# THE RUTH AND HAL LAUNDERS CHARITABLE TRUST

# STATEMENT OF INVESTMENT POLICY

# OBJECTIVES AND GUIDELINES

**JULY 2008**
**AMENDED JUNE 2010**
**AMENDED MARCH 2011**
**AMENDED JULY 2014**
**AMENDED NOVEMBER 2014**
**AMENDED JULY 2015**
**AMENDED FEBRUARY 2018**

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# THE RUTH AND HAL LAUNDERS CHARITABLE TRUST

## STATEMENT OF INVESTMENT POLICY, OBJECTIVES, AND GUIDELINES

**ADOPTED JULY 1, 2008; AMENDED MARCH 2011; AMENDED JULY 2014; AMENDED NOVEMBER 2014; AMENDED JULY 2015; AMENDED FEBRUARY 2018**

## SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy (sometimes referred to as "this statement") reflects the investment policy, objectives, and constraints of the Trust. The purpose of the Fund is to support the Foundation's charitable mission over the long run. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Fund, and to ensure that the future growth of the Fund is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the Fund for future generations. Additionally this statement will outline the guidelines meant to preserve the principal of operating cash and reserves while producing market-level income. This statement will establish appropriate risk and return objectives, in light of the Board's risk tolerance and investment time horizon.

## PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Board of Trustees of the Trust in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Fund.
3. Offer guidance and limitations to all Investment Managers regarding the investment of the Fund.
4. Establish a basis for evaluating investment results.
5. Manage the Fund according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the Fund will be managed.
7. Manage the Fund according to applicable federal and local law regulating the investment conduct of the Board including the Uniform Prudent Investors Act.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## DELEGATION OF AUTHORITY

The Board of Trustees of the Trust is a fiduciary and is responsible for directing and monitoring the investment management of the Fund. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Board in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.

3. Custodian. The custodian will physically (or through agreement with a sub–custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer the Fund prudently.

The Board will not reserve any control over investment decisions with respect to the Fund with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications that they deem appropriate. If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

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## DEFINITIONS

1. "Fund" shall mean the financial assets of the Trust committed to the Investment Manager for investment in accord with the terms of this statement. The Fund will generally comprise all of the assets of the Trust Fund, exclusive of real estate, cash needed for current operations and deposited in demand or short-term time bank deposits, and tangible personal property.
2. "Board" shall refer to the Board of Trustees of the Trust as its governing body.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over the management or any authority or control over management, disposition or administration of the Fund.
4. "Investment Manager" shall mean any individual or group of individuals, employed to manage the investments of all or part of the Fund.
5. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is ten years.
8. “Trust Fund” shall include not only the Fund but also all other property in which the Trust has any interest including gifts or deposits invested in perpetuity as well as gifts or deposits invested subject to liquidation as needs may develop.
9. “Grants” shall refer to allocations from the Fund to provide funding for Charities, programs, or projects.
10. “Trust” refers to The Ruth and Hal Launders Charitable Trust, a tax-exempt charitable private foundation.

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## ASSIGNMENT OF RESPONSIBILITY

### Responsibility of the Board of the Trust

The Board is charged with the responsibility for the management of the assets of the Fund. The Board shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Board relating to the investment management of Fund assets include:

1. Projecting the Trust's financial needs, and communicating such needs to the Investment Management Consultant on a timely basis.
2. Determining the Trust's risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the Fund.
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures (directly or by means of delegation): For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.
7. Review quarterly the investment performance and financial condition of the Fund.

**Responsibility of the Investment Management Consultant(s)**

The Investment Management Consultant's role is that of a non-discretionary advisor to the Board. Specific responsibilities of the Investment Management Consultant include:

1. Assisting in the development and periodic review of this statement and of investment policy.
2. Risk posture assessment and asset allocation analysis, including recommending modifications in asset allocation model for the Fund as appropriate.
3. Conducting investment manager searches as needed.
4. Providing "due diligence", or research, on the Investment Manager(s).
5. Monitoring the performance of the Investment Manager(s) to provide the Board with the ability to determine the progress toward the investment objectives.
6. Communicating matters of policy, manager research, and manager performance to the Board
7. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of Board.

**Responsibility of the Investment Manager(s)**

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction provided that each Investment Manager shall observe and operate within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective progress of the Fund's investment management.

4. Informing the Investment Management Consultant regarding any qualitative changes to the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if and when requested, by the Board on behalf of the Fund.

## GENERAL INVESTMENT PRINCIPLES

1. Investments of the Fund shall be consistent with the general charitable intentions and policy of the Trust as articulated and communicated, from time to time, to the Investment Management Consultant by the Board.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Board may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

## INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital — Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. Risk Aversion — Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long–term investment results that are sufficient to meet the Trust's objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline — Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

## ATTITUDE TOWARD FUTURE GIFTS TO THE TRUST

Future additions through gifts, contributions or otherwise to the Trust Fund are not expected, and therefore, the Board has set an investment strategy with the objective of maintaining purchasing power of the Fund in perpetuity without consideration of gifts or other additions to the Trust corpus independent of returns yielded by the Fund. As a result, expectations of the investment performance of the Fund may be expressed by the following equation:

Total Return = Spending + Inflation + Investment Expenses.

*This strategy states that the uses of funds (spending, inflation and expenses) will be offset by return only.*

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## ATTITUDE TOWARD LAND INVESTMENTS OF THE TRUST

Throughout the short history of the Trust, the Trust Fund has included substantial assets of non-income producing real estate. The history is rooted in the donor's selection of undeveloped land, formerly known as Arrowhead Farm, as the principal asset deployed to fund the Trust. In 2007 the Board succeeded in liquidating a portion of this land, consisting of approximately 14 acres ("the Initial Phase"), through a cash sale to third party developer, Carbon Thompson Development, LLC ("CTD") of Richardson, Texas. The proceeds of sale were a significant addition to the Fund and have underwritten the charitable activities of the Trust to date.

With the 2007 sale, the Board also retained for investment the balance of its land inventory comprised of roughly 13 acres ("the Later Phase") for future sale or disposition. To promote the orderly development of the Initial Phase and to enhance and promote the investment potential of the Later Phase, the Trust, through its real estate subsidiary, Arrowbrook Centre, LLC ("ABC"), signed a comprehensive agreement with CTD imposing specific development tasks and deadlines upon the buyer-developer. This agreement, known as the Interim Operating Agreement or "IOP" also imposed various contractual obligations on ABC. The most significant of these was the construction and dedication of Arrowbrook Centre Park to the local park authority. In 2008 the Board adopted the IPS which, among its provisions, recognized a short-term, atypical pattern of spending required for ABC to perform its obligations under the IOP.

While ABC discharged its obligations under the IOP, CTD did not. Its breach of the contract impeded and delayed the ability of the Trust to maximize the return on its land investment in the Later Phase. Over the course of several years, the Board concluded that to preserve and protect its investment in the Later Phase, the Trust had no choice but to redress the claims of ABC arising under the IOP. In 2015 ABC filed a lawsuit to redress its claims under the IOP, but this litigation was resolved through a settlement agreement by ABC purchased later that year, and upon acceptable terms, the Initial Phase. With this acquisition, the Trust's raw land assets, measured as a component of the Trust Fund, returned to a level not seen since before the 2007 sale. The Board realizes that it is imperative to significantly reduce this extraordinary land holding within 24-36 months following its acquisition through one or more irregular land sales to third party developers. While the Board may elect to continue to retain some non-income producing real estate within the Trust Fund, with the object of realizing higher returns on the land in future years either through its sale, lease, or other disposition, these sales must generate proceeds sufficient not only to retire debt incurred to acquire the Initial Phase but also to cover the projected carrying cost, during the next 7 to 10 years, of its retained investment land.

Executing upon this strategy will, however, likely require the Trust to raise significant amounts of cash, or to incur debt, or both, in order to defray acquisition and carrying costs and to position and market land for near term sale. The Board acknowledges these cash requirements may cause reductions in the value of the Fund or counsel adjustments to its target asset allocations, or both. The Board further acknowledges that spending policy will be abnormal during this period and could rise to as high as an annual rate of ten per cent (10%) of total Fund corpus based on a three (3) year trailing average. The Board is willing to accept this risk and to endorse this extraordinary and temporary spending policy provided (1) the Fund, although reduced in value, is neither threatened nor jeopardized, (2) the land sale or sales required to execute the strategy are expected to close within the next 36 months, (3) following the last of these land sales to close neither ABC nor the Trust will have any indebtedness incurred for the acquisition of the Initial Phase, and (4) the land sale or sales will occur in a tax efficient manner timed to avert imposition of Unrelated Business Income Tax (UBIT). Following execution of the above-described strategy, the Trust's spending policy will revert to its historic pattern experienced in the years 2011 to 2014.

## SPENDING POLICY

The Spending Policy establishes a reasonable and prudent spending level for the Fund. The primary objective is to determine how much can be spent currently, and how much to invest to preserve future spending in perpetuity. From time to time, at least annually, the Board shall review the goals and needs of the Trust and determine the appropriateness and relevance of the Trust's spending policy. To comply with Internal Revenue Service minimum annual charitable distribution requirements applicable to private foundations such as the Trust, at least 5% of the fiscal year-end balance will be available to be given annually to qualified charitable organizations unless an excess charitable distribution carryforward is available from prior tax years. In such an instance where a carryforward credit is available to the Trust under applicable federal tax regulations, spending policy will adjust to reduce the otherwise required charitable distributions to efficiently consume and apply the available excess distribution carryforward. The Trust generally anticipates meeting its annual funding needs from Portfolio Income, Dividends and Capital Gains generated by the Fund. The long-term goal of the Trust is to maintain spending consistent with 5% of assets, however, the Board recognizes that spending may exceed the 5% due to extraordinary events.

In general, the Board adopts the philosophy that a broadly distributed base of grants is desirable. However, where it serves the mission of the Trust and is in keeping with its spending policy, more concentrated grants may be undertaken. Regarding multi-year grant commitments, the Board desires to limit these grants as they tend to increasingly escalate future spending. Until its real estate investment is liquidated, the Board desires to limit program support to not more than $1 million per charity per year. The Board recognizes that this absolute dollar amount may need to be revisited at a future date.

*See Addendum "A" (attached) for the "base" allocation for annual spending policy budget.*

*[note: Addendum "A" will be developed at a future date]*

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**INVESTMENT OBJECTIVES**

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management for the Fund shall be:

*1) Preservation of Purchasing Power After Spending – To achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of the Fund. Risk control is an important element in the investment of the Fund.*

*2) Long-Term Growth of Capital – To emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.*

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**SPECIFIC INVESTMENT GOALS**

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Each investment manager should strive to achieve a rate of return for their entire investment mandate (not necessarily each investment service). The expected annual rate of return, calculated on a three (3) year rolling average, should be the greater of 7.0% nominally or 5.5% above inflation (CPI – All Consumers Index). Managers are expected to achieve this stated yield goal while taking on a reasonable level of investment volatility. Furthermore, deviation from these annual goals may be permitted, if necessary, to conform to a more conservative investment matrix during periods when the corpus of the Trust is disproportionately held in non-income producing real property assets.

The investment goals above are the objectives of the entire Fund, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Exceed the market index, or blended market index, selected and agreed upon by the Investment Management Consultant and the Board that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Specific investment goals and constraints for each investment manager, if any, shall be incorporated as part of this statement of investment policy (See Addendum "B"). Each manager shall receive a written statement outlining their specific goals and constraints as they may differ from those objectives of the entire Fund.

- The target allocation (see page 11) is projected to provide a return of 8.8% (see addendum A) over the investment time horizon net of investment fees.

## VOLATILITY OF RETURNS

The Board understands that to achieve the foregoing performance metrics, the Fund will experience volatility of returns and fluctuations of market value. Consequently, the Board acknowledges and agrees to accept the risk that the Fund could sustain in any given twelve (12) month period a loss of approximately –10% to –15% of its value but no loss over the ten-year investment horizon. On the other hand, the Board wishes to adopt an investment strategy that minimizes the probability of losses greater than 15% in any given twelve (12) month period. However, the Board concludes the Fund's return objective is its primary concern. The Board acknowledges that there is, of course, no guarantee that the Fund will not sustain losses greater than those stated herein.

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## LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board will periodically provide an estimate of expected net cash flow. The Board will communicate this estimate of expected net cash flow to the Investment Management Consultant in a timely manner so as to allow sufficient time to build up necessary liquid reserves.

## MARKETABILITY OF ASSETS

The Board requires that the Fund be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price. Nevertheless, with the express prior consent of the Board, not more than twenty per cent (20.00%) of the Fund may be invested in securities which are not liquid, defined as securities with less than quarterly liquidity.

## INVESTMENT GUIDELINES

### Permissible Assets

1. Cash Equivalents
    - Treasury Bills
    - Money Market Funds
    - Short Term Investment Funds
    - Commercial Paper
    - Banker's Acceptances
    - Repurchase Agreements
    - Certificates of Deposit
2. Fixed Income Securities
    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stock
    - Fixed Income Securities of Foreign Governments and Corporations
    - Collateralized Mortgage Obligations
3. Equity Securities
    - Common Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non–U.S. Companies
    - Stocks of Non–U.S. Companies (Ordinary Shares)
4. Alternative Investments
    - Hedge FOF Diversified
    - Managed Futures
    - Long-Short Equity
    - Commodities
    - Private Equity

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**Derivative Investments**

The Board understands that mutual funds as a matter of course utilize futures and options (as the S&P 500 Index) to limit risk. Hedge fund managers also utilize futures and options to limit risk. Separate account managers in traditional investment strategies should not find it necessary to utilize futures and option contracts.

**Margin Transactions**

Margin and the use of leverage by traditional asset class managers is prohibited.

**Asset Allocation Guidelines**

Investment management of the Fund shall be in accordance with the strategic asset allocation parameters set forth in attached asset allocation addendum “B”.

The Board may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate of the Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Board regarding specific objectives and guidelines.

**Diversification for Investment Managers**

The Board does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed five per cent (5%) of the value of that portion of the Fund under management by a particular Investment Manager. In addition, no more than thirty per cent (30%) of the value of the portion of the Fund under management by a particular Investment Manager should be invested in any one Economic Sector as defined by global industry classification standards GICS). Managers may exceed these limits only as provided in Addendum B.

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**Guidelines for Fixed Income Investments and Cash Equivalents**

1. Concentration by Issuer
   a. No limitations are placed on investments in U.S. Government guaranteed obligations, including fully guaranteed federal agencies.
   b. Investments in any one issuer, excluding obligations of the U.S. Government either direct or implied, shall not exceed five percent (5%) of the portion of the Fund under management by a particular Investment Manager based on market value at the time of purchase.
2. The weighted average maturity for the aggregate portfolio may not exceed 15 years.
3. The duration for the aggregate portfolio may not exceed +/(-) 30% of the Lehman Aggregate Index.
4. High Yield investments should not exceed 20% (3% per issue) of the Fund's fixed income allocation.
5. Non-dollar sovereign debt should not exceed thirty per cent 30% of the portion of the Fund's fixed income allocation under management by a particular Investment Manager.
6. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.
7. Repurchase Agreements shall be fully collateralized.

## ASSET ALLOCATION GUIDELINES

The Investment Manager retains the management responsibility for implementing the asset allocation identified below and of determining the appropriate mix and timing of movement among various Securities and Cash/Equivalents within the individual portfolios of the Fund. The Investment Manager will re-balance the Fund consistent with the allocation parameters below subject however to the discretion accorded the Investment Manager pursuant to the following sections entitled "Re-balancing of Asset Allocation Guidelines" and "Dynamic Asset Allocation (DAA) Overlay Strategy", *infra.*

| Asset Category | Index/Benchmark | Target Allocation | Allowable Range |
|---|---|---|---|
| | | | |
| **Return-Seeking Assets** | **MSCI All County World Index ACWI)*** | **60%** | **45%-75%** |
| US Domestic Equities | S&P 500; Russell 2500 | 37% | 20%-60% |
| International Equities- Developed Markets | MSCI EAFE | 19% | 5%-25% |
| International Equities – Emerging Markets | MSCI Emerging Markets | 4% | 0%-15% |
| | | | |
| **Risk-Mitigating Assets** | **Bloomberg Barclays US Aggregate Bond Index (BBUSAB)** | **27%** | **15%-40%** |
| | | | |
| US Domestic Bonds – Intermediate Duration | Bloomberg Barclays US Aggregate Bond Index (BBUSAB) | 12% | 5%-20% |
| Global Bonds | Bloomberg Barclays Global Aggregate (USD Hedged) | 12% | 0%-20% |
| Inflation Hedged Bonds | Barclays 1-10 Year TIPS | 3% | 0%-15% |
| | | | |
| **Diversifying Assets** | | **3%** | **0%-10%** |
| Real Asset Securities | MSCI ACWI Commodity Producers Index | 3% | 0%-10% |
| | | | |
| **Alternative Assets** | | **10%** | **0-10%** |
| | | | |
| Hedge Fund or Funds | Cash – 1 month LIBOR | 3% | 0%-5% |
| Private Credit | Cash – 1 month LIBOR | 7% | 0%-5% |
| | | | |
| **Total** | | **100%** | |

* Primary allocation benchmarks

Investment management of the assets of the Fund shall be in accordance with the parameters set forth in the attached Strategic Policy Allocation Analysis Addendum B.

The Trust may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the entire Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement.

## SELECTION OF INVESTMENT MANAGERS

The Investment Management Consultant's selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Board requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to the Fund.

## INVESTMENT MANAGEMENT CONSULTANT EVALUATION

The Board will review the performance of the Investment Management Consultant no less than once every three years with respect to the meeting of its basic service requirements. Separately, and over a period generally accepted as a market cycle (5-7 years), the Investment Management Consultant will be evaluated on the basis of investment performance of the total fund relative to a weighted composite of relevant manager benchmarks. As part of these evaluations, the Board may choose to conduct interviews with additional investment consulting firms.

## INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant shall be compiled at least quarterly and communicated to the Board for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Management Consultant intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. As a general practice, an Investment Manager who fails to meet or exceed the applicable performance benchmark in any three (3) or more years of a moving five (5) year period will be a candidate for termination and will be placed on a "watch list" for special monitoring by the Investment Management Consultant. The Investment Management Consultant will carefully examine the root cause of the deficient performance to determine whether style characteristics, security selection, or general market trends have caused the problem and will contact the manager for an explanation of his record of performance. If the Investment Management Consultant concludes that the manager has not corrected any controllable issues contributing to his deficient performance, then he will formally recommend to the Board that the manager be terminated, and shall promptly communicate such recommendation to the Board.

## RE-BALANCING OF ASSET ALLOCATION GUIDELINES

As indicated above, the asset allocation percentages may deviate from their targets. An allowable range indicated in the table above shall be the guideline as to when to re-balance. The Investment Management Consultant will, from time to time as necessary, review the asset allocation percentages to determine if re-balancing is appropriate in order to conform to the asset allocation guidelines. The Investment Manager may periodically re-balance the allocation among the asset categories in accordance with its own internal re-balancing rules, even though such re-balancing may cause a portfolio exposure to an asset category which will deviate temporarily from the above stated maximum/minimum target range. Where practical, cash inflows and outflows will be used to re-balance to the target asset allocation guidelines. If cash flows are insufficient to bring the asset allocation back to target, then the Investment Management Consultant shall decide whether to effect transactions to bring the asset allocation within the threshold ranges.

Notwithstanding the foregoing, however, investments in mutual funds, hedge funds, other alternative investments, or other commingled investment vehicles, are permitted. Assets invested in any such commingled investment vehicles will be managed with the investment policies, procedures, and guidelines set forth in the applicable prospectus, offering circular, or offering memorandum notwithstanding anything to the contrary in this Statement of Investment Policy.

## DYNAMIC ASSET ALLOCATION (DAA) OVERLAY STRATEGY

The Investment Manager may, in its discretion, implement a proprietary strategic asset allocation overlay strategy known as Dynamic Asset Allocation (DAA), or a comparable short-term risk mitigation strategy, as part of its on-going management of the Fund. DAA is a portfolio overlay strategy designed to manage short-term portfolio risk and mitigate the effect of extreme outcomes by varying the asset allocation of a portfolio. The Asset Allocation Guidelines referenced above assume use of a DAA overlay portfolio to complement the long-term strategic asset allocation. Portfolio overlay strategies such as DAA are designed to manage short-term portfolio risk and to mitigate the effect of extreme outcomes. Overlay portfolios may include use of regulated mutual funds. An investment in the DAA Overlay Portfolio may, on a temporary basis, cause the actual asset allocation of the Fund to deviate from the target allocations, or to fall outside the allowable ranges, identified *supra*. In addition, the DAA Overlay Portfolio may, on a temporary basis, cause the Fund to gain exposure to other asset classes not identified *supra*. The holdings of the DAA Overlay Portfolios are limited only as provided in the prospectus then in effect for the DAA Overlay Portfolio.

## INVESTMENT POLICY REVIEW

To ensure continued relevance of the guidelines, objectives, financial status, expenses and Capital Markets expectations as established in this statement, the Board will review the investment policy at least annually.

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This statement of investment policy is approved and re-adopted on 23 February 2018, as amended, by the Board of Trustees of The Ruth and Hal Launders Charitable Trust whose signatures appear below:

| | |
|---|---|
| Jeffrey J. Fairfield, Co-Trustee | Eugenie W. Maine, Co-Trustee |
| Rebecca F. Fehrs, Co-Trustee | Catherine P. Whelan, Co-Trustee |
| Jerome L. Lonnes, Co-Trustee | John H. Webb, Co-Trustee |

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# ADDENDUM "A"

## Long-Term Spending Policy

[Reserved for Future Use]

**The Ruth and Hal Launders Charitable Trust**
**Statement of Investment Policy, Objectives, and Guidelines**

## ADDENDUM "B"

## Summary of Initial Portfolio Structure and Manager Objectives

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## ADDENDUM "C"

## Managers with Exceptions to Stated Diversification Guidelines

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## GLOSSARY OF TERMS

**American Depository Receipt (ADR):** Foreign stocks, denominated in American dollars that are traded on a US stock exchange. ADRs are typically sponsored by a financial institution that buys a large block of a foreign security, holds it in an account and sells shares in the account in a domestic market in U.S. Dollars. The value of one ADR may equal one share of the foreign security or it may equal a fraction of a share of the foreign security.

**Alpha:** measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive Alpha indicates that a portfolio was positively reward for the residual risk, which was taken for that level of market exposure.

**Balanced:** Balanced managers diversify portfolio risk by investing in a combination of common stocks, bonds and cash equivalents. This is an appropriate style for investors seeking a combination of modest capital appreciation and income and less volatility by using high quality investments.

**Basis Point:** The smallest measure used in quoting yields or percentages - one basis point equals 0.01%. For example, a change in a bond's yield from 10.67% to 11.57% would be a move of 90 basis points.

**Beta:** Measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's Beta measures the expected change in return per 1% change in the return on the market. If the Beta of a portfolio is 1.5, a 1.0% increase in the market index will result, on average, in a 1.5% increase in the return on the portfolio. The converse would also be true.

**Bond:** A security issued by a borrower that obligates him to make specified payments to the holder over a specified time period. A coupon bond obligates the issuer to make interest payments called coupon payments over the life of the bond, then to repay the principal loan amount at maturity.

**Book Value:** An accounting measure describing the net worth of common equity according to a firm's balance sheet. It is also the value at which an asset is carried on a balance sheet. Book value often understates the net worth of the asset because it reflects assets at their depreciated historical cost, not market value.

**Bottom-Up Approach:** Bottom up managers are primarily concerned with a stock's fundamental attributes, and in the most extreme case, a bottom up manager will not care what products the company produces or the economic or industry outlook for the company. Frequently, a pecking order of attractive balance sheet characteristics are used to weed out favorable and unfavorable candidates from a large universe of stocks. From this, only the top percentile of candidates will make the grade for actual purchasing. It is not uncommon to see proprietary, computer drive models responsible for bottom up portfolios.

**Capitalization:** Mathematically refers to a company's stock price per share multiplied by the total number of shares outstanding. A company's capitalization gives an idea of the size of a company, which in turn gives insight into the liquidity value of a stock position in a company.

**Small Cap:** Stocks with less than $2 billion in market capitalization.
**Mid Cap:** Stocks with market capitalization between $2 billion and $8 billion.
**Large Cap:** Stocks with market capitalization large than $8 billion.

**Capital Market Line:** A graph showing all feasible risk-return combinations of a risk-free asset (such as 90-Day Treasury Bills) and another asset, portfolio or index. The X-axis represents the risk or standard deviation of the various combinations and the Y-axis represents the rate of return.

**Cash Equivalents:** Short-term money market securities.

**Common Stock:** Equities, or equity securities, issued as ownership shares in a publicly held corporation. Shareholders have voting rights and may receive dividends based on their proportionate ownership.

**Convexity:** A bond characteristic which defines the rate at which a bond's price sensitivity increases or decreases as interest rates move significantly (more than 1%). A bond will either have positive or negative convexity depending on whether its price declines at an accelerating rate when interest rates rise significantly.

> **Positive Convexity:** Portfolio rises in price more rapidly in a bull market than it falls in a bear market. For example, if the index is up 10% and the bond is up 20%, and if the index is down 20% and the bond is down 15%.
> **Negative Convexity:** Portfolio rises in price more slowly in bull market than it declines in price in a bear market.

**Core Equity:** Managers whose portfolio characteristics are similar to the S&P 500 Index, with the objective of adding value over and above the index, typically from sector or issue selection Portfolios may exhibit growth and value characteristics similar to the broad market but with no consistent characteristics.

**Corporate Bonds:** A debt instrument issued by a corporation typically paying semiannual coupons and returning the face value of the bond at maturity.

**Correlation Coefficient:** A statistic that scales the covariance to a value between minus one (perfect negative correlation) and plus one (perfect positive correlation). By combining asset classes that have low or negative correlation coefficients it is possible to reduce the overall portfolio standard deviation (risk). These correlations are more stable for longer periods of time.

**Coupon / Coupon Rate:** Bond feature that defines the amount of interest the bondholder will receive from the issuer of the bond. The coupon rate is the amount if interest expressed as a percentage of the face value. Interest payments typically pay and/or accrue semiannually.

**Covariance:** A measure of the degree to which returns on two risky assets move in tandem. A positive covariance means that asset returns move together. A negative covariance means that they vary inversely.

**Current Yield:** Coupon percentage divided by the current price of the bond. Represents the current income return on the bond, but does not account for potential price appreciation or depreciation.

**Diversification:** Spreading a portfolio over many investments to avoid excessive exposure to any one source of risk.

**Duration:** A risk measure of a bond or bond portfolio which indicates its price sensitivity to a percentage change in interest rates. Duration can be defined more technically as the weighted average time (in years) it takes to receive all interest and principal payments from the bond. Therefore, duration is a function of (1) maturity, (2) coupon and (3) the current level of interest rates. A bond with duration of 5.6 years will experience a 5.6% increase in price in response to a 1% decline in the level of interest rates. The longer the duration, the more interest rate sensitive the bond is; therefore, the more volatile (risky) the bond.

**Efficient Frontier:** Graph representing a set of portfolios that maximize expected return at each level of portfolio risk.

**Equity Hedge:** Also known as long/short equity, combines core long holdings of equities with short sales of stock or stock index options. Equity hedge portfolios may be anywhere from net long to net short depending on market conditions. Equity hedge managers generally increase net long exposure in bull markets and decrease net long exposure or even are net short in a bear market. Generally, the short exposure is intended to generate an ongoing positive return in addition to acting as a hedge against a general stock market decline. Stock index put options are also often used as a hedge against market risk. Profits are made when long positions appreciate and stocks sold short depreciate. Conversely, losses are incurred when long positions depreciate and/or the value of stocks sold short appreciates. Equity hedge managers' source of return is similar to that of traditional stock pickers on the upside, but they use short selling and hedging to attempt to outperform the market on the downside.

**ERISA:** Employee Retirement Income Security Act of 1974. A law governing the operation of most private pension and benefit plans. The law eased pension eligibility rules, set up the Pension Benefit Guaranty Corporation (PBGC), and established guidelines for the management of pension funds.

**Excess Return:** Rate of return in excess of the risk-free rate. The risk-free rate is usually defined as 90-Day Treasury-Bills.

**Fund of Funds:** A "Fund of Funds" is simply a fund of hedge funds and there are many benefits to a multi-manager approach to investing. Most fund of funds are of the diversified type, meaning assets of the Limited Partners are allocated among many strategies.

**Global Industry Classification Standard (GICS):** GICS is a collaboration between Standard & Poor's and Morgan Stanley Capital International, is a standard system of classifying economic sectors into 10 categories: energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, telecommunications, and utilities.

**Growth:** Managers who invest in companies that are expected to have above average prospects for long-term growth in earnings and profitability. Portfolio characteristics typical of this style are: dividend yield that is frequently below market averages, valuation levels frequently above market averages, and volatility of returns above that of the market. The earnings per share growth is typically higher than average with the emphasis on earnings and specific stock selection. Portfolios on average generate a relatively higher amount of portfolio turnover.

**Guaranteed Insurance Contracts (GIC):** GICs are a contract issued by an insurance company promising a stated nominal interest rate over a specified period of time.

**Hedge Fund:** Hedge Funds are investment partnerships that seek above average returns through active portfolio management and whose primary compensation is a percentage of the profits. Because hedge funds are private limited partnerships, and may accept higher risks than traditional investment vehicles, the SEC limits hedge funds to sophisticated accredited investors.

**Index:** Statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month (refer to attached Index Definition list).

**Inflation:** The rate at which the general level of prices for goods and services is rising.

**Intermediate Term:** Bonds that mature in approximately 5-15 years with a duration of approximately 3-6 years.

**International Equity:** Managers who invest in non-US equity securities.

**Investment-grade Bond:** Bond rated BBB and above or Baa and above by Standard & Poor's and Moody's respectively. Lower-rated bonds are classified as speculative grade or junk bonds.

**Liquidity:** Liquidity refers to the speed and ease with which an asset can be converted to cash. For purposes of this Investment Policy Statement, an asset which requires more than one (1) calendar qurarter to convert to cash is considered to be illiquid.

**Long Term:** Bonds with a maturity of greater than 15 years and a duration of 6+ years.

**Market Neutral:** Any strategy that attempts to eliminate market risk and be profitable in any market condition.

**Modern Portfolio Theory (MPT):** Principles underlying analysis and evaluation of rational portfolio choices based on risk-return trade-offs and efficient diversification.

**Portfolio Optimization:** Assumes that investors choose portfolios with the highest level of expected return at each level of variance (risk). This approach does not conclude that total portfolio risk is the sum total of its securities risk, but instead that investors must consider the covariance between securities. Assets are combined into efficiently diversified portfolios such that, at a given level of risk, there are no other portfolios that offer the same or higher level or expected return. Asset allocation models typically optimize based on either risk, return, or risk premium targets.

**Price-Earnings Ratio:** The ratio of a stock's price to its earnings per share. Also referred to as the P/E multiple.

**Private Equity:** Private equity investments refer to capital invested in companies in return for an ownership interest in those companies. Private equities are generally illiquid and thought of as a long-term investment. Private equity is composed of, but not limited to, the following subcategories: leveraged buyouts, venture capital, mezzanine debt financing, distressed debt, real estate, development capital and special situations.

**Real Estate:** Piece of land and all physical property related to it, including houses, fences, landscaping, and all rights to the air above the earth below the property. Assets not directly associated with the land are considered personal property.

**Real Estate Investment Trust (REIT):** Company, usually traded publicly, that manages a portfolio of real estate to earn profits for shareholders. Patterned after Investment Companies, REITs make investments in a diverse array of real estate from shopping centers and office buildings to apartment complexes and hotels. Some REITs, called Equity REITs, take equity positions in real estate; shareholders receive income from the rents received from the properties and receive capital gains as buildings are sold at a profit. Other REITs specialize in lending money to building developers; such Mortgage REITs pass interest income on to shareholders. Some REITs have a mix of equity and debt investments. To avoid taxation at the corporate level, 75% or more of the REIT's income must be from real property and 95% of its taxable income must be distributed to shareholders. The Tax Reform Act of 1986 generally gave REITs more flexibility and enhanced their appeal as investments.

**Risk-free rate:** The interest rate that can be earned with certainty. Often taken to be 90-Day T-Bills.

**R-Squared ($R^2$):** Indicates the extent to which the variability of a portfolio's returns is explained by market action. It can also be thought of as measuring diversification relative to a benchmark. An R-Squared of .75 indicates that 75% of the fluctuation in a portfolio's return is explained by market action. An R-Squared of 1.0 indicates that a portfolio's returns are entirely related to the market. An R-Squared of 0.0 indicates that no relationship exists between the portfolio's return and the market.

**Standard Deviation:** Shows the degree to which a portfolio's quarterly rates of return have fluctuated over a time period. As an evaluative toll, you can compare a portfolio's Standard Deviation to that of other funds to determine a perspective on volatility. High Standard Deviation is associated with aggressive investment strategies; low Standard Deviation is associated with conservative strategies.

**Sharpe Ratio:** Measures the excess return achieved by a portfolio adjusted for each unit of risk (standard deviation). A Sharpe ratio of 1.0 would suggest that a portfolio of securities delivers no excess return for the risk assumed. Assuming the S&P 500 index as a base of 1.0, similarly structured portfolios that delivered excess risk adjusted returns would have a Sharpe's Ratio in excess of 1.0.

**Top Down:** Security selection process whose first concern is to identify attractive macroeconomic features of the equity markets. A top down manager might tilt a portfolio towards newly expanding industry groups or perhaps to a recently depressed economic sector. Raw fundamentals such as P.E, Price/book. And earnings per hare are secondary in nature to the manager's decision making process. The primary concern is asset allocation and sector analysis.

**Value:** Managers who invest in companies believed to be undervalued on an absolute basis or relative to the market and/or historical levels. Portfolios typically possess lower than average price/earnings ratios, price/sales ratios, price/book value ratios and/or high dividend yields. Stocks generally also have lower earnings per share growth, low debt (debt/equity ratio) and higher quality. Most value managers often exhibit lower than average portfolio turnover.

**Venture Capital:** Venture capital typically refers to money provided by investors to invest in privately held companies with perceived long-term growth potential. There are several sub-categories of venture capital, which are often referred to as stages. These stages include: seed or early stage, middle stage, and later stage.

**Yield Curve:** Interest rates available for each maturity from today out to 30 years. It is frequently plotted on a single line graph as an easy way to look at the relationship between yield and time to maturity. Normally, the longer the time to maturity of a security, the higher its yield; this gives the yield curve an upward slope.

**Yield to Maturity:** The discount rate that equates the present value of the future cash flows to the market price. Stated in another way, it is the average rate of return earned if a bond is purchased at a market price and held until maturity. It is the internal rate of return of the cash flows provided by the bond. Unlike current yield, YTM accounts for both the income and appreciation / depreciation of a bond held to maturity.

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## CAPITAL MARKETS INDEX DEFINITIONS

**Barclays Capital 1-10 Year TIPS Index** is an index **of** U.S. Treasury inflation-indexed securities with maturies of between 1 and 10 years.

**Bloomberg Barclays US Aggregate Bond Index (BBUSAB)** which until August 24, 2016 was called the **Barclays Capital Aggregate Bond Index**, and which until November 3, 2008 was called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Bloomberg L.P. since August 24, 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded fundsare available that track this bond index. The Bloomberg Barclays US Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in U.S. The Bloomberg Barclays US Aggregate Bond Index is an intermediate term index. The BBUSAB index (USD Hedged) is a variant of the BBUSAB index limited to the foreign bonds in the index but hedged to adjust for foreign currency fluctuations.

**Consumer Price Index (CPI):** Measure of change in price of goods and services purchased by all urban consumers. Approximately 400 items make up the basket of goods and services measured.

**Dow Jones Industrial Average:** Covers 30 major NYSE industrial companies. The Dow represents about 25% of the NYSE market capitalization and less then 2% of the NYSE issues.

**Lehman Brothers Aggregate Bond:** The Government/Corporate and the Mortgage-Backed indices are combined to form the Aggregate Bond index. Total return comprises price appreciation/depreciation and income as a percent of the original investment. Indexes are rebalanced monthly by market capitalization.

**Lehman Brothers Government/Corporate Bonds:** The Government, Corporate and Yankee (all U.S. $denominated, sec registered, public non-convertible debt issued or guaranteed by foreign sovereign governments, municipals, governments agencies or initial agencies) bond indices combine to form the Government/Corporate bond index.

**Lehman Brothers Municipal Bonds:** The composite measure of the total return performance of the municipal bond market. The municipal market contains over 2 million different Bond issues. The market is divided into 7 major sectors: State G.O. Debt, Prerefunded Bonds, Revenue Debt (Electrical Utilities) (Hospital) (State Housing) (Industrial Development/Pollution Control) (Transportation).

**MSCI All Country World Index (ACWI):** A market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is maintained by Morgan Stanley Capital International (MSCI), and is comprised of stocks from both developed and emerging markets.

**MSCI ACWI Commodity Producers Index:** A market capitalization weighted index designed by Morgan Stanley Capital International to track the overall performance of commodity producers throughout the world. Stocks in the MSCI All Country World Commodity Producers Sector Capped Index are primarily focused on emerging market economies. The main components of the index are integrated oil and gas companies (25%), fertilizer and agricultural chemicals (19%), and diversified metals and mining (17%).

**MSCI EAFE:** An arithmetic, market value-weighted average of the performance of over 900 securities listed on the stock exchanges of the following EAFE countries: Australia, France, Netherlands, Sweden, Austria, Germany, New Zealand, Switzerland, Belgium, Hong Kong, Norway, United Kingdom, Denmark, Italy, Portugal, Ireland, Israel, Singapore/Malaysia, Finland, Japan, and Spain.

**MSCI Emerging Markets:** The MSCI Emerging Markets Index is an index created by Morgan Stanley Capital International (MSCI) designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index that consists of indices in 23 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

**NASDAQ:** Covers 4500 stocks traded over the counter. It represents many small company stocks but is heavily influenced by about 100 of the largest NASQ stocks. It is a value-weighted index calculated on price change only and does not include income.

**Russell 1000:** Consists of the 1000 largest securities in the Russell 3000 index. This large cap (market-oriented) index is highly correlated with the S&P 500 index.

**Russell 1000 Growth:** Contains those Russell 1000 securities with a greater-than average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values.

**Russell 1000 Value:** Contains those Russell 1000 securities with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values.

**Russell 2000:** Consists of the 2000 smallest securities in the Russell 3000 index. Representing approximately 11% of the Russell 3000 total market capitalization, this is our widely regarded small cap index.

**Russell 2000 Growth:** Contains those Russell 2000 securities with a greater than average growth orientation. Securities in this index tend to exhibit higher price to book and price earnings ratios, lower dividend yields and higher forecasted growth values than the value universe.

**Russell 2500:** The Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small and mid-cap market capitalizations. The Russell 2500 is a market cap-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities.

**Russell 3000:** Composed of the 3000 largest U.S. securities, as determined by total market capitalization. This portfolio of securities represents approximately 98% of the investable U.S. equity market.

**Russell Mid-Cap:** Consists of the bottom 800 securities in the Russell 1000 index as ranked by total market capitalization.

**S&P 500 Index:** Covers 400 industrial, 40 utility, 20 transportation, and 40 financial companies of the U.S. markets (mostly NYSE issues). The index represents about 75% of NYSE market cap and 30% of NYSE issues. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested.

**S&P Mid-Cap:** Consists of 400 domestic stocks chosen for market size (median market capitalization of about $610 million), liquidity, and industry group representation. It is a market weighted index (stock price * shares outstanding), with each stock affecting the index in proportion to its market value.

**Wilshire 5000:** Consists of nearly 5000 common equity securities, covering all stocks in the U.S. for which daily pricing is available. The value-weighted total return index is adjusted for cash dividends, which are reinvested at the end of each month.

**1-Month LIBOR (London Interbank Offered Rate)**. The average interest rate at which a selection of banks in London are prepared to lend to one another in American dollars with a maturity of 1 month.