Statement of Objectives, Policies, and Guidelines for the Endowment of the Gaston College Foundation, Inc.

Gaston College Foundation, Inc.

June 2020

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Introduction
The Gaston College Foundation, Inc. (the “Foundation”) is a North Carolina non-profit corporation established in 1968. It encourages and secures financial support to further the work of Gaston College, and is governed by a Board of Directors. The Foundation receives and administers both restricted and unrestricted contributions in support of Gaston College needs. The Board of Directors of the Foundation (the “Board”) has been vested with the responsibility for management, growth, and preservation of the funds owned by the Foundation. This investment policy applies to the Endowment Funds (“Endowment”) of the Gaston College Foundation, Inc.

Purpose of the Investment Policy
This Investment Policy (“Policy”) is set forth by the Foundation in order to:

1. Define and assign the responsibilities of all involved parties regarding the management of the assets of the Foundation.
2. Establish a clear understanding of the investment goals and objectives of the Foundation’s assets.
3. Offer guidance and limitations to all investment managers / consultants regarding the investment of Foundation assets.
4. Establish a basis for evaluating investment results.
5. Establish the relevant investment horizon for which Foundation assets will be managed.

In general, the purpose of this Policy is to outline a philosophy that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY
The governing body of the Foundation is the Board of Directors, which is a named fiduciary and has ultimate responsibility for directing and monitoring the investment management of the Foundation assets. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to the:

1. <u>Investment Committee:</u> The Board of Directors has delegated the direct management and fiduciary oversight of the investment management of all investment assets to the Investment Committee (“Committee”).
2. <u>Investment Management Consultant:</u> The investment management consultant (“Consultant”) advises the Board of Directors through the Committee in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers and investment vehicles over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
3. <u>Investment Manager(s):</u> The investment manager(s) (“Manager”) have discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's investment objectives within the limits of each manager’s specific investment mandate.
4. <u>Custodians:</u> The custodian(s) (“Custodian”) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundation, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Investment Committee

The Committee is responsible for formulating and recommending investment policy for the Foundation to the Board of Directors. The duties are carried out by the investment Committee and include but are not limited to the following:

1. Selection and retention of investment managers as the Policy dictates. The Committee acts within the authority delegated by the Board of Directors in all matters relating to Investment Manager and investment vehicle selection. From time to time, certain members of the Committee may be required to recuse themselves from such responsibility.
2. Review performance on a quarterly basis of the Foundation to stated objectives.
3. Review and monitor performance of Investment Managers.
4. Monitor the asset allocation of the Foundation. The Committee acts with the authority of the Board of Directors in all matters relating to rebalancing the portfolio to the strategic asset allocation targets, which may include intermediate term active adjustments over time.
5. Determine if the overall policies and objectives continue to be appropriate and reasonable and make recommendations to the Board of Directors, as necessary.

Responsibility of the Consultant(s)

The Consultant(s) role is that of a non-discretionary advisor to the Committee. The Consultant must operate without any conflicts of interest. Investment advice concerning the investment management of Foundation assets will be offered by the Consultant(s), and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Policy. Specific responsibilities of the Consultant(s) include:

1. Reviewing the financial markets and economic climate in light of the Foundation's investment objectives and investment activity.
2. Assisting in the development and periodic review of this Policy.
3. Conducting Investment Manager and investment vehicle searches when requested by the Committee and/or initiated by the Consultant.
4. Providing "due diligence", or research, on the Investment Manager(s).
5. Monitoring the performance of the Investment Manager(s) and to provide the Committee with the ability to determine the progress toward the investment objectives.
6. Communicating matters of policy, manager research, and manager performance to the Committee.
7. Providing review of the Foundation investment history, historical capital markets performance and the contents of this Policy to any newly appointed members of the committee.
8. In the event the Consultant is changed, a mandatory review of the investment policy statement is required.

Responsibility of the Investment Manager(s)

Manager(s) will have full discretion to make investment decisions for the assets placed under their jurisdiction within the investment methodology and mandate approved by the Committee. Institutional pooled funds selected will be governed by their prospectuses, or disclosure documents as appropriate.

Uniform Prudent Management of Institutional Funds Act (UPMIFA)
The Board of Directors of Foundation has interpreted the North Carolina version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it applies in managing and investing the Unrestricted Institutional Funds, as requiring that all of the following factors, if relevant, must be considered:

1. General economic conditions
2. The possible effect of inflation or deflation
3. The expected tax consequences, if any, of investment decisions or strategies
4. The role that each investment or course of action plays within the overall investment portfolio of the Fund
5. The needs of the institution and the Fund to make distributions and to preserve capital
6. An asset's special relationship or special value, if any, to the charitable purposes of the institution
7. Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Fund and the institution.
8. Except as otherwise provided by law other than UPMIFA, the institution may invest in any kind of property or type of investment consistent with this section.
9. An institution shall diversify the investments of an institutional fund unless it reasonably determines that, because of special circumstances, the purposes of the Fund are better served without diversification.
10. A 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 institutional funds.
11. Each person responsible for managing and investing an institutional fund shall manage and invest the Fund in good faith and with the care an ordinary prudent person in like position would exercise under similar circumstances.

GENERAL INVESTMENT PRINCIPLES
In seeking to attain the investment objectives set forth in the Policy, the Committee and its members shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Foundations Act as amended and adopted by the State of North Carolina. All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee and/or Board of Directors of all material facts regarding any potential conflicts of interest.

1. Investments shall be made solely in the interest of the Foundation.
2. The Foundation shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a Foundation of like character and with like aims.
3. The Committee may employ one or more Investment Managers of varying styles and philosophies to attain the Foundation's objectives.

DIVERSIFICATION AND ASSET ALLOCATION STRATEGY
The overall asset allocation strategy shall be to diversify investments to provide a balance that will enhance long-term total return while managing risk or concentration in any single asset class or investment strategy. The Committee has approved distinct asset classes for inclusion in the portfolio. They are as follows: domestic equity (large and small cap), domestic fixed income, international equity (developed and emerging), international fixed income, commodities/natural resources, domestic real estate, and cash/cash equivalents. The portfolio will be invested with Manager(s) and in investment vehicles in each of these seven asset classes. Multiple Manager(s) and or investment vehicles may be employed. The overall objective of the Foundation will be to maintain a fully invested asset allocation with minimal allocation to cash. Individual asset class Managers may hold cash as a portion of their portfolios consistent with their investment methodology.

The aggregate Foundation's Asset Allocation Guidelines (at market value) are illustrated in the table below. It employs an efficient portfolio optimized within the risk and liquidity constraints set forth in this Policy. Maximum and minimum allocations are provided to give guidelines for re-balancing the portfolio when the valuations of each asset class move outside those constraints. Specific policy is provided in the section on "Re-balancing".

Spending Policy
Income available for disbursement is determined by a total return calculation. Specifically, the fair market value of the Foundation's five previous fiscal years end (as adjusted for additions and withdrawals) is determined. Then a five year average is calculated. The generally accepted spending policy is a maximum of 5%. The Board of Directors by two-thirds vote may amend the stated spending policy to meet the prudent needs of the college.

Asset Class Guidelines

Asset Allocation	Lower Limit	Target Allocation	Upper Limit
Growth Assets			
US Large Cap Stocks	20.0%	30.0%	50.0%
US Small Cap Stocks	0.0%	10.0%	15.0%
Non-US Developed Stock	0.0%	12.0%	25.0%
Non-US Emerging Stock	0.0%	5.0%	15.0%
Total Equity		**57.0%**	
Risk Reduction Assets			
US Fixed Income	20.0%	25.0%	50.0%
US Fixed Income High Yield	0.0%	2.5%	5.0%
Non-US Fixed Income	0.0%	7.5%	15.0%
Cash Equivalents	0.0%	0.0%	50.0%
Total Fixed Income		**35.0%**	
Inflation Protection Assets			
US Inflation Protected Fixed Income	0.0%	3.0%	6.0%
Real Estate Investment Trusts (REITs)	0.0%	2.5%	6.0%
Real Assets	0.0%	2.5%	6.0%
Total Inflation Protection		**8.0%**	
Total		**100.0%**	

ASSET ALLOCATION

Rebalance Policy

The Committee and Consultant will review the investment portfolio on a quarterly basis to evaluate the Foundation and its balance to the strategic asset allocation of this Policy. When the Foundation illustrates asset class balances outside the minimum or maximum policy allocation, the portfolio will require re-balancing activity to restructure back within it strategic asset allocation limits. All re-balancing activity will be executed by the Consultant with approval from the Committee. An "Asset Allocation Rebalance Spreadsheet" will be used to illustrate and account for this re-balance activity. Contributions into or distributions out of the account will be managed to bring the Foundation closer to the strategic allocation, but will not require a full re-balance activity.

SELECTION OF INVESTMENT MANAGERS

Separate Account Management, Commingled Investment Funds and Investment Vehicles

The Board of Directors has delegated the selection of Investment Manager(s) to the Committee. The Committee shall utilize the due diligence and advisor services of the Consultant. Manager(s) selection must be based on prudent due diligence procedures. Decisions to employ, retain, and/or terminate Manager(s) and/or investment vehicles will be the responsibility of the Committee with the assistance and recommendations of the Consultant. The Consultant will act as a non-discretionary advisor and require the approval of the Committee in all matters regarding changes to the Manager(s) and/or) investment vehicles of the Foundation.

Manager(s) must be a registered investment advisor under the Investment Advisors Act of 1940, a bank, or an insurance company. The Consultant will be required to conduct and document for the Committee an Investment Manager and/or investment vehicle search and evaluation for each asset class adopted in the Asset Allocation Analysis. The search process will provide quantitative historical performance information using reliable manager composite data to evaluate the risk-adjusted returns of the Manager(s) or investment vehicles' performance track records. The intent of these evaluations will be to find Manager(s) or investment vehicles that are capable of achieving excess returns relative to appropriate capital market benchmarks with risk adjusted returns on investment. Investment Managers and/or investment vehicles selected may have periods where these performance characteristics are not achieved. We will look to the advice of the Consultant and the collective decisions of the Committee to maintain or terminate these managers or investment vehicles. The Consultant will be required to perform and report a qualitative analysis of the Manager(s) or investment vehicles personnel, investment process, and stability of the investment organization. In addition to active management, passive investment management and the utilization of index portfolios may also be invested in the management of the long-term investment account.

Commingled Funds

In recognition of the benefits of commingled funds as investment vehicles (e.g., the ability to diversify more extensively than in a small, direct investment account and the lower costs that can be associated with these funds) managers may, from time to time, elect to invest in such funds. The Committee recognizes that the practices of such funds will be in accordance with the funds' prospectus or investment guidelines. However, in general, the practices of such funds as identified in the funds' prospectus or investment guidelines shall be similar to this Policy. The consultant shall monitor the holdings of such funds to determine whether or not they are consistent with this Policy. In making this determination, the consultant shall be entitled to rely upon the quarterly report it receives from the commingled funds without reviewing the actual holdings of such commingled funds. If the quarterly report does not provide sufficient detail for the consultant to be able to make such a determination, the consultant shall be responsible for obtaining such additional information from the investment manager.

INVESTMENT GUIDELINES
Allowable Assets

Cash Equivalents
- Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

Equity Securities
- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)
- REIT – Real Estate Investment Trusts that are publicly traded.

Fixed Income Securities
- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage-Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs
- Asset-Backed Securities
- Treasury Inflation Protected Securities (TIPS)

Institutional Mutual or Pooled Funds
- Mutual Funds invested in securities as allowed in this Policy
- Commingled Funds maintained by a bank
- Exchange Traded Funds

Other Assets
- GIC's – Guaranteed Insurance Contracts

Currency Contracts
- Approved only for hedging positions in the portfolio

Prohibited Investments
Prohibited investments include, but are not limited to the following:
1. Private Placements
2. Limited Partnerships
3. Venture-Capital Investments
4. Direct Real Estate Properties (non-securitized and illiquid)
5. Commodities, Futures and Options
6. Short Selling and Margin Transactions
7. Exchange Traded Notes
8. Structured Notes

INVESTMENT PERFORMANCE REVIEW AND EVALUATION
Performance reports generated by the Consultant shall be compiled quarterly and communicated to the Committee for review. Performance monitoring will focus on the evaluation of the following:

- Net Absolute returns to Policy Goals - (CPI, Net Expenses)
- Relative Returns – time weighted to capital market benchmarks (Normal Policy)
- Risk-adjusted returns – Returns within acceptable volatility standards.

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 Policy. The Committee intends to evaluate the portfolio(s) over at least a five-year period, but reserves the right to terminate any Manager(s)/vehicle for any reason including the following:

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

- Significant qualitative changes to the investment management organization such as: change of ownership or investment professionals; investment methodology or investment style changes in the investment management of the Foundations' assets; dramatic change in level of assets managed by the firm; and any breach of fiduciary or ethical duties to the Foundation.

Investment Manager(s) and investment vehicles 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. The Committee may execute the termination and employment of Managers and investment vehicles without the approval of the Board of Directors, but with subsequent notice to the Board of Directors. These changes in investment management must be within the guidelines of the asset allocation outlined in this Policy.

Investment Manager Watch List
An Investment Manager may be placed on a watch list at any time by the Investment Committee. The following list represents reasons why a manager may be placed on a watch list:

1. Change in ownership
2. Investment style change
3. Negative performance against assigned benchmarks over 3-5 year periods
4. Dramatic change in level of assets managed by the investment firm
5. Any breach of fiduciary or ethical duties owed to the Foundation

Being placed on watch brings a heightened level of due diligence of the Investment Consultant. Actions that may be taken by the Consultant may include but are not limited to:

1. Phone contact
2. Written correspondence
3. On-site visit
4. Other measures deemed appropriate or necessary

MANAGEMENT COST, FEES, AND PROFESSIONAL COMPENSATION

One of the fiduciary responsibilities of Committee is to understand and account for all costs in the management of Foundation assets. Management costs must be reasonable, to the direct benefit of the Foundation and without any conflicts of interest. The Consultant will assist the committee in the determination, understanding, negotiation and accountability of all Foundation investment costs. The following cost of asset management must be evaluative and considered:

- Manager(s) fees for both active and passive management,
- Commingled Pooled Fund's internal expenses,
- Audit, Administrative and Sub-accounting fees,
- Custodial and Consulting fees.

An important fiduciary responsibility is in understanding where the allocation of management costs best affects the ability of the Foundation to obtain superior risk adjusted performance and increase the probability of achieving the investment goals and objectives of the Foundation. This should not be considered a cost minimization model, but a prudent allocation of resources to obtain objectives.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this Investment Policy, the committee will review the Policy at least annually. Policy amendments must be approved by the committee and submitted for final approval to the Board of Directors.

This Investment Policy is adopted as of June 10, 2020 by the Board of Directors The Gaston College Foundation, Inc.

For and on behalf of the Foundation,

____, President, Foundation

____, Chairperson, Investment Committee