

# Foundation

## Winthrop University Foundation Investment Policy Statement

### 1. Definition and Statement of Purpose

The Investment Policy Statement was adopted by the Investment Committee (the “Committee”). The Board of Directors of the Winthrop University Foundation (the “Board”) has delegated management of the Foundation’s investment portfolio to the Committee to direct the prudent investment of the Winthrop University Foundation (the “Foundation”) in a manner consistent with the investment objectives stated herein.

The Board and the Committee recognize the need for the Foundation to support current operations of Winthrop University (the “University”) and to focus on the long-term growth of assets. Long-term asset growth enables the Foundation’s continued existence for the benefit of future generations of students, staff and faculty. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the “real” (inflation-adjusted) value of assets, is crucial to the long-term success of the Foundation.

#### *Goals:*

1. *Compound the principal of the Foundation’s assets by appreciating the assets above the rate of inflation for preservation of capital value.*
2. *Provide funds from the Foundation to meet the annual commitments established to financially aid the University.*
3. *Maximize the total return on the Foundation’s capital while limiting risk.*

### 2. Scope

This Investment Policy Statement shall be used by the Committee in its duty to oversee (managing, monitoring and reporting on the investment portfolio) the investment portfolio and by the Foundation’s Investment Managers.

### 3. Objectives of the Endowment

The objectives of the endowment shall be defined as follows: *Absolute*, which shall be measured in real (net of inflation) rate-of-return terms and shall have the longest time horizon for measurement; and *relative*, which shall be measured as time weighted rates of return versus capital market indices and relative to similar institutions with comparable objectives.

The absolute objective of the endowment is to seek an average total annual real return of 4 percent, or Consumer Price Index plus 4 percent. This objective shall be measured over an annualized, rolling five-year and ten-year time period; the intent of this objective is to preserve, over time, the principal value of assets as measured in real, inflation-adjusted terms.

The relative objective of the endowment is to seek competitive investment performance versus appropriate capital market measures, such as securities indices. This objective shall be measured primarily by comparing investment results of the total portfolio to a Policy Index, over a moving annualized three-year and five-year time period. The investment returns achieved by the total portfolio will be compared with the investment returns achieved by a Policy Index.

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The endowment and quasi-endowment assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the institution, in perpetuity. As such, these funds can assume a time horizon that extends well beyond a normal market cycle and can assume an above-average level of risk as measured by the standard deviation of annual returns. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to ensure a reasonable consistency of returns.

### 4. Policy Index and Level of Risk

The Committee will monitor the overall level of risk of the investment portfolio on a quarterly basis. While the Committee understands and accepts that the actual allocations may change over time, the Committee sets the following maximum allocations:

|                         |     |
|-------------------------|-----|
| Equity                  | 80% |
| Fixed Income            | 60% |
| Alternative Strategies  | 40% |
| Cash - Cash Equivalents | 80% |

Investment managers should understand that these allocations are meant to mean total exposure, so that at no time should the investment account total exposure to equities exceed 80% whether in individual positions, funds, ETF's or within Partnerships. The Policy Index is established as:

|                                      |     |
|--------------------------------------|-----|
| S&P 500 (Equity)                     | 40% |
| MSCI EAFE (International Equity)     | 20% |
| BARCap Aggregate Bond (Fixed Income) | 40% |

The Policy Index will be used to measure relative performance and is believed to be consistent with the long term goals of the Foundation.

### 5. Communications

The Investment Managers shall meet with the Committee no less than quarterly, to be adjusted as market conditions indicate.. The investment policy shall be reviewed during such meetings and no less than annually.

#### a) Manager Reporting and Evaluation.

The investment managers responsible for the investment of Foundation assets shall report quarterly to the Committee on the performance and risk level of the portfolio. Also included will be a complete accounting of all transactions involving the endowment during the quarter, together with a statement of beginning market value, fees, capital appreciation, income, ending market value, and additional funds to the corpus for each account.

The Foundation recognizes that market conditions may greatly influence the ability of a manager to meet year-to-year investment goals and objectives. Further, the Foundation realizes that significant cash flow also may affect the ability of a manager to meet a specific short-term objective. Accordingly, the Foundation expects to monitor performance through absolute and relative terms over annualized time periods. Absolute results will determine the rate of fund growth, while relative results will provide the



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Foundation with a view of investment performance compared with the securities markets.

Review of portfolio results in *absolute* terms shall be made with consideration towards meeting and/or exceeding the expressed minimum real rate of return over a moving five-year and ten-year time period.

Review of portfolio results in *relative* terms shall be accomplished primarily by comparing results over a moving annualized three-year and five-year time periods to assigned market indices.

The investment managers shall take care to report risk metrics at each quarterly meeting so that the Committee can examine the returns per unit of risk, and compare the risk of any accounts to the Policy Index.

### 6. Spending Policy

It is the Foundation's policy to distribute annually up to four percent of a trailing five-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return from investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which guidelines the Foundation is permitted to invade the corpus to the extent the value of the corpus exceeds 85% of the original gift value, with the stipulation that donors must agree to the invasion of their corpus.

### 7. Investment Manager Policy

It is the intention of the Investment Committee to review the Investment Manager annually and to consider a competitive Request for Proposals every five years.

### 8. Restrictions/Other Considerations

This Policy applies to all assets except for those in CRATs and CRUTs that are included in the Foundation's investment portfolio for which the Committee has been given discretionary investment authority. Assets within CRATs and CRUTs will generally be managed in accordance with the Investment Policy Statement guidelines unless otherwise specified by restrictions placed on the CRAT or the CRUT by the donor of such a trust.

Written approval from the Investment Committee is required for all investments with lock up provisions longer than 90 days. The Board of Directors requires at least 75% of the Foundation portfolio to be in liquid investments with conversion to cash of no more than three days.

The Advisor will seek where possible to avoid any investments generating UBTI (e.g. debt financed returns on invested capital).