



**INVESTMENT POLICY STATEMENT  
FOR  
THE POOLED ENDOWMENT FUND**

May 3, 2024

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## **I. MISSION AND INTENT**

The College of Charleston Foundation (the "Foundation") is a nonprofit organization and a legal entity separate from the College of Charleston (the "College"). The Foundation is incorporated under the laws of the State of South Carolina as a 501(c)(3) corporation. The Foundation operates pursuant to the South Carolina Nonprofit Corporation Act of 1994 (the "Act") (Section 33-31-101, et. seq.) and The Code of Laws of South Carolina, 1976, as amended. The mission of the Foundation, an independent, nonprofit corporation, is to promote programs of education, research, student development, and faculty development for the exclusive benefit of the College.

In addition, the Foundation shall:

- A. Secure and manage private gifts to promote academic, athletic, and other scholarships;
- B. Support undergraduate and graduate educational programs;
- C. Promote, encourage, and aid research by faculty, staff, and students;
- D. Promote the recruitment and retention of a superior faculty; and
- E. Promote and aid such activities and programs to further the purpose of the Foundation and the College.

The intent of the investment activities of the Foundation as it relates to its fiduciary responsibility of the pooled endowment fund (the "Fund") is to preserve the spending power of endowed funds so that such funds may be utilized in accordance with donors' intent in support of the mission of the Foundation to support the College. Recognizing (a) that the College itself is an institution that benefits the environment, a diverse group of communities with diverse and varying interests, and society overall in innumerable ways, (b) the Foundation's responsibility to support the College is primarily that of a financial steward for the preserved value and utility of the assets under its management, and (c) the primary method of growth of an endowment is through fundraising activities which would likely be significantly impaired by the principal losses in endowed funds, the Foundation's intent in investment policy is as follows, in order of priority:

1. First, mitigate risk in the loss of value of the endowment;
2. Second, invest in a manner that allows for the distributions of cash needed to support the various activities afforded by the Fund;
3. Third, grow the value of endowed funds; and
4. Fourth, achieve the above in a manner consistent with the Foundation's policy on Environmental, Social, and Governance ("ESG") investment criteria as detailed in Appendix A: Environmental, Social, and Governance ("ESG") Statement.

## **II. GOALS AND OBJECTIVES**

### **Investment Goals**

The assets of the Foundation shall be handled in a manner consistent with the standards to which a prudent investor would have adhered at the time of investment with a like set of circumstances and information available and in compliance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Fund shall be considered a total return fund with appropriate recognition given to growth and, secondarily, income.

Emphasis shall be placed upon the preservation and enhancement of the purchasing power of the account, net of inflation and fees, over the long term.

### **Performance Objectives**

- A. The primary goal for total portfolio return is the Consumer Price Index ("CPI") as reported by the United States Bureau of Labor Statistics plus the actual amount spent of the permitted Spend Rate plus the actual amount spent of the internal Administrative Fee on a trailing ten (10)-year basis. *Purely for the sake of illustration, if the actual amount of dollars spent from endowed funds plus the actual administrative fee remitted total five percent (5%) each year for the trailing three (3)-year moving average fund balance and CPI equaled two percent (2%) each year over the same period, the annualized total portfolio return objective for the endowed funds would be equal to seven percent (7%), net of fees; and*
- B. The percentage drawdown sustained over a trailing twelve (12)-month basis in the Fund should not exceed the maximum percentage drawdown sustained over the same period in a modeled comparative risk portfolio consisting of an allocation of 65% invested in the MSCI All Country World Index and 35% invested in the Bloomberg Barclays US Aggregate Bond Index.

These goals and objectives are established to support the Spending Policy and Liquidity Requirement of the Foundation Board. The Spending Policy of the Foundation is detailed in Appendix B: Spend Policy and Liquidity Requirements.

In addition to a Spend Rate, management or administrative fees are generally paid from account balances to contribute towards the internal expenses of Foundation management. An annual administrative fee, determined by the Foundation Board, shall be calculated each year (the "Administrative Fee"). These fees are based on expenses for investment management, fund custody, and fund administration by the Foundation. The current Administrative Fee is set forth in Appendix B, Spend Policy and Liquidity.

Appendix E: Investment Policy for Planned Gifts, contains the Goals and Objectives for Charitable Gift Annuities and Charitable Remainder Trusts.

### **III. RESPONSIBILITIES AND AUTHORITY**

The Foundation is comprised of various committees as authorized by the Board of Directors (the "Board"). The Board and all committee members serve as fiduciaries and operate pursuant to the UPMIFA as enacted by the State of South Carolina, and other applicable laws of South Carolina.

The Board has the responsibility to manage the business and affairs of the Foundation. Within their authority they have established an Investment Committee (the "Committee"), as authorized under Sec. 33-31-825 of the Act. Endowed funds at the Foundation shall be managed utilizing an outsourced chief investment officer (the "OCIO") selected and monitored by the Committee.

The Committee shall oversee the Foundation's investment funds pursuant to the bylaws of the Foundation and this Investment Policy Statement ("IPS"). The Committee has the responsibility, as granted by the Board, to retain, hire, or replace those professional services it deems appropriate for the management and investments of the investment fund. Annually, the Committee shall recommend to the Board the investment policy parameters and portfolio management plan for the Foundation. The Board has the authority to approve or disapprove those recommendations. If approved, the Committee shall monitor the policies and portfolio parameters. In addition, as authorized under Sec. 33-31-801 of the Act, the Committee shall:

- A. Review and recommend investment policies to the Board that address key issues such as OCIO selection criteria, risk management, and total return parameters;
- B. Review and approve aspects of the portfolio management plan that may relate to such areas as eligible investments, diversification and concentration restrictions, and performance objectives for specific investment manager's portfolios or direct investments;
- C. Select the OCIO, investment consultants, bank custodians, and other professional experts, as appropriate;
- D. Make direct investments in cases in which access via the OCIO is not deemed optimal;
- E. Monitor the adherence of the portfolio management plan to the overall investment policy parameters and evaluate performance of the fund as compared with Total Return objectives;
- F. Evaluate the performance of OCIO as compared with performance objectives and other investment guidelines identified in this IPS and make changes as appropriate;
- G. Review and recommend an annual spending rate for Board approval, in accordance with the Spending Policy; and
- H. Provide quarterly reports to the Board.

Outside of specific programs supported by the Foundation in which the method of investing is dictated by the donor or the program, the Committee and the senior staff look to the OCIO to evaluate any and all individual managers, as well as short term income-generating strategies outside of the endowment investment pool. Should

the OCIO either not have the expertise, capabilities, competencies or aligned interests in evaluating an investment or fixed income strategy, the Committee will direct staff to do the necessary research and come back to the Committee with staff's recommendations.

The Committee reserves the right to formally review the OCIO model and the OCIO provider periodically, but at minimum the Committee will do an evaluation at the first regularly scheduled meeting of each new fiscal year. The Roles & Responsibilities of each party involved with any and all aspects of the Foundation's investment funds, including the Foundation Board of Directors, the Foundation Investment Committee, the Staff, and the OICO and its managers, are further clarified in Appendix C: Roles and Responsibilities of this IPS.

#### **IV. STRATEGY AND ASSET ALLOCATION**

Based upon a need for a transparent, cost-effective turnkey solution to align the perpetual endowment with expert advice and counsel from a licensed professional specializing solely in endowment and foundation management, the Board shall engage an OCIO to manage the Fund. The OCIO retained by the Board can be either a professional services consultant advisory with authority to invest on behalf of the Foundation or an investment manager managing a commingled portfolio solution. Regardless of the specific OCIO the Foundation may elect to engage, the Foundation must engage an OCIO that meets the following criteria:

- A. A true open architecture/outsourced CIO model with access to best in class underlying managers with a bias toward niche and appropriately sized managers;
- B. Institutional only and/or a non-profit bias - i.e. the provider's core business is foundations and institutional endowments;
- C. Complete fee transparency for all layers of fees and expenses, to include custodial fees and performance fees (when appropriate);
- D. Competitive performance track record coupled with downside risk mitigation;
- E. Excellent governance model to ensure lack of conflict and an appropriate level of external advisory influence at the board level; and
- F. Provide, as part of its standard engagement fee, back-office services with full audit, financial reporting, and policy decision support.

The Committee, in recognition of its fiduciary responsibility, will utilize those financial tools available which give the Committee insights to assist in their prudent decision-making process. The Committee bases the general asset allocation on the recommendation of the OCIO in order to meet the stated goals and objectives, tolerance for risk, and distribution policy outlined in this Investment Policy Statement. The Board reviews and affirms the asset allocation annually in a manner that seeks to achieve long-term investment goals and objectives.

Appendix D: Target Asset Allocation, contains the prevailing allocation guidelines that can be reviewed and affirmed annually by the Board and can be modified at any time in coordination with the OCIO. The portfolio allocation shall normally be monitored quarterly by the Committee. The OCIO shall rebalance or make tactical tilts in any asset category at any time as deemed necessary with attention to stated goals and objectives and sensitivity to transaction costs. Notwithstanding certain tactical tilts as approved by the Committee or directed by its OCIO, actual asset allocation should not vary more than five percent (5%) from the target asset allocation detailed in this IPS over a given fiscal year.

## **V. BENCHMARKS AND GUIDELINES**

### **Performance Benchmarks**

In consideration of the Fund's goals and objectives, several standards will be utilized in evaluating investment performance as opposed to a single measurement. An evaluation of the OCIO's performance will be conducted annually to include not only measurements with respect to the benchmarks described below, but also an overall qualitative evaluation of strategy and service relationship.

Specific quantitative measures will be used as standards to reflect several aspects of investment performance, including the Fund's specific objectives, market indices, and the performance of investment managers. The specifics for performance evaluation are as follows:

- A. The total rate of return of the Fund over a full market cycle or a trailing ten (10)-year period of time, whichever occurs first, should meet the Performance Objective as established in Section II of this IPS, in addition to exceeding the passive standards established herein;
- B. The Fund is expected to perform above median performance in the endowment sample of similar sized endowments as measured by the National Association of College and University Business Officers ("NACUBO") over a trailing ten (10)-year, trailing five (5)-year, and trailing twelve (1)-year period;
- C. Net of fees, OCIO's total rate of return should exceed the Constructed Index of the Policy Target Allocation as defined in Appendix D: Target Asset Allocation over a trailing ten (10)-year and trailing three (3)-year period.

### **Investment Guidelines**

#### **Transactions**

All transactions are to be executed on a "best realized price" (best net price) basis. The OCIO shall be responsible for the process of determining best execution.

#### **Direct Investments**

As authorized in Section IV, Responsibility and Authority, the Committee can evaluate and make direct investments in cases in which access via the OCIO is not deemed optimal, provided such an investment is consistent with the recommendation of the OCIO. In the rare event this authority is ever exercised, such an investment must be in a pooled, well-diversified investment vehicle that meets the following standards:

- A. Pools must have a minimum total capital commitment of \$50 million;
- B. Pools shall be well diversified with a minimum of ten investments in ten different companies or ventures over various industry sectors;
- C. The management team shall have an established track record of managing pools of the type to be reviewed, with a positive rate of return to previous investors on closed pools or investments. To the



extent possible, those returns will be compared, in advance of investment, with like pools sharing common investment strategies; and

- D. In considering those strategies that have displayed a higher risk profile over time than other traditional investment options, the Committee expects those investments over the long term to have returns that are greater than those available in traditional marketable investments.

#### Comprehensive Commingled Portfolio Solutions

Comprehensive Commingled Portfolio Solutions need not comply with the specific asset allocation and other requirements set out above for the Foundation if the Committee reasonably determines that such vehicle(s) are structured and operated in a manner calculated to achieve the overall objectives of the Foundation's IPS.

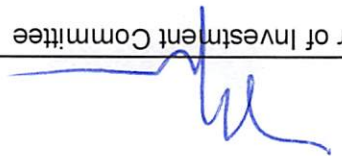
## **VI. REPORTING AND COMMUNICATIONS**

The OCIO is responsible for frequent and open communication with the Committee on all significant matters pertaining to investment policies and the management of the Fund's assets. Some of the key reporting responsibilities include the obligation to:

- A. Inform the Committee of major changes in the investment manager's investment outlook, investment style, investment strategy, and portfolio structure;
- B. Advise the Committee of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of each investment manager;
- C. Provide the Committee with quarterly transaction, valuation, and performance reports to coincide with the Foundation's fiscal quarters;
- D. Ensure that all documents, exhibits, and written materials that will be used during the quarterly conferences between the Committee be submitted to and received at least 5 business days in advance of these conferences;
- E. Provide the Committee with proof of liability and fiduciary insurance coverage as well as its most recent Form ADV filing with the Securities and Exchange Commission ("SEC");
- F. Advise the Committee immediately of any change in the key portfolio managers; and
- G. Meet with the Committee at the Committee's request.

Signature Page

Chair of Investment Committee



Date

5/3/2024

Chair of Foundation Board



Date

5/3/2024

## APPENDIX A: ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (“ESG”) STATEMENT

The Foundation's priority is to preserve the spending power of endowed funds so that such funds may be utilized in accordance with donors' intent in support of the mission of the Foundation to support the College. The method of investing such funds must not compromise this primary priority in any way.

In addition to the clear sustainability and ethical benefits, incorporating ESG analysis into an investment process can provide useful insights and a more comprehensive view of risk and opportunity. ESG factors can be useful in evaluating industries, businesses, corporate management teams, and investment managers. These factors may: 1) impact the intrinsic values, risks and operating performance of the businesses in which the Foundation, through its OCIO, may ultimately invest; 2) have long-term impacts and be drivers of competitive advantage; and 3) promote strong corporate governance practices that result in increased transparency, accountability, productivity, and alignment of interests.

### Expectations of the OCIO in implementing ESG into the Investment Process:

- A. Perform quantitative and qualitative assessments of ESG factors as part of bottom-up due diligence and risk assessment process across asset classes;
- B. Analyze both manager ESG practices and underlying investment ESG characteristics, increasing the information content for investment decisions, which can improve the quality of decisions and expected investment returns;
- C. Remain focused on generating attractive returns and do not take an exclusionary or thematic investment approach as it relates to ESG; all else equal, invest with managers incorporating best ESG practices; and
- D. Keep Investment Committee informed of material ESG risks and opportunities.

  
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Foundation Board Chair

5/3/2024  
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Date

  
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Investment Committee Chair

5/3/2024  
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Date

## APPENDIX B: SPEND POLICY AND LIQUIDITY REQUIREMENTS

### Spend Rate

The spending policy of the Foundation is expected to pay a dollar amount of not less than 3½% of the prior 12-quarter moving average of the market value of the fund, the target spending policy is 4% of the 12-quarter moving average of the market value of the fund. The current **maximum Spend Rate is 4.50%** of the 12-quarter moving average of the market value of the fund.

Related to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), market downturns present a particular challenge in balancing the goals of a stable payout stream and maintaining purchasing power. In a market downturn, individual endowment funds may have a market value that is less than the corpus (principal) of the fund; such a fund is defined to be "underwater" for purposes of the Foundation Spending Policy. A distribution from an underwater fund results in a reduction of principal. The decision to distribute or not distribute from an underwater fund depends initially on the donor's expressed written instructions. If the donor specifies that the principal may not be invaded, or places other restrictions on spending, then distributions from that fund shall be made in accordance with the donor's restrictions. For all other funds, distributions shall be made consistent with the prudence principles herein as stated in UPMIFA, with an emphasis on the duration of the fund. All determinations herein shall be made based on fund values on the end date of the distribution calculation period. The limit that shall be imposed may not exceed 20% of the principal of the fund and shall be reviewed annually by the Board.

The schedule to the right will be used for distributions in accordance with the 20% limit stated above:

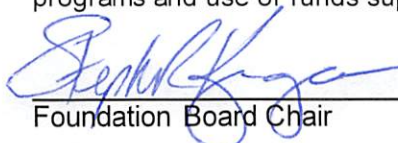
Fund Value as a % of Corpus or HDV	Spend Rate
95-99%	4.5%
90-95%	3.5%
85-90%	2.5%
80-85%	1.5%
Below 80%	Suspend

### Administrative Fee


The current **Administrative Fee is 1.25%** of the total Fund balance and shall be applied to individual accounts on a quarterly basis.

### Liquidity Requirement and Distribution Policy

The asset allocation and investment strategy should always allow for the **ability to access up to 120% of 25% of the policy Spend Rate maximum on a quarterly basis**. This may be achieved through access to cash, the sale of securities, or short-term borrowings for working capital purposes. Actual distributions shall be made as directed by Foundation staff under the authority provided to it by the Board in order to meet the treasury requirements of the programs and use of funds supported by the pooled endowment fund.

  
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Foundation Board Chair

5/3/2024  
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Date

  
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Investment Committee Chair

5/3/2024  
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Date

**APPENDIX C: ROLES AND RESPONSIBILITIES**

As it Relates to Investment Activities and Policy Decisions, the following are the Roles and Responsibilities of the Foundation Board, Foundation Investment Committee, Foundation Staff, Foundation’s Selected OCIO, and the Managers Managed by the OCIO.

The Role of each Party is Summarized in the Table Below:


	Investment Policy	Tactical Asset Allocation	Manager & Fund Selection	Security Selection
Foundation Board of Directors	<i>Approves</i>			
Foundation Investment Committee	<i>Recommends</i>	<i>Monitors</i>	<i>Monitors</i>	
Staff	<i>Recommends</i>			
OCIO	<i>Assists</i>	<i>Executes</i>	<i>Executes</i>	<i>Executes</i>
Manager/Funds				<i>Executes</i>

The responsibilities of the OCIO versus the Foundation Board Investment Committee is Summarized in the Table Below:

OUTSOURCED CIO (“OCIO”)	FOUNDATION INVESTMENT COMMITTEE
<p><b>Manager Selection</b>  <i>Manager hire/fire decisions</i>  <i>Contract and fee negotiations</i>  <i>Operational due diligence</i></p> <p><b>Portfolio Construction</b>  <i>Portfolio structure</i>  <i>Active vs. Passive mix</i>  <i>Manager allocations</i>  <i>Risk completion</i></p> <p><b>Implementation</b>  <i>Tactical tilts and opportunistic positions</i>  <i>Rebalancing</i>  <i>Transition management</i>  <i>Transaction cost management</i></p> <p><b>Plan Administration</b>  <i>Cash flow management</i>  <i>Custody oversight</i>  <i>Financial and regulatory reporting</i>  <i>Securities litigation support</i></p>	<p><b>Oversight</b>  <i>Progress toward ultimate investment goals</i>  <i>Risk monitoring</i>  <i>Internal audits</i>  <i>Monitoring service providers</i></p> <p><b>Governance</b>  <i>Risk tolerance</i>  <i>Liquidity requirements</i>  <i>Spending budget</i>  <i>Strategic asset allocation</i></p>

  
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 Foundation Board Chair

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 Investment Committee Chair

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## APPENDIX D: TARGET ASSET ALLOCATION

Policy Target Allocation and Constructed Index:


Category	Weight (%)	Purpose	Benchmark Constructed Index	May Include
Equity-Oriented Assets	65	Primary long-term driver of portfolio returns	MSCI All Country World Index	<ul style="list-style-type: none"> <li>- Global Equity</li> <li>- High Yield bonds</li> <li>- Private Equity</li> <li>- Real Assets</li> <li>- Resource-Related Equity</li> <li>- REITs</li> </ul>
Diversifying Strategies (Hedge Funds and Other)	20	Generate meaningful returns while reducing equity market sensitivity	HFRI Fund of Funds Composite Index	<ul style="list-style-type: none"> <li>- Hedge Funds</li> <li>- Asset-Backed Securities</li> <li>- Commodities</li> <li>- Opportunistic Credit</li> <li>- Royalties</li> </ul>
Fixed Income (Including Cash)	15	Provide diversification, liquidity, and income	-2/3 Barclays US Intermediate Treasury Index -1/3 BofA Merrill Lynch US 6-month Treasury Bill Index	<ul style="list-style-type: none"> <li>- Conventional Bonds</li> <li>- TIPS</li> <li>- Cash</li> </ul>

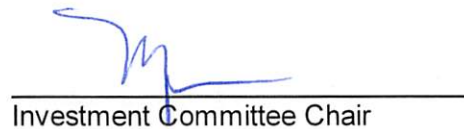
### Investment Fund Subscription

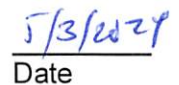
All endowments deemed permanently restricted and subject to the board-approved endowment spend policy shall be segregated into a separate investment vehicle, currently held at TIFF, the Foundation's OCIO.

All other discrete endowment funds, described as quasi-endowments or temporarily restricted, which are invested, but not subject to the board-approved endowment spend policy, shall be segregated into another separate investment vehicle, currently held at TIFF, the Foundation's OCIO.

  
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 Foundation Board Chair

  
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 Investment Committee Chair

  
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## APPENDIX E: INVESTMENT POLICY FOR PLANNED GIFTS

### Purpose

The purpose of this appendix to the Organization's Statement of Investment Policy is to provide guidelines for the management of the planned giving assets of the Foundation. Planned giving assets currently include charitable gift annuities and charitable remainder trusts. Where possible, these funds will be managed in a framework that is consistent with the stated Investment Policy for the Foundation.

### Goals and Objectives

The Committee recognizes that the primary purpose of the planned giving portfolio is to provide individual beneficiaries with agreed upon entitlement and the remainder to the Foundation to achieve the charitable goals of the donors. As such, the objective of the planned giving portfolio will be to provide long-term growth of capital while meeting the payout obligations to the donor/beneficiaries of charitable gift annuities and charitable remainder trusts.

The nature of these funds makes them subject to various state and federal regulations. This policy seeks to achieve the objectives set forth while being mindful of the various regulatory restrictions that may be placed on the investment of the Foundation's planned giving assets. The Committee recognizes that from time to time some changes may have to be made to investment allocations to comply with regulatory and statutory requirements.

The Committee recognizes that planned giving assets will be managed in accordance with the Foundation's Statement of Investment Policy with the following exceptions:

**Charitable Gift Annuities** – Charitable Gift Annuities are contracts between the Foundation and the donor(s) whereby the donor gets an income stream for life and the Foundation receives the remainder. These contracts are subject to state regulations. Where regulation allows, these funds will be managed in accordance with the Foundation's Statement of Investment Policy. If necessary, the investment allocation and choice of investments may be adjusted to ensure compliance with all regulatory requirements.

**Charitable Remainder Trusts** – Charitable Remainder Trusts are separate entities set up by the donor(s) that establish an income stream for the donor and a charitable remainder to the Foundation. Where the Foundation is Trustee, the Committee is responsible for the investments of the Trust. Where applicable, these funds will be managed in accordance with the Foundation's Statement of Investment Policy. The nature of a particular trust may dictate a deviation from the stated policy in order to best meet the needs of the donor/beneficiary and the Foundation.

Should planned giving assets of the Foundation grow beyond the two gift types described above, management of the assets will follow this policy unless otherwise determined by the Committee. Planned Gifts could include variations of the charitable remainder trust, charitable lead trusts, pooled income funds, life estate reserved gifts, or other income producing assets.

  
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Foundation Board Chair

5/3/2024  
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Date

  
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Investment Committee Chair

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