I. AUTHORITY

*From the By-Laws of Turkish Philanthropy Funds (hereinafter “the Foundation”):*

**Section 3. Investments:** The Board of Directors shall hold, use, manage, administer, and, at their discretion, dispose of the properties of the Corporation, and shall collect all incomes revenues and profits arising there from. The funds of the Corporation arising through the receipt and collection of incomes, revenues and profits, sale of properties or otherwise, shall be invested in such properties and investments as may be determined by the Board of Directors, from time to time, to be prudent investments for assets of the Corporation. In the making of any investment, the Board of Directors shall have absolute discretion, without limitation, in the determination of what properties constitute a suitable investment for any assets of the Corporation, provided that such investments are legal investments for fiduciaries under any present or future statute, decision, or rule of law.

II. OBJECTIVE

The purpose of this policy is to set forth the standards and guidelines to develop, implement and monitor prudent investment management of the Foundation’s capital market assets in order to secure, over time, inflation and risk adjusted, acceptable total rates of return for both the total fund and the individual asset classes authorized for investment. These returns must be consistent and competitive in order to fund the Foundation’s spending policy and expenses, to preserve the asset base and further enhance the asset base through capital appreciation.

This policy is intended to be in compliance with 2010 New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

III. INVESTMENT COMMITTEE GOVERNANCE

The Board may delegate its responsibilities with respect to the management and investment of the Foundation’s financial assets to the Investment Committee. The Investment Committee shall report to the Board at least quarterly and shall be subject to direction by the Board. The rights and obligations set forth in this policy
applicable to the Board (other than the right to amend this policy) shall also apply to
the Investment Committee, subject to the right of the Board to review and revise any
decision of the Investment Committee, and reports required under this policy to be
made to the Board may instead be made to the Investment Committee, which or
who shall in turn report to the Board. Accordingly, the Investment Committee’s
governance structure should be as follows:

1. The Board of Directors appoints the Chairman of the Committee for a one-year
term.

2. The Investment Committee will consist of the CEO, the Chairman of the Board
and at least 2 members selected from both within the Board and community, and
appointed by the Executive Committee with ratification by the Board.

3. The Chairman of the Committee will call at least quarterly meetings or as
needed.

4. The Investment Committee, subject to approval by the Board, will determine
retention or termination of Investment Managers.

5. The Chairman of the Committee will, on behalf of the Committee and on call,
report to and review the activities of the Committee with the Board at scheduled
Board Meetings of the Board, and assume responsibility for educating the Board
on matters of fiduciary responsibility and investments.

IV. DELEGATION OF RESPONSIBILITIES

Responsibilities of Investment Committee
In managing the financial assets of the Foundation, the Investment Committee with
guidance from the Board of Directors will act in good faith and with the care an
ordinarily prudent person in like position would exercise under similar
circumstances. When making investment and management decisions, the
Investment Committee shall consider the Foundation’s purposes, as well as the
purposes of the specific Funds.

In making decisions regarding management and investment of the Foundation’s
financial assets, the Board of Directors, as required by applicable law, shall consider
the following factors, if relevant:

(1) General economic conditions;
(2) The possible effect of inflation or deflation;
(3) The expected tax consequences, if any, of investment decisions or strategies;
(4) The role that each investment or course of action plays within the overall
investment portfolio of the specific Fund;
(5) The expected total return from income and the appreciation of its
investments;
(6) Other resources of the Foundation;
(7) The needs of the Foundation and the specific Fund to make distributions and to preserve capital; and
(8) An asset's special relationship or special value, if any, to the purposes of the Foundation.

The Investment Committee with guidance from the Board of Directors shall not make management and investment decisions regarding an individual asset in isolation, but rather in the context of the specific Fund's portfolio of investments as a whole and as part of an overall investment strategy, having risk and return objectives reasonably suited to the Fund and the Foundation. The Investment Committee shall make reasonable efforts to verify facts relevant to the management and investment of the Funds and may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of the Foundation and the skills available to the Foundation.

Within a reasonable time after the Foundation's receipt of a gift of property or other financial assets, the Board shall make and carry out decisions regarding retaining or disposing of the property, or the rebalancing of the Fund or Funds applicable to such gift in order to ensure compliance with the purposes, terms, and distribution requirements of the Foundation (including the diversification requirements and other aspects of this policy) as necessary to meet other circumstances of the Foundation and the requirements of applicable law, subject to any restrictions imposed by the terms of the gift.

Accordingly, the responsibilities of the Investment Committee are as follows:

• Make recommendations to the Board of Directors to establish, and revise, as appropriate, the Statement of Investment Policies and Guidelines.
• Establish, and revise as appropriate, target asset allocation.
• Utilize qualified, external, multiple, discretionary, and cost-effective management by asset class and style.
• Establish appropriate and reasonable investment performance benchmarks for the management of the authorized asset classes.
• Establish mutually acceptable fee schedules with individual managers.
• Meet with managers periodically to review investment performance and stewardship as fiduciaries.
• Establish, and revise as appropriate, allocations across investment styles and investment managers that are consistent with the Foundation’s target asset allocation.
• Periodically rebalance the Foundation’s assets taking into consideration the target asset allocation.
• Provide each investment manager with specific investment objectives and guidelines that are consistent with the overall investment guidelines of the Foundation.

• Evaluate the investment performance of each of the investment managers relative to their respective objectives.

• Select, contract with, and when appropriate, terminate investment managers.

• Participate with Foundation management in donor asset development and communication both directly, when requested, and indirectly via alliances within the investment and professional communities.

• Report to the Board on investment matters at least quarterly

**Responsibilities of the Foundation Staff**

• Oversee the day-to-day operational investment activities of the Foundation subject to policies established by the Investment Committee and/or the Board of Directors.

• Implement the allocation of the Foundation’s assets among asset classes, investment styles and investment managers as approved by the Investment Committee and/or the Board of Directors.

• Implement the periodic rebalancing of Foundation assets as directed by the Investment Committee and/or the Board of Directors.

**Responsibilities of the External Agent(s)**

Any external agent to which management and investment authority is delegated owes a duty to the Foundation to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation. Any contract between the Foundation and an external agent involving delegation of investment authority shall be terminable by the Foundation at any time, without penalty, upon no more than 60 days’ notice.

The Investment Committee will also review from time to time the Foundation’s arrangements with any investment managers, investment advisors, custodians and the banks and other entities with which the Foundation maintains its financial assets to ensure that the costs and fees associated with each such arrangement are appropriate and reasonable in relation to the assets, the Foundation’s purposes and the skills available to the Foundation.

Accordingly, the external agent(s) has the following responsibilities:

• Manage the Foundation’s assets with full discretion, in accordance with the investment objectives and guidelines stated herein and in accordance with the manager contract between the Foundation and the investment manager.
• Communicate promptly, or at least quarterly, with the Investment Committee and/or their staff and the investment consultant regarding all significant matters, including, but not limited to:
  – Investment returns,
  – Changes in the investment manager’s investment outlook and strategy,
  – Shifts in portfolio construction (asset mix, sector emphasis, etc.),
  – Commentary regarding major influences on performance,
  – Changes in the investment manager’s ownership, organizational structure, or professional staffing (additions and departures), and
  – Other changes of a substantive nature.

• Comply with all laws and regulations that pertain to the investment manager’s duties, functions, and responsibilities as a fiduciary of the Foundation.

• Manager(s) are to provide, in writing, proof of Liability and Fiduciary insurance.

• Non-bank manager(s) must be registered under the Investment Company Act of 1940.

• Meet with the Investment Committee and the investment consultant as requested.

V. DIVERSIFICATION

Investments of each Fund will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Board prudently determines that, because of special circumstances, the purposes of the Fund are better served without diversification. The Investment Committee with guidance from the Board shall review the diversification strategy periodically, provided, however, that it shall review any decision to not diversify as frequently as circumstances require but at a minimum, annually.

VI. RETURN AND RISK PARAMETERS

The Investment Committee recognizes that the capital markets can be unpredictable at times and that different investment postures could result in periods when the market value of the funds needed for future years’ activities’ investments may decline in value. The Investment Committee understands that TPF will monitor these investments through difficult phases in market cycles and will act accordingly, understanding that TPF has a low tolerance for market downturns, given its relatively short investment time horizon. The asset allocation of the funds shall be determined from time to time by the Board or the Investment Committee in its guidance, in consultation with any managers or advisors if desired (unless the Board delegates such task to an external manager), which allocation shall reflect a proper
balance of such Fund’s investment objective, any risk tolerance standard and the need for liquidity. Accordingly, the Investment Committee has established the following return and risk parameters.

- Assets will be strategically allocated within asset classes and investment styles in order to enhance investment returns.
- The investment program’s assets are to be sufficiently diversified to reduce volatility.
- Diversification of assets may be achieved by:
  - Allocating assets to multiple asset classes,
  - Allocating assets among various investment styles, and
  - Retaining multiple investment management firms with complementary investment philosophies, styles, and approaches.

- TPF has six different strategies for:
  - **Operating Funds** are assets needed to cover general operating expenses over a 12-month period. Operating Funds shall be invested in short-term income instruments.
  - **Reserve Funds** are funds to be held in reserve to support the Foundation’s future operations; serve as a resource during economic downturns; or provide an additional source of income to support and further the Foundation’s mission. Reserve Funds shall be invested with the objective of preserving the long-term real purchasing power of the Funds’ assets while realizing appropriate investment income.
  - **Temporarily Restricted Funds** are funds that have been restricted by the donor or the Foundation’s Board of Directors for a specific purpose, but which do not have a restriction as to the timing of the expenditure. The Restricted Funds shall be invested with the objective of preserving and enhancing the purchasing power of the Funds’ assets while ensuring that liquidity requirements can be met.
  - **Endowment Funds** are funds received by the Foundation pursuant to a gift instrument1 that is not wholly expendable by the Foundation on a current basis. The primary investment objective of these funds is to preserve the long-term real purchasing power of the Funds’ assets while maximizing long-term real (after inflation) investment returns by recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns.
  - **Named Funds** are assets for which donors recommend investment options. The Investment Committee should offer different options that spans from maximizing long-term real (after inflation) investment...
returns to providing an investment environment for achieving returns higher than cash equivalents.

- **Program Funds**, which are assets, needed for grantmaking and other programs. To afford the liquidity necessary for grantmaking and other program expenses, specific policies regarding liquidity, and asset mix and diversification will be established by the Investment Committee:

**VII. SELECTION OF EXTERNAL AGENT(S)**

To the extent it considers prudent, the Investment Committee may delegate management and investment decisions to one or more external agents, such as a bank, investment advisor, investment manager or custodian, except where prohibited by the terms of a gift instrument. The Investment Committee will act in good faith and with the care an ordinarily prudent person in like position would exercise under similar circumstances in (i) selecting, continuing or terminating any external agent (including assessing the agent's independence, including any conflicts of interest such agent has or may have; (ii) establishing the scope and terms of the delegation, including the compensation to be paid; and (iii) monitoring the agent's performance and compliance with the scope and terms of the delegation.

In selecting an investment manager, the Investment Committee may delegate an investment consultant the task of researching and recommending external agent(s). It is expected that no fewer than three potential alternative candidates will be evaluated with the goal of selecting one external agent. In investigating potential managers, the investment consultant must, as a minimum, use the following procedures:

- Identify a range of possible external agent candidates.
- Obtain relevant information about the agents' experience, qualifications and investment approach.
- Evaluate experience, qualifications and investment approach. Included in this evaluation will be an analysis of past performance and investment management fees.
- Document the selection process.

These procedures are not meant to be all-inclusive. It may be necessary in certain circumstances to consider additional procedures.

**VIII. ENDOWMENT SPENDING POLICY**

An endowment fund is any fund, or a part of a fund, that, under the terms of the gift instrument, is not wholly expendable by the Foundation on a current basis. Funds that are not restricted as to expenditure under the terms of a gift instrument but
have been so restricted by action of the Board of Directors are not endowment funds.

i. **Appropriating Endowment Funds for Expenditure**

All spending from each of the Foundation’s endowment funds will comply with any donor restrictions on spending imposed on such fund and with the NYPMIFA. In creating an endowment fund, the donor also may have restricted the purpose or purposes for which funds from the endowment may be spent. All decisions regarding expenditures from an endowment fund restricted as to purpose must comply with such purpose restrictions. Expenditures from endowment funds that are not restricted as to purpose may be used for any purposes of the Foundation.

Decisions to appropriate funds from each endowment for expenditure or to accumulate such funds shall be made only by the Board of Directors. The Board authorizes the Investment Committee to assist the Board in carrying out its responsibilities with respect to the expenditure of the Foundation’s endowment funds. The Investment Committee is authorized to make recommendations to the Board of Directors regarding the expenditure of the Foundation’s endowment funds. However, only the Board shall make the final decision as to such matters. The Investment Committee, in making a recommendation to appropriate funds from each endowment for expenditure or to accumulate such funds, and the Board of Directors, in making a decision to appropriate funds from each endowment for expenditure or to accumulate such funds, must act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and must (a) consider the uses, benefits, purposes and duration for which the endowment fund was established and (b) consider each of the following factors, if relevant:

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and
8. The Foundation’s investment policy.

In accordance with NYPMIFA, decisions to appropriate endowment funds will be made on a fund-by-fund basis and in accordance with any specific directives on spending that the donor has imposed. Should the number of the Foundation’s endowment funds become large enough that making annual appropriation decisions
on a fund-by-fund basis becomes unduly burdensome or cumbersome, the Board of Directors or the Investment Committee, authorized by the Board, may classify the Foundation’s endowment funds into groups of similarly situated funds for the purpose of allowing the Board, in accordance with the prudence standard set forth above, to determine each year an appropriate spending rate that should be applied to each such group of similarly situated funds. The factors that the Board or the Investment Committee may consider in determining classes of similarly situated funds include: (i) the purposes of the funds as stated in the gift instruments; (ii) spending restrictions imposed by donors in the gift instruments; (iii) the durations of the funds; (iv) whether the funds are invested similarly; (v) the financial conditions of the funds; and (vi) such other factors as the Board or the Investment Committee determines are relevant under the circumstances.

The Board of Directors or the Investment Committee shall review from time to time the classes of similarly situated funds and the composition of each such group to ensure that such funds are properly classified.

Specific donor directives on spending may preclude classification of an endowment fund into any class of similarly situated funds. When making an appropriation recommendation or decision from an endowment fund that includes such specific donor directives on spending, the Investment committee, in making its recommendation, and the Board of Directors, in making its decision, shall consider the endowment fund separately and appropriations from such endowment fund will be made in accordance with any specific directives on spending that the donor has imposed.

ii. Documenting Spending Deliberations

The Investment Committee, and the Board of Directors each shall keep a contemporaneous record of its decisions regarding the appropriation of endowment funds for expenditure, describing the nature and extent of the consideration that the committee or Board gave to each of the eight factors listed in Section i above.

Under NYPMIFA, unless permitted by the donor in the gift instrument, an annual distribution from an endowment fund created on or after September 17, 2010 in an amount exceeding seven percent (7%) of the fair market value of the fund, calculated based on market values determined at least quarterly and averaged over a period of at least the last twenty quarters ending with the last quarter of the fiscal year preceding the distribution (or for the number of quarters in existence for endowments more recently created), will create a rebuttable presumption that such distribution was imprudent. Accordingly, should the Investment Committee recommend and/or the Board of Directors decide, after acting in accordance with NYPMIFA’s prudence standard as set forth above, that making an annual distribution in excess of seven percent (7%) from such endowment fund is prudent, the Investment Committee and the Board each shall ensure that the contemporaneous written record documenting its recommendation or decision
includes a detailed statement of the basis upon which the Investment Committee and/or Board determined that such annual distribution was prudent.

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1 A gift instrument may be (i) a gift agreement between the donor and the Foundation contributing to an endowment fund; (ii) the Foundation’s solicitation materials in which the Foundation represents that funds received from the solicitation will be endowed funds; (iii) minutes of a Board of Directors meeting at which a donor’s gift of endowed funds is announced; or (iv) any other record under which a fund is granted, transferred or conveyed to the Foundation containing a directive from the donor that makes the fund an endowment.