



KING BAUDOUIN
FOUNDATION
UNITED STATES

**INVESTMENT POLICY STATEMENT
FOR THE INVESTMENT PORTFOLIOS MAINTAINED BY
THE KING BAUDOUIN FOUNDATION UNITED STATES (KBFUS)**

1. Introduction, Purpose and Scope

The King Baudouin Foundation United States (KBFUS) is a U.S. Section 501(c)(3) public charity that facilitates the flow of philanthropic funds from the United States to Europe and Africa. In connection with these activities, KBFUS maintains various unrestricted, temporarily restricted and permanently restricted investment portfolios, which are each associated with a specific fund - such as Operational endowment funds, Donor-advised funds, Designated funds, and American friends funds.

The Board of Directors of KBFUS (the 'Board') has established an Investment Committee to assist KBFUS in all matters relating to investments of long-term assets and short-term cash management (the 'Committee'). The Board has adopted this Investment Policy Statement to provide guidelines for the investment of the assets of its investment portfolios. This document sets forth the policies to be followed by the Board, the Committee, and the asset managers retained by KBFUS to manage its investment portfolios (the 'Managers').

2. Duty of Care

It is the Board's wish that all assets of KBFUS be managed in a manner that is consistent with (a) the duty of care owed by the members of the Board to KBFUS, (b) KBFUS' charitable purposes, and (c) sound and prudent practices commonly employed in investing the institutional funds of a charity. In seeking to attain the investment objectives set forth in this document, the Board, the Committee and the Managers shall act with care, skill, prudence and diligence, applying standards that a prudent person familiar with such matters would use in similar circumstances. Investment decisions shall be based solely on the interests of KBFUS.

3. Investment Objectives

The primary, overall investment objective of KBFUS is the preservation of the principal of invested assets. To maintain purchasing power and increase available amounts for its future charitable programs, KBFUS also seeks long-term capital appreciation and a reasonable rate of investment return, which are traditionally associated with 'moderate risk' investment strategies. The Managers shall minimize risk by investing assets in a broad and diversified range of securities. Ambitious goals of profit maximization through speculative investments and market timing shall not be considered.

In addition to the overall investment objectives described above, specific investment objectives may apply to individual investment portfolios maintained by KBFUS, taking into consideration such factors as the risk tolerance, expected level of liquidity and need for current income of the fund associated with the portfolio. In the case of portfolios associated with a Donor-advised fund, these factors will be discussed with the donor, and the donor shall have the possibility to recommend specific investment objectives for their fund.

4. Investment Committee *(See current composition in Attachment 1)*

The primary responsibility of the Committee is to ensure that there is a secure framework for all investments, and that KBFUS assets are managed using reasonable and prudent investment practices.

The Committee's specific duties are: (a) Monitoring the performance of the Managers, and reviewing their fees for reasonableness; (b) Evaluating the Managers and assisting with their hiring or replacement; (c) Reviewing recommendations of the Managers, paying particular attention to prudent asset-class choices and diversification of the portfolios; (d) Periodically reviewing the investment policy statement and recommending changes to the Board when needed.

Membership and organization of the Committee: (a) The Committee consists of a minimum of three and a maximum of five members; the Treasurer of KBFUS serves on the Committee ex officio; (b) The members of the Committee are selected for their investment knowledge and expertise, for their common sense and broader view on the economic climate, and for their understanding of the specific needs associated with the management of non-profit endowments; (c) The members of the Committee are appointed by the Board; they serve for renewable four-year terms and are not compensated for their service; (d) The Committee meets twice a year and reports to the Board on an annual basis, or more frequently if circumstances require.

5. Selection of Four Investment Pools *(See underlying assets and name of current Manager in Attachment 2)*

The assets of all investment portfolios shall be invested along the lines of one of four investment pools that were approved by the Board: Money Market Pool, Income Pool, Growth & Income Pool, and Growth Pool.

The Board shall decide on the allocation of each portfolio to a specific investment pool, taking into consideration the risk tolerance, expected level of liquidity and need for current income of the fund associated with the portfolio. At the time of the allocation, the Board shall also take into account the general economic conditions then-prevailing, the possible effect of inflation or deflation, the expected total return from income and the appreciation of assets of each pool, the expected need to make distributions from the portfolio, and other pertinent factors. For investment portfolios associated with a Donor-advised fund, the Board welcomes advice from the donor as to the selection of the investment pool that is most appropriate for their fund.

The four investment pools and their asset allocations are described below:

		<u>Cash & Cash equivalents</u>	<u>Fixed income - Short</u>	<u>Fixed income - Long</u>	<u>Equities - Growth</u>	<u>Equities - Value</u>
<u>Investment Pools</u>	<u>Four</u>					
	<u>1 Money Market Pool</u>	[100%]	-	-	-	-
	<u>2 Income Pool</u>	[0-10%]	[20-35%]	[60-75%]	-	-
	<u>3 Growth & Income Pool</u>	[0-10%]	[0-20%]	[20-40%]	[10-30%]	[20-40%]
	<u>4 Growth Pool</u>	[0-10%]	-	-	[25-45%]	[50-70%]

6. Specific Provisions for Donor-Advised Funds

(a) Allocation of the assets of Donor-advised funds: Assets of Donor-advised funds with fund balances over \$15,000 may be allocated to one of the four investment pools described above. While the Board retains the ultimate authority to decide how the assets of a Donor-advised fund shall be invested, it also welcomes advice from the donor as to which of the four investment pools is most appropriate for their fund.

(b) Arrangements with selected Managers: Donors may suggest that the management of the assets of their Donor-advised fund be entrusted to a specific Manager, instead of allocated to one of the four investment pools. If approved by the Board, such arrangements shall be subject to the following rules: (a) The arrangement shall be governed by a separate agreement between KBFUS and the Manager, and KBFUS shall have the authority to terminate the agreement and replace the Manager upon thirty-days’ notice; (b) Each separately managed account shall be owned and titled in the name of ‘King Baudouin Foundation United States’ and the Manager shall take instructions (both written and verbal) only from authorized employees of KBFUS, and never from the donor; (c) The Manager shall strictly adhere to the guidelines of this investment policy statement; (d) The Manager shall submit quarterly reports to KBFUS, to include a detailed overview of the total return of the portfolio and of all commissions and fees paid for the management of the portfolio.

(c) Increase or decrease in Donor-advised fund value: All income from the investment of a Donor-advised fund belongs to KBFUS and the Board has the sole discretion as to the allocation of such income. The current practice is to allocate the income from the investment of a particular Donor-advised fund to that fund, and to permit the donor to make recommendations as to the purposes for which that income shall be distributed. Any increase or decrease in the value of a Donor-advised fund affects only the amount available for future grants and does not affect the donor’s personal assets or tax situation.

7. Permitted and Prohibited Investments

Assets of investment portfolios maintained by KBFUS may be invested in any of the following:

(a) Cash equivalents, such as U.S. Treasury bills, money market funds, certificates of deposit, and interest-bearing checking and savings accounts; (b) Publicly traded fixed income securities, such as securities issued by U.S. or foreign government agencies, and corporate notes and bonds. *(Minimum criteria for fixed income investments: par value of issue of \$100 million or higher; rating of at least AA (Standard & Poor's) or Aa (Moody's); no single maturity longer than 30 years, with average maturity not exceeding 10 years);* (c) Publicly traded equity securities, such as domestic or foreign common stocks, preferred stocks, and convertible preferred stocks. *(Minimum criteria for equity investments: market value of company of \$500 million or higher; annual revenues of at least \$500 million);* (d) Mutual funds or exchange-traded funds which invest the majority of their portfolio in above listed securities, in real estate or in commodities.

Diversification: The equity and fixed income investments shall be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. No more than 10% of invested assets shall be invested in securities of any one issuer other than the U.S. government and its agencies. Investments in individual industries will not exceed 25% of the equity or equity-related assets.

The following investment activities are prohibited without prior written approval of the Committee:

Direct investments in short sales; margin purchases; unregistered or restricted stocks; commodities, precious metals or gems; derivative instruments, including options and futures contracts. Borrowing for investment purposes, pledging of assets, and investing in speculative option strategies or in strategies where there is a risk of loss of more than the amount invested are also prohibited.

8. Contributions of Equities and Other Investment Assets

From time to time, KBFUS receives donor contributions in the form of equities or other investment assets. As a general rule, these investment assets shall be sold as soon as they are received by KBFUS. The Committee may however decide to waive this requirement if motivated by exceptional circumstances.

9. Amendment of the Investment Policy Statement

This investment policy statement shall be reviewed annually by the Committee. Any recommendations for changes or amendments shall be submitted to the Board, for further discussion and formal approval.

The Board of Directors of the King Baudouin Foundation United States (KBFUS) reserves the right to add, replace, or modify any aspect of this investment policy statement at any time and without prior notice.

(Updated version effective November 2012.)

Composition of the Investment Committee:

- Emile Boulpaep, Professor at Yale University School of Medicine, Board Member of KBFUS.
- Katrien Carbonez, Managing Director, Investment Banking Division at Goldman Sachs.
- Gilles Dellaert, Chief Investment Officer at Global Atlantic Financial Group.
- Ahmed Fahim, Managing Director at Citi, Partner at Alapointe Capital LLC.
- Jean Paul Warmoes, Executive Director of the King Baudouin Foundation United States (KBFUS).

Underlying Assets for the Four Investment Pools: (currently managed by UBS Financial Services)

1. Money Market Pool

- Cash & Cash equivalents (100%)

2. Income Pool

- Cash & Cash equivalents (5%)
- Fixed income - Short (25%) - JPMorgan Short Duration Bond A
- Fixed income - Long (70%) - JP Morgan Core Bond A

3. Growth & Income Pool

- Cash & Cash equivalents (5%)
- Fixed income - Short (35%) - JPMorgan Short Duration Bond A
- Equities - Growth (10%) - JP Morgan Large Cap Growth A
- Equities - Growth (10%) - Virtus Emerging Markets Opportunities A
- Equities - Value (23%) - Diamond Hill Large Cap A
- Equities - Value (17%) - iShares Currency Hedged MSCI EURO ETF

4. Growth Pool

- Cash & Cash equivalents (5%)
- Equities - Growth (20%) - JP Morgan Large Cap Growth A
- Equities - Growth (12%) - Virtus Emerging Markets Opportunities A
- Equities - Value (45%) - Diamond Hill Large Cap A
- Equities - Value (18%) - iShares Currency Hedged MSCI EURO ETF