



FINANCE & INVESTMENT COMMITTEE Arlington, VA

INVESTMENT POLICY STATEMENT

Purpose of Policy

The purpose of this Investment Policy is to establish investment management guidelines for CRDF Global's (the Organization) restricted funds, unrestricted funds and related interest earnings. This statement also incorporates standards for monitoring the progress of the Organization's investments and evaluating the advisors and managers of the funds.

Responsibilities of the Board

As trustees of CRDF Global, the Finance & Investment Committee, as delegated by the Board, uses the Uniform Prudent Investor Act (UPIA) model to evaluate the Organization's invested assets with respect to:

- Portfolio strategy; risk and return objectives, which include consideration of needs for liquidity, regularity of income and the preservation or appreciation of capital,
- duty to monitor and investigate investments,
- ensure proper diversification appropriate for CRDF Global's needs,
- to act within a reasonable time,
- invest and manage assets solely for the benefit of CRDF Global,
- manage investments with impartiality (ensuring no personal interests are comingled with CRDF Global interests),
- incur costs appropriately and reasonably in relation to the assets and purpose of the trust (CRDF Global's investments),
- ensure compliance,
- delegate [asset] management with reasonable care, skill and caution.

Conflicts of Interest

CRDF Global Executive Office maintains a separate conflicts of interest policy which addresses interested parties and financial interests, procedures and documentation required for conflicts that may arise.

Role of the Finance and Investment Committee

The Finance and Investment Committee (The Committee) of the Board of Directors of the Organization is responsible for overseeing the investments of the Organization, making investment allocation decisions on behalf of the Organization and recommending investment managers to the full Board. The Committee is charged with:

- 1) The Committee will update the Board on investment performance or financial events affecting the investment portfolio and the Committee will propose to the Board any significant portfolio or policy changes.
- 2) The Committee will monitor the investment performance at a frequency decided by the Committee, but at least at three regularly scheduled Committee meetings, and will assess performance taking into consideration the policy's stated objectives and principles and equitable benchmarks, as agreed-upon by the Committee.
- 3) The performance of the professional external advisors (Managers) hired on behalf of the Organization will be measured against at least the following:
 - a. A market-based index appropriately selected to the Manager's agreed-upon investment objective and the normal investment characteristic of the Manager's portfolio.
 - b. The performance of other investment managers having similar investment objectives.

The Committee can use, but are not limited to, the following types of benchmarks to evaluate the Manager's performance for the unrestricted and restricted funds:

- a. Static benchmarks - comprised of broader stock and bond market indexes aligned with the target allocations for each of the CRDF Global funds.
- b. Peer Group benchmarks - funds with similar objectives and target asset allocations managed by other investment managers.

The Committee has delegated the responsibility for daily cash management using unrestricted and restricted investment funds to CRDF Global management, which has authority to make decisions with respect to the transfer of funds between the two accounts.

Investment Objectives and Principles

The investment objectives are:

- 1) to provide liquidity to fund CRDF Global's ongoing operating needs,
- 2) to develop reserves that will be used to support new initiatives,
- 3) to supplement external sources of support when appropriate, and
- 4) to support unfunded ordinary and necessary business expenses.

To accomplish these objectives the following principles, listed in order of importance, are to be followed:

- 1) Preserve principal;
- 2) Maintain sufficient liquidity to meet forecasted cash needs;
- 3) Maintain a diversified portfolio to minimize credit risks; and

- 4) Deliver competitive returns subject to prevailing market conditions and to the preceding criteria.

Role of the Professional External Advisors

This policy will be implemented using professional external advisors (Managers). It is CRDF Global's intention to allow the Managers full discretion within the scope of this mutually agreed upon Investment Policy Statement. It is contemplated that this policy will be implemented by the Managers using mutual funds and separately managed portfolios.

Unrestricted Funds

Unrestricted Funds refers to CRDF Global's unrestricted net assets, which are contributions owned by the organization without any donor restrictions.

A) Asset Allocation Rebalancing

The key objective of the portfolio rebalancing process is to minimize the loss of efficiency resulting when the portfolio's actual asset allocations deviate from the target asset allocations. Rebalancing can also be used to enhance the risk adjusted return of a portfolio by the purchase/sale of asset classes at relatively low/high valuations.

The Portfolio will be rebalanced coincident with material cash inflows or outflows. Additionally, the Managers will rebalance whenever a single asset class's allocation drifts outside of its allocation range. Rebalancing prior to the target allocation moving outside of its allocation range is ultimately at the discretion of the Manager.

B) Target Allocation

The actual allocation of the portfolio will vary depending on the investment advisor's strategy and market conditions. Management, in consultation with the Committee when applicable, will provide guidance to the Managers on allocations as needed, taking into consideration appropriate benchmarks, investment objectives and principles, consultation and advice from the Managers and risk tolerance. The allocation range sets parameters at the asset-class level for how far each asset class is allowed to drift from its Target Allocation. The Fixed Income allocation will target a weighted average credit rating of no lower than A.

Asset Class	Target Allocation	Allocation Range
Cash Equivalent	1%	0-10%
Total fixed income	34%	20-55%
Total equity*	65%	45-80%
TOTAL	100%	100%

*The use of alternative investments is permitted, but shall not exceed 20% of the total portfolio, and is considered as a subsection of the Equity asset class.

C) Permitted Investments

The Finance and Investment Committee is authorized to invest the Unrestricted Net Assets in investment vehicles that, in its judgment, balance risk and return for the portfolio without restriction to most kinds of property or investment. The Committee does not authorize investment in vehicles or countries that are not aligned with U.S. Government interests.

Permitted investment vehicles include, but are not limited to:

- Common and Preferred Stock, including Mutual Funds
- Fixed Income Instruments, including High Yield Bonds
- Convertible Securities
- Money Market Funds
- Cash
- Alternative Investments
- Real Estate Investment Trusts
- Limited Partnership Interests

Restricted Funds

Restricted Funds refers to CRDF Global's assets earmarked for future grants, payments or other assistance from the United States Government, the investment of which is authorized by 22 U.S.C. 511(d)(5), and from other funding Organizations.

A) Risk Tolerance / Asset Allocation

This portfolio is classified as conservative, based on the stated objectives of preservation of capital, income production, and liquidity. Thus, the portfolio will be invested 100% in fixed income and cash equivalents maintaining a weighted average maturity of no greater than five years and a weighted average credit rating of no lower than A. The recommended target asset allocation seeks to achieve these objectives while maximizing returns and minimizing volatility.

B) Permitted Investments

The following specific instruments and issuers are approved for inclusion in the investment portfolio:

- US Government Obligations: Any US government-backed debt investment instrument.
- US Government Agency Obligations: Any US government agency debt investment instrument.
- US Investment-Grade Corporate Debt: Any investment-grade corporate debt issued by US corporations.
- High Yield Bond Mutual Funds: Funds comprised of high paying bonds with a lower credit rating than investment-grade corporate bonds.
- TIPS Funds: Funds comprised of treasury inflation protected securities, backed by the US Government.
- Certificates of Deposit

C) Excluded Investment

Investment of the Restricted Funds assets in any of the following types of investment vehicle is specifically prohibited:

- International Investments: Any investment vehicles consisting primarily of foreign securities or similar assets.
- Complex Derivative Securities: Including inverse floaters, range notes, swaps, options and structured notes with embedded swaps or options.
- Equity Investments
- Any Speculative Investment Vehicle

Interest

All interest earned will be considered unrestricted unless the relevant donor stipulates otherwise in the funding agreement.

Funds received in advance will be held with other operating funds of the Organization.

When CRDF Global receives advance payment to conduct a program activity and is allowed to retain the interest earned for general purposes, then CRDF Global will credit interested earnings to unrestricted net assets.

When CRDF Global receives advance payment to conduct a program activity, and must either return interest earned or utilize it according to donor-defined requirements, CRDF Global will combine the funds with other donor funds of the same nature and, on a monthly basis, calculate the average balance of funds as reported by the specific source and apply the interest rate earned on the funds for the month to the average balance of funds.

Adoption, Modification, and Interpretation of the Policy

The Board of Directors of the Organization approved this investment policy. Any modification of this Policy must be approved by a majority of the Directors then in office at a meeting of the Board called with notice of that purpose.

The Committee will discuss Policy changes with Managers before effecting any change. Any changes must be communicated in writing to the Managers. Exceptions to this policy should be communicated in writing with an effective termination date.

The Finance and Investment Committee or its designee is authorized to provide written clarification to outside Managers with respect to any ambiguities in this Investment Policy. This policy will be reviewed annually by the Finance and Investment Committee.