THE HOPE FUNDS FOR CANCER RESEARCH

The Hope Funds
For
Cancer Research

Investment Policy

October 2013

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Statement of Purpose

This policy statement provides a framework for the management of the investable assets of **The Hope Funds for Cancer Research**. This policy will assist the Board of Trustees in supervising and monitoring the investments of the Fund. A subcommittee of the Board of Trustees, or Investment Committee (the Committee), has been established to implement and monitor the Fund in accordance with this policy statement.

The guidelines allow for flexibility and a process to capture investment opportunities, while prudently and carefully setting forth reasonable risk control parameters for the investment program.

The statement of investment policy is intended to address asset deployment, liquidity and diversification requirements, which should not be violated over the planning horizon. Policy issues relate directly to the return requirements and risk parameters of the Fund and are to be considered the general principles governing the investment management of the Fund.

The management of the Fund will follow basic fiduciary responsibilities. The investments of the Fund will be diversified to help minimize the overall risk of the portfolio, unless, under the circumstances, it is clearly prudent not to do so.

This policy addresses the following issues:

- The goals and objectives of the Fund and the investment program; and
- The investment strategy of the Fund (including asset allocations, spending policy, rebalancing procedures and investment guidelines).

Goals and Objectives

Objective of the Fund

The primary investment objectives of the Fund are to:

- First, during its initial phase, protect the principal of the Fund and ensure funding of its annual grantees.
- Second, upon attaining either a targeted funding level of investable assets (level to be identified in the future by the Board of Trustees) or attaining a dominant mix of long term oriented assets relative to identified grant specific reserves, ("the minimum target level") deploy the Funds in a diversified manner so as to preserve and enhance the real purchasing power of the Fund in support of the Fund's future grant making and grant making activities. Funds committed to grantees will be held in cash or equivalents (savings accounts, CD's, T-Bills, money market funds, short duration bonds).

Performance Goals

On an annualized, net-of-fees basis, the total return of the portfolio will be expected to:

- During its initial phase, given the focus on protection of principal, approximate the levels of Treasury Bills and bank Certificates of Deposit
- Once entering the second phase, Fund performance should equal or exceed CPI by 400 basis points measured over a rolling five-year period, approximately an 8% absolute return target and thus supporting a sustainable program of grant making and grant making activities.

Once entering the second phase, the returns should show favorable relative performance characteristics. These returns should:

- Equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over a rolling five-year period; and
- Equal or exceed the average return of a universe of similarly managed funds.

Performance goals are based upon a long-term investment horizon; therefore, interim variations should be expected. Moreover, the Investment Committee in consult with the Investment Manager, and upon the approval of a quorum of the Executive Committee shall have the ability to move any or all of its investable assets into a defensive posture (i.e. cash, CD's, savings accounts, T-Bills and equivalents) if it concludes that the economic environment presents considerable risk to assets exposed to the capital markets.

Investment Philosophy

The Fund has a long-term investment horizon and believes that asset allocation is the major determinant of investment performance. Consequently, a long-term asset allocation plan, consistent with the Fund's investment objectives and performance goals will be developed.

The assets will be managed on a total return basis. Although the policy recognizes the importance of preserving capital, it also must reflect that varying degrees of prudent investment risk are generally rewarded with increased returns that compensate for additional risk. Additionally, risk greater than that of stable long-term low risk securities will be required to preserve the purchasing power of the Fund. Therefore, it is appropriate to prudently pursue riskier investment strategies if such strategies are in the Funds' long- term interest. Selection of investment strategies will be evaluated on a risk-adjusted basis as needed to meet the investment objectives of the Fund.

Risk management of the investment program is focused on understanding the Fund’s investment risks. The investment program will seek to achieve appropriate compensation for the investment risks the fund undertakes.

Investment Program Policies and Procedures

Investment Program Policy

The investment program shall invest according to an asset allocation plan that is designed to meet the goals of the Fund. The plan will be based on a number of factors, including:

- Projected spending needs;
- Maintenance of sufficient liquidity to meet spending payments; and
- Return objectives and risk tolerances of the Fund.

As previously stated, the Fund's return objectives are to:

- During its initial phase, given the focus on protection of principal, approximate the levels of Treasury Bills and bank Certificates of Deposit.
- Once entering the second phase, Fund performance should equal or exceed CPI by 400 basis points measured over a rolling five-year period, approximately an 8% absolute return target.. and thus supporting a sustainable program of grant making and grant making activities.

The asset allocation plan during the second phase will provide for diversification of assets in an effort to maximize the investment return and manage the risk of the Fund consistent with market conditions. An extended period of time may be required to fully implement the asset allocation plan, and periodic revisions will be required.

Investment Program Strategy

Upon attaining its minimum target level The Fund shall be allocated across a number of investment classes to provide diversification and achieve the Fund's investment objectives. Broadly speaking and under normal economic conditions the targeted asset mix will range between 50-70% equities or assets that fill a similar role and 30%-50% fixed income, or assets that fill a similar role. These levels are consistent over the long term with the Fund's return objective of CPI plus 400 basis points. Within this allocation cash will be maintained at a level that facilitates the Fund's short term operating and grant making activities.

The Committee will place assets with qualified external professional Investment Managers that show competence in each asset class. The external Investment Managers will have full discretion and authority for determining investment strategy, security selection and timing of purchases and sales of assets subject to the guidelines specific to their allocation.

Spending Policy

It is **The Hope Funds** policy to distribute annually an amount that will be deemed appropriate by the Board of Trustees until such time that the Fund has entered its second phase, (see previous definition). The Board will then adopt a longer term oriented spending policy that balances the goals of supporting its existing programs while ensuring the sustainability of the mission. It is understood that the total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which sets guidelines under which **The Hope Funds** is permitted to spend an amount in excess of the current yield (interest and dividends earned) to include realized or unrealized appreciation. Any change from this policy should be voted on by a majority of the Trustees.

Rebalancing

The purpose of rebalancing is to maintain the long-term policy asset allocation within the targeted ranges while contributing to controlling portfolio risk. The assets will be rebalanced within the stated ranges of 50-70% equities and 30-50% fixed income. The portfolio will be evaluated quarterly by the members of the Investment Committee and rebalanced at least annually. Tactical rebalancing of asset classes within their ranges is also permissible to take advantage of near-term market conditions as long as the changes or reallocations do not cause undue risk or expense to the portfolio.

Roles and Responsibilities

The Investment Committee, within the framework of policy set by the Board of Trustees, shall have direct responsibility for the oversight and management of the Fund and for the establishment of investment policies and procedures. Upon recommendation of the Investment Committee, the Board of Trustees shall have the power to employ or discharge fiscal agents or advisors.

The Chairman of the Investment Committee (or an appropriately designated person) shall be responsible to the Investment Committee for maintaining detailed records on all investment funds and for carrying out the investment policies and procedures established by the Board of Trustees and the Investment Committee. Reports on the Fund will be provided quarterly to the Investment Committee.

The Chairman of the Investment Committee, or his designated representative, in consultation with the Chairman of the Executive Committee, is authorized to deal directly with the Fund's fiscal agents or advisors.

The specific responsibilities of the Trustees relating to the investment management of the Fund assets include:

1. Projecting the Fund's financial needs/liquidity requirements, and communicating such needs to the Investment Advisor/Manager(s) on a timely basis.

2. Determining the Fund's risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the Fund’s assets.

4. Prudently and diligently selecting qualified Investment Advisor/Manager(s).

5. Regularly evaluating the performance of the Investment Advisor/Manager(s) to ensure adherence to the investment policy guidelines stated herein and to monitor progress toward investment objectives. The Investment Advisor/Manager(s) will report to the Trustees quarterly.

6. Developing and enacting proper control procedures. (For example, replacing Investment Advisor/Manager(s) due to fundamental change in investment management process or failure to comply with established guidelines.)

The Investment Advisor/Manager(s) will have full discretion to make all investment decisions for the assets placed under its/their management responsibility, while operating within all policies, guidelines, constraints and philosophies as outlined in this Statement, any additional written instructions (which will become attachments/amendments to this Statement), and applicable laws. This would include discharging responsibilities with respect to the Fund consistent with Uniform Prudent Investor Act standards, and all other fiduciary responsibility provisions and regulations.

Specific responsibilities of the Investment Advisor/Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Statement.

2. Reporting quarterly investment performance results. The Trustees may request other meetings as necessary. The meeting schedule should be determined by the Trustees as appropriate for the Trustees.

3. Communicating any significant changes to economic outlook, investment strategy, or any other factors that reflect on the implementation of its investment process or the progress of the Fund’s investment management, including recommended, material tactical shifts in asset allocation.

4. Informing the Trustees of any material change in its investment management organization (for example, changes in portfolio management personnel, significant changes in ownership or structure, investment philosophy); this requirement extends to Sub-Advisors as well.

Investment Management Policies, Guidelines and Restrictions

The investment policies, guidelines and restrictions in this policy statement are a framework to help the Fund and its Investment Manager(s) achieve the investment objectives at a level of risk deemed acceptable.

The Fund will be diversified both by asset class and within asset classes.
Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

Asset Allocation Guidelines

The investment of the aggregate assets of the Fund shall be in accordance with the following asset allocation guidelines (at market value):

<u>Phase I</u>

Asset Class	Minimum	Maximum	Target
Cash	5%	20%	5%
Limited Duration FI	20%	80%	60%
Core/Opportunistic FI	0%	50%	30%
Real Assets	0%	10%	0%
Liquid Hedge Funds	0%	10%	5%

Phase II

Asset Class	Minimum	Maximum	Target
Cash	0%	20%	5%
Fixed Income	20%	40%	25%
Equities	40%	70%	50%
Real Assets	0%	10%	5%
Hedge Funds	0%	20%	10%
Private Equity	0%	10%	5%

Equity Securities

The purpose of equity investments, both domestic and international, in the Fund is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depository Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. However, no single major industry shall represent more than 25 percent of the Fund's total market value, and no single security shall represent more than five percent of the Fund's total market value, unless approved by the Committee.

Within the above guidelines and restrictions, the Investment Manager(s) has complete discretion over the timing and selection or sale of equity securities.

Fixed Income Securities

Domestic and International fixed income investments provide diversification and a dependable source of current income. Diversification within fixed income investments will be flexibly allocated among maturities of different lengths according to interest rate prospects and the goals of the fund. Fixed income instruments should reduce the overall volatility of the Fund's assets, and provide a deflation or inflation hedge, where appropriate.

Fixed income includes both the domestic fixed income market and the markets of the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The Investment Manager(s) must take into account credit quality, sector, duration and issuer concentrations in selecting an appropriate mix of Fixed Income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Within the above guidelines and restrictions, the Investment Manager(s) has complete discretion over timing the sale, purchase, and selection of fixed income securities.

Cash and Equivalents

The Investment Manager(s) may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. No more than 5% of the Fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Cash reserves shall be kept to a minimum since short-term cash equivalent securities are usually not considered an appropriate investment vehicle for long-term investments. However, such vehicles are appropriate as a depository for income distributions from longer-term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

The Investment Committee, upon the approval of the Board of Trustees in consult with the Investment Manager shall have the ability to move any or all of its investable assets into a defensive posture (i.e. cash, CD's, savings accounts, T-Bills and equivalents) if it concludes that the economic environment presents considerable risk to assets exposed to the capital markets.

Within the above guidelines and restrictions, the Investment Manager(s) has complete discretion over timing the purchase, sale, and selection of cash equivalent securities.

Alternatives

Private Capital Partnerships - Investment allocations may include commitments to strategies with limited liquidity including venture capital, private equity and international private capital investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers.

Marketable Alternative Strategies - Investments may include equity-oriented or market-neutral hedge funds (i.e. Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies), which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

Natural Resources – Investments may include oil, gas, and timber investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers.

Real Estate - Investments may include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven tracks records.

Derivatives and Derivative Securities

Certain of the Fund's managers will be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines.

Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. All derivative positions must be fully collateralized. Investment Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Other Restrictions

The Fund is prohibited from making direct investments in entities whose primary business is derived from products that have been peer reviewed and have been empirically demonstrated to be carcinogenic as determined by the Board of Trustees.

Restriction Oversight

The Investment Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the Investment Manager(s) and the investment strategy involved. An addendum supporting such investments will be maintained as a permanent record of the Investment Committee. All waivers and modifications will be reported to the Board of Trustees at the meeting immediately following the granting of the waiver or modification.

Any investment that is made in a mutual fund and/or commingled funds will be reviewed and approved by the Investment Committee on a case by case basis and if approved, may vary from this Policy. For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Investment Committee understands that such funds have their own stated guidelines, which cannot be changed for individual investors, in principle and spirit, those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Investment Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Investment Manager(s) Reporting and Evaluation

The Investment Manager(s) responsible for the investment of the Fund’s assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their respective benchmarks. Included will be a complete accounting of all transactions involving the Fund during the quarter, and a statement of beginning market value, fees, capital appreciation, income and ending market value, for each account.

Investment Manager(s) should review the portfolio with the Investment Committee annually; and will be supplemented by other meetings as necessary for proper review.

The Committee recognizes market conditions may greatly influence the ability of a manager to meet year-to-year investment goals and objectives. Further, the Committee realizes that significant cash flow may also affect the ability of a manager to meet a specific short-term objective. Accordingly, the Fund expects to monitor performance through absolute return objectives, relative performance against identified benchmarks, and comparatively against other Investment Manager(s) when possible.