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**Investment Policy**

Adopted by Tracy Family Foundation Board as of July 27, 2022.

1. **General**
   1. **Purpose.** The purpose of this Investment Policy is to give guidance to the Board of Directors (“Board”), Investment Advisory Committee, and Staff of the Tracy Family Foundation (“TFF”), in connection with the investment and management of TFF’s funds designated for investment (the “Investment Funds”). Long-term investment objectives, policies, and a prudent investment program are essential tools for the Board and Investment Advisory Committee in carrying out their fiduciary responsibilities concerning the management and investment of TFF’s Investment Funds. In the pursuit of its investment objectives, the Board may engage the services of one or more investment advisors (each, an “Investment Advisor”), who, in turn, may assist in the selection of investment managers of the funds invested under the purview of the Investment Advisory Committee (each, an “Investment Manager”).
   2. **Mission and Values.** TFF’s mission is to advance innovative, collaborative, and sustainable change in communities and cultivate a philanthropic spirit in all generations of the Robert and Dorothy Tracy family. TFF aligns all of its work with the values of family, faith, education, leadership, and community.
   3. **Income and Expenses.** Dot Foods provides an annual contribution to TFF in March. The amount of the contribution is based upon a percentage of the corporation’s pre-tax profits. TFF operates differently than an endowed foundation that received a large contribution at a point in time and distributes 5-10% annually. TFF receives an annual contribution and seeks to distribute approximately 40-60% of its total assets each year. TFF’s Spending and Reserve Guidelines recommend that TFF have a minimum of one year and a maximum of two years of expenses in reserves. If the reserves’ balance exceeds two years of expenses, TFF’s guidelines encourage TFF to pursue a special charitable gift with the excess funds. TFF does not seek to accumulate funds but seeks to mobilize them for impact.
   4. **Investment Advisory Committee Review.** The Investment Advisory Committee will review this Investment Policy at least every three years and will review the strategic asset allocation annually. The Investment Advisory Committee will then recommend any appropriate changes to the TFF Board.
2. **The Investment Advisory Committee**
   1. **General.** In recognition of its responsibility to manage the Investment Funds prudently, the Board has appointed an Investment Advisory Committee under the By-Laws of the TFF. The Investment Advisory Committee has been charged with the responsibility to supervise the investment and management of the Investment Funds and has been further charged with the responsibility of keeping the Board properly advised of the status of TFF’s investments.
   2. **Structures and Operations.**
      1. **Composition and Qualifications.** The Investment Advisory Committee will be comprised of one or more members of the Board, at least one TFF Staff member, and one or more members of the Tracy family and/or public, preferably with financial and/or investment background or expertise.The Committee will have a minimum of 5 members and maximum of 11 members.
      2. **Appointment and Removal.** Following the By-Laws of TFF, the members of the Investment Advisory Committee will be appointed by the Board for a term of one year. It is preferred that Investment Advisory Committee members serve at least three years. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.
      3. **Chair.** The Chair of the Investment Advisory Committee will be appointed by the Chair of the Board of TFF. The Chair of the Committee will set the agendas for and chair Committee meetings.
   3. **Meetings.** The Investment Advisory Committee will meet at least quarterly or more frequently as circumstances dictate. The Committee may invite to its meetings any director, any employee of TFF, and any other person with whom it deems appropriate to consult to carry out its duties and responsibilities.
   4. **Duties and Responsibilities of the Investment Advisory Committee.** The following are the duties and responsibilities of the Investment Advisory Committee:
3. Authorization and supervision of the Investment Funds.
4. Periodic review of the written Investment Policy for the Investment Funds.
5. With the assistance of and upon the recommendation of the Investment Advisors, establishment and review of an investment strategy consistent with the requirements, guidelines, and principles articulated in the Investment Policy.
6. The retention and termination of Investment Advisors, with Board approval, to advise the Investment Advisory Committee concerning its duties and responsibilities.
7. Supervision of any individuals or entities to whom investment management responsibility is delegated.
8. In addition to quarterly meetings, periodically meeting or conferencing with the Investment Advisors as needed.
9. Reviewing the performance of each of the Investment Funds’ Investment Advisors. Required reports from Investment Advisors will include appropriate performance information, including a comparison of performance against appropriate benchmarks. Required reports from Investment Advisors will be determined on a case-by-case basis.
10. Prescribing from time to time the place and manner of safekeeping of securities and other investments of TFF and the manner of access to and withdrawal of the securities and investments.
11. Making Reports to the Board as follows:
    1. The Investment Advisory Committee will regularly report to the Board material information regarding the Investment Funds, including performance, exposure to particular asset classes, and other relevant information.
    2. The Investment Advisory Committee will report to the Board any changes it recommends to the investment guidelines for the Investment Funds from time to time.
12. Oversight of the financial and cash management processes and methods utilized in the management of the Investment Funds, including the deposit and safekeeping of money, securities, and other financial and investment assets of the Investment Funds.
13. Keeping contemporaneous detailed minutes of the Investment Advisory Committee meetings.
14. The carrying out of any other duties and responsibilities delegated to the Investment Advisory Committee by the Board from time to time.
15. **Investment Objective and Considerations**
    1. **Objective.** The funds under the purview of the Investment Advisory Committee, except those required for short-term needs, should be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of TFF. Investment Funds should be invested in such a way as to help in meeting the future capital and other investment needs of TFF. TFF has an investment horizon of ten years or longer and seeks long-term capital appreciation of its investment portfolio. Current income is a secondary consideration.

The Board does not expect that this investment objective will be achievable every year and, as a result, will normally measure investment performance over rolling three- and five-year periods. The Board also recognizes that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of TFF. In developing and implementing TFF’s investment program, the Investment Advisory Committee will consider the risks associated with each investment strategy and asset class.

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted per the long-term policy targets.

* 1. **Asset Allocations.** The responsibility for establishing the strategic asset allocation policy (“Asset Allocation”) for TFF rests with the TFF Board. In making asset allocation judgments, the TFF Board and Investment Advisory Committee recognize that TFF must invest in a portfolio of assets that will generate a return sufficient to meet the stated objectives.

With significant allocations to asset classes that have different risk and return characteristics, TFF maintains a highly diversified portfolio that is expected to generate strong returns and reduce volatility over the long term. The Strategic Asset Allocation for the Investment Funds is shown in Exhibit A; the Investment Advisors can and will make tactical shifts to the allocation, within the allowable asset class ranges.

* 1. **Investment Restrictions.** 
     1. **Diversification.** In general, the Investment Advisory Committee should seek to ensure an appropriate diversification of the portfolio by asset class, sector, geographic region, and by Investment Manager.
     2. **Liquidity.** It is understood that TFF must maintain a certain minimum level of liquidity that is sufficient to fund the programmatic activities of TFF as well as to fund the ongoing expenses of TFF. TFF Staff monitor on an ongoing basis the liquidity of the Investment Funds consistent with the parameters set forth by TFF’s Spending, Investments, and Cash Flow Guidelines.
  2. **Performance Evaluation and Benchmarks.** The benchmark for each asset class or subcategory is outlined in Exhibit A. The purpose of the objectives is to establish specific, clear, consistent, fair, and rigorous parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation are on longer periods, generally, three- to five-year periods (once programs are fully developed) or a market cycle, whichever is greater. The Investment Advisory Committee will, with the assistance of the Investment Advisors, as applicable, monitor Investment Managers on an ongoing basis to ensure consistency of investment philosophy, implementation, organizational structure, and performance.
  3. **Communication and Reports.** 
     1. **Reports.** The Investment Advisor, as applicable, will report at least the following to the Investment Advisory Committee quarterly:
        1. Performance;
        2. Portfolio characteristics, summarized by key investment factors;
        3. Portfolio holdings in total, where possible; and
        4. ESG rating of holdings.
     2. **Price Changes.** Investment Advisors should be prepared to explain any positions whose price or value varies significantly relative to their cost basis, and the potential impact on the net asset value of the Investment Funds.

1. **Conflicts of Interest.** 
   1. **Objective**. This Section of the Investment Policy is intended to provide the Investment Advisory Committee with a policy and procedure for addressing conflicts of interest that may arise in connection with the Investment Advisory Committee’s discharging of its duties and responsibilities. This Section of the Investment Policy supplements, but does not replace, the TFF’s Conflict-of-Interest Policy concerning conflicts related to matters under consideration by the Investment Advisory Committee.
   2. **Conflict of Interest.** A “conflict of interest” occurs where a person is responsible for promoting the interest of the TFF at the same time he or she is involved in a competing personal interest (financial, business, personal, or relational).
   3. **Procedure for Disclosure.** All Investment Advisory Committee members shall disclose all real or perceived conflicts of interest that they discover or that have been brought to their attention in connection with TFF’s Investment Funds and/or Investment Advisors. “Disclosure” shall mean providing properly, to the Investment Advisory Committee Chair, a signed copy of the Annual Investment Conflict of Interest Disclosure Statement (Exhibit B) listing any potential conflicts of interest at least annually. Disclosure is also necessary at any time a conflict of interest may occur. The written Annual Investment Conflict of Interest Disclosure Statements shall be filed by TFF Staff and all conflicts of interest shall be noted in Investment Advisory Committee minutes.
   4. **Recusal**. An Investment Advisory Committee member who believes that he or she might have a real or perceived conflict of interest, in addition to filing the Investment Conflict of Interest Disclosure Statement, must abstain from:
2. participating in discussions or deliberations concerning the subject of the conflict (other

than to present factual information or to answer questions),

1. using his or her personal influence to affect deliberations,
2. making motions,
3. voting,
4. executing agreements, or
5. taking similar actions on behalf of TFF.

At the discretion of the Investment Advisory Committee Chair, a person with a real or perceived conflict of interest may be excused from all or any portion of discussion or deliberations concerning the subject of the conflict.

1. **Confidentiality.** Members of the Investment Advisory Committee, TFF Staff, and Investment Advisors involved with investments are expected to maintain the confidentiality of information obtained by their positions. Information obtained solely by one’s position on the Investment Advisory Committee, as a member of the TFF Staff, or as an Investment Advisor (and not from other sources or relationships) is not to be used for personal financial purposes.

**Exhibit A**

**Strategic Asset Allocation**

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset Class** | **Strategic Target** | **Portfolio Allocation** | **Benchmark** |
| Equity | **70%** | **55 – 85%** | **MSCI AC World Index** |
| U.S. | 38% | 23 – 53% |  |
| U.S. Large Cap | 33% | 18 – 48% | **S & P 500** |
| U.S. Mid Cap | 5% | 0 – 15% | **Russell Mid Cap** |
| U.S. Small Cap | 0% | 0 – 10% | **Russell 2000** |
| International Developed | 24% | 9 – 39% | **MSCI EAFE** |
| Emerging Markets | 8% | 0 – 15% | **MSCI Emerging Markets** |
| Alternatives | **5%** | **0 – 20%** |  |
| REITS | 3% | 0 – 10% | **NAREIT Equity Index** |
| Hard Assets | 2% | 0 – 10% | **Bloomberg Commodity Index** |
| Fixed Income & Cash | **25%** | **10 – 40%** | **Barclays Bloomberg U.S. Aggregate Index** |

**Exhibit B**

**Annual Investment Conflict of Interest Disclosure Statement**

Name:

I have read and understand the TFF Investment Policy, including Section IV, Conflict of Interest. I hereby declare and certify the following real or perceived conflict(s) of interest:

**Disclosures:**

I agree to promptly inform the Chair of the Investment Advisory Committee upon the occurrence of any event that could potentially create for me a conflict of interest.

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Print Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_