Montgomery County Public Schools
Educational Foundation, Inc.

Investment Policy Statement

I. STATEMENT OF PURPOSE AND SCOPE

Montgomery County Public Schools Educational Foundation, Inc. (the "Foundation") serves as a repository for gifts and grants supporting activities and programs that carry out Montgomery County Public Schools' mission. The Foundation is responsible for the prudent management of the contributions and grants that it receives and the management of foundation-established grant programs to MCPS students and educators. Funding sources for the Foundation include philanthropic foundations, government agencies, corporations, private citizens, and escheated funds.

The purpose of this Investment Policy Statement (IPS) is to establish guidelines for the safeguarding and efficient management of investable assets. This document will:

- Set forth the Board of Directors' attitudes, expectations, and objectives with respect to the investment of Foundation Assets;
- Set forth specific investment objectives that will provide direction to investment managers and establish criteria against which performance can be measured;
- Establish an investment structure for managing Foundation Assets that includes asset allocation targets;
- Provide investment guidelines that are expected to achieve desired long-term investment returns while controlling the level of overall portfolio risk and ensuring adequate liquidity;
- Define the responsibilities of the Board of Directors (the "Board"), the Finance Committee and the Investment Manager(s);
- Define a process for the selection of an investment manager(s);
- Encourage frequent and effective communication between the Foundations' investment manager(s) and the Board of Directors;

This IPS describes a prudent investment process deemed appropriate for the investment of Foundation Assets. The Foundation Assets shall be managed in accordance with the high standard of fiduciary duty in compliance with applicable laws and regulations, including, but not limited to the version of the Uniform Prudent Management of Institutional Funds Act enacted by the State of Maryland.

II. ROLES AND RESPONSIBILITIES

The Board believes the hiring of Investment Manager(s) as defined below, to manage the Foundation's assets optimizes the potential to maximize risk-adjusted returns and minimize the associated expenses.

The Board of Directors:
The Board has delegated the responsibility for overseeing investment matters to the Finance Committee (the Committee"), subject to the Board's approval.

The Finance Committee:
The Committee shall implement the management process and monitor the Foundation's assets in accordance with this Statement. The Chair of the Committee shall be a current member of the Foundation's Board; other Committee members need not be a Board Member.

The Committee shall be responsible for oversight and management of the Foundation Assets and for establishing investment policies and procedures. Specifically, the Committee will be responsible for:

- Reviewing the Statement annually and submitting it to the Board of Directors for approval, whether changes are recommended.
- Establishing sound and achievable investment objectives;
- Developing sound and consistent investment policy guidelines;
- Projecting the Foundation's financial needs on an annual basis and establishing adequate reserve amounts to provide for refunds to qualified beneficiaries;
- Communicating the major duties and responsibilities of those accountable for achieving investment results;
- Selecting investment managers and monitoring their performance and replacing or eliminating managers when it is deemed appropriate to do so; and
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and objectives are being met.

Reports on the Foundation Assets shall be provided quarterly to the Board, and the Committee Chair shall be responsible for maintaining detailed records of all invested funds and for carrying out the investment policies and procedures established by the Board and the Committee.

Investment Managers:

The Investment Manager(s) may be a consultant, an advisor directly to the Foundation or a registered investment advisor overseeing one or more diversified, multi-manager vehicles used as part or all the investment solution. The Investment Manager(s) is responsible for activities that include, but are not limited to the following:

- Developing a working knowledge of the Foundation's mission and spending policies;
- Applying this knowledge to gauge the fit and appropriateness of underlying investment vehicles;
- Assisting the Foundation in the management of assets under its care, custody, and/or control in accordance with the Statement, its stated objectives and guidelines set forth herein, when deviation is deemed prudent and desirable by the Committee and/or Board;
- Selecting and monitoring investment managers and/or investment vehicles consistent with the needs and objectives of the Foundation. Investment managers in tum may have investment discretion with the parameters set by the Investment Manager hired by the Foundation;
- Informing the Committee in writing, at least quarterly, regarding all significant and/or material matters and changes pertaining to the investment of Foundation assets, including, but not limited to:
    - Investment strategy;
    - Portfolio structure;
    - Tactical shifts;
    - Ownership;
    - Organizational structures;
    - Financial condition;
    - Professional staff;
    - Recommendations for Statement guideline changes; and
    - All material legal, SEC, and other regulatory agency proceedings affecting the Investment Advisor
- Utilizing the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professional acting in like capacity and fully familiar with such matters would use in like activities for like portfolios with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, federal and international political entities as they pertain to fiduciary duties and responsibilities;
- Acknowledging and agreeing, in writing, to their fiduciary responsibility to fully comply with the entire Statement set forth herein, and as modified in the future or if one or more diversified, multi-manager vehicles are utilized, acknowledging their fiduciary responsibility to those vehicles;

- Providing the Foundation with reports on holdings, values, and activity, to be submitted no less than monthly with quarterly, semi-annual, and annual summaries that augment the monthly data and articulate performance, portfolio allocation and diversification; portfolio adjustment strategies and recommendations; updates on the status of portfolio managers including notification of any changes in any portfolio manager; and benchmarks of comparable classes or funds;

- Evaluating and executing when deemed necessary the rebalancing of the portfolio to maintain the desired risk and return profile; and

- Developing a plan with all Investment Managers vis the voting of all proxies solicited in connection with the securities held by the custodian(s).

Investment manager(s) serve at the pleasure of the Finance Committee to manage Foundation assets. The responsibility of the investment manager(s) retained by the Board is defined in the investment management agreement(s).

As a fiduciary to their funds, the Foundation's investment manager(s) are expected to diversify the portfolio under their management to minimize the risk of large losses.

The investment manager(s) is expected to invest Foundation Assets with care, skill, prudence, and due diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with such aims.

III. GOALS AND OBJECTIVES

The purpose of this statement is to establish the investment policy for the management of the Foundation's assets. Since the Foundation must be capable of paying refunds to qualified claimant beneficiaries and disbursing funds for operating expenses, grants, and scholarships upon direction of the Board, portions of Foundation Assets will be held in short-term investments providing a high degree of safety and liquidity. All other assets will be invested in capital appreciation and income consistent with acceptable levels of risk, as explained more completely in the Statement.

Objective of the Foundation’s Assets:

The Foundation’s Assets have a long-term investment horizon. The primary investment objectives of the Foundation Assets are to:

- Maintain the real purchasing power of the Fund after inflation, costs, and spending (i.e., achieve "intergenerational equity";

- Maximize the Fund's risk-adjusted returns; and

- Provide a stable source of liquidity and financial support for the mission of the Foundation.

The above financial results should be sought without incurring a level of rate-of-return volatility which is materially greater than that associated with foundations.

Investment Philosophy:

While acknowledging the importance of preserving capital, the Board also recognizes the necessity of accepting risk if the Foundation assets are to be able to meet its long-term investment goals. It is the view of the Board that choices made with respect to asset allocation and liquidity risk will be the major determinants of investment performance. The Committee shall seek to ensure that the risks taken are appropriate and commensurate with the Fund's goals.

IV. INVESTMENT POLICIES AND PROCEDURES

Operating Guidelines:

The Foundation Assets shall be managed in accordance with the Operating Guidelines for risk and liquidity described in this section, a template for which is set forth in VI, below). Once the Operating Guidelines have been approved by the Board, the Committee shall manage the Fund within the Operating Guidelines without further Board authorization. The following investment policies and procedures set out in this section refer to items in the following sections.

Investment Program Policy:

The Fund has a long-term investment horizon, and therefore allocates its assets accordingly. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Fund's investment performance.

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 investment risk are rewarded with increased returns that compensate for the additional risk. Also, risk greater than that of stable long-term low-risk securities will be required to preserve the Fund's purchasing power. It is appropriate to pursue riskier investment strategies if such strategies are in the beneficiaries' best interest. The selection of investment strategies will be evaluated on a risk-adjusted basis as needed to meet the Fund's investment objectives.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the Fund is exposed. The objective is to minimize operational risks and require appropriate compensation for the investment risks the Fund undertakes.

Portfolio Diversification:

The Foundation portfolio is to be broadly diversified to limit the impact of large losses in individual investments on the total portfolio.

Liquidity Needs:

Cash withdrawals should be arranged to meet the Foundation's ability to pay any refunds, operating expenses, and foundation-sponsored grant programs. The source of funds for these withdrawals will be based on rebalancing and cost considerations.

Rebalancing:

The purpose of rebalancing is to maintain the long-term policy asset allocation within the targeted ranges while controlling portfolio risk. The assets will be rebalanced within the stated ranges on a uniform basis so as not to cause undue expense to the portfolio and adhere to those ranges as defined in the Target Asset Allocation Table. The portfolio will be evaluated quarterly by the members of the Committee charged with the oversight of the portfolio's investments and rebalanced at least annually. Tactical rebalancing of asset classes within their ranges is also permissible to use near-term market conditions if the changes or reallocations do not cause undue risk or expense to the portfolio.

Proxy Voting:

The Investment Manager will review and consider proxy voting guidelines specified in investment management contracts consistent with the best interests of the Foundation. As proxy voting rights are an asset of the Foundation, the Investment Manager recognizes the responsibility to ensure that these rights are exercised in the best interest of Foundation. The proxy voting decision is usually secondary to the decision to own a security for investment purposes.

Proxies will be voted on by the Investment Manager, considering the financial interests of the Foundation and maximizing the value of the Foundation's investment in the Fund. It is expected that in most cases proxies will be voted in support of the Fund's management regarding routine business, except were doing so would negatively impact the long-term value of the Foundation's investment in the Fund. Non-routine matters will require more consideration and review of all relevant facts and circumstances. Matters relating to social, human rights, environmental, and similar matters will be considered in the context of whether they have a demonstrable positive economic impact on the Foundation's investment in the Fund.

V. PORTFOLIO COMPOSITION

Equity:

The purpose of equity investments, both domestic and international, in the Fund is to provide capital appreciation, growth of income, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss. 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 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 represent companies meeting

a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity were 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 20 percent of the Fund's total market value, and no single security shall represent more than five percent of the Fund's total market, unless approved by the Committee.

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

Fixed Income:

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 consider credit quality, sector, duration, and issuer concentrations in selecting an appropriate mix of Fixed Income.

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

Cash 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, except for the U.S. Government and its agencies.
Un-invested 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.

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

Other Investments:

The Finance Committee may, after consideration of pertinent investment risk and reward attributes, and liquidity, cost, and administrative complexity, authorize any investment except those otherwise expressly prohibited. These investments may include Alternative investments as outlined below:

Private Capital Partnerships: Investments/allocations may also include 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 Alternatives: Investments may also 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 also 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.

Derivative Securities:

Certain investment manager(s) may 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 (I) 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.

Prohibited Investments:

Montgomery County statutes prohibit investment m Montgomery County and County-related bonds. County statutes permit investments in 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 records of superior performance over time. No more than IO percent of the pool may be invested in real estate located in Montgomery County.

VI. ASSET ALLOCATION POLICY AND BENCHMARKING

The Board of Directors recognizes that the most significant decision affecting investment return is the asset allocation decision. After reviewing the performance characteristics of various asset classes and careful consideration of the Foundation's investment objectives and risk tolerance, the following guidelines are established for the allocation of the Foundation's assets:

POLICY PORTFOLIO TARGETS

	TARGETS	ALLOWABLE RANGE		
Global Equities	**67%**	***45%.***	**-**	***85%***
US Large Cap Equities	39%			
US Mid Cap Equities	3%			
US Small Cap Equities	3%			
Sub Total US Equities	***45%***	***35%.***	**-**	***75%***
Developed ex-US Equities	15%	*10%.*	-	*35%*
Emerging Market Equities	7%	*0%.*	-	*14%*
Fixed Income	**32%**	***15%.***	**-**	***55%***
High-Quality Fixed Income	20%			
Inflation-Protected Fixed Income	4%			
Sub Total Investment Grade Fixed Income	***24%***	***15%.***	**-**	***55%***
High Yield Fixed Income	8%	*0%.*	-	*16%*
Real Assets / Alternatives	**0%**	***0%.***	**-**	***10%***
Global Public Real Estate Equities	0%			
Natural Resource Equities / Commodities	0%			
Cash	**1%**	***0%.***	**-**	***15%***

The Policy Portfolio Targets table represents the strategic, long-term asset allocation mix for the Funds. Each asset class target has a corresponding approved range that allows underlying asset allocations to fluctuate due to normal market movements. Asset class ranges also provide the flexibility to be under- and over-weight due to trading, settlement, and timing delays associated with fully implementing an investment program. The approved ranges also allow for tactical adjustments to strategic allocations expected to benefit the portfolio. It may be prudent and necessary to operate outside these ranges when financial markets are stressed or subject to extreme levels of volatility.

The Finance Committee will review and revise the asset allocation guidelines sometimes based on analysis of the Fund's cash flow requirements and capital markets expectations over the upcoming five-to-ten-year time horizon. The asset allocation guidelines will be designated in writing and will include acceptable ranges and targets.

Normal cash flows will be used to maintain the allocation as close as practical to the long-term target allocations. If normal cash flows are insufficient to maintain the allocation within the permissible ranges as of any calendar quarter-end, balances should be transferred as necessary between the asset types to bring the allocation back within the permissible ranges.

Benchmarking and Monitoring:

For purposes of performance measurement, portfolio return, and risk will be measured against a benchmark (the "Policy Portfolio Benchmark") composed of investable indexes that serve as reasonable proxies for the asset classes contained in the policy portfolio. The Policy Portfolio Benchmark is designed to reflect the underlying exposures in the Funds and serves as a reasonable substitute for the strategic long-term policy portfolio.

Returns will be monitored at the total portfolio level, asset class category levels, and individual manager/strategy levels against their respective benchmarks.

ASSET CLASS CATEGORIES AND TOTAL PORTFOLIO BENCHMARKS

Asset Class Categories	Reasonable Proxy*
Global Equities	MSCI All Country World Investable Market Index
• US Large Cap Equities	Russell 1000 Index
• US Mid Cap Equities	S&P Mid Cap 400 Index
• US Small Cap Equities	Russell 2000 Index
• US Equities	Russell 3000 Index
• Developed ex-US Equities	MSCI World ex-USA Investable Market Index
• Emerging Market Equities	MSCI Emerging Market Investable Market Index
Fixed Income	BB US Intermediate Aggregate Bond Index
• High-Quality Fixed Income	BB US Intermediate Government/Credit Bond Index
• Inflation-Protected Fixed Income	iBoxx 3-Year Target Duration TIPS Index
• High Yield Fixed Income	BB US Corporate High Yield Bond Index
Real Assets / Alternatives	Real Assets Custom Blended Benchmark
• Natural Resource Equities	Morningstar Global Upstream Natural Resources Index
• Global Public Real Estate Equities	FTSE EPRA/NAREIT Global REIT Index
• Listed Infrastructure Equities	S&P Global Infrastructure Index
Cash	FTSE 3 Month US T Bill Index

Total Portfolio Benchmark	Underlying Composites**
Policy Portfolio Benchmark:	45.0% Russell 3000 Index
	15.0% MSCI World ex-USA Investable Market Index
	7.0% MSCI Emerging Market Investable Market Index
	20.0% BB US Intermediate Government/Credit Bond Index
	4.0% iBoxx 3-Year Target Duration TIPS Index
	8.0% BB US Corporate High Yield Bond Index
	0.0% Real Estate Custom Blended Benchmark
	0.0% Morningstar Global Upstream Natural Resources Index
	1.0% FTSE 3 Month US T Bill Index

* : "BB" were presented in place of "Bloomberg Barclays" for corresponding fixed income indices.

** : The *Real Estate Custom Blended Benchmark* is 50% FTSE EPRA/NAREIT Global REIT and 50% S&P Global Infrastructure.

Policy History

- Adopted June 27, 2024