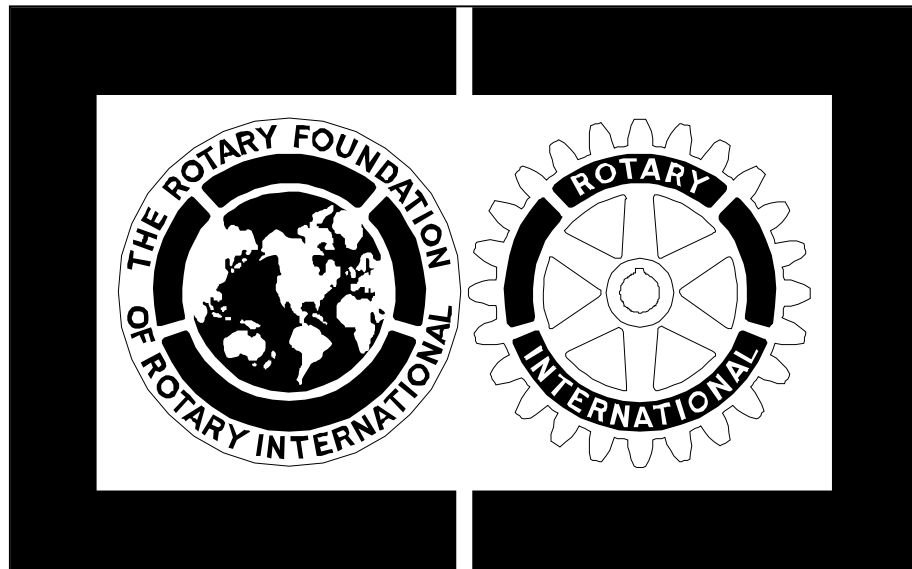


THE ROTARY FOUNDATION

Investment Information



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THE ROTARY FOUNDATION INVESTMENT OVERVIEW

This booklet provides comprehensive information regarding The Rotary Foundation's (TRF) investment programs, including the investment policy statements, investment manager and performance information, and historical information about asset allocations and spending policies. The Rotary Foundation has three primary investment portfolios:

- (1) The Annual Programs Fund (APF) is comprised of both long- and short-term portfolios. The long-term portfolio consists of accumulated contributions and investment earnings. For investment purposes, there are separate funds for Programs and the Operating Reserve. The short-term portfolio consists of unrestricted and restricted cash and provides the necessary liquidity to fund programs and operating expenses.

The purpose of the Operating Reserve Fund is to provide adequate funds to support the Foundation's operating expenses in the event that current year investment earnings are inadequate. This fund was established on 30 June 2010 and has been partially funded with \$50 million. The target level for this reserve is three years of fund development and general and administrative expenses (approximately \$70 million) and will be funded over the next several years. More information of the Foundation's Operating Reserve Fund can be found on page 21.

- (2) The Permanent Fund (PF) is the Foundation's endowment.
- (3) The PolioPlus Fund is a low-risk fixed income portfolio whose objective is to preserve principal and to generate a level of income consistent with the preservation of principal and prudent assumption of risk.

The APF and PF maintain diversified portfolios through investment pools. These vehicles operate in a manner similar to mutual funds where the APF and PF purchase units in accordance with their asset allocation policies.

In addition, TRF maintains a life income program, consisting of charitable trusts, a gift annuity fund, and a pooled income fund, to enable donors to make gifts to the Foundation and receive income for a period of time. TRF also maintains a Donor Advised Fund that provides donors the ability to make grant recommendations to Foundation programs and other approved charities.

To assist staff and the Foundation's external advisors in managing these assets, the Trustees have developed Investment Policy Statements (IPS) for the various funds. These documents outline the guidelines and responsibilities for overseeing and managing the Foundation's investments and provide direction on asset allocation, performance objectives, and control procedures.

TRF retains an investment consultant, NEPC, to assist in the monitoring of investment managers and to provide quarterly investment reports. NEPC also assists Rotary in investment manager searches as it maintains an extensive database of prospective investment managers and meets with hundreds of investment managers each year. NEPC was retained on 1 December 2009 and provides investment consulting services for the APF, PF and the RI General Fund. Prior to NEPC, Hewitt Investment Group served as Rotary's investment consultant for nearly ten years.

All assets are custodied at BNY Mellon, Rotary's custodian bank since October 2005.

Investment Philosophy Statements
Adopted September 2011

Annual Programs Fund (APF)

The primary objective in managing the APF is to generate investment returns to fund the Foundation's administrative and fund development expenses while mitigating the risk of investment losses. Other objectives include preserving the capital allocated to the operating reserve and providing liquidity when operating cash is insufficient to cover program and operating expenses.

To achieve these objectives, the Foundation manages the APF in an attempt to achieve returns which, over multi-year periods, but not necessarily over shorter time periods, exceed the returns on a passively investable benchmark. In approaching asset allocation, the Foundation will construct and maintain a well diversified portfolio. The Foundation does not believe in market timing; instead, the Foundation recognizes that certain actions, such as adjusting asset allocation, acting to preserve capital or altering liquidity in times of unusual market or economic conditions, can improve performance and/or reduce risk. To implement these objectives, the Foundation seeks managers who are flexible in their investment approach in addition to those focused on benchmark indices. The Foundation does not impose moral, ethical, and/or environmental constraints in the investment process in an effort to align the Foundation's investments with its mission. Instead, the Foundation prudently invests Rotarians' contributions so funds are available to support those programs that carry out the Foundation's mission.

Permanent Fund (PF)

The primary objective in managing the PF is to preserve purchasing power in perpetuity. A secondary objective is to maintain a balance between the needs of today and those of tomorrow to ensure endowment spending for current and future generations is equitable.

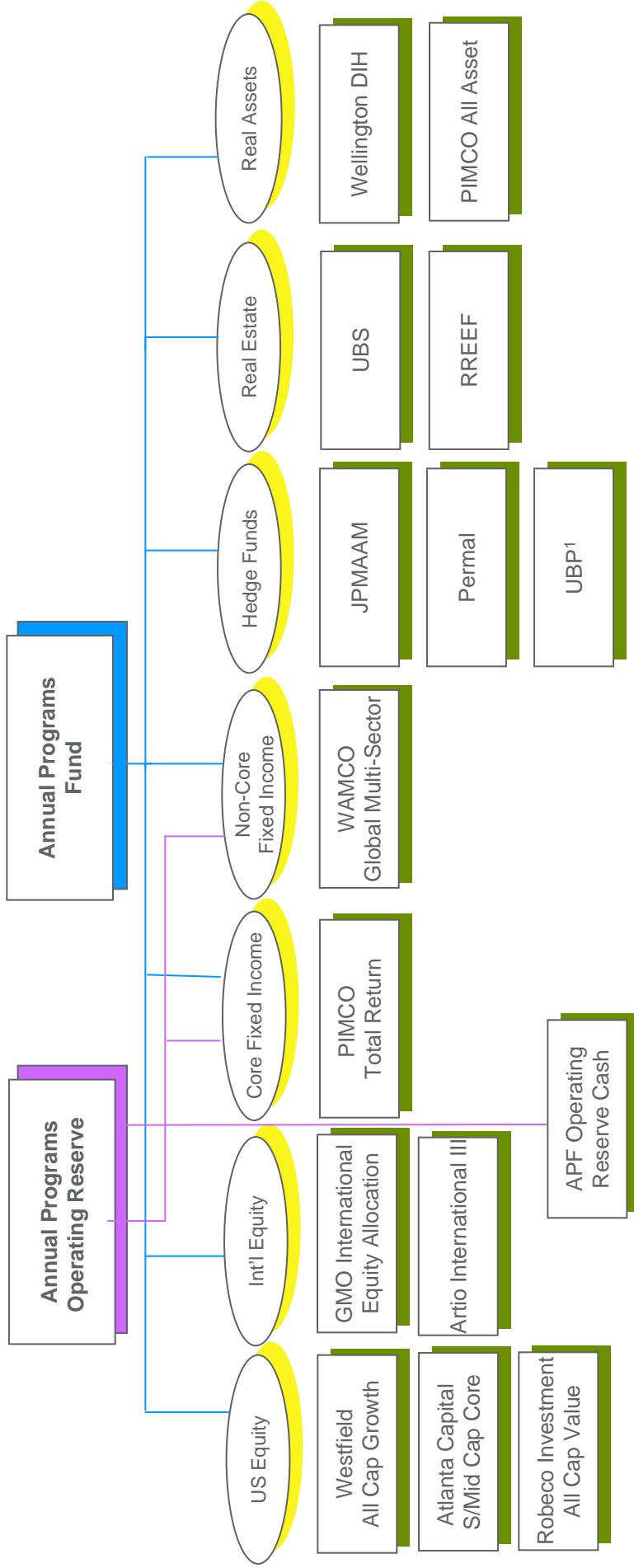
To achieve these objectives, the Foundation manages the PF in an attempt to achieve returns which, over multi-year periods, but not necessarily over shorter time periods, exceed the returns on a passively investable benchmark. Because it is the Foundation's intent to grow the PF's value in real (after inflation) terms, the PF's performance will also be monitored after adjusting for inflation and spending. In approaching asset allocation, the Foundation will construct and maintain a well diversified portfolio. The Foundation does not believe in market timing; instead, the Foundation recognizes that certain actions, such as adjusting asset allocation, acting to preserve capital or altering liquidity in times of unusual market or economic conditions, can improve performance and/or reduce risk. To implement these objectives, the Foundation seeks managers who are flexible in their investment approach in addition to those focused on benchmark indices. The Foundation does not impose moral, ethical, and/or environmental constraints in the investment process in an effort to align the Foundation's investments with its mission. Instead, the Foundation invests Rotarians' contributions to maximize investment return given prudent assumption of risk so the PF can maintain and grow its value in real terms and generate investment returns to support the Foundation's programs in perpetuity.

PolioPlus Fund

The primary objective in managing the PolioPlus Fund is to preserve principal and to generate a level of income consistent with the preservation of principle and prudent assumption of risk. To achieve this objective, 100% of the Fund is invested in short-term, high quality, fixed income securities in which there is minimal risk of principal loss.

Effective 1 December 2011

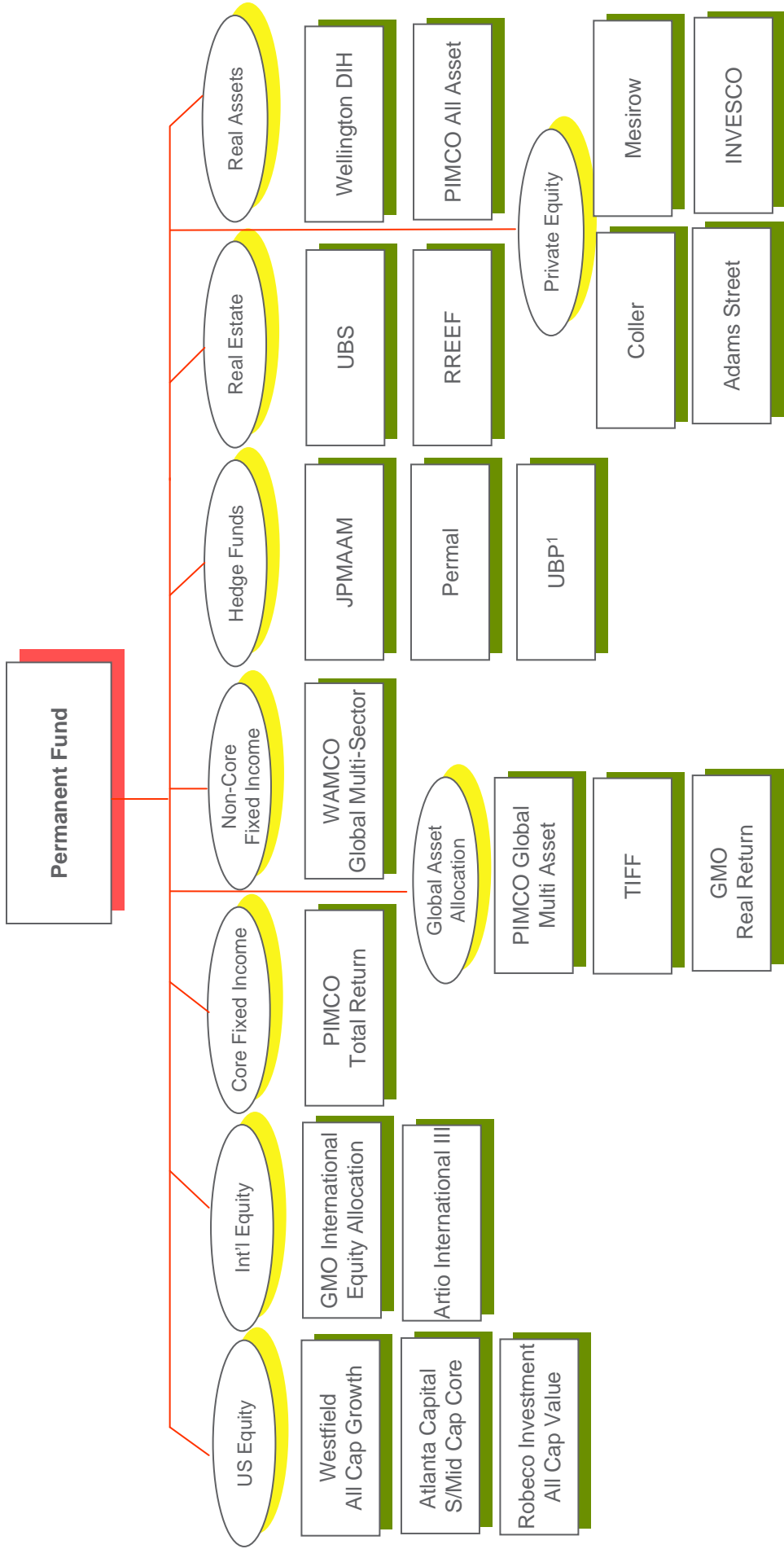
The Rotary Foundation Annual Programs Fund Investment Structure



1. In liquidation

Effective 1 December 2011

The Rotary Foundation Permanent Fund Investment Structure



INVESTMENT POLICY STATEMENT
THE ROTARY FOUNDATION ANNUAL PROGRAMS FUND
Adopted June 2010, Amended September 2011

Mission of The Rotary Foundation

The mission of The Rotary Foundation, hereinafter referred to as “the Foundation”, is to enable Rotarians to advance world understanding, goodwill, and peace through the improvement of health, the support of education, and the alleviation of poverty.

The Foundation is a not-for-profit tax-exempt corporation supported solely by voluntary contributions from Rotarians and friends of the Foundation who share its vision of a better world.

Mission of the Annual Programs Fund

The Mission of the Annual Programs Fund (APF) mirrors that of The Rotary Foundation: to enable Rotarians to advance world understanding, goodwill, and peace through the improvement of health, the support of education, and the alleviation of poverty.

Contributions to the APF are the primary source of funding for Foundation programs, which cover more than 160 counties and geographical areas on seven continents.

Delegation of Responsibilities

The Trustees of the Foundation are responsible for setting overall investment policy; including the investment objectives and asset allocation strategy, and for approving any changes to this Investment Policy Statement (IPS).

The Investment Committee (“IC”) is responsible for reviewing and monitoring investment results, reviewing and recommending changes to the IPS, reviewing and recommending hiring and termination of investment managers, approving the termination and hiring of investment managers by the investment staff, advising and educating the Trustees on various investment issues, actively participating in investment manager selection process, and actively participating in meetings with the investment managers.

The investment staff (“Staff”) is responsible for the daily operation of and compliance with the IPS on behalf of the Trustees. Such daily operations and compliance shall include implementation of Trustee decisions and the termination and hiring of investment managers with the approval of the IC.

The investment consultant is responsible for developing and recommending asset allocation strategies, monitoring the Fund’s investments, researching and recommending investment vehicles and investment managers to the IC and Staff, and providing timely investment reports to the IC and Staff.

The investment managers appointed to execute the policy will invest the Fund in accordance with the Fund’s investment guidelines and the investment managers’ judgments concerning relative investment values.

Statement of Investment Goals and Objectives

This statement of investment goals and objectives expresses the Fund's position regarding risk tolerance and the asset allocation of the Fund; defines the spending policy; sets forth an appropriate set of goals and objectives for the Fund's assets; and defines parameters within which the investment managers may formulate and execute their investment decisions.

- The investment objective of the Fund is to generate sufficient earnings to pay for fund development and general administrative expenses (excluding PolioPlus), while mitigating downside risk. Other investment objectives include preserving the capital allocated to the operating reserve (included as Appendix IV is the Foundation's Operating and Program Reserve Policy) and provide liquidity when operating cash is insufficient to cover program and operating expenses. The primary source of liquidity for the Foundation is cash held in its numerous bank accounts around the world. Specific investment guidelines for the Foundation's cash accounts are included as Appendix III.
- The performance objective of the Fund is to achieve a rate of return consistent with the expected return of the target allocation in Appendix I. Over a three- to five-year period, the rate of return earned by the Fund should exceed the annualized total return of the custom index or "Policy Index".
- The Policy Index is defined by the following indices and allocated based on the target allocation:
 - DJ U.S. Total Stock Market Index
 - MSCI ACWI ex. U.S. Index
 - Barclays Capital Aggregate Bond Index
 - NFI-ODCE Index
 - HFRI Fund of Fund Index
 - Hybrid index for real assets: 50% Barclay's Capital TIPS Index, 30% DJ UBS Commodities Index, 20% MSCI ACWI Index"
- For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis.
- Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with other comparable total funds. The risk exposure for the overall Fund should generally rank in the midrange (25th to 75th percentile) of comparable total funds. Risk-adjusted returns are expected to consistently rank favorably relative to comparable funds.
- Normally, results are evaluated over a three to five year time horizon. However, shorter-term results will be regularly reviewed and earlier action taken as required.

General Investment Guidelines

Overall Fund structure targets and permissible ranges for eligible asset classes are detailed in Appendix I of this IPS. Performance objectives for investment managers are included in Appendix II. The investment managers should determine that the securities

to be purchased are consistent with the guidelines expressed in this IPS and suitable for this Fund.

Full discretion, within the parameters of this IPS, is granted to the investment managers regarding the allocation, the selection of securities, and the timing of transactions. All investments will be made in accordance with a pre-approved investment management agreement that outlines the limitation of the investment securities. The investment manager is responsible for making an independent analysis of each security and their appropriateness as an investment for this Fund.

Traditional or “Liquid” Investment Structure Guidelines

U.S. Equity Investment Mandates

U.S. equity holdings consist of equity securities of companies that are listed on U.S. registered exchanges or actively traded in the over-the counter market. The market capitalization of securities should be largely consistent with securities held in appropriate indices. American Depository Receipts (ADRs), which are U.S. dollar denominated foreign securities traded on the U.S. stock exchanges (e.g., Reuters, Nestle, Sony) may be held by each U.S. equity manager in proportions which each investment manager shall deem appropriate.

Non- U.S. Equity Investment Mandates

Non-U.S. equity securities can be accessed through local markets or American Depository Receipts (ADRs). The investment manager may hedge currency exposure through the use of derivative instruments. Emerging markets equity is permitted and should be largely consistent with a pre-approved benchmark.

Fixed Income Investment Mandates

Eligible securities are broad fixed income securities publicly traded in respective domestic markets and may include, but not limited to, U.S. government and agency obligations, mortgage backed securities, corporate bonds, debentures, and commercial paper. The duration of the portfolio should be largely consistent with appropriate indices. Unless otherwise agreed to, the duration of the portfolio must be within 20% of the appropriate benchmark.

Compliance with classifications provided by rating agencies (Moody's, S&P, and Fitch) is not sufficient for an issue to be deemed an appropriate investment. The investment manager is responsible for making an independent analysis of the credit-worthiness of securities and their appropriateness as an investment for this Fund.

Global Asset Allocation Managers

The intent of these strategies is to give investment managers the ability to invest across traditional and non-traditional asset classes in order to further diversify the Fund, control risk and add return.

It is understood that securities, strategies, constraints and investments that are declared ineligible for inclusion within other investment mandates may be included in these portfolios. The otherwise restricted investments may be allowed within the Alternatives

category to allow for positions that, on an aggregate basis, offer attractive risk-adjusted return benefits to the overall Fund. The investment managers should determine that the securities to be purchased and the strategies to be utilized are suitable for this account.

The majority of the assets will be invested in global equity and fixed income mandates that shall comply with the above listed guidelines for those asset classes.

Derivatives are permitted in this portfolio, but are limited in use relative to the Derivatives Policy herein, unless approved in writing by the Trustees.

From time to time, these strategies may make additional diversifying investments in other asset classes or securities such as hedge funds, etc. The IC shall approve any such investment prior to implementation and shall restrict these investments to specific investment managers.

Real Assets

Real Assets are permissible as a long-term inflation hedge. Real Assets also create current income as well as the potential for capital appreciation. The Real Assets allocation will be invested primarily in liquid strategies that may include commodities, inflation linked bonds, and global natural resource stocks.

Alternative or “Less Liquid” Investment Structure Guidelines

The Fund has an alternative investments program which includes hedge funds and real estate structures.

Hedge Fund Investment Structure: The Trustees have required more than one principal hedge fund manager to ensure appropriate diversification. The hedge fund allocation will be primarily invested in diversified hedge fund of funds managers, but direct hedge fund managers can also be considered. In the event of hedge fund of fund managers, leverage will not be permitted at the fund level.

The IC will review the appropriateness of these strategies through an investment manager search and due diligence process and then on an as needed basis. Provisions, including liquidity and transparency, shall be reviewed and mandates will be deemed appropriate for the Fund's assets on an individual basis.

Real Estate Investment Structure: Asset allocation is a critical driver for the long-term success of the Real Estate Program. The asset allocation should seek broad diversification across real estate sub-asset classes as well as vehicle diversification (open-ended vs. closed-ended). Investment strategy targets will be reviewed along with the annual strategic plan.

Opportunistic Investing

Opportunistic investing is permitted in the Fund, on a selective basis. Opportunistic investing is defined as investments in unique opportunities, which are brought about by dislocated or unusual market conditions, which can provide superior risk adjusted returns in a specific asset class, over a short period of time (maybe 18-36 months). Once the tactical opportunity has been exhausted, assets should be liquidated from the investment. The strategic asset allocation of the Fund should include an opportunistic

investment target of 0% with a range of 0 -10%, to allow the IC to tactically allocate assets to an opportunity should any arise.

Socially Responsible Investing

Socially Responsible Investing (SRI) is the practice of making investment decisions on the basis of both financial and social performance of a company. SRI imposes moral, ethical, and/or environmental constraints on the investment process, in order to align an organization's investment with its mission.

Because Rotarians comprise a diverse group of individuals from different cultures, agreeing on a mandate for an investment manager to adhere to may be difficult. Additionally, any mandate developed would be subject to interpretation by the investment manager, which may result in the intention of the Trustees not being strictly followed. Further, the tangible benefits or impact to society made through these investments are difficult to measure.

Although The Rotary Foundation's investment program is not based on the principles of SRI, the Foundation does participate in a form of social responsibility through its investment strategy; which is to grow assets in an appropriate manner for the purpose of fulfilling the mission of The Rotary Foundation.

Derivatives Policy

Derivative instruments are permitted only as specified in this IPS. Where appropriate, investment managers may use derivative securities for the following reasons:

1. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts (i.e. futures and options) that can be used to reduce those risks and achieve other portfolio structural objectives, the investment managers are permitted to use such derivatives for hedging purposes.
2. Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.
3. Management of Country and Asset Allocation Exposure. Investment managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for these purposes.

Non-U.S. equity and global bond managers may enter into forward exchange contracts on currency provided that the use of such contracts is designed to dampen portfolio volatility rather than lever portfolio risk exposure. Currency contracts may be utilized to either hedge the portfolios currency risk exposure or in the settlement of securities transactions.

Non-U.S. equity and global bond managers may employ an active currency management program and deal in futures and options within the discipline of that currency management program. The use of futures and options to establish a leveraged position is prohibited.

By way of amplification, it is noted that the following two uses of derivatives are prohibited for the financial assets unless provided an exemption from the Trustees:

1. Leverage. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

Spending Policy

It is the policy of the Trustees to apply the following spending rules to the Fund:

1. Contributions will be invested for three years. They will then become available to spend on programs and grants
2. Investment earnings are available to fund the Foundation's fund development and general and administrative expenses, and to provide for the Foundation's operating and program reserves.
3. All spending is to be approved annually by the Trustees of the Foundation.

Rebalancing Policy

The Fund will be rebalanced by Staff any time a liquid asset class reaches the minimum or maximum allocation specified above if routine cash flows are available. Routine cash flows (contributions and spending) will be used to maintain the allocation as close as practical to the target allocations. If routine cash flows are insufficient to maintain the allocation within the permissible ranges, funds will be transferred at quarter end between asset classes as necessary to bring the allocation back within the permissible ranges.

It is recognized that private markets investments in general can be illiquid investments. They can be subject to lock up provisions and capital calls and as such will not be rebalanced as part of normal course. From time to time the Net Asset Value of these asset classes may be outside of permissible ranges. The IC will consider the relative liquidity of a strategy when making new commitments to illiquid investment managers.

Diversification

The Fund is to be broadly diversified so as to limit the impact of large losses in individual investments of the Fund.

Liquidity Needs

Staff shall arrange for cash withdrawals to meet the Fund's spending needs. The source of funds for these withdrawals will be based on rebalancing and cost considerations.

Overall portfolio liquidity, as well as strategy-level liquidity, is an important consideration in the investment decision making process.

Proxy Voting

The Trustees of the Foundation have delegated investment management responsibilities to various independent investment managers. The Trustees delegate the full responsibility to vote proxies to these investment managers and expect each investment manager to vote all proxies prudently and in the interest of the Fund.

Securities Lending

For funds managed in a separate account format, the Fund may not participate in securities lending unless approved by the IC, based on recommendations from Staff, or the investment consultant. Any authorization for securities lending in separate accounts must be reported as an information item at the next Trustee meeting. Commingled funds and mutual funds are exempt from this restriction.

Commingled Funds or Institutional Mutual Funds

In recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these funds) these funds may, from time to time, be utilized. The Trustees recognize that they cannot give specific policy directives to a fund whose policies are already established.

Control Procedures

Standards of Conduct for Investment Managers and Advisors

The expected standards of conduct for investment managers and advisors are derived from the CFA Institute Code of Ethics and Standards of Professional Conduct

Conflict of Interests on Investments and Restrictions on Investments

It is the policy of the Foundation that Trustees, members of the IC, and employees of Rotary International shall act in a manner consistent with their responsibilities to the Foundation and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or the appearance of a conflict of interest or impair the reputation of the Foundation.

IC members are required to abide by the Conflict of Interest Policy included as Appendix V.

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the IPS. It is not expected that the IPS will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the IPS.

Review of Investment Managers

The IC will review results of all investment managers at least semi-annually. With a perspective toward three-year and five-year time horizons, the IC will evaluate whether each investment manager has:

- Performed satisfactorily when compared with the specific objectives for its portfolio;
- Produced results that compare favorably to other investment management organizations managing similar portfolios;
- Exceeded the returns of appropriate market indices;
- Made portfolio management decisions that were reasonable and effective in view of capital market developments; and
- Adhered to the relevant policies and objectives.

Among the events that the IC will examine closely in their review of investment managers are:

- Poor results relative to objectives over a fairly short period of time (e.g., one year);
- Poor absolute performance over a three-to-five year period;
- The departure of one or more key investment professionals;
- Violation of an investment guideline; and
- Material changes in the investment manager's organization, such as philosophical and personnel changes, acquisitions or losses of major accounts, a change in ownership or control of the investment management organization, etc.

The IC will evaluate investment managers and events in light of the current situation and other related factors.

Review of Investment Consultant

An informal evaluation of Rotary's investment consultant will be conducted annually by the IC. Staff will communicate any suggestions for improvements to the investment consultant.

A formal written evaluation of Rotary's investment consultant will be conducted every five years, unless circumstances dictate the need for a more frequent evaluation. This evaluation will be conducted in accordance with Rotary's Policy for Investment Consultant Evaluation which is included as Appendix VI.

Reporting Requirements

Within six weeks after the end of each calendar quarter, Staff and/or the Fund's investment consultant will prepare a report containing information on the investment performance of the Fund in total and for each investment manager.

Each active investment manager will be required to submit a quarterly report within six weeks after the end of each calendar quarter containing the following information:

- Review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception of the account with comments on any policy or strategy changes which contributed either positively or negatively to that performance.

- The usage of securities lending, if any.
- Where appropriate, the use of any derivative product during the quarter, including information concerning the rationale behind the position and the size of the transaction.
- Comments on any material change in personnel, investment strategy or other pertinent information potentially affecting performance.
- List of the securities in the portfolio at the end of the quarter, including cash.

On an annual basis, the investment manager will provide Part II of the Form ADV for the most recent year.

APPENDIX IA
STAGE ONE: PRE RESERVE FUND

Strategic Asset Allocation

Over the long-term, the asset allocation policy will be the key determinant of the returns generated by the Fund and the associated volatility of returns. Based on the Fund's objectives, circumstances, and spending policy, the Trustees have developed the following asset mix guidelines:

	Percent of Total Fund		
	Minimum	Target	Maximum
Equity	30%	40%	50%
U.S. Equities	10%	20%	30%
Non-U.S. Equities	10%	20%	30%
Fixed Income	30%	35%	40%
Core Bonds	12%	15%	18%
Non-Core Bonds	15%	20%	25%
Cash	0%	0%	0%
Alternative Assets	18%	25%	32%
Hedge Funds	0%	5%	7%
Real Estate	7%	10%	13%
Real Assets	5%	10%	15%
Opportunistic	0%	0%	10%

Note: the policy asset allocation targets in Phase I will be in effect until the Operating Reserve Fund is 50% funded. Once the reserve is 50% funded, then the asset allocation targets in Phase II will be in effect.

APPENDIX IB
STAGE TWO: BUILDING RESERVE FUND

Strategic Asset Allocation

Over the long-term, the asset allocation policy will be the key determinant of the returns generated by the Fund and the associated volatility of returns. Based on the Fund's objectives, circumstances, and spending policy, the Trustees have developed the following asset mix guidelines:

	Programs Fund			Operating Reserve Fund			Total Fund *		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
Equity	35%	45%	55%		0%		25%	36%	45%
U.S. Equities	10%	20%	30%		0%		10%	16%	25%
Non-U.S.	15%	25%	35%		0%		15%	20%	30%
Fixed Income	15%	20%	30%		100%		25%	36%	45%
Core Bonds		0%		30%	33%	40%	0%	7%	12%
Non-Core Bonds	15%	20%	30%	30%	33%	40%	15%	22%	30%
Cash		0%		30%	34%	40%	0%	7%	10%
Alternatives	30%	35%	40%		0%		23%	28%	33%
Hedge Funds	9%	13%	16%		0%		5%	10%	15%
Real Estate	5%	7%	10%		0%		0%	6%	10%
Real Assets	10%	15%	20%		0%		7%	12%	17%
Opportunistic	0%	0%	10%		0%			0%	

*Assumes 80% of total is Programs Fund and 20% of total is Operating Reserve Fund.

The Operating Reserve will be built by first funding the target cash allocation, then the target core bonds allocation, and finally the target non-core bonds allocation.

APPENDIX II

The following performance measurement standards should be followed over an annualized three-to-five-year period, on a net-of-fee basis.

U.S Equity Performance Measurement Standards

Westfield (All Cap Growth Equity)

- exceed the rate of return of the Russell 3000 Growth Index over a full market cycle
- rank in the upper 50 percent of the consultant's all cap growth equity manager universe

Robeco (All Cap Value Equity)

- exceed the rate of return of the Russell 3000 Value Index over a full market cycle
- rank in the upper 50 percent of the consultant's all cap value equity manager universe

Atlanta Capital (S/Mid Cap Core Equity)

- exceed the rate of return of the Russell 2000 Index over a full market cycle
- rank in the upper 50 percent of the consultant's small cap core equity manager universe

Non-U.S. Equity Performance Measurement Standards

- exceed the rate of return of the MSCI ACWI ex-U.S. Index over a full market cycle
- rank in the upper half of the consultant's non-U.S. equity manager universe

Fixed Income Performance Measurement Standards

PIMCO Total Return Bond Fund (Core Bonds)

- exceed the rate of return of the Barclays Capital Aggregate Bond Index over a full market cycle
- rank in the upper third of the consultant's core fixed income manager universe

WAMCO GMS Bond Fund (Non-Core Bonds)

- exceed the rate of return of the customized benchmark* over a full market cycle
* 50% Barclays Capital Aggregate / 25% JP Morgan EMBI + / 25% Barclays Capital HY -2% Issuer Cap
- rank in the upper third of the consultant's core fixed income manager universe

Hedge Fund Performance Measurement Standards

- HFRI Fund of Fund Index

Real Estate Performance Measurement Standards

UBS (Core Real Estate)

- exceed the rate of return of the net-of-fee-NFI-ODCE Index over a three-to-five year period
- exceed CPI + 4% over a five-to-ten year period

RREEF (Value Added Real Estate Fund)

- exceed the rate of return of the net-of-fee-NFI-ODCE Index over a three-to-five year period
- achieve an absolute return of 10% net-of-fees over a five-to-ten year period

Real Asset Fund Performance Measurement Standards

Wellington Diversified Inflation Hedges

- exceed the rate of return of the customized benchmark* over a full market cycle
* 55% MSCI World / 20% BC US TIPS 1-10 Yr / 25% GSCI Commodity
- rank in the upper 50 percent of the consultant's real assets equity manager universe

PIMCO All Asset Fund

- exceed the rate of return of the customized benchmark* over a full market cycle
* 40% BC Agg / 30% BC US TIPS / 10% S&P 500 / 10% BC HY / 10% JPM EMBI+
- rank in the upper 50 percent of the consultant's real assets equity manager universe

APPENDIX III

INVESTMENT GUIDELINES FOR UNRESTRICTED AND RESTRICTED CASH THE ROTARY FOUNDATION OF ROTARY INTERNATIONAL ANNUAL PROGRAMS FUND Adopted June 2010

Scope

These investment guidelines extend the Statements of Investment Policy for The Rotary Foundation of Rotary International's Annual Programs Fund (the Fund) and apply specifically to The Rotary Foundation of Rotary International's unrestricted and restricted cash.

Distinction of Responsibilities

The Treasury and Investment Division will oversee the investments in accordance with these guidelines.

Maturities

1. As the assets in this fund represent the temporary investment of operating funds of The Rotary Foundation of Rotary International, a substantial portion of the portfolio will consist of overnight and other very short-term investments.
2. A maximum of 25% of the portfolio may be invested in securities or instruments which have a maturity date exceeding 181 days from the date of purchases.
3. A minimum of 5% of the portfolio should be available each business day. This may be satisfied by maturities or demand features.
4. The weighted average maturity of the portfolio will be limited to 90 days.
5. Floating rate instruments and variable rate instruments must have interest rate resets or potential reset frequencies of 90 days or less, and an expected final maturity or weighted average life not exceeding 18 months from the date of purchase.
6. The maturity of a security or instrument shall mean the date when final payment is due. Instruments, which have a variable/floating rate of interest, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate or the period until the principal amount can be recovered through demand.

Diversification Requirements

1. Safety of principal, liquidity and marketability should be prime considerations in the selection of individual securities.
2. The total holdings of any one issue may not exceed 10% of the market value of the portfolio, with the following exceptions:
 - (a) Sovereign debt issues of AAA/Aaa rated countries and agencies thereof;
 - (b) Diversified money market funds;
 - (c) Savings accounts at The Rotary Foundation of Rotary International's operating banks;

- (d) Fixed term deposits at The Rotary Foundation of Rotary International's operating banks.
- 3. With the exception of sovereign debt issues of AAA/Aaa rated countries and agencies thereof, total holdings of any one industry may not exceed 25% of the market value of the portfolio.
- 4. All diversification requirements apply at the time of purchase.

Investment Criteria

- 1. Sovereign debt issues of AAA/Aaa rated countries or agencies thereof.
- 2. Savings accounts, bankers' acceptances, fixed term deposits offered by the bank where the funds are on deposit.
- 3. With respect to commercial paper and other short-term obligations, investments and reinvestments shall be limited to obligations rated (or issued by an issuer that has been rated) at the time of purchase in a "Tier One" ratings category by the nationally recognized statistical rating organizations ("NRSROs") followed by the credit committee of the bank where the funds are on deposit.
- 4. With respect to bonds and other long-term obligations, investment and reinvestment shall be limited to obligations rated at the time of purchase in one of the three highest ratings by the NRSROs followed by the credit committee of the bank where the funds are on deposit.
- 5. Repurchase agreements 100% collateralized with direct sovereign debt securities of AAA/Aaa rated countries.
- 6. Money market funds adhering to the quality guideline described above.

Note that if a security held in the fund is downgraded to a quality not permitted herein after purchase, the fund may continue to hold the security if the Investment & Treasury Division reasonably believes that the security will mature at par value.

APPENDIX IV

The Rotary Foundation Code of Policies, Article 19, Operating and Programs Reserves

19.010. Purpose

The purpose of the Foundation's operating and programs reserve policy is to:

- provide adequate funds to support the Foundation's operating expenses in the event that current year investment earnings are inadequate;
- provide funds to cover a decline in the value of Rotarians' contributions due to adverse market conditions;
- ensure an adequate level of reserves, which will enable the Annual Programs Fund to assume a reasonable level of risk to generate sufficient investment earnings to pay for fund development and general and administrative expenses

19.020. Policy

The Foundation shall maintain an operating reserve fund equal to the sum of (1) budgeted operating expenses for the current year and (2) forecasted operating expenses for the next two fiscal years. Operating expenses are defined to include fund development and general administrative expenses, excluding PolioPlus expenses. The Foundation shall also maintain a Programs Reserve equal to 15 percent of the sum of contributions to the Annual Programs Fund during the prior three fiscal years.

19030. Definition

The Foundation Operating Reserve Fund is the corpus of the Annual Programs Fund Operating Reserve Fund. The Foundation's Programs Reserve is the earned income balance of the Annual Programs Fund's Programs Fund.

APPENDIX V

The Rotary Foundation Code of Policies Article 2.020.5, Conflict of Interest Policy for Members of the Investment Advisory Committee

I. Policy

1. The Investment Committee (“Committee”) is responsible for the selection, management and oversight of vendors of financial services. Each Committee member has a duty to place the interests of The Rotary Foundation and Rotary International foremost in any dealings with such organizations.
2. No Committee member shall use his or her position or the knowledge gained there from, in such a manner that a conflict between the interests of The Rotary Foundation or Rotary International and his or her personal interests arises.
3. No Committee member or any immediate family member of any Committee member shall accept any financial or other benefit resulting from an action of The Rotary Foundation taken based on a recommendation of the Committee.
4. No Committee member shall provide a recommendation regarding business transactions between The Rotary Foundation and a vendor of financial services that the Committee member or any immediate family member is employed by, serves as an agent for or holds or owns a substantial interest in. Ownership of publicly traded corporate stock in which the Committee member owns less than ten percent of the corporate stock and is not involved with the corporation in any other manner will not be considered as a substantial interest.
5. If a Committee member has a conflict of interest in a proposed transaction with The Rotary Foundation or Rotary International in the form of any personal financial interest in the transaction or in any organization involved in the transaction, or he or she or an immediate family member is employed by, serves as an agent for or holds or owns a substantial interest in any such organization, he or she must make full disclosure to the members of the Committee before any discussion of the transaction. If a Trustee or member of the Committee is aware that a Committee member has an undisclosed potential conflict of interest in a proposed transaction with The Rotary Foundation or Rotary International, he or she must inform the other members of the Committee as soon as possible. The Committee shall attempt to resolve any potential conflicts and, in the absence of a resolution, shall refer the matter to the Trustee Chair.
6. The existence and nature of a Committee member’s potential conflict of interest shall be noted in the recommendations provided to the Trustees by the Committee.

II. Disclosure

To implement this policy, the Committee members will submit annual reports on the form entitled “Potential Conflict of Interest Statement” and, if not previously disclosed, will make disclosure to the entire Committee of all potential conflicts of interest prior to any relevant committee action. These disclosures will be reviewed by the entire Committee, which will attempt to resolve any actual or potential conflicts and, in the absence of resolution, refer the matter to the Trustee Chair. (October 2005 Trustees Mtg., Dec. 74)

APPENDIX VI

Policy for Investment Consultant Evaluation

A formal written evaluation of Rotary's investment consultant will be conducted every five years, unless circumstances dictate the need for a more frequent evaluation. Such circumstances include (but are not limited to) arising conflicts of interest, consultant staffing instability or failure to meet Rotary's changing needs. The consultant will be evaluated based on the:

1. Value added through the consultant's recommendations on:
 - Asset allocation. Specifically, to what extent did the consultant's recommendations on asset allocation strategies maximize investment return while minimizing risk. This criterion will be evaluated by comparing the benchmark returns and standard deviations of those returns of each fund (Annual Programs Fund, Permanent Fund, PolioPlus Fund, Rotary Foundation (Canada), General Fund, Retirement Fund) at the inception of the relationship to the benchmark returns and standard deviations of those returns of each fund as recommended by the consultant.
 - Investment managers. Specifically, to what extent did each fund outperform their stated benchmarks over a full market cycle.
 - Investment policy and manager guidelines. Specifically, to what extent did the policies and guidelines recommended by the consultant stipulate appropriate levels of authority, controls, and reporting, such that the Trustee and Directors were able to fulfill their fiduciary duties with respect to the funds.
 - Investment manager terminations. Specifically, to what extent did the investment consultant evaluate current investment managers in a timely manner and recommend termination as needed.
2. Quality and accuracy of quarterly investment reports, including performance measurement.
3. Ability to provide specialized studies and reports on specific investment matters.
4. Stability, depth and competency of the firm as well as the individuals staff interacts with on a daily basis.
5. Ability to work and communicate with staff and various committees, as well as responsiveness of the investment consultant.
6. Minimal, if any, conflicts of interest.
7. Experience in working with organizations similar to Rotary.
8. Peer ratings as published in industry periodicals, or otherwise provided by research organizations.
9. Fee structure.
10. Initiative in bringing forward new ideas and keeping Rotary informed of trends in endowment and foundation investment management.

Concurrent with the written evaluation will be a solicitation and evaluation of proposals from other investment consulting firms. The firm retained as Rotary's investment consultant will be granted a five-year contract.

INVESTMENT POLICY STATEMENT
THE ROTARY FOUNDATION PERMANENT FUND
Adopted June 2010, Amended September 2011

Mission of The Rotary Foundation

The mission of The Rotary Foundation, hereinafter referred to as “the Foundation”, is to enable Rotarians to advance world understanding, goodwill, and peace through the improvement of health, the support of education, and the alleviation of poverty.

The Foundation is a not-for-profit tax-exempt corporation supported solely by voluntary contributions from Rotarians and friends of the Foundation who share its vision of a better world.

Goal of the Permanent Fund

The goal of the Permanent Fund, hereinafter referred to as “the Fund”, is to:

- assist Rotarians in fulfilling their local and global philanthropic goals;
- support the programs of the Foundation;
- ensure a strong future for the Foundation by providing a continuing stream of income to meet the increasing demand for Foundation programs.

A portion of the fund’s investment earnings will be used to finance the programs of the Foundation. The amount spent is based on a spending policy described later in this document.

Delegation of Responsibilities

The Trustees of the Foundation are responsible for setting overall investment policy; including the investment objectives and asset allocation strategy, and for approving any changes to this Investment Policy Statement (“IPS”).

The Investment Committee (“IC”) is responsible for reviewing and monitoring investment results, reviewing and recommending changes to the IPS, reviewing and recommending hiring and termination of investment managers, approving the termination and hiring of investment managers by the investment staff, advising and educating the Trustees on various investment issues, actively participating in investment manager selection process, and actively participating in meetings with the investment managers.

The investment staff (“Staff”) is responsible for the daily operation of and compliance with the IPS on behalf of the Trustees. Such daily operations and compliance shall include implementation of Trustee decisions and the termination and hiring of investment managers with the approval of the IC.

The investment consultant is responsible for developing and recommending asset allocation strategies, monitoring the Fund’s investments, researching and recommending investment vehicles and managers to the IC and Staff, and providing timely investment reports to the IC and Staff.

The investment managers appointed to execute the policy will invest the Fund in accordance with the Fund's investment guidelines and the managers' judgments concerning relative investment values.

Statement of Investment Goals and Objectives

This statement of investment goals and objectives expresses the Fund's position regarding risk tolerance and the asset allocation of the Fund; defines the spending policy; sets forth an appropriate set of goals and objectives for the Fund's assets; and defines parameters within which the investment managers may formulate and execute their investment decisions.

Assets of the overall Fund shall be invested to ensure that capital is preserved and enhanced over time, both in real and nominal terms.

- Preservation of Principal –The goal of the Fund is to preserve purchasing power in perpetuity. Therefore, the Fund will be invested in a diversified asset portfolio with the expectation of total return, consistent with prudent investment management. Total return, as used herein, includes income plus realized and unrealized gains and losses on Fund assets.
- Intergenerational Equity – A balance must be maintained between the needs of today and those of tomorrow to ensure endowment spending for current and future generations is equitable. Therefore the average annual total return goal is expected to produce an average annual total return that at least equals inflation plus endowment spending, without assuming undue risk.
- The performance objective of the Fund is to achieve a rate of return consistent with the expected return of the target allocation in Appendix I. Over a three- to five-year period, the rate of return earned by the Fund should exceed the annualized total return of the custom index or "Policy Index".
- The Policy Index is defined by the following indices and allocated based on the target allocation:
 - DJ U.S. Total Stock Market Index
 - MSCI ACWI ex. U.S. Index
 - Barclays Capital Aggregate Bond Index
 - NFI-ODCE Index
 - HFRI Fund of Fund Index
 - Venture Economics All Private Equity LAG
 - Hybrid index for real assets: 50% Barclay's Capital TIPS Index, 30% DJ UBS Commodities Index, 20% MSCI ACWI Index
- For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis.
- Because it is the Trustees' intent to grow the Fund's value in real (after inflation) terms, the Fund's performance will also be monitored after adjusting for inflation and spending.

- Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with other comparable total funds. The risk exposure for the overall Fund should generally rank in the midrange (25th to 75th percentile) of comparable total funds. Risk-adjusted returns are expected to consistently rank favorably relative to comparable funds.
- Normally, results are evaluated over a three to five year time horizon. However, shorter-term results will be regularly reviewed and earlier action taken as required.

Fiduciary Duty

In seeking to attain the investment objectives set forth, the IC shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (hereinafter “UPMIFA”). UPMIFA requires fiduciaries to apply the standard of prudence “to any investment as part of the total portfolio, rather than the individual investments”. All investment actions and decisions must be based solely on the best interests of the Foundation.

As summarized for the purposes of this IPS, UPMIFA states that the IC is under a duty to the Foundation to manage the Fund as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the Fund as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation. In making and implementing investment decisions, the IC has a duty to diversify the investments unless, under special circumstances, the purposes of the Foundation are better served without diversifying.

General Investment Guidelines

Overall Fund structure targets and permissible ranges for eligible asset classes are detailed in Appendix I of this IPS. Performance objectives for managers are included in Appendix II. The managers should determine that the securities to be purchased are consistent with the guidelines expressed in this IPS and suitable for this Fund.

Full discretion, within the parameters of this IPS, is granted to the investment managers regarding the allocation of invested capital, the selection of securities, and the timing of transactions. All investments will be made in accordance with a pre-approved investment management agreement that outlines the limitation of the investment securities. The Manager is responsible for making an independent analysis of each security and their appropriateness as an investment for this Fund.

Traditional or “Liquid” Investment Structure Guidelines

U.S. Equity Investment Mandates

U.S. equity holdings consist of equity securities of companies that are listed on U.S. registered exchanges or actively traded in the over-the counter market. The market capitalization of securities should be largely consistent with securities held in appropriate indices. American Depositary Receipts (ADRs), which are U.S. dollar denominated foreign securities traded on the U.S. stock exchanges (e.g., Reuters, Nestle, Sony) may

be held by each U.S. equity manager in proportions which each manager shall deem appropriate.

Non-U.S. Equity Investment Mandates

Non-U.S. equity securities can be accessed through local markets or American Depository Receipts (ADRs). The manager may hedge currency exposure through the use of derivative instruments. Emerging markets equity is permitted and should be largely consistent with a pre-approved benchmark.

Fixed Income Investment Mandates

Eligible securities are broad fixed income securities publicly traded in respective domestic markets and may include, but not limited to, U.S. government and agency obligations, mortgage backed securities, corporate bonds, debentures, and commercial paper. The duration of the portfolio should be largely consistent with appropriate indices. Unless otherwise agreed to, the duration of the portfolio must be within 20% of the appropriate benchmark.

Compliance with classifications provided by rating agencies (Moody's, S&P, and Fitch) is not sufficient for an issue to be deemed an appropriate investment. The Manager is responsible for making an independent analysis of the credit-worthiness of securities and their appropriateness as an investment for this Fund.

Global Asset Allocation Managers

The intent of these strategies is to give managers the ability to invest across traditional and non-traditional asset classes in order to further diversify the Fund, control risk and add return.

It is understood that securities, strategies, constraints and investments that are declared ineligible for inclusion within other investment mandates may be included in these portfolios. The otherwise restricted investments may be allowed within the Alternatives category to allow for positions that, on an aggregate basis, offer attractive risk-adjusted return benefits to the overall Fund. The managers should determine that the securities to be purchased and the strategies to be utilized are suitable for this account.

The majority of the assets will be invested in global equity and fixed income mandates that shall comply with the above listed guidelines for those asset classes.

Derivatives are permitted in this portfolio, but are limited in use relative to the Derivatives Policy herein, unless approved in writing by the Trustees.

From time to time, these strategies may make additional diversifying investments in other asset classes or securities such as hedge funds, etc. The IC shall approve any such investment prior to implementation and shall restrict these investments to specific managers.

Real Assets

Real Assets are permissible as a long-term inflation hedge. Real Assets also create current income as well as the potential for capital appreciation. The Real Assets allocation will be invested primarily in strategies that may include commodities, inflation linked bonds, and global natural resource stocks.

Alternative or “Less Liquid” Investment Structure Guidelines

The Fund has an alternative investments program which includes hedge funds, private equity, and real estate structures.

Hedge Fund Investment Structure: The Trustees have required more than one principal hedge fund manager to ensure appropriate diversification. The hedge fund allocation will be primarily invested in diversified hedge fund of funds managers, but direct hedge fund managers can also be considered. In the event of hedge fund of fund managers, leverage will not be permitted at the fund level.

The IC will review the appropriateness of these strategies through an investment manager search and due diligence process and then on an as needed basis. Provisions, including liquidity and transparency, shall be reviewed and mandates will be deemed appropriate for the Fund’s assets on an individual basis.

Private Equity Investment Structure: As part of a private equity plan, the IC will commit to private equity on an ongoing basis. Funding of the Private Equity Program will occur over an extended time period and may take five years or longer before the total allocation to private equity is fully invested. Further, an individual investment may begin to return capital to the Fund prior to the full funding of the commitment, the outstanding invested capital of the investment may at times be substantially less than the total commitment. In recognition of private equity investing characteristics, a committed allocation to private equity may equal up to 150% of the private equity allocation target. Investment strategy targets will be reviewed along with the annual strategic plan.

Real Estate Investment Structure: Asset allocation is a critical driver for the long-term success of the Real Estate Program. The asset allocation should seek broad diversification across real estate sub-asset classes as well as vehicle diversification (open-ended vs. closed-ended). Investment strategy targets will be reviewed along with the annual strategic plan.

Opportunistic Investing

Opportunistic investing is permitted in the Fund, on a selective basis. Opportunistic investing is defined as investments in unique opportunities, which are brought about by dislocated or unusual market conditions, which can provide superior risk adjusted returns in a specific asset class, over a short period of time (maybe 18-36 months). Once the tactical opportunity has been exhausted, assets should be liquidated from the investment. The strategic asset allocation of the Fund should include an opportunistic investment target of 0% with a range of 0 -10%, to allow the IC to tactically allocate assets to an opportunity should any arise.

Socially Responsible Investing

Socially Responsible Investing (SRI) is the practice of making investment decisions on the basis of both financial and social performance of a company. SRI imposes moral, ethical, and/or environmental constraints on the investment process, in order to align an organization's investment with its mission.

Because Rotarians comprise a diverse group of individuals from different cultures, agreeing on a mandate for an investment manager to adhere to may be difficult. Additionally, any mandate developed would be subject to interpretation by the investment manager, which may result in the intention of the Trustees not being strictly followed. Further, the tangible benefits or impact to society made through these investments are difficult to measure.

Although The Rotary Foundation's investment program is not based on the principles of SRI, the Foundation does participate in a form of social responsibility through its investment strategy; which is to grow assets in an appropriate manner for the purpose of fulfilling the mission of The Rotary Foundation.

Exceptions to this policy may be granted by the Trustees on a case by case basis.

Derivatives Policy

Derivative instruments are permitted only as specified in this IPS. Where appropriate, investment managers may use derivative securities for the following reasons:

1. Hedging. To the extent that the portfolio is exposed to clearly defined risks and there are derivative contracts (i.e. futures and options) that can be used to reduce those risks and achieve other portfolio structural objectives, the investment managers are permitted to use such derivatives for hedging purposes.
2. Creation of Market Exposures. Investment managers are permitted to use derivatives to replicate the risk/return profile of an asset or asset class provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.
3. Management of Country and Asset Allocation Exposure. Managers charged with tactically changing the exposure of their portfolio to different countries and/or asset classes are permitted to use derivative contracts for these purposes.

Non-U.S. equity and global bond managers may enter into forward exchange contracts on currency provided that the use of such contracts is designed to dampen portfolio volatility rather than lever portfolio risk exposure. Currency contracts may be utilized to either hedge the portfolios currency risk exposure or in the settlement of securities transactions.

Non-U.S. equity and global bond managers may employ an active currency management program and deal in futures and options within the discipline of that currency management program. The use of futures and options to establish a leveraged position is prohibited.

By way of amplification, it is noted that the following two uses of derivatives are prohibited for the financial assets unless provided an exemption from the Trustees:

1. Leverage. Derivatives shall not be used to magnify overall portfolio exposure to an asset, asset class, interest rate, or any other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used.
2. Unrelated Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

Spending Policy

Annual spending from the Fund will occur each year from all "above water endowed gifts" (endowed gifts whose market values exceed their accumulated gift values) at the Trustee approved Spending Rate. The Spendable Earnings will be calculated in accordance with the procedures stipulated in The Rotary Foundation Administrative Guidelines for Permanent Fund Spending, included as Appendix III.

Annually, the Trustees will approve a Spending Rate, including the allocation to program awards and any other expenses, based on recommendations from Staff. The Fund will make an annual distribution to the Annual Programs Fund equal to the amount of Spendable Earnings.

Rebalancing Policy

The Fund will be rebalanced by Staff any time a liquid asset class reaches the minimum or maximum allocation specified above if routine cash flows are available. Routine cash flows (contributions and spending) will be used to maintain the allocation as close as practical to the target allocations. If routine cash flows are insufficient to maintain the allocation within the permissible ranges, funds will be transferred at quarter end between asset classes as necessary to bring the allocation back within the permissible ranges.

It is recognized that private markets investments in general can be illiquid investments. They can be subject to lock up provisions and capital calls and as such will not be rebalanced as part of normal course. From time to time the Net Asset Value of these asset classes may be outside of permissible ranges. The IC will consider the relative liquidity of a strategy when making new commitments to illiquid managers.

Diversification

The Fund is to be broadly diversified so as to limit the impact of large losses in individual investments of the portfolio.

Liquidity Needs

The Fund's liquidity needs are minimal. Spendable Earnings from the Fund can either be transferred to the Annual Programs Fund via cash or marketable securities. If cash is unavailable, then marketable securities are transferred from the Fund to the Annual Programs Fund. Spendable Earnings supports programs only (program awards and

program operations) and are not utilized to support the Foundation's operations (fund development and general administrative expenses).

Proxy Voting

The Trustees of the Foundation have delegated investment management responsibilities to various independent investment managers. The Trustees delegate the full responsibility to vote proxies to these investment managers. The Trustees expect each investment manager to vote all proxies prudently and in the interest of the Fund.

Securities Lending

For funds managed in a separate account format, the Fund may not participate in securities lending unless approved by the IC, based on recommendations from Staff, or the investment consultant. Any authorization for securities lending in separate accounts must be reported as an information item at the next Trustee meeting. Commingled funds and mutual funds are exempt from this restriction.

Commingled Funds or Institutional Mutual Funds

In recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these funds) these funds may, from time to time, be utilized. The Trustees recognize that they cannot give specific policy directives to a fund whose policies are already established.

Control Procedures

Standards of Conduct for Investment Managers and Advisors

The expected standards of conduct for investment managers and advisors are derived from the CFA Institute Code of Ethics and Standards of Professional Conduct.

Conflict of Interests on Investments and Restrictions on Investments

It is the policy of the Foundation that Trustees, members of the IC, and employees of Rotary International shall act in a manner consistent with their responsibilities to the endowment and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or the appearance of a conflict of interest or impair the reputation of the Foundation.

IC members are required to abide by the Conflict of Interest Policy included as Appendix IV.

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the IPS. It is not expected that the IPS will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the IPS.

Review of Investment Managers

The IC will review results of all managers at least semi-annually. With a perspective toward three-year and five-year time horizons, the IC will evaluate whether each manager has:

- Performed satisfactorily when compared with the specific objectives for its portfolio;
- Produced results that compare favorably to other investment management organizations managing similar portfolios;
- Exceeded the returns of appropriate market indices;
- Made portfolio management decisions that were reasonable and effective in view of capital market developments; and
- Adhered to the relevant policies and objectives.

Among the events that the IC will examine closely in their review of investment managers are:

- Poor results relative to objectives over a fairly short period of time (e.g., one year);
- Poor absolute performance over a three-to-five year period;
- The departure of one or more key investment professionals;
- Violation of an investment guideline; and
- Material changes in the manager's organization, such as philosophical and personnel changes, acquisitions or losses of major accounts, a change in ownership or control of the investment management organization, etc.

The IC will evaluate investment managers and events in light of the current situation and other related factors.

Review of Investment Consultant

An informal evaluation of Rotary's investment consultant will be conducted annually by the IC. Staff will communicate any suggestions for improvements to the investment consultant.

A formal written evaluation of Rotary's investment consultant will be conducted every five years, unless circumstances dictate the need for a more frequent evaluation. This evaluation will be conducted in accordance with Rotary's Policy for Investment Consultant Evaluation which is included as Appendix V.

Reporting Requirements

Within six weeks after the end of each calendar quarter, Staff and/or the Fund's investment consultant will prepare a report containing information on the investment performance of the Fund in total and for each manager.

Each active investment manager will be required to submit a quarterly report within six weeks after the end of each calendar quarter containing the following information:

- Review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception of the account with comments on any policy

or strategy changes which contributed either positively or negatively to that performance.

- The usage of securities lending, if any.
- Where appropriate, the use of any derivative product during the quarter, including information concerning the rationale behind the position and the size of the transaction.
- Comments on any material change in personnel, investment strategy or other pertinent information potentially affecting performance.
- List of the securities in the portfolio at the end of the quarter, including cash.

On an annual basis, the investment manager will provide Part II of the Form ADV for the most recent year.

APPENDIX I

Strategic Asset Allocation

Over the long-term, the asset allocation policy will be the key determinant of the returns generated by the Fund and the associated volatility of returns. Based on the Fund's objectives, circumstances, and spending policy, the Trustees have developed the following asset mix guidelines:

	Percent of Total Fund		
	Minimum	Target	Maximum
Equity	25%	35%	45%
U.S. Equities	13%	18%	23%
Non-U.S. Equities	12%	17%	22%
Fixed Income	5%	10%	18%
Core Bonds	3%	4%	8%
Non-Core Bonds	3%	6%	10%
Global Asset Allocation	14%	18%	22%
Alternative Assets	32%	37%	42%
Hedge Funds	5%	7%	10%
Real Estate	0%	7%	12%
Private Equity	7%	13%	18%
Real Assets	5%	10%	15%
Opportunistic	0%	0%	10%

APPENDIX II

The following performance measurement standards should be followed over an annualized three-to-five-year period, on a net-of-fee basis.

U.S Equity Performance Measurement Standards

Westfield (All Cap Growth Equity)

- exceed the rate of return of the Russell 3000 Growth Index over a full market cycle
- rank in the upper 50 percent of the consultant's all cap growth equity manager universe

Robeco (All Cap Value Equity)

- exceed the rate of return of the Russell 3000 Value Index over a full market cycle
- rank in the upper 50 percent of the consultant's all cap value equity manager universe

Atlanta Capital (S/Mid Cap Core Equity)

- exceed the rate of return of the Russell 2000 Index over a full market cycle
- rank in the upper 50 percent of the consultant's small cap core equity manager universe

Non-U.S. Equity Performance Measurement Standards

- exceed the rate of return of the MSCI ACWI ex-U.S. Index over a full market cycle
- rank in the upper half of the consultant's non-U.S. equity manager universe

Fixed Income Performance Measurement Standards

PIMCO Total Return Bond Fund (Core Bonds)

- exceed the rate of return of the Barclays Capital Aggregate Bond Index over a full market cycle
- rank in the upper third of the consultant's core fixed income manager universe

WAMCO GMS Bond (Non-Core Bonds)

- exceed the rate of return of the customized benchmark* over a full market cycle
* 50% Barclays Capital Aggregate / 25% JP Morgan EMBI + / 25% Barclays Capital HY -2% Issuer Cap
- rank in the upper third of the consultant's core fixed income manager universe

Hedge Fund Performance Measurement Standards

- HFRI Fund of Fund Index

Real Estate Performance Measurement Standards

UBS (Core Real Estate)

- exceed the rate of return of the net-of-fee-NFI-ODCE Index over a three-to-five year period
- exceed CPI + 4% over a five-to-ten year period

RREEF (Value Added Real Estate Fund)

- exceed the rate of return of the net-of-fee-NFI-ODCE Index over a three-to-five year period
- achieve an absolute return of 10% net-of-fees over a five-to-ten year period

Private Equity Performance Measurement Standards

- exceed the rate of return of the public equity markets as represented by the DJ U.S. Total Stock Market Index for the U.S. market and the MSCI All-Country World Index, ex-U.S. for the non-U.S. market over a time horizon of 10 years or more
- target a 300 to 500 basis point annualized premium

Real Asset Fund Performance Measurement Standards

Wellington Diversified Inflation Hedges

- exceed the rate of return of the customized benchmark* over a full market cycle
* 55% MSCI World / 20% BC US TIPS 1-10 Yr / 25% GSCI Commodity
- rank in the upper 50 percent of the consultant's real assets equity manager universe

PIMCO All Asset Fund

- exceed the rate of return of the customized benchmark* over a full market cycle
* 40% BC Agg / 30% BC US TIPS / 10% S&P 500 / 10% BC HY / 10% JPM EMBI+
- rank in the upper 50 percent of the consultant's real assets equity manager universe

Global Asset Allocation Fund Performance Measurement Standards

GMO Real Return Strategy

- exceed the rate of return of the customized benchmark* over a full market cycle
* 60% MSCI World / 20% BC Agg, 20% Citigroup 3-mo T-Bill.

PIMCO Global Multi-Asset Fund

- exceed the rate of return of the customized benchmark* over a full market cycle,
*60% MSCI World / 40% BC Agg

TIFF Multi-Asset Fund

- exceed the rate of return of the customized benchmark* over a full market cycle
* 60% MSCI World / 20% BC Agg / 20% HFRI Fund of Funds

Appendix III

The Rotary Foundation Administrative Guidelines for Permanent Fund Spending

Executive Summary: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was passed by the State of Illinois on 30 June 2009. Before UPMIFA, prior law authorized charities to spend earnings and appreciation from an endowment fund over the fund's "historic dollar value" (HDV) – the aggregate value of all contributions to an endowment fund at the time they were made – but the organization could not spend from "underwater" funds that had fallen below HDV. UPMIFA eliminates the concept of HDV and offers governing boards more flexibility by allowing organizations to spend amounts from an endowment based on what is prudent, acting in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances. The Foundation shall spend from the Permanent Fund in accordance with its understanding of this statute and these guidelines.

Objectives

1. Maintain a balance between the needs of today and those of tomorrow to ensure endowment spending for current and future generations is equitable.
2. Enable spending from endowed gifts with market values exceeding their historical dollar values.
3. Mitigate complexities in spending policy and administration.

Guidelines

1. Spendable Earnings will be determined each year for each endowed gift within the Permanent Fund.
2. Spending will occur each year for those endowed gifts that have market values equal to or greater than their HDV's.
3. If the donor has specified that spending should occur even if the endowed gift is underwater, then spending from the gift will occur and the market value of that gift will be reduced by an amount equal to the amount of Spendable Earnings allocated to that gift.
4. The same spending rate will be applied to all endowed gifts.

Procedures for Calculating Spendable Earnings

The Foundation's Tracked Gifts system will calculate the Spendable Earnings for each gift in the Permanent Fund as follows:

1. The system will first calculate the average market value of all endowed gifts within the Permanent Fund (excluding Life Income Agreements) for the 12 quarters ended 31 December of the year proceeding the budget year.
2. The average market value will be multiplied by the Trustee-approved spending rate to determine the total potential Spendable Earnings.
3. This total potential Spendable Earnings will be allocated to each endowed gift in the Permanent Fund based on its number of units in the Permanent Fund as of 31 December of the year proceeding the budget year.
4. If the 31 December market value of the endowed gift exceeds its HDV, then spending will be permitted from the endowed gift in an amount equal to the amount of Spendable Earnings allocated to that gift.

5. If the 31 December market value of the endowed gift is below its HDV, then no spending will be permitted from the endowed gift, unless otherwise stipulated in a gift agreement.
6. The Spendable Earnings from all endowed gifts with market values equal to or exceeding their HDV's will be totaled, and that total will be the amount included in the next year's budget for Permanent Fund spending to be approved by the Trustees.

The transfer of assets from the Fund to the Annual Programs Fund for the Spendable Earnings will be done as soon as feasible following the Trustees' approval.

Spending Rate and Allocation

The spending rate and its allocation to program awards and any other expenses will be determined annually by the Trustees.

Appendix IV

The Rotary Foundation Code of Policies Article 2.020.5, Conflict of Interest Policy for Members of the Investment Advisory Committee

I. Policy

1. The Investment Committee (“Committee”) is responsible for the selection, management and oversight of vendors of financial services. Each Committee member has a duty to place the interests of The Rotary Foundation and Rotary International foremost in any dealings with such organizations.
2. No Committee member shall use his or her position or the knowledge gained there from, in such a manner that a conflict between the interests of The Rotary Foundation or Rotary International and his or her personal interests arises.
3. No Committee member or any immediate family member of any Committee member shall accept any financial or other benefit resulting from an action of The Rotary Foundation taken based on a recommendation of the Committee.
4. No Committee member shall provide a recommendation regarding business transactions between The Rotary Foundation and a vendor of financial services that the Committee member or any immediate family member is employed by, serves as an agent for or holds or owns a substantial interest in. Ownership of publicly traded corporate stock in which the Committee member owns less than ten percent of the corporate stock and is not involved with the corporation in any other manner will not be considered as a substantial interest.
5. If a Committee member has a conflict of interest in a proposed transaction with The Rotary Foundation or Rotary International in the form of any personal financial interest in the transaction or in any organization involved in the transaction, or he or she or an immediate family member is employed by, serves as an agent for or holds or owns a substantial interest in any such organization, he or she must make full disclosure to the members of the Committee before any discussion of the transaction. If a Trustee or member of the Committee is aware that a Committee member has an undisclosed potential conflict of interest in a proposed transaction with The Rotary Foundation or Rotary International, he or she must inform the other members of the Committee as soon as possible. The Committee shall attempt to resolve any potential conflicts and, in the absence of a resolution, shall refer the matter to the Trustee Chair.
6. The existence and nature of a Committee member’s potential conflict of interest shall be noted in the recommendations provided to the Trustees by the Committee.

II. Disclosure

To implement this policy, the Committee members will submit annual reports on the form entitled “Potential Conflict of Interest Statement” and, if not previously disclosed, will make disclosure to the entire Committee of all potential conflicts of interest prior to any relevant committee action. These disclosures will be reviewed by the entire Committee, which will attempt to resolve any actual or potential conflicts and, in the absence of resolution, refer the matter to the Trustee Chair. (October 2005 Trustees Mtg., Dec. 74)

Appendix V

Policy for Investment Consultant Evaluation

A formal written evaluation of Rotary's investment consultant will be conducted every five years, unless circumstances dictate the need for a more frequent evaluation. Such circumstances include (but are not limited to) arising conflicts of interest, consultant staffing instability or failure to meet Rotary's changing needs. The consultant will be evaluated based on the:

1. Value added through the consultant's recommendations on:
 - Asset allocation. Specifically, to what extent did the consultant's recommendations on asset allocation strategies maximize investment return while minimizing risk. This criterion will be evaluated by comparing the benchmark returns and standard deviations of those returns of each fund (Annual Programs Fund, Permanent Fund, PolioPlus Fund, Rotary Foundation (Canada), General Fund, Retirement Fund) at the inception of the relationship to the benchmark returns and standard deviations of those returns of each fund as recommended by the consultant.
 - Investment managers. Specifically, to what extent did each fund outperform their stated benchmarks over a full market cycle.
 - Investment policy and manager guidelines. Specifically, to what extent did the policies and guidelines recommended by the consultant stipulate appropriate levels of authority, controls, and reporting, such that the Trustee and Directors were able to fulfill their fiduciary duties with respect to the funds.
 - Investment manager terminations. Specifically, to what extent did the investment consultant evaluate current investment managers in a timely manner and recommend termination as needed.
2. Quality and accuracy of quarterly investment reports, including performance measurement.
3. Ability to provide specialized studies and reports on specific investment matters.
4. Stability, depth and competency of the firm as well as the individuals staff interacts with on a daily basis.
5. Ability to work and communicate with staff and various committees, as well as responsiveness of the investment consultant.
6. Minimal, if any, conflicts of interest.
7. Experience in working with organizations similar to Rotary.
8. Peer ratings as published in industry periodicals, or otherwise provided by research organizations.
9. Fee structure.

10. Initiative in bringing forward new ideas and keeping Rotary informed of trends in endowment and foundation investment management.

Concurrent with the written evaluation will be a solicitation and evaluation of proposals from other investment consulting firms. The firm retained as Rotary's investment consultant will be granted a five-year contract.

INVESTMENT POLICY STATEMENT
THE ROTARY FOUNDATION POLIOPLUS FUND
Adopted April 2011, Amended September 2011

Objective of the PolioPlus Fund

The primary objective of the PolioPlus Fund, hereinafter referred to as “the Fund”, is to support Rotary’s objective of eradicating polio around the world. Additionally, a portion of the assets will be used to fund the general administrative, program operations and fund development expenses of the PolioPlus Program.

Delegation of Responsibilities

The Trustees of the Foundation are responsible for setting overall investment policy; including the investment objectives and asset allocation strategy, and for approving any changes to this Investment Policy Statement (“IPS”).

The Investment Committee (“IC”) is responsible for reviewing and monitoring investment results, reviewing and recommending changes to the IPS, reviewing and recommending hiring and termination of investment managers, approving the termination and hiring of investment managers by the investment staff, advising and educating the Trustees on various investment issues, and actively participating in meetings with investment managers.

The investment staff (“Staff”) is responsible for the daily operation of and compliance with the IPS on behalf of the Trustees. Such daily operations and compliance shall include implementation of Trustee decisions and the termination and hiring of investment managers with the approval of the IC.

The Investment Manager appointed to execute policy will invest the Fund in accordance with the Fund’s investment guidelines and Investment Manager’s judgment concerning relative investment values.

Investment Objectives

- The investment objective of the Fund is to preserve principal and to generate a level of income consistent with the preservation of principal and prudent assumption of risk.
- The performance objective of the Fund is to achieve a rate of return consistent with the return of the stated Benchmark.
- For performance evaluation purposes, all rates of return will be evaluated on a net-of-fee basis.

- Normally, results are evaluated over a three-to-five year time horizon. However, short-term results will be regularly reviewed and earlier action taken as required.

Investment Guidelines

Unless otherwise noted, all percentages refer to portfolio market value at the time of purchase.

Benchmark and Duration

1. The Benchmark shall be the Barclays Capital 1-3 Year U.S. Treasury Index (the "Benchmark").
2. The duration of the portfolio shall be maintained within +/- 0.25 years of the Benchmark. For the purpose of calculating duration, the Investment Manager shall use conventional quantitative techniques.

Investment Universe

1. The investment universe is limited to fixed-income instruments denominated in U.S. dollars that are either registered and publicly traded in the United States or are exempt from registration under Section 3(a) of the Securities Act of 1933.
2. In the event that a previously compliant security fails to meet any of the guidelines defined herein, the Investment Manager shall sell the security within ten (10) business days or request permission from The Rotary Foundation to further delay sale. If permission is not received within five (5) business days, the Investment Manager shall sell the security within the next five (5) business days. If permission is received, the Investment Manager shall request permission to continue to hold the security on a quarterly basis.
3. Investments are limited to the following sectors, as reasonably determined by the Investment Manager and are subject to the following additional constraints:

Sector	Maximum Exposure	
	Sector	Issuer
U.S. Government Securities	100%	100%
U.S. Treasury securities, including Treasury Inflation Protected Securities (TIPS)	100%	100%
Securities issued or guaranteed* by a department or an agency of the U.S. Government that are backed by the full faith and credit of the U.S. Government or securities fully collateralized by the foregoing securities.	50%	30%
Securities issued or guaranteed* by an agency of the U.S. Government or Government Sponsored Enterprise (“GSE”) that are not backed by the full faith and credit of the U.S. Government or fully collateralized by the foregoing securities.	25%	10%
*The issuer limit shall apply to the guarantor where applicable. Mortgage-backed securities are not included in this category.		
Credit Securities Securities classified as Corporate Securities or securities classified as Non-Corporate Securities, as defined by Barclays Capital.	15%	3%
The Investment Manager shall use its reasonable judgment to determine the appropriate classifications for securities not classified by Barclays Capital.		
Asset-Backed Securities For the purposes of these guidelines, securities collateralized by manufactured housing loans and home equity loans shall be classified as ABS and not MBS.	15%	3%
The issuer of an asset-backed security will be considered to be the trust that holds the associated collateral, and the issuer limits will apply to securities representing claims against any one such trust.		

Sector	Maximum Exposure	
	Sector	Issuer
Mortgage-Backed Securities No IOs, POs, Z or other volatile tranches shall be held.	15%	
Agency issuers (CMOs, REMICS, Multi-family and Project Loans)	15%	10%
Commercial	10%	3%
The issuer will be considered to be the trust that holds the associated collateral, and the issuer limits will apply to securities representing claims against any one such trust.		
Short Term Investment Fund (STIF) STIF Investments are limited to the STIF or STIFs selected by The Rotary Foundation. STIF(s) may exceed the stated limit if and to the extent that the excess corresponds to balances held in conjunction with unsettled transactions, as a result of contributions, in anticipation of withdrawals, or to accommodate reasonably anticipated cash flows.	10%	10%

Additional Limits

1. A minimum of 70% of the portfolio shall be invested in U.S. Government Securities.
2. Other than U.S. Government Securities, securities that achieve their rating by virtue of a third-party guarantee are limited to 5% per guarantor. The applicable issuer limit will still apply to the underlying issuer.

Credit Quality

1. Securities other than U.S. Government Securities and Agency Mortgage-backed Securities must be rated by at least one of Moody's Investors Service, Standard and Poor's and Fitch Ratings Service (each a "Rating Agency"). To determine an individual security's rating, the highest rating shall be used if all three Rating Agencies rate the security. In the event the security is rated by only two of the Ratings Agencies, the highest rating shall apply.
2. Credit Securities shall be rated A3 or better. Mortgage-backed and Asset-backed Securities shall be guaranteed by the U.S. Government, a U.S. Government Agency or GSE or shall be rated Aaa or better.
3. The average portfolio credit quality shall not be less than Aa2 computed using the following scale: Aaa=2, Aa1=3, Aa2=4, etc. U.S. Government Securities

will be considered to be Aaa rated for purposes of the average credit quality calculation.

Control Procedures

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the investment policy.

Review of Investment Manager

The IC will review results of the manager at least semi-annually. With a perspective toward three-year and five-year time horizons, the IC will evaluate whether the manager has:

- Performed satisfactorily when compared with the specific objectives for its portfolio;
- Exceeded the return of the benchmark;
- Made portfolio management decisions that were reasonable and effective in view of capital market developments; and
- Adhered to the relevant policies and objectives.

Among the events that the IC will examine closely in their review of investment managers are:

- The departure of one or more key investment professionals;
- Violation of an investment guideline; and
- Material changes in the manager's organization, such as philosophical and personnel changes, acquisitions or losses of major accounts, a change in ownership or control of the investment management organization, etc.

The IC will evaluate investment managers and events in light of the current situation and other related factors.

Reporting Requirements

Within six weeks after the end of each calendar quarter, staff will prepare a report containing information on the investment performance of the Fund.

The Investment Manager will be required to submit a quarterly report within six weeks after the end of each calendar quarter containing the following information:

- Overview of financial markets with comments on economic and market factors which have impacted the performance of the Investment Manager's decisions.
- Review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception of the account with comments on any policy or strategy changes which contributed either positively or negatively to that performance.
- Discussion of those factors which the Investment Manager believes are likely to impact performance over the next 12 months, and what the Manager's strategy is likely to be in response to those factors.
- Where appropriate, the use of any derivative product during the quarter, including information concerning the rationale behind the position and the size of the transaction.
- Comments on any material change in personnel, investment strategy or other pertinent information potentially affecting performance.
- List of the securities in the portfolio at the end of the quarter.

INVESTMENT GUIDELINES
CORPORATE GIFTS FOR POLIO ERADICATION
Adopted April 2008

Investment Objective

The investment objective is to ensure the safety of principal while providing the necessary liquidity to meet payment requirements for the eradication of polio.

Allocation of Assets

Due to the short time horizon of these funds and the importance of preserving existing assets, 100% of the Fund's assets will be invested in fixed income securities.

Investment Guidelines

Depending on the amount of the gift and the spending requirements, the funds may be invested in Dreyfus Institutional Cash Advantage Fund. Otherwise, the funds will be invested in a separate account in accordance with the following guidelines.

Quality

- With respect to commercial paper and other short-term obligations, investments and reinvestments shall be limited to obligations rated (or issued by an issuer that has been rated) at the time of purchase in a “Tier One” rating category by the nationally recognized statistical rating organizations (“NRSROs”).
- With respect to bonds, investment and reinvestment shall be limited to obligations rated at the time of purchase AAA by Moody’s, Standard & Poor’s, or Fitch.
- With respect to money market funds, the average quality of the holdings must be in the top two rating categories.
- Repurchase agreements must be 100% collateralized with direct U.S. government securities.

Diversification

- The Fund is to be broadly diversified so as to limit the impact of large losses in individual investments of the portfolio.
- A minimum of 50% will be invested in U.S. Government and Agency issues and U.S. Government money market funds.
- Total holdings of any one issue may not exceed 5% of the market value of the portfolio.
- With the exception of U.S. Government and Agency issues, total holdings of any one sector may not exceed 25% of the market value of the portfolio.

Maturity

The funds will be duration matched within +/- 0.1 years to the duration of the payment stream at all times.

Restrictions

- Mortgage pass-through securities are not permitted.

Control Procedures

The investments will be reviewed monthly to assess whether investment guidelines are being met.

INVESTMENT POLICY STATEMENT FOR
THE ROTARY FOUNDATION'S CHARITABLE REMAINDER TRUSTS
Adopted April 2000
Amended October 2002, October 2005 and October 2008

Objective

The primary objective of managing the assets of each Charitable Remainder Trust, hereinafter referred to as the Trust, is to balance the interest of the income beneficiary with the remainderman interest. This requires the Trustees of The Rotary Foundation, hereinafter referred to as the Trustees, to maintain a stable stream of income to the beneficiary and to preserve and grow, if possible, the value of the principal.

Distinction of Responsibilities

The Trustees assume the responsibility for establishing the investment policy that is to guide the investment of each Trust. The investment policy describes the degree of investment risk that the Trustees deem appropriate.

The Trustees have the responsibility to monitor the investment vehicles on an ongoing basis, and to add, replace, or eliminate funds when it is deemed appropriate to do so.

The Northern Trust Company, hereinafter referred to as the Manager, has been appointed to execute the policy and will invest the assets of each Trust in accordance with the policy and their judgments concerning relative investment values.

Allocation of Assets & Investment Objective

Each Trust will adhere to the asset allocation and investment objectives as identified in the investment guidelines, which is an extension of this investment policy statement and included as Exhibit A.

Diversification

The Trusts are to be broadly diversified so as to limit the impact of large losses in individual investments on the total portfolio.

Liquidity Needs

The Manager shall arrange for cash withdrawals to meet the payout requirements of the Trusts. The source of funds for these withdrawals will be based on rebalancing and cost considerations.

Proxy Voting

The Trustees of the Rotary Foundation have delegated investment management responsibilities to the Manager. The Trustees delegate full responsibility to vote proxies to the Manager and expect the Manager to vote all proxies prudently and in the interest of the Trusts.

Control Procedures

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the investment policy.

Reporting Requirements

The Manager will be required to submit, within three weeks after the end of each calendar quarter, a quarterly report containing a review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception periods of each Trust.

Additionally, the manager has the responsibility to promptly advise The Rotary Foundation staff and Trustees of any material change in personnel, investment strategy or other pertinent information potentially affecting performance.

Review of Investment Manager

The Trustees will review results of the Manager at least semi-annually. These reviews will focus on:

- The Manager's adherence to the policy guidelines;
- Comparison of Manager's results for each Trust to the applicable investment objective benchmark.

Investment Restrictions

The Manager is prohibited from investing in the following types of securities:

- parties-in-interest securities
- derivative securities, if used to leverage the portfolio
- margin buying or short selling
- commodities
- lease-backs and conditional sales contracts
- private placements, except for 144A securities.

EXHIBIT A

INVESTMENT GUIDELINES FOR THE ROTARY FOUNDATION'S CHARITABLE REMAINDER TRUSTS

These investment guidelines extend the Investment Policy Statement for The Rotary Foundation's charitable remainder trusts.

Allocation of Assets

The trust will adhere to the following target asset allocations and re-balancing ranges:

	Target Allocation	Range
U.S. Equities	40%	35% - 45%
Non-U.S. Equities	35%	30% - 40%
Total Equities	75%	70% - 80%
Fixed Income	25%	20% - 30%
TOTAL	100%	

Routine cash flows, including contributions and beneficiary payments, will be used to maintain the allocation as close as practical to the target allocations. If routine 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.

Investment Objective

Over reasonable measurement periods, the rate of return earned by the Trust should approximate:

The rate of return of a benchmark comprised 40% DJ Wilshire 5000 Stock Index, 35% MSCI All Country World Index ex. U.S., and 25% Lehman Aggregate Index.

For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis.

Eligible Investments

Asset Class	Fund Name	Ticker	Cusip
U.S. Equities	SPDR DJ Wilshire Total Market ETF	TMW	78464A 805
Non-U.S. Equities	iShares MSCI ACWI ex U.S. Index Fund	ACWX	464288240
Fixed Income	Dreyfus Bond Market Index Basic Fund	DBIRX	261978878

EXHIBIT B

Investment Guidelines for William and Miriam Cable Charitable Remainder Unitrust Account # 26-23681

Asset Allocation

The Trust will adhere to the following target asset allocations and re-balancing ranges:

	Target Allocation	Range
U.S. Equities	70%	65% -75%
U.S. Fixed Income	30%	25% - 35%
TOTAL	100%	

Routine cash flows (contributions and spending) will be used to maintain the allocation as close as practical to the target allocations. If routine 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.

Investment Objective

The investment objective of the Trust is to achieve a rate of return consistent with the target allocation stated earlier. Over reasonable measurement periods, the rate of return earned by each Trust should approximate:

The rate of return of a benchmark comprised 70% Domini 400 Social Index, and 30% Lehman Brothers Intermediate Aggregate Index.

For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis. The individual funds' rates of return will be compared with the return of an appropriate market index.

Eligible Investments as of 1 January 2007

Fund Name	Ticker	Cusip
iShares FTSE KLD 400 Social Index Fund	DSI	464288570
Domini Social Bond Fund	DSBFX	257132209

Ineligible Investments

Following reasonable research, the Manager shall make no investments in companies which derive more than 5% of gross revenue from the manufacture and/or sale of weapons, alcoholic beverages or tobacco, and/or the operation of gambling devices; this restriction does not apply to obligations issued or guaranteed by the United States Government or its agencies or instrumentalities.

STATEMENT OF INVESTMENT POLICY FOR
 THE ROTARY FOUNDATION'S CHARITABLE GIFT ANNUITY FUND
 Adopted April 2000
 Amended October 2000, October 2005 and October 2008

Objective

The primary objective of the Charitable Gift Annuity Fund, hereinafter referred to as the Fund, is to balance the interest of the income beneficiary with the remainderman interest. This requires the Trustees of The Rotary Foundation, hereinafter referred to as the Trustees, to maintain a stable stream of income to a beneficiary and to preserve and grow if possible, the value of the principal.

Distinction of Responsibilities

The Trustees assume the responsibility for establishing the investment policy that is to guide the investment of the Fund. The investment policy describes the degree of investment risk that the Trustees deem appropriate.

The Trustees have the responsibility to monitor the investment vehicles on an ongoing basis, and to add, replace or eliminate funds when it is deemed appropriate to do so.

The Northern Trust Company, hereinafter referred to as the Manager, has been appointed to execute the policy and will invest the assets of the Fund in accordance with the policy.

In addition, the Manager is expected to maintain an organization of satisfactory nature with regard to personnel, philosophy, character and responsibility.

Allocation of Assets

The Trustees have developed the following target asset allocations and re-balancing ranges for the Fund:

	Target Allocation	Range
U.S. Equities	40%	35% - 45%
Non-U.S. Equities	35%	30% - 40%
Total Equities	75%	70% - 80%
Fixed Income	25%	20% - 30%
TOTAL	100%	

Routine cash flows including contributions and beneficiary payments will be used to maintain the allocation as close as practical to the target allocations. If routine 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.

Investment Objective

The investment objective of the Fund is to achieve a rate of return consistent with the target allocation stated earlier. Over reasonable measurement periods, the rate of return earned by the Fund should approximate:

The rate of return of a benchmark comprised 40% DJ Wilshire 5000 Stock Index, 35% MSCI All-Country World Index ex. U.S., and 25% Lehman Aggregate Index.

For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis.

Diversification

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

Liquidity Needs

The Fund will make regular payments to beneficiaries as dictated by the terms of the annuity agreements. The source of funds for these withdrawals will be based on rebalancing and cost considerations.

Proxy Voting

The Trustees have delegated investment management responsibilities to the Manager. The Trustees delegate the full responsibility to vote proxies to the Manager and expect the Manager to vote all proxies prudently and in the interest of the Fund.

Control Procedures

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the investment policy.

Reporting Requirements

The Manager will be required to submit, within three weeks after the end of each calendar quarter, a quarterly report containing a review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception periods.

Additionally, the manager has the responsibility to promptly advise The Rotary Foundation staff and Trustees of any material change in personnel, investment strategy or other pertinent information potentially affecting performance.

Review of Manager

The Trustees will review results of the Manager at least semi-annually. These reviews will focus on:

- The Manager's adherence to the policy guidelines;
- Comparison of Manager's results to the applicable investment objective benchmark.

Investment Restrictions

The Manager is prohibited from investing in the following types of securities:

- parties-in-interest securities
- derivative securities, if used to leverage the portfolio
- margin buying or short selling
- commodities
- lease-backs and conditional sales contracts
- private placements, except for 144(a) securities

Eligible Investments

Asset Class	Fund Name	Ticker	Cusip
U.S. Equities	SPDR DJ Wilshire Total Market ETF	TMW	78464A 805
Non-U.S. Equities	iShares MSCI ACWI ex U.S. Index Fund	ACWX	464288240
Fixed Income	Dreyfus Bond Market Index Basic Fund	DBIRX	261978878

STATEMENT OF INVESTMENT POLICY FOR
 THE ROTARY FOUNDATION'S POOLED INCOME FUND
 Adopted October 2000
 Amended October 2005 and October 2008

Objective

The primary objective of the Pooled Income Fund, hereinafter referred to as the Fund, is to secure a reasonable current rate of return consistent with the preservation and long-term growth of principal.

Distinction of Responsibilities

The Trustees assume the responsibility for establishing the investment policy that is to guide the investment of the Fund. The investment policy describes the degree of investment risk that the Trustees deem appropriate.

The Trustees have the responsibility to monitor the investment vehicles on an ongoing basis, and to add, replace or eliminate funds when it is deemed appropriate to do so.

The Northern Trust Company, hereinafter referred to as the Manager, has been appointed to execute the policy and will invest the assets of the Fund in accordance with the policy.

In addition, the Manager is expected to maintain an organization of satisfactory nature with regard to personnel, philosophy, character and responsibility.

Allocation of Assets

The Trustees have developed the following target asset allocations and re-balancing ranges for the Fund:

	Target Allocation	Range
U.S. Equities	30%	25% - 35%
Non-U.S. Equities	20%	15% - 25%
Total Equities	50%	45% - 55%
Fixed Income	50%	45% - 55%
TOTAL	100%	

Routine cash flows including contributions and beneficiary payments will be used to maintain the allocation as close as practical to the target allocations. If routine 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.

Investment Objective

The investment objective of the Fund is to achieve a rate of return consistent with the target allocation stated earlier. Over reasonable measurement periods, the rate of return earned by the Fund should approximate:

The rate of return of a benchmark comprised 30% DJ Wilshire 5000 Stock Index, 20% MSCI All-Country World Index ex. U.S., and 50% Lehman Aggregate Index.

For performance evaluation purposes, all rates of return will be examined on a net-of-fee basis.

Diversification

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

Liquidity Needs

The Fund will make regular payments to beneficiaries as dictated by the terms of the annuity agreements. The source of funds for these withdrawals will be based on rebalancing and cost considerations.

Proxy Voting

The Trustees have delegated investment management responsibilities to the Manager. The Trustees delegate the full responsibility to vote proxies to the Manager and expect the Manager to vote all proxies prudently and in the interest of the Fund.

Control Procedures

Review of Investment Objectives

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the investment policy.

Reporting Requirements

The Manager will be required to submit, within three weeks after the end of each calendar quarter, a quarterly report containing a review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception periods.

Additionally, the manager has the responsibility to promptly advise The Rotary Foundation staff and Trustees of any material change in personnel, investment strategy or other pertinent information potentially affecting performance.

Review of Investment Managers

The Trustees will review results of the Manager at least semi-annually. These reviews will focus on:

- The Manager's adherence to the policy guidelines;
- Comparison of Manager's results to the applicable investment objective benchmark.

Investment Restrictions

The Manager is prohibited from investing in the following types of securities:

- parties-in-interest securities
- derivative securities, if used to leverage the portfolio
- margin buying or short selling
- commodities
- lease-backs and conditional sales contracts
- private placements, except for 144(a) securities

Eligible Investments

Asset Class	Fund Name	Ticker	Cusip
U.S. Equities	SPDR DJ Wilshire Total Market ETF	TMW	78464A 805
Non-U.S. Equities	iShares MSCI ACWI ex U.S. Index Fund	ACWX	464288240
Fixed Income	Dreyfus Bond Market Index Basic Fund	DBIRX	261978878

**INVESTMENT POLICY STATEMENT FOR
THE ROTARY FOUNDATION'S DONOR ADVISED FUND**

Adopted October 2009

Investment Objective

The primary investment objective of the Foundation's Donor Advised Fund, hereinafter referred to as "the DAF," is to provide competitive rates of return in a manner consistent with the time horizon of a donor's projected grant activity and tolerance for risk. Therefore, the DAF will offer four distinct Investment Portfolios that reflect various investment horizons and risk tolerance levels.

Distinction of Responsibilities

The Trustees are responsible for establishing the investment policy that is to guide the investment of the DAF and the Investment Portfolios.

The Investment Committee has the responsibility to monitor the Investment Portfolios on an ongoing basis.

The investment staff and Boston Private Bank, hereinafter referred to as "the Manager", are responsible for adding, replacing, or eliminating underlying funds in the Investment Portfolios when it is deemed appropriate to do so. The investment staff's approval is required on any changes made by the Manager.

The Manager has been appointed to execute the policy and will invest the assets of the DAF in accordance with the policy.

Investment Portfolios and Allocation of Assets

Based on the DAF's investment objective, the following four Investment Portfolios offered by the Manager have been selected:

	Investment Portfolios			
	Capital Preservation	Conservative	Moderate Growth	Growth
Total Equities	0%	25%	50%	75%
Total Bonds and Cash	100%	75%	50%	25%
Total	100%	100%	100%	100%

Routine cash flows (contributions and spending) will be used to maintain the allocation as close as practical to the target allocations. If routine 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.

Investment Performance Objectives of Investment Portfolios

Over reasonable measurement periods, the rate of return should match the Investment Portfolio's benchmark return as described below:

Capital Preservation: 100% of the 90-day U.S. Treasury Bills.

Conservative: 12.5% of the Russell 3000 Index, 12.5% of the FTSE All World ex US Index, and 75% of the Barclay's Capital Aggregate Bond Index.

Moderate Growth: 25% of the Russell 3000 Index, 25% of the FTSE All World ex US Index, and 50% of the Barclay's Capital Aggregate Bond Index.

Growth: 37.5% of the Russell 3000 Index, 37.5% of the FTSE All World ex US Index, and 25% of the Barclay's Capital Aggregate Bond Index.

Diversification

The Conservative, Moderate Growth, and Growth portfolios will be invested in three underlying exchange traded funds that track their respective indexes. The Capital Preservation portfolio will be invested in a money market fund.

Liquidity Needs

The Manager shall arrange for cash withdrawals from the donor's Investment Portfolio to meet the approved grant recommendations of the individual donors. The Manager will have full discretion in choosing the source of funds for withdrawal.

Control Procedures

Review of Investment Policy

The Investment Committee will review the investment policy statement annually. Any recommended changes will be presented to the Trustees for approval.

Review of Investment Manager

The Investment Committee will review the results of each Investment Portfolio semi-annually.

Investment Restrictions

The Manager is prohibited from investing in the following types of securities:

- parties-in-interest securities
- derivative securities, if used to leverage the portfolio
- margin buying or short selling
- commodities
- lease-backs and conditional sales contracts
- private placements, except for 144A securities

THE ROTARY FOUNDATION
INVESTMENT COMMITTEE CHARTER
Adopted January 2010, Amended September 2011

1.0 Functions of the Committee

The Investment Committee (IC) shall perform the functions of an investment fiduciary in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Committee shall comply with all applicable fiduciary, prudence, and due diligence requirements experienced investment professionals would utilize; and with all applicable laws, rules and regulations that may impact the Investment Portfolios. The Committee shall have the responsibility for:

- 1.1 formulating and recommending to The Rotary Foundation Trustees investment policies and guidelines, including asset allocations and spending policies
- 1.2 acting in a consultative capacity for the Rotary International Finance Committee (RIFC) with respect to Rotary International (RI) investment matters
- 1.3 reviewing and monitoring investment results, including meetings with investment managers as appropriate
- 1.4 reviewing and approving the hiring and termination of investment managers
- 1.5 reviewing and recommending to the Board of Trustees the hiring and termination of investment consultants
- 1.6 reporting directly to the Board of Trustees on investment matters

2.0 Definition of a Fiduciary

A fiduciary is defined as a person who has the legal and/or implied moral responsibility to manage the assets of another person. A fiduciary must act solely in the best interests of that person. The IC is subject to certain duties and responsibilities, including, but not limited to:

- 2.1 Know the standards, laws, and trust provisions that impact the investment process of the Portfolios.
- 2.2 Prudently diversify the Portfolios to a specific risk/return profile.
- 2.3 Prepare, execute and maintain an investment policy statement.
- 2.4 Have investment decisions made by prudent experts.
- 2.5 Control and account for all investment-related expenses.
- 2.6 Monitor the activities of all investment-related service vendors.
- 2.7 Avoid conflicts of interest and prohibited transactions.

3.0 Membership

- 3.1 The IC shall consist of nine voting members, of whom six will be Rotarians with investment and/or foundation/endowment experience, and three will be Trustees, including the chairman and vice-chairman of the Finance Committee and one other Trustee who has investment or other financial experience.
- 3.2 It is desirable for non-Trustee members to have institutional investment experience.
- 3.3 It is desirable for at least two non-Trustee members to have experience with alternative investments – specifically hedge funds, private equity, real estate, commodities, infrastructure, and/or timber.
- 3.4 It is desirable for non-Trustee members to have an investment professional designation, such as the CFA or CAIA, and/or an MBA.
- 3.5 All members must be fluent in English.
- 3.6 Each non-Trustee member will be appointed for a six-year term. Terms will be staggered so that one non-Trustee member is appointed or re-appointed each year for a six-year term. A non-Trustee member may serve up to two consecutive terms.

- 3.7 There will be two attendees from the RIFC, including its chairman and another RIFC member appointed by its chairman. RIFC attendees will have voting rights with respect to appointments and terminations of investment managers utilized by RI and other matters that impact RI's investment portfolio.

4.0 Meetings

- 4.1 Meetings will be held on a quarterly basis, either in person or via teleconference.
- 4.2 In recognition of the importance of the work of the IC, regular attendance at the IC meetings is expected from all members.
- 4.3 Joining the IC when issues pertaining to RI are discussed will be two members of the RIFC.
- 4.4 An agenda shall be prepared for each regular and special meeting of the IC. The agenda shall set forth those items upon which the IC anticipates taking action or discussing. Each agenda item shall have attached backup material necessary for discussion or action by the Committee. A copy of the agenda and backup material shall be furnished to each IC member and RIFC attendees at least 21 days prior to the commencement of the meeting. Quarterly investment reports will be made available as soon as produced by the investment consultant.
- 4.5 Full and complete minutes detailing records of deliberations and Trustee recommended decisions shall be provided to the entire Board of Trustees and maintained by the Manager, Investment and Treasury Division.
- 4.6 Separate minutes will be prepared for the RIFC on those items impacting RI.

5.0 IAC Portal

- 5.1 A secure site for the IC has been established on Rotary.org to facilitate the timely dissemination of pertinent investment information and to provide ready access to investment policy statements and other Foundation investment information.
- 5.2 Each member and RIFC attendee is expected to register and utilize this site.
- 5.3 Information posted on this site includes:
 - 5.3.1 Calendar of meeting dates
 - 5.3.2 Contact information for other IC members and investment staff
 - 5.3.3 Investment policy statements
 - 5.3.4 Monthly flash reports and quarterly investment reports
 - 5.3.5 Regular reports from Rotary's investment managers
 - 5.3.6 Articles on endowment and foundation trends, or other investment-related topics that would be of interest to IC members and RIFC attendees.

6.0 Disclosure of Conflict of Interest

- 6.1 Notwithstanding any provision of the law, no IC member or RIFC attendee shall vote or participate in a determination of any matter in which the IC member or RIFC attendee shall receive a special private gain. IC members and RIFC attendees have a duty of loyalty that precludes them from being influenced by motives other than the accomplishment of the purposes of the Portfolios. IC members and RIFC attendees, in the performance of their duties, must conform and act pursuant to the documents and instruments establishing and governing the Portfolios.
- 6.2 All IC members and RIFC attendees will be required to read the Conflict of Interest Policy for Members. Annually, all IC members and RIFC attendees must submit a signed "Potential Conflict of Interest Statement," noting all potential conflicts. Disclosure of such potential conflicts must be made to the entire IC prior to any relevant IC action. These disclosures will be reviewed by the entire IC, which will attempt to resolve any actual or potential conflicts and, in the absence of resolution, refer the matter to the Trustee Chair.

THE ROTARY FOUNDATION
Investment Managers – As of 1 December 2011

Manager	Fund Name	Asset Class	Fees
BlackRock	BGI Dow Jones US Total Stock Market Index	U.S. Equity	0.05%
Westfield Capital Management	Separate Account for All Cap Growth Equity Fund	U.S. Equity	0.75%
Robeco Investment Funds	Robeco Boston Partners All-Cap Value Fund	U.S. Equity	0.70%
Atlanta Capital Investment Managers	Separate Account for High Quality SMid Cap Core Fund	U.S. Equity	0.80%
Artio Global Investors	International Equity II Fund LLC	Non-U.S. Equity	0.75%
Grantham, Mayo, Otterloo (GMO)	International Equity Allocation Fund	Non-U.S. Equity	0.71%
Pacific Investment Management Co. (PIMCO)	Total Return Bond Fund	Core Bonds	0.47%
Western Asset Management Co. (WAMCO)	Western Asset Global Multi Strategy, LLC	Non-Core Bonds	0.40%
NISA (manages PolioPlus funds only)		Fixed Income	0.19%
Pacific Investment Management Co. (PIMCO)	All Asset Fund	Real Assets	0.885%
Wellington Trust Company, NA	Diversified Inflation Hedges	Real Assets	0.90%
UBS Global Asset Management	UBS Trumbull Property Fund	Real Estate	0.859% ¹
RREEF	RREEF America REIT III	Value Added Real Estate	0.75% ¹
Pacific Investment Management Co. (PIMCO)	Global Multi-Asset Fund	Global Asset Allocation (GAA)	1.04%
TIFF	Multi-Asset Fund	GAA	1.41% ³
Grantham, Mayo, Otterloo (GMO)	Real Return Global Balanced Allocation Strategy	GAA	1.00%
INVESCO Private Capital	Non-US Partnership Fund III LP	Private Equity	1.00% ¹
INVESCO Private Capital	US Buyout & Expansion Capital Partnership Fund III LP	Private Equity	1.00% ¹
INVESCO Private Capital	Venture Partnership Fund III LP	Private Equity	1.00% ¹

¹ Fee does not include incentive or performance fee. Performance fees are only granted when the manager's performance is positive and exceeds a stated benchmark.

³ Total annual fund operating expenses may vary based on fees of underlying funds held.

Manager	Fund Name	Asset Class	Fees
Mesirow	Mesirow Financial Private Equity Partnership Fund III, LP	Private Equity	1.00%
Mesirow	Mesirow Financial Private Equity Partnership Fund V, LP	Private Equity	1.00%
Mesirow	Mesirow Financial Capital Partners X, LP	Private Equity	1.00%
Coller Capital	Coller International Partners IV	Private Equity	1.00% ¹
Adams Street Partners	Adams Street 2008 Direct Fund LP	Private Equity	2.00% ¹
Adams Street Partners	Adams Street 2009 Direct Fund LP	Private Equity	2.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2007 Non-US Fund LP	Private Equity	1.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2008 Non-US Fund LP	Private Equity	1.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2009 Non-US Developed Markets Fund	Private Equity	1.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2009 Non-US Emerging Markets Fund	Private Equity	1.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2008 US Fund LP	Private Equity	1.00% ¹
Adams Street Partners	Adams Street Partnership Fund – 2009 US Fund LP	Private Equity	1.00% ¹
Permal	Permal Fixed Income Institutional Ltd. Class M Series D One	Hedge Funds	0.95%
J.P. Morgan (JPM AAM)	JP Morgan Multi-Strategy Fund Ltd	Hedge Funds	1.00% ¹
Union Bancaire Privee (UBP) ²	Selectinvest ARV Ltd	Hedge Funds	0.75%
Bank of America (Working Capital)		Cash & Equivalents	N/A

Fund	Weighted Average Fee
Annual Programs Fund	0.57%
Permanent Fund	0.81%
PolioPlus	0.19%

¹ Fee does not include incentive or performance fee. Performance fees are only granted when the manager's performance is positive and exceeds a stated benchmark.

² Manager is in the process of termination. Redemption process is expected to be complete in FY2012

THE ROTARY FOUNDATION
INVESTMENT MANAGERS – HISTORICAL INFORMATION
Annual Programs Fund, Permanent Fund, and PolioPlus

Manager	Hire Date	Termination Date	Length of Term	Reason for Termination
NISA (PolioPlus only)	30 Nov 1994			
ARM Capital Advisors	31 May 1996	31 Oct 1999	3 yrs, 5 mos	Non-disclosure of pertinent information; lack of trust
BlackRock Dow Jones Total Stock Market	31 May 1996	30 Nov 2011	15 yrs, 6 mos	Preference for active management
Templeton Investment Counsel	31 Dec 1996	31 Dec 2000	4 years	Performance; value style bias
Montag and Caldwell	31 Oct 1997	31 Dec 2000	3 yrs, 2 mos	Performance; not aggressive enough
Putnam Investments	30 Nov 1998	1 Nov 2003	4 yrs, 11 mos	Investment manager improprieties
Pacific Investment Management Company (PIMCO) Total Return Bond Fund	31 Dec 1998			
LSV Asset Management	31 May 1999	31 Dec 2000	1 year, 7 mos	Trustee disagreed with investment philosophy (quantitative approach)
The Northern Trust (Working Capital)	30 Jun 1999	30 Sept 2006	7 yrs, 3 mos	Could not service entire North America
Reams Asset Management	31 Dec 1999	31 Dec 2010	11 years	Returns too volatile; strategy change
Trust Company of the West (TCW)	31 Dec 2000	30 Nov 2007	6 yrs, 11 mos	Performance
Institutional Capital (ICAP)	31 Dec 2000	31 Mar 2011	10 yrs, 3 mos	Consolidation of equity value funds to one all cap value fund
Essex Investment Management	31 Dec 2000	30 Jun 2002	1 year, 6 mos	Performance; changes within the firm
High Rock Capital	31 Dec 2000	30 Jun 2004	3 yrs, 6 mos	Performance
Capital Guardian	31 Dec 2000	31 Dec 2008	8 years	Change in non-U.S. equity mandate
UBS	31 Dec 2000			
Invesco Private Capital	31 Mar 2001			
Coller Capital	30 Apr 2002			
M. A. Weatherbie & Co.	31 Dec 2002	10 July 2009	6 years, 6 mos	Consolidation of equity growth funds to one all cap growth fund
J.L. Kaplan	30 Jun 2004	31 May 2007	2 yrs, 11 mos	Organizational changes + relative underperformance
Grantham, Mayo, Otterloo (GMO) Foreign Fund	31 Oct 2004	31 Dec 2008	4 years, 2 mos	Change in non-U.S. equity mandate

Manager	Hire Date	Termination Date	Length of Term	Reason for Termination
Western Asset Management Company (WAMCO)	30 Jun 2005	31 Mar 2011	5 yrs, 9 mos	Change in investment strategy, performance
PlusFunds (SPhinX)	30 Jun 2005	30 Apr 2006	10 mos	In bankruptcy
Mesirow	30 Jun 2006			
RREEF	30 Jun 2005			
Adams Street Partners	30 Jun 2006			
Bank of America (Working Capital)	1 Oct 2006			
Nuveen Investments (NWQ)	11 Jun 2007	31 Mar 2011	3 yrs, 9 mos	Consolidation of equity value fund to one all cap value fund
BlackRock R2000 Value	11 Jun 2007	31 Mar 2011	3 yrs, 9 mos	Consolidation of equity value fund to one all cap value fund
J.P. Morgan (JPMAAM)	1 Sept 2007			
Union Bancaire Privee (UBP)*	1 Sept 2007			Redemption requested December 2008
INTECH	3 Dec 2007	15 July 2009	1 yr, 8 mos	Consolidation of equity growth funds to one all cap growth fund
Friess Associates	3 Dec 2007	10 July 2009	1 yr, 8 mos	Consolidation of equity growth funds to one all cap growth fund
Grantham, Mayo, Otterloo (GMO) International Equity Allocation Fund	31 Dec 2008			
Artio Global Investors	31 Dec 2008			
Westfield	16 July 2009			
Permal	1 Dec 2010			
PIMCO All Asset Fund	1 Dec 2010			
Wellington DIH	1 Dec 2010			
Atlanta Capital	1 Mar 2010			
Robeco Investment Funds	1 Mar 2010			
GMO Real Return Allocation Strategy	30 Sept 2011			
TIFF Multi-Asset Fund	30 Sept 2011			
PIMCO Global Multi-Asset Fund	30 Sept 2011			

* UBP is in the process of a full redemption effective 31 March 2009

THE ROTARY FOUNDATION
Historical Investment Return Information
 US\$('000)

	2001-02	2002-03	2003-04	2004-05	2005-06*	2006-07	2007-08	2008-09	2009-10	2010-11	Average
Interest and dividends	16,652	13,025	11,152	14,139	17,451	31,823	20,701	18,025	12,525	10,239	16,573
Net realized gains/(losses)	(5,610)	(33,281)	1,701	14,096	31,991	37,589	7,425	(70,628)	(4,254)	12,629	(834)
Increase/(decrease) in unrealized gains	(49,116)	27,063	62,421	16,445	1,427	38,298	(68,609)	(99,954)	49,511	90,255	6,774
Currency exchange gains/(losses)	389	2,053	189	155	420	626	(344)	(4,292)	(2,638)	5,714	227
Investment fees	(2,176)	(2,997)	(2,205)	(2,191)	(2,511)	(2,618)	(2,684)	(2,153)	(2,053)	(2,004)	(2,359)
Change in value - split interest agreements	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(4,713)	N/A	N/A	N/A
Miscellaneous income	(175)	(478)	384	103	1,470	(457)	(713)	(165)	N/A	N/A	N/A
TOTAL NET INVESTMENT RETURN	(40,036)	5,385	73,642	42,747	50,248	105,261	(44,224)	(163,880)	53,091	116,833	19,907

Notes:

- (1) The increase/(decrease) in unrealized gains represents paper (losses) or gains from the prior year.
 - (2) Currency exchange losses are included in the net investment return number, however, these gains or losses are not attributable to the Foundation's investments. Instead they are attributable to either currency translation gains or losses (paper gains or losses), or currency transaction gains or losses (actual gains or losses resulting from having to convert other currencies into U.S. dollars.)
 - (3) Prior to FY 2009, the split interest agreements were included in the various investment return components.
- * Fiscal Year 2005-06 reflects a write-down of \$16 million taken to reflect potential losses in the PlusFunds hedge fund investment.

THE ROTARY FOUNDATION
Historical Investment Return Information

Rate of Return	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Annual Programs Fund	7.9%	13.0%	-2.1%	25.9%	16.1%	21.4%	18.3%	9.6%	7.7%	-2.8%
Benchmark	5.4%	12.6%	20.0%	26.9%	16.4%	19.5%	18.9%	12.8%	9.2%	-8.5%
Permanent Fund	7.1%	10.7%	-2.3%	28.0%	16.6%	22.8%	18.5%	10.7%	8.3%	-4.2%
Benchmark	7.6%	10.0%	-0.4%	29.6%	17.2%	21.2%	19.8%	13.6%	9.5%	-10.3%
PolioPlus Fund	NA	NA	NA	NA	4.8%	7.0%	9.9%	7.1%	6.3%	7.0%
Benchmark	NA	NA	NA	NA	5.0%	7.1%	10.0%	8.1%	6.7%	5.5%

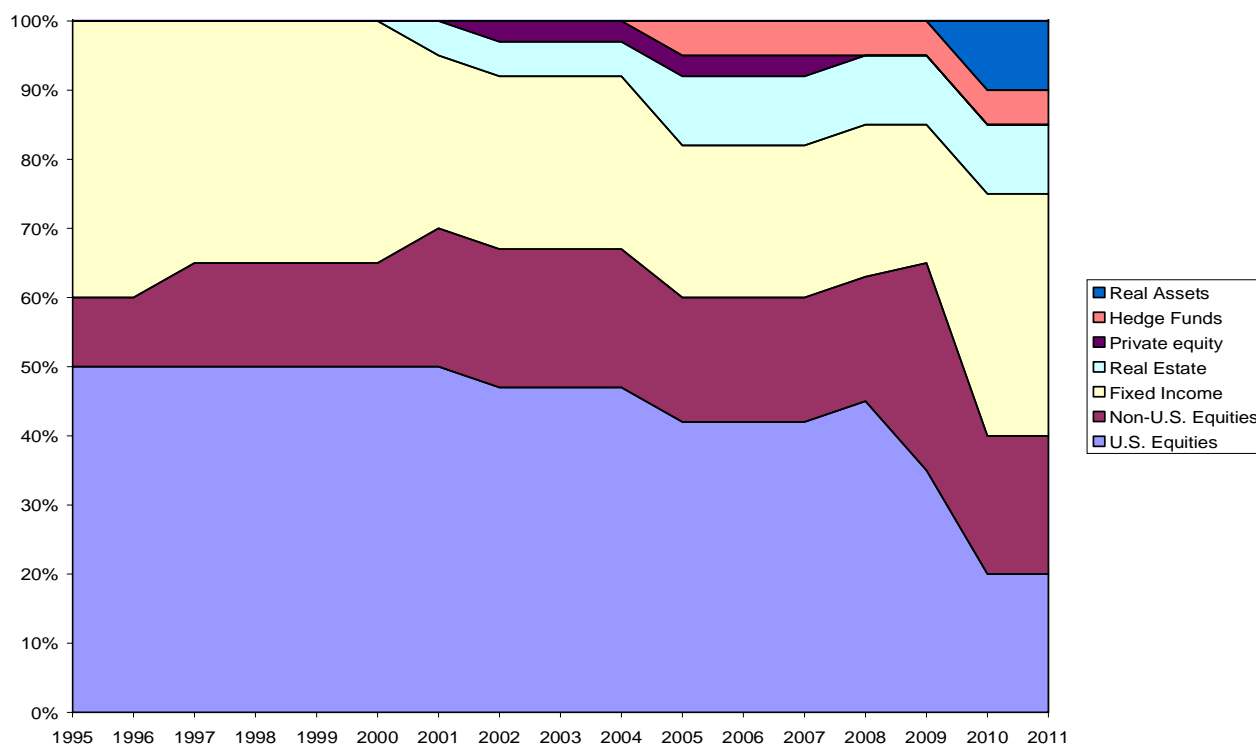
Rate of Return	2001-02	2002-03	2003-04	2004-05	2005-06*	2006-07	2007-08	2008-09	2009-10	2010-11
Annual Programs Fund	-7.7%	1.7%	17.4%	8.2%	8.7%	16.6%	-6.7%	-21.5%	12.2%	21.5%
Benchmark	-7.2%	3.6%	17.4%	10.1%	11.3%	17.5%	-5.0%	-18.1%	13.2%	18.3%
Permanent Fund	-9.9%	0.8%	19.3%	8.2%	9.7%	17.7%	-8.5%	-27.2%	9.8%	24.0%
Benchmark	-9.8%	2.5%	19.6%	10.2%	12.3%	18.8%	-6.7%	-21.0%	10.2%	22.4%
PolioPlus Fund	5.7%	5.0%	0.1%	2.2%	1.7%	5.6%	9.5%	4.3%	1.9%	1.0%
Benchmark	5.5%	5.0%	0.4%	2.3%	1.8%	5.7%	9.6%	4.6%	2.0%	1.2%

Annualized Rates of Return	5 Years	10 Years	15 Years	20 Years
Annual Programs Fund	3.0%	4.2%	6.2%	7.6%
Benchmark	4.1%	5.4%	6.9%	9.1%
Permanent Fund	1.3%	3.2%	5.7%	7.1%
Benchmark	3.5%	5.0%	6.7%	8.1%
PolioPlus Fund	4.4%	3.7%	4.9%	NA
Benchmark	4.6%	3.8%	5.0%	NA

* Fiscal Year 2005-06 reflects a write-down of \$16 million taken to reflect potential losses in the PlusFunds hedge fund investment.
The APF and PF return was 11.3% and 12.3% respectively, for fiscal year 2005-06 excluding the write-down.

** PolioPlus Fund does not include the Gates investment.

Annual Programs Fund
Policy Asset Allocations
As of 30 June



Trustee Decisions regarding asset allocation

November 1996 (Decision 141) Increased allocation to non-U.S. equities from 10% to 15% and decreased allocation to fixed income from 40% to 35%.

October 2000 (Decision 108) Increased allocation to non-U.S. equities from 15% to 20%, decreased allocation to fixed income securities from 35% to 25% and added a 5% allocation to real estate.

October 2002 (Decision 79) Added US\$9.75 million allocation to private equities. US\$6 million to primary partnerships and US\$3.75 million to secondary partnerships.

April 2005 (Decision 127) Approved investing 5% of assets in hedge funds and 5% in real estate.

October 2005 (Decision 73) Agreed that no subsequent allocations would be made to private equity once initial investments mature due to the long-term lock-up period for private equity investments and the perception that APF assets are invested for a three-year cycle before being spent on programs.

October 2006 (Decision 60) Amended IPS to require more than one principal hedge fund of fund manager. This decision was in response to issues associated with investment in SPhinX Ltd. Partnership through Plus Funds in which fraud in the underlying futures hedge funds caused the entire hedge fund to go into liquidation.

April 2008 (Decision 162) Reduced the target allocation to U.S. equities from 45% to 35%, increased the target allocation to non-U.S. equities from 18% to 30%, and decreased the target allocation to fixed income from 22% to 20%.

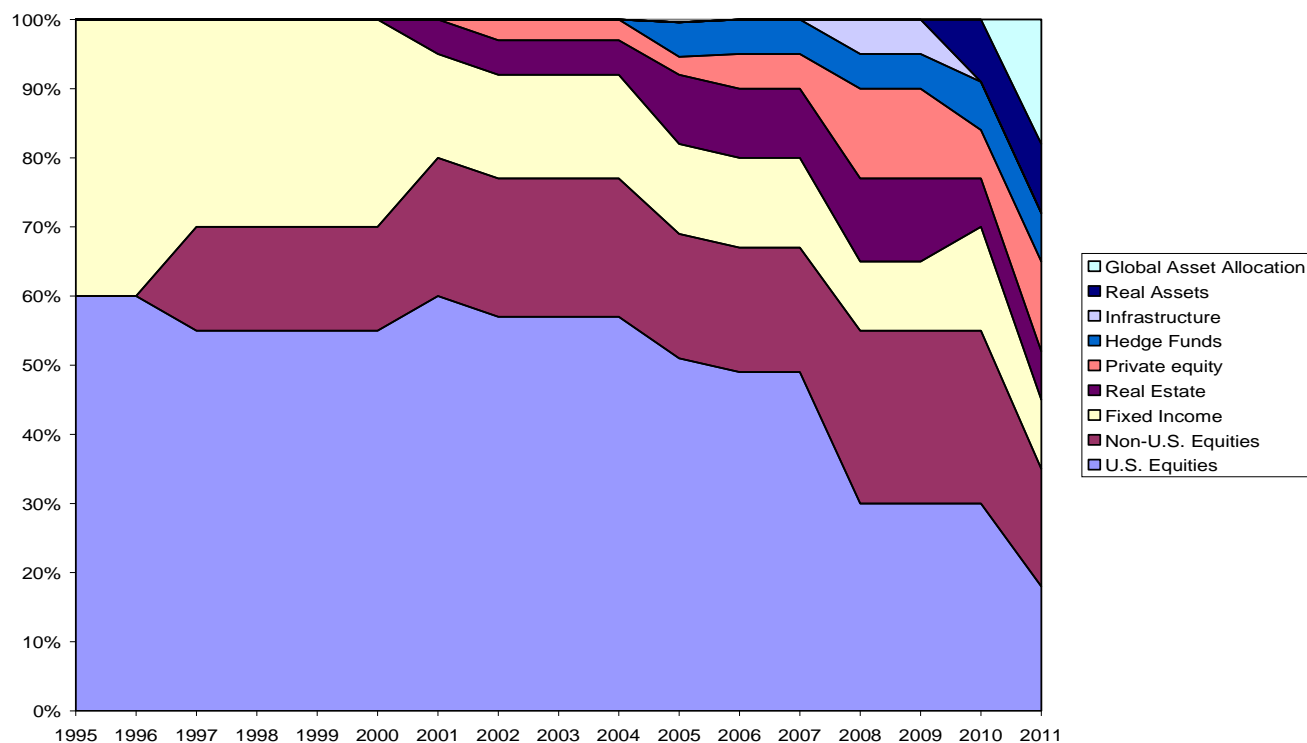
April 2009 (Decision 138) Agreed to temporarily broaden the APF asset allocation rebalancing ranges from +/-5% to +/- 10% relative to target asset allocations for the U.S. equity, non-U.S. equity and fixed income asset classes, due to the extreme volatility in the markets.

October 2009 (Decision 44) Maintained the broadened asset allocation ranges for the APF until such time as a comprehensive investment policy review is conducted with Rotary's new investment consultant.

April 2010 (Decision 128) Agreed to establish a funded operating reserve which would be 100% invested in fixed income securities.

June 2010 (Decision 156) Established target asset allocations for a two stage funding of the Operating Reserve. The Stage One Operating Reserve funding allocation set U.S. equities at 20%, non-U.S. equities at 20%, core bonds at 15%, non-core bonds at 10%, hedge funds at 5%, real estate at 10%, real assets at 10%, and an opportunistic allocation of up to 10. The Stage Two funded Operating Reserve allocation, when the reserve has been 50% funded, allocates 16% to U.S. equities, 20% to non-U.S. equities, 7% to core bonds, 22% to non-core bonds, 7% to cash, 10% to hedge funds, 6% to real estate, 12% to real assets, and up to 10% opportunistic investing.

Permanent Fund
Policy Asset Allocations
As of 30 September



Trustee Decisions regarding asset allocation

November 1996 (Decision 142) Decreased allocation to U.S. equities from 60% to 55%, added 15% allocation to non-U.S. equities and reduced allocation to fixed income from 40% to 30%.

October 2000 (Decision 108) Increased allocation to U.S. equities from 55% to 60%, increased allocation to non-U.S. equities from 15% to 20%, decreased allocation to fixed income from 30% to 15%, and added a 5% allocation to real estate.

October 2002 (Decision 79) Added US\$3.25 million allocation to private equities. US\$2 million to primary partnerships and US\$1.25 million to secondary partnerships.

April 2005 (Decision 127) Approved investing 5% of assets in hedge funds and 5% in real estate.

October 2005 (Decision 73) Approved a target allocation of 5% to private equity, with the ability to make commitments in excess of the target allocation in order to achieve the targeted amount of assets invested. Reduced the allocation to U.S. equities to 49%

October 2006 (Decision 60) Amended IPS to require more than one principal hedge fund of fund manager. This decision was in response to issues associated with investment in SPhinX Ltd. Partnership through Plus Funds in which fraud in the underlying futures hedge funds caused the entire hedge fund to go into liquidation.

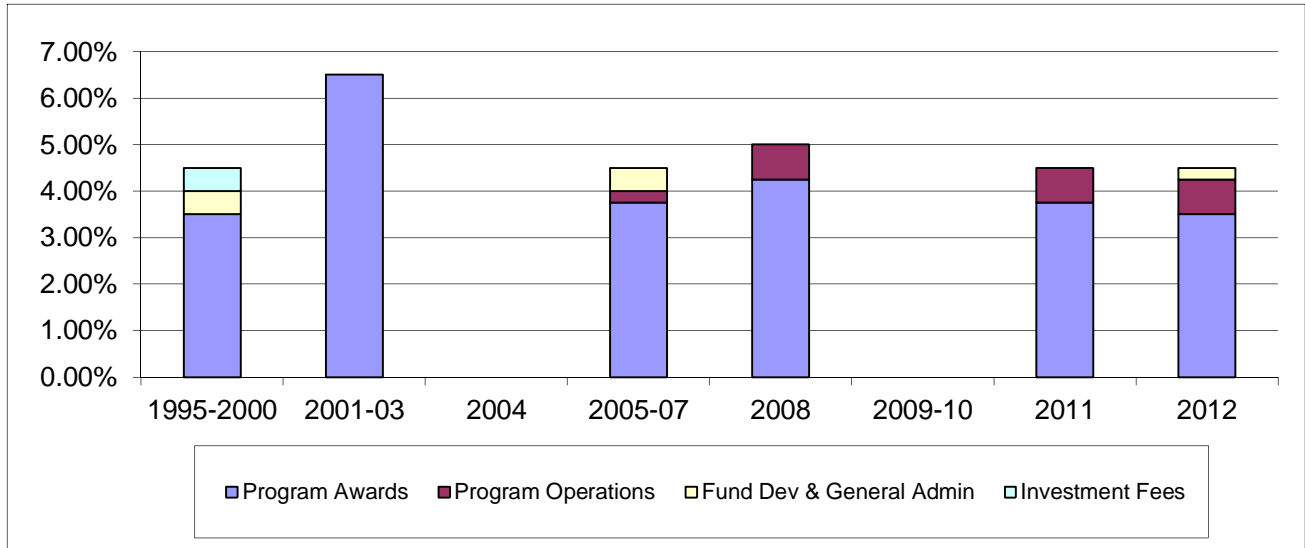
April 2008 (Decision 162) Reduced the target allocation to U.S. equities from 49% to 30%, increased the target allocation to non-U.S. equities from 18% to 25%, decreased the target allocation to fixed income from 13% to 10%, increased the target allocation to real estate from 10% to 12%, increased the target allocation to private equity from 5% to 13%, and added a 5% target allocation to infrastructure.

April 2009 (Decision 138) Agreed to temporarily broaden the PF asset allocation rebalancing ranges from +/-5% to +/- 10% relative to target asset allocations for the U.S. equity, non-U.S. equity and fixed income asset classes, due to the extreme volatility in the markets. Noted that the changes to the PF's asset allocation approved by the Trustees at their April 2008 meeting have not yet been fully implemented due to the extreme volatility in the financial markets.

April 2010 (Decision 126) Increased the target allocation to fixed income from 10% to 15%, reduced the target allocation to real estate from 12% to 7%, reduced the target allocation to private equity from 13% to 7%, increased the target allocation to hedge funds from 5% to 7%, eliminated the 5% allocation to infrastructure (note: this was never implemented due to severe market declines and volatility), and added a 9% allocation to real assets.

September 2011 (Decision 63) Reduced the target allocation to U.S. equities from 30% to 18%, reduced the target allocation to non-U.S. equities from 25% to 17%, reduced the target allocation to fixed income from 15% to 10%, increased the target allocation to private equity from 7% to 13%, increased the target allocation to real assets from 9% to 10%, and added a 18% target allocation to global asset allocation.

**PERMANENT FUND
SPENDING RATES and SPENDING POLICIES**



Fiscal Years Ending								
	1995-2000	2001-03	2004	2005-07	2008	2009-10	2011	2012
Program Awards	3.50%	6.50%	0.00%	3.75%	4.25%	0.00%	3.75%	3.50%
Program Operations	0.00%	0.00%	0.00%	0.25%	0.75%	0.00%	0.75%	0.75%
Fund Dev & General Admin	0.50%	0.00%	0.00%	0.50%	0.00%	0.00%	0.00%	0.25%
Investment Fees	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Spending Rate	4.50%	6.50%	0.00%	4.50%	5.00%	0.00%	4.50%	4.50%

Spending Policies

Prior to 1995-96, the spending policy was: "Income, defined as dividends and interest, may be withdrawn at the fiscal year-end by direction of the donor and/or the Foundation officer. Realized and unrealized capital gains shall not be available for current use, but reinvested in order to preserve the purchasing power of the fund."

April 1996 (Decision 211) Annual spending is targeted at a percent stipulated by the Trustees of the Fund's average market value over the previous 12-quarter period. The Fund will make an annual distribution to the APF for program awards and expenses based on its stated spending policy providing that the corpus of the Fund is not invaded.

April 2010 (Decision 130) Annual spending from the Fund will occur each year from all "above water endowed gifts" (endowed gifts whose market values exceed their accumulated gift values) at the Trustee-approved Spending Rate. Annually, the Trustees will approve a Spending Rate, including the allocation to program awards and any other expenses, based on recommendations from Staff. The Fund will make an annual distribution to the APF equal to the amount of Spendable Earnings.

April 2011 (Decision 138) Approved the spending rate for 2011-12 with allocations for program awards, for program operations, and for fund development and general administration.



www.rotary.org

The Rotary Foundation

Donor Advised Fund — A Quick Guide

About the Program

The Rotary Foundation Donor Advised Fund (DAF) is an innovative way for individuals and Rotary-affiliated groups to create a separate investment or savings account with the Foundation that is earmarked exclusively for charitable giving. You can choose to do this with an “Individual” account or in conjunction with a larger group of Rotary friends through a “Group” account.* In many ways, establishing a DAF is like having your own foundation to support the causes you believe in, but without the hassle and paperwork that go along with operating one.

How The Rotary Foundation Donor Advised Fund Works

- 1 Individual(s) or a Rotary-affiliated group (e.g., the Rotary Club of Anytown, USA) makes a minimum initial contribution of US\$20,000 in cash or securities and receives an immediate tax deduction.**
- 2 Account holders may recommend how the contribution will be allocated among four available investment portfolios.
- 3 Individual(s) or a Rotary-affiliated group recommends when and how much to grant to other IRS-approved charities. Each year, The Rotary Foundation’s programs benefit from an annual grant distribution to the Annual Programs Fund. “Individual” DAFs will eventually create a lasting legacy with the Foundation’s Permanent Fund.

Appropriate for Rotarians Who

- Wish to support The Rotary Foundation and other favorite charities
- Want to maximize their tax deductions, especially in years when offsetting tax liabilities is especially desirable
- Own highly appreciated securities, restricted stock, or privately held stock
- Are concerned about managing the paperwork and tax reporting associated with operating a separate foundation
- Are looking to incorporate charitable giving into estate planning
- Want their charitable dollars professionally managed

Key Benefits

Financial advantages

- Receive an immediate tax deduction
- Benefit from professional asset management
- Contribute complex gifts such as stock, mutual funds, and retirement plan assets
- Support the programs of The Rotary Foundation and other charities

Special features

- Leave a lasting legacy to The Rotary Foundation’s Permanent Fund with an “Individual” account
- Name a child(ren) as a successor of an “Individual” account***
- Receive multiple donor receipting for “Group” accounts
- Make contributions and grant recommendations with a single account

* At this time, the Donor Advised Fund is structured for a U.S. audience. If you are not a U.S. citizen or your Rotary-affiliated group is not located in the USA, please contact The Rotary Foundation before trying to establish a DAF account.

** Rules and regulations regarding tax deductions for charitable giving vary at the state level. Please check with your tax adviser. Tax deductions discussed throughout this publication refer specifically to federal taxes at the time of printing and could change.

*** Please refer to The Rotary Foundation Donor Advised Fund Program Circular at www.rotary.org for specific requirements.

Tax Savings You Can Realize Immediately

Giving appreciated securities to a DAF instead of selling securities and giving the proceeds saves taxes.

	Sell appreciated securities and give proceeds	Give appreciated securities to a Donor Advised Fund
Before tax "cost" of a \$100,000 gift	\$100,000	\$100,000
Deduction of gift (35% bracket)*	\$(35,000)	\$(35,000)
Taxable capital gains (15%)**	\$9,000	—
After tax "cost" of a \$100,000 gift	\$74,000	\$65,000
Taxes saved by contributing \$100,000 of appreciated securities through a DAF		\$9,000

* Does not account for any state and local taxes, alternative minimum tax, or limitations to itemized deductions applicable to taxpayers in higher income brackets.
** Cost basis of shares donated: \$40,000

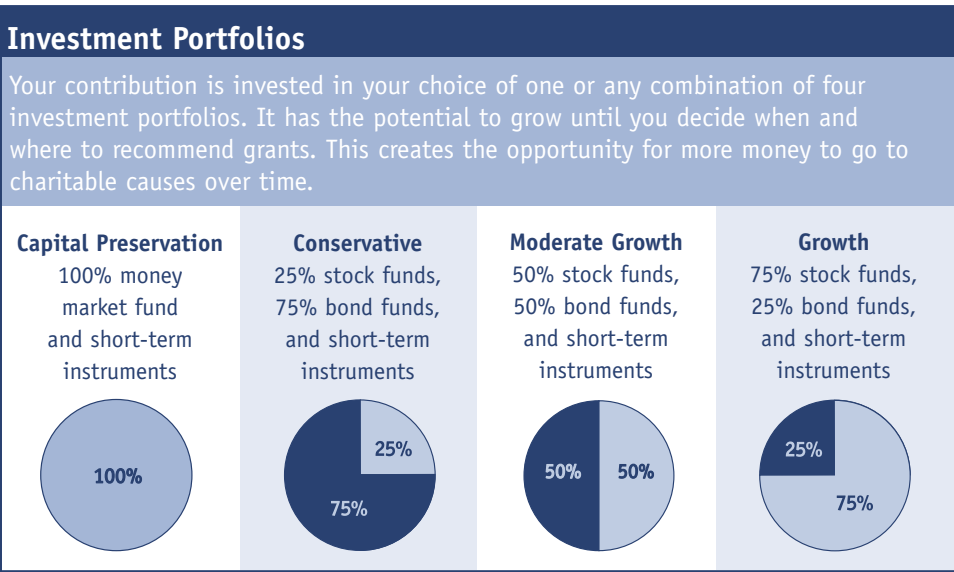
- ### Program Details
- #### Making contributions
- Donors can make contributions and add to their Rotary DAF account as often as they wish.
 - Minimum initial contribution: \$20,000
 - Subsequent contributions: \$1,000
 - Assets accepted:
 - Cash
 - Publicly traded stock
 - Restricted stock
 - Privately held stock
 - Bonds
 - Mutual funds

Comparing the Program to a Private Foundation

Donor Advised Funds are frequently compared to private foundations and have significant advantages.

The Rotary Foundation Donor Advised Fund	Private Foundation
No start-up fees	Start-up fees
Generally 1% or less is annually granted to The Rotary Foundation	5% annual distribution is required
No excise taxes	Excise taxes of up to 2% of annual income
Full charitable deduction <ul style="list-style-type: none"> • Up to 50% of adjusted gross income for cash contributions • Up to 30% of adjusted gross income for appreciated securities 	Partial charitable deduction <ul style="list-style-type: none"> • Up to 30% of adjusted gross income for cash contributions • Up to 20% of adjusted gross income for appreciated securities
The Rotary Foundation Donor Advised Fund handles legal, administrative, and filing requirements	Donor is responsible for annual IRS filing and other legal and administrative requirements
Donor may choose to remain anonymous	Tax return is public record

- #### Recommending grants to charities
- Minimum grant: \$250
 - Processing fees: None
 - Qualifying organization: Any IRS-approved charity
 - Number of grants allowed each year: Unlimited
 - Annual grant to The Rotary Foundation from "Individual" accounts: \$250
 - Annual grant to The Rotary Foundation from "Group" accounts: 1% of account balance



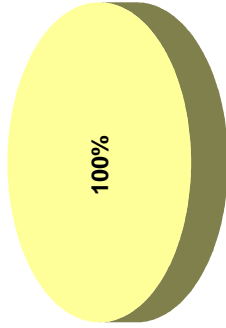
- #### Donor recognition
- Grant distributions to The Rotary Foundation's Annual Programs Fund and other restricted giving such as PolioPlus or approved Matching Grants are eligible for Paul Harris Fellow recognition.
 - Benefactor and Bequest Society recognition is given to "Individual" DAFs for the amount committed to the Permanent Fund.
 - Grant distributions made to The Rotary Foundation from "Individual" DAFs can be applied toward Major Donor recognition.



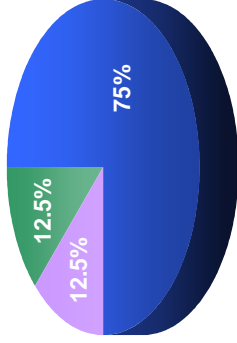
THE ROTARY FOUNDATION
DONOR ADVISED FUND

Model Portfolios

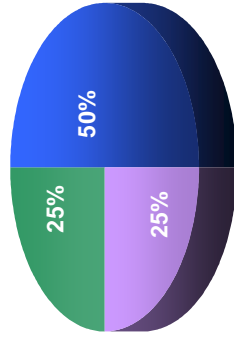
Capital Preservation



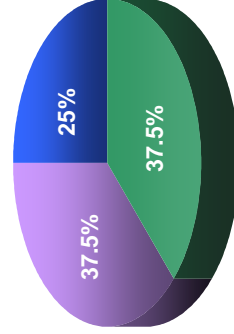
Conservative



Moderate Growth



Growth



- Cash (Money Market Fund)
- Bonds (iShares Barclays Aggregate)
- US Stocks (iShares Russell 3000)
- Foreign Stocks (Vanguard FTSE All-World ex-US)

Note: Ratios listed above are subject to change. Models are subject to change without warning.
Each portfolio may contain up to 2% in cash

www.rotary.org/daf
(847) 866-3100
plannedgiving@rotary.org

Disclosures

The price and value of the investments referred to in this material and the income from them may go down as well as up, and the portfolios may realize losses. ETF returns represent past performance. Past performance is not a guide to future performance. An ETF's investment return and principal value will fluctuate so that any portfolio shares, when redeemed, may be worth more or less than the original cost. Future returns are not guaranteed, and a loss of original capital may occur. Equity ETF's have tended to be more volatile than ETF's in fixed income securities. The ETFs are expected to return an amount similar to the index its tracking. The money market fund's purpose is to provide a low-risk, low-return investment.

The Shares may trade above or below their NAV. The NAV of each ETF will generally fluctuate with changes in the market value of the ETF's holdings. The market prices of Shares, however, will generally fluctuate in accordance with changes in NAV as well as the relative supply of, and demand for, Shares on the Exchange. The trading price of Shares may deviate significantly from NAV during periods of market volatility. The Manager cannot predict whether Shares will trade below, at or above their NAV. Price differences may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for Shares will be closely related to, but not identical to, the same forces influencing the prices of the securities held by an ETF. However, given that Shares can be purchased and redeemed in Creation Units (unlike shares of closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their NAV), and the ETFs' portfolio holdings are disclosed on a daily basis, the Manager believes that large discounts or premiums to the NAV of Shares should not be sustained.



Glossary of Selected Investment Terms

2 & 20 – Standard policy of charging a 2% management fee and then also taking 20% of the profits.

Accounting Risk – Pertaining to non-U.S. markets, accounting risk can arise when a country does not have in place laws requiring conformity in accounting and financial disclosure.

Active Management – A portfolio strategy of aggressively managing assets by continually repositioning portfolios to take advantage of the most favorable opportunities.

Alpha – Return achieved in excess of an investment manager's stated benchmark. Typically stated in terms of basis points (bp).

Alternative Investments – Usually investments other than mutual funds, certificates of deposit, or direct investments in equities or bonds. Specific examples include commodity funds, derivatives, foreign exchange, hedge funds, oil and gas, precious metals and real estate ventures.

Annualized Return – A figure (as in a percentage) calculated by a formula to find the "average" performance per year.

Appreciation – Increase in the value of an asset such as a stock, bond, commodity, or real estate.

Assets – All stocks, bonds, cash, interest earned, etc., owned by a given account.

Asset Allocation – Apportioning of investment funds among categories of assets, such as cash equivalents, stocks, fixed-income, and real estate.

Asset-Backed Security – A fixed-income instrument secured by a pool of assets such as auto loans, a mortgage, or credit card receivables.

Assets Under Management – (AUM) The sum total of the market value of all assets for which a given company acts as Investment Manager.

Average Life – The arithmetic weighted average life of a bond where the weights are the proportion of the principal amount being redeemed.

Barbell – Portfolio of bonds distributed in the shape of a barbell, with most of the portfolio in short-term and long-term bonds.

Basis Point (BP) – One one-hundredth of one percent. One hundred basis points equal one percent.

Bear Market – A market characterized by a trend of falling security prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.

Bearish – Pessimistic about the market; anticipating a decline in prices.

Benchmark – A standard by which investment performance or trading execution can be judged.

Beta – A way of evaluating risk (i.e., "volatility") for a particular mutual fund or stock, relative to the market as a whole. A fund with a beta of 1 has the same risk as the market. A fund with a beta of 2 is twice as risky, so that an investor is likely to double his or her profits (or losses) compared to the market. A beta of less than one means the mutual fund or stock moves comparatively less than the market as a whole.

Bond – An instrument of debt issued by a corporation or government to raise capital. Bonds are interest bearing and promise to pay the holder a specified sum of money at its maturity plus interest at given intervals.

Bond Rating – A grade given to a bond that indicates the quality of the investment. Ratings range from AAA (very unlikely to default) to D (in default). Moody's Investment Services and Standard & Poor's are the two major bond-rating companies.

Bond Return – Consists of two components, 1) current yield and 2) price performance. Current Yield is the amount of coupon income received, expressed as a percentage of the current market value of the bond or portfolio. Price Performance of a bond is determined by changes in interest rates. If rates rise, bond prices fall. If rates fall, bond prices rise.

Bottom-up Managers – Bottom-up managers focus on the qualities or valuations of individual stocks, one by one, rather than on economic trends. This approach assumes that, even in an industry that is not doing well, individual companies can perform well.

Bull Market – A market characterized by rising security prices.

Bullish – Optimistic about the market; anticipating a rise in security prices.

Buyout – The purchase of a company or a controlling interest of a corporation's shares. Buyout firms purchase underperforming companies aiming to improve the company's operations and selling or taking them public for a profit.

Call Option – The right to buy an asset at a specified exercise price on or before a specified expiration date.

Callable Bond – A bond that the issuer may repurchase at a given price at some specified future date.

Capital Appreciation – Increase in value (i.e., price) of an asset such as a stock or bond.

Capital Gain/Loss – The amount of profit or loss attributable to the difference between the purchase and sale prices. Stock bought for \$100 and sold for \$125 has produced \$25 in capital gain.

Capital Markets – Markets where capital funds – debt and equity – are traded.

Capitalization – The current equity value of a company determined by multiplying the number of outstanding common shares by the current market price of a share. Companies are typically categorized into small cap (less than \$2 billion), mid cap (\$2 - \$14 billion), and large cap (greater than \$14 billion) based on the previous capitalization formula.

Cash Equivalent – Instruments or investments of such high liquidity and safety that they are virtually as good as cash.

Cheap – Inexpensive; having a price perceived to be undervalued.

Credit Default Swap (CDS) – A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

Collateral – Property acceptable to the lender as security for a loan or other obligation.

Collateralized Mortgage Obligation (CMO) – A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches.

The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Commercial Mortgage-Backed Securities (CMBS) – A type of mortgage-backed security that is backed by pools of loans on commercial property.

Commingled Investment Fund – A vehicle that pools the assets of investors to gain broader diversification than is normally possible in a separate account.

Common Stock – Securities that show ownership in a corporation. Stockholders share profits or losses in the corporation through dividends and changes in the stock's market value.

Consumer Durables – Products bought by consumers that are expected to last three years or more. These include automobiles, appliances, boats and furniture.

Core Plus Fixed Income – A fixed income manager that invests primarily in securities similar to that of its benchmark (i.e. Lehman Aggregate), but also invests in securities such as, but not limited to, non-U.S. high yield and emerging market debt in an attempt to add incremental value.

Corporate Bond – Debt instrument issued by a private corporation, as distinct from one issued by a government agency or municipality.

Correlation – A statistical measure of how two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move by an equal amount in the opposite direction.

Cost – The purchase price of a security, including fees, commissions, etc.

Coupon – Annual yield, generally paid semi-annually. Stated as a percentage of par.

Credit Risk – The risk that an issuer may default on its securities. Relative degrees of credit risk are delineated by the rating agencies.

Credit Rating – A measure of credit quality. Bond-rating agencies such as Moody's Investors Service, Standard & Poor's and Fitch Ratings publish issuer ratings that, in their view, reflect the likelihood that the issuer will default on interest or principal payments. Rating systems vary from agency to agency. Generally, bonds rated triple A (AAA or Aaa) are of the highest quality, while those rated below triple B (BBB or Baa) are of the lowest quality and are considered speculative or non-investment grade.

Currency Risk – Fluctuations in exchange rates can add to, or detract from, investment returns.

Custodial Bank – Trustees or "caretakers" for all securities in an account. Executes all trades as directed by the investment manager and warehouses all securities.

Cyclical – Something that happens periodically, i.e. on a regular basis.

Cyclical Stock – Stock that tends to rise quickly when the economy turns up and to fall quickly when the economy turns down. Examples are housing, automobiles, and paper.

Debt – General name for bonds, notes, mortgages, and other forms of paper evidencing amounts owed and payable on specified dates or on demand.

Dedicated Bond Portfolio – A portfolio of debt-oriented securities that is structured to meet a specific liability such as the payment of benefits to a group of retirees for the remainder of their lives. The portfolio is dedicated to the objective of meeting the identified liability.

Defensive Stocks – Stocks, such as electric utilities, foods, tobaccos and drugs, that are relatively immune to business cycles and thus tend to resist general market declines.

Derivatives – Securities, such as futures, options, or swaps, that derive their value from another security.

Diversification – Reducing risk by investing in more than one type of security, such as stocks, bonds, and money market instruments.

Dividend – A cash or other distribution to preferred or common stockholders.

Dividend Yield – Annual percentage of return earned by an investor on a common or preferred stock. The yield is determined by dividing the amount of the annual dividends by the current market price.

Duration – A measure of average maturity that incorporates a bond's yield, coupon, final maturity and call features into one measure. Duration measures the sensitivity of a bond or portfolio's price to changes in interest rates.

EAFE – Acronym for the Europe, Australia, and Far East index, calculated by the Morgan Stanley Capital International (MSCI) group. The index acts as a benchmark for managers of international stock portfolios.

Economic Sector – A group of companies with similar products, services, or markets (e.g., technology, utilities, financials, etc.).

Efficient Market – A securities market in which prices accurately reflect all available knowledge and adjust immediately to any new information. Academicians who subscribe to the efficient market hypothesis maintain that a professional money manager can only achieve consistently superior investment results by taking greater than market risk.

Emerging Growth Stock – The stock of a relatively small company that is growing very rapidly, but is not large enough or has not been in business long enough to be of investment quality.

Endowment – The permanent funds of a nonprofit institution, which typically make annual distributions to support the cause of the endowment.

Enhanced indexing – Also called indexing plus, a strategy whose objective is to exceed or replicate the total return performance of a stated index. Unlike a traditional index strategy, an enhanced index strategy may overweight or underweight securities within the stated index being tracked. Enhanced index strategies may also use derivatives to replicate the stated index.

Equity – Ownership or proprietary rights and interests in a company. Synonymous with common stock.

Emerging Market – A financial market of a developing country, usually a small market with a short operating history.

ERISA – The Employee Retirement Income Security Act of 1974 (ERISA) protects the retirement assets of Americans, by implementing rules that qualified plans must follow to ensure that plan fiduciaries do not misuse plan assets.

Excess Return – Returns in excess of the risk-free rate or in excess of a market measure (such as market index). A positive excess return indicates that the manager outperformed the benchmark for the period.

Execution Costs – Total execution costs (the cost of buying and selling stocks) have three components: (1) the actual dollars paid to the broker in commissions, (2) the market impact (i.e., the impact that a manager's trade has on the market price for the stock, this varies with the size of the trade and the skill of the trader), and (3) the opportunity cost (positive or negative) that is the result of not executing the trade instantaneously.

Face value – See “Par value.”

Fiduciary – An individual, corporation, or association holding assets for a beneficiary. The fiduciary is charged with the responsibility of investing the money wisely for the beneficiary's benefit.

Fire Sale Price – An undervalued asset price due to distress in the security and/or the market.

Fixed Income – Securities/investments in which the income during ownership is fixed or constant. Generally refers to any type of bond investment.

Foundation – An entity which exists to support a charitable institution and which is funded by an endowment or donations.

Fully Invested - A portfolio with minimal cash reserves.

Futures – Contracts to buy or sell anything (a stock, a basket of stocks, commodities such as grain, gold, etc.) on a specified day in the future for a preset price. These contracts are traded on exchanges.

General Partner – A partner in a business who has unlimited liability. Often a general partner is also the managing partner, which means this person is active in the day-to-day operations of the partnership.

Global Asset Allocation – An unconstrained strategy where the manager actively and tactically positions the portfolio to pursue alpha wherever they see opportunity presented. Global Asset Allocation managers are expected to provide consistent total return protecting the downside without engaging in the volatility present in traditional equity style investing.

Global Balanced Allocation – A strategy in which the investment manager manages to a specified balanced benchmark; typically a 60/40 or 65/35 equity/fixed income mix.

Government – A security issued by the U.S federal government and its agencies (all are U.S. treasury obligations).

Government Agencies – Obligations of the federal government other than direct obligations such as Treasury Notes, Bonds, or Bills. Examples of these are GNMMAs, FHLMCs, etc.

Government Bonds – Bonds backed by the federal government, whether issued by the Treasury or one of the government agencies.

Growth Investing – To seek investments whose future potential for growth is above the expectation for stocks in general. Companies with new technologies, well positioned in rapidly growing industries or with a proprietary product or service that will provide above-average earnings growth are the types of holdings found in a growth portfolio.

Growth Stock – Stock of a corporation that has exhibited faster than average gains in earnings over the last few years and is expected to show high levels of profit growth.

Hedge Funds – A subset of alternative investments that incorporate all investment strategies run with an orientation to producing primarily absolute returns using largely marketable securities. These strategies typically include short-selling and often require the use of leverage. As a result, correlations with broader markets are expected to be modest to low.

Hedging – A technique to reduce risk; e.g., taking two positions that should offset each other if prices change.

High Yield Bond – Debt issued by a company that is experiencing financial difficulty and may not be able to meet payments on its obligations. These securities carry a higher interest rate than other corporate bonds due to their higher risk.

Immunization – A process for designing fixed income portfolios to obtain a target rate of return over a specified time period, within a narrow range, despite market conditions.

Income – Money earned on a security from interest or dividends.

Index – A statistical yardstick composed of a basket of securities with a set of characteristics. An example of this would include the "S&P 500", which is an index of 500 stocks.

Index Fund – An index fund is a passively managed portfolio designed and computer controlled to track the performance of a certain index, such as the S&P 500. Methodologies vary, and they may or may not use all the stocks in the index being tracked. In general, such funds have performance within a few basis points of the target index.

Inflation – A general rise in prices, usually measured by changes in prices of major indices, such as the Consumer Price Index.

Information Ratio – The Information Ratio to a manager series vs. a benchmark series is the quotient of the annualized excess return and the annualized standard deviation of excess return. This is one estimate of how much value is being added through active management decisions.

Interest – An amount charged to a borrower by a lender for the use of money, expressed in terms of an annual percentage rate upon the principal amount.

Interest Rates – The percentage paid as a fee for the use of money, expressed as an annual percentage of the principal amount. The rate is influenced by a variety of factors including economic growth, inflation, supply/demand and international factors.

Interest-Rate Risk – When interest rates rise, the market value of fixed-income securities (such as bonds) declines. Similarly, when interest rates decline, the market value of fixed-income securities increases.

Intermediate – A bond with a maturity of intermediate length. Depending on the particular market, the range for this length may vary. In the corporate bond market, an intermediate security would have a maturity between 1 and 12 years.

Investment – The utilization of money in the expectation of future returns in the form of income or capital gain.

Investment Grade – Bonds rated in the top four rating categories (AAA, AA, A, BBB) are commonly known as investment grade securities.

Investment Return – The total amount that an investor or an investment fund earns from its investments, including both realized and unrealized capital gains (appreciation) and income (dividends and interest).

Junk Bond – A bond with a rating of BB or less. Also known as "non-investment grade".

Laddering – A fixed income portfolio strategy in which assets are distributed evenly over a range of maturities.

Leverage – Means of enhancing return or value without contributing additional funds. Buying securities with borrowed money (on margin) is an example of leverage.

Leveraged Buyout – The acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition.

Liquidity – The ability to convert an investment into cash promptly with a minimum risk of principal.

Limited Partner – Unlike a general partner, a limited partner does not play an active role in the business and has limited liability for losses from the partnership. Limited partners also enjoy rights to the partnership's cash flow.

Lock-up Period – Time during which investors must keep their money in the fund to avoid liquidity problems.

Long – Signifies an ownership position of a security. Opposite is "short".

Management Buyout – When the managers and/or executives of a company purchase controlling interest in a company from existing shareholders.

Market – 1) The prices at which a security can actually be bought and/or sold. 2) A locale where a security is known to be traded.

Market Price – The most current price of a security as indicated by the latest trade recorded.

Market Risk – Fluctuations in prices for the market as a whole or in specific sectors, brought on by outside forces. It is part of a security's risk that is common to all securities of the same general class (stocks, bonds) and thus cannot be eliminated through diversification.

Maturity – The date on which a loan, bond, mortgage or other debt security becomes due and is to be paid off.

Mezzanine Financing – A hybrid of debt and equity financing that is typically used to finance the expansion of existing companies. Mezzanine financing is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full.

Modern Portfolio Theory – The theoretical framework for designing investment portfolios based upon the risk and reward characteristics of the entire portfolio, which is held not to be equivalent to the aggregation of the individual securities of the portfolio. The major tenet of the theory holds that reward is directly related to risk, which can be divided into two basic parts: 1) systematic risk (portfolios' behavior as a function of the market's behavior), and 2) unsystematic risk (portfolios' behavior attributable to selection of individual securities). Because un-systematic risk can be largely eliminated through diversification, the portfolio will be subject principally to systematic risk.

Money Market – Short-term debt instruments, such as negotiable certificates of deposit, Eurodollar certificates of deposit, commercial paper, banker's acceptances, and Treasury bills. Generally highly liquid and safe securities.

Mortgage – An interest in real property given as security for the payment of a debt.

Mortgage Bond – A bond backed by a claim against real property.

Mortgage-Backed Securities – Bonds which are a general obligation of the issuing institution, but are secured by a pool of mortgages.

Mutual Fund – An investment company that pools money of individuals and invests it into stocks, bonds and other securities under the guidance of a professional manager.

Market Capitalization – Also referred to as market cap, it reflects the total equity of a company. A company's market capitalization is determined by multiplying the number of shares outstanding by the current stock price. Stock markets are frequently subdivided in terms of capitalization.

Non- Cyclical Stock – Stocks that are not directly affected by economic changes. Examples include foods, insurance, and drugs.

Options – A contract conveying the right to buy or sell a security, commodity or property interest for an agreed-upon sum during a stipulated period. If it is not exercised during that time, the option expires and becomes worthless.

Paper Loss – A loss, which has occurred but has not yet been realized through a transaction, such as a stock which has fallen in value but is still being held. Also called unrealized loss.

Paper Profit – Profit which has been made but not yet realized through a transaction, such as a stock which has risen in value but is still being held. Also called unrealized gain or unrealized profit or paper gain or book profit.

Par Value – For a bond, principal value at maturity. Also known as face value.

Passive Management – Buying and holding all (or most) of the stocks in an index (such as S&P 500 Index). There is no research done to select individual securities.

Political Risk – Pertaining to non-U.S. markets, changing government régimes can possibly add risk to that country's financial market.

Portfolio – The various investments owned by an individual or mutual fund, such as stocks, bonds, and money market accounts.

Price/Book Ratio – The ratio of a stock's price to its book value per share. This number is used by securities analysts and money managers to judge whether a stock is undervalued or overvalued. A stock selling at a high price/book ratio, such as 3 or higher, may represent a popular growth stock with minimal book value. A stock selling below its book value may attract value-oriented investors who think that the company's management may undertake steps, such as selling assets or restructuring the company, to unlock the hidden value on the company's balance sheet.

Price/Earnings Ratio – The ratio of a company's stock price to its earnings per share. Price/Earnings ratio is a common measure of the relative valuation of a stock.

Principal – The amount of money originally invested.

Private Equity – Equity capital invested in a private company.

Private Placement – A way to raise capital by offering direct private securities to a limited number of investors.

Put option – The right to sell an asset at a specified exercise price on or before a specified expiration date.

Quality Rating – see "Bond Rating".

Rate of Return – The yield obtainable on a security based on its purchase price or its current market price. This may be amortized yield to maturity on a bond or the current income return.

Real Assets – Are sometimes referred to as hard assets or inflation hedges. They include investments such as energy, timber, commodities, and infrastructure. Treasury Inflation Protected Securities, or TIPS, are also a widely-used inflation hedge, although they are financial assets rather than real assets. The most common examples of liquid strategies include TIPS, publicly-traded stocks in the energy, gold, infrastructure, or timber sectors, and commodity indices. Common examples of illiquid strategies include real estate, energy, timber and infrastructure.

Real Rate of Return – A return adjusted for inflation. For example, an investor earning 8% on a certificate of deposit during a period of 5% inflation is receiving a real rate of 3%.

Realize – To make something real from a transaction, such as to recognize the profit from an investment that has appreciated by selling it.

REIT – Real Estate Investment Trust.

Return – The amount of money received annually from an investment, usually expressed as a percentage.

Risk – Uncertainty as to whether or not an investment choice will perform as expected, particularly due to factors beyond one's control (in other words, the odds an investment will make or lose money).

Riskless – Without credit risk. Treasury issues and government-guaranteed issues are regarded as the only riskless issues.

Risk/Reward – The trade-off between preserving your investment and maximizing your profit. In general, the higher the return, the more likely you are to lose your initial investment. Lower risk usually results in less profit.

Rule 144a Securities – A Securities and Exchange Commission (SEC) rule that allows companies to issue debt without registering the debt with the SEC. Purchase of 144a securities is limited to institutional investors with assets greater than \$100 million.

Russell 2000 – An index of 2,000 small to medium capitalization stocks. It represents the lower two-thirds of the 3,000 largest publicly traded companies.

Securities – The generic term for stocks, bonds, and money market investments.

S&P – Standard and Poor's Corporation.

S&P 500 – An index of 500 of the largest stocks (by capitalization) in the United States. The S&P 500 is a common proxy for the performance of the broad stock market.

Sector – A group of securities with similarities (for example, industry type, coupon rate, maturity date and/or rating).

Secular Trend – A long-term (5 years or more) movement in the price of a security or of interest rates, either upward or downward, which is not related to seasonal or technical factors.

Sharpe Ratio – A ratio developed to measure risk-adjusted performance. The Sharpe ratio is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

Short – To have sold without ownership in anticipation of subsequently purchasing at a lower price.

Short Position – Situation that arises when securities that are not owned are sold.

Short-Term – A type of obligation with a maturity of less than one year.

Spending Rate – The amount of spending specified by the board from the endowment, usually expressed as a percentage of the beginning or average market value of the fund.

Spread – The yield or price differential between two different securities.

Standard Deviation – A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance. Standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility.

Stock – A certificate of ownership. A contract between the issuing corporation and the owner which gives the latter an interest in the management of the corporation the right to participate in its profits.

T-Statistic – Information ratio multiplied by the square root of the number of observations. A T-statistic of greater than 2 generally signifies that the variable being measured is statistically significant. If two funds have identical information ratios but these information ratios were measured using track records of differing length, then the T-statistics will be different. The fund that has the longer track record will have the higher T-statistic because there is more confidence in this alpha figure (of the fund with the longer track record) as it has been exhibited over a longer time period.

Thin – As applied to a market, means that bids and offerings are scarce and the market is subject to wide fluctuations and small-sized executions.

Tight – Highly competitive. A tight market is characterized by a small spread between the bid and offer levels for a given security.

TIPS – Treasury Inflation Protected Securities, which are inflation-indexed bonds issued by the U.S. Government. The principal value of these securities is adjusted periodically according to the rate of inflation.

Top-Down Managers – Top-down managers look at trends and forecasts of the economy. They select industries and companies that should benefit from those trends. For example, if such managers believe inflation rates are going down, they may conclude that the retail industry group will do well because consumers will have more to spend. The next step is to identify companies that will do well within the retail group.

Total Return – The aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period.

Tracking Error – A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. Tracking errors are reported as a "standard deviation percentage" difference. This measure reports the difference between the return you received and that of the benchmark you were trying to imitate.

Transaction Costs – Another term for execution costs. (see "Execution Costs" for definition)

Treasuries – Negotiable debt obligations of the U.S. government, secured by its full faith and credit and issued at various schedules and maturities.

Treasury Bills – Short-term debt instruments of the U.S. government with maturities of one year or less. Bills are sold on a discount basis so that the income is the difference between the purchase price and the face value.

Treasury Bonds – Long-term debt instruments of the U.S. government with maturities of ten years or longer.

Treasury Notes – Intermediate securities of the U.S. government with maturities of one to ten years.

Trustee – A bank designated as the custodian of funds and official representative of bondholders to enforce their contract with the issuer.

Turnover – The rate at which securities within a portfolio are bought and sold.

Unrealized – Having occurred but not yet reflected through a transaction. For example, if a security increases in price and is not sold, there would be an unrealized gain on the security.

Valuation – Placing a value or worth on an asset. Stock analysts determine the value of a company's stock based on the outlook for earnings and the market value of assets on the balance sheet. Stock valuation is normally expressed in terms of price/earnings (P/E) ratios. A company with a high P/E is said to have a high valuation.

Value Investing – A philosophy of investing that emphasizes the purchase of stocks below their intrinsic value in the belief that patient investors will be rewarded.

Value Added Real Estate – Investment strategy which focuses on improving the quantity and quality of cash flow from a property by curing physical, management and marketing deficiencies.

Venture Capital – Money invested in a private company with the goal of eventually taking the company public.

Volatility – The extent to which market values and investment return are uncertain or fluctuate. Another word for risk, volatility is measured through beta, mean absolute deviation, and standard deviation.

Weighting – A measure of the contribution made to total return in a portfolio by overweighting or underweighting a position, an industry group, or a sector relative to the comparable weight in the S&P 500 or other benchmark.

Yield – The rate of annual income return on an investment expressed as a percentage. Income yield is obtained by dividing the current dollar income by the current market price of the security.

Yield Curve – A graphic depiction of interest rates across all maturities, 0-30 years. The shape of the curve is largely influenced by the Federal Reserve Policy as well as factors listed under "Interest Rates" above.

Yield Curve Risk – Price exposure that a security or portfolio has in the event of nonparallel shifts in the yield curve.

Yield To Maturity – Implicit rate of return assuming no change in market interest rates.