



## Investment Policy Statement

This Investment Policy Statement is designed to provide guidelines for the prudent investment management of the West Virginia State University Foundation (the "Foundation"). The investment guidelines established below are designed with the primary goal of enabling the investment portfolio to ensure the solvency of the Foundation over time and to meet obligations that are made to carry forward the mission of the Foundation. The secondary goal of these guidelines is to cause the Foundation to earn the highest (net of all costs) rate of return possible without taking excess risk and thereby jeopardizing the primary goal and/or subjecting the Foundation to an undue amount of contribution rate volatility.

### INVESTMENT OBJECTIVES

This Investment Policy Statement will be reviewed at least annually and is subject to approval of the West Virginia State University Foundation Executive Committee (the "Committee"). This will provide an opportunity for the investment portfolio to adapt as opportunities arise.

The overall performance objective of the Foundation is to earn the minimum of either a 6% rate of return OR a return equal to the Consumer Price Index plus 3%, whichever is greater. Evaluation of performance will be done on a long-term (market cycle) basis.

Equity performance will be measured against a blended index that reflects the composition of the equity portfolio. In addition, each sub-class will be measured directly against an appropriate benchmark as indicated below:

<u>Sub-Class</u>	<u>Benchmark</u>
Large Cap	S&P 500
Mid/Small Cap	Russell 2000
International	MSCI EAFE

Fixed-income performance will be measured against the Lehman Brothers Government Credit Index.

The pursuit of the return objective shall be guided by the following policies:

1. The diversification of assets will help ensure that adverse, unanticipated return from a security class will not have an excessive detrimental impact on the entire portfolio.
2. Asset classes and ranges considered appropriate for investment of the Foundation's assets are to be determined by the Committee, taking into consideration the investment guidelines that follow.

3. Investment management may be delegated to managers of specialists within a class. Other than unusual circumstances that may arise, the Committee does not intend to place restrictions on the selection of individual investments by the Foundation's investment managers.

### COMMUNICATIONS

Reports are to be made to the Committee by the investment manager on at least a quarterly basis indicating:

- The portfolio composition (i.e. asset mix at book and market values) for each class of security including cash equivalents.
- Individual security holdings.

The investment manager will meet with the Committee on at least an annual basis, or as requested, to discuss investment results and administrative issues.

### ACCEPTABLE INVESTMENT INSTRUMENTS

Given the long-term nature of the Foundation, the Committee has established the following asset allocation guidelines:

#### EQUITIES (Common and Non-convertible Preferred Stock)

1. Equity exposure (at market) is targeted at 65% and limited to 75% of the total market value of the Foundation.
2. No more than 7.5% of the total equity allocation (at market) can be in any one issue. Sector exposure should be limited to no more than 1.5 times the respective sector weighting in the S&P 500 index.
3. Equity issues will be limited to those securities currently traded on an exchange registered with the Securities and Exchange Commission.
4. Large cap equity exposure is targeted at 30% and limited to 40% (at market) of the equity portfolio. Equity REITs are permitted as part of the large cap exposure.
5. Mid/Small cap equity exposure is targeted at 40% and limited to 50% (at market) of the equity portfolio.
6. International equity exposure is targeted at 30% and limited to 35% (at market) of the equity portfolio.

7. Appropriate mutual funds and common trust funds may be utilized at the investment manager's discretion.

#### FIXED-INCOME

1. Fixed income exposure (at market), including obligation of the U.S. government, agencies, or corporations, is targeted at 35% and limited to 45% of the market value of the Foundation. Cash and Money Market holdings are considered part of the fixed income exposure.
2. No more than 10% of the fixed-income portfolio can be invested in any one issue, with the exception of U.S. Treasury and Agency obligations (if more than one advisor manages fixed-income, this restriction applies separately to each portfolio).
3. The Investment Manager shall be responsible for establishing the appropriate maturity schedule for the fixed-income segment. Based on current and expected market conditions, the manager should determine the structure that will yield optimal performance in light of the Foundation's needs. In general, the fixed income portfolio should maintain a relatively short average maturity and duration.
4. Each debt instrument selected for investment shall be subjected to credit analysis prior to inclusion in the portfolio. The minimal rating for corporate bonds A-/A3.
5. Appropriate mutual funds and common trust funds may be utilized at the investment manager's discretion.
6. As the Foundation plans to pay out approximately 4% of the fair market value of the portfolio each year in June, the investment manager will manage cash reserves to meet these anticipated annual distributions.

#### TARGET ASSET ALLOCATION OF THE ACCOUNT

Fixed Income and Cash	35%
Large Cap Equities	20%
Mid/Small Cap Equities	26%
International Equities	19%

The foundation will pay out approximately 4% of the fair market value of the portfolio each year in June, thus, the investment manager will manage cash reserves to meet these anticipated distributions.

## PROHIBITED INVESTMENTS

The following investments are prohibited within the Foundation.

- Private placements
- IPOs
- Futures
- Derivatives for speculative purposes
- Direct real estate investments
- Naked options
- The use of margin
- Short sales
- Other investments that are speculative in nature

Adopted by the WVSU Foundation Board of Directors at its Semi-Annual Meeting October 9, 2015.

  
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President, WVSU Foundation, Inc.

Date: 11-30-15