

**INVESTMENT POLICY STATEMENT
For
Humane Society Naples**

I. FORWARD

This Investment Policy Statement (the “IPS”) sets forth the investment goals and objectives and the management policies applicable to the investment portfolio (the “Portfolio”) of the Endowment Fund (the “Fund”) for the Humane Society Naples. The purpose of this IPS is to establish reasonable expectations, objectives, and guidelines for the prudent investment of the Portfolio’s assets and to create the framework for a portfolio that can be reasonably expected to generate investment returns consistent with the time horizon, liquidity needs, and level of risk associated with the Fund.

II. INVESTMENT PHILOSOPHY

a. Investment Goal

The Fund’s long-term investment goal is to achieve, through active or passive management, a total return that provides incremental value over the appropriate market benchmarks.

To achieve this goal, the total return concept of investing will be followed. Total return means interest, dividends, gains and losses, regardless of whether they are realized or unrealized.

b. Risk Tolerance

It is the nature of endowment funds that their existence should be viewed as perpetual. This long-term horizon allows the Fund to invest in securities that may experience short-term volatility yet provide high expected returns over the long-term.

Risk will be addressed through diversification. Securities will be considered for the Portfolio, based not only on their individual characteristics, but also on how their inclusion will affect the risk and return expectations of the total Portfolio.

Diversification will include various asset classes as outlined in this IPS. The intent of the Committee is for investments to be broadly diversified so as to participate in market growth. It is not the intent to dramatically allocate among asset classes in an attempt to “time” the market.

The Risk Tolerance assessment set forth below shall be reviewed by the Committee at least annually. Fundamental changes in capital markets, inflation, or other factors may cause a change in the risk assessment. As a result, changes in the Asset Allocation targets may be appropriate.

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c. Portfolio Monitoring

On a regular basis, but not less frequently than once annually, the Committee shall review the actual progress of the Portfolio versus the investment environment. This regular review shall include: (i) general market conditions and performance during the period; (ii) total Portfolio returns versus the benchmarks established in this IPS; (iii) asset allocation targets in light of market conditions, inflation, and risk; (iv) individual security holdings in light of the criteria regarding socially responsible investing; (v) adherence to other guidelines established in this IPS; (vi) Investment Manager performance versus passive investment (index funds); and, (vii) consideration of the need to propose modifications to this IPS.

III. PERFORMANCE MEASUREMENT BENCHMARKS

The purpose of active portfolio management is to provide incremental value over a passive index. Therefore, the Investment Manager shall have the goal of obtaining total returns that exceed the appropriate market benchmark over a meaningful period of time (a market cycle – usually 3-5 years).

a. Cash Equivalents

Returns shall be compared to 91-day Treasury Bills.

b. Fixed Income Securities

Returns shall be compared to the Barclays Capital Aggregate Bond Index.

c. Equity Securities

Returns shall be compared to the major market benchmark that is most appropriate for each sub-class of securities, for example:

Large cap stocks – S&P 500 Index

Mid cap stocks – S&P Midcap 400 Index or Russell Midcap Index

Small cap stocks – S&P Smallcap 600 Index or Russell 2000 Index

International stocks – Morgan Stanley Capital International Europe, Australasia, Far East (EAFE) Index

Real estate investment trusts – S&P REIT Composite Index or National Association of Real Estate Investment Trusts (NAREIT) Index

IV. ASSET ALLOCATION AND GUIDELINES

a. Asset Allocation

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The Committee believes that the ultimate achievement of its Investment Goal is impacted most by the asset allocation decision. It is also the primary determinant of volatility of returns.

The Committee has the responsibility of determining the structure of the Portfolio that offers the highest probability of achieving superior investment performance. Moreover, it must update and revise this structure as the Portfolio and markets evolve.

The target asset allocation of the Portfolio is designed to portray the investment structure of the Portfolio over a long time horizon. The fact that the actual ranges are possibly exceeded from time to time should serve as reason to review policy rather than to elicit a forced response to correct the situations.

The Asset Allocation targets and permitted ranges set forth below and shall be reviewed at least annually by the Committee in consultation with the Investment Manager.

Commensurate with a moderate Risk Tolerance, the Committee adopts the following target asset allocations by major class and permitted ranges:

Asset Class	Minimum	Maximum
Cash Equivalents	0%	10%
Fixed Income	20%	70%
Equity	30%	80%
Liquid Alternatives	0%	10%

The portfolio will hold approximately 35-45 common stocks. Average maturity of the fixed income segment of the account will be approximately five years. The fixed income portion of the portfolio may also contain Treasury Inflation Protected Securities (TIPS) or mutual funds invested in TIPS as a protection against future inflation. As an additional hedge against inflation, the account may also include a 3-6% position in commodities achieved through a mutual fund or exchange traded fund (ETF).

V. PROHIBITED TRANSACTIONS

All individual Equity and Fixed income securities will be screened for Animal Testing. Companies that fail the screening will be prohibited. Ownership of mutual funds, ETF's or other pooled groups of securities are not prohibited because the Humane Society Naples (HSN) has no control over the selection of assets in the group of securities.

VI. CONCENTRATION GUIDELINES

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With respect to individual securities, excluding U.S. Treasury and U.S. Government Agency obligations, no company's securities (debt and equity combined) shall exceed 10% of the total value of the Portfolio. If this condition is exceeded at the inception of a fund as a result of a contribution of securities, the Investment Manager shall, in consultation with the Committee, develop a plan to opportunistically liquidate the excess holdings in a prudent manner that maximizes value to the Portfolio.

VII. Liquidity Guidelines

The Investment Manager shall retain cash equivalents sufficient to meet normal liquidity requirements of the Fund, which are expected to be minimal on a day-to-day basis. The Committee shall be responsible for notifying the Trustee or Custodian of all projected liquid alternatives as far in advance as practicable.

VIII. INVESTMENT MANAGER RELATIONS

In addition to achievement of performance objectives and adherence to investment guidelines, the Committee expects to receive a high level of communication and service from the Investment Manager. In addition, the Committee acknowledges its obligations to communicate promptly with the Investment Manager regarding certain matters.

IX. PERFORMANCE REPORTING

At least annually, and more frequently as deemed appropriate by the Committee and the Investment Manager, the Investment Manager shall meet with the Committee and present a comprehensive report containing at least the following: (i) Portfolio composition and structure; (ii) individual security holdings and transactions; (iii) investment performance along with a discussion of the key factors that contributed to investment results; (iv) comparison of investment performance over appropriate periods to market benchmarks as set forth; and, (v) a review of changes in strategy during the prior period, current investment outlook, and anticipated changes in strategy.

X. POLICY REVIEW

In conjunction with this annual meeting, or more frequently as deemed appropriate by the Committee and the Investment Manager, the Committee and the Investment Manager shall review the Asset Allocation targets and make any changes that are appropriate in light of the existing environment in the capital markets and the status of the Portfolio.

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ADOPTION:

This Investment Policy Statement was adopted by the Endowment Committee and the Board of Directors of the Humane Society Naples on the _____ day of _____ 2019.

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