

# Bridgewater State University Foundation

## Endowment Fund

### Investment Policy Statement

Accepted	July 2010
Revised	March 2012
Revised	November 2012
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Revised	September 2017
Approved	October 2017

#### GENERAL INFORMATION

Bridgewater State University Foundation (“Foundation”) is a private foundation focused on supporting the mission and students of Bridgewater State University (“University”). The Foundation represents the generosity of friends and alumni who care deeply about education and the University, and seek to have an effective and sustainable resource for meeting the present and future needs of quality higher education at the University.

The Foundation is governed by a Board of Trustees (“Board”), who periodically review and ratify this Investment Policy Statement (“Statement”). The Board delegates oversight of the Foundation’s investment portfolio (“Portfolio”) to the Foundation’s Investment Committee (“Committee”).

#### PURPOSE

The purpose of this Statement is to communicate a clear understanding of the investment policies and procedures that are intended to provide the greatest

probability that the Portfolio's objectives are met in a prudent manner. It will outline an overall philosophy that is specific enough for the reader to know the investment expectations, but be sufficiently flexible to accommodate for changing investment conditions.

## PRUDENT STANDARDS

The Foundation and its investment program are governed by the Uniform Prudent Management of Institutional Funds Act of Massachusetts (UPMIFA, as adopted 2009) as Codified in Massachusetts General Laws Chapter 180A. Accordingly, the Board and the Committee will perform their duties solely in the best interests of the Foundation, acting with care, skill, prudence and diligence.

## PHILOSOPHY

The primary goal of the Portfolio is to support the University and its students, both presently and in perpetuity.

Successful management of the Portfolio must therefore maintain or enhance the purchasing power of the Foundation's assets, while supplying a steady stream of financial support as determined and directed by the Board. Therefore, the Foundation takes a very long-term view in setting investment policy.

## INVESTMENT OBJECTIVES

The primary objective is to achieve and maintain an average annual total investment return of at least the minimum spend rate plus inflation (as measured by the CPI) net of all investment management fees and expenses. For purposes of this objective, a rolling 5-calendar year average shall be used for rate of return, spend rate, inflation and expenses.

The secondary investment objective is to outperform the current asset allocation policy benchmark as described and periodically updated in Appendix A.

## SPENDING POLICY

Each year a stated spending percentage is recommended by the Committee and approved by the Board for expenditure in the following fiscal year, which shall be documented by a formal vote. The percentage is applied to the last 12-quarter average of the Portfolio's market value to smooth fluctuations.

In determining the annual spending percentage, the Foundation will monitor compliance with donors' restrictions, whether permanently or temporarily-restricted in nature.

In periods of prolonged market value declines in the Portfolio which result in restricted funds having an aggregate market value less than donor stipulated levels (underwater funds), UPMIFA allows the Foundation to continue expending if it is in the best interest of the Foundation's mission.

## PROFESSIONAL SERVICE PROVIDERS

With advice from the Committee, the Board may engage professional service providers to assist in the Portfolio's investment management, oversight, administration, audit and custody. Compensation to these providers must be fair, reasonable and transparent. Periodically the Board shall conduct a formal RFP review of the portfolio and service providers. Annually the Board shall separately review and discuss internally the performance of all current professional service providers and record all relevant findings of same to ensure compliance with all applicable due diligence and proper governance standards.

## PERMISSIBLE INVESTMENTS

The Portfolio may invest in wide range of investments of varying degrees of risk, potential for return and liquidity. Permissible asset allocation ranges and restrictions are provided in Appendix A and may be reviewed and updated by the Board at any time. Specific reference is made to the *BSU Real Estate Acquisition, Gift and Disposition Policy* as well as the *BSU Art Collection Policy*, and both are incorporated herein. From time to time the Board may authorize the use of cash to purchase real property or other assets and may also receive and hold any donated or bequeathed assets at its discretion. Irrespective of the maximum REIT weighting stated in Appendix A, the total fair market value of all physical real property held on the Foundation's balance sheet shall not exceed 10% of the market value of the total investment portfolio. For purposes of this calculation, a rolling 5-calendar year average shall be used for the market values of all said real estate.

All non-productive and non-income producing assets such as real property, collectables, art and antiques as well as any wasting assets shall be excluded from the calculation of the asset allocation of the investment portfolio for purposes of assessing compliance with the permissible asset class ranges and targets in Appendix A.

## ASSET ALLOCATION POLICY

The single most important determinant of long term return is the allocation of the Portfolio amongst various asset classes. The goal is to seek a strategic mix of asset classes likely to produce the highest expected investment return within a prudent risk framework.

It is anticipated that the Committee will monitor and establish asset allocation limitations that may vary over time. The present asset allocation limits are stated in Appendix A.

## INVESTMENT MANAGERS

The Committee may engage professional investment managers that will have full discretion to buy, sell, and tender securities for the exclusive benefit of the Portfolio.

Selection and continued engagement of investment managers need not follow defined rules or quantitative procedures. In particular, the Committee is not required to emphasize past performance as the primary determinant of future outcomes. The Committee, with assistance from their investment consultant, will use its best judgment with a focus on long-term performance of the Portfolio's assets.

Each investment manager will inform the Committee on a timely basis of any material changes in their organization that might impact future returns. Examples include (but are not limited to) material changes in portfolio management personnel, ownership structure and investment philosophy.

Under normal circumstances, voting proxies and responding to tender offers and other corporate activities will be the responsibility of the investment managers, guided by the standard of maximizing the long-term return of the Portfolio's assets.

For the Portfolio's transactions, the investment managers are required to use their best efforts to obtain the most favorable net price and execution available. The Portfolio does not pay for services with directed commissions (so-called "soft dollars").

The Committee may also engage an investment consultant that has discretionary authority to hire, rebalancing and terminate investment managers on behalf of the Committee. So-called manager-of-managers must maintain appropriate diversification, and offer full transparency to the Committee of the underlying investment managers and their compensation.

## GIFTS AND DISTRIBUTIONS OF SECURITIES

The Foundation may receive gifts of securities from donors, but will not permit gift restrictions that delay liquidation without permission of the Board. Gifted securities will be liquidated promptly and in an orderly fashion.

The Foundation may also receive securities as distributions from private equity investments within the Portfolio. When such securities are eligible to be sold, they will be liquidated promptly and in an orderly fashion.

[END]

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Appendix A  
Asset Allocation

Dated: \_\_\_\_\_, 2015

	Minimum	Target	Maximum
	<u>Weight</u>	<u>Weight</u>	<u>Weight</u>
<u>Equities</u>			
US	30%	40%	50%
Intl Developed	10%	20%	30%
Intl Emerging	0%	10%	20%
Total Equities	40%	70%	80%

### Fixed Income

US Investment-Grade	10%	15%	30%
High Yield	0%	5%	15%
International	0%	0%	10%
Total Fixed Income	10%	20%	30%

### Alternatives

Hedged Strategies	0%	5%	10%
Natural Resources	0%	0%	5%
Direct Real Estate & REITs	0%	5%	10%
Private Equity*	0%	10%*	20%
Total Alternatives	0%	10%*	30%
Cash & Equivalents	0%	0%	20%

\*Developing a diversified Private Equity program will take 7-12 years (completion expected 2022-2027) to achieve market value near the 10% target. During the development phase, the excess assets will be allocated to Equities.

<u>Portfolio Liquidity</u>	<u>Minimum</u>	<u>Maximum</u>
Daily	70%	100%
Monthly	0%	20%
Quarterly	0%	20%
Illiquid	0%	30%

The performance benchmark for the overall Portfolio:

70% MSCI All Cap World Net  
20% BC Aggregate Bonds  
5% HRFI FofF Composite  
5% Wilshire REIT

Further, asset class benchmarks will be assigned within asset subsets:

US Equities	Russell 3000
Intl Developed	MSCI EAFE Net
Intl Emerging	MSCI EM Net
Total Equities	MSCI World Net
US Investment-Grade	BC Govt/Credit Intermediate
High Yield	BC High Yield
International	BC Global Aggregate xUS
Total Fixed Income	BC Aggregate Bonds
Hedged Strategies	HFRI FoF Composite
Natural Resources	Bloomberg Commodity
Direct Real Estate/REITs	NCREIF/Wilshire REITs
Private Equity	S&P 500 +2%

Further, individual managers within the Portfolio may be benchmarked by more specific indices matched to their investment mandate. Such indices selected may be based upon capitalization size, geographic emphasis, and/or investment style.

[END]