

## INDIAN HILLS COMMUNITY COLLEGE FOUNDATION, INC.

### STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

The Indian Hills Community College Foundation, Inc., (the “IHCC Foundation”), organized in 1973 as a 501(c)(3) corporation, initiated a district-wide scholarship program in 1975. The IHCC Foundation has the sole mission of providing scholarships for students of Indian Hills Community College, helping them to improve their quality of life and serving as an investment in the future of southern Iowa.

This Statement of Investment Policy and Objectives (“Policy”) for the IHCC Foundation is to be used in the management of the **Scholarship Trust Fund** and the **Rosenman Scholarship Fund** (“Funds”) assets as overseen by the IHCC Investment Committee (“Committee”). The Committee and Investment Manager(s), as appointed, hereby agree to the following policy, guidelines, responsibilities, and obligations.

### OVERVIEW

The following summary provides historical information for the IHCC Foundation’s two distinct Funds—**Scholarship Trust Fund** and **Rosenman Scholarship Fund**.

- A. In 1975, a **Scholarship Trust Fund** was established for the purpose of providing income in perpetuity for scholarships for students of the college in memory of the donors.
- B. In 2004, the IHCC Foundation became the beneficiary of assets to be known as the **Rosenman Scholarship Fund**. This fund is intended to be a permanent endowment providing annual scholarships for students.

This Policy outlines the objectives, goals, and guidelines for the Funds and is set forth in order that there is a clear understanding on the part of the Investment Committee and Investment Manager(s) of the desires of the Committee. This Policy also provides the Committee with a meaningful basis for the evaluation of the performance of the Funds’ investments by establishing performance benchmarks.

It is the intent of this Policy to state general attitudes, guidelines, relevant investment horizons, and a philosophy that will guide the Committee and the Investment Manager(s) toward the desired performance. It is intended that this Policy be sufficiently specific to be meaningful but adequately flexible to be practical.

### INVESTMENT COMMITTEE

The IHCC Foundation Board of Directors (“Board”) has delegated to the Investment Committee the responsibility for the administration and supervision of the Foundation investments within the purposes and limitations established by the Board. The Investment Committee will annually review this Statement of Investment Policy and Objectives and the allocation of investments. Any changes to this Statement of Investment Policy and Objectives or the asset allocation parameters will be documented in the minutes and reported to the Board. The Board has the right to revise, rescind, or

overrule any action of the Committee at the Board's discretion; any such changes are to be promptly communicated to the Investment Manager(s).

The Committee may retain one or more Investment Managers to assume the investment management of the Funds. The Committee will receive reports from and will consult with the Investment Manager(s) and pay compensation to such Investment Manager(s). Any agreements or contracts with any Investment Manager(s) must be approved by the Investment Committee of the IHCC Foundation Board and executed by the IHCC Foundation's proper officer.

## **OBJECTIVES**

Contributors to the Funds intend that the value of their gifts should be maintained, preserved, and carefully enhanced over time. The purchasing power of the assets should be maintained and enhanced by investing to achieve moderate principal appreciation.

Short-term fluctuations in the market may result in the loss of capital on occasion. Nevertheless, in the absence of contributions and withdrawals, the asset value of this fund should grow in the long-term and achieve a return equal to or greater than the benchmark defined in this Policy.

The target rate of return (where referenced, defined as total return comprised of income plus price change) for each fund's investable assets has been based on the assumption that future real returns will approximate the long-term real rates of return experienced for each asset class. Where the objective mandates an income return, income is defined to include interest, dividends and realized short-term capital gains.

The primary objectives of the **Scholarship Trust Fund** and **Rosenman Scholarship Fund** are to achieve a total return capable of funding distributions and preserving the purchasing power of the fund's assets.

## **RISK TOLERANCE**

The Committee recognizes the difficulty of achieving the Funds' investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Committee also recognizes that risk must be assumed to achieve the long-term investment objectives. In establishing risk tolerances under this Policy, the ability to withstand short and intermediate term volatility was considered.

The Indian Hills Community College Foundation's prospects for the future and current financial condition combined with the Foundation's strategic plans support a determination that the Foundation can tolerate some interim fluctuation in the Funds' market value and rates of return in order to achieve long-term growth objectives.

The Investment Committee has determined that, for investment objective purposes, its risk tolerance is conservative.

## **ASSET TYPES**

It is the intention of this Policy to restrict investment activities that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of this Policy. Consequently, investment purchases must comply with the guidelines detailed in Appendix A at the time of purchase.

## **ASSET ALLOCATION**

The asset allocation table in Appendix A for the **Scholarship Trust Fund** and the **Rosenman Scholarship Fund** reflects a moderate growth allocation. Appendix A may be adjusted by the IHCC Foundation Board over time to reflect the changing needs of the Foundation and the long term trends in the investment markets.

Cash and equivalents should be kept to a minimum except where specific liquidity needs indicate or unusual market conditions exist. The IHCC Foundation's Executive Director or Treasurer will inform the Investment Manager(s) as soon as liquidity needs are known so that every effort can be made to minimize the impact on the portfolio.

## **REBALANCING**

The percent allocation to each asset class may vary depending upon market conditions. The asset allocation ranges are not absolute limits, but substantial variations outside the range will be reported to the Committee and monitored for compliance with the Investment Policy's objectives and the security's suitability.

Cash flows will be deployed in a manner consistent with the Asset Allocation section of Appendix A. The asset allocation of the funds will be reviewed quarterly with the Committee. The Committee may at any time request the Investment Manager(s) to rebalance within the established ranges.

## **TOTAL FUND PERFORMANCE**

Investment Manager(s) performance, defined as each fund's total return net of fees, shall be monitored quarterly and compared over a complete market cycle (three years minimum) to an absolute return target not less than the distribution rate for each fund, as defined in the Indian Hills Foundation Spending Policy.

Investment Manager(s) performance, defined as the fund's total return net of fees, should compare favorably over a market cycle (three years minimum) to the benchmarks identified in Appendix A.

The Committee will, from time to time, review and confirm each strategic benchmark as part of their regular review of this Policy. Consideration of the Investment Manager(s) performance shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines set forth in the Policy. While the Committee intends to fairly evaluate the portfolio performance over the agreed period of evaluation, the Committee reserves the right to change the Investment Manager(s) if there is unacceptable justification for poor results, lack of

responsiveness, Committee's overall concern about the Investment Manager(s)' philosophy, failure to meet the reporting requirements, or, if in the Committee's sole judgment, a change of Investment Manager(s) would be beneficial to the Foundation.

## **COMMUNICATIONS**

These guidelines will be followed in communicating with the IHCC Foundation Board:

- A. A quarterly performance evaluation shall be provided to the Investment Committee, Executive Director, Treasurer, and Accountant and presented in the form mentioned under "TOTAL FUND PERFORMANCE."
- B. Quarterly statements including an executive summary, a fixed income portfolio summary, and an equity portfolio summary shall be provided to the Investment Committee, Executive Director, Treasurer, and Accountant.
- C. Semi-annual presentations to the Investment Committee by the Investment Manager(s) shall cover investment performance, strategy, and outlook. Reports will be provided that include current holdings, purchases and sales, performance information—current quarter, year-to-date, and three-year and five-year periods—benchmark performance comparisons, current fund balance (market value). Additional presentations will be provided upon request from the Investment Committee.
- D. The Investment Manager(s) shall report all significant changes at its firm to the Investment Committee as they occur. These changes include, but are not limited to, changes in personnel, changes in responsibility areas of personnel, changes in portfolio managers assigned to the Funds, and major changes in investment philosophy or approach of the Investment Manager(s).
- E. Over time, the characteristics of securities owned in the portfolio may change, including the credit rating of the bonds. Securities in the portfolio that carry a below investment grade rating by at least one nationally recognized rating organization (NRSRO) will be listed in the quarterly investment report including the issue, coupon, maturity date, and all available credit ratings by nationally recognized rating agencies. Securities that have fallen to below investment grade within the latest quarter will be reviewed by the Investment Manager(s) before the Investment Committee at the next regularly scheduled meeting. The review will include security specific information and a discussion regarding the continued holding of the security within the investment portfolio. The Committee reserves the right to request removal of securities that fall outside the purchase guidelines.

## **REVIEW**

The Investment Committee will review this Policy annually to determine the continued feasibility of achieving the investment objectives set forth and to consider revisions of the Policy that may be desirable from time to time. The review shall be recorded in the minutes. The Committee's review shall be communicated to the IHCC Foundation Board with any revision subject to the IHCC Foundation Board approval.

Any exceptions to this Policy are subject to the review and approval of the Investment Committee and should be reported to the IHCC Foundation Board of Directors.

**INDIAN HILLS COMMUNITY COLLEGE FOUNDATION, INC.**

**BY:** William D. Meck **DATE:** 8/3/2017  
Executive Interim Director

Acknowledgement of Receipt of Investment Policy by Investment Manager

**BY:** Jon Augustine, BTC **DATE:** 8/7/2017

**Indian Hills Community College Foundation  
Investment Policy Statement  
Scholarship Trust Fund and Rosenman Scholarship Fund**

**APPENDIX A**

Asset Type	Allocation Ranges	Asset Class Benchmark
<b>Liquidity:</b>		
Cash and Equivalents	0 - 10%	BofAML 3-Month US T-Bill Index
<b>Fixed Income:</b>		
Investment Grade	30 - 50%	Barclays Aggregate Bond Index
<b>Equity:</b>		
Large Cap Domestic Equity	30 - 70%	Russell 1000 Index
Small Cap Domestic Equity		Russell 2000 Index
International Equity	0 - 15%	MSCI All Country W ex US Index
Global Commercial Real Estate	0 - 10%	S&P Global REIT Index
Commodities *	0 - 10%	S&P GSCI Commodity Index

**Additional Guidelines at Time of Purchase:**

Treasury and Agency Issues	< 360 Days	Maturity Restriction
Commercial Paper	< 360 Days	Maturity Restriction
Commercial Paper	≥ A2/P2	Quality Restriction
Certificates of Deposit	< FDIC Insurance Limit	Size Restriction
Mortgage-Backed, Asset Backed Securities	≥ Aa2/AA	Quality Restriction
Corporate and Municipal Bonds	≥ Baa3/BBB-	Quality Restriction
Preferred Stock	≥ A	Quality Restriction
Non-Rated Bonds	Documented Credit Analysis to Justify Investment Grade Rating	
Per Issuer Credit Exposure **	≤ 5% Total Assets	Size Restriction
US Govt Agency Not Fully Guaranteed by US	≤ 25% per Issuer	Size Restriction
Individual Equities	≤5% Cost; ≤10% MV per Issuer	Size Restriction
Individual Equities	No New Issues, IPOs, or Small Speculative Companies	
Equity Sector	≤ Lesser of 1.5x Index Sector Weight or 30% of Portfolio Weight	
Commodities *	≤ 10% Total Assets	Size Restriction

Portfolio Static Benchmark		
	40%	Barclays Aggregate Bond Index
	40%	Russell 3000 Index
	10%	MSCI All Country W ex US Index
	5%	S&P Global REIT Index
	5%	S&P GSCI Commodity Index

\* Not to be invested in without Investment Committee approval

\*\* Excludes securities fully guaranteed by the U.S. Government

**Allowable Investments**

Money Market Mutual Funds

Treasury and Agency Issues

Commercial Paper and FDIC insured Certificates of Deposit

Mortgage-backed (MBS and CMOs) and Asset-backed (ABS) securities

Corporate Debt and Taxable Municipal Bonds

Real Estate Investment Trusts (REIT) and Preferred stock (PFD)

Individual Stocks and ADRs Traded on the New York, American, or NASDAQ Exchanges (OTC ADRs are Permitted)

Commodities - Passive Approach Only (ETFs, ETNs or Mutual Funds) - NOT to be invested in without Investment Committee approval

**Prohibited Investments**

Illiquid securities, including but not limited to: deferred annuities, private real estate, limited partnerships, private placements, direct investments in options, leveraged transactions, short sales, venture capital, other investments not identified as allowable above.