

Investment Policy Guidelines

Fox Valley Technical College Foundation, Inc.

Purpose

Mission Statement: The Foundation's mission is to be the College's partner in securing and providing various resources to promote lifelong learning and workforce development throughout the communities we serve.

In recognition of its fiduciary responsibility, the Fox Valley Technical College Foundation, Inc. has adopted the following investment management guidelines. These guidelines relate to those gifts and donations in the form of endowments, with long-term benefit objectives, and to Foundation funds in excess of operating reserves.

Investments will be limited to those organizations, institutions, and funds which follow policies consistent with investment guidelines that meet standards of prudent investors.

Investment Objective

The primary investment objective for the endowed assets is long-term capital appreciation to preserve and enhance the purchasing power of the portfolio on a total rate-of-return basis after adjusting for inflation. The assets should also be managed in a manner that will implement the funding purpose wishes of the donor.

Performance Objective and Benchmarks

The performance objective is to out-perform a weighted, blended market index based on the target allocations established for the portfolio after adjusting for an estimated inflation rate and net of investment management and custody fees. Performance will be measured over a market cycle, normally three to five years. Benchmarks are as follows:

Fixed Income: 100% Barclays Intermediate Government/Credit Index

Equities:	Large-Capitalization:	50% Standard & Poors 500 Index
	Mid-Capitalization:	15% Russell Mid-Cap Index
	Small-Capitalization:	10% Russell 2000 Index
	International:	25% MSCI EAFE Index

The overall blended benchmark for the Foundation's investment portfolio will consist of the following: 30% S&P 500 Index, 9% Russell Mid Cap Index, 6% Russell 2000 Index, 15% MSCI EAFE Index, and 40% of the Barclays Intermediate Government/Credit Index.

Performance Evaluation

To support the Foundation's long-term horizon, the objective of the portfolio is to outperform a composite comprised of the indices specific to each asset class as detailed in this policy statement. This objective should be met over a market cycle, defined as a period of approximately three to five years.

The Executive Committee or its designate shall review investment performance no less than annually to ensure adequate and appropriate oversight of the investment manager. At these meetings, the manager will provide a written report detailing performance year to date, and for one, three, and five years as well as a current outlook for the economy and its impact on the fixed income, equity, and alternative markets.

If the performance objective is not met, the Board of Directors will review the specific reasons for underperformance and institute corrective actions to benefit the Foundation.

Delegation of Authority

The Board of Directors of the Foundation has the mandate to invest the Foundation assets in a reasonable and prudent manner pursuant to this document. The Board has the authority to outsource the investment management of the Foundation assets to a qualified investment advisor. The definition of a qualified investment advisor is one that is a registered investment advisor under the Investment Advisors Act of 1940, has been in existence for at least 10 years, and has a minimum of \$10 billion under management. The Board shall select a qualified investment advisor as the Foundation's investment manager and enter into an agreement with the investment manager. The investment manager must submit in writing its acceptance of responsibility as a fiduciary.

It is the policy of the Foundation not to assign more than 50% of its stock investments respectively to a single specialized manager. However, this limitation does not apply to multi-manager investment pools which utilize two or more investment managers.

Spending Policy

Distributions shall be made in accordance with the following policy, as adopted by the Board of Directors on May 18, 2011. The annual cash distribution shall be no more than 5% of the average market value of the portfolio using a 20 quarter trailing average, ending on 6/30 of each year. However, the Board of Directors may elect to distribute less than this amount in any individual year. Amounts not distributed will remain part of the corpus of the portfolio and not reserved for future year distributions.

Until the portfolio has 20 quarters of history, distributions will be based on the average market value of the portfolio, based on the trailing average of the number of quarters of history available.

Exceptions to the policy will be made at the recommendation of the Executive Committee and approved by the Board of Directors present at the last quarterly Board of Director's Meeting or any meeting called specifically for that purpose, providing all meeting notices are in accordance with the bylaws of the organization.

It shall be the responsibility of the Executive Committee to periodically review the spending policy in light of actual returns in order to make adjustments necessary to maintain the purchasing power of the endowment.

Annual spending will be determined at the last quarterly meeting of the Executive Committee on a fiscal year basis, at which time the Executive Committee also will determine the minimum amount which will be held in the general operating account for general and administrative expenses.

Asset Allocation

Given the long-term investment horizon of the Foundation, the Board has established the following strategic asset allocation targets and ranges for the management of the Endowment portion of the Foundation assets.

	<u>Target</u>	<u>Range</u>
Cash Equivalents	0%	0% - 15%
Fixed Income	40%	30% - 50%
Equity	60%	50% - 70%
Alternatives	0%	0% - 15%

In determining the asset allocation in any given time period, the manager shall assess the relative risk/return of each asset class, analyzing factors including general economic conditions, anticipated future changes in interest rates, and the outlook for the various asset classes.

Further, to limit the volatility of returns as measured by standard deviation and to increase the potential for higher long-term returns, the following equity capitalization targets and ranges have been established as a percentage of the equity portion of the Endowment portfolio.

	<u>Target</u>	<u>Range</u>
Large Cap	50%	35% - 65%
Mid-Cap	15%	0% - 25%
Small-Cap	10%	0% - 25%
International	25%	0% - 35%

In addition to the equity capitalization decision, the manager shall also diversify the equity portfolio by investment style, i.e. growth, value, and core, and adjust the portfolio accordingly given market conditions and anticipated trends. The manager has the latitude to position the portfolio with a style tilt while remaining within the equity ranges specified above.

Allowable Investments

Cash Equivalents

- Securities of the U.S. Government, its agencies and sponsored organizations. Repurchase agreements 100% collateralized by such securities.
- Money market mutual funds which meet the guidelines of SEC rule 2a-7.
- Money market securities which meet the SEC rule 2a-7 definition of top tier, or if unrated, are deemed equivalent to top tier by the investment advisor.

Fixed Income

The objective of the fixed income portion of the portfolio is to outperform the Barclays Capital Intermediate Government/Credit Bond Index over a market cycle. In meeting this objective the portfolio is to be invested according to the following parameters. Acceptable investments include:

- Securities of the U.S. Government, its agencies and sponsored organizations. Repurchase agreements 100% collateralized by such securities.
- Fixed income securities with a minimum rating of investment grade Baa3/BBB- at time of purchase by at least one NRSRO, or if unrated, deemed equivalent to investment grade by the advisor.
- Shares of open end investment companies (mutual funds) and Exchange Traded Funds (ETF's) which are consistent with the overall objectives of this policy and are substantially invested in accord with the parameters of this policy.

Individual fixed income securities of any one issuer may not exceed 5% of the market value of the fixed income portion of the portfolio at time of purchase

The above restrictions do not apply to the following assets: issues of the U.S. Government, issues of U.S. Government agencies or sponsored organizations, issues whose principal and interest are guaranteed by the U.S. Government or one of its agencies, shares of open-end or closed-end investment companies (mutual funds), or Exchange Traded Funds.

Up to 10% of the portfolio may be invested in mutual funds or ETF's specializing in bonds of foreign issuers. In addition, up to 10% of the portfolio may be invested in mutual funds or ETF's specializing in fixed income securities rated below investment grade.

The weighted average maturity of the portfolio will not exceed ten (10) years. Individual fixed income securities will have maturities of thirty (30) years or less. For the purpose of this policy statement, "maturity" is defined as final payment for conventional debt securities or "average life" for securities which have periodic principal paydowns throughout the life of the security.

The average duration of the portfolio will not exceed +/- 25% of the average duration of the Barclay's Capital Intermediate Government/Credit Bond Index.

Equity

The objective of the equity portion of the portfolio is to outperform a blended benchmark consisting of the 50% S&P 500, 15% Russell Mid-Cap, 10% Russell 2000 and 25% MSCI EAFE Indexes over a market cycle. In meeting this objective the portfolio is to be invested according to the following parameters. Acceptable investments include:

- Common stock, ADRs or securities convertible into common stock meeting the investment criteria established by the selected investment manager.
- Shares of open end or closed end investment companies (mutual funds), and exchange traded funds which are substantially consistent with the overall objectives of the policy.

Equity securities of an individual corporation may not exceed 5% of the total market value of the equity portfolio at time of purchase.

Investments in international equities will be through international or global mutual funds, or exchange traded funds with a primary focus on stocks of companies located outside the United States.

Alternatives

- Real estate pooled/mutual funds and/or Real Estate Investment Trusts (REITs). The Fox Valley Technical College Foundation, Inc. will make purchases of real estate properties within the surrounding area over time. The investment manager should take into consideration the Foundation's overall exposure to these real estate properties when managing the investable assets of the endowment.

- Commodity-related, Currency-related or other specialized mutual funds, pooled funds or ETF's that invest in assets designed to track the behavior of a specific commodity, currency, commodity index, currency index, or other alternative investment category.
- Other alternative mutual funds or investments with prior approval from the Board and suitable documentation for such assets is on file.

Individual Real Estate Parcels

Gifts of individual real estate parcels will only be accepted with the prior approval of the Board of Directors of the Foundation. Prior to approval, a review of potential real estate gifts will include an environmental impact study. The Executive Committee will employ outside real estate counsel to review all such gifts prior to making a recommendation to the Board. Accepted real estate gifts will be held in a segregated sub-account. A professional real estate advisor, which can be the real estate division of the investment manager, will be employed to manage and periodically appraise such real estate. The advisor will review such real estate holdings with the Executive Committee at least on an annual basis.

Should gifts of real estate be sold, the proceeds will be added to the Endowment Fund for the benefit of programs consistent with the donor's interest as directed in writing.

Operating Fund

The Foundation Operating Fund assets will be segregated from the Foundation Endowment Assets. The investments of the Operating Fund will be directed by the Foundation staff. The Operating Fund will be invested exclusively in cash equivalents and fixed income investments to accommodate estimated cash flows. Any investment balance in a CD must be within 10% of the \$250,000 FDIC/NCUA insurance limits.

Prohibited Investments

Investments in assets such as private equity, venture capital, letter stock, options including puts and calls (with the exception of approved mutual funds), futures, oil/gas/or mineral leases, rights or royalty contracts, commodities (with the exception of commodity mutual funds), real estate (with the exception of REIT's/funds), and hedge funds are prohibited without the prior approval of the Board of Directors of the Foundation.

Social Policy

The Fox Valley Technical College Foundation, Inc. will not inhibit the management of the endowed assets with socially responsible investment restrictions.

Investment Policy Review and Amendment

The Executive Committee of the Foundation will review this Investment Policy Statement at least annually.

Changes to this Investment Policy Statement will be made at the recommendation of the Executive Committee and approved by the Board of Directors of the Foundation and communicated to the investment manager in writing.

This Investment Policy Statement for the Fox Valley Technical College Foundation, Inc. is adopted on May 21, 2014 by the Board of Directors.