

Operation Food Search

OPERATION FOOD SEARCH SUNNY DAY ENDOWMENT INVESTMENT POLICY STATEMENT

MAY 2019

Statement of Purpose

The purpose of this policy statement is to set forth the overall policies, guidelines and objectives for the investments of Operation Food Search Sunny Day Endowment (*Endowment*) to ensure that there is a clear understanding among the parties involved. This statement will serve to delineate the roles and responsibilities of the Board of Directors, Investment Committee (*Committee*), the Investment Consultant (*Commerce*) and the Custodian (*Commerce*). It also will outline a general investment framework for the construction of the investment portfolio based on the return needs and risk tolerance of the Endowment. Additional items addressed in this statement include a context for the evaluation of performance, constraints on the parties involved, and expectations for reviewing and reporting.

Although these policies and objectives are intended to govern the investment activity, they are designed to be sufficiently flexible in order to be practical. The guidelines set forth in this Statement can be changed as economic conditions, directives or principles of prudence dictate.

Roles and Primary Responsibilities

As stewards of the Endowment, the Investment Committee and its members and staff, as well as the Board of Directors, the Investment Consultant and the Custodian, must discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely on the interests of the Endowment. The parties must act in a fiduciary capacity and provide full and fair disclosure to the Committee of all material facts regarding any conflicts of interests. All investments must comply with the guidelines of quality, marketability, and diversification as mandated by the Uniform Prudent Management of Institutional Funds Act (*UPMIFA*) and other controlling state statutes.

The following lists the primary responsibilities of various entities with regard to this Plan:

Board of Directors:

- Set the Endowment's goals
- Ensure that appropriate policies are in place to govern the management of the portfolio and achieve the Endowment's goals
- Ensure that the Committee is effectively implementing the policies and sufficiently monitoring the investment portfolio
- Approve the spending policy
- Avoid conflicts of interest

Committee (as designated by Board):

- Prepare and maintain an investment policy statement
- Implement the Investment Policy and achieve the stated goals as approved by the Board of Directors
- Make recommendations to the Board of Directors on the appropriate spending rate
- Engage and monitor the Investment Consultant and Custodian
- Establish investment objectives and performance measurement standards that are consistent with the financial needs of the Endowment
- Establish the investment policy guidelines
- Establish the policy asset allocation
- Ensure the appropriate implementation of the investment guidelines
- Periodically monitor performance in the context of predetermined performance standards
- Annually review the investment policy and amend as appropriate
- Control and account for all investment, administrative, and other expenses
- Avoid conflicts of interest
- Ensure compliance with applicable regulations

Investment Consultant (Commerce):

- Assist in the development and implementation of investment policies, objectives and guidelines
- Prepare an asset allocation analysis and recommend an asset allocation strategy
- Develop and implement the overall portfolio strategy with discretion
- Provide due diligence on and monitoring of recommended managers
- Contract with managers as appropriate
- Deliver full and adequate disclosure about expenses, performance and risk of portfolio
- Provide periodic performance evaluation reports
- Attend Committee meetings periodically to present portfolio positioning and performance reports
- Provide the Committee with general investment market information
- Comply with applicable regulations
- Provide the Committee with full and fair disclosure of all material facts regarding any conflicts of interest

Custodian (Commerce):

- Ensure the safekeeping of the Endowment's assets, including collection of income, settlement of trades, collection of proceeds of maturing securities, and daily investment of cash
- Maintain separate accounts for investment managers as appropriate
- Reconcile accounts as appropriate
- Provide timely reports detailing transactions, cash flows, portfolio positions and their current values, and change in value of each security and the overall portfolio since the previous report
- Ensure compliance with applicable regulations
- Provide the Committee with full and fair disclosure of all material facts regarding any conflicts of interest

Spending Policy

The Committee has deferred setting a spending policy during the seed/accumulation phase of the Endowment. This policy will be reviewed annually up until the point at which the Endowment reaches a satisfactory level of value and/or spending needs are determined. Once the spending policy is determined the Committee will notify Commerce of any changes to the spending policy. Commerce will assist the Committee with setting spending policy as needed.

Investment Objectives

The primary objective of this Investment Policy Statement is to align the investment portfolio with the strategic spending policy of the Endowment. The desired long-term return on the portfolio (measured on a total return basis) would allow for the Endowment's spending policy, expenses, and inflation (as measured by the Consumer Price Index), thus maintaining purchasing power.

- **Risk:** The Committee will seek to limit the overall level of risk to reasonably coincide with that of the chosen asset allocation
- **Liquidity:** The portfolio is expected to have an ongoing need for liquidity
- **Time Horizon:** The Endowment has an infinite life
- **Taxes:** The Endowment is tax-exempt (but may be subject to excise taxes)

The Committee has adopted a “**total return**” approach to managing the investment portfolio and acknowledges that both income (e.g., dividends, interest) and capital gains (both realized and unrealized) are equally acceptable from a performance evaluation perspective.

Investment Guidelines

The Role of Various Assets: The Committee believes that the achievement of the desired investment performance is primarily a function of asset class mix. It further believes that diversification is important for minimizing risk for a given level of returns. Assets should be allocated to various classes that serve the purpose of asset growth, principal protection, and/or inflation hedging.

Target Asset Allocation: After consideration of an asset allocation study and advice from Commerce, the Committee has adopted a target asset allocation for the investment portfolio as shown in Exhibit A. The allocation is designed to balance the return needs and risk tolerance of the Endowment, and the Committee believes that this allocation offers the highest probability of achieving the investment objectives with the lowest level of risk.

Tactical Asset Allocation: Shifts in the target asset allocation may be made to take advantage of short-term opportunities in the marketplace on a tactical basis. These shifts will cause the portfolio to deviate from the target policy, but the portfolio is not expected to fall outside the ranges presented in Exhibit A.

Permissible Investments: Permissible investments for the portfolio include individual stocks, bonds and pooled funds, such as mutual funds and exchange-traded funds. Permitted alternative investments include publicly traded and private placement funds invested in real estate, commodities, and various hedge fund strategies (such as long/short and arbitrage strategies), currencies and managed futures. Commerce will exercise discretion on behalf of the Endowment to position the portfolio with permissible investments (subject to the constraints below) after performing appropriate analysis and due diligence and weighing the rewards, risks, and expenses associated with each investment. Global diversification (including developed and emerging markets) is generally considered desirable in the major asset classes as long as sufficient liquidity is maintained. The portfolio may be comprised of active strategies, passive strategies, or a combination of the two as dictated by market factors.

Investment Constraints: Investments that require Committee approval before being placed in the portfolio include individual derivatives, such as options and futures, collectibles, currencies, tangible real estate, mineral exploration and non-covered options, unless part of a commingled fund. No securities shall be purchased on margin. Additional guidelines are as follows:

EQUITY

- **Single security concentrations:** No single security (excluding pooled funds) shall represent more than 10% of the equity portfolio unless approved by the Committee.
- **Liquidity:** No stock security shall exceed 5% of the outstanding voting shares of a company. Investments in illiquid private equity must be approved by the Committee.

FIXED INCOME

- **Quality:** Unless specifically designated for a high-yield portfolio, the average weighted credit rating of individual bonds shall be no lower than "A" (or comparable rating) as measured by Moody's, Standard & Poor's. High-yield securities are permissible as long as overall quality standards are maintained.
- **Duration:** Unless approved otherwise by the Committee, duration of individual bonds shall be maintained within +/- 20% of the benchmark duration.
- **Issuer Concentration:** No issuer (except for the U.S. government) shall exceed 10% of the fixed income portfolio.

ALTERNATIVE INVESTMENTS

- **Concentrations:** Aggregated hedge funds should be diversified, whether by asset class, strategy, manager, geography, sector, or other factors. Likewise, aggregated real estate investments should represent a broad array of properties or securities. Commodities in aggregate should represent a broad basket of commodities.
- **Liquidity:** Investments with liquidity and pricing that are less frequent than daily shall be approved by the Committee. Investments involving private placements shall be approved by the Committee.

Operations, Monitoring and Reporting

Reporting: The Custodian shall provide reports of all holdings and transactions on a regular basis. The Custodian also shall communicate any concerns regarding portfolio transactions or valuations, or material changes in the Custodian's organization.

Investment Performance Standards: The portfolio is expected to achieve competitive performance relative to a static policy-weighted market benchmark over a period not less than a full market cycle (generally defined as a five-year period) while maintaining acceptable risk levels. Recognizing that short-term fluctuations may cause variations in performance, the Committee believes that investment performance should be evaluated from a long-term perspective.

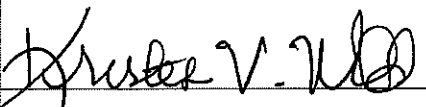
Rebalancing: The portfolio shall be rebalanced to tactical targets as deemed advantageous to the Endowment by Commerce after considering the costs of rebalancing versus the risks associated with portfolio deviation from the desired targets.

Proxy Voting: Commerce or its designee shall vote proxies and other corporate actions in a manner that represents the best interest of the Endowment.

Securities Lending: Lending of portfolio securities is expressly prohibited.

Periodic Reviews: On a periodic basis, Commerce shall provide the Committee with a review of portfolio performance and positioning, and investment actions taken. During the reviews, Commerce shall notify the Committee of exceptions to the investment guidelines as well as any noteworthy information about underlying securities, managers, or other matters in order to keep the Committee sufficiently informed so as to perform its duties. On no less than an annual basis, Commerce shall review this Investment Policy Statement with the Committee, including an assessment of the Endowment's asset allocation, spending policy, and investment objectives. Commerce and the Custodian shall provide the Committee with reports on other topics (e.g., portfolio expenses, etc.) as requested. This Investment Policy Statement will remain in effect until revised or amended.

Acceptance

Client Signature		Client Signature	
Client Printed Name	Kristen V. Wild	Client Printed Name	
Date	6/10/19	Date	

CTC Representative Signature	
CTC Representative Printed Name	
Date	

Target Asset Allocation

Competitive Risk

	Minimum	Target	Maximum
Equity	50.0%	60.0%	70.0%
Domestic Equity	30.0%	45.0%	60.0%
International Equity	10.0%	15.0%	20.0%
Fixed Income	30.0%	35.0%	40.0%
Domestic Fixed Income	20.0%	30.0%	40.0%
International Fixed Income	0.0%	5.0%	10.0%
Alternatives	0.0%	5.0%	10.0%
		100.0%	