

**STATEMENT OF
INVESTMENT POLICY, GUIDELINES
AND OBJECTIVES
FOR
MILES COLLEGE**

Revised 10-2016

MISSION:

Miles College claims certain foundational principles upon which its entire existence stands. These include an appreciation for the ideals of justice, equality, democracy, liberation, the humane treatment of all people, and the development of the spiritual self and community. Although these standards defy most tools of quantitative measurement, they serve as prime motivators to drive the interests of the college.

PURPOSE OF THIS STATEMENT:

The purpose of this statement is to establish the Investment Policy, Objectives and Guidelines for Miles College Total Invested Funds, including the Endowment. This Statement of Investment policy, Objectives and Guidelines is hereby adopted for the Miles College Total Invested Funds, and replaces all prior Investment Policy Statement(s) and is hereby incorporated into all existing and any future Investment Manager Agreements.

These objectives seek to maximize the returns of the Fund's investments at an acceptable level of risk. The Investment Committee has chosen this statement as the most appropriate policy for achieving the financial objectives as set forth in the Investment Objectives section of this document.

The persons ultimately responsible for making all decisions with regard to the administration of the Miles College Total Invested Funds (hereafter referred to as the "Funds"), including the management of Plan assets, and for carrying out this Investment Policy Statement on behalf of the Funds shall be the Investment Committee of the plan.

INVESTMENT GUIDELINES

The investment managers hired by the Investment Committee are expected to manage the plan assets under its care, custody and/or control in accordance with these Investment Policy Objectives and Guidelines and in compliance with the applicable securities laws and the principles and standards of Miles College.

The basic objective is to attain the highest total return consistent with a reasonable degree of risk by investing in appropriate securities. Equity managers are expected to remain fully invested. In general, manager cash positions are not to exceed 5% over a ninety-day period without the consent of the committee. Subject to the guidelines included in this statement, manager shall have full discretion.

Equity Securities

The equity portion of the plan's assets shall be invested in marketable equity securities. The following policies of acceptable instruments are to be generally adhered to, unless the Investment Committee gives appropriate notification and approval:

- Stocks must be listed on the New York Stock Exchange, American Stock Exchange, or the NASDAQ.
- At the time of purchase, the investment account shall have no more than 10% of its total market value invested in the common stock of a single corporation.
- Not more than 40% (in one company) of stock valued at market may be held in any one Standard & Poor's 500 industry category.

Prohibited Securities and Transactions

The following types of securities and transactions are specifically prohibited:

- Derivatives including but not limited to naked puts or calls, straddles, spreads or any combination thereof, including Futures
- Private Placements and venture capital, warrants, legend, lettered or registered stock except those received as a distribution from or attached to an eligible investment
- Investments in commodities or commodity contracts, unless it is in an Index Fund/ETF
- Direct loans or extension lines of credit to any interested party
- Purchasing securities on margin
- Borrowing money

The following types are generally prohibited unless the Investment Committee gives appropriate notification and approval:

- Short Sales

Domestic Fixed Income

The fixed-income portion of the plan's assets shall be invested in marketable fixed income securities. The following policies of acceptable instruments are to be generally adhered to unless the Investment Committee gives appropriate notification and approval:

- Fixed-income investments shall be appropriately diversified
- Funds may not own more than 10% of any total issue except for U. S. Treasuries and agencies
- The average credit quality of the managers' portfolio shall be BBB or better

- Debt instruments must have a credit quality of B or better. In the case of split rated securities, the lower rating will be predominant. If securities are downgraded below the policy standard subsequent to purchase, securities must be sold by the manager in the most efficient manner minimizing loss to the Funds.
- Funds may not hold more than 20% at cost of the portfolio in any one issuer's securities other than the U. S. Government and agencies.
- Debt instruments of the U. S. Government or its agencies including mortgage backed securities such as GNMA's, FHLMC, FNMA and CMO's.

Prohibited Securities and Transactions

The following types of securities and transactions are specifically prohibited:

- Derivative securities, IO's, PO's, leveraged floaters and inverse floaters
- Private placements
- Use of leverage.

PERFORMANCE OBJECTIVES FOR THE TOTAL FUNDS

Achieve a total annualized rate of return during each rolling three-year period, which equals or exceeds the blended rate of return of the benchmarks established for each manager according to the asset allocation.

PERFORMANCE OBJECTIVES FOR EQUITY MANAGERS

Achieve risk-adjusted rate of return, which exceeds the appropriate benchmark (i.e. Standard & Poor's 500, Standard & Poor's midcap, Russell 2000) net of management fees over a period of three years.

PERFORMANCE OBJECTIVES FOR FIXED INCOME

Earn an average annual return from income and capital appreciation, which exceeds the Lehman Aggregate Bond Index or the Lehman Government/Corporate Intermediate net of management fees for each rolling three-year period.

PROBATION OR TERMINATION GUIDELINES

The performance of funds managers will be monitored on an ongoing basis. In the case of poor performance, the Investment Committee shall take any appropriate corrective action, including, the replacement of the manager. Performance factors, which may lead to terminating or placing a manager on probation, include:

- Performance below objectives for the measurement period or unacceptable performance as judged by the Committee for a shorter period
- Major organizational changes that could warrant a review of the manager's relationship with the Funds, which would include: 1) Change in investment professionals, 2) Significant client relationship losses, 3) Change in ownership

INVESTMENT MANAGER SELECTION

In furtherance of its commitment to the principles of nondiscrimination and affirmative action, the College strives for meaningful participation of minorities and women in the management of its investment portfolio. To that end, the Board encourages, promotes and seeks the participation of qualified money managers, including minorities and females, in the administration of its funds. Further, every investment manager utilized, whether for equity or fixed income, will be evaluated by criteria that include its commitment to nondiscrimination, affirmative action and diversity of its money managers.

BOARD OF TRUSTEES RESPONSIBILITIES:

The assets entrusted to the Investment Committee are to be governed in a prudent manner; therefore in investing the assets of the funds, Committee Members shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence would exercise.

The objective of this document is to ensure an effective working relationship with the Funds investment managers and other service providers. This statement is intended to provide the Funds with a framework, by which the Investment Committee of the Board of Trustees can effectively evaluate the performance of the investment managers and oversee the management of the Funds in a prudent manner. In performing such duties, it is understood that Committee Members should provide full disclosure of any relationships, alliances or information gathered as a Committee Member, which may be deemed in conflict with the interest of the funds.

The horizon of the Funds is long term. The primary investment objective of the Investment Committee is to ensure that current and future obligations are adequately

funded in a cost-effective manner. This statement shall be reviewed annually, by the Investment Committee and the consultants for any recommended changes.

SPENDING POLICY

The Endowment seeks to achieve reasonable stability in budgeting for the College operations and to maintain intergenerational equity between near-term and long-term priorities. The Trustee Board believe that, subject to exigent circumstances, a long-term spending rate of 5.0% of the Endowment is appropriate and, therefore, has adopted the following spending policy:

Spending from the Endowment in any given fiscal year shall not exceed 5.0% of the Endowment's average market value for the preceding twelve quarters.

CONSULTANT RESPONSIBILITIES:

The consultant is responsible for providing independent and unbiased information to the Investment Committee of the Board of Trustees and Business Manager of Business and Finance/CFO. Additional responsibilities include: assisting in the development and amendment to the investment policy statement; asset allocation policy; development of performance measurement standards; monitoring and evaluation of the performance of the funds' investment managers; conducting due diligence on the funds' investment managers and their organizations; conducting due diligence on the funds' investment managers and their organizations; and assist with the establishment of procedures and criteria for the conducting of manager searches.

The consultant will provide quarterly performance evaluation reports of the funds' managers. An annual due diligence report will be provided on the funds' managers.

The consultant may also provide advice and recommendations on investment related issues to the Investment Committee of the Board of Trustees to fulfill the objectives of this investment policy.

The consultant shall acknowledge in writing their fiduciary responsibility with respect to their recommendations.

INVESTMENT MANAGER RESPONSIBILITIES:

The investment managers hired by the Investment Committee are expected to manage the plan assets under their care, custody and/or control in accordance with these Investment Policy Objectives and Guidelines and in compliance with the applicable securities laws and the principles and standards of Miles College.

Managers will exercise full investment discretion over the assets in their care within the guidelines set forth herein.

Managers will inform the members of the Investment Committee of the Board of Trustees, Business Manager of Business and Finance and the Investment Consultant in writing (within 30 days) of all changes of material nature with respect to the firm's organization and professional staff.

Managers will provide a quarterly report on the funds they manage to the Investment Committee and the investment Consultant. The report will include a review on the current economic situation and how it relates to their portfolio; their outlook on the

economy and how it will affect their respective portfolio; a list of current assets and transactions; performance for the current quarter, one, three and five year periods (if applicable); commissions generated; and fees charged the portfolio.

Managers are expected to meet with the investment board chairman, investment committee and investment consultant at least annually to report on their respective portfolios, as well as on the economic outlook.

Managers shall acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy.

ASSET ALLOCATION GUIDELINES:

Upon reviewing the long-term performance and risk characteristics of various asset classes, balancing the risks and rewards of market behavior and taking into consideration plan restricted assets, the following asset classes were selected to achieve the plan objectives:

<u>EQUITY</u>	<u>TOTAL</u>	<u>TARGET</u>
Total Equity	60	50%
Fixed Income	40	50%

To remain consistent with the asset allocation guidelines established by this Investment Policy, each asset class is to be reviewed on a quarterly basis. Market conditions will cause the weightings of the portfolio's investments in various asset classes to vary from the established targets. Portfolio will be reviewed annually for re-balancing basis back to targets.

These guidelines are not intended to preclude asset classes such as real estate, international investments or other asset classes, deemed appropriate by the Investment Committee.

PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and communicated to the Board of Trustees Finance Committee for review. The investment performance of total portfolios as well as asset class components will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Trustees Finance Committee intends to evaluate the portfolio(s) based on at least a two year period, but reserves the right to terminate a manager at any time and for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
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.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

An annual report will be presented to the Board of Trustees by the Finance and Investment Committee.

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 Board of Trustees plans to review investment policy at least annually.

SIGNATURE PAGE

Chairman of Investment Committee:

Kevin Thomas J. Davis

Date: 10/29/2016

Chief Fiscal Officer:

Deanna O. [Signature]

Date: 10/21/16

On behalf of (*Investment Management Firm*), I hereby certify that (*Investment Management Firm*) has been provided a copy of the Investment Policy for Miles College Total Invested Funds. Miles College Total Invested funds and agrees that we will comply with that Investment Policy in all respects during the performance of any investment activities engaged in on behalf of Miles College Total Invested Funds.

Investment Manager:

Date: _____