

# Dan and Margaret Maddox Fund Investment Policy

January 29, 2024

## I. Statement of Purpose

This policy provides a framework of prudent fiduciary guidelines for the Board of Directors (“Board”) of the Dan & Margaret Maddox Fund (“Maddox”) to ensure the proper administration and management of the organization’s long-term investment portfolio (“Fund”).

### *Vision, Mission, Values and DEIIL Alignment*

After careful reflection and discernment, and with great intention, the Board has embraced a culture of Diversity, Equity, Inclusion, Justice, and Liberation (“DEIIL”). This culture is reflected in the Maddox’s statements of Vision, Mission, and Values:

Vision – “A world in which people and planet flourish together in regenerative systems free from oppression and threat.”

Mission - “. . .to better our community through partnerships that improve the lives of young people and further wildlife conservation.”

#### Values

- We champion just and equitable systems and policies.
- We honor the voices of marginalized communities.
- We believe education and knowledge are transformative.
- We engage our work with humility and curiosity.
- We celebrate courageous leadership.
- We manage our resources with integrity and transparency.
- We embrace the shared responsibility to better our community and protect our wildlife habitats.

To further Maddox Fund’s commitment to a DEIIL culture, the Board has established the following “North Stars” to guide the investment program of the Fund.

- Maddox aligns all its assets with its Vision, Mission, and DEIIL Values.
- Maddox engages investment partners that embrace and embody its DEIIL Values.
- As a learning organization, Maddox actively monitors its investment activities, measures their effectiveness and adapts as necessary to live out our values while meeting our investment objectives.

The Board has also adopted “DEIIL Alignment Guidelines” as provided in Appendix A of this IPS.

### *Scope*

The Board and Investment Committee will use this IPS to fulfill their duties to manage and oversee the Fund’s investment program. In seeking to attain the investment objectives set forth in this IPS, Board members acknowledge that they are fiduciaries with responsibility to act in the best interest of the Fund. Accordingly, they have embraced their duty to 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 Maddox.

In designing and implementing of the Fund’s investment program, the Board and Investment Committee will comply with the provisions of the Tennessee Uniform Prudent Management of Institutional Funds Act

(“TNUPMIFA”) and the DEIIL Alignment Guidelines as provided in Appendix A. The guidelines presented in this IPS are expressly related to the Fund (defined as the Maddox Long-Term investment portfolio). The Board may establish policies and/or standards to guide Maddox’s engagement in certain Program Related Investment (“PRI”) activities that are beyond the scope of this IPS and separate from the Fund.

## **II. Responsibilities**

### **Board of Directors**

The Board is the ultimate steward and fiduciary of the Fund. In this capacity and consistent with the organization’s governing documents and relevant regulations, the Board may delegate some of its duties to other parties as defined in this IPS. The Board retains the following key responsibilities to:

- Appoint an Investment Committee to assist with and guide the design, implementation, and oversight of the Fund’s investment program. Consistent with the Maddox Bylaws and the Investment Committee Charter, the Committee may include Board members and non-Board members.
- Ratify the decisions and recommendations of the Investment Committee regarding the investment program including the establishment of written investment objectives, policies, parameters for Fund allocation and management, and guidelines in the form of the Investment Committee Charter and this IPS, including the DEIIL Alignment Guidelines.
- Employ an Outsourced Chief Investment Officer (“OCIO”) or other discretionary investment advisor to manage the Fund’s assets as appropriate; and
- Monitor compliance with stated objectives, guidelines, parameters and governing regulations such as TNUPMIFA.

### **Investment Committee**

The primary mission of the Investment Committee is to assist the Board in fulfilling its responsibility in its stewardship of investments of Maddox. The Investment Committee is responsible for the management and oversight of the Fund and for performing duties defined in the Investment Committee Charter and further delineated in Appendix B of this IPS.

### **OCIO**

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 IPS and further defined in Appendix B.

### **Custodian**

The Custodian will maintain custody of securities and provide related recordkeeping on behalf of the Fund as further defined in Appendix B.

### **Executive Director**

The Executive Director will facilitate the work of the Board and the Committee in the design, implementation and monitoring of the Maddox’s investment program related to the Fund.

Additional specialists such as attorneys, auditors, or consultants may be employed by the Board and/or Committee to assist in meeting the Board’s fiduciary responsibilities and obligations to prudently administer the

Fund. Reasonable and customary expenses for such experts may be borne by Maddox as deemed appropriate and necessary and as directed by the Board.

### III. Spending Policy

The Fund will, 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.

### IV. Investment Objectives

While the Fund’s investment time horizon is generally viewed as perpetual, its investments will also be measured over shorter periods of time to ensure the IPS is implemented in a manner that is appropriate for accomplishing the Fund’s Investment Objectives. In this context, the Board has adopted the following Investment Objectives to facilitate performance attribution that is aligned with the responsibilities and authorities established in this IPS:

- **Organizational Objective** – The primary objective of the Fund is to maintain and grow the real purchasing power of the Fund’s investments after taking into consideration the Spending Policy. Accordingly, the Organizational Objective is to attain an average annualized nominal return (measured over rolling ten-year periods, net of investment fees) of not less than the sum of inflation (CPI) plus the spending rate established by the Board.
- **Policy Objective** – A secondary objective is to attain an average annual return (as measured over rolling five-year periods, net of investment fees) equal to or greater than a broad market “Policy Benchmark” of 65% Equities / 35% Fixed Income with the MSCI ACWI (MSCI All Country World Index) being the benchmark for the Equities component and the Bloomberg Barclays Aggregate Bond Index being the benchmark for the Fixed Income component. (Comparison to this benchmark allows the Committee to evaluate the success of the Fund’s asset allocation and investment execution relative to a static investment proxy for institutional investors with a growth-oriented risk/return profile.) The Committee recognizes that this objective may not be attained in every rolling five-year period but anticipates that it should be attainable over a series of rolling five-year periods.
- **Portfolio Objective** – On an interim basis (rolling periods of three years and less), the Fund’s portfolio will be expected to generate average annual returns (net of investment fees) equal to or exceeding the “Portfolio Benchmark,” defined as the weighted actual allocations of the portfolio to various asset and sub-asset classes times (x) an appropriate and approved benchmark reflecting the market-level returns of such asset and sub-asset classes. (Comparison to this benchmark allows the Committee to evaluate the success of investment selection within the Fund’s relative to a passive implementation of a comparable portfolio allocation.) The Committee recognizes that this objective may not be attained in every rolling three-year period but anticipates that it should be attainable over a series of rolling three-year periods. The “Portfolio Benchmark” will be proposed by the OCIO and approved by the Committee in a form substantially similar to that presented in Appendix D.

The Committee does not expect that all Investment Objectives will be attained each year and recognizes that over various time periods, the Fund may produce significant over or under performance relative to the broad markets. For this reason, investment returns will be measured over rolling time-periods.

## IV. Asset Allocation

The Committee recognizes the importance of clearly reflecting the Fund’s short-term and long-term return objectives and risk tolerances in an asset allocation framework that provides for both “strategic intent” and “effective implementation.”

To that end, the Committee has established the following asset allocation framework to direct the prudent design and implementation of the Fund portfolio. This framework is intended to assign responsibility and authority for “strategic intent” to the Committee while delegating responsibility and authority for “effective implementation” to the OCIO within the guidelines established in this IPS.

The Committee further recognizes that the strategic allocation of Fund assets across broadly defined asset and sub-asset categories with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns. While the Committee wishes to retain flexibility regarding changes to the Fund’s long-term strategic asset allocation, it expects to make changes only in the event of material changes to the Fund, the assumptions underlying Fund spending policies, and/or significant changes in the capital markets or asset classes in which the Fund invests.

- **Policy Asset Allocation** – The “Policy Asset Allocation” is defined as the Committee-approved guideline, intended to reflect the strategic return objectives and risk tolerances deemed to provide for the prudent pursuit of the Fund’s Organizational Objective. The Fund’s assets may periodically drift from or be tactically allocated away from these long-term targets provided they remain within the allowable ranges.

<u>Major Asset Class</u>	<u>Allowable Range</u>	<u>Preliminary Strategic Target</u>
<b>Equities*</b>	<b>50-80%</b>	<b>67.5%</b>
<b>Fixed Income*</b>	<b>10-35%</b>	<b>15.5%</b>
<b>Diversifiers*</b>	<b>0-30%</b>	<b>15.0%</b>
<b>Cash &amp; Equivalents</b>	<b>0-10%</b>	<b>2.0%</b>

Allowable Investments within each of the major asset classes included in the Policy Asset Allocation are defined in Appendix C of this IPS.

- **Portfolio Asset Allocation** –The “Portfolio Asset Allocation” is defined as the OCIO-recommended, Committee-approved detailed asset allocation employed for the purpose of implementing the Fund’s investment program and will define target, minimum and maximum allocations to approved sub-asset classes within each of the major asset classes defined above. The Portfolio Asset Allocation will be presented to the Committee for approval at least annually in a form substantially similar to the sample presented in Appendix D.

In all instances, the Portfolio Asset Allocation established, maintained, and implemented by the OCIO will remain in compliance with the Policy Asset Allocation guidelines.

## V. Investment Guidelines & Restrictions

### Liquidity/Illiquid Investments

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 –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 –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 –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 –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.

Investment Committee approval 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.

Allowable exposures to Semi-Liquid and Illiquid investments within Fixed Income, Equity, and Diversifiers are restricted by the allowable allocation ranges to “private” investments listed in Appendix D (Portfolio Asset Allocation). Total aggregate exposure to Semi-Liquid and Illiquid investments across the entire Fund (defined as current net asset value plus un-called, committed capital as a percent of the Fund’s total market value) should not exceed 35%.

### **Diversification/Risk Management**

Thoughtful diversification across and within asset classes is the primary means by which the Committee expects the Fund to attain the stated return objectives and avoid undue risk of large losses over long periods of time. To protect the Fund against unfavorable outcomes within an asset class due to the assumption of large risks, the OCIO will manage risk through appropriate asset allocation, diversification, and rebalancing in accordance with fiduciary practices.

Short-term volatility (absolute and relative to Policy and Portfolio Objectives) will generally be expected, though extended periods of negative absolute returns or greater-than-market volatility in periods of negative market returns will be cause for specific review. For purposes of monitoring risks, the OCIO will provide to the Committee a quarterly analysis of portfolio risk metrics for relevant trailing performance periods including, but not limited to:

- Portfolio standard deviation relative to the Policy and Portfolio Benchmarks;
- Portfolio up/down capture relative to the Policy and Portfolio Benchmarks; and
- Other standard and customary “risk metrics” as may be requested by the Committee.

### **Fund/Manager Selection and Concentration**

Fund/Manager selection is the responsibility of the OCIO. Total exposure to any fund firm or manager firm will be monitored by the OCIO to ensure aggregate exposures to individual funds or manager firms do not expose the Fund to undue risk. Funds/Managers (including mutual funds and commingled investment pools and/or vehicles) selected by OCIO have discretion to purchase, sell, or hold the specific securities that will be used to meet the investment objectives of their designated portfolios within the boundaries of the restrictions outlined

in this Policy and, if applicable, their OCIO-approved mandate. While it is understood that the purchase of a mutual or commingled fund may not allow the Committee to place restrictions on specific aspects of management of such funds, it is expected that they will comply with the intent of this IPS. Fund/Manager Selection Guidelines are defined in Appendix C.

### **Rebalancing**

Formal rebalancing policies are an important component of the management of the Fund, ensuring that it adheres to the established long-term Policy Asset Allocation policy, even as the capital markets demonstrate volatile patterns of performance. The OCIO is responsible for ensuring the continued compliance of the Fund's portfolio within the minimum and maximum ranges established in the Policy Asset Allocation.

Because different asset classes will perform at different levels in various time periods, the OCIO will monitor the asset allocation shifts of the Fund created by such differing performance across asset classes. When allocations are below minimum or above maximum levels specified in the Portfolio Asset Allocation, rebalancing will be the responsibility of the OCIO and will be accomplished no less frequently than annually. During periods of extreme market volatility, the OCIO may recommend that rebalancing to comply with the limits of the Portfolio Asset Allocation be temporarily suspended so long as the Fund remains in compliance with the established Policy Asset Allocation guidelines. In such instances, the OCIO will promptly make such recommendation to the Committee along with a timeline for anticipated compliance.

### **Fees and Expenses**

The OCIO will be expected to manage the Fund portfolio with sensitivity to the fees incurred. Decisions to employ "active" separate account managers or funds should be made with a focus on the likelihood of the risk adjusted net returns justifying the cost of such strategies. All fees and expenses incurred in the management and oversight of the Fund should be limited to those deemed by the OCIO to be reasonable and necessary to accomplish the successful, prudent management of the portfolio.

The OCIO will provide to the Committee an annual analysis of all fees and expenses incurred in the oversight and implementation of the portfolio. This analysis will include all direct and indirect fees including OCIO Fees, Investment Manager/Fund Fees (including all fees and expenses incurred in underlying private funds and commingled funds), Custodian Fees and any other fees and expenses incurred on behalf of the Fund. The analysis will express such fees in annualized basis points.

### **Proxies/Corporate Actions**

Recognizing its responsibility to vote proxies and related corporate actions in a manner consistent with the long-term interests and objectives of the Fund as described in this Investment Policy Statement, the Board may delegate voting authority to the Committee, Executive Director, OCIO, Managers (or underlying fund Managers) or other parties. Guidelines for voting of proxies and corporate actions on behalf of the Fund by such designees will be consistent with the DEIIL Alignment Guidelines defined in this IPS. Such designees will document his or her voting of proxies and related corporate actions, comply with all regulatory obligations related thereto and annually provide a report proxy voting to the Committee.

### **Prohibition of Loans/Guarantees**

The Maddox Fund shall not make loans or guarantees, except in connection with the reasonable investment management of the Fund assets, and consistent with this IPS, unless otherwise approved by the Board.

## **VI. OCIO Evaluation**

The Committee acknowledges that fluctuation in return characterizes the capital markets, particularly over short time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate the OCIO's performance with a focus on rolling three-year and five-year periods. The Committee may engage the services of an independent third-party to facilitate this review and to provide relevant performance and asset allocation peer comparisons.

Not less frequently than every seven (7) years, the Committee will conduct a comprehensive review of the OCIO relationship. This review will be both quantitative and qualitative in nature and may include the factors defined in Appendix B.

Based on this evaluation and other relevant factors, the Committee may recommend that the Maddox pursue a comprehensive Request for Proposal (RFP) process. With Board approval, the Committee will exercise appropriate due diligence in overseeing this RFP process.

## **VIII. IPS Review**

It is not expected that the IPS will change frequently, and it is not anticipated that short-term movements in the financial markets will require adjustments to the IPS. 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 will require approval 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.

04-08-22 – Revised draft IPS in anticipation of and preparation for OCIO RFP. Revisions focused on: reorganizing certain sections; inserting references related to DEIIL Values Alignment; eliminating delineation of specific UPMIFA requirements in favor of inclusion of TNUPMIFA by reference; expanding roles and responsibilities definitions and synchronizing with Bylaws and Investment Committee Charter; revising Investment Objectives and related benchmarking framework; moving Allowable Investments and Manager Selection Criteria to Appendix; and, adjusting Asset Allocation framework within the body of the IPS to be less prescriptive while providing for an Appendix to include greater specificity in an OCIO-recommended "Portfolio Asset Allocation".

5-8-2023—Added Appendix A describing DEILJ investment guidelines

1-29-2024—Approval of Revised IPS

**Appendix A**  
**DEIJL Alignment Guidelines**



## (Approved 11.6.2023)

### Mission Aligned Investments

The Dan & Margaret Maddox Fund seeks a world in which people and planet flourish together in regenerative systems free from oppression and threat. As an organization that has embraced a culture of Diversity, Equity, Inclusion, Justice, and Liberation (DEIJL), the Maddox Fund aspires to achieve optimal alignment of its investments with its organizational mission while maintaining the overall goal of supporting annual operational needs and preserving the purchasing power of assets over time.

The Maddox Fund's Investment North Stars are:

- Maddox aligns all its assets with its Vision, Mission, and DEIJL Values.
- Maddox engages investment partners that embrace and embody its DEIJL Values.
- As a learning organization, Maddox actively monitors its investment activities, measures their effectiveness, and adapts to live out our values while meeting our investment objectives.

The Maddox Fund believes mission-aligned investing should:

- Allow the Maddox Fund to engage a total enterprise approach to better the lives of young people and protect the natural environment through both grant-making and the financial management of its endowment;
- Reduce reputational risks to the Maddox Fund as a prominent social justice grant-making organization;
- Result in long-term positive financial performance; and
- Reduce asset volatility through mitigating risks inherent in investing over the long-term.

Consistent with the Maddox Fund's goal of achieving a mission-alignment investment approach, the Fund seeks to invest in strategies broadly aligned with its DEIJL principles by integrating responsible investing practices into investment processes. Responsible investing considers an investment's positive and negative impacts on people and planet in addition to financial returns.

Maddox defines its DEIJL cultural values as:

Diversity	Embracing differences in race, ethnicity, national origin, citizenship, age, faith tradition, religion, sexual orientation, gender identity and ability or disability in order to diminish longstanding barriers and disadvantages and to reduce bias.
Equity	Providing the resources and support needed to help marginalized individuals and organizations thrive, thereby ensuring we can no longer predict advantages or disadvantages based on our differences.
Inclusion	Elevating the values, voices, styles, experiences and identities of people who have continually been marginalized, thereby increasing shared understanding, dignity and opportunities to belong and succeed.
Justice	Dismantling historic systems that have marginalized our neighbors and creating new liberating systems to take their place.
Liberation	Creating a world in which people and planet flourish together in regenerative systems free from oppression and threat.

### Mission-Aligned Investment Approach

The Maddox Fund aspires to activate 100% of its endowment resources to advance its mission.

The Maddox Fund believes it can achieve 100% mission-alignment of its assets by seeking investment strategies that intentionally and positively advance the Maddox Fund's mission while concurrently screening out strategies at cross-purposes with the Maddox Fund's commitment to DEIIL. Furthermore, all investments should actively produce both financial performance and social results, while maintaining appropriate levels of diversification and not exposing the Maddox Fund to excessive costs. The Maddox Fund will monitor all holdings over both dimensions to reflect its impact and financial return objectives.

## **Responsible Investing**

Responsible Investing includes evaluation of non-financial factors that demonstrate alignment with the Maddox Fund's mission and that are expected to have a material financial impact on long-run investment outcomes. Responsible Investing strategies can include mission-aligned positive and negative investing screens.

Positive screens may be employed that seek to own profitable companies that demonstrate business practices that align with Maddox's mission and commitment to DEIIL and those that result in Flourishing People and Planet. These practices will be evidenced by, but not limited to, such factors as:

- ***Flourishing People***
  - Racial and gender diversity, equity and inclusion (which may involve diversity, equity and inclusion across employees and corporate boards and/or as part of the investment mandate);
  - Companies that support public education;
  - Financial inclusion and capital access for disenfranchised communities;
  - Affordable housing;
  - Fair labor practices;
  - Corporations and businesses with an explicit social/racial justice mission for society, including initiatives for advancement of BIPOC and LGBTQIA+ communities; or
  - Companies that support local restorative justice practices.
- ***Flourishing Planet***
  - Renewable energy, low carbon impact and climate sustainability;
  - Investment opportunities that reduce or mitigate the effects of climate change; or
  - Environmental justice and sustainable communities, including access to things such as healthcare, clean water, healthy food, etc.

Negative screens may be employed to avoid investing in companies whose products and business practices are incompatible with our values, as well as those that engage in practices that are harmful to individuals, communities or the environment. In the case of the Maddox Fund, negative screens would entail, but not be limited to, the exclusion of companies involved in:

- ***Flourishing People***
  - Prison management, funding and labor (or any investment that encourages Mass Incarceration, or any investment that encourages immigrant detention and immigrant or citizen surveillance);
  - Companies that take advantage of underserved/underrepresented populations, including those with exploitative labor practices and discriminatory labor and/or consumer practices targeted at disenfranchised communities, including BIPOC and LGBTQIA+ communities;
  - Civilian military-style firearm production;
  - Noncompliance with the Community Reinvestment Act (CRA); or
  - Significant product liability and safety violations and risks.
- ***Flourishing Planet***
  - Fossil fuels miners/producers and companies with significant carbon footprints;
  - Abusive treatment of animals, harm to wildlife or the environment; or

- Other investments in industries, sectors or companies that significantly contribute to climate change and/or are failing to adapt to climate change realities.

### **Active Ownership, Shareholder Advocacy and Corporate Stewardship**

When appropriate, the Maddox Fund will direct its separate account managers to vote proxies in alignment with its values and mission by:

- Voting against practices that are antithetical to the Maddox Fund’s mission; or
- Voting for policies to improve products and services to advance the Fund’s mission to improve the lives of young people and protect the natural environment.

### **Diverse Investment Managers Considerations**

The Maddox Fund believes that investing with diverse investment managers is consistent with the Foundation’s principles of Diversity, Equity, Inclusion, Justice, and Liberation. To this end, Maddox Fund employs an integrated and intentional approach to invest with diverse investment managers (Black, Indigenous and People of Color, LGBTQ+, and Women ownership, investment teams and/or leadership).

The Maddox Fund assesses manager diversity across five areas:

- Ownership: Diverse people, specifically Black, Indigenous and People of Color, Women, and persons of underrepresented communities, hold “Majority Ownership” of the firm (defined as 50% or more).
- Leadership: Where 25% of the voting members of the Investment Committee and/or portfolio management team are Black, Indigenous and People of Color, Women, LGTQ+ and persons of underrepresented communities in the finance industry.
- Diversity and Inclusion Practices: Where the firm has a formal statement of Diversity and Inclusion and has adopted hiring policies to attract, retain, and train Black, Indigenous and People of Color, Women, and persons of underrepresented communities in the finance industry at all levels in the firm.
- Outcomes: Where the firm’s investment strategy does not intentionally invest in industries that exploit Black, Indigenous and People of Color, Women LGBTQ+ and persons of underrepresented communities.
- Next Generation Pipeline: Where Maddox makes intentional efforts to promote diverse people to senior roles of leadership.

### **Impact Measurement and Reporting**

In measuring and reporting on the impact derived from our mission-aligned portfolio, the Maddox Fund will work with the investment advisor and investment managers across asset classes to develop best practices and make efforts to quantify the impact of our portfolio to all key stakeholders. The Fund will set practical and measurable targets for the mission alignment and impact achievement of its portfolio.

## **Appendix B Responsibilities**

### **Investment Committee Responsibilities**

- 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 review the Fund’s DEIIL Alignment Guidelines.
- 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.
- Conduct a comprehensive review of the OCIO relationship no less frequently than every seven (7) years. This review will be both quantitative and qualitative in nature and may include the following factors:

**A. Areas of quantitative assessment**

- Overall portfolio performance of the Fund relative to established Organizational, Policy and Portfolio Objectives.
- Relative performance from tactical asset shifts within the portfolio.
- Relative performance of investment strategies directed by the OCIO.
- Overall ability of the OCIO to monitor Managers/Funds and process to identify new Managers/Funds.
- Overall risk and return of the portfolio relative to Organizational, Policy, and Portfolio Objectives and peers.
- Full disclosure and appropriateness of all fees paid to the OCIO as well as those paid to Managers/Funds and those implicit in investment products and vehicles employed in the management of the Fund.

**B. Areas of qualitative assessment**

- Potential conflicts of interest in portfolio implementation, e.g., use of in-house investment products in the portfolio.
- Compliance and litigation history.
- Communication with the Committee regarding portfolio implementation and investment process and any changes in the firm, e.g., firm ownership or significant personnel changes.
- Overall service level.
- Access to the firm’s senior management as needed or requested by the Committee.
- Responsiveness to Executive Director and Committee requests and needs.
- Overall value of the OCIO advisory services.

## **OCIO Responsibilities**

The specific duties and responsibilities of the OCIO include:

- Ensure the Fund’s assets are managed consistent with the objectives, guidelines, and constraints of this Policy and all governing regulations, including TNUPMIFA.
- Assist the Investment Committee in reviewing and, if necessary, updating the IPS to reflect the objectives and guidelines for managing the Fund.
- Assist the Investment Committee in establishing and maintaining the Fund’s DEIJL Alignment Guidelines and managing the Fund’s investments consistent with these guidelines.
- Assist the Investment Committee in developing, implementing, and revising the Fund’s Policy Asset Allocation to maintain consistency with the Fund’s Investment Objectives, informed by the OCIO’s long-term capital market assumptions and other relevant information and research.
- 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 remain in compliance with the Policy Asset Allocation.
- Monitor performance at the total portfolio, asset class, and underlying fund/manager levels against stated mandates and benchmarks and relevant DEIJL-appropriate benchmarks as approved by the Committee.
- Provide regular reporting to the Executive Director and the Investment Committee on a mutually agreed schedule, including but not limited to:
  - a) Quarterly transaction and asset statements;
  - b) Quarterly performance review which reports returns gross and net of fees relative to the respective benchmarks. 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);
  - c) Timely notification of any exceptions to this Investment Policy with a recommended plan of action to correct the violation;
  - d) Timely notification of any material changes in the firm’s ownership, key personnel, or investment strategy; and
  - e) Annual Reports and any other reports or information as may be reasonably requested.
- Meet quarterly with the Committee to provide market commentary and review Fund performance, asset allocation, Managers/Funds, rebalancing, risks, fees (annually) and other factors and requirements as defined in the IPS.
- Recommend and oversee qualified custodians for asset safekeeping and security as approved by the Committee and the Board.
- 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.
- Other duties and responsibilities as defined by the Executive Director, Committee or Board, including but not limited to specific responsibilities included in a duly executed investment services agreement between Maddox and the OCIO.

## **Custodian**

The Custodian (or through agreement, one or more sub-custodians) will maintain custody of securities and separately managed accounts, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales by the Committee, the OCIO, or the investment managers. The Custodian will also perform regular accountings of all assets owned, purchased, sold, or transferred, as well as movement of assets into and out of the Fund and will cooperate on year-end reconciliation of holdings. (The Committee may, at its discretion, appoint the OCIO firm to serve as Custodian if it believes that so doing would be prudent and in the best interests of the management of the Fund.)

## **Appendix C**

### **Manager/Fund Selection and Allowable Investments**

## **Manager/Fund Selection**

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 will consider the extent to which the Manager/Fund management firm and managed portfolios embrace and embody the Maddox "Vision, Mission, Values and DEIJL Alignment Guidelines" along with the following factors:

- 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) Fees relative to providers of similar strategies and to the overall expected return of the investment;
- e) Regulatory or legal actions against the firm, its principals or employees;
- f) Compliance with the guidelines and objectives set forth in this Investment Policy;
- g) Turnover in key personnel and ownership;
- h) Appropriate levels of client servicing;
- i) Firm and individual credentials; and
- j) Any other pertinent issues deemed to be important by the Investment Committee.

## **Allowable Investments**

It is the policy of Maddox to invest the Fund's assets based on the stated objectives in this IPS. The continuous implementation of this policy will be based on cash-flow targets, risk tolerance, time frames, liquidity issues and an assessment of other relevant factors. Subject to the guidelines listed herein and consistent with the investment objectives of the Fund, the OCIO has full discretion regarding implementation of the Committee approved Portfolio Asset Allocation including selection of Managers/Funds, except as limited regarding investments in "Semi-Liquid" or "Illiquid Investments" as defined herein. The following Allowable Investments are approved for inclusion in the Fund portfolio:

- **Equities** – "Equities" are broadly defined within this IPS as representing publicly traded common stock, ordinary shares and/or American Depository Receipts (ADRs) in the form of individual securities, exchange traded funds, mutual funds or separately managed accounts of US, developed international or emerging market companies and private equity and private real estate investments. The equity allocation, in aggregate, has an investment objective of delivering net-of-fees returns equal to or exceeding the returns of an appropriate blended benchmark index and the MSCI All Country World Index ("ACWI"). The equity allocation's purpose is to produce a proportionately greater contribution to total return than the fixed income portion of the portfolio, although it is recognized that this involves the assumption of greater risk and return variability. The equity allocation will be broadly diversified regarding geography, economic sector, industry, number of holdings, and other investment characteristics.
- **Fixed Income** – "Fixed Income" is broadly defined within this IPS as individual securities, exchange traded funds, mutual funds or separately managed accounts of U.S. Treasury, agency and corporate debt securities as

well as securitized debt securities (such as mortgage-backed, asset-backed, and bank-loan secured, and middle market direct lending secured instruments). Fixed Income may also include emerging markets and high yield bonds, leveraged loans in the form of exchange traded funds, mutual funds and/or separately managed accounts and approved private debt and private credit investments. The fixed income allocation, in aggregate, has an investment objective of delivering net-of-fees returns equal to or exceeding the returns of an appropriate blended benchmark index and the Bloomberg Barclays U.S. Aggregate Bond Index (or some other broad fixed income benchmark as approved by the Committee. The purposes of the fixed income allocation are 1) to contribute to overall return (including current income and potential capital appreciation), 2) to control overall portfolio risk, and 3) to provide a hedge against prolonged economic contraction. Money market instruments or other short-term fixed income securities may also be held in the Fixed Income allocation, or they may be classified as Cash and Equivalents.

- **Diversifiers** – In aggregate, the objective of these investments will be to avail the Fund of opportunities to dampen short-term volatility and/or enhance total return while pursuing the Organizational Objective. “Diversifiers” are defined as hedge funds, liquid alternative funds, commodities, and other diversifying strategies with low correlations to traditional fixed income and equity markets. Performance of the aggregate Diversifiers portfolio will be measured against the HFRI Fund of Funds Composite Index.

**Semi-Liquid and Illiquid Funds** – To the extent that the OCIO believes the use of Semi-Liquid and Illiquid Funds (as defined in the IPS) are appropriate and prudent components of the portfolio, such investments will require prior education of and approval by the Committee. The Committee will consider recommendation of the appropriateness of each Semi-Liquid or Illiquid Fund on a case-by-case basis, taking into consideration the costs, risks, expected returns, liquidity and structure of the investment, in addition to the overall allocation to the related asset class and the anticipated benefit that such Semi-Liquid or Illiquid Fund will provide to the portfolio relative to the pursuit of the Organizational Objective and the Policy Objective established herein.

### **Prohibited Assets/Transactions**

The provisions of this IPS establish prudent fiduciary standards regarding the management of the Funds by a qualified OCIO. The OCIO will agree, in writing and as a “fiduciary,” to conduct all matters related to the investments of the Funds’ in compliance with this IPS, applicable laws and regulations, and generally accepted practices and standards of prudent portfolio management.

In all respects, the OCIO will be responsible for ensuring that the investments of the Fund are managed to these standards and for defining, documenting (for Committee approval) and enforcing a list of any securities, assets and transactions that are expressly prohibited in the management of the Fund. The OCIO will further accept responsibility for ensuring that separately managed accounts, funds, products, or investment vehicles employed are in continuous compliance with this list or that specific exceptions are approved, in advance of purchase, by the Committee.

Unless otherwise approved by the Committee, the following investments and activities are expressly prohibited except as included in mutual funds, commingled funds, or approved Semi-Liquid or Illiquid Funds: short-selling, margin trading or direct leverage, securities lending, private placements, direct investments in commodities (other than mutual funds and exchange traded funds), direct investment in futures contracts, and any securities or financial instruments in which the OCIO or the underlying fund/account manager is an issuer or otherwise deemed to have a financial interest or receive direct or indirect financial or other benefit.

## **Appendix D**

### **Portfolio Asset Allocation and Related Benchmarks**



(Illustrative Only – To be Recommended by OCIO and Approved by Committee)

**Portfolio Asset Allocation:**

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b><i>Equities</i></b>	<b>50.0%</b>	<b>67.5%</b>	<b>80.0%</b>
• Public Equities	35.0%	45.0%	70.0%
Domestic	-	-	-
International	-	-	-
• Private Equities	<b>0.0%</b>	<b>22.5%</b>	<b>30.0%</b>
<b><i>Fixed Income</i></b>	<b>10.0%</b>	<b>15.5%</b>	<b>35.0%</b>
• Public Fixed Income	10.0%	15.5%	35.0%
Domestic	-	-	-
International	-	-	-
• Private Fixed Income	<b>0.0%</b>	0.0%	10.0%
<b><i>Diversifiers</i></b>	<b>0.0%</b>	<b>15.0%</b>	<b>30.0%</b>
• Liquid Diversifiers	0.0%	0.0%	15.0%
• Hedge Funds (Private)	0.0%	10.0%	20.0%
• Other	-		
• Other	-		
<b><i>Cash &amp; Equivalents</i></b>	<b>0%</b>	<b>2.0%</b>	<b>10.0%</b>

**Portfolio Benchmark:**

<b>Asset Class</b>	<b>Target</b>	<b>Benchmark</b>
<b><i>Equities</i></b>	<b>67.5%</b>	<b>MSCI ACWI</b>
• Public Equities	45.0%	<b>MSCI ACWI</b>
Domestic	-	<b>Russell 3000</b>
International	-	<b>MSCI ACWI ex. US</b>
• Private Equities	22.5%	<b>MSCI ACWI + 200 bps</b>
<b><i>Fixed Income</i></b>	<b>15.5%</b>	<b>Bloomberg Barclay's US Aggregate</b>
• Public Fixed Income	15.5%	<b>Bloomberg Barclay's US Aggregate</b>
Domestic	-	
International	-	
• Private Fixed Income	0.0%	<b>?</b>
<b><i>Diversifiers</i></b>	<b>15%</b>	<b>HFRI FoF Index</b>
• Liquid Diversifiers	0.0%	<b>?</b>
• Hedge Funds (Private)	10.0%	<b>?</b>
• Other	-	
• Other	-	
<b><i>Cash &amp; Equivalents</i></b>	<b>2.0% -</b>	<b>90 Day US T-Bill</b>