

Dane County Humane Society Investment Policy Statement

I. Overview

The purpose of this Investment Policy Statement (“IPS”) is to provide guidance to the Board of Directors (the “Board”) and the Finance Committee (the “Committee”) of Dane County Humane Society (“DCHS”) in fulfilling their responsibilities under the Uniform Prudent Investor Act that was released in 1994 by the National Conference of Commissioners on Uniform State Laws and similarly provided in Wisconsin under W.S.A. 881.01.

These guidelines are intended to provide direction to the Committee as well as the Investment Advisor hired to assist with the management of the investments (the “Portfolio”) of DCHS. The Committee will review the IPS on an annual basis to ensure the statement remains consistent with the long-term objectives of the endowment funds and trusts.

II. Policy Framework

This IPS is intended to ensure that the portfolio of DCHS is managed in accordance with applicable laws and trust documents, and to assist the Committee in complying with said laws and documents. This IPS is also intended to make the individual members of the Committee aware of their fiduciary duties and responsibilities. As fiduciaries, the individual members of the Committee, as well as the Committee as a whole, shall:

- Analyze and review all of the documents pertaining to the establishment and management of the portfolio;
- Manage the investment decisions for the exclusive benefit of DCHS;
- Ensure all contracts are in writing and do not conflict with fiduciary standards of care;
- Define a time horizon for the investment portfolio, including future cash flow requirements;
- Ensure all assets are protected from theft and embezzlement;
- Avoid conflicts of interest and prohibited transactions; and
- Determine investment goals and objectives, and choose an appropriate asset allocation strategy.

III. Investment Responsibilities

Board of Directors

The Board has ultimate fiduciary responsibility for DCHS’ investment portfolio. The Board is responsible for ensuring that appropriate policies governing the management of the portfolio are in place and that they are implemented. The Board is also responsible for the evaluation, selection and termination of the Investment Advisor (“Advisor”). The Board will approve the IPS on a biennial basis.

Finance Committee

The Committee is responsible for regular review and revision of the IPS and the review of the investment portfolio in accordance with the Monitoring and Review Process section.

Sub-Committee of the Finance Committee

The Finance Committee may delegate to an appointed sub-committee (“Sub-Committee”) any of its responsibilities to facilitate the implementation of these policies.

Investment Advisor

The primary objective of the Advisor is to ensure that the investment assets are invested in accordance with the IPS. The Advisor is responsible for assisting the Committee, or an appointed Sub-Committee, or both, in all aspects of managing and overseeing DCHS’ investment portfolio. (Hereinafter in the Investment Advisor Section the term Committee may refer to either the Finance Committee or the Sub-Committee, unless specifically noted.) At a minimum, the Advisor will provide asset allocation advice, provide quarterly portfolio performance reports, and monitor the overall health of the portfolio.

The Advisor is expected to attend regular meetings with the Committee to provide an independent

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perspective on the issues facing DCHS and its accounts. The Advisor shall be provided a copy of this IPS and its Appendix that will detail certain investment parameters with regards to asset mix and risk tolerance. The Advisor shall be responsible for ensuring that all investments managed by the Advisor are in compliance with the IPS and its Appendix.

The Advisor will review asset allocations and performance in conjunction with the Committee and make recommendations to the Committee as appropriate. The Committee will rely on the advice and recommendations of the Advisor in selecting or dismissing all investments or investment managers. It is expected of the Advisor to promptly inform the Committee of any material issues concerning DCHS' portfolio.

The Advisor is expected to provide the Committee a quarterly report on the asset allocation with a comparison to the pre-determined allocation targets in Appendix A; rebalancing the portfolio as necessary to maintain compliance with the allocation targets. The Advisor will also provide a quarterly report detailing the performance of the long-term investments account(s), and further measuring that performance relative to an appropriate benchmark. On an annual basis, the Advisor will provide the Committee with a summary of fees and expenses. The Advisor will also provide the Committee with other monitoring reports as required.

The Advisor's compliance with the policies and guidelines of this IPS is mandatory. No deviation will be permitted without express written permission, in advance, from the Committee.

IV. Objectives

Return

The long term objective of the DCHS is to earn a return sufficient to preserve the stability of DCHS for generations to come, as well as provide for current needs and preserve existing principle. As a result, the annual return should at least equal the sum of distributions, inflation, administrative costs, and management fees plus a prudent level of growth, expected to match the benchmark rate of return noted (65% MSCI ACWI Index and 35% Barclays Municipal Bond Index).

Risk

The DCHS portfolio will be permitted to experience an overall level or risk consistent with the risk generally associated with the broad policy asset allocation parameters set forth in Appendix A subject to the constraints noted below.

Constraints: Liquidity and Time Horizon

The portfolio must offer sufficient liquidity within the following parameters: a minimum of \$500,000 must be available within 6 months to fund current needs; any excess up to \$750,000 must be available within 18 months. All additional funds may be invested with a long-term time horizon. Any long-term investments require prior approval from the Committee.

V. Investment Strategy

The single most important decision made by the Committee is the asset allocation. Investment research has determined that a significant portion of a portfolio's investment behavior can be attributed to (1) the asset classes/styles which are employed by the portfolio, and (2) the weighting of each asset class/style. It is the responsibility of the Committee to recommend to the Board the broad policy asset allocation parameters, as presented in Appendix A, that offer the highest probability of achieving the investment objectives and managing the related risks. The Committee, with guidance and recommendations from their Advisor, should review the asset allocation parameters, as presented in Appendix A, on an ongoing basis and recommend revisions as necessary.

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The target asset allocation within the broad policy asset allocation parameters will be determined by the Advisor based in light of on-going trends, and based on comprehensive allocation studies completed by the Advisor. The target asset allocation of DCHS is designed to give balance to the overall structure of the DCHS investment program over a long-term investment time horizon.

The Advisor may change the target asset allocation from time to time in its sole discretion, as market conditions warrant, as long as the target asset allocation stays within the Committee approved broad policy asset allocation parameters. However, some factors may impact the target allocation, thereby requiring an asset allocation review. Some of these factors include:

1. The Committee's assessment of the intermediate or long term outlook for different types of asset classes and styles,
2. The Advisor's assessment of the intermediate or long term outlook for different types of asset classes and styles,
3. Divergence in the performance of the different asset classes and styles.

The Committee also relies on the theory that rebalancing an investment portfolio is inherent to the element of diversification, where the goal is to create a portfolio that balances an appropriate level of risk and return. That balance, once achieved, can only be maintained by periodically rebalancing the portfolio to maintain the appropriate diversification.

VI. Spending and Liquidity Policy

The investment balance may be used to fund operating needs. Withdrawals from earnings, including interest and dividend income, must be approved by the Executive Director and the Committee. No repayment of withdrawals from earnings is required. Any withdrawals from principal must also be approved by the Board and upon withdrawal an interest-free 24-36 month repayment period will commence.

VII. Monitoring and Review Process

The Committee seeks to achieve or outperform the target return objective as defined in the Objectives section over a full market cycle (5 years or longer). The Committee does not expect this objective will be attained every year and recognizes that during various time periods, the Advisor may produce significant underperformance or overperformance relative to the markets. It is critical that the Committee maintain the appropriate time horizon to prevent ad-hoc revisions to its philosophy and policies in reaction to either speculation or short-term market fluctuations. Investment performance including underperformance or overperformance relative to the markets will be reviewed by the Committee on a quarterly basis.

The overall health of the portfolio will be monitored by comparing the value of DCHS' portfolio against the expected rate of return plus inflation and fees, and tracking the changes of each to determine whether the target rate of return requires adjustment. This exercise will be performed no less than annually. Portfolio returns will be monitored quarterly to assist in evaluating the effectiveness of the investment strategy. The Committee has adopted the following formal review schedule:

<u>Agenda Item</u>	<u>Review Schedule</u>
Investment Performance	Quarterly
Investment Policy	Annually
Investment Allocation Targets	Annually
Summary of Fees	Annually
Advisor Performance	Annually

VIII. Acknowledgement

We recognize the importance of adhering to the mission and strategies detailed in this policy and agree to

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work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability.

(Signature)

(Print Name)

(Title)

Approved by the Finance Committee on this 16 day of September, 2014.

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Appendix A – Target Asset Allocations

ASSET ALLOCATION TARGETS AND RANGES

Over the long-term, asset allocation is the single greatest contributor of return and risk management to the Plan portfolio. The target asset allocation embodies the Board of Directors decisions about what proportions of the Plan shall be invested in domestic and international equity and fixed income securities, commodities, Hedge funds of funds, REITs and cash. The Committee shall examine the Asset Allocation Targets annually, and shall consider adjustments to the targets as may be appropriate given the Plan's long-term nature and objectives.

Aggregate Plan Asset Allocation Guidelines

Asset Class	Min Wt.	Target Wt.	Max Wt.	Representative Index
Equity Oriented Securities	00.0%	65.0%	75.0%	MSCI ACWI Index
Fixed Income/Cash Oriented Securities	25.0%	35.0%	100.0%	Barclays Municipal Bond Index

Target Asset Allocation – Broad Asset Classes

Asset Class	Min Wt.	Target Wt.	Max Wt.	Representative Index
Domestic Equities	00.0%	30.0%	65.0%	Russell 3000
International Equities	00.0%	25.0%	65.0%	MSCI ACWI exUS
Domestic Fixed Income	00.0%	22.5%	100.0%	Barclays Municipal Bond Index
International Fixed Income	00.0%	07.5%	20.0%	CitiGroup World Gov't
Alternative Investments	00.0%	15.0%	30.0%	HFRI Fund of Funds
Commodities	00.0%	00.0%	5.00%	UBS-DJ Commodity
Real Estate Investment Trusts	00.0%	00.0%	5.00%	Dow Wilshire Global REIT
Cash and Equivalents	00.0%	00.0%	100.0%	CitiGroup 3-Month T-Bill

The Board of Directors will implement the asset allocation policy through the use of a qualified external professional investment consultant and investment managers. The investment consultant will work closely with the Board of Directors in performing ongoing due diligence review of the investment strategy, asset class allocation and timing, subject to Policy guidelines and the minimum and maximum weightings above.

All investment managers must either be (1) registered under the Investment Company Act of 1940, (2) a bank, as defined in that Act or (3) such other person or organization authorized by applicable law or regulation to function as an Investment Manager.