GENESEO

# INVESTMENT POLICY

## PURPOSE

The purpose of this Statement of Investment policy (the "Policy") is to establish a framework for the management of certain investment assets within Geneseo Foundation, Inc. (the "Assets") and, among other things, to:

1. Define the responsibilities of all involved parties and assign such responsibilities.
2. Establish for all involved parties a clear understanding of the investment goals and objectives of the assets under management.
3. Offer guidance and limitations to all Investment Managers regarding the investment of the assets.
4. Establish a basis for evaluating investment results.
5. Establish a relevant investment time horizon for which the assets will be managed.
6. Meet the fiduciary obligations of the Board of Directors (the "Board"), as delegated to the Finance and Audit Committee (the "Committee"), with respect to the management and investment of the Assets, consistent with applicable state law.

## DELEGATION OF AUTHORITY

### A. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The members of the Board are fiduciaries charged with the oversight of the management of the Assets. As such, the Board is authorized to delegate certain responsibilities to the Committee, as well as professional experts in various fields. The Board shall discharge its duties in accordance with the New York Not-for-Profit Corporation Law, its Certificate of Incorporation and By-laws. The specific responsibilities of the Board relating to the investment management of the Assets include but are not limited to:

1. Projecting the Foundation's financial needs, and communicating such needs to the Committee on a timely basis.
2. Approval of this Policy.
3. Approval of expenditures not included under spending formula withdrawals.
4. Approval of reasonable and consistent investment objectives, policies and guidelines, in addition to those set forth in this Policy, that will direct the investment of the Assets.
5. Approval of the selection of qualified investment professionals, to the extent it is deemed necessary, including such Investment Manager(s), Investment Consultant(s), Custodian(s) and additional specialists as may be determined.

### B. RESPONSIBILITIES OF THE FINANCE AND AUDIT COMMITTEE

The Committee is charged with the responsibility for managing the Assets. The Committee Members shall discharge their duties solely in the interests of the Foundation, in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. The specific responsibilities of the Investment Committee include but are not limited to:

1. Establishing for Board approval reasonable and consistent investment objectives, policies and guidelines, in addition to those set forth in this Policy, that will direct the investment of the Assets.
2. Determining the appropriate risk tolerance and investment time horizon for the Assets and communicating these decisions to the appropriate parties.
3. Establishing for Board approval the selection of qualified investment professionals, to the extent it is deemed necessary, including such Investment Manager(s), Investment Consultant(s), Custodian(s) and additional specialists as may be determined.
4. Evaluating on a regular basis the performance of any Investment Manager(s) to assure adherence to Policy guidelines and monitoring progress towards achieving investment objectives.
5. Developing and enacting proper control procedures, for example, replacing Investment Managers due to a fundamental change in the firm's investment management process, a failure to comply with established guidelines, or significant changes in the firm's personnel.
6. Evaluating on a regular basis the performance of the Investment Management Consultant.

The Committee will not reserve any control over direct investment decisions, with the exception of specific limitations described in this Policy. Investment Managers will be held responsible and accountable to achieve the investment objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Manager should request from the Committee any modifications deemed appropriate.

The Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in: selecting, continuing or terminating an Investment Manager, including assessing the Investment Manager's independence including any conflicts of interest such Investment Manager has or may have establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of the Foundation and the Assets; and monitoring the Investment Manager's performance and compliance with the scope and terms of the delegation. In performing a delegated function, an agent owes a duty to the Foundation to exercise reasonable care, skill and caution to comply with the scope and terms of the delegation.

## C. RESPONSIBILITIES OF THE INVESTMENT ADVISOR ( NEPC )

The responsibilities of the Investment Advisor, NEPC, LLC (the "Advisor") include the following:

- Assumption of discretionary management over Portfolio assets including investment manager selection, portfolio rebalancing, manager retention and replacement
- Reporting changes to asset allocation targets to the Investment Committee
- Development and modification of strategic asset allocation targets within the ranges outlined in Appendix A
- Development of performance measurement standards
- Monitor and evaluate investment manager performance
- Stay abreast of material changes within the investment team and at the investment firm
- Taking corrective action within the investment manager roster as deemed prudent and appropriate Investment manager search and selection
- Periodic meetings with the Investment Committee

The Advisor will make all decisions regarding manager retention, selection, rebalancing and replacement of investment managers, funds or investment strategies. The Advisor will seek to balance the Investment Committee's long-term investment goals within the overall risk tolerance when managing the Portfolio.

The Advisor agrees to inform the Committee of any material changes to the asset allocation or manager structure within a reasonable period of time but not later than the next formal Committee meeting.

On an annual basis, the Investment Committee will review and evaluate the effectiveness of the Investment Management Consultant / Advisor in meeting these responsibilities. If the work of the Investment Management Consultant / Advisor is determined to be unsatisfactory, the Investment Committee may terminate the relationship.

## D. RESPONSIBILITIES OF THE STAFF

The responsibilities of the Staff include but are not limited to the following:

1. Overseeing the day-to-day operational investment activities of the Assets, subject to the policies established by the Committee.
2. Implementing (with the assistance of the Investment Consultant) the allocation and reallocation of the Assets among asset classes, investment styles and investment management firms in accordance with the decisions of the Committee and within the guidelines of allocation ranges set forth in this Policy.
3. Receive, review and distribute reports from the outside professionals regarding the status of the Assets.
4. Interface with Investment Managers, the custodian and other outside professionals and communicate with the Committee.
5. Periodically issue status reports to the Committee and the Board.
6. Annually report to the Board concerning the use and income of each donor-restricted fund within the Assets.
7. Cause accurate accounts to be kept of the Assets and each donor-restricted fund within it, separate and apart from the accounts of the other assets of the Foundation.

## E. RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this Policy. In addition, Investment Managers are expected to conduct themselves with the highest degree of professionalism. Specific responsibilities of the Investment Manager(s) include but are not limited to:

1. Investment discretion, including decisions to buy, sell or hold individual securities and to alter asset allocation within the guidelines established in this Policy.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Timely communication of any major changes to economic outlook, investment strategy, or any other factors affecting the implementation of the investment process or the progress toward meeting performance objectives.
4. Informing the Committee through the Investment Consultant / Advisor, of any qualitative changes to the investment management organization. Examples include changes in portfolio management personnel, ownership structure, and investment philosophy or investment discipline.
5. Timely communication of trading information to the Committee through the Investment Consultant / Advisor.

## F. RESPONSIBILITIES OF THE PROXY VOTING SERVICE

The proxy voting service shall vote proxies on behalf of the Foundation while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this Policy. In addition, the proxy voting service shall be expected to produce a record of such ballots upon the request of the Committee.

## G. RESPONSIBILITIES OF THE CUSTODIAN

The responsibilities of the Custodian include the following:

- Accept daily instructions from designated parties
- Notify investment managers of proxies, tenders, rights, fractional shares or dispositions of holdings
- Safekeeping of securities
- Collection of interest and dividends
- Daily cash sweep of idle principal and income cash balances
- Processing of all investment manager transactions
- Collection of proceeds from maturing securities
- Providing monthly statements by investment account and consolidated statements of all assets
- Working with the Investment Advisor to ensure accuracy in reporting

Unless otherwise directed, filing and collecting on securities class action suits for applicable separate accounts

## GENERAL INVESTMENT PRINCIPLES

Management of the Assets will follow the general investment guidelines set forth below:

1. Investments shall be made solely in the interests of the Foundation, consistent with the duty of loyalty required by law.
2. The Assets shall be invested with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In particular in managing and investing the Assets, the following factors, if relevant, must be considered: general economic conditions; the possible effect of inflation or deflation; the expected tax consequences, if any, of investment decisions or strategies; the role that each investment or course of action plays within the overall investment portfolio of the Assets; the expected total return from income and the appreciation of investments; other resources of the Foundation; the needs of the Foundation and the Assets to make distributions and to preserve capital; and an asset's special relationship or special value, if any, to the purposes of the Assets.
3. Investment of the Assets shall be so diversified as to minimize the risk of large losses, unless the Committee prudently determines that, because of special circumstances, the purposes of the Assets are to be better served without diversification. The Committee shall review a decision not to diversify as frequently as circumstances require, but at least annually.
4. The Committee may employ one or more investment managers of varying styles and philosophies to attain the Assets' objectives. Any person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Assets.

## SPENDING POLICY

Distributions from the Assets generally, and from donor-restricted endowment funds invested with the Assets specifically (the "Endowments") are made using the total return method. The total return on the Endowments is allocated each quarter to the individual endowment accounts based upon the average quarterly balance in the individual accounts as it relates to the average quarterly balances of all individual accounts participating in the investment pool.

In making any determination to appropriate or accumulate the Endowments, the Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors: the duration and preservation of the Endowment; the purposes of the Foundation and the Endowment; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Foundation; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the Endowment, giving due consideration to the effect that such alternatives may have on the Foundation, and the investment policy of the Foundation for each determination to appropriate for expenditure, the Foundation shall keep a contemporaneous record describing the consideration that was given by the Committee to each of the factors enumerated above.

Each year, the Finance and Audit Committee determines or approves the portion of total return to be appropriated for expenditure for the fiscal year. This allocation is expressed in terms of a percentage of each endowment account balance for each of the last (twelve) 12 quarters as of the end of quarter 1 preceding the fiscal year, and is referred to as the "spending rate." The spending rate shall normally not exceed seven percent (7%). The current spending rate is four percent (4%). The 4% allocation plus previous unspent allocations are then available for spending in the coming fiscal year.

The Foundation shall furnish (at least annually) to the Finance and Audit Committee for their subsequent review and approval a summary report of endowment accounts, if any, which have exceeded their spending limit under the spending rate formula.

## INVESTMENT OBJECTIVES

The Policy incorporates the following underlying principles:

1. The investment objective of the Foundation is to provide for long term growth of the Assets while minimizing risk to principal.
2. The long term performance objective is to satisfy the Spending Policy outlined above, plus allow for additional growth in the Portfolio at least equal to the rate of inflation net of all investment management fees.
3. The level of risk for the Foundation is measured by comparing the standard deviation of the Foundation's returns compared to the standard deviation of The Policy Index.

## BENCHMARKING

Over a market cycle, the total return for the overall Portfolio will be compared to a universe of endowment funds and is expected to rank in the top half. Risk-adjusted returns are also expected to rank in the top half of a universe of similar endowment funds.

The Board is aware that there may be deviations from these targets. Normally, results are evaluated over a three to five-year time horizon, but shorter-term results will be regularly reviewed. Various indices (listed below) will also be tracked in order to evaluate the performance of the Portfolio.

*Allocation Index*: Calculated by taking the actual asset class weights, at month end, times the return of the respective passive benchmark. This measures the effectiveness of deviating from target weights and also measures the managers' relative performance versus their respective benchmarks.

*Policy Index*: Calculated by taking the target asset class weights times the return of the respective passive benchmark (calculated monthly). This measures the effectiveness of fund asset allocation structure

## INVESTMENT GUIDELINES

The overall Portfolio permissible ranges for asset classes are detailed in Appendix A. It is anticipated that the Portfolio will invest primarily in "commingled funds" (mutual funds, limited partnerships, limited liability companies, etc.), rather than separately managed accounts, in recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, separately managed investment account and the lower costs which can be associated with these funds). The Investment Committee recognize that they will not be permitted to give specific policy directives to a fund whose policies are already established; therefore, the Investment Committee are relying on the Investment Advisor to assess and monitor the investment policies of such funds to ascertain whether they are appropriate.

In some instances (likely long-only equity or fixed income mandates), a separately managed account may be deemed the optimal vehicle for the Portfolio. In those cases, the individual manager guidelines are specified in each approved investment manager agreement (IMA) and will be evaluated and negotiated by the Investment Advisor.

The Investment Committee also realizes that certain types of derivatives are commonplace and acceptable investment securities for various types of strategies. Some of the investment managers will use derivatives to hedge, gain market exposure, gain/reduce currency exposure, etc. The Investment Advisor will evaluate each manager's derivatives policy and determine if it is acceptable before making an investment.

## PERFORMANCE BENCHMARK

The Assets are expected to outperform unmanaged indexes. The following formula will be used to determine investment manager performance:

**Overall portfolio performance will be tracked and reported relative to the Policy Index. Individual manager performance will be tracked and reported relative to indexes specific to each manager and mandate, as reflected in the prevailing Allocation Index.**

## ALLOCATION OF COSTS

In managing and investing the Assets, the Foundation may only incur costs that are appropriate and reasonable in relation to the Assets, the purpose of the Foundation, and the skills available to the Foundation. The Committee shall make a reasonable effort to verify facts relevant to the management and investment of the Assets.

Endowments and quasi-endowments will retain their proportionate share of earned income, net of Investment Manager's fees, custodial charges, and taxes (if any) and incur their proportionate share of market gains or losses. **[A Foundation management fee will be levied annually on income of the endowment and quasi-endowment funds as specified by the Committee/no management fee is charged on endowed accounts.]**

**Appendix A**

## Geneseo Foundation
## ASSET ALLOCATION POLICY

In order to have a reasonable probability of achieving the target return at an acceptable risk level, the Investment Committee has adopted the asset allocation policy outlined below. The Investment Committee understands that NEPC will establish targets within each referenced asset class. Any such changes to these targets will be immediately reported to the Investment Committee. The Investment Committee establishes and approves changes to the permissible ranges.

It is the responsibility of the Advisor to manage the rebalancing policies of the Portfolio. Because asset classes do not move in concert, investment experience will cause the asset allocations to move away from targets. The asset allocation table listed in Appendix A reflects minimum and maximum ranges that are designed to take into account risk, returns, correlation of asset classes, and transaction costs of rebalancing.

The Advisor will rebalance in a manner to maintain market exposure when possible. To minimize the transactions costs of rebalancing, if possible, cash flows will generally be used to trim and add to asset classes to move them closer to current targets.

| ASSET CLASS | | PERMISSIBLE RANGE % | TARGET BENCHMARK |
|---|---|---|---|
| **Global Equity** | | **30% - 60%** | **MSCI ACWI** |
| **Fixed Income** | | **10 - 35%** | **Manager Specific** |
| **Multi-Asset Class*** | | **5-30%** | **50% MSCI ACWI/ 50% Barclays Global Aggregate** |
| **Absolute Return** | | **0 - 20%** | **HFRI Fund of Fund** |
| **Real Asset** | | **0 - 10%** | **Manager Specific** |
| **Cash** | | **0-10%** | **91 Day T Bills** |

In each quarterly Investment Performance Analysis, NEPC will prepare a look-through asset allocation. This look-through will break out the underlying exposures of the Multi-Asset Class managers based on their most recent exposure reports.

* Each Multi-Asset Class manager will also have specific manager benchmarks

**Adoption**

**Adopted by the Board of Trustees of The Geneseo Foundation, Inc. on January 20, 2018.**

**_____**
**Signature**