



**EASTERN ARC MOUNTAINS CONSERVATION ENDOWMENT FUND
(EAMCEF)**

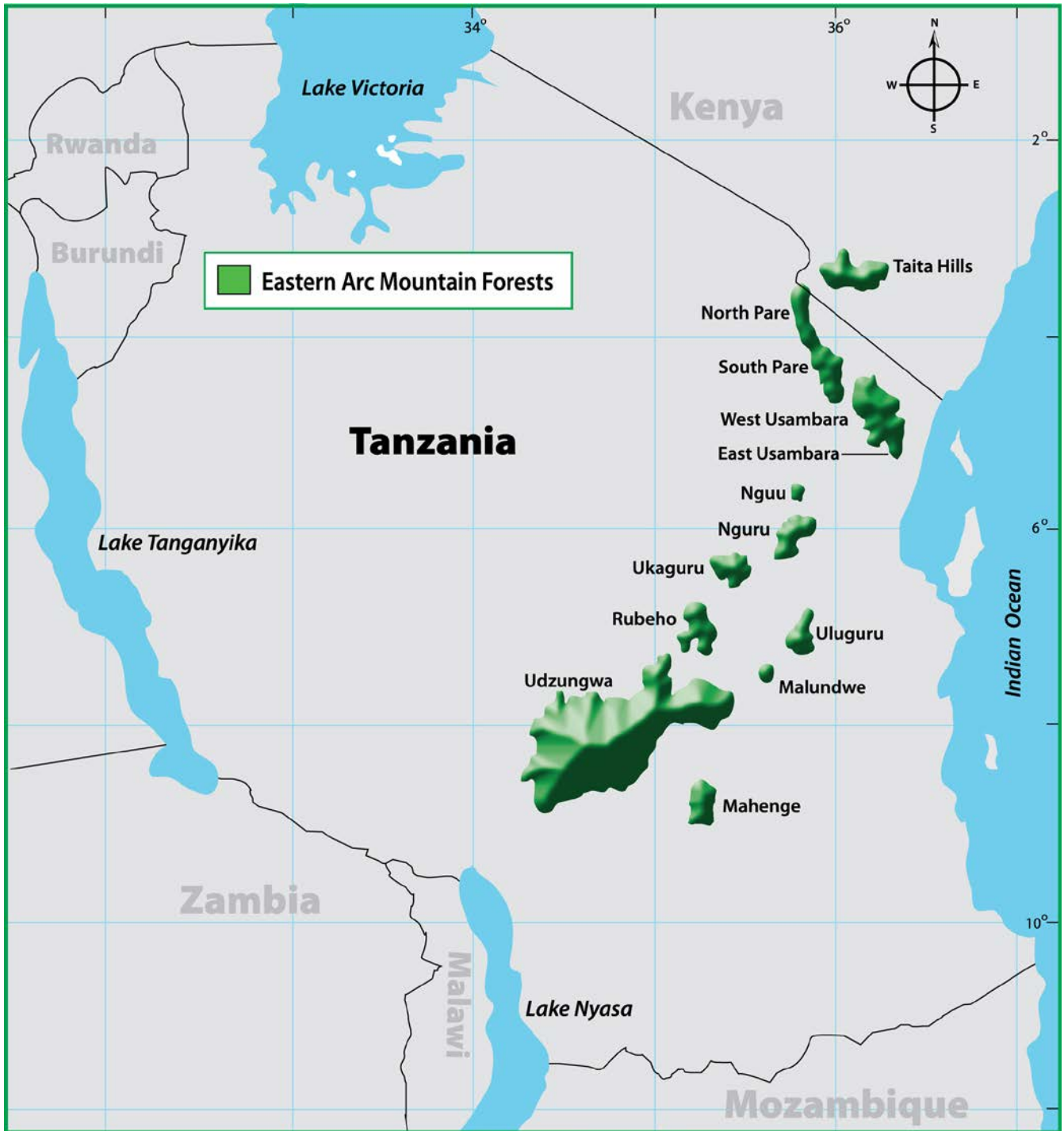
MFUKO WA HIFADHI YA MILIMA YA TAO LA MASHARIKI

**Statement of Investment Policy,
Objectives & Guidelines**

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LOCATION OF THE EASTERN ARC MOUNTAINS



First Edition – July 2006

Second Edition – July 2011

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FOREWORD

The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) is a Trust Fund that was established and functions as a long term funding mechanism to support the conservation efforts in the Eastern Arc Mountains of Tanzania.

Whereas the Vision of EAMCEF is “*A Conservation Fund sufficiently endowed to provide the financial resources necessary to ensure effective, long-term conservation and management of forest biodiversity in the Eastern Arc Mountains of Tanzania*”;

The Mission statement requires EAMCEF to “*Catalyze resources to foster conservation of forest biodiversity in the Eastern Arc Mountains of Tanzania through investment in sustainable community development, sustained financing for protected areas management and financial support to applied research*”.

EAMCEF’s secure source of funds can only be assured from secure incomes earned on its capital investments. The future sustainability of EAMCEF greatly depends on expansion and effective management of the endowment capital. EAMCEF therefore needs to have an investment strategy that will maximize returns within a secure portfolio and a competent investment management consultant/advisor who will look after the interests of the Endowment Fund.

The management of the EAMCEF capital investments that are invested with various Asset Managers can only be prudently undertaken on the basis of suitable provisions of the Investment Policy. The first Investment Policy was developed and endorsed in July 2006 and thereafter remained operational up to the present time. In view of the experiences gained over the past period and in order to be able to capture investment opportunities that emerge on an ongoing basis, the EAMCEF Board of Trustees resolved to review and update the first Investment Policy in July 2010. In conjunction with the Endowment Fund Secretariat and the Investment Management Consultant, the Board of Trustees then extensively reviewed the first Investment Policy and produced and endorsed the present edition on 29th July, 2011.

This Investment Policy establishes the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Board of Trustees. It includes description of various asset classes, investment management styles, asset allocation and tactical ranges that are expected to produce an appropriate level of risk/return over the investment time horizon. It also provides a target total return against which the performance of the portfolio can be monitored and measured on an ongoing basis.

***Francis B.N. Sabuni,
EXECUTIVE DIRECTOR,
Morogoro - Tanzania***

July, 2011.

1. GENERAL INFORMATION ABOUT THE EASTERN ARC MOUNTAINS CONSERVATION ENDOWMENT FUND

The Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) is a Trust Fund that was established as a permanent mechanism to provide long-term reliable funding support for Community Development, Biodiversity Conservation and Research projects which promote the biological diversity, ecological functions and sustainable use of natural resources of the Eastern Arc Mountains of Tanzania. The activities conducted by EAMCEF are charitable in purpose as they are intended to contribute to the promotion of economic development and social welfare of the local communities in the target areas, while ensuring the conservation of the biodiversity of the Eastern Arc Mountains.

Major Mountain blocks of the Eastern Arc spread over fifteen districts in five regions of Tanzania, namely; Tanga (East and West Usambara and Nguu Mountains), Kilimanjaro (North and South Pare Mountains), Morogoro (Nguru, Uluguru, Ukaguru, Udzungwa, Malundwe, Mahenge and Rubeho Mountains), Dodoma (Rubeho Mountains) and Iringa (Udzungwa Mountains). The mountain blocks in Tanzania cover a total land area of approximately 5,350 km².

The Eastern Arc is recognized globally as part of one of the 34 biodiversity hotspots characterized by high concentrations of endemic species currently under great threat. The biodiversity of the Eastern Arc Mountains is of great value locally for mitigating the impacts of rural poverty. Forest and Woodland products such as firewood, construction material, medicinal herbs, wild fruits and other food materials account for about 40% of total household consumption in some forest adjacent communities in the Eastern Arc Mountains. Nationally, the Eastern Arc Mountain forests form major catchment areas which collectively provide water for most of the nation's coastal communities accounting for about 25% of Mainland Tanzania's population and most of the major industries in the country. Hydro-electricity energy production in Tanzania is heavily dependant on maintaining the integrity of these forests. About 60% of Tanzania's electricity is generated from water sources originating in the Eastern Arc Mountain forests, e.g. Kidatu, Mtera, Hale, Nyumba ya Mungu and Kihansi hydropower stations.

EAMCEF (The Fund) was officially registered in Tanzania on 6th June, 2001 under the Trustees Incorporation Act (Cap. 318 R.E 2002 of the Laws of Tanzania). Governed by a Board of Trustees, the Fund operates as a not-for profit Non-Governmental Organization (NGO) with its day-to-day operations being run by the Endowment Fund Secretariat based in Morogoro Municipality and headed by an Executive Director.

The Board manages and administers the Fund to address the need for a long-term sustainable approach to funding the conservation of forest biodiversity in the important ecosystem. The approach recognizes the importance of gaining community support for conservation initiatives and in finding creative and innovative ways to finance priority community projects while linking that project financing to biodiversity conservation. Success requires building effective local institutions and ensuring the communities understand the importance of conservation to their economic and social well-being.

This effort requires a long-term investment, and the Eastern Arc Mountains Conservation Endowment Fund has been established for funding the purposes named above in perpetuity.

2. SCOPE OF THE INVESTMENT POLICY

This Statement of Investment Policy reflects the investment policy, objectives, guidelines and constraints of the entire Eastern Arc Mountains Conservation Endowment Fund.

3. PURPOSE OF THE POLICY

This Statement of Investment Policy is set forth by the Board of Trustees of the Eastern Arc Mountains Conservation Endowment Fund in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding of the investment goals and objectives of Fund assets for all involved parties.
3. Offer guidance and set limitations for all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

The purpose of this Statement is to outline a philosophy and attitude which 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.

4. DELEGATION OF AUTHORITY

The Board of Trustees of the Eastern Arc Mountains Conservation Endowment Fund is a Fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. The Fiduciary standard is a duty of loyalty and prudence. It holds that each person responsible for managing and investing the endowment fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. As such, the Board of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

- 1. Investment Management Consultant.** The investment management consultant shall assist the Board of Trustees in: establishing and reviewing investment policy, objectives, and guidelines; advising on asset allocation, selecting investment managers; reviewing such managers over time and measuring and evaluating investment performance.
- 2. Investment Managers.** Each investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet the Fund's investment objectives. It is acknowledged that investment managers will be contracted for investment of portions of the total fund to manage assets in their specialized area of expertise. Investment managers in each category are expected to adhere to that category of investment, and each manager's performance will be compared to relevant benchmarks.
- 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 tax attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Board of Trustees to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

All expenses for such experts must be appropriate and reasonable in relation to the assets and the purpose of the institution and will be borne by the Fund as deemed appropriate and necessary.

The Board of Trustees will not reserve any control over investment decisions, with the exception of specific limitations described in this Statement. The Investment Management Consultant and individual Asset Managers will be held responsible and accountable to make every effort to achieve the objectives herein stated. For this reason, the Board of Trustees shall make a reasonable effort to verify facts relevant to the management and investment of the fund and will exercise the power to hire independent consultants as needed in order to conduct such investigations.

Pooling of investments: The Board of Trustees may elect to pool two or more institutional funds for the purposes of investment management.

5. DEFINITIONS

1. 'Fund' or 'Endowment Fund' shall mean the Eastern Arc Mountains Conservation Endowment Fund (EAMCEF).
2. 'Board of Trustees' shall refer to the Governing Board established to administer the Fund as specified by applicable laws.
3. 'Fiduciary' shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
4. 'Investment Management Consultant' shall mean any individual or organization employed to provide advisory services, including advice on investment policy, investment objectives and guidelines, asset allocation, manager search, and performance monitoring.
5. 'Investment Manager' or 'Asset Manager' shall mean any individual, or group of individuals, employed to manage the investments of all or a portion of the Fund assets.
6. 'Securities' shall refer to the investment securities that 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 immediate investment horizon for this Fund is 10 years with a long-term horizon of perpetuity.
8. 'Investment Policy' or 'Investment Policy Statement' shall mean the Statement of Investment Policy, Objectives and Guidelines as contained and stated herein.

9. 'Responsible Officer' shall refer to the individual person competitively selected and appointed as Executive Director by the Board of Trustees to run and manage the day to day business and affairs of the EAMCEF on their behalf.

6. GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. In managing investments for the Eastern Arc Mountains Conservation Endowment Fund, the following factors, when relevant, must be considered:
 - A. General Economic Conditions
 - B. The possible effect of inflation or deflation
 - C. The expected tax consequences, if any, of investment decisions or strategies
 - D. The role that each investment or course of action plays within the overall investment portfolio of the Fund
 - E. The expected total return from income and the appreciation of investments
 - F. Other resources of the institution
 - G. The needs of the institution and the endowment fund to make distributions and to preserve capital; and
 - H. An asset's special relationship or special value, if any, to the charitable purposes of the institution.
3. Management and investment decisions about an individual or asset or asset category must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment fund and to the institution.
4. The Board of Trustees, through the Investment Management Consultant, may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
5. 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.
6. 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 diversify.
7. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

7. INVESTMENT MANAGEMENT POLICY

- 1. Preservation of Purchasing Power** - 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 and that accounts in more volatile asset classes will fluctuate in value. Preservation of capital for this purpose means preserving principal plus achieving growth in excess of the rate of inflation.
- 2. Risk Aversion** - Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to manage and minimize risk, and will be evaluated regularly by the Investment Management Consultant to ensure that the risk assumed is commensurate with the given investment style and objectives.
- 3. Adherence to Investment Discipline** - Investment managers shall adhere to the investment management styles for which they were hired. Managers will be evaluated regularly by the Investment Management Consultant for adherence to investment discipline.

8. ASSIGNMENT OF RESPONSIBILITY

8.1 Responsibility of the Investment Management Consultant

The Investment Management Consultant's role is that of a non-discretionary advisor to the Board of Trustees of the Eastern Arc Mountains Conservation Endowment Fund. Investment advice concerning the investment management of Fund assets will be offered by the Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Statement. Specific responsibilities of the Investment Management Consultant include:

1. Assisting in the development and periodic review of the Investment Policy, including specific investment objectives, guidelines, risk management and reporting procedures.
2. Conducting investment manager reviews at least annually and new manager searches when permitted or requested by the Board of Trustees.
3. Providing 'Due Diligence', or research, on Investment Manager(s) including a peer manager review performed on an ongoing basis, no less than annually.
4. Monitoring the performance of the Investment Manager(s) to provide the Board of Trustees with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Board of Trustees.
6. Advising the Board of Trustees of changes in economic and market conditions. The Consultant should advise of the recommendations to make modifications to the investment portfolio in order to meet overall investment objectives.

7. Reviewing the Fund investment history, historical capital markets performance and the contents of this Investment Policy Statement to any newly appointed members of the Board of Trustees.
8. Attend an annual meeting of the Board of Trustees to review past year progress and discuss issues relevant to the investment management and spending of the Eastern Arc Mountains Conservation Endowment Fund.

8.2 Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its direct management, while observing and operating 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 regarding economic outlook, investment strategy, or any other factors that affect implementation of investment process of the Fund's investment management.
4. Informing the Board of Trustees through the Investment Management Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

9. GOALS OF THE TRUST

The Board of Trustees believes this Endowment is intended to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the long-term objective of this Fund is to maintain purchasing power, and when possible to increase principal in excess of inflation. The specific objective is to grow the aggregate portfolio value at the rate of 7.5% after costs over the Endowment's investment horizon. Therefore, expectations may be expressed by the following equation:

$$\text{Increase in Purchasing Power} = (\text{Total Return} + \text{Gifts Received}) - (\text{Spending} + \text{Expenses} + \text{Inflation})$$

Performance of the overall portfolio will be benchmarked against relevant index measures to provide a comparative framework. The primary goal over the years 2011-2015 is moderate growth with an absolute return objective of 7.5% to increase the purchasing power of the Eastern Arc Mountains Conservation Endowment Fund. The primary goal from 2016 forward will be positive absolute return of 7.0% in order to fulfill the annual programme needs of the Eastern Arc Mountains Conservation Endowment Fund, to cover the Fund expenses and compensate for long-term inflation.

10. SPENDING POLICY

This Endowment places the highest emphasis during the accrual period of 2011-2015 on capital growth. This indicates an investment approach balanced between stocks and bonds, that allows a higher percentage of holdings in risky investments to provide growth potential during the accrual period.

From 2016 forward (the income period) the highest emphasis will be on meeting its grant making obligations. As such, the Board of Trustees regards spending in dollar terms from 2016 on as inflexible. Therefore, beginning in 2016 in order to reduce the likelihood of underperformance and excessive deterioration of real principal during such periods, this Endowment must tend toward a more conservative investment strategy than might be the case if grant making from year to year were more flexible.

The Board of Trustees after 2016 will set spending of up to 5.0% of the portfolio value determined by averaging the balance of the total EAMCEF Fund value at the end of each of the past three fiscal years, to calculate a three-year rolling average balance, less gifts received. The Spending equation can be expressed as:

Expenses - Gifts Received = Withdrawals from The EAMCEF Fund

while

Total Return -Withdrawals - Inflation = Increase in Purchasing Power of the Fund

11. RECEIPT OF GIFTS

The Eastern Arc Mountains Conservation Endowment Fund receives about US\$ 1 mil. annual grant from the Royal Government of Norway to cover for its operations and programme needs for five years beginning mid 2011. Other donor contributions are welcome but are likely to be inconsistent. The Board of Trustees has set an investment strategy with the objective of maintaining purchasing power of Endowment assets before consideration of gifts. Accordingly, after 2016 unrestricted future giving will serve to reduce spending, thus increasing purchasing power.

Gifts will be carefully monitored and documented by the responsible officer of the Board of Trustees to comply with international anti-money laundering regulations. All gifts of real and tangible property to Eastern Arc Mountains Conservation Endowment Fund will be subject to review by the responsible officer and may be rejected and returned to the donor if it is deemed that the gift was inappropriate or is accompanied by a significant environmental or economic liability or is intended to defeat the objectives of the Trust. A record or inventory of the gifts received shall be maintained by the responsible officer and reported to the Board of Trustees accordingly.

Gifts of securities and money funds to the Eastern Arc Mountains Conservation Endowment Fund from donors are welcome subject to approval on the guidelines stated above. The responsible officer of the EAMCEF will provide instructions for transfer of gifts to the Eastern Arc Mountains Conservation Endowment Fund Investment Account.

12. INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Eastern Arc Mountains Conservation Endowment 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 of Fund assets *during the accrual period* shall be:

To Provide Long-Term Capital Growth – the fund balance should grow at a higher rate until income is required to fund program needs of the Eastern Arc Mountains Conservation Endowment Fund.

The secondary objective in the investment management of Fund assets *during the accrual period* shall be:

Capital appreciation in excess of the rate of inflation - to achieve returns in excess of the rate of inflation (measured by U.S. CPI) in order to maintain the real purchasing power of Fund assets. Risk control is an important element in the investment of Fund assets as the full funding of the Trust will be derived from income produced by the fund after the accrual period.

Specifically, the primary objective in the investment management of Fund assets *during the income period* shall be:

To Provide Current Income – a quarterly draw will be made from the portfolio to meet the regular program needs of the Eastern Arc Mountains Conservation Endowment Fund.

The secondary objective in the investment management of Fund assets *during the income period* shall be:

Preservation of Purchasing Power After Spending - to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of Fund assets. Risk control is an important element in the investment of fund assets.

13. SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this Statement, it is the goal of the aggregate Fund assets *during the accrual period* to meet or exceed the following return net of investment expenses:

An absolute rate of return of 7.5%, using a three-year rolling average.

It is the goal of the aggregate Fund assets *during the income period* to meet or exceed the following return net of investment expenses:

An absolute rate of return of 7.0%, using a three-year rolling average.

The stated investment goals are the objectives of the aggregate Fund, and is not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

- 1. Meet or exceed the market index or blended market index agreed upon by the Board of Trustees 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.**

14. DEFINITION OF RISK

The Board of Trustees realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Eastern Arc Mountains Conservation Endowment Fund assets understands how it defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy.

The Board of Trustees defines risk primarily as:

Not maintaining purchasing power over the Fund's 10-year investment time horizon.

The Board of Trustees defines risk secondarily as:

Unacceptable fluctuation in the value of Fund assets during a one-year period. This is defined as a 8% down or 20% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio is subject to excessive volatility risk. When the measure is triggered it will require a complete review of investment strategy with the investment management consultant. Some level of corrective action is required to prevent further out-of limits volatility.

15. 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 of Trustees will periodically provide investment counsel with an estimate of expected net cash flow. The Board of Trustees will notify the investment management consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Board of Trustees requires that a minimum of ½ of 1% of Fund assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury Bills.

16. MARKETABILITY OF ASSETS

The Board of Trustees requires that 90% or more of Fund assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

17. INVESTMENT GUIDELINES

While it is not believed that the limitations stated in this Investment Policy will hamper investment managers, each manager should request modifications that they deem appropriate in advance of investment activity should the Investment Manager find that to conduct part of their regular and customary investment activities an action is prohibited by this Statement of Investment Policy. This process may result in a written allowance of exception by the Investment Committee of the EAMCEF Board of Trustees. However, absent written advance consent, Investment Managers are expected to maintain compliance with the following investment guidelines.

17.1 Allowable Asset Classes

1. Cash Equivalents allowed include the following:
 - Treasury Bills
 - Money Market Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities allowed include the following:
 - Fixed Income Securities of Foreign Governments and Corporations
 - U.S. Corporate Notes and Bonds
 - Government and Agency Securities
 - Mortgage Backed Bonds and Planned Amortization Class Collateralized Mortgage Obligations
 - Preferred Stock
3. Equity Securities allowed include the following:
 - Stocks of Non-U.S. Companies (Ordinary Shares)
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Common Stocks of U.S Companies
 - Convertible Notes and Bonds
 - Structured Notes investing in broad market indices
 - Convertible Preferred Stocks
4. Mutual Funds allowed include the following:
 - Open-end Mutual Funds that invest in securities as allowed in this Statement.
 - Closed-end Funds which invest in securities as allowed in this Statement.
 - Exchange Traded Funds (ETFs) which invest in securities as allowed in this Statement.
5. Alternative Investments allowed include the following:
 - Guaranteed Investment Contracts (GIC's)
 - Low and Medium Volatility Hedge Funds
 - Low-leverage (below 1.5 times capital) Commodities and Futures Funds and ETFs.
 - Real Estate Investment Trusts

17.2 Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Board of Trustees observes that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board of Trustees will take a conservative posture on derivative securities in order to maintain its risk adverse nature.

17.3 Prohibited Asset Classes

Prohibited investments include, but are not limited to the following:

1. Individual Commodities and Futures Contracts
2. Private Placements (with the exception of allowed structured index notes)
3. Options
4. Private, Non-registered Limited Partnerships
5. Venture-Capital Investments

17.4 Social and Environmental Screening

Companies and industry categories may be excluded from investment due to social or environmental screening preferences. The Board of Trustees has instructed (via a social and environmental screening preferences ranking list) the Investment Management Consultant to impose screening on the management of assets including the exclusion of investment due to social and environmental preferences. This is to be done on a “best efforts” basis. Any such requirements will be agreed upon by the Board of Trustees and conveyed in writing to the Investment Management Consultant, who will be responsible for assuring compliance for all investments made by asset managers on behalf of the Eastern Arc Mountains Conservation Endowment Fund.

17.5 Asset Allocation Guidelines

Investment management of the assets of the Eastern Arc Mountains Conservation Endowment Fund shall be in accordance with the following asset allocation guidelines:

1.a Aggregate Fund Asset Allocation Guidelines (at market value) *accrual period:*

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Strategy</u>
Equities	25%	75%	55%
Fixed Income	25%	75%	34.5%
Alternative Investments	0%	15%	10%
Cash and Equivalent	.5 of 1%	20%	.5 of 1%

1.b Aggregate Fund Asset Allocation Guidelines (at market value) *income period*:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Strategy</u>
Equities	10%	65%	42.5%
Fixed Income	35%	75%	47.5%
Alternative Investments	0%	15%	7.5%
Cash and Equivalents	.5 of 1%	20%	.5 of 1%

2. The Board of Trustees may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate 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 of Trustees regarding specific objectives and guidelines.
3. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board of Trustees will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Board of Trustees expects that the Investment Management Consultant will advise to bring the portfolio into compliance with these guidelines as promptly and prudently as possible.

17.6 Diversification for Investment Managers

The Board of Trustees does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the world economy. However, in order to achieve a prudent level of portfolio diversification, the equity securities of any one company should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual government-issued securities may represent 5% of the total fund, while the total allocation to treasury bonds and notes of any single country's issue may represent up to 50% of the fund's aggregate bond position.

17.7 Guidelines for Fixed Income Investments and Cash Equivalents

1. Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better. High-Yield Bond and Convertible Bond Investments are specifically exempt from this requirement but must be managed by a well-established firm with a high degree of capability in credit analysis and invested in a portfolio with a record of competent credit management.
2. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 30 years.
 - Weighted average portfolio maturity may not exceed 15 years.
3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

18. SELECTION OF INVESTMENT MANAGERS

The Board of Trustees' selection of Investment Manager(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a bank or insurance company, or in the United States, a registered investment advisor under the Investment Advisors Act of 1940. The Investment Management Consultant will provide the Investment Committee of the Board of Trustees with all relevant information and recommendations regarding the selection of each asset manager for the aggregate portfolio.

19. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

The ongoing monitoring of investments is a regular and disciplined process. The Board of Trustees is aware that ongoing review and analysis of the investment managers is just as important as the due diligence implemented during the manager selection process. The performance of the investment managers will be monitored on an ongoing basis and it is at the Board's discretion to take corrective action by replacing a manager if it is deemed appropriate.

Performance reports generated by the Investment Management Consultant shall be compiled quarterly and communicated to the Board of Trustees 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 Board of Trustees 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 by an asset manager that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Significant qualitative changes to the investment management organization.
3. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.

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.

The Board of Trustees recognizes the long-term nature of endowment fund investing and the variability of market returns. Periodic underperformance in any of the criteria outlined in this Policy will not necessitate the termination of a manager. Underperformance will provoke thoughtful consideration by the Board of the factors causing underperformance and possible courses of action that the Board may take.

20. RISK MANAGEMENT

The following strategies will be used on a regular basis in order to moderate overall portfolio risk:

1. Strategic portfolio rebalancing will be done on a quarterly basis and more often if deemed necessary. This process serves to transfer funds from investment strategies that have appreciated more than the overall portfolio and rebalance the portfolio to the desired investment allocations.
2. Use of a combination of asset classes with a focus on low and negatively correlated relationships between asset classes will be employed in order to reduce portfolio volatility.
3. Identification and defensive use of equity manager capture ratios. Active management strategies will be engaged with knowledge of the historical defensive characteristics of managers in both up and down market conditions.
4. Tactical asset allocation will be engaged defensively during periods in the global economic cycle. This will be done within the constraints of the stated asset allocation guidelines.
5. Mathematical “market breakpoint” risk reduction guidelines can be employed with mutual consent between the Investment Management Consultant and the Eastern Arc Mountains Conservation Endowment Fund Investment Committee. These adjustments are normally only made during periods of severe market declines and all recommendations and communications regarding these defensive measures must be well documented in writing to avoid any misunderstanding regarding execution.
6. Principal Protected Notes can be substituted for traditional index investments.
7. Environmental, Social and Governance (ESG) screening may eliminate company specific risks not otherwise identified. The Eastern Arc Mountains Conservation Endowment Fund Board of Trustees has not imposed a specific standard for ESG screening but may request this of any and all asset managers.
8. Liability Matching will be performed during the 'Income Period' in order to assure that liquid funds are available on a reliable basis to meet quarterly income distribution needs for the Eastern Arc Mountains Conservation Endowment Fund.

21. INVESTMENT POLICY REPORTING

The Investment Management Consultant will include a report on compliance with the Investment Policy in the quarterly report to the Eastern Arc Mountains Conservation Endowment Fund Investment Committee. This will include a summary of overall asset allocation and commentary on adherence to allocation guidelines. It will also state whether there is any exposure to prohibited investments or whether any investment category is in excess of the stated guidelines. The Investment Management Consultant will also report on any advised changes in risk management.

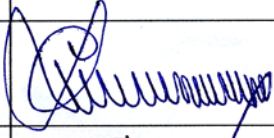
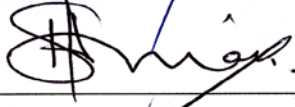

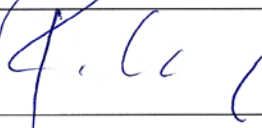

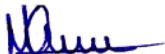



Performance reporting will be made for the combined investment fund and separately for each of the investment managers engaged to manage separate strategies. The Investment Management Consultant is expected to provide an analysis of how the combined fund and managers performed in comparison to benchmarks and to provide objective advice on whether to retain or replace under-performing managers. The Investment Management Consultant should also report on the status of reaching the overall, long term performance goals of the endowment fund.

22. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations established in this framework Statement of Investment Policy, the Board of Trustees plans to review the Investment Policy at least once every three years and may review and amend the Investment Policy at any time.

23. INVESTMENT POLICY ADOPTION

This Statement of Investment Policy is adopted on Friday 29th July, 2011 by the Board of Trustees of the Eastern Arc Mountains Conservation Endowment Fund whose signatures appear below.

NAME	SIGNATURE
1. Prof. Gerald C. Monela	
2. Prof. Hamudi I. Majamba	
3. Mr. Christopher Ford	
4. Mr. Paul Barker	
5. Eng. Bonaventure T. Baya	
6. Ms. Monica A. Kagya	
7. Ms. Anna J. Msolla	
8. Mr. Charles K. Meshack	
9. Mr. Kallaghe S. Yusuph	

DISTRICTS OF THE EASTERN ARC MOUNTAINS IN TANZANIA

