IV. INVESTMENT POLICY

A. General Investment Policy

Purpose

The purpose of this Investment Policy Statement ("IPS") is to establish a clear understanding of the investment objectives and philosophy for the James A. Rhodes State College Foundation ("the Foundation"). This IPS is issued for the guidance of the Foundation's Board of Directors, Investment Committee, Staff, and Investment Advisor in the management and investment of the assets of the Foundation. This includes establishing appropriate investment goals and objectives, identifying the asset allocation targets and ranges, creating reasonable performance measurement criteria, providing investment guidelines and constraints within which the Investment Advisor may formulate and execute their decisions, and defining how and with what frequency the investment portfolio will be monitored and reviewed.

Scope

In recognition of its fiduciary responsibility, the James A. Rhodes State College Foundation Board of Directors adopts the following investment policy guidelines. These guidelines relate to those gifts and donations in the form of endowments, with long-term benefit objectives, those monies treated as endowment by the Board of Directors and contributions received for the current benefit of James A. Rhodes State College (the "College"). Investments will be limited to those organizations and instruments that follow policies consistent with the guidelines established herein and which meet the standards of a prudent investor.

This IPS contemplates that the Foundation assets will be managed effectively and prudently in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted by the State of Ohio in June of 2009. All investment actions and decisions must be based solely in the best interest of the Foundation and consider other prudent investment management practices and changing economic conditions. Fiduciaries must provide full and fair disclosure to the Board of Directors of all material facts regarding any potential conflict of interest.

B. Definition of Duties

Board of Directors

The Board of Directors ("the Directors") has the ultimate fiduciary responsibility for the Foundation's investment assets. The Directors must ensure that appropriate policies governing the management of the Foundation are in place and that these policies are effectively implemented in accordance with the IPS. To implement these responsibilities, the Directors formally approves the IPS, the spending policy, and the hiring/removal of the Investment Advisor. The Directors do, however, delegate the responsibility for the oversight of the investment portfolio to the Investment Committee.

Investment Committee

The Investment Committee ("the Committee") is responsible for developing overall investment and spending policy and recommending these policies to the Directors. The Committee is also responsible for overseeing the investment portfolio. This oversight includes establishing the investment strategy, reviewing the Investment Advisor, monitoring performance of the investment portfolio, and maintaining sufficient knowledge about the investment portfolio so as to be reasonably assured of its compliance with the IPS. In addition, it is the responsibility of the Committee to communicate to the Investment Advisor in a timely manner any changes in investment objectives and/or financial condition that would have a material impact on the Investment Advisor's ability to effectively manage the portfolio.

Secretary and Treasurer
Both the Secretary and Treasurer have daily responsibility for administration of the Foundation and will consult with the Investment Committee, the Directors, and the Investment Advisor on matters relating to the investment portfolio. Both the Secretary and Treasurer serve as the primary contacts for the Foundation's Investment Advisor.

Investment Advisor
The Investment Advisor has discretionary authority over the investment portfolio of the Foundation, consistent with the investment objectives, policies, and guidelines and constraints established in this IPS. The Investment Advisor may also provide guidance to the Committee in the development of investment policies, objectives, guidelines, asset allocation targets and ranges, and portfolio benchmarks.

The Investment Advisor shall be responsible for:

- Day-to-day portfolio management, including rebalancing
- Evaluating the investment portfolio
- Ensuring that the underlying investment managers ("the managers") are within IPS guidelines
- Hiring and removal of the underlying investment managers
- Measuring investment performance
- Providing the Committee with an investment review on a quarterly basis
- Keeping the Committee apprised of market conditions that may have a material impact on the investment portfolio and how it is managed, as well as proactively recommend changes to the IPS, as appropriate

Furthermore, the Investment Advisor shall immediately notify the Investment Committee in writing of any material changes in the investment strategy, portfolio structure, ownership or senior personnel, and bases for the material changes.

C. Investment Objectives

The investment objectives for the management of endowment assets and current contributions are to:

- manage the contributions in a manner that will maximize the benefit intended by the donor,
- produce current income to support the programs of the College and donor objectives,
- achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation.

In order to preserve the purchasing power of both principal and of withdrawals made available for spending, the long-term annualized total net rate of return objective for the Foundation is inflation plus 5 percent. A minimum rate of return equal to the rate of inflation is required to preserve the real purchasing power of the Foundation, and the additional 5 percent is required to provide for spending. Investment objectives will be achieved by maximizing total return consistent with prudent risk limits. To satisfy its long-term net rate of return objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and from current yield (interest and dividends).

In addition, within the parameters of this policy, the Directors, Committee, and Investment Advisor will be cognizant and mindful of investments that promote both the long-term investment goals and values of the Foundation, which may include socially responsible, environmental, social, sustainability, and governance matters.

D. Asset Allocation

The general policy shall be to diversify investments using equity, fixed income, and other securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. As a long-term policy guideline, the normal asset allocation shall be 70% equity and 30% fixed income.

The following exhibit defines the Foundation's target asset allocation and the minimum and maximum allocation limits of each asset class. The allowable ranges provide flexibility for shifts in the actual asset allocation to take advantage of market conditions. It is expected that extreme positions will be avoided to prevent the possibility of a significant reduction in value given adverse market conditions.

Target Asset Allocation and Benchmark Index

Asset Class	Purpose	Target	Range	Benchmark Index
Global Equities	Capital Appreciation	65%	50 – 80%	MSCI All Country World Index
Fixed Income	Capital Preservation	22%	15 – 45%	Bloomberg Aggregate Bond Index
Real Assets	Inflation Protection	5%	0 – 10%	50% S&P US REIT Index / 50% S&P Global Infrastructure Index
Alternatives	Core Diversifier	5%	0 – 10%	HFRX Global Hedge Fund Index
Cash & Equivalents	Liquidity	3%	0 – 10%	BoAML 91-day Treasury Bills Index

E. Global Equity Investments – Capital Appreciation

The objective of global equities is to be the principal source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While equities have exhibited higher expected returns over time, they also have experienced greater volatility.

The majority of the equity investments will be in individual, large cap common stocks. Primary emphasis shall be on high quality, investment grade, and dividend paying stocks in companies that are financially sound and that have prospects for earnings growth. In addition, the large cap stock portfolio shall be diversified in terms of industry, sector, and growth and value characteristics. With regard to the discretionary portfolio of large cap stocks, no individual holding shall comprise more than 10.0% of the portfolio. In addition, sector weightings for the individual equity portfolio shall have sector weights of plus/minus 5% of the S&P 500 Index.

All of the various other categories of equity investments shall be diversified in terms of industry, sector, market capitalization, growth and value characteristics, and country of origin. Investments in these categories must be either professionally managed through mutual fund vehicles or accessed through passively indexed mutual funds and exchange-traded funds ("ETFs"). It is expected that no more than 33% of the equity investments shall be in companies not within the United States.

F. Fixed Income Investments – Capital Preservation and Income

The primary objective of fixed income is to generate current income and to lower short-term volatility and provide stability. It is intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection.

The largest percentage of fixed income investments shall be invested in portfolios of high quality (primarily BBB to AAA) bonds, which includes obligations issued or guaranteed by the U.S. Government or its Agencies or instrumentalities, corporate bonds, mortgage-backed securities, asset-backed securities, and municipal bonds.

Fixed income investments may be further diversified to include up to 20% of the fixed income component, *in aggregate*, in below investment grade securities, such as high yield and floating rate bonds, as well as liquid preferred stocks. In addition, no more than 20% of the fixed income portfolio may be invested in international/emerging market bonds. Investments in these categories must be either professionally managed through mutual fund vehicles or accessed through passively indexed mutual funds and exchange-traded funds ("ETFs").

G. Real Assets – Inflation Protection, Growth and Income

The primary objective of real assets is not only to provide for both growth and current income, but also to insulate a portion of the portfolio from inflation shocks and to provide a source of non-correlating returns with other asset categories. Investments in real assets may be accessed through mutual funds and ETFs, and may include real estate investment trusts ("REITs"), real estate operating companies ("REOCs"), global infrastructure, master limited partnerships ("MLPs"), precious metals, and commodities.

H. Alternatives – Core Diversification and Volatility Reduction

The primary objective of alternative investments is to provide a source of return that is not highly correlated to the equity markets, reduce the volatility within the total portfolio, and access non-traditional investment strategies (e.g., hedge funds). Alternative strategies are clearly defined management strategies utilizing equities, fixed income, currency, commodity, derivative (i.e., futures and options) instruments to implement a total management objective within a diversified portfolio. Investments in these types of strategies are limited to mutual funds that have daily liquidity and no lock-up periods.

I. Cash and Equivalents - Liquidity

The primary objective of cash and cash equivalents is to provide liquidity for the current cash needs of the portfolio and preserve principal.

Cash and equivalents shall be kept at the minimum level necessary to meet foreseeable short-term liquidity requirements. Investments shall be made in United States Treasury Securities, certificates of deposit issued by commercial banks and insured by the FDIC, commercial paper rated A-1 or P-1, and money market securities issued by institutions with proven high quality credit ratings or by pooled funds with demonstrably high quality credit standards, and proven records of superior performance over time. Other vehicles may be used when specifically approved in writing by the Investment Committee.

Un-invested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for endowment assets. However, such vehicles are appropriate as a depository for income distributions from endowment investments, or as needed for temporary placement of funds directed for future investment to the long-term investments.

J. Management of Current Gifts

The Investment Committee of the Foundation is responsible for the management of current gifts to the Foundation. The Committee may delegate management of these short-term investments to the Treasurer of the Foundation. Generally, the designated staff may invest any such funds in United States Treasury Securities, certificates of deposit issued by commercial banks and insured by the FDIC, commercial paper rated A-1 or P-1, and money market securities issued by institutions with proven high quality credit ratings or by pooled funds with demonstrably high quality credit standards, and proven records of superior performance over time. Other vehicles may be used when specifically approved in writing by the Investment Committee.

K. Spending Policy

Based on the above stated objectives, the current spending policy is to distribute annually up to 5% of a trailing 12-quarter average of the Foundation's total asset value effective June 30th of the prior fiscal year. Such a policy should allow for steady growth for the support of operations and minimize the probability of invading the principal over time. Since there may occasionally be situations requiring a higher rate of spending from investable assets, the Investment Committee is authorized to increase the spending rate as necessary on a temporary basis. Such an increase should not be undertaken without a clearly justifiable cause or without the advance approval of the Directors.

It shall be the responsibility of the Investment Committee to periodically review the spending policy against actual returns in order to consider adjustments necessary for the preservation of the purchasing power of the endowment.

L. Investment Manager Selection, Reporting, and Performance Evaluation

In recognition of the Directors' duties under the Uniform Prudent Investor Act (UPIA) it is the Directors' fiduciary responsibility to invest and manage endowment assets as a prudent investor would. Performance is based on the whole and not on any individual asset. The process of investment and diversification is as important as the result. It is therefore the policy of the Directors to use professional management services for investment of the endowment pool.

The Committee does not expect the investment portfolio to outperform the broad market each year and recognizes that the investment portfolio may produce significant over or under performance relative to the broad markets over a given period. For this reason, long-term investment returns will be measured over a five-year moving period, net of investment management fees, versus a benchmark that is reflective of the target asset allocation set forth in this IPS.

The performance objective for the investment portfolio of the Foundation is to produce a total rate of return, net of investment management fees, that meets or exceeds a Broad Policy Benchmark comprised of:

- 65% MSCI All Country World Index (net)
- 22% Bloomberg Aggregate Bond Index
- 2.5% S&P US REIT Index
- 2.5% S&P Global Infrastructure Index
- 5% HFRX Global Hedge Index
- 3% BoAML 91-day Treasury Bill Index

It is expected that the Investment Advisor responsible for the investment of the assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their respective benchmarks. Also included will be a complete accounting of all transactions involving the managed funds during the quarter, together with a statement of the beginning market value, fees, capital appreciation, income, and ending market value. In addition, the Investment Advisor shall meet with the Investment Committee at least annually. When appropriate this can include videoconferences or conference calls.

A review process will be conducted every three years to assess performance and market trend of fees by a committee convened by the Investment Committee Chair or designee. The findings, and appropriate recommendations, will be reported to the Board.

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