

Center for Natural Lands Management

INVESTMENT POLICY STATEMENT

Adopted on October 2, 2008 via Resolution 140-08
Revised on March 25, 2018 via Resolution 276-18
Revised on June 29, 2023 via Resolution 351-23

PURPOSE AND OBJECTIVES

Statement of Purpose

This Investment Policy Statement (“*IPS*”) provides the framework for the management and oversight of the Fund assets of Center for Natural Lands Management (“*CNLM*”) Investment Fund (the “*Fund*”). The Fund consists of such assets deemed by the Board of Directors of CNLM (the “*Board*”) to be assets of the Fund, including donor-restricted funds and unrestricted funds, which include, but are not limited to endowments received for the preservation and management of protected lands. The Finance Committee (the “*Finance Committee*”), a subcommittee of the Board, will be responsible for supervising and monitoring the Fund in accordance with the guidelines outlined in the IPS. The objectives, policies and guidelines set forth in the IPS are intended to promote reasonable risk control parameters to ensure prudence and care in the execution of the investment program of the Fund.

Objective of the Fund

The Fund provides an ongoing source of cash annually to defray management and stewardship costs of natural lands. Accordingly, the primary objective of the Fund is to maintain intergenerational equity – the principle that equity should be preserved across generations. Therefore, the performance of the Fund must at least keep pace with its spending rate plus inflation over the long term in order to maintain the purchasing power of the Fund in perpetuity. This will be accomplished through a carefully planned and executed long-term investment program.

Performance Goals

On an annualized, net of fees basis, the return on the total portfolio over the long term (or a measurable market cycle) will be expected to:

- Equal or exceed the spending rate (5.0%) plus inflation (CPI) over a market cycle
- Equal or exceed the average long-term return of appropriate capital market indices weighted by the asset allocation target percentages (*see Policy Benchmark definition below*)

Performance goals are based upon a long-term investment horizon, therefore interim fluctuations should be viewed with appropriate perspective.

INVESTMENT PHILOSOPHY AND ASSET ALLOCATION

Investment Philosophy

The Fund has a long-term, perpetual investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner is critical to the Fund’s long-term investment performance.

While the Fund seeks to preserve intergenerational equity, it also recognizes the principle that varying degrees of investment risk are generally rewarded with compensating returns.

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Asset Allocation Targets and Ranges

The Fund’s asset allocation policy targets and policy ranges are as follows:

Asset Class	Range MIN	Target	Range MAX	Benchmark
EQUITY	40%	69%	80%	MSCI All-Country World Index (ACWI)
Global Equity	40%	49%	80%	MSCI All-Country World Index (ACWI)
Private Capital*	0%	20%	40%	MSCI All-Country World Index (ACWI)
FIXED INCOME	0%	18%	30%	Weighted Fixed Income Composite¹
Cash	0%	0%	15%	ICE BofA ML 3-Month U.S. T-Bill Index
Treasuries	0%	3%	15%	Bloomberg U.S. 3-10 Year Treasury Bond Index
Core Bonds	0%	8%	15%	Bloomberg Barclays U.S. Aggregate Bond Index
Credit	0%	1%	10%	ICE BofA ML High Yield Master II Index
Private Credit*	0%	6%	10%	ICE BofA ML High Yield Master II Index
REAL ASSETS	0%	13%	20%	Weighted Real Assets Composite²
REITs	0%	2%	10%	FTSE NAREIT All Equity REITs Index
Core Real Estate	0%	2%	10%	NCREIF ODCE (Lagged)
Private Real Estate*	0%	6%	10%	NCREIF ODCE (Lagged)
Private Natural Resources*	0%	3%	10%	S&P Global Natural Resources Index
Asset Class Total		100%		

***Illiquid Investments**

Definition: Investments that do not provide the opportunity for redemption requests at least annually. Typically, Illiquid Investments are expected to have an investment period of multiple years, sometimes exceeding 10 years.

Objective: As compensation for giving up liquidity, Illiquid Investments are expected to generate a return premium above their public market equivalents. These investments are intended to serve as a driver of long-term capital appreciation.

Target

Allocation: The Fund’s target allocation to Illiquid Investments is 35 percent of the Fund’s market value. Because committed capital is typically called over time, and distributions generally begin before all capital is called, it is expected that the total amount committed to Illiquid Investments may be higher than 35 percent of the Fund’s market value.

Investment

Process: Developing a mature, diversified portfolio of Illiquid Investments requires consistent, periodic investment commitments to such investments over a long-term time horizon. Once a mature portfolio of Illiquid Investments has been developed, sustaining it will require additional commitments to new opportunities in order to maintain the Fund’s exposure to such investments as capital is returned via distributions.

Review:

On an annual basis, the Investment Advisor (as defined below) will inform the Finance Committee of anticipated commitments to Illiquid Investments. In addition, the Investment Advisor will review the size and pace of future commitments to Illiquid Investments to ensure compliance with the allocation specified in the IPS.

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Benchmarks

Earnings Benchmark: CPI + 5.0% annualized

The Earnings Benchmark serves as a long-term reference target for the Fund to maintain its real value, net of spending and inflation. Over shorter periods of time, the Fund's return may deviate substantially from this benchmark.

Policy Benchmark: 69% MSCI All-Country World Index (ACWI)
18% Weighted Fixed Income Composite¹
13% Weighted Real Assets Composite²

The Policy Benchmark is a diversified benchmark that reflects the broad underlying exposures of the Fund.

¹Weighted Fixed Income Composite: 17% Bloomberg U.S. 3-10 Year Treasury Bond Index
44% Bloomberg Barclays U.S. Aggregate Bond Index
39% ICE BofA ML High Yield Master II Index

²Weighted Real Assets Composite: 15% FTSE NAREIT All Equity REITs Index
62% NCREIF ODCE (Lagged)
23% S&P Global Natural Resources Index

SPENDING & REBALANCING POLICIES

Spending Policy

Since the purpose of the Fund is to support the long-term mission of CNLM, a designated portion of the Fund will be distributed in support of that mission each year.

CNLM's policy to determine the amount of each distribution will be based on 4.5 percent of the Fund's market value as of April 30 each year, or the CPI adjusted original annual ongoing expenses as calculated by the PAR, whichever is lower.

When considering spending plans and distributions from the Fund, CNLM will exercise good faith and prudence. CNLM will consider factors that include individual donor requirements, tax implications, the duration and preservation of the Fund, general economic conditions, the effect of inflation or deflation, the expected total return of investments, and any other resources available to CNLM.

Rebalancing Policy

The purpose of rebalancing the Fund is to control portfolio risk and maintain the asset allocation within the policy ranges. Portfolio allocations will be monitored regularly and rebalanced as needed, and in a cost-effective manner, to remain in compliance with the IPS.

Tactical rebalancing, which represents opportunistic portfolio positioning away from the policy targets, is also permissible as long as these positioning changes do not violate the stated policy ranges for each asset class.

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ROLES & RESPONSIBILITIES

Duties of the Board

- Approve the IPS as developed and any subsequent revisions to the IPS
- The Board has authorized the Finance Committee to execute the IPS

Duties of the Finance Committee

The Finance Committee is responsible for monitoring the portfolio asset allocation and evaluating its performance with respect to the objectives and guidelines laid out in the IPS.

The Finance Committee will implement the investment program within the constraints of the IPS through the use of a qualified external professional (“*Investment Advisor*”).

The above agreement notwithstanding, the specific responsibilities of the Finance Committee include:

- Establish key inputs into strategic policy, including, but not limited to:
 - Return objective of the Fund
 - Risk profile of the Fund
 - Illiquidity budget of the Fund
 - Strategic asset allocation targets and ranges of the Fund
- Supervise the overall implementation of the IPS
- Monitor and evaluate the investment performance of the Fund
- Report regularly on investment matters to the Board
- Grant exceptions as permitted in the IPS and recommend changes to the IPS as needed
- Periodically review and make recommendations to the Board regarding the spending policy of the Fund
- Receive, review and retain the reports of the Investment Advisor
- Appoint, evaluate and remove the Investment Advisor of the Fund
- Negotiate compensation arrangements with all service providers; control and account for all investment expenses
- Execute such other duties as may be delegated by the Board

Duties of Management and its Staff

In the management of CNLM’s assets, Management and its Staff (“*Management*”) will:

- Execute any documents necessary to facilitate the implementation of the IPS, including but not limited to contracts and subscription documents
- Provide overall monitoring of the Investment Advisor, ensuring they conform to the terms of their contract(s) and that performance monitoring systems are sufficient to provide Management with timely, accurate and useful information

Duties of the Investment Advisor

Governed by an Investment Management Agreement between CNLM and the Investment Advisor, the Investment Advisor will have full discretion and authority to manage the assets of the Fund in a manner consistent with the IPS.

- Consult and assist the Finance Committee in the development of key strategic policy decisions

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- Review the IPS and key strategic policy decisions on a periodic basis, which in most cases should involve review at least once every calendar year
- Manage the assets of the Fund in a manner consistent with the objectives, guidelines, and restrictions within the IPS
- Select, retain, and terminate sub-advisors as necessary to execute specific investment strategies
- Rebalance the Fund based on the Rebalancing Policy within the IPS
- Monitor the Fund's investment performance and investment risks
- Report to Management and the Finance Committee on a regular basis
 - Reports will include market value, investment performance, asset allocation, and other pertinent information related to the Fund's assets

INVESTMENT GUIDELINES

Equity

The purpose of public equity investments, both domestic and international, is to provide capital appreciation, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and greater risk of loss than some of the other asset classes. This component includes domestic and international common stocks, American Depository Receipts (ADR's), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of \$50 million with reasonable market liquidity. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. However, no single major industry shall represent more than 20% of the Fund's total market value, and no single security shall represent more than 5% of the Fund's total market.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of equity securities.

Equity investments may also include Private Equity and Venture Capital, together referred to as Private Capital. These investments are typically made through limited partnerships or limited liability corporations offered by professional investment managers. Private Capital strategies may include private equity, venture capital and distressed investments. These strategies typically offer no or limited ability to redeem or withdraw.

Fixed Income

The purpose of fixed income investments, both domestic and international, is to provide diversification, a predictable and dependent source of current income, as well as a source of downside and/or deflation hedging. It is expected that fixed income investments will not be totally dedicated to the long-term bond market but will be flexibly allocated among maturities of different lengths. Core fixed income instruments should reduce the overall volatility of the Fund's assets and provide a deflation hedge.

Fixed income investments within the Fund include, but are not limited to, U.S. Treasury and government agency bonds, foreign government and supranational debt, public and private corporate debt, liquid and illiquid credit, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations.

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Yield-oriented investments may include securities that are rated below Investment Grade. These securities may include high yield bonds, business development companies, leveraged loans, and direct loans, in both public and private structures.

Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. However, index funds may also be used if appropriate for implementing the policy.

Investments of a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, FNMA and FHLMC), may not exceed 5% of the total market value of the Fund.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

Cash and Equivalents

Cash investments may include high quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. Commercial paper assets must be rated at least A1 or P-1 (by Moody's or S&P).

No more than 5% of the Fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Uninvested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for investment. However, such vehicles are appropriate as depository for income distributions from longer term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of cash equivalent securities.

Diversifying Strategies

Diversifying Strategies includes hedge fund investments that are intended to provide diversification to the Fund through low correlations to broad equity and fixed income markets. In addition, the strategies should collectively generate alpha (outperformance relative to its benchmark after accounting for risk) and therefore generate attractive risk-adjusted performance.

These strategies may include hedged equity, credit, event-driven, relative value, global macro, trend-following, quantitative, and other hedged strategies. Hedge fund managers may use leverage and derivatives to implement their strategies.

Real Assets

The purpose of investing in real assets is primarily to hedge the Fund against inflation and to provide diversification to other investment strategies in the Fund. Some real asset investments may also provide long-term opportunities for capital growth or income. Investments in real assets may include U.S. Treasury inflation-indexed securities ("TIPS") and non-U.S. dollar denominated inflation-indexed securities, commodities (e.g. agricultural goods, metals, minerals, energy products, and foreign

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currencies), natural resources (e.g. oil, gas, clean energy, services, timber, and other natural resource investments), real estate (e.g. REITS, core, value-add, and other opportunistic real estate investment strategies) and other real asset strategies (e.g. infrastructure, intellectual property, or royalty payments). Investments in real assets may include both public and private structures.

Other Guidelines

Derivatives and Derivative Securities

Investment managers may be permitted to use derivative instruments under the terms of their specific investment guidelines. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. Derivatives positions should be fully collateralized. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.