

Dan and Margaret Maddox Fund

Investment Policy

I. Statement of Purpose

The purpose of this policy is to provide a framework of prudent fiduciary guidelines for the Board of Directors of the Dan & Margaret Maddox Fund, (hereinafter the “Board”) (hereinafter the “Fund”) in order to ensure the proper administration and management of the Fund’s assets (“Fund”). The Board, through an Investment Committee, will:

1. Define and maintain written investment objectives, policies and guidelines;
2. Adopt parameters for the allocation and management of the Fund’s assets;
3. Employ an Outsourced Chief Investment Officer (“OCIO”) or other discretionary investment advisor to manage the Fund’s assets as appropriate; and
4. Monitor compliance with stated objectives, guidelines, and parameters and with governing regulations such as the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in mind.

This investment policy shall be utilized by the Board and Investment Committee, respectively, in the fulfillment of their duties to manage and oversee the Fund’s investment portfolio. In seeking to attain the investment objectives set forth in this Policy, the Board and Investment Committee members acknowledge that they are fiduciaries with responsibility to act in the best interest of the Fund. Accordingly, they must act 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 best interests of the Fund.

Accordingly, the Board and Investment Committee will apply UPMIFA standards in the management of the Fund’s assets. In regards to both decision-making and oversight, the following factors, where relevant, will be considered:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences, if any, of investment decisions or strategies.
4. The role that each investment or course of action plays within the overall investment portfolio.
5. The expected total return from income and the appreciation of investments.
6. Other resources (i.e., expertise, knowledge, and skill) of the Fund and its Board.
7. The needs of the organization and Fund to make distributions and to preserve capital.
8. An asset’s special relationship or special value, if any, to the charitable purposes of the Fund.
9. Management and investment decisions about an individual asset must be made not in isolation, but rather in the context of the Fund’s portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Fund.
10. Except as otherwise provided by law other than UPMIFA, the Fund may invest in any kind of property or type of investment consistent with this section.
11. The Fund’s investments shall be diversified unless it reasonably determines that, because of special circumstances, the purposes of the Fund are better served without diversification.
12. A person who has special skills or expertise, or is selected in reliance upon the person’s representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Fund.

Investment Committee Responsibilities

The Investment Committee is appointed by the Board to be responsible for the management and oversight of the Fund and to perform the following duties:

- Review and reassess annually the adequacy of the Investment Committee's Charter and submit proposed changes to the Board for approval as deemed necessary.
- Review and recommend changes in the Investment Policy to the Board, as necessary.
- Establish and periodically revisit the Fund's strategic, long-term target allocation based on the Investment Objectives defined in this Policy and anticipated capital market conditions over the long term.
- Select an Outsourced Chief Investment Officer (OCIO) or other discretionary investment advisor to manage the Fund's assets. The Committee will oversee, evaluate and replace (if necessary) the OCIO or other service providers.
- Periodically evaluate the costs of the investment function (OCIO/advisor fees and fund/manager costs) to ensure that they meet prudent standards.
- Review reports from the OCIO on the financial condition of the Fund.
- Report to the Board of Directors at least quarterly regarding the status of the Fund's investments, including but not limited to such items as spending policy, asset allocation, investment performance, investment policy adherence, and significant changes to the portfolio.
- Conduct an annual self-evaluation of its performance, including a review of the effectiveness of Committee meetings, agendas, staff support, and the Committee Chair, as well as of the Committee members' qualifications for service on the Committee. As a result of these evaluations, the Committee shall make recommendations to the Board Chair and Chair of the Nominating Committee regarding Investment Committee leadership.

OCIO Responsibilities

The OCIO is expected to serve as a discretionary manager of the Fund, proactively executing portfolio management, manager/fund hiring and firing, rebalancing, tactical asset allocation, and all stated consultative and reporting requirements in support of the Investment Committee, all within the guidelines and restrictions outlined in this policy. The specific duties and responsibilities of the OCIO include:

- Assist the Investment Committee in reviewing and, if necessary, updating the Policy to reflect the objectives and guidelines for managing the Fund.
- Assist the Investment Committee in developing, implementing, and revisiting the Fund's strategic asset allocation targets to maintain consistency with the Fund's Investment Objectives.
- Conduct due diligence, selection, continued oversight, and (as needed) replacement of funds/managers utilized to implement the Fund's strategic asset allocation.
- Execute trades and rebalance the Fund's assets to strategic asset allocation targets as needed.
- Monitor performance at the total portfolio, asset class, and underlying fund/manager levels against stated mandates and benchmarks.
- Ensure the Fund's assets are managed consistently with the objectives, guidelines, and constraints of this Policy and all governing regulations, including UPMIFA.

- Provide regular reporting of statements and transaction summaries to the Investment Committee on a mutually agreed schedule.
- Provide the Executive Director with monthly statements and transaction summaries.
- Select and oversee qualified custodians for asset safekeeping and security.
- Assist staff during the Fund’s annual audit process by providing statements and available documents, coordinating delivery to auditors, and acting as a direct resource for information related to the Funds’ investment activity.

II. Investment Objectives

The primary investment objectives of the Fund are to:

- Maintain and grow the real purchasing power of the Fund’s principal after taking into consideration the annual spending requirements of the Fund.

The Fund’s success at achieving this objective over the long term will be assessed by comparing total portfolio performance to a policy benchmark equal to the Fund’s annual spending rate plus an appropriate measure of inflation.

In addition, the Fund’s total portfolio performance will be compared to a naïve market benchmark of 65% global equities (MSCI All Country World Index) and 35% fixed income (Bloomberg Barclays U.S. Aggregate Bond Index). This benchmark will provide insight on the aggregate value-add of the Fund’s allocation positioning and investment execution relative to a static, traditional, blended investment proxy for institutional investors with a growth-oriented risk/return profile.

In addition, the Fund’s total portfolio performance will be compared to a market composite benchmark, i.e., a blend of indices representative of each granular asset subclass utilized within the portfolio, weighted according to the Fund’s actual portfolio allocation through time. This benchmark will provide insight on the aggregate value-add of active management within the Fund relative to a passive implementation of an identical portfolio allocation.

III. Time Horizon

The Fund is intended to have a perpetual existence, so long as it is enabled to achieve its charitable purposes.

IV. Spending Policy

The Fund shall, at a minimum, distribute an amount equal to its “minimum investment return” as defined in IRC 4942 (e). This is commonly known as the 5% distribution requirement for private foundations.

V. Asset Allocation

The Fund shall maintain an appropriate combination of assets to meet its performance objectives and to ensure a proper level of diversification. The Fund's assets should be invested generally within the following allocation ranges. Additionally, the Investment Committee, with help from the OCIO, has identified the following as the long-term strategic allocation targets for the Fund. The Fund's assets may periodically drift from or be tactically allocated away from these long-term targets as long as they remain within the specified allowable ranges. But it is expected that these strategic targets will serve as the guideposts for achieving the Fund's long-term investment objectives.

Asset Class	Asset Subclass	Allowable Range	Strategic Target
Cash & Equivalents		0-10%	2.0%
Fixed Income		10-35%	15.5%
	Public Fixed Income	10-35%	15.5%
	Private Fixed Income	0-10%	0.0%
Equity		50-80%	67.5%
	Public Equity	35-70%	45.0%
	Private Equity	0-30%	22.5%
Diversifiers		0-30%	15.0%
	Liquid Diversifiers	0-15%	0.0%
	Hedge Funds	0-20%	15.0%

VI. Investment Guidelines & Restrictions

Cash & Equivalents

Investments in commercial paper, repurchase agreements, Treasury Bills, Certificates of Deposit, and money market funds may be purchased to provide liquidity, income, and principal preservation. The following guidelines apply:

1. Commercial paper must be rated at least A1 or P-1 by Moody's or Standard & Poor's.
2. No more than 5% of the market value of the Fund shall be invested with a single issuer, with the exception of the U.S. Government and its agencies.

Performance of the aggregate Cash and Equivalents portfolio will be measured against the BofA Merrill Lynch U.S. Treasury Bills 0-3 Months Index.

Fixed Income

Investments in obligations of the U.S. Government, U.S. Government agencies (including GNMA, FNMA, and FHLMC), state and local government securities, corporate debt securities, diversified pools of loans (business or consumer), and non-U.S. holdings may be made. The following restrictions apply:

1. The total fixed income portfolio shall maintain a weighted average rating of BBB or better as determined by Standard & Poor's, Moody's, or other similar recognized credit rating agency.
2. The total fixed income portfolio shall maintain an average duration of less than 10 years.
3. Investments in securities of a single issuer should not exceed 5% of the Fund's total assets. U.S. Government and U.S. Government agency obligations (including Treasury bills, notes, bonds, and Inflation Protected Securities, as well as GNMA, FNMA, and FHLMC securities) are exempt from this restriction.
4. The Fund is prohibited from taking on leverage directly. However, the use of leverage within an investment strategy or fund will be permitted if the fund's ability to take on such leverage is clearly known and understood by the Committee when the strategy is initially selected.

Performance of the aggregate Fixed Income portfolio will be measured against the Bloomberg Barclays U.S. Aggregate Bond Index.

Equity

Investments in domestic and international stocks, inclusive of publicly traded real estate investment trusts (REITs), and Master Limited Partnerships (MLPs), within the following parameters:

1. U.S. holdings shall trade on major exchanges (Euronext, Regional Exchanges or the NASDAQ). In addition, non-U.S. holdings (i.e., international equities) should be traded on exchanges with high levels of liquidity.
2. There shall be no more than 5% exposure of the Fund's total equity assets to any single security. This 5% cap is not applicable to commingled investment funds (e.g., mutual funds, ETFs, commingled trust funds) holding diversified portfolios of underlying securities, only exposures to individual stocks and investment vehicles with singular counterparty risk.
3. Broad diversification among industry groups is required with a maximum of 30% in the securities of any one industry.
4. Prohibited investments include uncovered options and short sales. The Fund is prohibited from taking on leverage directly. However, the use of leverage within an investment strategy or fund will be permitted if the fund's ability to take on such leverage is clearly known and understood by the Committee when the strategy is initially selected.

Investments may also be made in private equity and private real estate funds with approval of the Investment Committee.

Performance of the aggregate Equity portfolio will be measured against the MSCI All Country World Index ("ACWI").

Diversifiers

Investments may be made in hedge funds, liquid alternative funds, commodities, and other diversifying strategies with low correlations to traditional fixed income and equity markets. Approval of the Investment Committee is required for investments in semi-liquid and illiquid diversifying strategies requiring the signature of an authorized person for subscription document execution.

Performance of the aggregate Diversifiers portfolio will be measured against the HFRI Fund of Funds Composite Index.

Liquidity

For the purposes of these guidelines, liquidity refers to the time required to convert investment positions into cash. Certain investment strategies and structures have different liquidity characteristics. The following liquidity definitions will apply:

- Daily Liquidity – Entails marketable securities with daily liquidity and trading settlement within one week. Primary examples of investments with daily liquidity are mutual funds, exchange traded funds (ETFs), and similar securities traded on public exchanges.
- Monthly Liquidity – Entails strategies and structures where liquidity is made available monthly, typically as of a specific point each month (e.g., month-end). Primary examples of investments with monthly liquidity are mutual funds with formal tender procedures for redemptions and private commingled investment vehicles (e.g., common trust funds) that exclusively hold underlying securities with daily liquidity.
- Semi-Liquid – Entails strategies and structures where liquidity is made available quarterly, semi-annually, or annually. Semi-liquid strategies include mutual funds with formal tender procedures for redemptions and private hedge funds with quarterly, semi-annual, or annual liquidity terms.
- Illiquid – Entails private strategies and structures where the time horizon to liquidity is greater than one year. Illiquid strategies include private equity and private real estate investments requiring long-term capital commitments and subsequent capital calls and distributions over a multi-year period. It also includes private hedge funds with liquidity terms that extend beyond an annual frequency.

Approval of the Investment Committee is required for investments in, and commitments to, semi-liquid and illiquid funds and strategies requiring the signature of an authorized person for subscription document execution.

Illiquid Investments

Allowable exposures to illiquid investments within the Fixed Income, Equity, and Diversifiers portfolios are restricted by the allowable allocation ranges to “private” investments and hedge funds listed in Section V of these guidelines. Total aggregate exposure to illiquid investments across the entire Fund (in terms of current market value as a percent of the Fund’s total market value) shall not exceed 35%.

VII. Investment Manager Criteria

On behalf of the Board and the Investment Committee, the OCIO may retain professional investment managers to manage the Fund's assets and may terminate a manager if necessary. In fulfilling these duties, the OCIO shall consider the following regarding the manager(s):

- a) Clearly defined investment strategy and ability to demonstrate adherence to stated objectives;
- b) Performance consistent with expectations and ability to achieve appropriate risk adjusted returns;
- c) Returns relative to appropriate market benchmarks;
- d) Regulatory or legal actions against the firm, its principals or employees;
- e) Compliance with the guidelines and objectives set forth in this Investment Policy;
- f) Turnover in key personnel and ownership;
- g) Appropriate levels of client servicing;
- h) Firm and individual credentials; and
- i) Any other pertinent issues deemed to be important by the Investment Committee.

Total aggregate exposure to any single investment manager should not exceed 20% of the Fund's total assets. Aggregate exposure includes both direct investment in single-manager funds and underlying exposure to managers within multi-manager funds. In this respect, "manager" is defined as a professional investment company tasked with the day-to-day responsibility of buying and selling individual securities, companies, or properties as part of a separately managed account or commingled investment fund. Passively managed index funds are excluded from this cap on individual manager exposure.

VIII. Communication

The following is required of the OCIO to report the Investment Committee:

- a) Quarterly transaction and asset statements;
- b) Quarterly performance review which reports returns net of fees relative to the respective benchmarks;
- c) Aggregate performance reports must be submitted within thirty (30) days after the close of the quarter, understanding that some individual managers and illiquid strategies within the portfolio may not have updated reports within that timeline (e.g., hedge funds, private equity funds);
- d) Timely notification of any exceptions to this Investment Policy with a recommended plan of action to correct the violation;

- e) Timely notification of any material changes in the firm’s ownership, key personnel, or investment strategy; and
- f) Annual Reports and any other reports or information as may be reasonably requested.

If it is determined that changes, additions, or deletions to this policy statement are advisable, recommendations shall be communicated in a timely manner to the Board by the Investment Committee. Any changes to this Policy shall be approved by the Board.

Originally Adopted: June 22, 2009

Updated:

1-1-2010 - Text changed to update organization name and related text

7-23-2012 - Fixed income allows the investments to maintain a weighted average rating of A or better. Previously the policy read “AA or better.”

10-27-2014 - Revised investment objectives and policy adjustments needed to achieve those objectives

7-31-2017 - Revised policy guidelines to reflect modernized classification structure, moving from Cash, Fixed Income, Equities, and Alternatives to Cash, Fixed Income, Equity, and Diversifiers. Also added specific liquidity provisions. Harmonized IPS and Investment Committee Charter.

07-27-2020 – Revised policy guidelines to: reflect clearer delineation of responsibilities between Investment Committee and OCIO; incorporate specific content around fiduciary responsibilities and regulatory considerations; specify a time horizon for the Fund; identify specific benchmarks for performance and risk assessment; update allocation strategy guidelines (narrowed allowable ranges and specific strategic targets); and provide greater clarification related to definitions of liquidity, timing of reporting of policy adherence violations, rebalancing guidelines, and manager concentration restrictions.