

# **INVESTMENT POLICY STATEMENT**

for

## **CRAFTON HILLS COLLEGE FOUNDATION**

### **Foundation's Investment Purpose**

The CHC Foundation (the "Foundation") is a nonprofit, tax-exempt organization created to support the college's mission by expanding educational opportunities for students. Through generous donations of cash and real/personal property, the Foundation provides funding for scholarships, grants, emergency aid, and other critical resources that help students achieve their educational goals.

### **Membership**

The Foundation's Board of Directors (the "Board") has established the Finance Committee (the "Committee") of four or more voting members appointed by the Foundation President and approved by the Board. Membership shall be reviewed by the Board each June during the Annual Meeting. The Chair of the Committee shall be the Chief Financial Officer of the Board.

### **Investment Objective**

- Long-term Investment Pool – This pool's objective is to ensure scholarship and student support annually, by:
  - Long-term growth – growing assets over time to maximize purchasing power of the Foundation's funds;
  - Achieving a 5% spend target –aligned with Board established target of spending to support scholarships and college programs;
  - Liquidity –investing in holdings that have daily liquidity and transparent pricing, and'
  - Diversification –spreading out investments across different types of assets, companies, and industries in order to lower risk. This also helps ensure the Foundation's investments can be quickly turned into cash when needed.
- Intermediate Pool – The intermediate funds consist of funds with designated cash flow expectations
  - Maximize yield –These funds have a shorter liquidity need than operational funds. Higher risk can be taken through longer duration instruments and lower credit quality that may yield higher rates.

- Targeted cash flow expectations –Funds in this pool should have an expected date for use to maximize the potential for income and ensure timely liquidity needs.
- Short-term Investment Pool – The short-term investment pool seeks to increase yield for the operational cash of the Foundation.
  - Liquidity –Funds should be linked to accounts that have Automated Clearing House (ACH) capabilities to allow for short-term processing.
  - Marketability –Assets should be invested in securities that can be sold quickly.
  - Yield Goal– Income from the short-term pool should exceed the income from deposit accounts, such as traditional checking and savings accounts.

### **Investment Committee**

#### Responsibilities and Duties

The members of the Committee shall have the following responsibilities:

- Make a reasonable effort to verify relevant facts on which decisions concerning the investment and management of assets are based,
- Attend meetings of the Committee (Missing two consecutive meetings may be cause for removal from the Committee).
- Monitor their performance and conduct appropriate reviews and investigations of the reports and advice provided by Investment Managers,

### **Investment Managers**

#### A. Responsibilities and Duties

The Investment Managers retained by the Foundation shall have the following responsibilities:

- Suggest policy changes and recommend allocation strategies;
- Provide regular performance reports and assist the Foundation In interpreting the results reported;
- Share information and views of the composition and mix of the portfolio with other Investment Managers engaged by the Foundation; and
- Perform other duties as may be mutually agreed upon.

#### B. Fiduciary Responsibilities

The Investment Manager shall manage the portfolio in a manner consistent with the investment objectives, guidelines and constraints outlined in this policy statement and in accordance with applicable laws and “Prudent Investor” standards. The Investment Manager shall at all times be registered as an investment advisor under the Investment Advisers Act of 1940 (where applicable), or a federally regulated bank; and shall acknowledge in writing that he or she is a fiduciary with respect to the assets managed.

**Uniform Prudent Management of Institutional Funds Act (UPMIFA)**

Enacted in 2008 as SB 1329, and effective Jan. 1, 2009, California adopted the Uniform Prudent Management of Institutional Funds Act. UPMIFA requires prudent spending and investing practices in an entity’s endowment policies. The Board recognizes its obligation to UPMIFA and has defined prudence based on the following factors:

- Duration and preservation of the endowment fund
- Purposes of the institution and the endowment fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and appreciation of investments
- Other resources of the institution
- Institutional investment policy

**Proxy Voting**

The Investment Manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. The Investment Manager shall vote proxies according to their established Proxy Voting Guidelines.

**Asset Allocation Strategy**

The mix of assets in the portfolio, save for special circumstances, shall be maintained as follows (percentages are of the market value of the portfolio):



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Approved September 4, 2025

### Portfolio Asset Allocation

#### Long-term

Asset Class/ Investment Style	Market Value		
	Minimum	Target	Maximum
Equities	55%	65%	75%
Fixed Income	25%	35%	45%
Cash and Equivalents	0%	0%	10%

- **Minimum Credit Quality: BBB (Investment Grade)**
- **Maximum Bond Portfolio Duration: 10 years**

#### Intermediate and Short-term

Asset Class/ Investment Style	Market Value		
	Minimum	Target	Maximum
Equities	20%	25%	30%
Fixed Income and Cash	70%	75%	80%

- **Minimum Credit Quality: BBB (Investment Grade)**
- **Maximum Bond Portfolio Duration: 3 years**

### Performance Benchmarks

The investment goal for the portfolio is to invest the portfolio consistent with “Prudent Investor” standards and to earn a return at or higher than “market return,” which will be measured against the following benchmark index or mix of indexes:

#### Long-term

65% MSCI ACWI Index

35% Bloomberg Barclays US Aggregate Bond Index

#### Intermediate

BofA Merrill Lynch 1-3 Year US Treasury Index

#### Short-term

ICE 0-3 Month US Treasury Bill Index

The portfolio's return is expected to exceed the average annual return of the applicable benchmark index on a risk-adjusted basis over a market cycle, calculated on rolling time period and over a rolling twelve-month period against benchmark indexes.

**Investment Guidelines**

The following guidelines apply to all of the Foundation's investment pools:

**Permitted Securities**

- U.S. Treasury and agency obligations;
- Money-market instruments;
- Fixed-income securities of U.S. and non-U.S. issuers including corporations and quasi-government entities;
- Asset-backed securities;
- Equity securities of U.S. and non-U.S. issuers;
- Exchange Traded Funds (ETFs); or
- Commingled funds that are consistent with the aforementioned investment objectives.

**Prohibited Transactions**

- Direct short sales of individual securities (the Investment Manager may buy commingled funds that employ short sale techniques);
- Margin purchases;
- Direct investment in commodities futures contracts (the Investment Manager may buy commingled funds that use futures contracts);
- Direct investments in real estate or direct real estate lending; and
- Hedge funds

**Meetings and Communications**

- As a matter of course, the Investment Manager shall keep the Committee apprised of any material changes in the Investment Manager's outlook, investment policy and tactics;
- A representative of each Investment Manager shall be available to meet with the Committee at a mutually convenient time and place to review and explain the portfolio's investment results;
- A representative of each Investment Manager shall be available on a reasonable basis for telephone communication when needed;

- Any material event that affects the ownership or capital structure of the investment management firm or any material event that affects the management of the portfolio (such as changes in senior investment personnel) must be reported promptly to the Committee;
- The Investment Manager will provide regular written performance reports for each portfolio for which that Investment Manager is responsible; and
- The Investment Manager shall provide monthly statements of assets and transactions.

**Performance Evaluation**

The decision to terminate an Investment Manager cannot be made by a formula.

Generally, the services of an Investment Manager shall be terminated when the Board loses confidence in the Investment Manager. The Board shall communicate a termination decision to the Investment Manager in writing.

**Duration of the Relationship**

Either the Foundation or the Investment Manager may terminate this relationship on thirty (30) days written notice to the other.