



**Wild Sheep Foundation, Inc.**

**Investment Policy Statement**

**1.0 WSF Investment Policy Statement**

This Investment Policy Statement establishes the objectives, policies, and guidelines that govern the various funds held by the Wild Sheep Foundation. This policy statement has been set forth to:

- Define and assign responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives including the various asset classes, asset allocations, acceptable risk, and long term investment return.
- Provide guidance and limitations to all investment managers to ensure that invested assets produce sufficient levels of overall diversification, risk, and liquidity within the portfolio so that all assets are managed in accordance with long term objectives.
- Establish procedures to monitor, evaluate, and compare performance results achieved by the investment managers on a regular basis.

**1.1 Delegation of authority**

- 1.1.1** The Wild Sheep Foundation has delegated its authority over its investment management to the individuals who comprise the Wild Sheep Legacy Foundation Board of Trustees (Trustees). These individuals will act as the WSF Investment Committee.

**1.2 Funds**

- 1.2.1 WSF Conservation Fund** – the purpose of this fund is to provide a long term, reliable, steady income to the Foundation. This is a quasi-endowment fund with a targeted withdrawal of 4% on an annual basis. The market value to be used in this calculation will be determined by the Trustees with consultation with the various investment managers.

**1.2.2 WSF Life Member Fund** – the purpose of this fund is to provide a long term reliable, steady income to the Foundation to service Life Members. This is a general investment fund with a targeted withdrawal of 4% on an annual basis. The market value to be used in this calculation will be determined by the Trustees in consultation with the various investment managers.

**1.2.3 WSF Gift Annuity Fund** – the purpose of this fund is to honor the various WSF Gift Annuity agreements. This is a Gift Annuity fund, and as such, withdrawals will be limited to those required to satisfy the gift annuity agreements. Once the terms of a specific gift annuity are satisfied the remaining funds associated with that annuity will be withdrawn and directed towards the WSF or WSLF fund(s) the owner has specified. If the owner has not specified a fund the Board of Directors will direct the funds in the best interest of the Foundation.

### **1.3 Investment Objective**

The investment objective of the funds is to achieve a long-term growth of principal and income for permanent and quasi-endowment funds. While WSF recognizes the importance of preservation of capital, the Foundation also adheres to the principal that varying degrees of investment risk are generally rewarded with concomitant returns. The following risks shall be considered:

- Volatility: the potential for loss of value of the portfolio due to year-to-year fluctuations in return relative to the one year expected return.
- Concentration: the potential loss in value of the portfolio due to substantial overweight in any sector(s), sub-sector(s), industry (ies), or security (ies).
- Credit: the potential loss in value of the portfolio due to decline in credit worthiness of an investment.
- Inflation: the potential loss in value of the portfolio due to decline in value of the momentary unit on which the investment was based.
- Liquidity: the potential inability to sell an investment in a timely manner without offering a discount to its fair market value.

For donor funds that are short-term, the investment principal is to consider safety first to preserve capital.

### **1.4 Asset Classes**

Investments are to be made in the following asset classes: equity investments, fixed income securities, cash equivalents (maturities less than one year), and alternatives (hedge funds, managed futures, private equity).

### **1.5 Asset Allocation**

To accomplish the investment objectives of permanent and quasi-endowment funds, based on time horizon, risk tolerance, performance expectations, and asset class preferences an optimal portfolio has been identified. The Trustees should allocate assets within the following ranges and in consideration of the following target positions:

<u>Asset Class</u>	<u>Lower Limit</u>	<u>Strategic Allocation</u>	<u>Upper Limit</u>
Equities	35%	60%	70%
Fixed Income	25%	35%	60%
Cash and Equivalents	0%	0%	10%
Alternatives	0%	5%	15%

No more than 6% of the equity portfolio at market value shall be invested in any one company. With the exception of the U.S. Treasury and government agencies, no more than 10% of the fixed income portfolio shall be invested in any one issuer.

It is intended that at least annually, all permanent and quasi-endowment funds will be re-balanced to the extent possible, to be in line with the targeted strategic allocation. However, the timing of such re-balancing is at the discretion of the Trustees.

Significant contributions (or withdrawals) can result in exceeding the limits of the asset allocations and, in some cases; the prudent strategy is to bring the assets back into limits over a period of time. In these situations, the Trustees will determine the strategy to bring the assets back into limits and the time required. It is understood and acceptable that asset allocations remain out of limits during this period as the actions are in the best interest of the Foundation and its donors.

For donor funds intended for short term duration, the asset allocation should be strictly cash and equivalents to maximize returns for the time duration of the funds.

### **1.6 Asset Quality**

### **1.6.1 Equity Investments**

Equity investments should be publicly traded companies that are listed on a major exchange or national, over the counter market. Domestic and International equity investments may include common stocks, American Depository Receipts (ADRs), stock mutual funds, exchange-traded funds and common trust funds. All asset classes are acceptable in the above indicated investment vehicles including alternative type of. Such alternative investment classes, however, may not generate unrelated business taxable income or debt, which is prohibited.

### **1.6.2 Fixed Income Securities**

Fixed Income Securities may include U.S. Treasury and government agency obligations and corporate bonds. The quality rating of all fixed income securities should be "A" or better, as rated by Standard and Poor's or Moody's. Fixed income investments may include individual bonds, mutual funds, or common trust funds.

### **1.6.3 Cash Equivalents**

Cash Equivalents may include commercial paper, certificates of deposits, U.S. Treasury and government agency securities, or money market funds invested in these securities. Commercial paper and certificates of deposit should be rated A-1/P-1 or better.

### **1.6.4 Mutual Funds and Commingled Funds**

Mutual Funds and Commingled Funds may be used as investment vehicles if the Trustees deem appropriate.

### **1.6.5 Restriction**

All assets may only be placed in investments that are under jurisdiction of the Courts of the U.S.A.

## **1.7 Statutory Investment Requirements**

All investments for charitable gift annuity contracts and other gift instruments that have certain statutory requirements imposed by laws of various states will be adhered to and, at a minimum, in compliance with the particular state where the contract was issued. If the investment regulations of more highly regulated states are adopted, then those statutory investment requirements will be complied with.

## **1.8 Reporting Requirements**

**1.8.1 Monthly**

The Investment Broker will provide the Trustees and Foundation a monthly written report containing a complete list of all securities held, current market values, gain/loss information, and purchase and sell transactions.

**1.8.2 Quarterly**

The Trustees will provide the Foundation with detailed information regarding current holdings, investment performance, and investment performance compared to relevant benchmarks.

**1.8.3 Annually**

The Trustees will provide a comprehensive report to the Foundation of the asset allocation, investment performance, investment performance against relevant benchmarks, future investment strategies and other matters of interest.