any single security should not exceed 30 years.
- b. The dollar weighted average duration of the fixed income portfolio should be within + or - 25% of the dollar weighted average duration of the fixed income style index;
- c. No more than 30% of the market value of an investment manager's portfolio may be invested in a single sector of the corporate fixed income market.
- d. Sector definitions shall be according the investment manager's own classifications, which should be provided to the Board of Trustees or an authorized member upon request;
- e. Mortgage backed securities may be purchased on a "when issued" or "TBA" basis (a forward contract transaction for mortgage backed issues that are to be issued in the near term).
- f. A short-term investment can back a "when issued" commitment as long as its effective duration does not exceed 180 days. These short-term investments should be considered within the fixed income allocation of the portfolio;
- g. Collateralized mortgage obligations are limited to securities that are currently paying interest, receiving principal paydowns and do not contain leverage.

- h. CMO's are limited to no more than 20% of the market value of the portfolio;
- i. Purchases of mortgage securities whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pays no principal (e.g. interest only securities are prohibited);
- j. Mortgage securities whose payment represents the principal payments on the outstanding principal balance of the underlying mortgage-backed security and pays not interest (e.g. principal only securities) are prohibited;
- k. Purchases of mortgage securities whose payment of interest is determined by an index opposite to the changes in the market index (e.g. inverse floaters) are prohibited.

14. Guidelines for Balanced Portfolio(s)

- a. Permitted securities and diversification requirements for each asset class in the balanced portfolio shall be subject to the policy provisions outlined above for individual asset classes except that the position limit for each security (equity or fixed income) shall not exceed 12% of the market value of the total portfolio or 8% of the asset class.

15. Guidelines for Corrective Action Corrective Action.

- a. Corrective Action is a matter that will be handled initially for the Board by the Committee.
- b. In recommending corrective action, the Committee understands the following:
 - i. It is important to maintain a long-term focus when evaluating the performance of investment managers.
 - ii. There is potential for short-term periods when performance of individual managers may deviate significantly from the performance of representative market indexes.
 - iii. It is not required to recommend termination of an investment manager on the basis of short-term performance.
 - iv. If the investment manager adheres to its investment style and approach, a sufficient interval of time will be used to evaluate the manager's performance.
 - v. The Investment Consultant will provide guidance to the Committee in order to determine an appropriate length of time for evaluation.
 - vi. The investment manager's performance will be viewed in light of its particular investment style and approach, keeping in mind at all times the Foundation's diversification strategy as well as the overall quality of the relationship.
- c. In addition to long-term performance, an investment manager may be considered for termination based on the following conditions.
 - i. Any material event that affects the ownership or capital structure of the investment management firm, or the

management of this account the guidelines for investment transactions (see next paragraph).

- ii. Failure on the part of the investment manager to notify the Board of Trustees or Investment Consultant of such an event;
 - iii. Any material client servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in the guidelines for investment transactions (see next paragraph);
 - iv. Violation in terms of contract without prior written approval of the Board of Trustees;
 - v. Failure to adhere to the investment style practiced by the manager at the time of engagement.
- d. Notwithstanding any statement to the contrary in this document, the investment manager may be replaced at any time as part of an overall restructuring of the Foundation.

16. Guidelines for Investment Transactions.

- a. Trading for the Foundation is directed by and is the responsibility of each investment manager to whom the Committee on behalf of the Board has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the Foundation, the amount of such securities, and the brokers or dealers to be used in such transactions.
- b. The investment manager is generally obligated, absent the Committee's direction to the contrary, to effect transactions with or through those brokers or dealers that in the investment manager's view, are capable of providing best price and execution of client orders.

17. Guidelines for Meetings & Communications (For separately managed accounts).

- a. As a matter of course, each investment manager should keep the Committee and the Investment Consultant apprised of any material changes in the investment manager's outlook, investment policy, and tactics;
- b. Representatives from each investment manager should meet with the Board of Trustees on an annual basis, at a mutually convenient time and place, to review and explain their portfolio's investment results;
- c. Each investment manager should be available on a reasonable basis for telephone communication when needed;
- d. Any material event that affects the ownership or capital structure of the investment management firm, including changes in senior investment personnel or any other material event that affects the management of this account, must be reported promptly to the Board, the Committee or the Investment Consultant. (This requirement does not include routine employee stock ownership awards or partnership announcements);
- e. The Investment Consultant will provide written performance reports for each separately managed account and for the composite of these assets not less than quarterly; and

- f. The custodian should provide monthly statements of assets and transactions.

18. Guidelines for Performance & Evaluation

- a. As noted above, the Committee will monitor the performance of the investment managers and each Fund as a whole on a quarterly basis.
- b. The Committee will evaluate the Foundation's assets success in achieving the investment objectives outlined in this document over at least a three- to five-year time horizon.
- c. The Board and the Committee realize that most investments go through cycles. Therefore, there will be periods of time during which the investment objectives are not met or when some investment managers fail to meet their expected performance targets.
- d. The Foundation's assets (and investment managers) performance should be reported in terms of rate of return and changes in dollar value.
- e. The returns should be compared to appropriate market indexes and peer group universes, for the most recent quarter and for annual and cumulative prior time periods.
- f. The Foundation's allocation to each investment manager and Fund shall be reported on a quarterly basis.
- g. For the purposes of calculating the asset allocation of each Fund as a whole, the asset allocation of each commingled fund shall be assumed to be fully invested in the policy index to which it is compared.
- h. Based on information provided by the investment managers, the Committee will periodically check the actual asset allocation of the commingled funds.
- i. Risk as measured by volatility, or standard deviation of quarterly returns, shall be evaluated.
- j. An attribution analysis should also be performed for each of the separately managed accounts, to evaluate how much of each investment manager's results is due to that manager's investment decisions, as compared to the effect of the financial markets.
- k. It is expected that this attribution analysis will use the "policy index" as the performance benchmark for evaluating both the returns achieved and the level of risk taken.
- l. The investment manager's performance will also be evaluated in similar fashion according to the performance standards outlined in their individual policy statements.

19. Additional Requirements for Investment Managers

- a. The investment manager acknowledges the general guidelines presented in this investment policy and will seek to manage the portfolio in accordance with these guidelines.
- b. The investment manager will monitor the portfolio and will use its best efforts to correct any deviations from these guidelines as soon as reasonably practicable.
- c. Transactions or unanticipated market actions that cause a deviation from these policy guidelines shall be brought to the attention of the Committee by the investment manager prior to executing transactions, when practical.

- d. Such deviations may be authorized in writing by the Committee Chair, which can determine if the deviation constitutes a material departure from the spirit of this policy.
- e. Requests by investment managers to execute transactions that are not currently authorized in this investment policy should be made prior to executing such transactions.


20. Additional Guidelines for Investment Transactions

- a. Trading for the Foundation is directed by and is the responsibility of each investment manager to whom the Committee on behalf of the Board has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the Foundation, the amount of such securities, and the brokers or dealers to be used in such transactions.
- b. The investment manager is generally obligated, absent the Committee's direction to the contrary, to effect transactions with or through those brokers or dealers that in the investment manager's view, are capable of providing best price and execution of client orders.

IV. Approval

It is understood that this investment statement was approved by the Greater Montana Foundation's Board of Trustees on June 4, 2005 and shall be reviewed periodically by the Foundation's Trust and Investment Committee for the Board of Trustees to determine if any revisions may be warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, changes in the Foundation, or changes involving the investment managers.

The Board of Trustees understand and agree that the provisions of this document are subject to any relevant investment advisory agreement and to the extent an any conflict, the terms of the investment advisory agreement controls. The Board of Trustees further understand that this investment policy statement does not provide any additional rights other than those that are described in any investment advisory agreement.



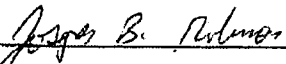
Chair, Investment & Trust Committee
Greater Montana Foundation

11/18/2010
Date

Investment Manager

Deviations from the investment policies and constraints outlined in this document may be authorized in writing by the Board of Trustees when they determine that the aggregate deviation does not constitute a material departure from the spirit of this investment policy.

The investment policy as set forth in this document will be reviewed periodically by the Foundation's Trust and Investment Committee for the Foundation's Board of Trustees who can approve and implement changes. If at any time the investment manager believes that these objectives cannot be met or that the investment guidelines constrict performance, the Foundation's Trust and Investment Committee should be so notified in writing. By initial and continuing acceptance of these objectives and guidelines, the investment manager agrees to abide by the provisions of this document effective as of the date below.



Wells Fargo Private Client Services

11-18-10
Date

Appendix 1. Investment Manager Structure and Rebalancing Ranges

Wells Fargo Private Client Services Investment Portfolio

Wells Fargo Private Client Services has been retained as an investment manager to manage a balanced portfolio. The Investment Advisor has been delegated the responsibility of managing the asset allocation of this portfolio in accordance with the asset allocation strategy described below. The Board of Trustees shall review the actual asset allocation of this portfolio, based on information provided by the investment manager, at least each quarter in order to ensure conformity with the adopted strategic asset allocation.

Under normal market conditions, the allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles. From time-to-time, however, the investment manager may shift the asset allocation or investment style allocation to take advantage of perceived valuation opportunities, so long as such shifts do not violate the asset allocation ranges outlined above. Such shifts are expected to be infrequent and involve only incremental shifts in the asset class/investment style mix.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target Average</u>	<u>Maximum</u>
A. Equities			
1. Domestic Large/Medium/Small Capitalization Stocks	20%	45%	50%
2. International Equities	5%	10%	20%
3. Cash and Cash Equivalents	0%	0%	10%
Total Equities	25%	55%	80%
B. Fixed Income			
1. Domestic Investment Grade Fixed Income	20%	30%	40%
2. Cash and Cash Equivalents	0%	0%	10%
Total Fixed Income	20%	30%	50%
C. Real and Alternative Assets³			
1. Real Assets	3%	7.5%	12%
2. Alternative Assets	3%	7.5%	12%

Deviations from this asset mix guideline may be authorized in writing by the Board of Trustees, which may determine if the aggregate deviation constitutes a material departure from the spirit of the allocation strategies.

³ No more than 15% of total plan assets can be invested in real assets and alternative assets.

Appendix 2. Portfolio Performance Standards

Investment Manager - Wells Fargo Private Client Services

Investment Objective/Investment Style - Long-term growth and income. This is a balanced approach expected to earn long-term returns sufficient to preserve the purchasing power of assets net of disbursements and to fund grants in perpetuity. Diversified portfolio comprised of domestic equities, investment grade bonds and cash equivalents.

Policy Index Standard - Primary: 35% S&P 500 / 5% Russell Midcap Index / 5% Russell 2000 Index / 10% MSCI EAFE / 5% NAREIT Equity Index / 2.5 Goldman Sachs Commodities Index / 7.5% HFRI Fund of Fund Index / 30% Barclay's Capital Aggregate Bond Index. Secondary: Rates of return should provide a premium of 5% over inflation. Performance will be compared to a peer group comprised of other endowments and foundations. Risk: Volatility should be similar to the policy index.