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# WKU

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## F O U N D A T I O N

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### Policy and Procedures Manual

**SECTION:** Treasury

**SUBJECT:** Endowment Fund Investment Policy

**PURPOSE:** To state the general investment policy of the WKU Foundation

**PROCEDURE:** The investment objective for the endowed assets of the WKU Foundation is to achieve growth that will preserve and increase the purchasing power of the assets. The goal is to protect the assets against inflation and to produce current income to support the numerous programs and requirements of the WKU Foundation. In order to provide current support and insure support in the future, the trustees have adopted a total return approach to investment management with a long-term investment horizon. This strategy will balance income and capital appreciation oriented assets to generate the desired returns determined by the WKU Foundation's Board of Trustees. The Board has an Investment Committee to implement this policy.

***Asset Allocation:***

Asset allocation decisions are a primary factor in the ultimate determination of long term portfolio performance. Over long periods, equity tends to outperform fixed income, which tends to outperform cash. Within this context, and with the goal of achieving real growth over and above inflation and spending, the portfolio may be invested in marketable securities, such as domestic and foreign stocks, domestic and foreign bonds including government, corporate, mortgage-backed and asset-backed bonds, preferred stock, convertible issues, derivative contracts, and cash equivalents; or in public and private funds investing in similar investments. Non-dollar investments are only permissible through a fund.

The following broad asset allocation, based on market value, should allow the investment manager(s) to take advantage of market opportunities, while maintaining a prudent level of risk.

| <u>Asset Class</u> | <u>% of Total Portfolio</u> |
|--------------------|-----------------------------|
| Fixed Income       | 15-40                       |
| Equity             | 30-65                       |
| Alternatives       | 0-40                        |
| Cash and Reserves  | 0-10                        |

The Committee will be mindful of how each investment in the portfolio will be categorized for measuring compliance with these guidelines. The investment's purpose and expected risk and return characteristics will be considered when identifying the category of each investment.

Small deviations from the above asset allocation guidelines caused by stock market or interest rate changes will not be considered as guideline violation; however, the Investment Manager(s) will attempt to return the portfolio to within guidelines within a reasonable period of time consistent with prudent investment management and report on this regularly.

***Implementation:***

The Investment Committee shall be empowered by the full Board of Trustees to implement the policy. Within the Asset Class Mix, the asset allocation will utilize DiMeo Schneider's Frontier Engineer Committee Input Mix with the target minimum return of 6.75% with an expected risk of 10.3% over a 12 month period, with six month reviews. Also, the Investment Committee has empowered the current investment consultant, DiMeo Schneider, to have investment discretion to implement this policy.

Committee membership may include up to ten members including ex officio members. The Committee's efforts will include the following to provide the due diligence necessary to give the WKU Foundation Board assurance that the policy is consistent with the Foundation's goals and that the risks assumed are reasonable:

1. Retain an advisor on policy, manager search, selection, evaluation, and monitoring of investment managers.
2. Retain investment managers to manage investments within the policy guidelines.
3. External investment manager(s) will be retained for management of all or part of the WKU Foundation portfolio. The number of managers and the amount of funds managed by each shall be determined by the Investment Consultants, with periodic review and approval by the Investment Committee.
4. Retain custodian(s) of the assets.

***Investment Policy Review and Performance Evaluation:***

At least annually, the Investment Policy will be reviewed with particular emphasis on the success of the rolling five year results relative to expectations and to consider whether any new strategies should be considered given market conditions and business requirements.

***Performance Benchmarks:***

Performance will be measured quarterly and evaluated on a rolling one, three, and five year basis against composite passive index, an appropriate peer group, and inflation plus an appropriate premium for risk.