



Policy Holder: GTF	Number: GTF-03-19	Revised: 8/8/2017
Responsible Party: Coordinator of Foundation Finances		Effective Date: 11/06/2015

## STATEMENT OF INVESTMENT POLICY OBJECTIVES AND GUIDELINES

### GENERAL AND ENDOWMENT FUNDS

#### **INTRODUCTION**

The Gwinnett Tech Foundation ("Foundation") is a nonprofit organization established and maintained as a 501(c)(3) organization in accordance with the Internal Revenue Code.

#### **PURPOSE**

The purpose of this Investment Policy Statement ("IPS"), recommended by the Finance Committee, is to establish a clear understanding between the Foundation and SunTrust Bank, as investment advisor, ("Investment Advisor") regarding the investment objectives and policies applicable to the assets assigned to the Investment Advisor for management of the Foundation's General Funds and Endowment Funds (the "Fund" or "Funds"). This IPS:

- Outlines the Foundation's goals and provides the framework for a disciplined approach to investing;
- Establishes reasonable expectations, objectives and guidelines for the investment of the Funds;
- Sets forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
- Encourages effective communication between the Investment Advisor and the Foundation;
- Creates a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Foundation; and
- Establishes the criteria for monitoring performance of the investments.

This IPS is not a contract but is intended to be a summary of an investment philosophy that provides guidance for the Foundation and the Investment Advisor.

This IPS provides a set of general guidelines that will permit the Foundation to oversee the investment of the Funds. The guidelines and objectives contained herein are broad in scope; more detailed information may be required for designated accounts with specific operational needs.

## **INVESTMENT MANAGER**

“Investment Advisor” shall mean an individual or group of individuals employed to manage the investments of the Fund’s assets.

The Investment Advisor will have full discretion to make all investment decisions (to purchase, sell or hold specific securities that will be used to meet the Portfolio’s investment objectives) for the assets placed under its jurisdiction subject to the Uniform Prudent Management of Institutional Funds Act, as set forth in O.C.G.A. § 44-15-1 et seq (“UPMIFA”) and the guidelines described in this policy. Specific responsibilities of the Investment Advisor include:

- 1) Discretionary investment management including decisions to buy, sell, or hold securities.
- 2) Reporting quarterly investment performance results on a timely basis or as needed.
- 3) Communicating any major changes to economic outlook, investment strategy or any other factors, which affect implementation of investment process, or the investment objective progress of the Portfolio’s investment management.
- 4) Informing Committee of any qualitative change to the investment management organization: Examples include changes in Portfolio management personnel, investment philosophy, etc.

The Investment Advisor will be held responsible and accountable to achieve the objectives herein stated.

## **GENERAL INVESTMENT PRINCIPLES**

- 1) The Investment Advisor has a duty of loyalty to ensure that investments be made solely in the interest of Gwinnett Tech Foundation, subject to the intent of the donor, and for the exclusive purpose of providing benefits accrued there under.
- 2) The Portfolio shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund or like character and with like aims; however, if an investment Advisor has special skills and expertise, and has been appointed in reliance on the basis of those skills and expertise, he or she has an increased duty to use those skills and expertise in making investment decisions and managing the Portfolio.
- 3) Investment of the Portfolio shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- 4) Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity and return.

## **INVESTMENT MANAGEMENT POLICY**

- 1) *Preservation of Capital* – Consistent with their respective styles and philosophies, investment Advisors should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
- 2) *Risk Aversion* - Understanding that risk is present in all types of securities and investment styles, Gwinnett Tech Foundation recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Portfolio's objectives. However, the Investment Advisor should make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
- 3) *Adherences to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated at least annually for adherence to investment discipline.
- 4) Investment Advisors are required to make investment decisions in light of the following factors, where relevant:
  - General economic conditions;
  - The possible effects of inflation and deflation;
  - The role of each investment in relation to the overall Portfolio;
  - The expected total return from income and investment;
  - Other resources of the institution;
  - The needs of the institution and the fund to make distributions and preserve capital; and
  - The relationship or value of an asset to the charitable purposes of the institution.

## **INVESTMENT OBJECTIVES**

- **General (Short-Term) Funds** - The Fund's objective is to provide preservation of principal and generate current income to meet cash needs.
- **Endowment (Long-Term) Funds** - The Fund's objective is to provide long-term growth of capital to meet future obligations of the Foundation. Another consideration and objective of the Fund is to prudently manage risk by diversifying investments in a manner that lowers overall volatility.

## **TIME HORIZON**

The time horizon of the General Fund is up to three years with an average duration of .75 - 1 year (not to exceed 2 years). While preservation of principal is the primary objective, the Foundation recognizes the possibility of principal loss due to the fluctuation of asset values over shorter periods of time.

The time horizon of the Permanent Fund is in excess of ten years. The Foundation recognizes the possibility of principal loss due to the fluctuation of asset values over shorter periods of time. However, historical asset class return data suggests that the risk of principal loss over longer holding periods can be substantially reduced with the diversified investment approach employed under this IPS.

## RISK TOLERANCE

The General Fund assets will be invested with the objective of achieving a stable net asset value with limited principal volatility consistent with permitted investments. All investments in the Fund will be investment grade and highly liquid with readily determinable valuations.

With regard to the Endowment Fund, the Foundation recognizes that higher returns require an acceptance of higher volatility. The Foundation has indicated a willingness to accept a moderate level of volatility, based on the target allocation of the Fund, in order to achieve the Fund's return objectives over the long term. In order to reduce volatility, the Fund will be fully diversified across a broad range of approved asset classes,

## **SPECIFIC INVESTMENT GOALS**

Over the Time Horizon established in this statement, the Investment Advisor's primary goal is to adhere to the following objectives:

- **General (Short-Term) Fund**  
The objective of the total portfolio of the General Fund is to achieve a total return, net of fees, exceeding the Three (3) Month Treasury Bill Index.
- **Endowment (Long-Term) Fund**  
The objective of the Endowment Fund is to achieve a total return, net of fees, exceeding a blended, passive benchmark comprising of the 43% Russell 3000 Index, 15% MSCI ACWI ex. US Index, 7% MSCI Emerging Markets Index and 35% Bloomberg Barclays Aggregate Index based on strategic targets.

The investment goals above are the objectives of the aggregate Portfolio, and are not meant to be imposed on each investment fund. The goal of each investment fund, over the investment horizon, shall be to:

- 1) Meet or exceed the market index or blended market index that most closely corresponds to the fund's investment management style.
- 2) Display an overall level of risk in the Portfolio that is consistent with the risk associated with the benchmark(s) specified above.

## INVESTMENT GUIDELINES

“Securities” shall refer to the marketable investment securities, which are defined as acceptable in this statement.

### ALLOWABLE ASSETS

- 1) Cash equivalents
  - Treasury Bills
  - Money Market Fund
  - Commercial Paper
  - Banker’s Acceptances
  - Repurchase Agreements
  - Certificates of Deposit

***Deposit relationships should be limited to insured funds only, or with publicly rated institutions with a bond rating of “A” or “A2” or better by Standard and Poor’s and/or Moody’s, respectively.***

- 2) Fixed Income Securities
  - U.S. Government and Agency Securities
  - Corporate Notes and Bonds
  - Mortgage Backed Securities
  - Preferred Stock
  - Collateralized Mortgage Obligations
- 3) Equity Securities
  - Common stocks
  - Convertible Notes and Bonds
  - Convertible Preferred Stocks
  - American Depository Receipts (ADR’s) of Non-US Companies
  - Stock of Non-US Companies
- 4) Mutual Funds
  - Mutual funds which invest in securities as allowed in this statement

### ASSET ALLOCATION GUIDELINES

Investment management of the Portfolio shall be in accordance with the following asset allocation guidelines:

#### **GUIDELINES FOR EQUITY AND ALTERNATIVE INVESTMENTS:**

- A. The equity and alternative portion shall represent between **55%** and **75%** of the total Portfolio with a target allocation of **65%** and have the following characteristics:

- 1) High overall quality.
- 2) Reasonable diversification.
- 3) Strong or improving financial position.

**The equity portion of the total Portfolio will be invested as follows:**

	Range	Target
Large Company Stocks	25% - 45%	32%
Mid-Cap Company Stocks	2% - 15%	7%
Small Cap Company Stocks	0% - 10%	4%
Developing International	5% - 30%	15%
Emerging Markets	0% - 15%	7%
REITS	0% - 10%	0

## **GUIDELINES FOR FIXED INCOME INVESTMENTS AND CASH EQUIVALENTS**

B. The fixed income (bond) portion shall represent between **25%** and **45%** of the total Portfolio with a target allocation of **35%** and have the following characteristics:

- 1) For bond funds, quality should be above average with heavy emphasis on issues rated at least “A2” and “A” by Moody’s and/or Standard and Poor’s, respectively.
- 2) Well diversified as to issue and maturity.
- 3) Maturities should generally be of short to intermediate length, but may emphasize shorter or longer maturities depending on yield differentials.
- 4) Individual bonds holdings must have a rating of “A2” and “A” by Moody’s and/or Standard and Poor’s, respectively.

### **Guidelines for Alternatives**

C. The Alternate portion of the portfolio shall represent between 0% - 5%, with no specific target. The Alternate asset class allowed is Commodities, which have a return characteristic uncorrelated with stock and bond returns.

## **INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

The objective of the evaluation and review process is to monitor the progress of the investments of the Fund. Performance will be measured and reviewed by the Finance Committee on behalf of the Foundation. With a view toward a three to five year performance horizon, the Investment Advisor will review and report to the Finance Committee at least annually that:

- The total portfolio of the Fund is achieving its stated objectives;
- Investment Advisor is performing satisfactorily in relation to both objectives set forth herein and other investment organizations managing similar pools of capital and the recognized market indices;

- Investment Advisor is adhering to these guidelines;
- Investment Advisor is adhering to the stated objectives; and
- The overall policies and objectives continue to be appropriate, reasonable and achievable.

The Finance Committee intends to evaluate the Portfolio(s) over at least a three- to five-year period, but reserves the right to terminate a manager for any reason including the following:

- 1) Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established.
- 2) Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
- 3) Significant qualitative changes to the investment management organization.

The Finance Committee of Gwinnett Tech Foundation shall meet with the Investment Manager at least annually to review performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Finance Committee plans to review the investment policy at least annually.