The Masonry Foundation

Investment Policy Statement

Adopted: October 2016

Prepared by:

DIMEO
SCHNEIDER
& ASSOCIATES, L.L.C.

The following Investment Policy Statement has been adopted for The Masonry Foundation and may be amended as necessary from time to time.

I. Introduction

The Board of Directors of The Masonry Foundation ("Board") hereby adopts the following Investment Policy Statement ("Policy") to facilitate a clear understanding of the investment policy, guidelines, and objectives between the Board, the Foundation ("Foundation"), the Investment Consultant ("Consultant"), Investment Managers ("Managers"), and any other interested parties to the Foundation Investment Fund ("Fund"). This Policy provides a basis against which the performance of the investment portfolio and service providers can be monitored and measured on an ongoing basis. It also sets forth guidelines and restrictions to be followed by the Board, Foundation, Consultant, Managers, and other service providers to the Fund. It is the intention of this Policy to be sufficiently specific to be meaningful, yet flexible enough to be practical. This Policy is designed to comply with all fiduciary, prudence, and due diligence requirements, including the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, and federal political entities that may impact the Foundation and the Fund.

II. Purpose

The Foundation was established to provide perpetual financial support for the nonprofit and its mission. It is the goal of the Board to maintain and invest the Fund so that the growth of the Fund will be sufficient to offset the effects of inflation and to provide perpetual funding at prescribed annual levels for the operating fund of the nonprofit.

III. Investment Objectives

The objective of this Policy is to select asset classes for investment and an asset allocation formula for the selected asset classes that can reasonably be expected over long-term investment time horizons (5-7 years) to achieve:

- The funding of annual distributions from the Fund in accordance with the Distribution Policy (Section V) to supplement the operating fund and fund restrictive donor covenants, if any;
- The maintenance of the portfolio's purchasing power with respect to inflation and spending;
- The generation of positive, long-term, real returns;
- The limitation of short-term investment losses;
- Investment returns consistent with a customized policy benchmark and a broad asset allocation benchmark over a full market cycle, net of all costs; and
- Investment returns that meet or exceed a target benchmark of CPI + 4% over a full market cycle, net of all costs.

The desired rate of return and the associated level of risk will be evaluated at the total portfolio level. While all investment strategies and managers will be evaluated in isolation, it is their contribution to the overall portfolio that is critical to the achievement of the Fund's investment objectives.

IV. Time Horizon

The Fund has a long-term investment time horizon extending well beyond normal capital market cycles.

V. Spending Policy

During the initial endowment campaign the Board does not expect to spend any funds (other than for initial costs such as consulting fees, BIM support and other approved expenditures by the Board) until the endowment has raised and collected its initial goal of $2.5 million dollars. At that point the Board, with discretion, will begin an application process to the foundation for projects to support the industry.

While there is no formal spending policy for the Fund once the $2.5 million dollar goal is reached, the Board may in its sole discretion authorize distributions from the Foundation in support of its operations and mission.

VI. Investment Policy

A. Investment Guidelines & Restrictions:

The Fund portfolio will be diversified, as specified in Appendix A, in an effort to achieve superior investment performance, to provide reasonable assurance that no single asset class or security will have a disproportionate impact on the performance of the portfolio, and to ensure that the risk level of the overall portfolio will be maintained at a level consistent with the investment objectives of the Fund. The Fund may be invested in a diversified portfolio consisting primarily of the following:

- Liquid common stocks trading on major U.S. and established foreign stock exchanges
- Domestic and foreign real estate investment trusts (REITs)
- Diversified Commodities
- Energy Infrastructure Master Limited Partnerships (MLPs)
- Fixed Income Obligations of the U.S. Government and its Related Agencies
- Domestic Investment Grade and Speculative Grade (High Yield) Corporate Bonds
- Foreign Bonds, including Sovereign and Corporate Debt of both Developed and Emerging Market Countries
- Money Markets, Certificates of Deposit, and other Cash Equivalents

Separately managed accounts, mutual funds, exchange-traded funds and notes, pooled investment vehicles, and limited partnerships may be used as investment vehicles for any of the above-mentioned asset classes as long as they provide sufficient diversification within the asset class or investment strategy. To the extent possible, investments in the Fund portfolio should maintain daily liquidity and full transparency.

Equities shall be allocated globally, across value and growth styles, and across large-capitalization and small-capitalization issues. The purpose of equity investments is to provide long-term growth through capital appreciation and dividend reinvestment. It is recognized that equity investments have the potential for greater market volatility and increased risk of loss in the short-term.

The domestic bond allocation (excluding the dedicated high yield bond allocation) shall maintain a minimum 'BBB' rating on a weighted-average basis, and the foreign bond allocation (excluding the dedicated emerging market bond allocation) shall maintain a minimum 'BBB' rating on a weighted average basis, by either Moody's or Standard & Poors rating agencies. The purpose of fixed income investments is to provide a fixed income stream and to mitigate the volatility of the equities market. It is recognized that these investments generally do not have the potential for the larger returns of equities, but they have less potential for market volatility and a lower risk of loss in the short-term.

In general, there are no restrictions as to asset classes that can be held in the portfolio as long as they are invested within a sufficiently diversified portfolio or fund. Specifically prohibited investments include the following:

- Direct Investment in Private Placements
- Unregistered or Restricted Stock
- Direct Investment in Individual Commodities
- Direct Investment in Options, Futures, or Warrants
- Direct Investment in Individual Real Estate Properties
- Speculative Investment in any Individual Securities not held in a Diversified Portfolio

Note that the above investments are acceptable within the framework of a diversified portfolio at the discretion of the Board and in conjunction with the Consultant.

B. Strategic Asset Allocation:

The strategic target asset allocation and the target ranges for the Fund are determined by the Board to facilitate the achievement of the Fund's long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds across asset classes is the single most important determinant of the investment performance over the long-term, the Fund's assets shall be divided into several asset classes mentioned above and detailed in Appendix A. It is understood that market fluctuations will force the actual allocations to each asset class away from their stated targets. Periodic portfolio rebalancing will be implemented as detailed in Section VII below. In addition, the Board will review the long-term strategic asset allocation with the Consultant at least annually to:

1) Address any material changes to the overall investment objectives for the Fund, and
2) Identify potential allocation adjustments to improve the long-term risk and return profile of the Fund based on updated market and economic conditions.

<u>C. Performance Benchmarks</u>:

Net-of-all-cost performance for the composite Fund portfolio shall be evaluated relative to a goal-focused 'CPI + 4%' return benchmark as well as market-focused benchmarks consisting of the indexes and weights detailed in Appendix A.

VII. Cash Flows & Rebalancing

As a general rule, any new cash added to the portfolio will first be used to rebalance the portfolio in accordance with the strategic asset allocation policy. In addition, the portfolio will be evaluated at least quarterly for rebalancing using the Consultant's rebalancing methodology. In the event that the risk and return profile of the portfolio becomes materially different from the stated policy objectives, the entire portfolio will be rebalanced to long-term asset allocation targets at the discretion of the Board. The purpose of rebalancing is to maintain the risk and return relationship implied by the stated long-term asset allocation targets. This process may result in withdrawing assets from asset classes that have performed well in the most recent periods or adding assets to asset classes that have lagged in the most recent periods. This policy will necessitate purchases and sales of securities which will create transaction costs to the Fund. Please refer to Appendix C for a description of the Consultant's rebalancing methodology.

VIII. Responsibilities of the Board

The Board recognizes its fiduciary responsibility to ensure that the assets of the Fund are invested and managed effectively and prudently, in full compliance with laws and principles that govern nonprofit investing, and for the exclusive interest of the Fund and the Foundation. The Board may engage a professional Consultant to advise them, share in the fiduciary responsibilities listed below, and assist in the oversight of the Fund investments and the selection and evaluation of investment managers and other service providers.

Specific responsibilities of the Board, as it relates to the Fund's investments include, but are not limited to:

- Complying with all applicable rulings and regulations of relevant regulatory agencies,
- Complying with all applicable rulings and regulations concerning prudent investing, and specifically with the Uniform Prudent Management of Institutional Funds Act (UPMIFA)
- Developing and communicating the Fund's spending policy and any changes that may occur,
- Expressing the Fund's investment return needs and risk tolerance through the appropriate asset allocation, in cooperation with the Consultant,
- Notifying the Consultant of any changes in the Fund's investment objectives or of any significant events that may affect these objectives,
- Notifying the Consultant of any change in liquidity needs,
- Ensuring compliance with this Policy,
- Selecting qualified service providers to the Fund and taking appropriate actions as necessary to replace these service providers for failure to perform as expected,
- Reviewing the Policy periodically to ensure that it continues to accurately reflect the attitudes, expectations, and objectives of the Board and the Foundation.

A unanimous vote of the Board shall be required to approve any changes to this Policy and to approve any investment decisions in consultation with the Consultant.

IX. Responsibilities of the Investment Consultant / Performance Monitoring

The Consultant will be selected by and serve at the pleasure of the Board and the Foundation, and will be responsible for advising the Board on investment portfolio design, implementing the directions of the Board, and evaluating the performance of the composite portfolio and the individual investment components of the Fund. Please refer to Appendix B for a profile of the Consultant. The primary responsibilities of the Consultant include, but are not limited to:

- Obtaining relevant information in order to quantify the Fund's investment objectives,
- Preparing this Policy and updating it as requested by the Board,
- Recommending and facilitating the ongoing asset allocation process and ensuring its consistency with stated Policy investment objectives,

- Monitoring and reporting composite-level portfolio performance and individual Manager performance as detailed below,
- Monitoring and reporting all investment-related expenses,
- Informing the Board of any major changes in the Consultant's investment outlook, investment strategies, asset allocation, and other matters affecting the Board's fiduciary responsibilities to the Fund and the Foundation.

The Consultant will provide quarterly performance measurement and evaluation reporting for each Manager as well as for the composite portfolio. Performance will be evaluated relative to stated policy objectives, appropriate benchmarks, and a universe of investment returns appropriate to the Manager evaluated. Performance will be evaluated over different time periods including the latest quarter, as well as the latest one-, three- , five-, and ten-year periods where applicable. In addition to performance, the Consultant will provide reporting and evaluation regarding the level of risk associated with each Manager's performance as well as the Manager's consistency and adherence to the specific style which they were hired to implement. The Consultant will also report to the Board with data available on the compliance of each Manager to the guidelines of these policies. The Board will review this Policy periodically to ensure it is meeting the Fund's and the Foundation's objectives, and all guidelines and objectives shall remain in force until modified in writing.

X. Responsibilities of Investment Managers

As distinguished from the Consultant, Managers are responsible for managing the direct investment process and making ongoing security selection and price decisions on a discretionary basis. The specific responsibilities of the Managers include, but are not limited to:

- Managing the assets under its supervision in accordance with the guidelines and objectives outlined in its Prospectus, Trust Agreement, Policy Statement, Investment Guidelines, or Contract in force,
- Exercising full investment discretion with regards to buying, managing, and selling assets held in the portfolio, subject to any listed restrictions,
- Voting promptly any proxies and related actions in a manner consistent with the Fund's best interests,
- Communicating to the Consultant all significant changes pertaining to the portfolio or the firm itself, including but not limited to: changes in ownership, organizational structure, financial condition, or professional staff,

- Using the same care, skill, and prudence under prevailing circumstances that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in similar activities for a like client with like aims in accordance and compliance with all applicable laws, rules, and regulations.

XI. Hiring & Terminating of Investment Managers

The Consultant should promptly inform the Board of any significant matters or changes affecting the investment of the Fund's investments. The Board maintains ultimate responsibility for hiring and terminating investment managers with assistance from the Consultant. Managers may be retained or terminated at any time at the discretion of the Board. Events which may trigger termination include, but are not limited to:

- Performance issues: Investment Managers will be reviewed by the Consultant for possible termination if they fail to outperform selected benchmarks over a full market cycle.
- Change in ownership of investment management firms.
- Illegal or unethical behavior on the part of the Manager or firm.
- Failure to follow the guidelines and strategy established in this investment policy statement.
- Change of key management personnel.
- Style drift.
- Insufficiency of manager's infrastructure to keep pace with asset growth.
- Any other event which might prevent the manager from effectively carrying out their investment duties.

XII. Signatures

This Investment Policy Statement is hereby adopted for Foundation on this ______day of

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Prepared by:	***Accepted by:***
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Jon Fellows, CFA Principal DiMeo Schneider & Associates, LLC	Jeff Buczkiewicz President/CEO Mason Contractors Associate of America

APPENDIX A

I. STRATEGIC TARGET ASSET ALLOCATION AND RANGES

Asset Class	Lower Limit (%)	2015 Asset Allocation (%)*	Upper Limit (%)
Large-Cap US Equities		17%	
Small-Cap US Equities		5%	
International Equities		13%	
Emerging Market Equities		10%	
Policy Subtotal Range: Global Equity	***40%***	45%	***50%***
Global Real Estate Investment Trusts (REITS)		6%	
Commodities		6%	
Master Limited Partnerships (MLPs)		8%	
Policy Subtotal Range: Real Assets	***15%***	***20%***	***25%***
Hedge Funds and Fund of Funds		0%	
Private Equity		0%	
Policy Subtotal Range: Alternative Investments	***0%***	***0%***	***0%***
High Yield Fixed Income		9%	
Emerging Markets Fixed Income		2%	
International Fixed Income		10%	
Broad Domestic Fixed Income		10%	
Inflation Protected Fixed Income (TIPS)		4%	
Cash Equivalents		0%	
Policy Subtotal Range: Fixed Income & Cash	***30%***	***35%***	***40%***
Total Investments	-	***100%***	-

Asset allocation will be reviewed at least annually for possible adjustments. The most current asset allocation can be found in the most recent Quarterly Performance Report provided to the Board.

APPENDIX A *(continued)*

II. ASSET CLASS & CUSTOMIZED ALLOCATION BENCHMARKS

Asset Class	2015 Asset Allocation[1] %	Benchmark
Large-Cap US Equities	17%	S&P 500 Index
Small-Cap US Equities	5%	Russell 2000 Index
International Equities	13%	MSCI AC World Ex USA Index
Emerging Market Equities	10%	MSCI Emerging Markets Index
Global Real Estate Investment Trusts (REITS)	6%	S&P Developed Property
Commodities	6%	Bloomberg Commodity Index
Energy Infrastructure Master Limited Partnerships	8%	Alerian MLP Index
Hedge Funds and Fund of Funds	0%	HFRI Fund of Funds Composite
Private Equity	0%	Various Indices and Benchmarks[2]
Subtotal: Global Equity, Real Assets, & Alternatives	65%	***MSCI All-Country World Index (ACWI)***
High Yield Fixed Income	9%	Barclays U.S. Corporate: High Yield
Emerging Market Fixed Income	2%	JPM GBI-EM Global Diversified
International Fixed Income (Unhedged)	5%	Barclays Global Aggregate x USD
International Fixed Income (Currency Hedged)	5%	Barclays Global Aggregate x USD (Hedged)
Broad Domestic Fixed Income	10%	Barclays Capital Aggregate Bond
Inflation Protected Fixed Income (TIPS)	4%	Barclays U.S. Treasury: U.S. TIPS
Cash Equivalents	0%	Citigroup 3-Month Treasury Bill
Subtotal: Fixed Income & Cash Equivalents	35%	***Barclays Capital Aggregate Bond Index***
Total Investments	***100.0%***	

[1]Asset allocation will be reviewed at least annually for possible adjustments. The most current asset allocation can be found in the most recent Quarterly Performance Report provided to the Board.

[2] Including, but not limited to, Cambridge Associates Private Equity benchmarks, private investment 'multiple' comparisons, and Public Market Equivalents (PME), where available and appropriate.

APPENDIX B

PROFILE OF INVESTMENT CONSULTANT

DiMeo Schneider & Associates, L.L.C. is recognized as one of the leading investment advisory firms by such publications as ***Plan Sponsor News*, *Pension & Investment, and Forbes***. Members of the firm have authored numerous white papers, and published articles as well as four text books on investment management:

***Designing a 401(k) Plan* –** Probus Publishing, 1995
***Asset Management for Endowments & Foundations* –** McGraw Hill, 1997
***The Practical Guide to Managing Nonprofit Assets* –** John Wiley & Sons, 2005
***Nonprofit Asset Management* –** Wiley Nonprofit Authority, 2012

DiMeo Schneider & Associates, L.L.C. opened its doors May 1st, 1995. Prior to that, the founding Principals spearheaded Kidder Peabody's institutional consulting effort in the Midwest. The firm currently advises over 250 institutional clients and 250 wealthy families. Assets under advisement exceed $55 billion.

Our strategy statement is to help our clients prosper by placing their interests first and providing straightforward advice built on practical intellectual capital. Further, our mission is to exceed expectations and help them satisfy their fiduciary responsibilities while also helping them:

- Design a framework for prudent oversight of their funds,
- Improve performance
- Reduce expenses

Hallmarks of the Firm

<u>Impartiality</u>

Our clients expect and receive objective, conflict-free advice. We do not sell investments or receive commissions. Nor do we charge money managers or mutual funds to be included in our database.

<u>Research</u>

We focus the firm's intellectual capital on pragmatic research. We believe that the bottom line <u>is</u> the bottom line. The goal should be to improve return, reduce risk, or both. We are proud that we have been early in researching and recommending innovative asset classes and strategies to our clients (REITs 1995, Inflation Indexed Bonds 1997, Structured Equity 2001, Small Cap International and Style Specific International 2002, Timberland 2003, Indexed Commodities 2004, Energy Infrastructure MLPs 2009). We believe that our proprietary technology like the Frontier Engineer™ and the Portfolio Engineer™, adds directly to the clients' bottom line.

<u>Culture</u>

The firm is fanatical about adding value. Consultants, Analysts, and other Associates are compensated in large part based on the service they provide. Consultants are expected to not only saturate clients with service but to bring them the pragmatic research that is our hallmark. We are unusual in offering an unconditional satisfaction guarantee on all services. Our annual client retention is over 95%.

<u>People</u>

We seek to attract exceptional people and provide them with opportunities for personal and professional growth that they can find nowhere else. We rarely lose a consultant. Six of the seven founding members from 1995 are still with the firm today.

APPENDIX C

INVESTMENT CONSULTANT'S REBALANCING METHODOLOGY

Portfolio Engineer™

DiMeo Schneider & Associates, LLC has developed a proprietary tool that can add measurable value to the rebalancing decisions utilized by the Fund. The *Portfolio Engineer™* exploits the uncertainty inherent in traditional rebalancing models and is described below:

The Portfolio Engineer™ addresses changes in asset allocation caused by market action. In other words, winning asset classes become overweight and losing asset classes become underweight relative to their policy targets. Unfortunately this puts "more eggs in the wrong basket" as markets tend to revert to their long-term averages. This raises a fundamental question as to when and how to rebalance a portfolio. Historically investors have adopted one of the following rebalancing strategies:

- **Never –**Let the markets do what they will;
- **Seat-of-the-Pants –** Rely on instinct for rebalancing decisions. Unfortunately, it is human nature to buy the winners and sell the losers – in other words, do the wrong thing and buy high and sell low;
- **Time dependent –** Rebalance at a set interval: monthly, quarterly, etc. While this is better than the first two strategies, it is still not optimal; or
- **Percentage dependent –** Create bands around the policy targets and rebalance if an asset class weight moves outside the band. This is the most commonly employed strategy, but is still not optimal.

The Portfolio Engineer™ seeks to exploit both asset class and style shifts. The goal is to allow the winning style or asset class to "run" enough to capture excess return and yet rebalance back to a target weighting to take advantage of the inevitable shifts. DiMeo Schneider & Associates, L.L.C.'s research has identified optimal "trigger points" at which to rebalance. These triggers vary depending on asset mix and have been customized for the Foundation.

The key to the Portfolio Engineer's™ results is that it focuses on both the risk and return of the portfolio. Rebalancing is triggered only when both the risk and return dimensions of the portfolio become materially different from the stated targets. The result of this model has been an increase in return with no significant increase in risk to the portfolio. Perhaps more importantly, the model has led to a reduction in rebalancing frequency and hence reduced transaction costs.