Revised - November 2020

ENO TRANSPORTATION FOUNDATION, INC.

INVESTMENT POLICY STATEMENT

The purpose of this investment policy statement is to establish a clear understanding of the investment objectives of Eno Transportation Foundation, Inc. and will be used as a guideline for any investment managers retained. This policy statement also describes the performance standards that will be utilized by Eno Transportation Foundation, Inc. in monitoring investment performance on a continuing basis.

Objectives

The primary objective of the investments for Eno Transportation Foundation, Inc. is to provide for long-term growth of capital without undue exposure to risk. This objective shall be accomplished utilizing a strategy of equities, fixed income, and cash equivalents in a mix that is conducive to participation in a rising market while allowing for adequate protection in a falling market. The focus of this strategy should be total return, with consistency of investment performance over the long term. Eno is an organization that has been around for 100 years and needs to have an investment strategy that meets near term needs and is sustainable for the next century.

The investment objectives of the plan shall be as follows:

1. As a minimum requirement, the total return of the assets, net of investment manager fees, shall exceed the Consumer Price Index plus 4% over a five-year moving period. In addition, the total return on the assets, net of fees, shall be no less than a 7% nominal rate of return annually.

2. The total portfolio shall be diversified both by asset class (e.g., equities, bonds, and cash equivalents), and within equities by economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total fund.

3. The fixed income portion of the fund should normally represent approximately 30% of total fund assets at market value, although the actual percentage of fixed income and fixed reserves will fluctuate with market conditions. The purpose of the fixed income portion of the portfolio (bonds and cash equivalents) is to provide a deflation hedge, to reduce the overall volatility of the portfolio, and to produce current income in support of the needs of the Foundation.

4. The equity portion of the fund should normally represent approximately 70 percent of total fund assets at market value, although the actual percentage of fixed income and fixed reserves will fluctuate with market conditions. The purpose of the equity portion of the portfolio is to provide a total return that will simultaneously provide for growth in principal and current income sufficient to support Foundation payment requirements, while at the same time preserve the purchasing power of the Fund's assets. It is recognized that equities, as it reflects the volatility of the market, entails the assumption of greater variability and risk.

5. Target allocations for equities and fixed income investments are approved by the Board of Directors and noted in the "Asset Allocation" section of the Investment Policy.

6. Additions to principal shall be allocated into the portfolio within the asset allocation. As a general rule, needs for operating cash will be used to rebalance the total fund to stay within the asset allocation

7. Investment strategies will be reviewed on an annual basis, in conjunction with the annual budget approval process and may be changed by the Board of Directors, upon recommendation by the Finance and Audit Committee. The Board of Directors, upon recommendation by the Finance and Audit Committee, may change any of the ratios at their discretion, but it is anticipated that such changes will be infrequent.

<u>Asset Allocation – Core Portfolio</u>

1. The Eno Transportation Foundation's Finance and Audit Committee will review the asset allocation quarterly. In consultation with the Committee, the President of the Eno Transportation Foundation may re-allocate funds within the categories, below, when significant variations occur:

	Minimum	**Target**	**Maximum**
Equities	65%	70%	75%
Large Cap Growth/Value	37%	40%	43%
Mid Cap Growth/Value	4%	6%	8%
Small Cap Growth/Value	4%	6%	8%
International Growth/Value	15%	18%	21%
Fixed Income & Cash	25%	30%	35%

Asset Allocation – Smaller Endowed Accounts

1. For smaller endowed accounts with total assets less than $500,000 (such as the GAR, Koch, and O'Bryant accounts), the asset allocation should be 60 percent equities and 40 percent fixed income and cash.

2. The Finance and Audit Committee may choose to use a single "fund of funds" or a single manager for equities and fixed income to simplify the management of the account. The manager must be reputable, have an excellent track record, and have an asset allocation that is within 15 percentage points of the above-stated allocation.

3. Changes in the asset allocation parameters are to be approved by the Board of Directors, upon recommendation by the Finance and Audit Committee.

4. The Finance and Audit Committee is given full discretion relating to asset allocation within the above parameters.

Guidelines for the Equity Investments

1. The objective for the large cap growth/value investment is to track or outperform the S&P 500 stock index over a full market cycle.

2. Equity investments will be broadly diversified according to economic sector, industry, number of holdings, and other investment characteristics.

3. Equity investment style is expected to be a criterion for manager selection, within the context of a diversified manager structure. Fund managers can be chosen at the discretion of the Finance and Audit Committee.

4. Unless otherwise instructed, an active equity manager may at his discretion hold investment reserves of either cash equivalents or bonds, but with the understanding that performance will be measured against stock indexes described in his investment guidelines.

5. Within the international components of the equity investments, the Finance and Audit Committee may consider foreign investments, including ADRs, but these shall not exceed 21% of the market value of the Total fund. A foreign investment shall be defined as ownership in a company, which is incorporated outside the United States, the shares of which are actively traded outside the United States. Allocation of assets to foreign investments may only be made with prior approval of the Finance and Audit Committee.

6. Each active Equity Investment Manager shall vote proxies for those securities under management absent any specific directive to the contrary by the Finance and Audit Committee.

<u>Guidelines for the Fixed Income Investments</u>

1. The objective of the fixed income and cash portion of the fund is to track or outperform the broad, market-weighted bond index (net of fees). Performance will be monitored on a quarterly basis and evaluated over rolling three-to-five year periods.

2. The Fixed Income strategy can use passive or active management, but changes in average maturity should be moderate and incremental. Planned changes in overall average maturity should be communicated to the Finance and Audit Committee.

3. The purpose of the Core Fixed Income Fund is to increase return in the form of cash flow, provide a hedge against inflation and to reduce the volatility of the fund overall.

4. In general, the portfolio shall be well diversified with respect to type, industry, and issuer in order to minimize risk exposure. However, obligations carrying the full faith and credit of the U.S. Government or Government Agency may be held without limitation.

Passive Manager Guidelines

1. The Finance and Audit Committee may decide to use passive, index tracking funds (exchange-traded funds (ETF) or Mutual Funds) to meet some or all of the asset allocation. If using such funds, they must be from a large, reputable firm, they must have low fees compared to similar securities, and they must have an excellent track record of adhering to their respective index. The Committee will review the managers periodically to ensure low fees and adherence to indices. Any passive manager that deviates from its target benchmark should be terminated and replaced.

<u>Risk Guidelines for Actively Managed Funds (when applicable)</u>

2. It is recognized by the Finance and Audit Committee that a certain amount of volatility will be incurred in order to meet the secondary objective of long-term growth of capital. However, the standard deviation of the total portfolio shall not exceed the comparable balanced index by more than 6.0%.

3. Because the growth of the portfolio is largely dependent on the equity portion, a level of volatility (beta) for the equity portion of 1.20 to that of the Standard & Poors' 500 Index of 1.00 is tolerable if necessary. However, the level of volatility (beta) of the total portfolio shall not exceed .75 to that of the Standard & Poor's 500 Index of 1.00.

4. The intent of the fixed income and cash portions is to reduce the overall volatility of the portfolio. Therefore, the standard deviation of the fixed income portion shall not be significantly higher than that of the Barclays Intermediate Government/Credit Bond Index.

Equity Investment Active Manager Review Process (when applicable)

1. In the event that the Board should choose to use active managers, their failure to follow the Eno Transportation Foundation's Investment Policy Statement or investment restrictions will be grounds for removal. Written notification from the Finance and Audit Committee will be sent to the investment manager establishing the violation with a specific time frame to comply with the policy; non-conformance will result in termination.

2. Failure to consistently meet investment benchmarks, as established within a reconciled performance monitor, over an extended period of time as discussed above may result in an active manager being placed on "watch" and may eventually lead to termination. Specifically, if a manager trails their respective index or "bogey" by 200 basis points over 3 years and the manager is in the 50% percentile ranking or below of a comparable manager universe then the manager is immediately placed on "watch."

3. Substantive changes in an investment manager's philosophy, process, people or fees may result in that manager being placed on "watch" and may result in termination.

Investment Manager Restrictions

1. There shall be no short selling, securities lending, financial futures, margins, options, or other specialized investments without the prior approval of the Foundation's Board of Directors. If the Board of Directors decides to invest in a diversified fund that includes the above strategies, that decision shall constitute prior approval.

2. There shall be no investments in non-marketable securities, commodities, or speculative real estate without the prior approval of the Foundation's

Board of Directors. If the Board of Directors decides to invest in a diversified fund that includes the above strategies, that decision shall constitute prior approval.

3. There shall be no investments in private placements or letter stock, with the exception of those given as gifts.

4. The market value of any one issue shall not exceed 5% of the fund's total portfolio, with the exception of securities issued by the U.S. Government and its agencies or investment in mutual funds or ETFs.

5. Not more than $500,000 of an investment manager's portfolio shall be invested in commercial paper of any one issuer and purchases are limited to A1P1 rated paper.

6. Not more than the FDIC insured amount should be invested in bank certificates of deposits of any single issuer.

Guidelines for Active Managers

1. All objectives and policies will be reviewed at least annually for their continued pertinence by the Finance and Audit Committee. They shall remain in effect until modified.

2. If a manager believes that a policy guideline inhibits his investment performance, it is his responsibility to communicate his views to the Finance and Audit Committee.

3. The Fund portfolios will be monitored on a continual basis for consistency in investment philosophy, return relative to objectives, and investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. The Finance and Audit Committee will review portfolios on a quarterly basis. The Finance and Audit Committee will regularly review each manager to confirm that factors underlying performance expectations remain in place.

4. The Custodian will provide a monthly transaction journal and investment position for each investment manager.

5. Each investment manager will report total return net of all commissions and fees on a quarterly basis. Regular communication concerning specific investments, investment strategy and outlook is expected. Investment managers are required to inform the Finance and Audit Committee of any change in firm ownership, organizational structure, professional

personnel, account structure (e.g., number, asset size, and account minimum), or fundamental investment philosophy.

Revised:

September 2006 – Made changes to asset allocation parameters.
February 2008 – Made changes to asset allocation parameters. Added verbiage on core fixed income. Added Manager Evaluation section.
September 2009 – Made changes to the model asset allocation to include alternative investments.
February 2010 – Changed Lehman Index to Barclays – Added language for FDIC Insurance
August 2010 - Made changes to asset allocation- Reduced Equities by 10%, Increased Alternatives by 10%
March 2016 – Increased equities back to 70%, modified investment strategy to include passive managers for all investment areas, simplified language.
November 2020 – Simplified language and clarified asset allocation. No changes in policy.