

# Highline Schools Foundation Investment Policy

## Introduction

- A. The Board of Trustees (The Board) is responsible for managing the Foundation's Investment Account with Ferguson Wellman Capital Management in a prudent manner and has fiduciary responsibilities for investment of The Foundation's assets. These responsibilities include: defining the investment policy, the selection and monitoring of the Investment Adviser, and the allocation of assets.
- B. The Board, with input from the Investment Adviser, Ferguson Wellman Capital Management (Ferguson Wellman), will approve all decisions regarding the Statement of Investment Policy and Objectives. These guidelines will periodically be reviewed and may be amended from time to time. All changes to the Statement of Investment Policy and Objectives must be approved by The Board.

## Purpose

This Statement of Investment Policy and Objectives is set forth in writing to:

- A. Provide The Board and Ferguson Wellman with a clear understanding of the investment policy and objectives, guidelines and limitations.
- B. Establish an appropriate investment strategy, including investment time horizon, risk tolerances, asset allocation, diversification requirements and liquidity needs.
- C. Establish reporting requirements to ensure the policy is adhered to and to determine if performance objectives are met.
- D. Comply with the fiduciary, prudence and due diligence requirement for The Foundation.

## Portfolio Objectives

- A. The portfolio objective is to generate returns in excess of the appropriate benchmark(s). Benchmarks are established for each asset class and noted in the *Investment Guidelines and Benchmarks* section of this document. While performance will be regularly monitored, it will be reported to The Board no less than quarterly. The fund objectives are based on a five to ten-year investment horizon, to allow a complete market cycle and to keep interim volatility in the appropriate perspective.

- B. The order of portfolio priorities are:  
 Priority One: Preservation of Principal  
 Priority Two: Growth of Capital  
 Priority Three: Generation of Income
- C. A successful, long-term investment strategy should consider a diverse portfolio of companies that are excellent corporate citizens. To that end, the portfolio objective will include those corporations that meet an Environmental, Social and Governance (ESG) criteria. There will be no changes to the investment process other than that it limits the universe of securities in which to invest by screening companies in the top tier of their industries for socially positive characteristics.

## Asset Allocation

- A. To achieve its long-term goal, The Foundation has adopted an asset allocation plan that includes a distribution of assets among major asset classes. The allocation acknowledges that over long investment horizons, the allocation among various asset classes will outweigh security selection.
- B. The Board has approved the following asset allocation targets, which are expressed as a percent of the portfolio’s total market value:

<b>Asset Class</b>	<b>Asset Type</b>	<b>Strategic Weighting</b>	<b>Minimum Weighting</b>	<b>Maximum Weighting</b>
<i>Global Equity</i>	GSI Global Equity	50%	25%	65%
<i>Fixed Income</i>	GSI Fixed Income (specify “Municipal or Taxable Bond(s)”)	45%	15%	55%
<i>Real Estate</i>	Real Estate	3%	0%	10%
<i>Alternative Investments</i>	Alternative Investments	0%	0%	15%
<i>Cash</i>	Cash	2%	0%	20%

- C. The allocation of assets in the portfolio may deviate from the normal allocation within the permitted range, when the market conditions warrant. The deviations are designed to allow Ferguson Wellman to enhance returns or reduce risk in the portfolio over the long-term investment horizon.
- D. Equity will be used in the portfolio to provide long-term capital appreciation in order to facilitate growth of the portfolio. It is recognized that equity investments will have a greater volatility than fixed income or cash instruments.
- E. The primary purpose of the fixed income instruments is to provide a source of current income and stability to the portfolio.

- F. Cash is used to meet the liquidity demands of The Foundation.
- G. From time to time, market conditions may cause the investments to vary from the established allocation. To remain consistent with these guidelines, the portfolio will be periodically reviewed and rebalanced back to the permitted range.

## Portfolio Diversification Requirements

The portfolio will be invested so all assets will be well diversified, with the intent of minimizing the risk of large loss. The total portfolio will be constructed and maintained to meet the ERISA's prudent expert rule, including providing for reasonable diversification with regard to the concentration of holdings in individual issues, corporations or industries.

## Asset Class Descriptions and Benchmarks

### A. Equities

*GSI Global Equity*: The GSI Global Equity strategy combines elements of domestic and international equity strategies, where securities undergo an additional suitability screen based on Environmental, Social and Governance factors. These may include common stock, securities that are convertible into common stock, preferred stock, warrants and rights to subscribe to common stock, and mutual funds and exchange-traded funds (ETFs). The securities may be listed on registered exchanges or traded in the over-the-counter market. This strategy may differ in U.S./International weightings compared to its benchmark. *The benchmark for GSI Global Equity is the MSCI All Country World Index (ACWI).*

### B. International Equities

*International Equity* assets will be invested primarily in equities of foreign corporations in developed and emerging countries, having a market capitalization of \$1.5 billion or greater<sup>(1)</sup>. American Depositary Receipts (ADRs) are utilized, which trade in U.S. dollars but also may include ordinary shares, and mutual funds and exchange-traded funds (ETFs) that invest primarily in foreign equities. The securities may be listed on registered exchanges or traded in the over-the-counter market. The international asset class may also invest in private international funds. *The benchmark for the International Equity asset class is the All Country World Index excluding U.S.(ACWI ex-US) Index.*

### C. Domestic Fixed Income

*GSI Fixed Income* assets will be invested in debt instruments denominated in U.S. dollars where corporate bonds undergo an additional suitability screen for their focus on Environmental, Social and Governance factors. These may include obligations issued or guaranteed by the U.S. Treasury, its agencies and sponsored enterprises (GSEs); sovereign, corporate and municipal obligations; mortgage-backed and asset-backed securities; and mutual funds and exchange-traded funds (ETFs). The securities must be publicly traded either on registered exchanges or in the over-the-counter market. *The benchmark for GSI Fixed Income is the Bloomberg Barclays Aggregate Bond Index.*

### D. Real Estate

*Real Estate* assets will be invested in real estate through vehicles such as private real estate funds, real estate investment trusts (REITs), exchange traded funds (ETFs), mutual funds and other real estate related equities. The real estate asset class may also invest in private funds. An emphasis on income and appropriate liquidity windows will be factors in selection of the investment vehicle. Investments will be diversified across the United States and generally representative of the Real Estate marketplace. Properties will be diversified by type, such as retail, residential and industrial/ office. These positions commonly have less liquidity than traditional assets. *The benchmark for the Real Estate asset class is the NCREIF Fund Index - Open-End Diversified Core Equity (NFI-ODCE).*

### E. Alternatives Investments

*Alternative Investments* are those securities or investments vehicles that seek to take advantage of anomalies that present themselves either due to price and market conditions. For example, these investments may include and are not limited to: common stocks, preferred stocks, fixed income securities, mutual funds, exchange-traded funds (ETFs), commodities or their analogues, private equity investments and hedge funds. These positions may or may not be highly correlated with indices such as the S&P 500 and commonly have less liquidity than traditional assets. *The benchmark for the Alternative Investments class is the Consumer Price Index (CPI).*

## Additional Account Guidelines

- A. Taxable Accounts: In accounts subject to tax, efforts will be made to maximize after-tax returns by using strategies that may include: realizing losses to offset

gains, minimizing the generation of short-term capital gains, and facilitating the use of low basis stock for charitable donations.

- B. Restricted Practices: The Investment Adviser may not buy securities on margin, borrow money or pledge assets.
- C. Gifts: Securities received as gifts to The Foundation will generally be sold shortly after receipt and the proceeds invested according to policy guidelines.
- D. Portfolio Restrictions: None

## Review Procedure

- A. Ferguson Wellman will periodically review this Policy with The Board to determine if the Policy continues to best serve The Foundation's needs and objectives.
- B. Ferguson Wellman will report to The Board on a quarterly basis to provide updated investment performance information for the portfolio and results relative to the stated benchmarks.