



## **TEXAS VETERINARY MEDICAL FOUNDATION Statement of Investment Policy**

### **I. Introduction and Authority**

The funds of the Texas Veterinary Medical Foundation (“TVMF”) shall be invested according to this statement of investment policy as established and adopted by the Texas Veterinary Medical Foundation Board of Trustees. No person shall have the authority to invest the Texas Veterinary Medical Foundation funds except as directed in this statement.

### **II. Purpose of the Statement of Investment Objectives, Policies, and Guidelines**

The purpose of the investment policy statement is to:

- A. Document the authority, investment objectives, policies, and guidelines of the Texas Veterinary Medical Foundation Board of Trustees;
- B. State the Board’s attitudes and expectations for the investment of TVMF funds and what it considers appropriate and prudent, considering the needs of TVMF;
- C. Communicate the investment objectives, policies, and guidelines of the Board to TVMF staff and other interested parties;
- D. Set forth an investment structure for the management and ongoing oversight of TVMF funds; and
- E. Document that the Board is fulfilling its responsibilities for managing its investments solely in the interests of the Texas Veterinary Medical Foundation

### **III. Responsible Parties and Their Duties**

- A. The TVMF Investment Committee shall have the responsibility for supervising and monitoring the investments of the Texas Veterinary Medical Foundation and setting the objectives, policies, and guidelines for investing TVMF funds. The Investment Committee may adopt rules, procedures, assumptions or prerogatives in managing TVMF funds. All such rules, procedures, assumptions or prerogatives shall be stated in Appendix A, which may be amended from time to time.
- B. The Texas Veterinary Medical Foundation shall have an executive director and/or staff who function directly with the Investment Committee concerning investment matters, and who shall:
  - 1. Ensure that TVMF funds are invested according to this Statement of Investment Policy;
  - 2. Monitor the investment of TVMF funds and report any exceptions thereof to this policy;



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3. Keep records and provide an accounting of all TVMF investment transactions, income, expenses, etc. and provide reports on the status thereof.
- C. The Investment Committee may employ any of the following parties, whose duties and responsibilities are as follows:
1. An investment advisor that provides the following services:
    - a. Establishing and recommending appropriate investment guidelines;
    - b. Conducting research to identify investment opportunities;
    - c. Evaluating investment potential and risk;
    - d. Executing the actual purchase and sale of investment securities;
    - e. Managing TVMF funds in compliance with this Statement of Investment Policy;
    - f. Tracking, evaluating, and reporting on investment performance; and providing other relevant advice.
  2. A custodian to hold and provide for the safekeeping of TVMF funds.

### **IV. Goal for Texas Veterinary Medical Foundation Funds**

The goal of the Investment Committee for the TVMF funds shall be to:

- A. Contribute to the budgetary or financial needs of the Texas Veterinary Medical Foundation;
- B. Preserve capital, maintain a portfolio of liquid investments, and optimize investment returns within the constraints of this policy;
- C. Earn a reasonable rate of return on TVMF funds; and
- D. Comply with the policies set by the TVMF Board.

### **V. Asset Allocation Policy**

- A. The Investment Committee shall approve an allocation of funds that properly identifies various asset classes for funds to be invested. The Investment Committee shall review the allocation of funds at least annually and adjust as necessary. The most recent approved asset allocation shall be included in Appendix B.
- B. As the Investment Committee allocates funds for other than short-term cash needs, the following criteria may be considered for each allocation:
  1. Amount and purpose of funds;
  2. Investment return objectives;
  3. Time horizon;
  4. Risk tolerances;



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5. Liquidity needs;
  6. Tax status; and
  7. Unique circumstances.
- C. If applicable, portfolios may be designated for specific purposes and shall be constructed and based on a balanced investment approach that uses a broad range of asset classes and/or securities, so as to diversify risk across a portfolio of securities and attain the objective stated for such funds.

### **VI. Investment Rate of Return and Risk Objectives**

- A. The measurement of investment rates of return shall be based on a time-weighted calculation, compounded and annualized over a rolling period of three to five years, and consider all cash income plus realized and unrealized capital gains and losses, and calculated gross and net of fees and expenses.
- B. The overall risk level of funds in terms of potential for price fluctuation shall not be extreme. The primary means of achieving such a risk profile are through:
  1. A broad diversification of investments among asset classes that, as nearly as possible, react independently through varying economic and market circumstances;
  2. Careful control of risk level within each asset class by avoiding over-concentration and not taking extreme positions;
  3. The selection of securities for investment on the basis of long-term investment merits rather than short-term gains.

### **VII. Permissible and Restricted Investments and General Guidelines for Investments**

- A. Subject to any specific guidelines for a designated portfolio, permissible portfolio investments are expected to include money market funds, mutual funds, exchange traded funds, and closed end funds. Any other form of investment may be considered by TVMF based on risk and return characteristics and its fit within a respective portfolio, provided the type of investment is pre-approved for purchase and consistent with TVMF's overall goals and objectives.
- B. Prohibited transactions and restrictions. It is expected that there will not be:
  1. Short sales assets;
  2. Buying or selling on margin;
  3. Engaging in purchasing or writing options or similar transactions;
  4. Purchasing tax-exempt bonds with tax exempt funds.



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#### **VIII. Guidelines for the Custodian**

The custodian of TVMF funds shall have the following responsibilities:

- A. Provide complete custody and depository services for the designated accounts;
- B. Implement investment actions in a timely and cost-effective manner as directed by the investment advisor;
- C. Provide regular accounting statements that include all transactions, income, and portfolio holdings;
- D. Prevent the leverage or margin of the account.
- E. Execute transactions for competitive rates that provide a low transaction cost consistent with best execution

#### **IX. Proxy Voting Policy**

The Investment Committee recognizes its fiduciary obligations with respect to the voting of proxies of securities that are owned by TVMF. Because the issues related to proxy voting are complex and directly impact investment values, the Investment Committee believes, if proxies are to be voted, the investment advisor is best suited to vote the proxies of shares held in the TVMF account. However, due to the size of individual holding, the investment advisor is not required to vote proxies.

#### **X. Conflicts of Interest**

A member of the Investment Committee shall not participate in a discussion or vote on a matter in which the member has a direct or indirect conflict of interest. Conflicts of interest in matters under consideration by the Investment Committee shall be promptly disclosed. A conflict of interest exists whenever a member of the Investment Committee has a personal or private commercial or business relationship that could reasonably be expected to diminish the independence of judgment and performance of the member's responsibilities with regard to the management of TVMF funds.

No member of the Investment Committee shall participate in a matter that involves a business, contract, or investment held by such person if it is reasonably foreseeable that action on the matter would confer benefit to such person or relative of such person by or through the business, contract, or investment. This prohibition on participation in matters involving benefits for a person's own interest does not apply if the benefit



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is merely incidental to the person's membership in a large class, such as a class of customers of a large corporation or small shareholder of a large public company similar to those listed in the Fortune 500 or Standard & Poors Index.



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### APPENDIX A

Texas Veterinary Medical Foundation Investment Portfolio:

The Investment Committee will consider all existing funds and other income producing assets as designated by the Board of Trustees in establishing the asset allocation of investable funds guided by this policy statement.

All donations of equities or real property shall be sold as soon as feasible, according to gift policy.

The Committed recognizes that certain dollars in the investment fund represent funds restricted by donation and that the corpus of those funds shall be preserved for the foundation's purposes.

The Investment Committee will consider the need to preserve the original corpus of restricted funds and the need for distributions from the fund to support grants, scholarships, and operations of the foundation in establishing the asset allocation of the fund. The Investment Committee also recognizes that total investment return of the fund will need to exceed distributions over time in order to sustain real value of the fund. In establishing the asset allocation of the fund, the Investment Committee will consider that investment returns are earned from both current income (interest and dividends) and net appreciation (or depreciation) of the value of the fund.

Therefore, the asset allocation of the fund will consider both the need for liquidity and need for growth over the long term, as the Investment Committee recognizes that a variety of needs may be met through one portfolio, if properly allocated among various asset classes. It is expected that the short-term liquidity needs of the fund can be met from the allocation to the fixed income asset class, which are considered lower volatility, lower return investments. The expected level of annual cash needs from the portfolio will be determined by the Investment Committee but is not expected to exceed annual distributions of 3-5% of the average market value of the fund over the trailing 12 quarters. The Investment Committee expects that average or cumulative distributions over the trailing 12 quarters will be less than the average or cumulative real (inflation adjusted) rate of return of the fund over the same period.

The need for growth of the fund is expected to be met through equity (non-fixed income) type investments, which requires a longer-term time horizon of 10 years for the purpose of evaluating investment returns and assuming risk (volatility).



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The Investment Committee does not recognize any other unique circumstances or constraints other than those stated in this Appendix A or B in establishing the asset allocation of the fund.



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**APPENDIX B**

*Texas Veterinary Medical Foundation Target Asset Allocations  
 Adopted August 10, 2011 via teleconference*

The expected long run average annual return for the total fund for the next   10   years is: 5-7%, based on the asset allocation stated below:

<b><u>Asset Class*</u></b>	<b><u>Target Allocation (%)</u></b>	<b><u>Allowable Range (%)</u></b>	<b><u>Benchmark</u></b>
US Fixed Income	25	20-30	Barclays Aggregate
International Fixed Income	7.5	5-10	JP Morgan Non-US Gov Bd
Emerging Market Fixed Income	<u>7.5</u>	5-10	JP Morgan EMBI Plus
<b>Sub-Total Fixed Income</b>	<b>40</b>	<b>35-45</b>	
US Large Cap Equities	25	20-30	S&P 500
US Small Cap Equities	5	0-8	Russell 2000
International Equities	10	5-15	MSCI EAFE
Emerging Market Equities	<u>10</u>	5-15	MSCI Emerging Mkts
<b>Sub-Total Equity</b>	<b>50</b>	<b>45-55</b>	
Other Type Investments – US & Int’l Real Estate, Commodities MLP, Hedge Fund Replication, All Asset, etc.	<b>10</b>	<b>5-15</b>	CPI + 3%
Cash or Money Market	<u>0</u>	0-5	
<b>Total Allocation</b>	<b>100</b>		

\* Asset Class allocation includes various sector investments

Notes: