STOCKTON UNIVERSITY

POLICY

Investment Policy

and is responsible for establishing the Investment Policy and objectives for the University's long-term investment portfolio. The Board has delegated certain of its responsibilities to the Committee and receives periodic reports and recommendations for asset management from the Committee. Additionally, it is the intent of the Board to comply with both N.J.S.A. 3B:20-11.1 *et seq*. known as the "Prudent Investor Act" and N.J.S.A.15:18-25 *et seq.* known as the "Uniform Prudent Management of Institutional Funds Act".

Investment Committee

Oversight for the University's financial assets and portfolio ("Investment Fund") shall be provided by the Investment Committee, as established by the Board's Bylaws. The Committee's responsibilities include:

- Conduct a periodic review of the Investment Policy and provide recommended changes to the Board.
- Ensure the University's Investment Fund is managed within the stated objectives and policies established by the Board.
- Establish a target asset allocation range reflecting the risk tolerance of the Investment Fund.
- In consultation with the President and the President's designees, select or remove Investment Advisors and Investment Managers to achieve the University's objectives.
- Establish overall investment objectives and benchmarks, time horizon, risk tolerance and policies for the Investment Fund.
- Monitor the performance of the Investment Fund and all Investment Managers using specific and

a

portfolio performance and risk characteristics, as well as compliance with investment guidelines, process, and organization.

Investment Advisors

Investment Advisors are responsible for implementing the Investment Policy approved by the University and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the

Adhere to directives from the Investment Advisors or the University to liquidate or transfer assets.

Custodian Bank or Brokerage Firm

For all designated financial assets of the University held at a custodian bank or brokerage firm, the custodian shall:

Provide safekeeping of securities, collect dividends and interest earned, make disbursements, receive cash flows as directed, and provide annual reporting upon request (e.g., System & Organization Controls (SOC) reporting, audited financial statements, credit rating reports).

Provide to the University and the Investment Advisors complete and accurate accounting records including each transaction, a listing of all holdings valued in accordance with industry standards, income flow and cash flow by asset class, investment manager, and total assets.

Monitor and reconcile all trading activity.

Meet periodically with the University, the Committee and/or their designee to report on the University's investment activity and bank organizational issues.

and the need to generate reliable cash flows in support of University objectives. While the University's time horizon is long, from time-to-time markets present opportunities in which the University will seek to take advantage.

Risk: The focus is on overall portfolio risk, recognizing it will be mitigated by asset allocation. However, the University recognizes market-related risks are unavoidable as the Investment Fund pursues its investment strategies.

- Net of Fee Returns: Active and passive investment strategies should be combined to maximize net of fee returns relative to risks incurred in seeking to outperform markets.
- Taxes: The University is a tax-exempt organization. Unrelated businessTaxes: T

withdrawal amidst volatile markets. In addition, a short-term credit facility has been established and can be drawn upon to provide needed liquidity and mitigate the effect of undesirable liquidations. The credit facility can be drawn upon subject to the approval of the President or the President's designees, and must be reported at the next Investment Committee meeting.

The Contingency Reserve of 5% of the overall portfolio balance should be reviewed annually to ensure all liquidity needs of the University can be met.

Section 8: Spending Policy

Authorized withdrawals by the University from the Investment Fund in any fiscal year shall not exceed five percent (5%) of the average annual total market value of the Investment Fund over a trailing five-year period ending June 30th, excluding portfolio additions during the current fiscal year.

The spending limit is established by management and approved by the Board of Trustees as part of the annual budget approval process.

Exceptions to or changes in this spending policy shall be made only upon the recommendation of the President or President's designee and approval by the Boardy Reserve of 5

Risk Tolerance

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns, one must accept higher risk (e.g., volatility of return).

Given this relationship between risk and return, a fundamental step in determining the Investment Policy for the Investment Fund is the determination of the amount of risk the Board and the Committee can tolerate.

A comfort level with investment risk influences how aggressively or conservatively a portfolio can be invested. Like a scale, risk needs to be balanced with the need for returns to achieve the investment goals. The Committee desires long-term investment performance sufficient to meet the objectives in relation to the University's definition of risk. The Committee understands that to achieve such performance the portfolio may experience periods of decline. The Committee further understands that in a severe market, the potential recovery period could be extensive.

The Committee has agreed that they could not tolerate any loss over the investment time horizon of five years. Should the average rate of return of the Investment Fund be worse than 0% over a five-year period, the Committee will conduct a thorough review of the Investment Fund, the Investment Advisors and the Investment Policy and make recommended changes, if any.

Risk Metrics

Clearly defined risk metrics are provided as guidance to the

Policy. The Committee intends to evaluate the performance of the Investment Fund over a three-to-five-year period, and will consider 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 Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

The Committee also will review regularly with the Investment Advisors the performance, risk metrics, 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 will meet on a quarterly basis with the Investment Advisors to review investment results, expected performance, economic outlook, current strategy, organizational characteristics, and investment approach. The Committee may approve investment objectives and guidelines, contract amendments, and/or other special requests of the Investment Advisors. The Committee will review the Investment Advisors, net of fees, against the market benchmark stated herein.

Investment Policy Review

To assure continued relevance of this Investment Policy, the Committee will review this Policy every three years.