Debevoise Comments May 10, 2013

THE JOHN A. HARTFORD FOUNDATION, INC.
STATEMENT OF INVESTMENT POLICY

I. Purpose of Statement

This Statement of Investment Policy (the “Statement”) is intended to outline the investment-related responsibilities of, and provide a framework for regular constructive communication between the Foundation Staff, Finance Committee, Board of Trustees, Investment Advisor and Custodian Bank to assist with the management of the Foundation’s investment portfolio. This Statement will be reviewed periodically by the Finance Committee, and amended as necessary by the Board of Trustees, to ensure continued relevance to current capital market conditions and the needs of the Foundation. It replaces the Investment Policy Statement last adopted on March 10, 2011.

II. General Objectives

- The Foundation’s goal is to exist in perpetuity. Accordingly, it intends to adopt objectives and guidelines based on a long-term time horizon.

- The Foundation’s long-term investment objective is to attain a total return on the Foundation’s portfolio over time that is at least equal the rate of inflation, plus the Foundation's spending rate (the percentage of average investment assets paid out for grants and all expenses, taxes and capital expenditures). Volatility of returns, or risk, for the Foundation’s portfolio, as measured by the standard deviation of investment returns, should be commensurate with the expected level of total return over time. This will preserve and enhance the real value of the Foundation's assets.

- The Foundation seeks to accomplish this long-term objective by obtaining a multi-year performance (net of management expenses) that exceeds the performance of investment benchmarks to be established as provided herein, on a risk-adjusted basis.

III. Responsibilities

- ***Board of Trustees***

  Ultimate responsibility for investment of the endowment resides with the Board of Trustees. Through Board resolution, the Board has delegated its authority to guide, monitor, and oversee the Foundation’s investments to the Finance Committee. Specific duties and responsibilities of the Board of Trustees include the following:

  a. Approve a Statement of Investment Policy that supports the Foundation’s long-term investment objectives, and review the Statement on a periodic basis.

  b. Review the quarterly financial summary in the Board Book regarding performance of the Foundation’s investment portfolio.

  c. Develop, review and approve the spending policy for the Foundation listed under Section V.

  d. Approve the selection of and any changes to the Investment Advisor and the

Custodian Bank, on the recommendation of the Finance Committee.

e. Approve the Finance Committee's proposed (i) target asset allocation for the Foundation's investment portfolio and (ii) changes to the Foundation's Investment Guidelines.

- ***Finance Committee***

The Finance Committee will act in good faith and with the care that an ordinarily prudent person in a like position would exercise in monitoring the Investment Advisor's and the Custodian Bank's performance and compliance with the scope and terms of the delegation. Specific duties and responsibilities of the Committee, with assistance from the Finance Staff and Investment Advisor, include:

a. Periodically review and recommend this Statement to the Board of Trustees for its approval.

b. With the assistance and recommendation of the Investment Advisor, determine the target asset allocation of, and the Investment Guidelines for, the Foundation's investment portfolio, for adoption by the Board of Trustees.

c. With the assistance and recommendation of the Investment Advisor, make investment decisions for the Foundation's investment portfolio, consistent with the asset allocation and the Foundation's Investment Guidelines. Generally, the Foundation will review and grant the Investment Advisor the authority to execute proposed changes to the Foundation's portfolio at quarterly Finance Committee meetings, subject to the terms of the Investment Advisory Agreement between the Foundation and the Investment Advisor. However, the Chair of the Finance Committee, in consultation with the Chair of the Board of Trustees, has been authorized to approve any portfolio changes recommended by the Investment Advisor between meetings, so long as the proposed changes are consistent with the Investment Guidelines. The Investment Advisor is also authorized to rebalance the Foundation's portfolio within categories of previously approved investments to conform to the Foundation's previously approved asset allocation in accordance with the Investment Advisory Agreement.

d. Identify, screen, evaluate and recommend (for engagement or removal) current or prospective Investment Advisors and Custodian Banks.

e. Review monthly flash reports and quarterly financial summaries regarding the Foundation's investment portfolio.

f. Attend quarterly and ad-hoc Finance Committee meetings either via phone or in person.

- ***Finance Staff***

The Finance Staff is responsible for investment bookkeeping. The Finance Staff will work closely with the Chair of the Finance Committee, the Investment Advisor and the Custodian Bank to complete the following responsibilities:

a. Prepare, update and recommend this Statement to the Finance Committee.

b. Ensure compliance with policies established by this Statement.

c. Identify and screen prospective Investment Advisors and Custodian Banks, and recommend these to the Finance Committee.

d. Review monthly flash performance reports prepared by the Investment Advisor and the Custodian Bank.

e. Prepare quarterly finance reports to the Board of Trustees.

f. Manage the investment activities including, but not limited to, serving as primary liaison with the Investment Advisor and Custodian Bank.

g. Notify the Chair of the Finance Committee promptly of any issues arising from managing the investment portfolio.

- ***Investment Advisor***

  The Board of Trustees and the Finance Committee will evaluate and appoint an Investment Advisor, with input from the Finance Staff. The Investment Advisor must be independent, receiving no compensation from any third party investment manager or service provider, except as disclosed to and approved by the Foundation. The Investment Advisor will provide non-discretionary investment advice to the Foundation. The implementation of any such recommendation by the Investment Advisor (other than any rebalancing transaction authorized and described above under "Finance Committee") shall require the Foundation's prior approval. Subject to the foregoing, the Investment Advisor will maintain responsibility for the Foundation's investment assets and may act on behalf of the Foundation as agreed by the Foundation in its Investment Advisory Agreement.

  The Investment Advisor is primarily responsible for day-to-day investment-related activities of the Foundation and is also responsible for:

a. Developing asset allocation guidelines for consideration by the Finance Committee and adoption by the Board of Trustees.

b. Managing the assets in accordance with the investment guidelines and objectives outlined in the Investment Advisory Agreement.

c. Executing all portfolio changes approved by the Foundation.

d. Screening, identifying and evaluating potential Investment Managers, and monitoring existing Investment Managers.

e. Assisting in compensation negotiations with Investment Managers.

f. Providing monthly flash reports that include monthly and year-to-date performance estimates and allocations for each manager, asset class, and the total portfolio.

g. Communicating to the Chair of the Finance Committee and the Finance Director and Controller any issues that arise regarding performance of individual funds/managers.

The full responsibilities of the Investment Advisor are detailed in the Investment Advisory Agreement between the Foundation and the Investment Advisor.

- ***Custodian Bank***

  Upon the Finance Staff's recommendation, the Board of Trustees and the Finance Committee will evaluate and appoint the Custodian Bank which shall be independent from the Investment Advisor and its affiliates. Except as agreed to by the Board of Trustees, all disbursements of Foundation investment portfolio funds will be processed by the Custodian Bank. In addition, the following are responsibilities of the Custodian Bank:

  a. Provide custody, depository and accounting services for the Foundation's investment portfolio held with the Custodian Bank.

  b. Implement in a timely and effective manner the investment actions as directed by the Finance Staff and the Investment Advisor.

  c. Collect all income and principal and properly report on the periodic statements.

  d. Provide periodic statements describing all transactions of Foundation investments.

  e. Provide assistance to the Finance Staff to complete such bookkeeping activities as periodic audits and transaction verification.

The full responsibilities of the Custodian Bank are described in the Custodian Agreement between the Foundation and the Custodian Bank.

IV. Considerations in Establishing Investment Guidelines and Spending Policy

In adopting and conducting its periodic review of the Investment Guidelines, the Board of Trustees of the Foundation, mindful of its obligations under the New York Prudent Management of Institutional Funds Act, will continue to consider factors including the following: (A) general economic conditions; (B) the possible effect of inflation or deflation; (C) the expected tax consequences, if any, of investment decisions or strategies; (D) the role that each investment or course of action plays within the overall investment portfolio of the fund; (E) the expected total return from income and the appreciation of investments; (F) other resources of the Foundation; (G) the needs of the Foundation to make distributions and to preserve capital; and (H) any special relationship or special value of a particular investment or asset to the purposes of the Foundation.

V. Spending Policy

Mindful of the considerations set forth above, the Board of Trustees of the Foundation has adopted the twelve quarter average (TQA) method in determining annual payout requirements. Under this spending policy, qualifying distributions are calculated based on five percent of the average of the twelve quarter-end valuations of the portfolio in the prior three calendar years. Moreover, payouts derived from the TQA method should also meet or exceed the minimum payout requirement under IRS regulations plus an appropriate safety factor. The Foundation may also seek to qualify for the lower federal excise tax rate by making additional qualifying distributions, if appropriate, to satisfy the requirement for the lower rate.

VI. Asset Allocation Guidelines

The Foundation's assets will be invested in a diversified portfolio of equities, fixed-income securities, cash, hedge funds, real estate, private equity and other permissible investments set forth in the Investment Advisory Agreement with the Investment Advisor and as otherwise determined by the Foundation. Investment decisions with respect to a single asset shall be made in the context of the Foundation's overall investment strategy.

The Foundation has the ultimate authority and responsibility to select investment objectives, and approve and adopt the Investment Guidelines. The Investment Advisor will periodically review the guidelines, and advise the Finance Committee regarding proposals for any revisions deemed appropriate.

VII. Cash Management

Upon the Foundation's approval, the Investment Advisor shall allocate a portion of the portfolio assets to temporary or defensive positions in cash using a cash vehicle chosen by the Foundation for cash management purposes, including without limitation, to meet anticipated capital calls, pending allocation to investment products, and for other purposes.

VIII. Performance Benchmarks

The Finance Committee will use one or more commonly accepted performance benchmarks to measure and evaluate the success of the Investment Manager(s). The performance benchmarks selected by the Finance Committee should be representative of the Foundation's long-term return objectives and risk tolerance and be calculated over the same time period as the returns on the Foundation's portfolio with which the performance benchmark is being compared.

These performance benchmarks are intended as targets only and are no guarantee or assurance of the performance of any investment or of the Foundation's portfolio.

Adopted: June 6, 2013