

Utah Wild Sheep Foundation  
Endowment Fund  
Investment Policies

***Preamble***

The Utah Wild Sheep Foundation Endowment Fund (the “Endowment Fund”) is created by resolution of the Board of Directors (the “Board”) of the Utah Wild Sheep Foundation (“Utah WSF” or the “Organization”). Contributions directed to the Endowment Fund shall comprise a permanently-restricted fund of the Organization. The original principal amount of any contribution shall be committed to the Endowment Fund irrevocably and the original principal balance of contributions to the Endowment Fund shall not be invaded for any reason. The aggregate of contributions to the Endowment Fund shall be referred to in this document as the “Original Contributions”. The initial account balance of approximately \$121,360.30 which will be utilized by the Organization to start the Endowment Fund shall not be considered as part of the “Original Contributions” and shall be available to the Organization as emergency funds, upon approval by the Board. The Board shall create a Financial Advisory Committee which shall be responsible for oversight and management of the Original Contributions according to the Investment Policies (the “Policies”) set out in this document. The Board shall take recommendations from the Financial Advisory Committee in respect all distribution of income and gain produced by the Endowment Fund in accordance with the Policies, with the purpose of benefitting the Organization and furthering the Organization’s mission and purposes.

***Delegation***

The Financial Advisory Committee shall have authority over the Endowment Fund and will act in accordance with the Policies and all applicable laws and regulations. The Financial Advisory Committee may make recommendations to the Board, however, the Board reserves to itself the exclusive right to revise the Policies.

The Financial Advisory Committee shall consist of the following individuals:  
Bob Friel, Merlyn Jones and Kyle Zimmerman.

The Financial Advisory Committee is authorized to retain one or more Investment Managers (the “Manager”) to assume the management of funds and assets comprising the Endowment Fund. The Financial Advisory Committee shall work directly with the Investment Managers. The Financial Advisory committee may receive reports from, pay compensation to, and enter into and terminate agreements with the Manager. The Board shall designate a member of the Board of Directors of the Organization as liaison to the Manager and to lead the Financial Advisory Committee.

The Financial Advisory Committee and the Board of Directors has retained Greg King of Merrill Lynch to act as Investment Advisor to Utah WSF.

Additionally, the Financial Advisory Committee will assume the following responsibilities:

1. Approve investment allocation.
2. Ensure that the costs are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution.
3. Make reasonable effort to verify facts relevant to the management and investment of the Endowment Fund assets.
4. Review annual ROI's and make comparisons to applicable benchmarks.
5. Provide annual reporting to the Board and make recommendations in respect to investment policies, asset allocation, etc.

### ***Investment Objective***

The primary investment objective of the Endowment Fund is to produce a rate of total return of approximately 5-7%, which will permit maximum support of the Organization to the extent that is consistent with the following: prudent management of investments, preservation of principal and potential for long-term asset growth.

### ***Investment Guidelines***

#### **Permissible Investments**

Endowment Fund assets may be invested in publicly-traded common and preferred stocks, convertible bonds and preferred stocks, bank common funds, mutual funds and fixed income securities (including corporate bonds and money market instruments), whether interest-bearing or discount instruments, subject to any restrictions hereinafter specified. No other securities are permissible investments without the specific approval of the Financial Advisory Committee and the Board of Directors.

#### **Investments and Transactions That Are Not Permitted**

Equity Investments – The following are **not** permissible investments: common stock in non-public corporations, letter or restricted stock, derivative instruments, initial public offerings, buying or selling on margin.

Fixed-Income Investments – The following are **not** permissible investments: tax exempt bonds; bonds, notes or other indebtedness for which there is no public market (private placements); direct placement of mortgages on real property.

Options and Futures – Transactions are not permitted in futures contracts nor in options contracts of any kind.

### Asset Mix

The investment objective of the Endowment Fund implies a balanced approach. The Investment Manager is authorized to utilize portfolios of equity securities (common stocks, preferred stocks, and convertible securities), fixed-income securities (debt instruments), and short-term investments (cash equivalents), or mutual funds comprised of these security types, according to the following asset allocation guidelines. These asset allocation guidelines may be modified from time to time by the Finance Committee.

	<u>Long-Term Target</u>	<u>Allowable Range</u>
EQUITY	50%	30% to 70%
FIXED INCOME	30%	20% to 60%
SHORT-TERM	20%	0% to 30%

### Start Up Thresholds

The Manager may deviate from the above guidelines concerning Asset Mix until the total market value of the Endowment Fund reaches a point where this level of asset mix is reasonable.

## Asset Diversification and Quality

The asset quality standards outlined below apply at the time of initial purchase. The Manager and Board shall review the status of any holding whose quality drops below these standards and determine at that time whether the security should be retained.

Equity Securities – No more than 20% of the market value of any equity portfolio may be invested in the securities of any one issuer. The Manager shall also maintain reasonable sector allocations such that no more than 30% of any equity portfolio may be invested in the securities of any one market sector. A level of diversification by market capitalization appropriate to prevailing market conditions is also required. In developing the equity portfolio, the Manager may use mutual funds, pooled funds, convertible preferred stocks and bonds as equity investments.

Fixed-income securities – The fixed-income securities of a single issue or issuer are limited to no more than 20% of the market value of the fixed-income portfolio. These diversification requirements shall not apply to U.S. Treasury obligations, which may be held in unlimited amounts within the fixed-income portfolio. The quality rating of bonds and notes must be A or better, as rated by Standard & Poor's or Moody's. The portfolio may consist of only traditional principal and interest obligations (no derivatives) with maturities of no greater than 10 years and a duration period of approximately 7 years.

Short-term investments – The quality rating of commercial paper must be at least A-1 as rated by Standard & Poor's, or P-1 as rated by Moody's. Any money market funds utilized must comply with the quality provisions for fixed-income securities or short-term investments.

Foreign Securities – The total value of investments in securities whose issuers are foreign corporations and investments in mutual funds comprised primarily of foreign securities shall be limited to 30% of the assets of the Endowment Fund.

## ***Distribution of Unrestricted Income and Gain***

Up to 4% of the income and/or gain earned by the Endowment Fund is considered unrestricted revenue and may be distributed to the Organization as general support revenue for its programs. On at least an annual basis the Financial Advisory Committee shall recommend to the Board an amount to be transferred from the unrestricted income and/or gain of the Endowment Fund to the General Operating Fund of the Organization. Initially, that amount shall not exceed 4% of the annual income and/or gain. At no time shall the permanently-restricted Original Contributions to the Endowment Fund be

invaded. As a matter of prudence, no distribution of income and/or gain shall decrease the total market value of the Endowment Fund below 110% of the permanently-restricted original contributions balance. At the same time, an amount no greater than 10% of the total market value of the Endowment Fund may be distributed in each calendar year.

### ***Review Procedures***

#### Review and Modification of the Investment Policies

The Financial Advisory Committee shall review these Investment Policies at least once a year to determine if modifications are necessary or desirable. Any proposed modifications must be approved by the Board of Directors and if adopted must be communicated promptly to the Investment Manager and other interested persons.

#### Meetings with the Investment Manager

The Investment Manager is expected to consult with the Financial Advisory Committee at least annually to review the Endowment Fund portfolio and investment results in the context of these Investment Policies. If cost or schedule prohibits a meeting, a telephone conference is an acceptable substitute for an in-person meeting.

#### Reporting Requirements

The Investment Manager is expected to provide the Financial Advisory Committee with the following reports.

Monthly – A written statement of all pertinent transaction details for each separately managed portfolio for the preceding month, including 1) the name and quantity of each security purchased or sold, with price and transaction date; 2) an analysis for each security of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated income and yield (%) at market; and 3) an analysis for the entire portfolio of the current asset allocation by investment category (equity, fixed-income, short-term investments).

Annually – A annual summary of all transactions to date in the fiscal year, together with a report of investment performance for the portfolio to date.

#### Performance Measurement

The Financial Advisory Committee shall review at least annually the performance of the Endowment Fund portfolio relative to the objectives and guidelines described in the Investment Policies.

Performance Benchmarks

The Investment Manager is expected to achieve total returns competitive with performance benchmarks appropriate to each asset class, as measured over a fair market cycle of three to five years. The specific indices used as benchmarks must be agreed upon by the Financial Advisory Committee and the Investment Manager.

Adopted this 19th day of November 2018

By/Travis T. Jenson

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