College Heights Foundation
Investment Policy

November 2019

PURPOSE

The purpose of this document is to define the investment policy for the long-term endowment funds of the Foundation. As such, this will serve as the baseline policy for most (but not all of) the Foundation's various types of endowment assets. It will identify a set of investment objectives, guidelines and performance standards. The objectives have been created in response to:

- the anticipated financial needs of the organization
- the organization's risk tolerance; and
- the need to document and communicate objectives, guidelines, and performance standards

This policy is to be communicated to the Investment Consultant for their use in developing an appropriate program and to the Board of Directors for their use in exercising fiduciary responsibility. This document will also be used as the basis for investment performance measurement and evaluation. This policy will be reviewed by the Investment Committee and the Board on an annual basis.

TIME HORIZON

The Foundation recognizes that as a perpetual entity, the framework of investment decisions should be centered upon long term (5-10 year plus) market cycles as well as long term manager and asset class returns. While the context of any present economic climate will no doubt be reflected in the Board's willingness to take on varying levels of investment risk, the overriding principles of the investment policy, along with the asset class guidelines herein established, should not be altered due to short term market fluctuations or economic disruptions.

PHILOSOPHY

The Foundation understands that prudent risk taking is necessary in order to achieve the overall objectives. Acknowledging that there is a direct correlation between the relationships of risk/return under Modern Portfolio Theory, the Foundation does not seek to eliminate risk but to effectively manage it. The level of risk taken should be in proportion to the Foundation's overall investment objectives and will principally be governed by the overall asset class allocations and parameters established.

The Board of Directors believe that the perpetual nature of the Foundation necessitates investing a majority of the assets of the Foundation in equity or real assets, or those assets with "equity like" characteristics which over time have shown a greater propensity to achieve returns in excess of inflation. The Board of Directors believe that the trade-off of higher anticipated returns in these asset classes outweighs their shorter-term volatility risk.

INVESTMENT OBJECTIVE

The overall objective of the Foundation is to maintain the purchasing power of the current and future income demands while providing a relatively predictable and growing stream of annual distributions in support of the Institution.

The primary investment objective, as established by the Investment Committee and approved by the Board of Directors, is to earn an average annual return above the spending policy requirements and administrative costs of the Foundation while providing the potential for principal growth and necessary adjustments for inflation over full market cycles and long-term time horizons.

The distribution through the spending policy will be permitted to the extent that such distributions do not exceed a level that would erode the assets over time. The Investment Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the spending policy, its target asset allocation, or both.

ASSET ALLOCATION

In an effort to achieve the overall investment objective, the Foundation will allocate monies among a broad range of asset classes, with a bias toward equity and equity-like investments due to their higher long-term return expectations. Other asset classes may be utilized to enhance returns, reduce volatility through diversification, and/or offer broader investment opportunities.

The Global Public Equity segment is intended to provide long-term growth and offer higher expected real returns and liquidity. The Foundation intends to utilize a combination of active managers who will attempt to add incremental return (alpha) as well as passive investment strategies in order to establish market beta in cost-effective investment strategies.

The Alternative Investments component is intended to reduce risk by providing returns with lower correlations to publicly traded equity and fixed income markets as well as potentially providing additional growth to the portfolio. Real assets may provide a benefit during periods of unexpected inflation. Additionally, Hedge Funds may provide protection against volatility and the Private Equity subcomponent may provide even greater return potential (with accompanying increased risk) than the public equity markets as compensation for opportunities which are less efficient and in more illiquid markets. The Foundation recognizes that Private Equity investments are illiquid and may run over terms of up to 10 years.

The Fixed Income component of the portfolio is intended to produce current income with a focus on total return and serve as a stabilizing portion of the portfolio, providing opportunity in periods of financial market distress as well as deflationary environments.

The Cash and Cash Equivalents component is intended to provide immediate liquidity and short-term reserve needs.

The overall portfolio is to be diversified within a wide range of asset classes and styles within each asset class. The intent of this diversification is to reduce the impact of any single security, or class of securities, from having a disproportionate impact on the overall performance of the total portfolio.

The asset allocation should reflect a balance of the Foundation's need for liquidity, preservation of purchasing power and risk tolerances. The strategic target consistent with the achievement of the long-term objective of the Foundation is as follows:

Asset Class	**% of Total Foundation Assets**	
	Strategic Target	**Tactical Range**
Global Public Equity	**60**%	**40-70%**
US Large Cap Equity	30%	25-50%
US Small/Mid Cap Equity	15%	5-25%
International/EM Equity	15%	5-25%
Total Alternative Investments	**10%**	**5-20%**
Hedge Funds	3%	0-15%
Private Equity	3%	0-15%
Public and Private Real Assets	4%	0-15%
Total Fixed Income	**25%**	**15-45%**
Cash and Cash Equivalents	**5%**	**0-15%**

It is the responsibility of the Investment Committee, and duly delegated to the Investment Consultant, to monitor the overall allocation. It is understood that the tactical ranges are targets and that deviations may occur as a result of market impact, short-term timing decisions, or varying periodic returns earned on its investments in different asset and sub-asset classes. The portfolio will be rebalanced to its normal target ranges by using incoming contributions or outgoing disbursements to realign the weightings closer to the strategic targets. The Investment Consultant may provide additional rebalancing recommendations to the Investment Committee at any time within the tactical ranges. Any permanent changes to these guidelines must be approved by the Board of Directors.

IMPLEMENTATION

The Board of Directors are a fiduciary and responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Board is authorized to delegate certain responsibilities to a volunteer committee or professionals in various fields. These include, but are not limited to:

1. Investment Committee. The committee is acting in a fiduciary capacity with respect to the overall portfolio, and is accountable to the Board of Directors and to the Executive Committee, for overseeing the investment of all assets owned by, or held in trust for, the Foundation.

2. Investment Consultant. The consultant may be employed to assist the Foundation in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; ensuring compliance within the targets outlined by asset allocation strategies; rebalancing the portfolio; and other tasks as deemed appropriate.
3. Investment Manager(s). Investment managers may be employed with discretion to purchase, sell, or hold the specific securities that will be used to meet said manager's investment objectives.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Board of Directors to assist in meeting responsibilities and the obligation to administer the Foundation's assets prudently.

No strict formula will be utilized in hiring, maintaining, or terminating any particular investment manager, as the Board of Directors believe that this is a largely subjective decision on the part of both the Investment Committee as well as the Investment Consultant. However, key criteria which shall be evaluated in making these determinations may include but are not limited to: stability of the organization and management team, regulatory compliance, assets under management, risk adjusted returns, relative peer group performance, and portfolio composition.

PERFORMANCE MEASURING AND MONITORING

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each investment manager and are expected to be achieved net of investment management costs. The Investment Consultant will be evaluated by the overall performance of the comprehensive portfolio.

Comprehensive Portfolio

The comprehensive investment portfolio of the Foundation's endowed assets (defined as the various investment accounts of the Foundation excluding locally held certificates of deposit and any other positions for which reliable data is not obtainable) will be measured against a broad benchmark designed to approximate the strategic targets of the Foundation's asset allocation and holdings of anticipated comparable volatility.

As of the current target asset allocations stipulated by the investment guidelines, the following composite benchmark will be applied:

45% Russell 3000
15% MSCI EAFE
5% HFRI Global Hedge Fund Index
5% FTSE EPRA Nareit Developed Markets
25% Barclay's Aggregate Bond Index
5% Citi 3Mos-Tbill

Equity, Fixed Income, and Alternative Managers

Performance of all managers shall be provided to the Foundation on a quarterly basis by the Investment Consultant. These reports shall contain quarterly, yearly and rolling period comparisons of each manager against their relevant market benchmark(s).

These accountability standards shall serve as the guide for monitoring the progress of the portfolio and for evaluating the contributions of the manager(s) hired on behalf of the Foundation and its beneficiaries.

Approved November 2019