



INVESTMENT POLICY STATEMENT

14 JANUARY 2010

1. GENERAL INVESTMENT GUIDELINES

Scope:

- MSF's cash and financial investments (together "Total Assets" and individually "Assets").
- Excludes current real estate holdings and minority stakes in Kalimantan Gold Corporation and other Subud ventures.

Founding Objectives:

- The founding objectives of MSF are to attract new capital donations, preserve existing principal, and seek investment income and capital appreciation in a prudent manner.

Return Objectives:

- The return objectives of the Assets will be reviewed by the Trustees from time to time depending on the overall economic environment as well as on the objectives of MSF.
- As of the date of this document, the long term average return objectives are as follows:
 - Total return of [5%] of Total Assets p.a.;
 - Of which cash return, including interest and dividend income, of [3%] of Total Assets p.a.

Allocation of Total Assets:

- Total Assets to be invested along the following breakdown between asset classes:
 - Cash: Up to [80%] of Total Assets
 - Fixed Income: Up to [80%] of Total Assets
 - Equity: Up to [70%] of Total Assets
 - Other Assets: Up to [30%] of Total Assets
 - Equity + Other Assets: Up to [70%] of Total Assets
 - No single investment in Eligible Mutual Funds and in Alternative Mutual Funds can exceed 10% of Total Assets

Eligible Mutual Funds — General Criteria:

- All Eligible Mutual Funds should have the following characteristics:
 - Mutual funds managed by an Eligible Institution;
 - Regulated mutual funds with daily prices and liquidity;
 - Minimum net asset value of the funds at purchase of [USD 200 million], except for index-tracking funds where the minimum net asset value at purchase is of [USD 50 million];
 - 5-year track record of the fund or the fund manager, except for index-tracking funds.

Eligible Institutions:

- Eligible Institutions include any Eligible Bank or any reputable insurance, banking or fund management institution domiciled in one of the AAA Government Bonds countries with net assets under management of at least [USD 2 billion] at purchase.
- If Assets allocated to Eligible Mutual Funds exceed USD [2] million, Eligible Funds have to be managed by at least two different Eligible Institutions, each managing a minimum of [20%] of those Assets.

2. FIXED INCOME GUIDELINES

Fixed Income Allocation:

- The Assets allocated to Fixed Income should be invested along the following breakdown in corresponding Eligible Mutual Funds:
 - AAA Government Bonds: Up to [100%] of Fixed Income
 - Corporate Bonds: Up to [60%] of Fixed Income

AAA Government Bonds:

- AAA Government Bonds includes the first-ranking obligations of supra-national organisations and of AAA rated nations, as evaluated by Standard & Poor's at the time of purchase, as well as the obligations of government agencies benefiting from the full faith and credit of AAA rated nations.
 - Minimum maturity at purchase is 12 months; maximum maturity at purchase is 30 years;
 - [At year-end 2009, there were 17 AAA rated sovereigns: Australia; Austria; Canada; Denmark; Finland; France; Germany; Liechtenstein; Luxemburg; The Netherlands; New Zealand; Norway; Singapore; Sweden; Switzerland; United Kingdom; United States of America.]
 - [Designated countries may be approved or restricted by the Trustees].

Corporate Bonds:

- A first-ranking (senior) general obligation listed on a national exchange with the following characteristics:
 - Issued by a multinational corporation or a corporation with an established domestic base domiciled in any OECD country;
 - Investment grade rating at purchase (at least BBB- or Baa3) by Standard & Poor's, Moody's Investors Services or Fitch Ratings.

Eligible Mutual Funds — Additional Fixed Income Criteria:

- With regard to Fixed Income investments, Eligible Mutual Funds must in addition meet the following criteria:
 - While the investment policy of the Eligible Mutual Funds may include the option of incurring borrowings and entering into derivatives contracts, the objectives and track record of the Eligible Mutual Funds have to be consistent with the prudent investment approach of MSF.
 - Eligible Mutual Funds investing in Fixed Income may include up to [10%] in non-qualifying investments.
 - For Government Bonds, maximum exposure to a single sovereign obligor cannot exceed:
 - [100%] of Assets in the case of the United States of America;
 - [50%] of Assets if issued by any other eligible country.
 - For Corporate Bonds, maximum exposure to a single obligor cannot exceed [10%] within any Eligible Mutual Fund.
 - Currency of the underlying investments must be:
 - Up to [100%] in US Dollar or up to [60%] in Euro;
 - Other currencies must be chosen among those of the countries eligible to the AAA Government Bonds category. No more than [20%] of Fixed Income Assets can be denominated in a single currency other than the US Dollar and the Euro.

3. EQUITY GUIDELINES

Equity Allocation:

- Funds allocated to Equity should be invested in Eligible Mutual Funds along the following breakdown:
 - US and European Equity: Up to [100%] of Equity
 - International Equity: Up to [40%] of Equity

US and European Equity:

- US and European Equity include shares in corporations listed on a national exchange with the following characteristics:
 - Issued by corporations domiciled in one of the following countries: Austria; Belgium; Canada; Denmark; France; Germany; Greece; Finland; Ireland; Italy; Liechtenstein; Luxemburg; The Netherlands; Norway; Portugal; Spain; Sweden; Switzerland; United Kingdom; United States of America;
 - Held in the form of investments in Eligible Mutual Funds.

International Equity:

- International Equity designates shares in corporations listed on a national exchange and with the following characteristics:
 - Issued by corporations domiciled in any country not eligible to US and European Equity;
 - Held in the form of investments through Eligible Mutual Funds.

Eligible Mutual Funds — Additional Equity criteria:

- With regard to investments in Equity, Eligible Mutual Funds must in addition meet the following criteria:
 - Funds must be long only unlevered funds with derivatives contracts limited to currency hedging;
 - However, for fund management purposes, Eligible Mutual Funds investing in Equity may use derivatives and leverage as follows:
 - Net assets;
 - Debt limited to [10%] of gross assets.

4. GUIDELINES FOR OTHER ASSETS

Other Assets Allocation:

- Assets allocated to Other Assets must be invested as follows:
 - Investment Grade Debt: Up to [100%] of Other Assets
 - Commodities & FX: Up to [100%] of Other Assets
 - Private Equity & Alternative: Up to [100%] of Other Assets
 - Real Estate: Up to [100%] of Other Assets
 - Each of the Commodities & FX and Private Equity & Alternative categories cannot exceed [10%] of Total Assets.

Investment Grade Debt:

- Investment Grade Debt includes investments through Eligible Mutual Funds or Alternative Funds in debt issued by financial and non-financial corporations as well as ABS instruments with the following characteristics:
 - Issued by corporations domiciled in eligible country to the US and European Equity category or backed by collateral whose obligors are located in these countries;
 - Investment grade rating at purchase (at least BBB- or Baa3) by Standard & Poor's, Moody's Investors Services or Fitch Ratings.

Commodities and FX:

- Commodities and FX include investments in Eligible Mutual Funds or Alternative Funds involved in:
 - Any investment strategy aiming to benefit from commodity exposure, such as investments in shares of commodity-related corporations or the holding of derivatives or inventories of oil & gas, metals or any other mining, forestry or agricultural raw material; or
 - Any investment strategy aiming to benefit from currency movements.

Private Equity & Alternative:

- Private Equity & Alternative include any investment in listed or unlisted shares or debt interests conducted through Eligible Mutual Funds or Alternative Funds.

Real Estate:

- Real estate investments include:
 - Equity or debt interests in residential or commercial properties held through Eligible Mutual Funds;
 - Secured interest-bearing loans related to Subud properties extended at commercial terms.

Alternative Funds:

- Alternative Funds include:
 - Funds operated by fund management companies or fund managers authorised or registered by their national market authorities and with minimum total net assets under management of USD [2] billion at purchase;
 - Funds with a minimum net asset value of [USD 200] million at purchase;
 - Alternative Funds may pursue any investment strategy, without any restriction on leverage or derivative exposure;
 - For the avoidance of doubt, such funds would include hedge funds and private equity funds.

5. GUIDELINES FOR CASH HOLDINGS

Cash:

- Cash includes the following holdings or investments:
 - Balance of current and saving accounts held with Eligible Banks; or
 - Investments, otherwise eligible for the OECD Government Bond category, with a legal final maturity of up to 12 months;
 - Any investment in debt instruments issued by Eligible Banks or any investment through Eligible Mutual Funds meeting the characteristics below:
 - Legal final maturity of up to 12 months;
 - Minimum short-term rating at purchase of A1/P1 as assigned by Standard & Poor's, Moody's Investors Services or Fitch Ratings.

Eligible Banks:

- Eligible Banks include any reputable state, national or international bank domiciled in one of the eligible OECD Government Bonds countries with a minimum rating of [A-] as assigned by Standard & Poor's, Moody's Investors Services or Fitch Ratings.
- If Cash held in the form of current and savings account balances exceeds USD 1 million, the cash balance must be split between 2 Eligible Banks each holding a minimum of [25%] of those funds.

6. GENERAL PROVISIONS

Expected Standards in the Management of Assets:

- When making decisions regarding investments, the Trustees of MSF and the members of the Investment Advisory Committee should at all times:
 - Maintain a high ethical and moral standard, recognizing the goals of Subud in the world to promote peace and understanding among all populations, to protect the environment for future generations, and to help alleviate suffering in the world;
 - Not engage in prohibited transactions;
 - Comply with applicable local, regional, and national laws and regulations;
 - Act in order to preserve the legal status and reputation of MSF;
 - Act in the best interest of MSF, avoid conflicts of interest and inform the Chairman of the Board of any potential conflicts as they arise;
 - Comply with the wishes of donors to the extent possible;
 - Exercise due diligence to reduce investment risk to an acceptable level;
 - Strive to minimize cost where appropriate in all aspects of the management of the Assets.

Investment Approval:

- All investment proposals are subject to a review and recommendation by the Investment Advisory Committee;
- All investment decisions have to be approved by the Board of Trustees applying the same quorum and majority requirements as for an ordinary resolution. For the avoidance of doubt, the Trustees may decide not to follow the investment recommendations of the Investment Advisory Committee.

Compliance, waivers and modifications:

- Trustees have to satisfy themselves on a regular basis of the continuing compliance with the Investment Policy;
- Once a deviation from the Investments Policy is noted, the Trustees shall cause the investment portfolio to be amended so as to ensure renewed compliance within [3] months.
- Alternatively, the Trustees can defer the amendment of a specific breach of the Investment Policy by approving monthly or quarterly waivers for a period of up to [12] consecutive months;
- The Investment Policy can be amended by a Trustee decision in accordance with MSF's articles and bylaws.

Monitoring of Assets:

- The Trustees have to monitor the investments on an ongoing basis with their performance reviewed quarterly;
- The allocation of Total Assets and the selection of individual Funds have to be reviewed and approved by the Board [annually].