

## **The Prairie Enthusiasts**

### **Investment Policy**

**January, 2008**

#### **Background**

The Prairie Enthusiasts (TPE) is a private organization committed to the protection and management of native prairie and savanna of the Upper Midwest. We have an incorporated, nonprofit status and are a grass roots organization run mainly by volunteers.

The Prairie Enthusiasts differ from other conservation groups in its sole dedication to the preservation of the last remaining pieces of the once vast, now endangered, prairies and savannas of the Upper Midwest through land protection and management.

The Prairie Enthusiasts evolved from small prairie preservation organizations that began in the mid-1970's. We now have 8 chapters in Illinois, Minnesota, and Wisconsin. Goals include:

- To ensure the perpetuation of the remaining native prairies and savannas through preservation, restoration, and management.
- To educate the public through presentations and publications about our prairie and savanna heritage.
- To assist both public agencies and private groups in restoring prairie and savanna communities.

To meet these goals, in part, this investment policy has been developed.

#### **Investment Responsibility**

Overall responsibility for the financial management of the investments of TPE is the responsibility of the Board of Directors. This responsibility includes authority to appoint and change investment managers, and to move assets among investment vehicles. The Board reserves to itself the exclusive right to amend or revise these investment policies. Any investment not approved in this policy is prohibited.

The Board is advised by the Finance Committee, to which it can choose to delegate its authority over these activities. The specific

responsibilities of the Finance Committee (which shall include the TPE Treasurer and Executive Director) include the following:

- Recommending an investment policy for adoption by the Board;
- Selecting investment advisors or managers;
- Ensuring consistent application of the investment policy;
- Reviewing investment performance; and
- Reporting and making recommendations to the Board at least annually on the performance of the investment portfolio and recommend any needed changes in the policy or guidelines.

### **Purpose**

This Investment policy describes the investment objectives (both short and long-term) of The Prairie Enthusiasts (TPE), establishes investment principles for TPE's assets, and creates guidelines for evaluating investment decisions.

### **The Prudent Person Rule**

In making investment decisions and supervising and managing assets, a person with investment responsibility for TPE should act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

### **Investments**

The TPE maintains two distinct investment policies, one of which governs the funds which are invested for future generations (Long-Term Pool) and the other governs the funds which are used to support current program and operational activities (Short Term Pool).

#### **Investment Policy – Long Term Pool**

##### Objective

TPE's longer term funding objectives are met by long term assets with the primary goal to protect principal from the effects of inflation. A secondary goal is to earn an average of 5% on invested assets (trailing 3 years) above the rate of inflation.

Achieving this objective over the long run requires a substantial commitment to inherently risky equity

assets. TPE attempts to minimize risk by investing for the long term (buy and hold) and diversification of assets.

Investment Guidelines

The basic underlying approach is to optimize risk-return utilizing a globally diverse portfolio including a variety of asset classes. The TPE investment strategy is to use a mix of actively and passively managed (indexed) mutual funds. TPE believes that passively managed funds are generally the most cost effective (e.g., low annual costs) and offer the best risk return tradeoff in the asset classes available for our organization. We recognize that some active managers may consistently add value, but believe such claims must be evaluated very critically particularly taking into account the risk return tradeoff after all expenses. TPE will avoid investing in individual stocks.

Asset Allocation

The asset allocation for the long term pool will be:

Overall Asset Allocation

<u>Asset Class</u>	<u>Target Allocation (%)</u>
Equities	60%
Fixed Income and Cash	40%
TOTAL	100%

Specific Asset Allocation

<b><u>Equities</u></b>	<u>Target Allocation (%)</u>
Vanguard 500 Index (VFINX)	7%
Vanguard Windsor (VWNDX)	7%
Vanguard Small Cap Growth Index (VISGX)	7%
Vanguard Small Cap Value Index (VISVX)	7%

Vanguard REIT Index (VGSIX)	7%
Vanguard International Value (VTRIX)	10%
Dodge & Cox International (B) (DODFX)	10%
Harbor International (B) (HAINX)	5%
<b>TOTAL EQUITIES</b>	<b>60%</b>
<b><u>Fixed Income</u></b>	<b><u>Target Allocation (%)</u></b>
Vanguard Intermediate Term US Treasuries (VFITX)	20%
Vanguard Short Term US Treasuries (VFISX)	12%
Vanguard Inflation Protected Securities (VIPSX)	8%
<b>TOTAL FIXED INCOME</b>	<b>40%</b>

This allocation is designed to achieve the long-term objective outlined above at an acceptable level of risk. Of course, there can be no guarantee against principal loss or that the objective will be achieved, particularly in the short run. However, historical asset class data suggest a high probability of achieving the objective over the long run and only a minimal risk of principal loss, again in the long run.

#### Investment Implementation

The State Bank of Cross Plains of Cross Plains, Wisconsin, will implement this investment policy for the long term pool with the mutual funds above that are available through their trust department and re-balance the portfolio annually back to the original percentages above. The Bank will act as custodian of TPE's assets and provide TPE with quarterly reports to TPE listing all

assets and their performance, and meet at least annually with the TPE Finance Committee to discuss the portfolio.

### **Investment Policy – Short Term Pool**

The TPE's Short Term Pool contains funds that are used to support current program and operational activities of the organization.

#### Objective

For these reasons, TPE has established a separate Short-Term Investment Pool that is managed to achieve the objective of minimizing loss of principal.

#### Investment Guidelines and Asset Allocation

In order to achieve the objective of minimizing loss of principal, the assets in the short-term pool will be invested 50 – 100% in cash and cash equivalents (Great Wisconsin Credit Union money market fund or Vanguard money market fund) and 25 – 50% in securities issued or guaranteed by the U.S. Government with an average maturity of one year or less.

A more complicated asset allocation is not appropriate and there is correspondingly no need for regular rebalancing. In this low return asset class the main focus is efficiency and minimizing fees.

While this low risk / low return policy is appropriate for those funds required to meet short-term, well-defined funding requirements, it is important to realize the returns will be correspondingly low. Return expectations for this pool should be approximately the rate of inflation.