

College of the Siskiyous Foundation

**INVESTMENT
POLICY
STATEMENT**

Approved:

August 2019

Table of Contents

Summary.....3

I. Account Circumstances..... 4

II. Investment Objectives.....4

 1. Portfolio Return Objectives.....4

 2. Portfolio Risk Tolerance..... 5

 3. Withdrawal Requirements.....5

 4. Time Horizon..... 5

 5. Tax Considerations.....5

III. POLICY & ASSET ALLOCATION.....5

 1. Diversification.....5

 2. Investment Vehicles..... 5

 3. Current Asset Allocation.....5

 4. Rebalancing.....6

IV. INVESTMENT GUIDELINES..... 6

 1. Individual Equity Securities in the Direct Account..... 6

 2. Individual Fixed Income Securities in Direct Accounts..... 6

 3. Commingled Funds, Mutual Funds and Index Funds..... 7

 4. Real Estate.....7

 5. Alternative Investments.....7

 6. Cash / Cash Equivalents.....7

V. BROKERAGE AND PROXY POLICY..... 7

VI. CONTROLS AND MONITORING.....7

APPENDIX.....9

 Benchmark Composition..... 9

 Glossary..... 9

SUMMARY
INVESTMENT POLICY STATEMENT

College of the Siskiyous Foundation

<u>Client's Name:</u>	College of the Siskiyous Foundation
<u>Portfolio Account Detail:</u>	College of the Siskiyous Foundation <i>Scholarship Account, Mercy Endowment, Title Three Fund, Rainy</i>
<u>Investment Objective:</u>	Generate a return in excess of the blended portfolio benchmark over a complete market cycle.
<u>Withdrawal Requirement:</u>	The five accounts serve different purposes and have historically experienced different withdrawal rates. In general, Withdrawals of less than 5% are expected annually.
<u>Time Horizon:</u>	Overall portfolio allocated with a long-term time-horizon in mind.
<u>Risk Tolerance:</u>	Moderate
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Target Allocation:</u>	Balanced Strategy
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation.

INVESTMENT POLICY STATEMENT

College of the Siskiyous Foundation

This policy statement outlines the assumptions and understandings under which Sand Hill Global Advisors (the “Advisor” or “SHGA”) is to manage the capital account of the College of the Siskiyous Foundation (COSF). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered COSF’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that the Advisor will meet with the Investment Committee on a quarterly basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This investment policy statement will be reviewed at least annually as to its appropriateness given any significant changes in COSF’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with COSF will be made via the telephone and e-mail.

I. ACCOUNT CIRCUMSTANCES

The investments in this capital account represent a major asset of the College of the Siskiyous Foundation, and as such, are intended to be managed in a manner that will promote their preservation and growth in excess of inflation over the long-term.

II. INVESTMENT OBJECTIVES

COSF seeks to achieve growth of the portfolio at a moderate rate in excess of inflation. Preservation of capital is an important consideration; therefore, portfolio volatility should be kept similar to that of the evaluation benchmark as a whole.

1. Portfolio Return Objectives

- **Total Portfolio Return:** Achieve a time-weighted, real rate of return of 2.5%, after fees and program costs. This return will be sought using a diversified style of investment management, providing an average annual return that will be measured over a complete market cycle assumed to be five years.
- **Blended Benchmark Return:** Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk.

2. Portfolio Risk Tolerance – The risk to the portfolio must be moderate, since the portfolio provides a source of funds that allows COSF to perpetuate its mission.

3. Withdrawal Requirements – The five accounts serve different purposes and have historically experienced different withdrawal rates. In general, withdrawals of less than 5% are expected annually. The *Title III Fund* can withdraw the lesser of 4% of total assets or 50% of cumulative gains less cumulative withdrawals.

4. Time Horizon – Overall portfolio will be allocated with a long-term time-horizon in mind.

5. Tax Considerations – None, since this organization is tax exempt.

6. Illiquidity – The overall portfolio should maintain 90% daily liquidity

III. POLICY & ASSET ALLOCATION

1. **Diversification** – Given the objective for moderate risk with growth, the portfolio will be managed as a diversified portfolio. We believe that diversification of assets is sound investment policy and that allocation of assets across various sectors as well as types of securities will minimize risk while improving performance.

Investment Vehicles – The portfolio’s investments will be allocated over various asset classes, either directly or through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and foreign equities, bonds, real estate, alternative investments, and cash or cash equivalents. With each asset class, Sand Hill Global Advisors will weigh factors including expense, market efficiency, transparency of information, and diversification to determine whether direct investments or commingled investments are in COSF’s best interests.

2. Asset Allocation:

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
TOTAL EQUITY	39%	52%	65%
TOTAL FIXED INCOME	20%	30%	40%
REAL ASSETS	0%	8%	15%
ABSOLUTE RETURN	0%	8%	15%
CASH / CASH EQUIVALENTS	0%	2%	15%

- Generally, the allocation will be within the ranges shown above; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows. The ultimate implementation will be achieved over a transitional period of time involving staggered commitments. Additionally, SHGA will seek the approval of the COSF Investment Committee whenever deviating the targeted strategy in excess of 10 points of risk, as defined by the combined weight of equities and real assets.

3. Rebalancing: The portfolio will be reviewed regularly by SHGA and rebalanced whenever the weighting of a major asset class deviates or a tactical opportunity presents itself.

IV. INVESTMENT GUIDELINES

Sand Hill Global Advisors may utilize an appropriate combination of individual securities in a direct account and specialized third party, commingled fund or mutual fund alternatives to implement or mutual fund alternatives to implement the asset allocation. Third-party offerings will be used to enhance the portfolio’s diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration. Such categories such as international, emerging markets or REIT mutual funds.

1. Individual Equity Securities in the Direct Account:

- Each directly owned security position, at the time of purchase, will normally represent about 3% to 5% at cost of the direct investment account equity portion of the large cap equities. In no case will an individual security, at the time of purchase, represent more than 10% of the total cost of the direct account portfolio. Over time, individual securities will not exceed more than 10% of the total market value of the direct account portfolio and specific sectors/industries will not represent any more than 25% for the direct portfolio market value.
- The majority of any direct equity position in the portfolio will meet the Advisor’s primary quality guidelines. These will be securities of U.S. companies or multinational companies. Individual securities are judged on the basis of several factors including debt, cash flow, market capitalization, and asset growth. In addition, several non-quantitative characteristics are considered such as management strength, dominance of market position, and product acceptance. It is important that the quality of the portfolio should be viewed as a whole. As part of the allocation process, there may be occasions when smaller companies may be included because of the opportunities they offer without altering the risk profile of the portfolio.

2. Individual Fixed Income Securities in Direct Accounts:

- With the exception of U.S Government securities and Federal Government Agency securities, no more than 5% at cost of the portfolio may be invested in the securities of a single issuer.
- Corporate issues will be U. S. or multinational corporations.
- Up to 5% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt”, but only through adequately diversified investment vehicles.
- From time to time, the Committee may adopt specific working guidelines specifying minimum ownership levels in Treasury securities.

3. Commingled Funds, Mutual Funds and Index Funds:

- The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and relative expense ratios. Special care will be taken in the selection of the appropriate type of security or class of shares to minimize the expense ratio and transaction costs. When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

4. Real Estate:

- The real estate portion may be comprised of privately and publicly held real estate investments.

5. Alternative Investments:

- Alternative investments will be broadly defined, but not limited to, as investments in absolute return funds, commodities and gold, real return strategies, venture capital, and other. These categories are to be implemented only through diversified investment vehicles. In the case of absolute return private partnerships, the diversification should be achieved through the use of a “fund of funds”.

6. Cash / Cash Equivalents:

- Cash equivalent positions will be instruments with ratings of A-2, P-2 or higher. U.S Treasury Bills, Eurodollar Certificates of Deposit, time deposits, money market funds, and repurchase agreements are acceptable instruments.

V. BROKERAGE AND PROXY POLICY

- SHGA will seek best execution for all transactions effected for COSF. Securities and cash will be held in custody at Fidelity Investments.
- Proxy voting has been delegated to SHGA. SHGA uses Broadridge to vote proxies.

VI. CONTROLS AND MONITORING

The COSF Investment Committee will monitor the total portfolio performance as follows:

1. Quarterly Reviews – The COSF Investment Committee will review the investment performance of SHGA and the individual managers (retained by SHGA) in the portfolio with respect to the risk and return objectives

established for COSF. The review may include topics such as the overall business management, organizational changes and other relevant factors.

2. Watch List – In the event that any individual manager is significantly underperforming over the long-term, SHGA will maintain a higher level of oversight and may put the firm on a watch list.

Prepared By:

Brian Dombkowski, CFA
Chief Executive Officer

Brenda Vingiello, CFA
Chief Investment Officer

Reviewed and Accepted By:

Stephen Schoonmaker, Ed.D.
Superintendent – President

Greg Messer
President, COS Foundation Board

Dawn Marie Slabaugh
Director, COS Foundation

Darlene Melby
Vice President, Administrative Services

Kent Gross
Director, Fiscal Services

APPENDIX

1. Benchmark Composition

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

<u>Asset Class</u>	<u>Index</u>	<u>Weight</u>
Equity		
Domestic Large Capitalization	S&P500 Index	30%
Domestic Small Capitalization	Russell 2000 Index	9%
Foreign	MSCI All-Cap World Index excl. USA	13%
Fixed Income	Barclays Aggregate Index	30%
Real Estate	NAREIT Index	4%
Absolute / Real Return Strategy	Barclays 1-3 Year Aggregate Index	8%
Commodities / Natural Resources	Bloomberg Commodity Index	4%
Cash / Cash Equivalents	U.S. T-Bill 30 day Index	2%

2. Glossary

EQUITY MARKET INDICATORS

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

Standard & Poor's 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

FIXED-INCOME MARKET INDICATORS

Barclays Capital Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the intermediate and long-term components of the Government / Credit Bond Index.

INTERNATIONAL EQUITY MARKET INDICATORS

Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-US Index is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far

East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

OTHER INDICES

National Association of Real Estate Investment Trusts (NAREIT) Index is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

Barclays 1-3 Yr Aggregate Bond Index is a combination of the Mortgage Backed Securities Index and the shorter duration components of the Government / Credit Bond Index.

Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. Commodities as a n asset class have historically demonstrated returns that are negatively correlated with returns of stocks and bonds and that are positively correlated with inflation measures.

U.S. T-Bill 30 day Index is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for purposes of performance measurement.