



BRAZILFOUNDATION - ENDOWMENT INVESTMENT POLICY STATEMENT

Adopted in 2014

PURPOSE

The Endowment Assets support the mission of BrazilFoundation. This Investment Policy Statement for the Endowment is set forth by the Board of Directors in order to outline the process that the Board has adopted to make investment-related decisions with respect to the Endowment assets, in accordance with the Board of Director's fiduciary duties to discharge their responsibilities solely in the interests of BrazilFoundation with the care, skill, prudence, and diligence as defined under the Prudent Man rule. The Statement identifies the investment goals and objectives, sets out decision-making processes for selecting investments, defines and assigns the responsibilities of all involved parties, and specifies the procedures and relevant measurement benchmarks to be used in assessing ongoing investment performances, in accordance with the stated investment objectives.

The Statement will be reviewed, at least annually, by the Board of Directors. The Endowment Committee will amend the Statement, if and whenever necessary, subject to the approval of the Board.

ROLES, RESPONSIBILITIES, AND PROCEDURES

The Board of Directors appoints an Endowment Committee to discharge its duties related to the Endowment Assets. The Endowment Committee reports to the Finance Committee, which in turn reports to the Board.

The Endowment Committee is responsible for directing and monitoring the investment management of the Endowment assets. The Endowment Committee shall supervise the investment of the Endowment Assets and make all decisions concerning selection and retention of the investment options available. Accordingly, the Endowment Committee shall have authority both to select and monitor investment funds, and to appoint investment managers to manage portions of the Endowment assets.

Endowment Committee

The specific responsibilities of the Endowment Committee relating to the investment management of the Endowment assets include:

1. Projecting the Fund's liquidity needs, and communicating such needs to the Investment Manager on a timely basis.
2. Determining the Fund's risk tolerance. For passive investment decisions, selecting the mutual funds in which the Fund shall be invested; for active investment management, instructing the Managers (and communicating to appropriate fiduciaries) regarding risk tolerance, maximum maturity of any security, diversification of the assets in the Fund, and other investment restrictions;
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 professionals, including the Managers, Brokers and Custodians;

5. Regularly evaluating the performance, but no less than quarterly, of the Managers, Brokers and Custodians (and for Fund assets passively invested, the performance of the mutual funds selected by the Endowment Committee), to ensure adherence to the investment policy guidelines stated herein and to monitor progress toward investment objectives.
6. Developing and enacting proper control procedures (for example, replacing a Manager due to fundamental changes in investment management process or failure to comply with established guidelines);
7. Reporting quarterly the investment results and material changes to the Finance Committee, which in turn will report to the Board of Directors.

| Delegation Of Authority

The Endowment Committee is authorized to delegate certain responsibilities to professional management in various fields. These include, but are not limited to:

1. **Investment Managers.** The Managers have discretion to purchase, sell, or hold the specific Endowment securities that will be used to meet the Endowment's investment objectives.

Investment Managers hired by BrazilFoundation shall be registered under the Investment Act of 1940 and have filed the most recent investment advisor registration form with the Securities and Exchange Commission (Form ADV). Each Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while operating within all policies, guidelines, constraints, and philosophies as outlined in this Policy and in any additional policy statements (which will become attachments to this Policy), as applicable.

Specific recommendations of the Managers include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this Statement;
 - Advising on the establishment of any changes to the Endowment's policies and guidelines.
 - Reporting, at least quarterly, investment performance results and pertinent data on the investments in the Endowment.
 - Investing, with awareness and promotion of ESG (Environmental, Socially Responsible and Governance) investing).
2. **Custodian.** The Custodian will physically maintain possession of securities owned by the Endowment, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Endowment account.

3. **Broker.** If determined by the Endowment Committee, the Endowment may purchase, sell or hold Endowment assets in one or more brokerage accounts (including shares in one or more mutual funds).

Where Managers have been selected to actively manage certain Funds, the Endowment Committee will not exercise any direct control over investment decisions, with the exception of specific limitations described in this Policy. The Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper the Managers, the Managers should request any modifications they deem appropriate.

INVESTMENT GOALS

To conserve and enhance the capital value of the Endowment in real terms, through asset appreciation and income generation.

The long-term goal of the Endowment is to pursue a set of investment objectives designed to maximize the returns to the Fund without exposing it to undue risk. In order to meet its needs, the investment strategy of the Endowment is to emphasize total return, which is the aggregate return from capital appreciation and dividend and interest income. The objective shall be achieved using a balanced approach that will consist of cash equivalents, fixed income instruments, equity securities, alternative investments which include real assets, and other appropriate investment vehicles that meet the investment guidelines as outlined in the Statement.

INVESTMENT OBJECTIVES

Recognizing that short-term market fluctuations may cause variations in the Endowment performance, evaluate the investment performance on a rolling 5-year basis with the goal of accommodating the following:

1. A spending policy not to exceed 4.5% of a trailing 5-year (or twenty quarter) average market value of the Endowment principal will be made available to the operating account annually.
2. Costs to operate the endowment;
3. Exclusive of principal additions, endowment balance will grow not less than 1% per year adjusted for inflation and after operating account transfer.

SELECT AND MONITOR INVESTMENT OPTIONS

The Endowment Committee shall select investment options (with the assistance of investment advisors or consultants, if applicable), and shall set forth and list each investment option. Selection criteria shall include, but not limited to, the option's volatility of returns, liquidity and marketability of Endowment Assets, competitiveness of fees and expense ratios, the depth of the organization and its operating viabilities.

The Endowment Committee shall evaluate the investment results of existing investment funds at least annually and report to the Finance Committee and the Board. Quarterly monitoring is advised. Watch lists shall be established of the investment funds which fail to performance on a short term basis.

Volatility Of Returns. The Endowment Committee understands that in order to achieve its objective for the Endowment's assets, the Endowment will experience volatility of returns and fluctuations of market value. In the judgment of the Endowment Committee, a level of volatility comparable to the stated target policy is deemed acceptable in order to achieve the investment objectives.

Liquidity And Marketability Of Assets. The Endowment Committee will provide the Manager with the timing of any large distributions (defined as an amount greater than 5% of the Endowment) to allow sufficient time to build up the necessary reserves.

Allowable Investments

Cash Equivalents

- Treasury Bills
- Money market funds
- STIF funds
- Commercial paper
- Banker's acceptances
- Repurchase agreements
- Certificates of deposit
- [need something about the deposits in Brazil]

Fixed Income Securities

- US Government and Agency securities
- Corporate notes and bonds
- Mortgage-backed bonds
- Asset-backed bonds
- Preferred stock
- Collateralized mortgage obligations
- US dollar-denominated Euro and Yankee bonds
- High Yield Debt
- Emerging Market Debt
- Municipal Debt

Equity Securities

- Common stocks
- Convertible notes and bonds
- Convertible preferred stocks
- American Depository Receipts (ADR s) of non-US companies
- Emerging Market equities
- Non-Dollar equities

Alternative Asset Classes

- Private Equity Funds
- Hedge Funds
- Fund of Funds
- Commodities

Exchange Traded Funds

- Mutual Funds
- Exchange Traded Funds
- Closed End Funds

Exclusions: Categories listed below are representative of securities that are not permissible for investment at this time, without prior approval by a majority vote of the Board of Directors:

- Unregistered or restricted stock
- Conditional sales contract

Margin buying
Securities lending programs

INVESTMENT PHILOSOPHY & GUIDELINES

The Endowment Committee will select investment options that provide wide range of investment opportunities in various asset classes, so as to allow for diversification and cover a wide risk/return spectrum; maximize return within reasonable and prudent levels of risk; and control administrative and management costs to the Endowment.

Asset Allocation

The investment of the Endowment assets shall be managed in accordance with the maximum and minimum range for each set class as stated below (at market value):

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Cash	0%	100%
Equities	0%	80%
Fixed Income	0%	80%
Alternatives	0%	40%

Further diversification is required as follows:

Equities-% of Endowment balance:

US	0%-60%
International (including emerging markets)	0%-50%
REITs	0%-10%

The asset allocation ranges established in this Endowment Policy represent a long-term perspective. As such, rapid, unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the policy range. These divergences should be of a short-term nature. These ranges can be modified from time to time.

DIVERSIFICATION GUIDELINES

In order to achieve a prudent level of portfolio diversification, the following restrictions apply:

1. Cash Equivalents

Each fiscal year the Managers will be informed of the amount of cash the Endowment will need for operating or capital expenses and approximately when this cash will be needed.

2. Fixed Income

Under normal circumstances, the portfolio will be invested in a mix of fixed income securities (including shares in one or more indexed, absolute return or balanced mutual funds selected by the Investment Committee) in the following market sectors:

Fixed Income-% of Endowment:

Cash	0%-40%
US Treasuries/US Agencies	0%-60%
Corporate Bonds	0%-30%

Mortgage-Backed Securities	0%-20%
Asset-Backed Securities	0%-15%
High Yield Bonds	0%-10%
Municipal Debt	0%-10%
Emerging Market Debt	0%-10%

The duration of the portfolio may range from 75%-125% of the Barclay's Intermediate Aggregate Index.

No more than 5% of the market value of the total fixed income portfolio shall be invested in any single security or in securities of any single issuer, with the exception of the US Government and the fixed income securities of its Agencies or shares in mutual funds selected by the Endowment Committee. It is desirable that individual securities held in the portfolio be large enough for easy liquidation.

3. Equity

Equity holdings (other than with respect to equity holdings in alternative investments) shall be restricted to securities of corporations that are actively traded on the major U.S. or global exchanges, including NASDAQ, Euronext, the NYSE. Pooled investments such as equity mutual funds or equity closed-end funds, American Depository Receipts traded on registered exchanges or NASDAQ, are considered acceptable investments as domestic equities or shares in one or more indexed, absolute return or balanced mutual funds selected by the Endowment Committee. Equity holdings in alternative investments will be restricted as determined by the Endowment Committee.

No more than 5% of the market value of the total equity portfolio shall be invested in any single company (excluding shares in mutual funds selected by the Endowment Committee).

PERFORMANCE REVIEW AND COMMUNICATIONS

Achievement of the Endowment's objectives will take precedence over any performance comparison. Performance reports shall be compiled regularly by the Endowment Committee and presented to the Finance Committee for review on a quarterly basis to determine the continued feasibility of achieving the investment objectives. The investment performance of the Endowment, as well as each asset class component, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Policy.

Such quarterly performance reports should also include a quarterly valuation and transaction report covering investment activity during the prior three-month period. The Manager should inform the Endowment Committee of major changes in the Manager's investment outlook, strategy and the portfolio structure.

Market Indices: For passive investments, the accounts will be measured against the relevant index. For active investments, the Manager should attempt to match or exceed the standards established for each asset class as follows:

a. Cash equivalents	90-Day Treasury Bills
b. Fixed income securities	Barclay's Intermediate Aggregate Index
c. Equities (Large Cap)	S&P 500 (Un-weighted)
Growth	Russell 1000 Growth
Value	Russell 1000 Value

Equities (Small Cap)	Russell 2000
Growth	Russell 2000 Growth
Value	Russell 2000 Value
Equities (International)	MSCI EAFE
Equities (REITs)	NAREIT
d. Alternatives	Commodities Indices
	HFRI Diversified Fund of Funds Index
	Other benchmark designated by the Endowment Committee, in each case, as appropriate for the alternative investment.

MANAGER EVALUATION

The Endowment Committee intends to evaluate the managers of the Endowment over at least a three-year period, but reserves the right to terminate a Manager for any reason including the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results;
2. Failure to adhere to any aspect of this Endowment Policy, including communication and reporting requirements;
3. Significant qualitative changes to the Manager's organization.

The Managers shall be reviewed regarding performance, personnel, strategy, research capabilities, organization and business matter, and other qualitative factors that may impact their ability to achieve the desired investment results.

REVIEW AND REVISE THE INVESTMENT POLICY STATEMENT

The Endowment Committee reserves the right to amend this Statement at any time and from time to time, as it deems necessary or appropriate. The Endowment Committee shall amend this Statement as necessary to comply with any amendments to the Endowment or with any change in federal or other applicable law that may affect the investment of the Endowment Assets. Any amendment shall be approved by the Finance Committee and the Board of Directors.