

Statement of Investment Policy and Guidelines

Montana Fish and Wildlife Conservation Trust

October 2020

Investment Policy Discussion

The purpose of the Statement of Investment Policy and Guidelines is to assist the Trust Manager (Montana's Outdoor Legacy Foundation) in effectively supervising and monitoring the investment portfolio of the Montana Fish and Wildlife Conservation Trust managed by the Investment Manager (D.A. Davidson Trust Co. /Davidson Investment Advisors).

A written policy is designed to convey the investment strategy, goals, and objectives by which the investment portfolio is to be managed. The investment policy is derived and suited to complement the Trust's investment time horizon, risk tolerance, asset allocation, diversification requirements, income, and liquidity needs.

This Statement of Investment Policy and Guidelines is designed to be a living document and can be modified from time to time through ongoing communication and interaction between the Trust Manager, the Investment Manager, and the Joint State / Federal Board.

A well-defined investment policy ensures a prudent investment process and clearly establishes measurable standards by which to monitor this process. A flexible written policy increases the likelihood that the investment portfolio will be able to satisfy the financial needs of the Trust, while accomplishing quantifiable objectives in dynamic economic markets. Furthermore, such policy clearly defines the responsibility of all parties involved.

Above all, this Statement of Investment Policy and Guidelines is designed to support the stated purpose of the Trust – to provide a permanent & growing source of funding over the long term to acquire publicly accessible land and interests in land, including easements and conservation easements in the State of Montana according to the details outlined in the Trust document.

Introduction

Topics Covered

In order to clearly articulate measurable investment standards and institute quantifiable investment objectives, this Statement of Investment Policy & Guidelines will cover the following topics:

- Responsibilities of Parties
- Investment Time Horizon
- Risk Tolerance
- Asset Allocation
- Diversification Requirements
- Performance Evaluation
- Approval & Review

Responsibilities of Parties

Trust Manager

- Select an Investment Manager to seek attractive risk adjusted returns, net of investment and custodial fees, for the Trust's investment portfolio while staying within the stated asset allocation of the Investment Policy Statement.
- Preserve the purchasing power of the Trust through a diversified investment portfolio that provides for the long-term growth of the Trust, including distributions & fees.
- Monitor the Investment Manager with respect to adherence to the stated Investment Policy and have authority over the retention and selection of any investment managers.
- Work closely with the Investment Manager to provide insight into the progress of the investment portfolio to the Joint State / Federal Board.
- Provide the Investment Manager timely information regarding future project funding requirements.

Investment Manager

- Manage the Trust assets in accordance to the Investment Policy Statement as expressed herein or by separate written instructions provided by the Trust Manager.
- Use discretion to achieve attractive risk adjusted returns, net of investment and custodial fees, while staying within the stated asset allocation of the Investment Policy Statement.
- Communicate in an open and collaborative way with the Trust Manager.
 - Provide the Trust Manager with progress reports on a quarterly basis.
 - Notify the Trust Manager of any material changes in investment strategy.
 - Provide the Joint State / Federal Board an annual update with regards to the progress of the trust.
- Assist the Trust Manager to provide a recommendation to the Joint State / Federal Board with regard to the annual disbursements from the Trust taking into consideration: a). long-term health of the Trust, b). current funding needs, c). and the current investment outlook of the Trust.

Joint State/ Federal Board

- Coordinate with the Citizens Advisory Board and work in a collaborative manner with the Trust Manager to provide feedback on the progress of the Trust assets managed by the Investment Manager.
- Review any modifications to the Statement of Investment Policy to ensure modifications support the stated purpose of the Trust.

Investment Time Horizon

The investment time horizon of the Trust is perpetual. This time horizon suggests that the Trust's asset allocation should have equities as its largest component. This structure will allow for not only the preservation of the purchasing power of the Trust, but also the long-term growth of the Trust.

Risk Tolerance

Due to the perpetual time horizon of the Trust, the risk tolerance is high. A prudent and well-diversified portfolio is the best way to ensure the Trust is generating returns that are proportionate to the inherent risks of investing. Furthermore, the asset allocation should not be invested fully in equity securities, to account for the distribution requirements of the Trust.

Asset Allocation

The following asset allocation is biased toward equities due to the perpetual time horizon. The Investment Manager has the discretion to adjust the asset allocation within the following ranges in pursuit of attractive risk adjusted returns.

Asset Class	Tactical Range		
	Min	Strategic Target	Max
Equity	60.0%	70.0%	80.0%
Domestic Equity	50.0%	62.5%	80.0%
International Equity	0.0%	7.5%	15.0%
Fixed Income	20.0%	25.0%	40.0%
Investment Grade	20.0%	25.0%	40.0%

Diversification Requirements

Overarching Philosophy

The Trust Manager and the Joint State / Federal Board recognize that risk and volatility are present to some degree with all types of investments. Risk management is a key component of how the Trust is managed. Prudent diversification at the asset class, sector, and industry levels will enable exposure to asset classes that have higher price volatility and higher expected returns (e.g. Small Cap Equities, Emerging Market Equities) but still maintaining thoughtful diversification risk management in the context of the overall portfolio.

The objective of the equity portion of the allocation is to provide a total return that can grow the Trust over time to support distributions. The objective of the fixed income portion of the allocation is to provide stability and preservation of capital in relation to the equity allocation, while also generating returns, on average, that exceed US Treasury Bill rates. The objective of the cash & equivalents allocation is to provide liquidity for project spending. The cash allocation is not designed to be a market timing tool.

In addition to the diversification requirements in the asset allocation:

Equity Assets

- Equity industry concentration as defined by S&P 500 GICS sector definitions is not to exceed 25% of equity assets.
- No individual security held in the portfolio shall represent more than 5% of equity assets. Investments in temporary real property are not subject to the 5% threshold.
- The Investment Manager should take steps to diversify the portfolio from an economic sector perspective.
- Exposure to international equities is encouraged, but not required. International exposure is not to exceed 15% of equity assets.
- The Investment Manager must maintain adequate liquidity to support project distributions.

Fixed Income Assets

- Acceptable investments include: US Government and Agency Securities, US corporate bonds, mortgage asset backed securities, and taxable municipal bonds.
- The portfolio should generally be considered Investment Grade, with a maximum exposure to High Yield of 5% of the fixed income allocation.
- No more than 10% of the fixed income allocation should be invested in securities of one issuer, except for US Government Obligations.

- Duration of the Fixed Income portfolio is not to exceed 1.5 times the stated benchmark.
- Investments denominated in non-USD fixed income securities are prohibited.
- The Investment Manager must maintain adequate liquidity to support project distributions.

Cash & Equivalents Assets

- Cash investments should be considered very “high quality”; AAA rated by S&P or similar rating agencies.
- Maximum maturity of 13 months.
- Use of funds or pooled vehicles is allowed as long as the vehicle consists of AAA rated (or equivalent) and the fund is highly liquid.
- The Investment Manager must maintain adequate liquidity to support project distributions.

Temporary Real Estate Assets

With input from the Joint State/Federal Board and the Citizens Advisory Board, the Trust Manager has the discretion to temporarily invest in Real Estate as long as the investment is consistent with the stated purpose of the Trust; providing a permanent and growing source of capital to acquire publicly accessible land and interests in land, including easements and conservation easements in the State of Montana according to the details outlined in the Trust document. This program of Temporary Real Estate investing has also been called Assets for Conservation. The goal of the program is for the Trust to periodically utilize its financial assets to facilitate land acquisition projects that are consistent with the stated purpose of the Trust. In general terms, the Trust will function as a bridge between the private ownership and the public ownership of the Real Estate.

- Temporary Real Estate Assets will be managed as a sub-set of Equity Assets.
- Temporary Real Estate investments will be selected by the Trust Manager.
- Temporary Real Estate investments should be considered prudent and provide a reasonable rate of return for the Trust.
 - The temporary real estate investment decision will consider the ability of the investment to contribute to the fish and wildlife conservation and recreational access goals of the Trust.
 - The Trust Manger will consider the conservation benefits and the return expectations in conjunction with each other to determine the overall benefit to the trust.
- Temporary Real Estate investments should be structured in a way that considers the total cost of the transaction and the risk of the transaction.

- The Trust Manager should choose between taking full ownership of the Real Estate or facilitating a Real Estate purchase via loaning funds to a partner organization based on the overall expected cost and risks of the transaction.

At the point of decision regarding a temporary real estate investment, the market value of the Trust (minus any committed but unpaid distributions) must have at least a 20% margin of safety over the corpus. Specifically, the corpus value is \$14,945,403 and applying the 20% margin of safety brings the decision point to \$17,934,483.80.

Performance Evaluation

The Trust Manager is responsible for evaluating the performance of the Investment Manager on a periodic basis. The performance is measured with particular attention directed toward:

- The Trust's ability to successfully fund projects in a sustainable and growing fashion.
- The Investment Manager's adherence to their stated investment philosophy and style.
- The Investment Manager's ability to comply with this Statement of Investment Policy and Guidelines.
- The Investment Manager's ability to deliver its services at a competitive fee.
- The Investment Manager's ability to successfully communicate with both the Trust Manager & the Joint State / Federal Board.
- The Investment Manager's ability to deliver competitive risk adjusted returns, net of investment management & custodial fees relative to a blended benchmark consisting of:

Benchmark	Strategic Target
Equity	70.0%
Russell 3000 Index	62.5%
MSCI EAFE Index	7.5%
Fixed Income	25.0%
Bloomberg Barclays Intermediate US Gov Credit Index	25.0%
Cash & Equivalents	
US 3 month Treasury Bill Rate	5.0%
Total	100.0%

- Investment performance is measured over an average full market cycle of 3-5 years, keeping in mind some market cycles have lasted considerably longer than the average cycle.

Approval

The undersigned parties hereby agree to the Statement of Investment Policy & Guidelines.

M. Jeff Hagener 10/1/2020
Trust Manager

Montana Outdoor Legacy, Trustee for Montana Fish Wildlife Conservation Trust

Michael P Kibas 10/7/2020

Investment Manager

Davidson Investment Advisors

Received

[Signature] 10/7/2020
Joint State / Federal Board (current chair John Hegengruber)