

Endowment Investment and Spending Policies

Approved by Board of Trustees 12/12/2013

Amended 6/4/2024

## PURPOSE

The purpose of this Endowment Investment and Spending Policy Statement is to establish a clear understanding of the philosophy and the investment objectives of the Chatham Education Foundation (hereinafter, the Foundation). This document will describe the standards that will be utilized by the Finance Committee in monitoring investment performance and will serve as a guideline for any investment manager retained.

The purpose of the Foundation is to accumulate a pool of assets sufficient to build community capital for future use with the corresponding obligation to support current and future community needs. These assets are to be invested in a manner consistent with statutory fiduciary responsibilities.

## SCOPE

This Investment Policy Statement applies only to those assets for which the Treasurer, Finance Committee and the Investment Manager (if applicable), has discretionary authority.

## FINANCE COMMITTEE

The Finance Committee is responsible for recommending investment policies and strategies to trustees, investment managers and /or advisors, and other fiduciaries, and monitoring the performance of the trustees, managers, advisors and other fiduciaries.

## IMPLEMENTATION OF INVESTMENT POLICIES

The investment policies of the Foundation will be carried out by means of investment strategies that reflect evaluation of changing investment environments, judgment regarding the allocation of the Foundation's assets among different kinds of investment opportunities, identification of appropriate investment vehicles, and the making of specific investment decisions.

## STANDARD OF INVESTMENT JUDGMENT

In seeking to attain the investment objectives set forth in this statement, the Finance Committee shall exercise prudence and appropriate care.

## SPENDING POLICY

Funds available for spending is reviewed and approved by the Finance Committee annually as of June 30 or more frequently as determined by the Finance Committee. The amount available to spend is determined by a total return system. Spending can only be used to support grants to benefit the SDOC or other donor specific uses, and may not be used for Foundation operations. The calculation is as follows: A 12 quarter rolling average of the market value of all outstanding shares is determined. The amount to be spent will be 5% of that 12 quarter rolling average of the market value applied to eligible permanent shares less administrative costs, if any, to be determined by the Finance Committee. The "income" that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e., dividends, interest, rents, royalties, etc.) and appreciation, both earned and unearned. If "income" is not adequate to source the 5% funds available for withdrawal (an underwater endowment), the amount available may be drawn from the original corpus.

Permanent shares must be in the endowment for at least six calendar months prior to being subject to the spending policy.

## INVESTMENT OBJECTIVES

The primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus will be on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the Finance Committee seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation adjusted purchasing power of the Foundation's assets, while also considering the current spending requirements. In pursuing this objective, the Finance Committee endeavors to achieve total returns that, over time, are equal to or better than the relevant market averages. The Finance Committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved.

## TIME HORIZON

Due to the inevitability of short-term market fluctuations, it is intended that the following Specific Performance objectives will be achieved by the investment manager(s) over a 5-year moving period, net of investment management fees. Nevertheless, the Finance Committee reserves the right to evaluate and make any necessary changes regarding the investment manager over a shorter term using the criteria established in the Evaluation of Investment Managers section of this statement.

## SPECIFIC PERFORMANCE OBJECTIVES

### Total Foundation

1. The total return shall exceed the Consumer Price Index plus 5%(5% premium reflects the average spending policy).
2. The total return shall equal or exceed a target Balanced Index composed of: 75% of the S&P 500 Index (Domestic Large Cap Equity) , and 25% of intermediate term Bond Index (Fixed Income).

### Equity Managers

## EVALUATION OF INVESTMENT MANAGERS

It is recommended that the Finance Committee invest in low-cost S&P 500 index equity funds and intermediate-term bond index funds with companies such as Vanguard or Fidelity. Such investments represent broad diversification in equities and bonds at a very low cost, and performance will be equal to the overall stock and bond markets. It should not be necessary to incur the expense of hiring an investment manager, nor should it be necessary to steward the complex investments such an investment manager would undoubtedly recommend (usually at costs substantially exceeding Vanguard and Fidelity index funds). However, should the Foundation elect to hire one or more investment managers, the investment managers will be reviewed on an ongoing basis and evaluated using the following additional criteria:

3. Ability to meet or exceed the performance objectives stated in this Investment Policy Statement.
4. Adherence to the philosophy and style, which were articulated to the Finance Committee at, or subsequent to, the time the investment manager was retained.
5. Ability to meet or exceed the performance of other investment managers who adhere to the same or similar style.
6. Continuity of personnel and practices at the firm. The investment manager shall immediately notify the Finance Committee in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.

## ASSET ALLOCATION

In making asset allocation judgments, the Finance Committee is not expected to seek to time subtle changes in financial markets or make frequent or minor adjustments. Instead, the Finance Committee is expected to develop and adopt expressed guidelines

for broad allocations on a long-term basis, in light of current and projected investment environments. To insure broad diversification in the long-term investment portfolios among the major categories of investments, asset allocation, as a percent of the total market value of the total long-term portfolio, will be set with the following target percentage 75% S&P500 index fund; 25% fixed income, typically FDIC-insured Certificates of Deposit or an intermediate term Bond index fund.

New funds received during a given month will be swept into the investment portfolio on the first day of the month following the month received and allocated based on the target percentages, regardless of the current balances in the portfolio. At the end of each quarter, the investment portfolio will be rebalanced to meet the target percentages.

## INVESTMENT MANAGER REQUIREMENTS

7. In a rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the Finance Committee's investment objectives. Any such list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be made . Therefore, it is the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, which determines whether an appropriate standard of reasonableness, care, and prudence has been met for the Foundation's investments.

8. Although there are no strict guidelines that will be utilized in selecting investment managers, the Finance Committee will consider the length of time the firm has been in existence, its track record, fees, assets under management, and the amount of assets the Foundation already has invested with the firm .

9. Unless prior written approval is obtained from the Finance Committee to the contrary:

a. Each investment manager must satisfy the performance objectives and asset allocation guidelines.

b. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with this Investment Policy Statement.

c. The investment managers shall be evaluated on a quarterly basis and should be prepared to meet with the Finance Committee at least annually.

d. The investment managers shall handle the voting of proxies and tendering of shares in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein.

e. Not more than \$250,000 shall be invested in Bank Certificates of Deposit of any single issuer.

This statement of investment policy shall be reviewed annually. Investment performance shall be reviewed on a quarterly basis.