

Keene Endowment Association

Investment Policy Guidelines

June 6, 2019 (Revised)

I. General

The purpose of the Keene Endowment Association is to aid, foster, and promote the education and welfare of the students at Keene State College, by making awards as determined by the endowment agreements. To acquire, receive and obtain by gift, devise, legacy, purchase or other means, money or property of all kinds and to hold the same in trust for the uses and purposes above stated, as may be required by the donor or testator.

The Investment Committee, which reports to the Board of Trustees, has responsibility for the invested assets of KEA as follows:

- To establish and periodically review investment objectives, policies, and guidelines.
- To select one or more qualified investment managers and custodians.
- To meet with each investment manager regularly and review the investment performance.
- To report at least annually to the Board of Directors.
- To evaluate investment managers at least every five years.

The Investment Committee shall carry out these responsibilities in compliance with applicable state laws, including (without limitation) Chapter 292-B of the New Hampshire Revised Statutes Annotated (known as the Uniform Prudent Management of Institutional Funds Act) and Sections 7:19, II, and 7:19-a of the New Hampshire Revised Statutes Annotated (relating to conflicts of interest).

II. Investment Objectives

The investment funds of the Keene Endowment Association are permanent funds with disciplined longer-term investment objectives and strategies designed to assure intergenerational equity:

KEENE ENDOWMENT ASSOCIATION INCOME ONLY FUND

KEENE ENDOWMENT ASSOCIATION TOTAL RETURN FUND

KEENE ENDOWMENT ASSOCIATION SUSTAINABLE AND RESPONSIBLE INVESTMENT FUND

Management of the assets should ensure a total return (income plus capital growth) sufficient to preserve and enhance the principal of the funds, and at the same time provide a dependable source of income. The **Sustainable and Responsible Investment Fund** objective is to invest in undervalued, high-quality companies that provide long-term competitive financial returns as well as a positive impact in the communities and environments in which they operate.

In recognition of prudence required of fiduciaries, reasonable diversification will be sought where possible. Experience has shown that financial markets and inflation rates are cyclical, and therefore control of volatility will be achieved through diversification of asset classes.

The committee shall establish specific investment guidelines for the investment manager including, but not limited to, income requirements, asset allocation, risk tolerance, and performance review against specific benchmark indices as outlined in Asset Allocation tables contained herein.

III. Performance Monitoring, Communications and Reporting

To assist in measuring manager progress against policy objectives and for consistency in measuring performance against the total return objectives, performance will be reflected net of management fees and transaction costs. The investment manager shall at all times endeavor to minimize transaction costs and other administrative expenses.

The investment manager is responsible for free and open communications with the Committee in all significant matters pertaining to their specific investment policies and management of the Keene Endowment Association's assets, including, but not limited to: (i) Major changes in the investment manager's investment outlook, investment strategy, and portfolio structure; (ii) Any significant changes in the ownership, organization structure, financial condition, or senior personnel staffing of the investment manager's organization; and (iii) Periodic transactions, evaluation and performance reports.

Periodic evaluation of assets under management shall be supplied by the investment manager containing market valuations, industry segmentations, transaction registers, cash statements, and the like. The report of fixed income and equities showing inventories at cost and market is required. The report shall also show share or unit values at cost and market prices.

IV. Investment Guidelines

1. All investment managers will manage funds in accordance with the Prudent Investor Rule and seek only moderate risk to achieve the stated objectives.
2. Full discretion, within the parameters of the investment policy guidelines described herein, is granted to the investment manager regarding the asset allocation, the selection of securities, and the timing of transactions.
3. Since the selection and weighting of asset classes is the primary determination of investment return and volatility, the Committee will carefully consider asset choice in accordance with a systematic allocation process. Approved asset classes are noted in the tables, below.
4. All investments shall be individual, marketable securities, exchange traded funds, or mutual funds. Non-publicly traded equity securities are not allowed for KEA Funds.

KEA Income Only Fund		
Asset Allocation	Permissible Range	Index/Benchmark
Equity	35-65%	80%S+P 500 Index, 20% MSCI EAFE Index
Fixed Income	35-65%	Barclay's Capital Aggregate Bond Index
Cash	0-10%	Lipper Money Market Fund Index

KEA Total Return Fund and Sustainable and Responsible Investment Fund		
Asset Allocation	Permissible Range	Index/Benchmark
Equity	45-75%	80% S+P 500 Index, 20% MSCI ACWI ex US Index
Fixed Income	25-55%	Barclays Intermediate Government/Credit Index
Cash	0-10%	Lipper Money Market Fund Index

5. Not more than 10% (at cost) of the investment portfolio may be invested in the securities of any one issuer, with the exception of the US Government or its agencies, mutual funds, and exchange traded funds. No individual investment holding may exceed 5% of the portfolio's total value except US Government and Agency debt, mutual funds, and exchange traded funds. All investments will be denominated in US dollars.
6. As part of its equity investments, KEA funds may be invested in equity securities that are traded in recognized stock exchanges, including common stock, preferred stock, international stocks, convertible stock, exchange traded funds, REITS, and equity mutual funds. No more than 30% of the equity investments may be invested in non-US equities.
7. As part of its fixed income investments, KEA funds may be invested in fixed income obligations including US Government and Agency debt, corporate obligations, mortgage-backed securities, asset backed securities, and other similar instruments. No individual securities with credit ratings below BBB- (Standard & Poors) or Baa3 (Moody's) will be eligible for investment. Any securities that fall below this rating after purchase will be reviewed by the investment managers in order to determine whether action may be warranted. The overall credit rating of the fixed income portfolio will be maintained at a minimum rating of A3 by Moody's Investors Service or A- (Standard & Poors).

No more than 20% of fixed income investments may be in high yield obligations and all such investments will be in the form of mutual funds or exchange traded funds. No more than 20% of fixed income investments may be in foreign obligations and all such investments will be in the form of mutual funds or exchange traded funds. The duration of the fixed income

portfolio shall be within +/- 25% of the benchmark duration. Fixed income securities are to be selected and managed to ensure appropriate balances in quality and maturities consistent with current money market and economic conditions, and to provide appropriate cash flow to support scholarship or operational funding on an ongoing basis.

8. When market conditions warrant, in order to reduce risk, stabilize value, or enhance growth opportunities, the portfolio may invest up to 10% of total assets in special asset classes including real estate, commodities, precious metals, alternative assets, or tactical assets.
9. Each investment manager may maintain reserve and cash equivalent investments; however these investments should be made on the basis of safety and liquidity, and only secondarily by yield.
10. At the direction of the Committee, at least three meetings each year shall be held with the investment manager to discuss performance results, economic outlook, investment factors, organizational changes and other pertinent matters. The investment manager may also be required to report to the full Board.
11. The Committee will review the Investment Policy statement annually. Any change to the Investment Policy shall be voted upon by the full Board before being implemented.

V. Performance Evaluation

The following criteria will be used to evaluate manager performance.

1. For the equity portion of the portfolio, the investment manager will be expected to achieve an annualized total rate of return over a three to five year period that exceeds the stated market index/benchmark rate of return, net of costs and fees. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.
2. For the fixed income portfolio, the investment manager will be expected to exceed appropriate market index/benchmark, net of costs and fees, over a three to five year period.

VI. Spending Policies

1. The Keene Endowment Association's investment funds are split into three accounts, (1) the Income Only Fund, which distributes only the income generated by the investments (2) the Sustainable and Responsible Investment Fund and (3) the Total Return Fund.
2. The Keene Endowment Association Sustainable and Responsible Investment Fund and the Total Return Fund: The Keene Endowment Association has adopted a spending policy based on a 12 quarter moving average of the portfolio's market value as of December 31 of each year. The distribution rate will be recommended to the full Board of the Keene Endowment Association by the Investment Committee, and may vary depending on market conditions. It is the policy of the Keene Endowment Association that funds in these two funds will not make distributions from any fund that is below its original book value at the time the fund was established.

Approved by:

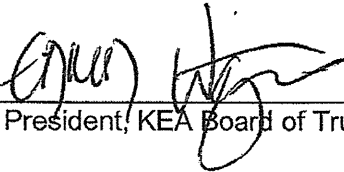


6/14/2019

Rich Grogan, Treasurer and Investment Committee Chair, KEA Board of Trustees

Date

Approved by:



6/6/2019

Ed Wojenski, President, KEA Board of Trustees

Date

Previous Investment Policy Versions:

1988

2006

May 2012

2019

