

**INVESTMENT and SPENDING POLICY**

**Policies & Procedures**

**for**

***DSST FOUNDATION, Inc.***  
***(“DSST FOUNDATION”)***

**December, 2017**  
**Amended, November, 2019**

## Summary of Investment Policy, Objectives, and Guidelines

Executive Summary – Dated November 29, 2019

**Type of Fund:** Operating Reserve

**Assets:** \$12,219,456

**As of Date:** November 29, 2019

**Time Horizon:** Short Term

**Investment Horizon:** 1 Year

**Real Return Target:** CPI + 2.5%

**Spending Policy:** NA

### Asset Allocation:

Asset Class and Other Criteria	Rebalancing Ranges	Target Allocation
Long- Only Marketable Equities, including preferred stock	5% - 35%	20%
Fixed Income (incl. cash and short term deposits)	65% - 95%	80%
Diversification (max. exposure to one issuer)	5%	
Duration of Fixed Income Portfolio		< 5 years
Below Investment Grade Debt		< 5%

## Summary of Investment Policy, Objectives, and Guidelines

Executive Summary – Dated November 29, 2019

**Type of Fund:** Endowment

**Assets:** \$ 249,165 **As of Date:** November 29, 2019

**Time Horizon:** Perpetuity

**Investment Horizon:** 10 Years

**Real Return Target:** CPI + 4%

**Spending Policy:** 5% of the average market value over the preceding 36 months

### Asset Allocation:

Asset Class	Rebalancing Ranges	Target Allocation
Long- Only Marketable Equities	60.0% - 80.0%	70%
<i>Domestic as % of Long-Only Equities</i>	<i>40.0% – 70.0%</i>	<i>55%</i>
<i>International as % of Long-Only Equities</i>	<i>30.0% - 60.0%</i>	<i>45%</i>
Fixed Income (incl. cash and short term deposits)	0.0% – 40.0%	30%
Alternatives (including non publicly traded investments)	0.0% – 20.0%	0%

## 1.0 Purpose

To establish policies and procedures for the deposit and investment of DSST FOUNDATION's one or more Endowments ("Endowment Funds"), and for funds that DSST FOUNDATION has received for purposes other than Endowment ("Operating Funds").

## 2.0 Scope

These policies and procedures are applicable to any funds in DSST FOUNDATION's custody, possession, or control; any funds over which DSST FOUNDATION has investment control; any funds over which DSST FOUNDATION would have investment control but for the delegation of that control to another person; and any funds over which another person exercises investment control on behalf of or for the benefit of DSST FOUNDATION.

## 3.0 Policies

The DSST FOUNDATION Board of Directors (the "Board") is responsible for assuring, before accepting any donations, that any restrictions placed by donors on funds received are not inconsistent with DSST FOUNDATION's Policies, Articles and Bylaws.

It is the Investment Policy of DSST FOUNDATION to invest all funds which are not otherwise required in the next 90 days. All gifts received in stock or other non-cash forms will be liquidated and reinvested promptly.

All funds not invested will be deposited with a financial institution that is insured by the FDIC, and if the amount exceeds the FDIC insured maximum amount, in multiple institutions so as not to exceed the insured limit in any one institution.

With respect to Endowment Funds, it is the Spending Policy of DSST FOUNDATION that on June 30 of each year, the DSST FOUNDATION may make available no more than 5% of the average market value over the preceding 36 months (or lesser number of months until that endowment has existed for 36 months) for distribution to DSST for the purposes specified in the endowment. No distribution will be approved if the ending balance of the fund, as calculated at the time of the distribution approval, will be less than 90% of the original gift.

With respect to Operating Funds, the Board, on or before each July 1, shall approve a schedule showing the recipients, timing and amount of distributions for the ensuing 12 months, and at the same time shall approve a schedule showing the amounts by year that represent the earliest date by which those additional funds might be spent (collectively the "Schedule").

## 4.0 Investment Objectives

Endowment Funds: The objectives, in order of priority are to maximize the return without exposing the investments to excessive risk, to maintain the purchasing power of all Endowment Fund assets, and to maintain sufficient liquidity to meet the spending requirements of this policy.

Operating Funds: The objectives, in order of priority, are to preserve capital, insure liquidity to meet the current and future years schedule as determined by the board of directors, and to maximize return.

Please see Appendix 1 for further detail on the investment principles of the Foundation.

#### 5.0 Purchasing Power

Purchasing power shall be understood to mean the amount of goods or services that can be purchased with the capital that was contributed to the endowment, using the consumer price index as published by the U.S. Department of Labor, or similar published index, to determine the amount of inflation from year to year.

#### 6.0 Permitted Investments and Asset Allocation

It is permitted to buy individual securities (stocks and bonds), unit trusts, exchange traded funds, mutual funds and other similar instruments.

The DSST FOUNDATION is not permitted to buy derivatives, short sales, futures, options, or other investment vehicles not described in this policy.

For Endowment Funds, the following targets and acceptable ranges are hereby established.

<b>Asset Class</b>	<b>Rebalancing Ranges</b>	<b>Target Allocation</b>
Long- Only Marketable Equities	60.0% - 80.0%	70%
<i>Domestic as % of Long-Only Equities</i>	<i>40.0% – 70.0%</i>	<i>55%</i>
<i>International as % of Long-Only Equities</i>	<i>30.0% - 60.0%</i>	<i>45%</i>
Fixed Income (incl. cash and short term deposits)	0.0% – 40.0%	30%
Alternatives (including non publicly traded investments)	0.0% – 20.0%	0%

For Operating Funds, the following targets and acceptable ranges are hereby established.

<b>Asset Class and Other Criteria</b>	<b>Rebalancing Ranges</b>	<b>Target Allocation</b>
Long- Only Marketable Equities, including preferred stock	5% - 35%	20%
Fixed Income (incl. cash and short term deposits)	65% - 95%	80%
Diversification (max. exposure to one issuer)	5%	
Duration of Fixed Income Portfolio		< 5 years
Below Investment Grade Debt		< 5%

## 7.0 Administration

The Board may establish an Investment Committee to implement this Policy, and the Board or the Investment Committee is authorized to delegate its responsibilities under this policy to one or more individuals or money managers.

Whoever is delegated to implement the Policy is authorized to appoint a custodian.

The custodian will provide monthly reporting detailing the account(s) value and change from the prior period.

Compliance (with this policy) reports will be prepared semi-annually and performance reports will be prepared no less frequently than quarterly and submitted for review to the Board or to the Investment Committee. If the portfolio is out of compliance with this Policy, notice will be given promptly to the Board or Investment Committee.

## Appendix 1 – Investment Principles

The DSST Foundation will apply the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the management of the fund's assets. The following factors, if relevant, must 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 actions plays within the overall investment portfolio.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the institution.
7. The needs of the institution and the 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 institution.
9. Management and investment decisions about an individual asset must be made not in isolation, but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the fund or institution.
10. Except as otherwise provided by law other than UPMIFA, the institution may invest in any kind of property of type of investment consistent with this section.
11. An institution shall diversify the fund's investments unless it reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.
12. Within a reasonable time after receiving property, the institution shall carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this section of the investment policy.
13. 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 institutional funds.