

M.J. Murdock Charitable Trust

Statement of Investment Policy

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INTRODUCTION AND PURPOSE

The M. J. Murdock Charitable Trust (Trust) adopts this "Statement of Investment Policy" to provide a clear understanding of the investment policy, guidelines and objectives of the M. J. Murdock Charitable Trust.

This policy is intended to be an ongoing policy that is flexible enough to function in the current and reasonably foreseeable investment climate. The policy will be under continual review and will change as circumstances warrant.

BACKGROUND AND ADMINISTRATIVE INFORMATION

Organization

The Trust was formed in 1975 from the estate of Melvin Jack Murdock. The Trust is a private foundation benefiting primarily the people of the five northwest states of Oregon, Washington, Idaho, Montana and Alaska. As a private foundation, the Trust is exempt from federal income tax. The Trust is subject to federal excise tax on defined "net investment income" and unrelated business income tax on income generated from certain investments. In all we do we are mindful of the Washington State laws and the Internal Revenue Code as it relates to the management of the Trust assets by a fiduciary.

Investment Decision Making

The Trust is governed by a board of three Trustees, who are Trustees for life. Conforming to fundamental fiduciary duties, the Trustees make all major investment decisions based upon recommendations from and discussions with the Chief Investment Officer (CIO), and are responsible for deciding whether and how to delegate responsibility. The CIO has the principal responsibility for development of investment recommendations. The Trust does not retain an outside investment consultant, but may use one along with other investment professionals as considered necessary. Recommendations and decisions are recorded in the minutes of meetings of the Board of Trustees.

Outside Investment Management

All of the investment assets of the Trust are managed by outside investment managers or professionals. Any mandates given to managers are based upon a thorough discussion of the Trust's investment objectives.

Custodian

The Trust uses Mellon Trust as custodian of marketable securities and mutual funds. Non-marketable investments are generally held in custody as directed by the general or managing partner of the limited partnership or limited liability company.

INVESTMENT OBJECTIVE

Total Return/Limited Volatility

The Trust's primary investment objective is to achieve the total return necessary to maintain "real value" of assets, with limited risk/volatility, over a long period of time so that the Trust can function in perpetuity without diminished capacity. Growth of the real value of assets, to a modest extent, is a secondary objective.

Strategic Asset Allocation

To achieve this long-term goal, the Trust has adopted an efficient strategic asset allocation that envisions a reasonably stable distribution of assets among asset classes or risk categories (buckets) as follows:

	Target	Range	Expected Return
Risk Bucket I - Capital Preservation	15%	5% - 25%	5% - 9%
Risk Bucket II - Global Equities/Real Estate	50%	35% - 65%	9% - 12%
Risk Bucket III - Alternative Investments	35%	20% - 50%	12% - 18%
Total	<u>100%</u>		

Deviations from target, within the range, will be permitted without action and generally are the result of transitioning in and out of asset classes and short-term performance variations. Deviations outside the range should result in adjustments in cash flow or other actions to move toward the target allocation within a reasonable period of time.

Diversification/Risk Control

To control risk and minimize volatility the Trust will diversify among risk buckets and within risk buckets to the extent deemed necessary to reduce risk/volatility to an acceptable level for the expected return. Investment managers are monitored to assure risk/volatility is within acceptable limits and consistent with expectations. If the aggregate exposure to any investment manager exceeds 15% of Trust assets, then such exposure will be managed so as not to exceed 20%.

OUTSIDE INVESTMENT MANAGER SELECTION AND TERMINATION

Selection

Before a new manager is hired, the niche to be filled and the performance, quality, and risk/volatility characteristics expected are carefully considered. Managers under consideration should demonstrate they have met such performance and risk criteria over an appropriate period of time.

Generally, among other things, managers being considered are managers:

- ◆ whom we have gotten to know over long periods of time.
- ◆ whose style is a strategic fit within our overall asset allocation structure.
- ◆ whom we have visited in their offices and perhaps in ours.
- ◆ whom already have an institutional client base.
- ◆ whose future performance and risk/volatility are expected to be within acceptable limits.

Investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with these matters would use.

Investments shall be diversified to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

Proxy Voting

With this "Statement of Investment Policy," the Trust shall direct all managers to vote proxies to maximize the total return from investments.

Termination

Managers will be terminated if their style, performance or risk/volatility is not consistent with Trust expectations, regardless of the length of time involved. In every case, an investment manager shall be subject to termination at any time for any reason. Once the decision to terminate a manager is made, asset transfer and liquidation should be handled to the best advantage of the Trust. Such notice of termination shall be provided consistent with the underlying governing agreement.

INVESTMENT GUIDELINES

Compliance

The Trust requires that outside investment managers comply with all applicable laws, rules, and regulations. Compliance with the Investment Advisory Agreement, mutual fund prospectus, Limited Partnership Agreement, Limited Liability Company Agreement, or other governing instruments, and this Investment Policy is essential and will be monitored regularly by the Trust.

Consistency

Investment philosophy, style, and strategy shall remain consistent and any changes will require immediate written notification to the Trust.

Performance Evaluation

Performance will be evaluated over meaningful time periods against return expectations used in the strategic asset allocation process. Individual manager or product performance will be compared against risk/return expectations, other managers of a similar style, and various market indices as a frame of reference. Overall Trust performance shall be compared against institutions with similar objectives and of a similar nature.

Performance comparisons on a short-term basis will be made for purposes of gaining a better understanding of outside managers, controlling and understanding risk/volatility, and refining expectations. It should be noted that all performance will be evaluated net of related investment management fees, custody costs, unrelated business income tax, and other such applicable costs, if any.

Controlling Expenses - Transaction Costs

Investment management fees shall be reasonable for the services provided. Transactions shall be executed at competitive rates on a "best execution basis" and will be monitored periodically by the Trust.

Commission Recapture

The Trust will attempt to recapture those commissions managers feel can be directed on a "best execution basis."

Securities Lending

The Trust uses the Mellon Trust's securities lending program when it is deemed prudent and beneficial to do so.

Periodic Meetings/Monitoring

On an as deemed necessary basis, investment managers will make a formal report to the Trust of their performance, in light of their risk/return expectations, and their outlook for the future in their style of investing. In addition, Trustees and/or staff will periodically visit managers in their offices.

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