

## **STATEMENT OF INVESTMENT POLICY**

WFT Liquidating Trust f/k/a Wisconsin Funeral Trust  
3913 West Prospect Avenue, Suite 201  
Appleton, Wisconsin 54914

Dated July 1, 2015, as amended on [date to be Inserted]

### **PURPOSE:**

The purpose of this Statement of Investment Policy (“Policy”) is to establish investment philosophies, financial objectives and administrative procedures for the WFT Liquidating Trust f/k/a Wisconsin Funeral Trust (the “Trust”) and to provide general guidance for preservation, growth and governance of its asset pool (the “Fund”).

### **BACKGROUND:**

On September 14, 2012, John M. Wirth (the “Receiver”) was appointed as interim receiver for the Trust, pursuant to Wisconsin Statutes Section 551.603(2)(b)1., by the Dane County Circuit Court (the “Court”) in Case Nos. 12 CX 44 and 12 CX 44A. On October 24, 2012, the Court affirmed the appointment of the Receiver until the Court orders otherwise.

Pursuant to the Confirmation Order, the Court, the Honorable Peter C. Anderson presiding, authorized the Receiver, as successor trustee of the Trust, to enter into the Trust Agreement/Plan of Liquidation (the “Trust Agreement”) as part of the resolution of the receivership and the discharge of the Receiver. All capitalized terms not otherwise defined in this Policy shall have the definitions set forth in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee shall hold and administer the Trust Assets and liquidate and distribute the Trust Assets to the Beneficiary Funeral Homes and others, as described in the Trust Agreement, to reimburse the Beneficiary Funeral Homes and such other persons and entities upon their performance under Burial Agreements and under the FHSA. The Trustee shall oversee investments, supervise and administer the Claims process, resolve disputes and perform all other obligations of the Trust, as described in the Trust Agreement.

### **INVESTMENT ADVISOR:**

At all times, the Trust shall engage and utilize an independent investment professional (the “Investment Advisor”) to advise the Trustee concerning the investment of the Trust Assets and to handle the Trust’s transactions involving the Trust’s investment accounts. Subject to the Trustee’s approval, the Investment Advisor may utilize one or more custodians of the Trust Assets.

The initial Investment Advisor ~~was shall be~~ Ziegler Capital Management, LLC. As a result of various corporate transactions, Ziegler Capital Management, LLC has been replaced by ZCM Advisory Group, a division of F/m Investments, LLC (although the personnel advising the Trust are largely unchanged). The Trustee may, with the approval of the Board, replace the

Investment Advisor at any time. The Trustee shall give written notice to the WDFI, the Beneficiary Funeral Homes and the Administrator of any replacement of the Investment Advisor.

The WDFI or any Beneficiary Funeral Home may petition the Court at any time to replace the Investment Advisor for good cause provided that any such petitioner first makes demand on the Trustee to make such a replacement and the Trustee fails to do so for a period of 30 days.

### **TERM:**

It is anticipated that this Policy will not be modified during the term of the Trust; however, if facts and circumstances compel the Trustee to determine that a change to this Policy is necessary to enable the Trustee to fulfill his or her fiduciary duties to the Beneficiary Funeral Homes, the Trustee may propose an amendment to this Policy with the consent of the Board as required under the Trust Agreement. Before making any such proposal, the Trustee shall confer with the Investment Advisor.

The adoption of a proposed change to this Policy shall follow the same procedure as an amendment to the Trust Agreement and shall be subject to the notice, posting, objection, approval and other provisions of Article 14 of the Trust Agreement. The initial notice to the WDFI and the Beneficiary Funeral Homes shall also state whether the Investment Advisor concurs with the proposed change.

### **INVESTMENT OBJECTIVES:**

The primary objective of this Policy is to preserve the real value of invested funds. Risk and volatility are present to some degree with all types of investments; however, high levels of risk are to be avoided. The Trust maintains that risk is best avoided by both minimizing risky investments and diversifying the asset classes, styles and sectors of investments.

The investment guidelines described in this Policy will be reviewed by the Trustee and, with the consent of the Board and Court approval, as required under the Trust Agreement, revised periodically.

All assets shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a similar capacity and familiar with such matters would use in the investment of a fund of similar character and with similar aims.

The Trust's overall investment objective is to achieve an optimized rate of return consistent with the preservation of principal, mitigation of risk and maintenance of liquidity. This Policy sets forth guidelines to effectively manage the Trust's investment portfolio in order to obtain:

- Stability – minimization of volatility and risk
- Liquidity – sufficiency of cash to provide for anticipated withdrawals
- Preservation of Capital – avoidance of significant long-term losses through an emphasis on high quality
- Return on Investment – tailoring income and return of the Trust to potentially cover the interest and administrative costs of the Trust, provided that such objective shall not supersede the preceding objectives.

## **ATTITUDES TOWARD RISK AND RISK MANAGEMENT:**

The Trustee and Board understand that risk can be defined in a number of ways. The Trustee and Board expect that the Investment Advisor understand how the Trust defines risk, so that the Fund's assets are managed in a manner consistent with the objectives and investment strategy as expressed in this Policy.

1. *Risk Aversion.* The Trustee and Board recognize that some risk is necessary to produce long-term investment results sufficient to meet the Fund's objectives, and that risk is present in all types of securities and investment styles. However, the Trustee, Board and the Trust expect that the Investment Advisor will utilize prudent judgment and reasonable efforts and techniques to control risk. The Trustee and Board will evaluate the Investment Advisor, and the Investment Advisor will evaluate its managers, regularly, to ensure that the risk assumed is commensurate with the Trust's objectives.
2. *Preservation of Capital.* Recognizing that, despite reasonable efforts, losses may occur in individual securities, the Investment Advisor shall make all reasonable efforts to preserve capital in the aggregate.

## **LIQUIDITY AND MARKETABILITY:**

To minimize the possibility of a loss occasioned by the sale of a security required to allow the Trust to pay an obligation, the Trustee will periodically provide the Investment Advisor with an estimate of expected cash flow needs. As further described below, the Trustee requires all Fund assets to be invested in liquid and readily marketable securities (instruments which can be transacted quickly and efficiently for the Fund with minimal impact on market prices).

## **ASSET ALLOCATION:**

Asset allocation is the most significant factor affecting the ability of the Trust to meet its objectives. Therefore, based on the investment objectives and risk tolerances stated in this Policy, the following asset mix target and ranges are considered appropriate for the Trust.

|                                      | Permitted Range   | Current Target | New Target | Benchmark                            |
|--------------------------------------|-------------------|----------------|------------|--------------------------------------|
| Enhanced Cash                        | 5% to 20%         | 10%            | 10%        | Bloomberg 90 Day T Bill Index        |
| Intermediate Fixed                   | 60% to 80%        | 70%            | 70%        | Bloomberg Intermediate Gov't/ Credit |
| <b>Total Fixed Income &amp; Cash</b> | <b>70% to 85%</b> | <b>80%</b>     | <b>80%</b> |                                      |
| Domestic Large Cap Value Equity      | 5% to 15%         | 20%            | 10%        | Russell 1000 Value Index             |
| Domestic Large Cap Core Equity       | 0% to 15%         | 0%             | 10%        | S&P 500 Index                        |
| <b>Total Domestic Equity</b>         | <b>15% to 30%</b> | <b>20%</b>     | <b>20%</b> |                                      |

The Investment Advisor will gradually move the Domestic Equity allocation from the current target to the new target over a period of one to two years from the approval of this Policy, subject to semi-annual review with the Board.

|                              | <b>Strategic Allocation</b> |                |                    |
|------------------------------|-----------------------------|----------------|--------------------|
|                              | <b>Lower Limit</b>          | <b>Targets</b> | <b>Upper Limit</b> |
| <b>Domestic Fixed Income</b> | <b>70%</b>                  | <b>80%</b>     | <b>85%</b>         |
| Enhanced Cash                | 5%                          | 10%            | 20%                |
| Intermediate Fixed           | 60%                         | 70%            | 80%                |
| <b>Domestic Equities</b>     | <b>15%</b>                  | <b>20%</b>     | <b>30%</b>         |
| Large Cap Value              | 15%                         | 20%            | 30%                |

| <u>Asset Class</u>        | <u>Benchmark</u>  |
|---------------------------|---|
| Enhanced Cash             | -90 Day T-Bill Index                                    |
| Intermediate Fixed Income | -Barclay's Capital Intermediate Government/Credit Index |
| Domestic Equity           | -Russell 1000 Value Index                               |

Rebalancing within the above ranges should be implemented no less than monthly, and more frequently if the Investment Advisor and the Trustee deem it to be appropriate. Given the nature of the investments, transaction costs associated with rebalancing are expected to be low. The Trustee will rely primarily on the Investment Advisor to direct such rebalancing. The Investment Advisor shall report to the Trustee on the status and its recommendations at least monthly.

In an emergency, as reasonably determined by the Trustee with the advice of the Investment Advisor and the consent of the Board, the Trustee may deviate from this Policy provided that (a) any investments made are readily saleable and provide quick liquidity; (b) the Trustee contemporaneously advises the WDFI of the deviation; and (c) no such emergency deviation shall last for more than 30 days unless, within such 30-day period, the Trustee commences the Policy amendment process described in Article 6 of the Trust Agreement and diligently pursues the adoption of such amendment. The Trustee shall cause the Trust to become in compliance with this Policy within such 30-day period if he or she has not so commenced the amendment process.

#### **INVESTMENT POLICY GUIDELINES – INVESTMENT INSTRUMENTS:**

Investments are to be limited to liquid securities which can be readily valued, including equities, bonds, mutual funds, commercial paper and other investments. **Commodities, options, futures, hedge funds, private equity, real estate, and derivative instruments are not eligible for investment.**

#### **Equity Assets:**

The following investment directions are intended to apply to the investment of the equity portion of the Fund assets.

- Diversification: The Investment Advisor will ensure adequate investment diversification.

- Marketability/Liquidity: Acceptable levels of marketability/liquidity are frequently expressed as functions of quality, market capitalization, and location of trading of a given security. The Investment Advisor will ensure adequate marketability of investments under its supervision.

## Fixed Income Assets

### Intermediate Fixed Income Assets

The objective of the intermediate fixed income portion of the Fund assets is to provide a total return, net of fees, in excess of the, Barclay's Capital Intermediate Government/Credit Index, the specified benchmark. The following directions are intended to apply to the ~~i~~Investment Advisor~~manager~~:

- Duration Target: Fixed income portfolio maturity, as measured by portfolio duration, should be between 90% and 110% of the benchmark. No instrument with an average life in excess of 10 years is permissible.
- Allowable Credit Quality:
  - At the time of purchase, all securities must be rated in the top four rating categories by Moody's, Standard & Poor's, or Fitch.
  - If a security falls below the allowable rating by Moody's, Standard & Poor's or Fitch, the Trustee must be notified and a plan of action must be presented to the Trustee.
  - Investments may only be made in non-investment grade securities provided that such investment is in the form of a diversified mutual fund or other similar collective vehicle that provides for daily liquidity and net asset valuations. Such investments shall not exceed 10% of the total market value of the Fund's assets.

### Cash & Enhanced Cash Assets

The objective of the enhanced cash position of the Fund assets is to provide sufficient liquidity to ensure cash availability to meet projected, as well as unexpected, funding requirements while utilizing maturities out to two years to enhance total return. For this reason, the Investment Advisor's enhanced cash manager shall communicate frequently with the Trustee ~~in~~regard~~ings~~ ~~to~~ cash flow requirements. The following directions are intended to apply to the enhanced cash manager:

- Duration Target: The duration must not exceed one year, and no instrument with a maturity greater than two years is permissible, except that:
  - Floating rate issues may have a longer maturity if the interest adjustment is based on an instrument with a maturity of less than one year.
  - A puttable bond may be utilized if the put can be exercised within two years.
  - Issues of these types should be limited to an amount consistent with normal liquidity requirements; but should not exceed 25% of the value of the portfolio.

- Allowable Credit Quality:
  - At the time of purchase, all securities must be rated in the top four rating categories by Moody's, Standard & Poor's, or Fitch.
  - If a bond falls below the allowable rating by Moody's, Standard & Poor's, or Fitch, the Trustee must be notified and a plan of action must be presented.

**Allowable Investments:**

- Equity investments shall be limited to those traded on U.S. principal exchanges or the over-the-counter markets.
- Not more than 5% of the market value of the fixed income investments shall be invested in securities of any one issuer, except government and agency obligations, without the Trustee's prior written approval. Investments in fixed income securities denominated in non-U.S. currencies are not permitted.
- Instruments issued and fully guaranteed by the U.S. government or any of its agencies and instrumentalities.
- Floating rate issues where the interest adjustment is based on an instrument with a maturity of less than one year.
- Debt obligations issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision.
- Sovereign and supranational debt rated in the top three rating categories by Moody's, Standard & Poor's, or Fitch.
- U.S. denominated deposit account, certificate of deposit, and banker's acceptances with domestic commercial banks, which have a rating on their short-term certificates of deposit on the date of purchase of "A1" by Standard and Poor's, "P1" by Moody's, or "F-1" by Fitch, without regard to gradation, and which matures not more than 360 days after the date of purchase.
- Corporate bonds. At the time of purchase, all securities must be rated in the top four rating categories by Moody's, Standard & Poor's, or Fitch (without regard to gradation of rating category or numerical modifier or otherwise). If a security falls below the allowable rating by Moody's, Standard & Poor's, and Fitch, the Trustee must be notified and a plan of action must be presented. Investments may be made in non-investment grade securities provided that such investment is in the form of a diversified mutual fund or other similar collective vehicle that provides for daily liquidity and net asset valuations. Such investments shall not exceed 10% of the total market value of the Fund's assets.

- Commercial paper which is rated at the time of purchase within the classification or higher, “A1” by Standard & Poor’s, “P1” by Moody’s, or “F-1” by Fitch, without regard to gradation, and which matures not more than 270 days after the date of purchase.
- Mortgages issued by a government sponsored agency and investment grade asset backed securities.
- Repurchase agreements are permitted with such broker/dealers who maintain a minimum 104% initial market value collateralization of the loaned amount of securities. The collateral market value shall be marked daily.

**EVALUATION BENCHMARKS:**

The Trustee will work with the Investment Advisor to establish evaluation benchmarks for the entire Fund. Measurement benchmarks will be set and documented by mutual agreement between the Trustee and the Investment Advisor. The Investment Advisor shall report performance to the Trustee as measured to such benchmarks on a regular basis, but at least quarterly.

Comparative market benchmarks are established to gauge a manager’s value added. Return requirements (annualized basis) are over a full market cycle (three to five years).

| Asset Class                              | Policy BenchmarkMarket Index                                |
|--|---|
| Domestic Fixed Income – Enhanced Cash    | 90 Day T-Bill Index   |
| Domestic Fixed Income – Intermediate     | Bloomberg Barclays Intermediate Gov’t/Credit Index          |
| Domestic Equity – Large Cap Value        | Russell 1000 Value Index                                    |
| Domestic Equity – Large Cap Core         | S&P 500 Index   |
| <b>Blended Portfolio Benchmark Index</b> | <b><u>Prorated Based on Portfolio Target Allocation</u></b> |

Comparative Market Benchmarks

Combined Assets – Relative to appropriate indices:

| Section                   | Benchmark  | Expectation       |
|---------------------------|--|-------------------|
| <del>Total Fund</del> 10% | <del>90-Day TBills</del>                                 | <del>Exceed</del> |
| <del>70%</del>            | <del>Barclays Intermediate Government/Credit Index</del> |                   |
| <del>20%</del>            | <del>Russell 1000 Value Index</del>                      |                   |
| <del>100%</del>           |  |                   |

The investment goal above is the objective of the aggregate Fund, and is not meant to be imposed on each investment account. The goal of the Investment Advisor, over the investment horizon, shall be to:

- Meet or exceed the market index, or blended market index, selected and agreed upon by the Trustee that most closely corresponds to the style of investment management. Each ~~Investment Advisor~~~~investment manager~~ will have a separate statement which will be attached as an addendum to this Policy.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark. Risk will be measured by the standard deviation of quarterly/monthly returns.

#### **PERFORMANCE REPORTING & EXPECTATIONS:**

Performance reports generated by the Investment Advisor shall be compiled at least monthly and reviewed with the Trustee. Investment performance for the total Fund, as well as asset class components, should be measured against commonly accepted performance benchmarks. The Trustee will consider performance results to the extent they are consistent with the Fund's goals, objectives and guidelines as set forth in this Policy.

#### **IMPLEMENTATION AND REVIEW:**

1. This Policy shall be managed for the Trust by the Trustee and reported to the Board.
2. Fund investment performance along with a detailed listing of all investment assets shall be reviewed monthly with the Trustee.
3. Actions of the Trust will be reviewed monthly with the Trustee.
4. The Trustee shall review this Policy with the Investment Advisor at least every six months. The Trustee will present recommended changes to the Board every six months, or more frequently if deemed appropriate by the Trustee.