

Donnelly College Investment Policy Statement

Introduction

The Donnelly College Board of Trustees is aware of its responsibility to manage prudently endowed and/or invested funds which are given to the College. Responsible stewardship in accordance with the Gospel requires investment decisions that are economically sound and that reflect the social teaching of the Catholic Church. The purpose of this document is to provide the basis for the proper discharge of this responsibility by establishing a clear understanding of the investment policies, goals and objectives for Donnelly College. The Board's intent is to develop guidelines and limitations for the investment manager(s) to ensure that assets are being managed in accordance with these investment policies, goals, and objectives, and to provide a basis for the evaluation of the investment performance of our assets.

The Finance Committee of the Board serves as the Investment Committee for all endowed and/or invested funds and will provide guidance and advice on specific issues. The Finance Committee will rely on the President of the College for day-to-day oversight of these investment policies. The Board will review these policies at least annually to make any modifications required to ensure the investment management remains in the best interest of the College.

Our Commitment to Social Justice in Investing

Donnelly College investments will comply, as much as possible, with the United States Conference of Catholic Bishops (USCCB) Socially Responsible Investment Guidelines at <https://www.usccb.org/resources/socially-responsible-investment-guidelines-2021-united-states-conference-catholic-bishops>. Pooled mutual funds or other group investments will be sought that as far as possible comply with these guidelines. The goal of the overall portfolio of investments combined to maintain a USCCB compliance level of at least 95% with as close to 100% compliance as possible. Donnelly College wishes to protect human life, promote human dignity, protect our common home, and pursue economic and social justice in all aspects of our operations, including our investments.

The goal of Donnelly's investment management strategy is to assure that present and future generations of students will enjoy quality educational programs at the lowest possible costs. Attainment of this goal will require a managed approach that will (1) generate income (payout) to provide for current College needs; (2) maintain a base for generating income to meet future needs, and (3) provide for possible major emergency needs consistent with the purpose of the fund and the level of risk permitted by this policy.

The College's endowed funds are subject to the *State of Kansas Prudent Management of Institutional Funds Act (SPMIFA)*. In accordance with SPMIFA, the College considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

Board approved spending rate from endowments may be up to 5% annually depending on budget needs.

The investment and spending policies contained herein attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods. Endowment assets should be invested in a manner that is intended to produce results that exceed demands placed on the endowment to support the College spending policy plus the rate of inflation, as measured by the Consumer Price Index.

The Trustees desire to permit investment manager(s) flexibility to maximize investment opportunities; however, it is the fiduciary responsibility of the Trustees to conserve and protect the assets of the portfolios and by prudent management to prevent exposure to undue and unnecessary risk.

This statement of investment policies, goals and objectives is intended to provide investment objectives that are sufficiently specific to be meaningful, but sufficiently flexible to be practicable. These objectives are designed to establish an attitude and philosophy that will guide the investment manager(s) toward the desired policies and performance.

The following investment objectives and policies are stated for the general guidance of the management of the invested funds. Exceptions thereto for individual and/or all investment manager(s) may be made upon specific written approval by the Board of Trustees through the Finance Committee, the college president, or other responsible college representatives designated by the Board.

Donnelly College Investments

All college investments will follow the policies stated below, except for the investments held with the Catholic Foundation of Northeast Kansas (CFNEK) which follow the guidelines prescribed in CFNEK's investment policy:

Gospel Values

Donnelly College, responding to the gospel challenge of responsible stewardship, calls for investment decisions to be made with consideration to both economic and social justice factors in light of our moral and ethical principles. Reasonable caution will be exercised to avoid direct investments in 1) companies that produce, market or provide abortifacient, abort-producing devices or medications or abortion-related services OR 2) companies that are involved in the research of, promotion of or profit from embryonic stem cell research.

Investment Objectives

1. To preserve and over time increase the inflation-adjusted value of the investable assets of this fund.
2. To maximize long-term total return - Funds in excess of those required to meet liquidity needs as projected by college staff should be invested in equity and fixed income securities in an amount which offers the greatest potential for maximizing long-term total return consistent with investment guidelines stated in this document.

Asset Allocation

With consideration given to the long-term goals of the fund, the following ranges are defined as suitable for Donnelly's portfolio asset allocation:

	<u>Minimum</u>	<u>Maximum</u>
*Equity	40%	75%
Fixed Income	20%	50%
Cash Reserve	3%	15%
Alternative investments	0%	5%

* International stock will be limited to a maximum of 20% of the total portfolio.

Investment Guidelines

Permitted investments include:

I. Individual Equity Investments

1. U.S. Exchange listed common stocks, over the counter common stocks, iShares/Exchange Traded Funds, preferred stocks and convertible securities. (Also included are domestic common equity funds maintained by the Investment Manager(s) or his/her affiliate).
2. Shares of well-established companies located in major non-U.S. markets, including those countries that comprise the Morgan Stanley Capital International Europe, Australia and Far East (EAFE) Index and Canada, and limited as noted under asset allocations.

II. Individual Fixed-Income Securities

1. US Treasury and Agency Securities which can be held without limit
2. Individual corporate bonds, mortgage-backed bonds and asset-backed bonds. These must be in the A range (as defined by S&P or Moody's) or better. If their respective rating should fall out of the A range or better (as defined by S&P or Moody's), the bond must be sold within 90 days and the Board notified of such action.

a) Individual corporate bonds, individual mortgage-backed bonds and individual asset-backed bonds cannot comprise more than 50% of the fixed-income portfolio.

b) No individual issue should represent more than 5% of the fixed-income portfolio.

The weighted average duration of the fixed-income portfolio shall be within a range of 80% - 120% to that of the Barclays (Intermediate) Government/Credit Bond Index.

III. Mutual Fund Investments

Mutual fund investments, including index funds and exchange traded funds, are permissible. In order for a mutual fund to be considered as a viable investment alternative for Donnelly's portfolio it must have, at a minimum, a 5-year track record as recorded by Morningstar AND a 3-star rating as defined by Morningstar for the most recent 3-year time period.

Restricted investments/allocations include:

1. Borrow money (temporary overdrafts in cash balances are not considered borrowing of money).
2. Purchase of securities on margin.
3. Short sales of securities.
4. Underwriting of securities.
5. Investing in companies for the purpose of exercising control of management.
6. Establishing loans except for the purchase of obligations described in the above fixed-income securities.
7. Investing in tangible property, direct real estate, direct participation investments, venture capital, or other non-investment grade securities.
8. Purchase or sale of commodities or commodity contracts, put or call options, warrants or any combinations thereof.
9. Use of derivative products.
10. Use of managed futures.
11. Holding more than 5% of the portfolio's total assets, taken at market value, in the securities of any single issuer, other than obligations issued or guaranteed as to principal and interest by the United States of America, its agencies, instrumentalities, or corporations.
12. Holding more than 20% of the value of the portfolio's total assets in the securities of companies in any one industry, valued at the time of any proposed transaction. This last restriction is not violated if the limitation is exceeded only as a result of changes in values not resulting from a transaction, however, the Finance Committee should be informed when this threshold is exceeded.

Benchmarks

<i>Asset Class</i>	<i>Benchmark</i>
Cash Equivalents	90 Day Treasury Bill Index
Short Term Fixed Income	Merrill Lynch 1-3 Year Treasury Corporate A or Better Index
Intermediate Term Fixed Income	Barclays Intermediate Govt/Credit Bond Index
Equities Blend:	Appropriately blended
Large Cap Equity	Standard & Poor's 500 Index
Mid Cap Equity	Standard & Poor's Mid Cap Index
Small Cap Equity	Standard & Poor's Small Cap Index
Total U.S. Equity	Russell 3000 Index
International Equity	MSCI All-Country World Index Ex.-U.S.
Inflation	Consumer Price Index

Performance Monitoring

The investment manager(s) will be responsible for due diligence on their investment selections. This responsibility includes making decisions in the event there are material changes. These material changes could include management departure, change of corporate structure, underperformance to the designated benchmark, style drift, etc.

Further, the investment manager(s) will remove or make changes to the investment selections to the extent the investment manager(s) feel performance would be negatively impacted or enhanced. Investment manager(s) that underperform their benchmark will be discussed at regular meetings.

Lastly, the investment manager(s) should propose to the Finance Committee for approval an appropriately blended total portfolio benchmark, incorporating indices listed above.

Communications

The Finance Committee will review the performance of the manager(s) and pooled funds, as applicable, at least semi-annually. To facilitate these reviews, the investment manager(s) should provide a portfolio performance summary for each semi-annual measurement period. This summary should include a listing of all investment solutions presented by asset class. The summary should also include performance figures for the overall portfolio, as well as the cash, fixed income and equity components.

Results of investments will be reported to the Board of Trustees at its quarterly meetings by the College's Chief Financial Officer. Also, the asset allocation will be reviewed at least semi-annually and adjustments made as deemed necessary.

The investment manager(s) are responsible for frequent and open communication with the College on all significant matters pertaining to investment policies and the management of the portfolio including:

1. Any significant changes in the ownership, organizational structure, financial conditions, or senior personnel staffing in the organization of investment management,
2. Major changes in the manager(s)' investment philosophy, decision-making process, outlook, strategy, and/or socially responsible investment guidelines.
3. Written notice that the investments manager(s) believe that the College's objectives cannot be met or unduly constrict performance.

The investment manager(s) will provide a monthly investment statement and direct all brokerage firms they utilize to provide confirmations to the investment manager(s) who will have them available for inspection by the College.

The investment manager(s) will additionally provide on an annual basis a disclosure of the fees being charged for their and any of their affiliate's services. This should be a complete disclosure of all management fees, expense ratios and any ancillary fees as a result of transactions and maintaining custody of the assets.