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## **Investment Policies, Objectives, and Guidelines For Investment Managers**

The Investment Committee, appointed by the Illinois State University Foundation Board of Directors, sets forth herewith its statement of investment policies, objectives, and guidelines for the assets of the Foundation entrusted to it for supervision, guidance, and investment management.

This statement is set forth in order that:

1. There is a clear understanding on the part of the Investment Committee and the Board of Directors of the policies and objectives employed in the management of the Foundation's assets
2. The Investment Committee and the Board of Directors have a basis for understanding the investment process and the evaluation of investment performance.

It is the intent of this statement to establish an attitude and/or philosophy to guide each investment manager toward the performance desired. It is intended that objectives be sufficiently specific to be meaningful, yet sufficiently flexible to be practical.

The following policies and objectives shall be adhered to by the investment managers:

1. Investment of the Foundation's assets should be made solely in the best interest and purpose of Illinois State University's long-term financial and operating needs.
2. Foundation assets are to be invested with the care, skill, and diligence under circumstances prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and aims.
3. The long-term investment objective is to grow Foundation assets, and income produced therefrom, at a rate greater than inflation, thus, preserving assets and income for their intended purposes.

### General Guidelines

**Investment Manager Selection:** The Investment Committee is responsible for selecting one or more investment managers to provide professional management of Foundation assets. The committee's selection is subject to established, financially sound and proven in managing funds. The Committee will review each manager's investment performance relative to the performance objective, risk guidelines, the manager's stated investment philosophy, and the manager's peer group a minimum of every 5 years.

**Safety of Principal:** Safety of principal is important. However, it is recognized some risk must be taken in order to grow assets and income over the long term at a rate in excess of inflation. The investment manager should make all efforts at keeping investment risk to a minimum.

**Liquidity:** In order to prevent a possible loss upon the forced sale of any security or securities to meet a specific funding requirement, the committee will advise the investment managers sufficiently in advance of any expectation of withdrawal. This policy will be communicated to all departments, colleges, etc., of Illinois State University to prevent resulting problems. In addition, all assets selected for a portfolio must have a readily ascertainable market value and must be readily marketable.

**Diversification:** In order to achieve the stated objective of growing assets and income at a rate in excess of inflation over the long term, Foundation assets are to be invested in a diversified portfolio of equity and fixed income securities. Equity securities are to provide growth of principal and income. Fixed income investments are to provide stability of principal and income. No investment shall be made that will cause the total investment in equities or fixed income securities issued or guaranteed by any one person, firm, or corporation to exceed five percent of the then-market value of the Foundation; provided, this restriction shall not apply to either well diversified mutual funds, pooled funds, unit trust, or the like, or direct obligations of the U.S. Government and its fully guaranteed agencies.

**Equities-Equities** should generally represent a majority of Foundation assets up to a desired 75% of the total. Investments should be diversified in order to minimize the effect of significant loss in any individual investment. However, it is not necessary that equity securities held represent a cross section of the economy. The investment managers will be allowed to choose reasonable degrees of concentration, or lack thereof, in any one industry or securities consistent with above guidelines. Bias in selection of equity investments should be toward quality and growth.

**Fixed Income Investments**-Fixed income investments are to be made in securities rated within the four highest grades (generally referred to as investment grade) assigned by Moody's Investor Service, Inc. or Standard & Poor's Corporation or, if unrated, deemed by the investment manager to be of comparable quality. If a security falls below investment grade, disposition is not immediately required but the investment manager should consider that fact in determining whether the security will continue to be held.

**Foreign Securities**-A maximum of 15 percent of the total portfolio may be invested in foreign securities.

**Measurement of Performance and Reporting Requirements:** Performance will be measured on a total rate-of-return basis and will be evaluated quarterly on a trailing 12-month basis. However, the Investment Committee and the Board of Directors will review overall performance at least annually. This review will relate performance versus overall objectives and in comparison to capital market returns as evidence by various market indices.

**Review Meetings and Communications:** It is the desire of the Investment Committee to meet at least semi-annually with the investment managers to provide the following:

1. Review the past, present, and prospective economic climate in relation to investment strategy.
2. Allow the Investment Committee to understand the investment strategy being used to fulfill the stated objectives.
3. Permit the Investment Committee to understand the risk levels of the securities represented in the portfolio.

4. Review trends in performance levels in relation to stated objectives.
5. Review the Foundation Investment Policies, Objectives, and Guidelines.

Other communication between the investment manager, the investment committee, and the Board of Directors will be as warranted.

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