

**DALLAS ECOLOGICAL FOUNDATION**  
**DBA OUTDOORS TOMORROW FOUNDATION**  
**INVESTMENT POLICY STATEMENT**

**Effective Date: May 14, 2019**

**I. GOALS AND MISSION OF THE FOUNDATION**

Dallas Ecological Foundation DBA Outdoors Tomorrow Foundation, hereafter referred to as the “Foundation,” a not-for-profit organization organized under the laws of the State of Texas, encourages the solicitation and acceptance of gifts that will help fulfill its mission. The Foundation’s mission is to teach outdoor education and to promote and fund conservation of wildlife worldwide.

**II. PURPOSES OF INVESTMENT POLICY**

The purpose of this policy is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. Specific purposes include:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Foundation.
3. Offer guidance and limitations to Investment Manager(s) regarding the investment of Foundation assets.
4. Establish a basis for evaluating investment results.
5. Ensure that Foundation assets are managed in good faith and with ordinary care.
6. Establish the relevant investment horizon for which the Foundation assets will be managed.

The Investment Policy outlines the objectives and constraints of the Foundation’s portfolio (the portfolio) and is intended to complement the Foundation’s Spending Policy.

### **III. INVESTMENT COMMITTEE PURPOSE AND RESPONSIBILITIES**

(See Appendix A for Investment Policy – Responsibility Table)

1. Review the investment policy at least annually and propose revisions as needed to ensure that it is in compliance with the mission of the Foundation.
2. Report at least annually to the Board of Trustees of the Foundation on the outcome of the investment policy review and any revisions that have been made.
3. Determine the Fund's anticipated annual distribution needs and communicate them to the investment manager.
4. Select investment managers based on prudent due diligence procedures. The Investment Committee will require that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Foundation.
5. Submit selection recommendation of investment managers to the Board of Trustees for approval.
6. Communicate the expected responsibilities and duties of the investment manager(s).
7. Communicate to the investment manager(s) any material changes that may affect how the Fund will be managed in the future.
8. Monitor and evaluate Fund performance, and ensure that investment policy guidelines are adhered to and objectives are met.
9. Take appropriate action to replace an investment manager(s) for failure to perform as expected. Such action shall be submitted to the Board of Trustees for approval.

### **IV. PORTFOLIO PHILOSOPHY**

Future giving (contributions) to the Foundation is expected to be inconsistent, and therefore, unpredictable. As a result, the Foundation's Board of Trustees has set an investment strategy with the objective of maintaining purchasing power of Foundation assets before consideration of gifts.

The goal will be to make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. Further, reasonable efforts will be taken to control risk, understanding that risk is present in all types of securities and investment styles and recognizing that some risk is necessary to produce long-term investment results sufficient to meet the Foundation's objectives.

### **V. PORTFOLIO STRUCTURE**

To achieve investment objectives, financial assets will be allocated among a number of asset classes. (See Appendix B for asset class definitions.) These asset classes may include domestic equity, domestic fixed income, international equity, international fixed income, and alternative or real assets such as natural resources, global real estate, and commodities.

- A. The Portfolio will be managed in the following manner with monies being allocated into the following accounts: 1) Endowment, 2) Operating, and 3) Reserve.
- B. Endowment investments will be pooled.

1) **Endowment Account:**

- a) Asset allocations for the portfolio will be determined by the Investment Committee and approved by the Board of Trustees to facilitate the achievement of the Foundation's long-term investment objective within the established risk parameters. Asset classes will be chosen to be representative of a broad array of investment assets which have identifiable benchmarks. Assets will be diversified to minimize the adverse or unexpected results from one security or security class, reducing any overly detrimental impact on the entire portfolio. The Investment Committee will seek diversification of investment strategies within an asset class if more than one investment manager is chosen to manage assets for that specific asset class. Asset allocation ranges established in this policy reflect the risk tolerance expressed by the Investment Committee. The portfolio will be rebalanced by the investment manager to maintain appropriate asset class weights. The Board of Trustees retains the authority to approve temporary deviations from the acceptable ranges if conditions warrant such a deviation.
- b) If an endowment account's value is above the historic dollar value, i.e., the value of the assets when given, the Foundation will appropriate and/or expend any income according to the Spending Policy.
- c) If an endowment account's value is at or below the historic dollar value, the Foundation will not appropriate and/or spend any income until the historic dollar value has been restored—unless doing so is consistent with the terms of the endowed agreement and the Investment Committee and Board has determined that it would be prudent.
- d) The determination to appropriate, i.e., authorize for expenditure and/or expend the income of an endowment fund whose value is at or below its historic dollar value will be made through a vote of the Board. Any such vote of the Board will be preceded by the consideration of all relevant information and will be preceded by due deliberations on whether any income will be appropriated and/or expended and to what extent such appropriation or expenditure will occur.

2) **Restricted Funds Account** - Funds include: cash and assets specifically ear-marked for special purposes.

- a) When Restricted Funds Account is held with a brokerage firm, certificates of deposits should not exceed the federal insurance limits, unless approved by the Board.
- b) Accounts such as interest-bearing accounts, money market accounts, certificates of deposit and government securities are to be the primary investments. Investing in any other type of investment vehicle requires approval by the Board of Trustees. Borrowing for investment purposes is prohibited.

c) Investments should be limited in term. The Board of Trustees must approve any investment with a term longer than three years (3) years.

3) **Reserve Account** - Funds include: non-endowed funds and operating funds authorized but not expended.

d) When Reserve Account is held with a brokerage firm, certificates of deposits should not exceed the federal insurance limits, unless approved by the Board.

e) Accounts such as interest-bearing accounts, money market accounts, certificates of deposit and government securities are to be the primary investments. Investing in any other type of investment vehicle requires approval by the Board of Trustees. Borrowing for investment purposes is prohibited.

f) Investments should be limited in term. The Board of Trustees must approve any investment with a term longer than three years (3) years.

4) **Operating Account**

a) Purpose of Operating Account is to provide cash for expenditures for operational needs of OTF.

b) When Operating Account is held with a brokerage firm, certificates of deposits should not exceed the federal insurance limits, unless approved by the Board.

c) Accounts such as interest-bearing accounts, money market accounts, certificates of deposit and government securities are to be the primary investments. Investing in any other type of investment vehicle requires approval by the Board of Trustees. Borrowing for investment purposes is prohibited.

d) Investments should be limited in term. The Board of Trustees must approve any investment with a term longer than one (1) year.

e) A current list of financial institutions as depositories for investment will be kept on file and updated regularly by the Executive Director. The list includes commercial banks, savings and loans, credit unions and brokerage firms.

f) Within guidelines, maximum interest rates shall be sought, with the maturity of the investments governed by expected cash needs.

**ASSET ALLOCATION TABLE**  
**(Asset classes, Policy Benchmarks and Asset Allocations):**

<u>Asset Classes</u>	<u>Policy Benchmark</u>	<u>Asset Allocation Ranges</u>
<b>CASH</b>	<b>U.S. T-Bill</b>	<b>0-100%</b>
<b>FIXED INCOME</b>		<b>0-100%</b>
US Int/Short	Barclays Capital Aggregate Bond Index	5-100%
US Long	Barclays Capital Aggregate Bond Index	5-35%
US High Yield	Merrill Lynch High Yield Master II Constrained Index	0-20%
Dev-ex-US	Barclays Capital Global Agg ex US	0-5%
Emerging Markets	JP Morgan EM Bond	0-5%
<b>EQUITIES</b>		<b>0-75%</b>
US Large Cap	S&P 500 Index	10-50%
US SMID	Russell 2000 Index Russell Mid Cap Index	0-15%
Dev ex-US LC	MSCI ACWI ex US Index	5-40%
Emerging Markets	MSCI Emerging Markets	0-20%
<b>REAL ASSETS</b>		<b>0-25%</b>
TIPS	Barclays Capital TIPS Index	0-10%
Natural Resources	DJ-UBS Commodity Index	0-10%
Commodities	DJ-UBS Commodity Index	0-10%
Global Real Estate	FTSE EPRA/NAREIT Global Index	0-15%

**VI. INVESTMENT MANAGER RESPONSIBILITIES**

1. Investment managers shall meet in January and July each year with the Investment Committee.
2. Investment managers shall provide on-line review to the portfolio accounts to Chair, Outdoors Tomorrow Foundation, Chair, Investment Committee, Executive Director and the Financial Accounting Specialist with the Foundation.

3. Investment managers shall provide at least quarterly written statements including action taken with the portfolio and the current economic outlook.
4. Investment managers shall be in regular communication with the Investment Committee Chair, the Foundation Board Chair and the Executive Director. Communication between investment managers and other parties is allowed with express authorization of the Investment Committee Chair or Foundation Chair.
5. Investment managers shall notify the Chair, Investment Committee of any significant market fluctuations, generally equal to a daily change of 5% or more, in a blended index equivalent to the current allocations model of the endowment fund.
6. All pertinent changes in personnel of the investment firm as they relate to portfolio accounts should be reported as they occur.

**RISK AVERSION:** Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. Investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that risk assumed is commensurate with the given investment styles and objectives.

**ADHERENCE TO INVESTMENT DISCIPLINE:** Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

## **VII. PERFORMANCE MEASUREMENT**

The Investment Committee will review and evaluate investment performance quarterly in the context of the prevailing investment environment, and consistent with the long-term investment horizon of the portfolio. Performance evaluation will be done at the portfolio level and for each asset class.

The performance review at the portfolio level will evaluate total portfolio performance versus the overall policy benchmark. The performance review at the asset class level will evaluate asset class performance versus the asset class benchmark.

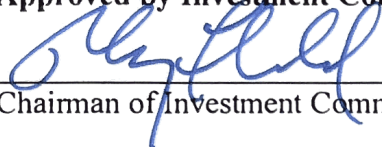
The portfolio risk will be evaluated by standard deviation, and any other metric the committee deems appropriate after discussions with the investment managers.

Total portfolio expenses will be reviewed by the Investment Committee on an annual basis.

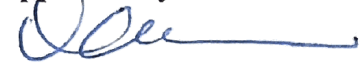
## CHANGES TO INVESTMENT POLICY STATEMENT


The Investment Committee with the approval of the Board of Trustees of DALLAS ECOLOGICAL FOUNDATION DBA OUTDOORS TOMORROW FOUNDATION may amend this resolution from time to time.

Approved by Investment Committee this 30 day of April, 2019.

  
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Chairman of Investment Committee

Approved by Board of Trustees this 14 day of MAY 2019.

  
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Chairman of Board of Trustees

  
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Secretary of Board of Trustees

## APPENDIX A

### Investment Policy Responsibility Table

<b>Responsibility Level</b>	<b>Board Of Trustees</b>	<b>Investment Committee</b>	<b>Investment Consultant</b>
Written Investment Policy	Approves	Recommends	Consult
Tactical Allocation Among Asset Classes	Informed	Recommends And Approves	Recommends And Implements
Strategy Within An Asset Class		Approves	Recommends
Manager & Fund Selections		Approves	Recommends And Monitors
Security Selection		Informed	Recommends And Implements
Deviation From Investment Policy	Approves	Informs And Recommends	



## APPENDIX B

### Asset Class Definitions

#### Cash Equivalents

The percentage of total assets allocated to cash equivalents should be sufficient to meet disbursements and general operational expenses of the Foundation. Cash equivalents may also be used as an alternative to other investments when the investment manager feels that other asset classes carry higher than normal risk. However, managers are generally expected to remain fully invested unless there is a compelling reason, in their respective judgment, to allocate a significant portion of their mandate to cash equivalents.

#### U.S. Fixed Income

The purpose of the fixed income allocation is to provide current income, provide a stable component of return and to reduce the overall volatility of the portfolio.

Where separate account management is employed, the following restrictions apply:

- A. The bond portfolio may be invested in securities issued by the following: U.S. Treasury; an agency of the U.S. Government; or a corporation or sovereign issuer rated in one of the top four classifications by Moody's or Standard and Poor's.
- B. Non-investment grade investments should be limited to a maximum of 35% of the fixed income exposure.

**Non-US Bonds - Bonds issued by foreign governments and corporations.** Non-investment grade investments should be limited to a maximum of 35% of the non-U.S. Bond exposure. Investments in Emerging Market Bonds should be limited to 50% of the international bond exposure.

#### U.S. Equities

The purpose of the allocation is to provide total return from appreciation and dividends that exceeds inflation. It is recognized that equity investments carry greater price variability and risk than other asset classes. Investments in one or more diversified commingled actively or passively managed funds is appropriate and necessary to create a well-diversified portfolio, incorporating multiple asset classes and investment styles.

Where separate account management is employed, the following restrictions apply:

- A. Permissible equity investments include common stocks, preferred stocks, and fixed income securities convertible into common stocks.
- B. Investments in the common stock of any one company may not exceed 5% of its common shares outstanding; no single common stock should exceed 10% of value of the entire stock portfolio, based on market value and notwithstanding donor directives. Exceptions to this guideline may be authorized following discussion with the Investment Committee.
- C. Direct investments shall not be made in commodities, commodity contracts, oil, gas, mineral leases, mineral rights or royalty contracts.
- D. With prior approval, writing covered calls and puts will be allowed to the extent they are used as a strategy to reduce the overall risk of the equity portfolio. Any such program will not exceed 10% of the equity portion of any manager's allocation (unless specifically authorized by the Investment Committee) and will be closely monitored by the Investment Committee.
- E. Margin transactions and short sales shall not be used. Financial futures contracts may be used only at the discretion of the Investment Committee as strategy to reduce the overall risk of the equity portfolio.

## **International Equities**

Investments in one or more diversified commingled actively or passively managed funds is appropriate and necessary to create a well-diversified portfolio, incorporating multiple asset classes and investment styles. Where separate account management is employed, the following restrictions apply:

- A. Investment returns in this asset class are expected to meet or exceed the Morgan Stanley Capital International Europe, Australia, and the Far East Index ("MSCI EAFE") over a full market cycle.
- B. Emerging market mandates should be limited to a maximum of 50% of the international exposure.

## **Real Assets**

**Real Assets - Asset classes influenced by inflation and inflation expectations.** These assets tend to be desirable during periods of inflation. Assets within this class include: Treasury Inflation Protected Securities (TIPS), Global Real Estate, Commodities and Natural Resources.