Investment Policy Statement
West Chester University Foundation Endowment
&
West Chester University Endowment

Adopted July 29, 2025

I. Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the West Chester University Foundation ("Foundation") in more effectively supervising and monitoring the investment activities of the West Chester University Foundation Endowment ("Foundation Endowment") and the West Chester University Endowment Long-Term Funds ("University Endowment") by:

- Defining the responsibilities of all parties involved in investment decision-making and investing activities.
- Stating in writing the Foundation's and University's expectations, goals, objectives, and guidelines for the investment of the Endowment's assets.
- Creating the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Foundation and the University, including:
    - specifying the investment strategy and target asset allocation policy
    - establishing investment guidelines and diversification of assets
    - specifying criteria for evaluating the performance of the Endowments' assets.
- Promoting effective communication between the designated discretionary Investment Adviser and the relevant parties at the Foundation and the University.[1]

This (IPS) was created by West Chester University Foundation to achieve the stated objectives. In addition to providing a governance framework and management structure for the Endowments. The University Endowment is governed by the Pennsylvania State System of Higher Education (PASSHE) guidelines. The governing document for the University Endowment is PASSHE Policy 1986-02-A ("the PASSHE Policy"), which lays out specific fiduciary requirements and investment constraints. The PASSHE Office of the Vice Chancellor for Administration and Finance has additionally provided University Management with subsequent interpretive guidance regarding the application and implementation of the PASSHE Policy.

A Memorandum of Understanding (dated July 1 6, 2025) and Fiduciary Agreement (dated July 8, 2025) executed between the University and the Foundation provide the basis for the Foundation's governing role and fiduciary duties with respect to the University Endowment. In general, the objectives and management of these two pools will be similar. This Appendix E documents certain distinctions between the two pools and provides clarity on issues that must be considered for management of University Endowment funds.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

[1] The West Chester University Foundation Finance Committee will serve as the principal supervising body with respect to both the Foundation Endowment and the University Endowment.

II. Philosophy

The Endowments' assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with such aims. In managing and investing the Endowments, the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The role that each investment strategy plays within the overall investment portfolio.
- The expected total return from income and investment appreciation.
- The needs of the Foundation and the University to make distributions and to preserve capital.
- Other resources of the Foundation and the University.

As fiduciaries of both Endowments that are governed by this IPS, the West Chester University Foundation Trustees recognize that risk and volatility are present to some degree with all types of investments. However, high levels of risk are to be avoided at the total Endowment level. This is to be accomplished through diversification by asset class, style of manager, sector, and industry limits. Risk control is an important element in the investment of Endowment assets. The investment strategy of both Endowments is to emphasize total return; that is, to preserve the long-term value of the Endowment's capital, while at the same time providing an adequate and consistent amount of income each year to meet the Endowment's current needs. For purposes of a total return investment strategy, "Income" is defined as a percentage of the total value of all investment assets, including interest, dividends, and capital appreciation. Sections VIII and IX in this IPS specifically address the investment objectives, target asset allocations, levels of risk assumed, and permitted ranges for diversification. Appendix E addresses certain investment policies that are specific to the University Endowment.

III. Fiduciary Duty

The assets of both the Foundation Endowment and University Endowment will be invested in accordance with all applicable laws. The Committee will perform its duties in a manner consistent with fiduciary standards. Specifically:

- Duty of care
- Duty of loyalty
- Duty of obedience

IV. Statement of Responsibilities

The Foundation Board of Trustees has governing authority over the Foundation Endowment and, acting under a Memorandum of Understanding and a Fiduciary Agreement between the University and the Foundation, governing authority over the University Endowment. In this capacity, the Trustees retain fiduciary responsibility for the prudent management of both Endowments. They have delegated various responsibilities for directing monitoring, oversight and management of the Endowments and safekeeping of assets to the Foundation's Finance Committee and/or qualified professional experts and service providers. These delegations are summarized below and described in greater detail in Appendix A of this IPS.

A. Finance Committee

The Foundation's Finance Committee is responsible for the broad design, oversight, and implementation of the Endowments' investment activities. To that end, the Committee retains responsibility for the creation and maintenance of the IPS including the establishment of the Endowment investment objectives, time horizon, Policy Asset Allocation, and other requirements and restrictions as it deems appropriate. Further, the Committee will recommend to the Trustees the selection and engagement of a qualified Investment Adviser to provide discretionary management of the Endowments, consistent with this IPS.

B. Investment Adviser

The Investment Adviser will assist the Committee in establishing investment policy, objectives, and guidelines. The Investment Adviser shall have full discretion regarding the establishment and implementation of the Portfolio Asset Allocation (consistent with the Policy Asset Allocation and broad guidelines provided herein). The Investment Adviser will perform other tasks as deemed appropriate and consistent with such discretion or as otherwise directed by the Committee and/or the Board. (To the extent that the Investment Adviser is deemed to be qualified to act as the Custodian for the Endowment assets, the Board may appoint it to perform those functions as a component of a comprehensive services agreement. Otherwise, the Board will designate an independent and qualified Custodian for the holding and safekeeping of Endowment assets as defined below.)

C. Investment Managers

Selecting Investment Manager is the responsibility of the discretionary Investment Adviser as defined in this IPS. The Investment Managers (including mutual funds and commingled investment pools and/or vehicles) selected by the Investment Adviser have discretion to purchase, sell, or hold the specific securities that will be used to meet the investment objectives of their designated portfolios within the boundaries of the restrictions outlined in this Policy and, if applicable, their Adviser-approved mandate. While it is understood that implementation through the purchase of a mutual or commingled fund may not allow the Committee to place restrictions on any aspect of such management, it is expected that such investments employed by the Adviser on behalf of the Endowment will generally comply with the intent of this Policy.

D. Custodian

The Custodian (or through agreement, one or more sub-custodians) will maintain custody of securities, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales by the Committee, the Adviser, or the investment managers. The Custodian will also perform regular accountings of all assets owned, purchased, sold, or transferred, as well as movement of assets into and out of the Endowment accounts and will cooperate on year-end reconciliation of the Portfolios' holdings. The Committee may, at its discretion, appoint the Investment Adviser firm as Custodian if it believes that so doing would be prudent and in the best interests of management of the Endowment.

E. Chief Financial Officer

The Foundation Chief Financial Officer recognizes his/her responsibility to monitor Investment Adviser activities toward the objective of ensuring that the Endowment is managed in compliance with this IPS and the PASSHE Policy (regarding the University Endowment), and that sufficient assets are available to provide cash as needed by the Foundation. The Foundation CFO and his/her staff will coordinate with the Committee and the Adviser on an ongoing basis to ensure that the Portfolio is invested appropriately.

Additional specialists such as attorneys, auditors, or consultants may be employed by the Committee or the Board to assist in meeting the Trustees' fiduciary responsibilities and obligations to prudently administer the Endowments. All reasonable and customary expenses for such experts will be borne by the Endowments as deemed appropriate and necessary and as directed by the Board.

V. Conflict of Interest

If any member of the Committee has, or appears to have, a conflict of interest that impairs or appears to impair the respective individual's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties and considering the duties of care, loyalty, and obedience described above, he or she shall disclose such conflicts and may be required to refrain from participating in particular decisions.

VI. Time Horizon

The Foundation Endowment is considered perpetual, and the endowment will be managed with a "long term" investment horizon of 5-10 years. Similarly, the University Endowment will be managed with a comparable "long term" horizon, subject to the additional provisions described in Appendix E. Investment results will be monitored on an ongoing basis, as described below, to measure attainment of the Endowments' objectives over various time periods, consistent with this IPS.

Endowment funds are established with the understanding that the principal (or corpus) is to be held in perpetuity, providing lasting support to West Chester University through the WCU Foundation. The principal of an endowment is not to be withdrawn or expended under normal circumstances, to honor the long-term intent of the donor and preserve the fund's impact for future generations.

Exception to Perpetuity

In the event of an unforeseen circumstance where a donor requests a withdrawal or modification of the endowment's principal, so that the principal may be used for the benefit of the University and its students, such an action may only be considered under the following conditions:

1. **Mutual Agreement**: The request must be agreed upon by both the original donor (or their legal representative) and the WCU Foundation and in consultation with the University.
2. **Legal Settlement**: Any modification to the terms of the endowment must be documented through a legally binding **Non-Judicial Settlement Agreement**, executed in accordance with applicable state law and Foundation policies.
3. **Redirection of Funds**: Any funds withdrawn must be directed to another purpose or fund within the Foundation, consistent with the donor's broader philanthropic intent, so that it be used for the benefit of the University and its students.
4. **Responsibility for Costs**: All legal and administrative fees associated with the preparation and execution of the settlement agreement shall be the responsibility of the donor utilizing non-Foundation held funds.

VII. Spending Policy

The Foundation employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support spending needs. This policy is designed to insulate spending from capital market fluctuations and increase the amount of return that is reinvested in the corpus of the Endowment to enhance its long-term value.

A Foundation spend rate will be recommended annually by the Committee and by the Board. The recommended rate will be based on an analysis undertaken by the Investment Adviser at the direction of the Committee. The analysis will utilize various spending and capital market scenarios to derive a spending rate that is considered prudent in terms of preserving the corpus over the long term.[2] The rate, once approved by the Finance Committee and the Board, will be applied to the average of the prior 12-quarter endowment balances. This "smoothing" methodology is intended to minimize the impact on the withdrawal of short-term market swings. All endowment gains in excess of spending will be reinvested in the endowment. If the Foundation in consultation with the University determines that there are excess funds in the spending account, it may decide not to withdraw the current year's spendable amount, allowing the endowment to continue growing while the spending account sufficiently supports the following year's needs.

The Foundation endowment is governed by the Pennsylvania Principal and Income Act (PPIA) and Pennsylvania Act 141. Under Pennsylvania Act 141, prudent spending rates are generally considered to be between 2% and 7%. Like the Uniform Prudent Investor Act (UPMIFA) that governs endowments in most states, PPIA allows for spending from "underwater endowments," i.e., endowments whose values are beneath their historic dollar value (HDV). The Foundation's policy regarding Underwater Endowments is provided in Appendix D of this IPS.

The University will establish a spending rate for the University Endowment that will be calculated separately from that of the Foundation Endowment, but which is expected to be comparable in percentage terms and the determination methodology referenced above. The University Endowment spending rate will be developed in coordination with the University CFO.

VIII. Investment Objectives

The purpose of the Endowments is to facilitate the Foundation's and University's ongoing mission while preserving the inflation-adjusted capital base of the invested assets. The following Investment Objectives are established to guide this pursuit.[3]

- **Organizational Objective** - The primary long-term investment objective of the Endowments is to attain an average (as measured over rolling five-year periods, net of investment fees) annual total return equivalent to the Endowments' spending rate, plus inflation (as measured by the Higher Education Price Index – "HEPI") plus a "growth factor" as established by the Committee. The Committee recognizes that this objective may not be attained in every rolling five-year period but anticipates that it should be attainable over a series of rolling five-year periods.
- **Policy Objective** - A secondary long-term investment objective of the Endowments is to attain an average annual return (as measured over rolling three-year periods, net of investment fees) equal to or greater than a broad market "Policy Benchmark" of 70% Equities / 30% Fixed Income with the MSCI ACWI NR Index being the benchmark for the Equities component and the Barclays Aggregate Bond Index being the benchmark for the Fixed Income component of this Policy Benchmark.

[2] In recent years, the spend rate has averaged 3.5%.

[3] The investment objectives listed below pertain to the Foundation Endowment and the University Endowment.

- **Portfolio Objective** – On an interim basis (periods of rolling three years and less), the Endowment portfolios will be expected to generate average annual returns (net of investment fees) equal to or exceeding the "Portfolio Benchmark" defined as the weighted target allocations of the portfolio to various asset and sub-asset classes times (x) an appropriate and approved benchmark reflecting the market-level returns of such asset and sub-asset classes. The "Portfolio Benchmark" will be defined by the Adviser and made available to the Committee in a form substantially similar to that presented in Appendix C.

Peer Comparisons

While the Committee has not established a specific investment objective relative to a predefined group of "peer" institutions, it will regularly review the performance of the Endowment versus various peer institutions. Such comparisons may focus on specific peer institutions as well as a broad peer group of institutions of similar size as well as institutions with comparably positioned portfolios from an asset allocation perspective.

IX. <u>Asset Allocation</u>

The Committee recognizes the importance of clearly reflecting the Endowments' short-term and long- term return objectives and risk tolerances in an asset allocation framework that provides for both "strategic intent" and "effective implementation." To that end, the Finance Committee has established the following asset allocation framework and guidelines to direct the prudent design and implementation of the Endowment portfolios. This framework is intended to assign responsibility and authority for "strategic intent" to the Committee while delegating responsibility and authority for "effective implementation" to the discretionary Investment Adviser within the guidelines established in this IPS.

<u>Policy Asset Allocation</u>

The "Policy Asset Allocation" referenced in this IPS is defined as the Committee-established broad asset allocation guidelines, intended to reflect the strategic return objectives and risk tolerances deemed by the Committee to provide for the prudent pursuit of the Endowments' Organizational Objective. The Committee has established and approved the following Policy Asset Allocation.

Major Asset Class	Minimum (%)	Preliminary Target (%)	Maximum (%)
Total Equities	55	70	80
Total Fixed Income	20	30	45
Diversifying Assets	0	0	20
Cash	0	0	15

<u>Portfolio Asset Allocation</u>

The Portfolio Asset Allocation will be communicated to the Committee in writing at least quarterly in a form substantially similar to **Appendix C – Portfolio Asset Allocation (separately for each portfolio – Foundation Endowment and the University Endowment)**. As defined in this document, the "Portfolio Asset Allocation" shall be the Investment Adviser-established detailed asset allocation employed for the purpose of implementing the Endowments' investment program and will define target, minimum and maximum allocations to approved sub-asset classes within each of the major asset classes defined in the Policy Asset Allocation. The Investment Adviser will propose and maintain a Portfolio Benchmark as defined in the "Portfolio Objective" section of this IPS and in a form substantially similar to **Appendix C – Portfolio Benchmark. In all instances, the Portfolio Asset Allocation established, maintained, and implemented by the Investment Adviser will remain in compliance with the Policy Asset Allocation guidelines established in this IPS.**

Allowable investments for the Foundation Endowment within each of these Major Asset Classes are defined in Appendix B of this Policy. Prohibited securities and transactions are also defined in Appendix B. Additional guidelines that are specific to permissible and non-permissible investments for the University Endowment are provided at Appendix E.

The asset allocation objectives described in this section pertain to the Foundation Endowment *in toto* and to the long-term portion of the University Endowment. While the objectives of the two endowments are similar, and a similar asset allocation is anticipated, investing modalities between the two endowments may differ. Information pertaining to specific investing requirements and constraints for the University Endowment is provided at Appendix E.

X. Operational Guidelines

Liquidity

The majority of Endowments' investments will be limited to marketable and highly liquid securities. Recognizing the perpetual nature of the Endowments and the potential merits of "Illiquid Investments," the Committee **may**, at its sole discretion, consider recommendations by the Adviser to employ such investments in the Endowment portfolios (noting, however, the restrictions placed on investments in the University Endowment as provided at Appendix E). "Illiquid Investments" and the conditions under which they may be considered by the Committee and employed by the Adviser are defined in Appendix B of this IPS.

Diversification / Risk Management

Thoughtful diversification across and within asset classes is the primary means by which the Committee expects the Endowments to accomplish the stated return objectives and avoid undue risk of large losses over long periods of time. To protect the Endowments against unfavorable outcomes within an asset class due to the assumption of large risks, the Investment Adviser will manage risk through thoughtful application of asset allocation, diversification, and rebalancing in accordance with prudent fiduciary practices. Short-term volatility (absolute and relative to Policy and Portfolio Objectives) will generally be expected, though extended periods of negative absolute returns or greater-than-market volatility in periods of negative market returns will be cause for specific review. Investments in any individual security will be limited to a maximum of 5% of Endowment total assets, with this percentage limitation applied separately to the University Endowment and Foundation Endowment.

For the purpose of monitoring risks, the Investment Adviser will provide the Committee a quarterly analysis of portfolio risk metrics for relevant trailing performance periods including, but not limited to:

- Portfolio standard deviation is relative to the Policy and Portfolio Benchmarks.
- Portfolio up/down capture relative to the Policy and Portfolio Benchmarks; and
- Other standard and customary "risk metrics" as may be requested by the Committee.

Rebalancing

Because different asset classes will provide returns at different levels over various time periods, the Investment Adviser will monitor the asset allocation shifts of the Endowments created by such differing performance across asset classes. When allocations are below minimum or more than maximum levels specified in the Policy Asset Allocation, rebalancing will be the responsibility of the Investment Adviser and will be accomplished no less frequently than annually.

Selection of Investment Managers / Products / Funds

The Committee has delegated responsibility for the selection of Investment Managers/Funds, investment products and investment vehicles to the Investment Adviser. All such allocations will be compared to an appropriate benchmark index. The quantitative and qualitative factors to be considered by the Investment Adviser in selecting such providers or products should include, but are not necessarily limited to:

- Total firm assets under management and assets specific to the product of interest;
- Stability and quality of the investment firm and its personnel;
- Fund Manager's tenure with the specific product of interest;
- Historic performance of the Investment Manager's specific product;
- Risk adjusted performance of the product as measured by industry standard metrics;
- Consistency and correlation of the product's investment style;
- Overlap of investment style and/or fund holdings with other Investment Managers; and
- Expense ratios and fees, an analysis of which will be provided by the Investment Adviser to the Committee on a quarterly basis.

Fees and Expenses

The Investment Adviser will be expected to manage the portfolios of the Endowments with sensitivity to the fees incurred in implementing the portfolios. Decisions to employ "active" Managers or funds should be made with a focus on the likelihood of the risk adjusted returns justifying the cost of such strategies. All fees and expenses incurred in the management and oversight of the Endowments will be limited to those deemed by the Committee to be reasonable and necessary to accomplish the prudent management of the portfolio.

The Investment Adviser will provide to the Committee a detailed analysis of all fees and expenses incurred in the oversight and implementation of the portfolios at least annually. This fee analysis will include all direct and indirect fees including the Investment Adviser Fees, Investment Manager/Fund Fees, Custodian Fees and any other fees and expenses incurred on behalf of the portfolio. Further this fee analysis will express such fees on an annualized basis points. Subsequent Investment Adviser decisions that will result in an aggregate net increase in this fee (in basis points) will require Committee approval before such investment decisions may be implemented.

XI. <u>Adviser Evaluation</u>

The Committee acknowledges that fluctuation in rates of return characterizes the capital markets, particularly over short time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate the Investment Adviser's performance on an annual basis with a focus on rolling three-year and five-year periods. The Committee will consider quantitative and qualitative factors in its evaluation of the Investment Adviser.

Areas of assessment include:

- Clear and consistent communication with the Committee regarding Portfolio implementation and investment process
- Overall service level
- Responsiveness to Committee requests and needs
- Overall value of the advisory services
- Overall risk and return of the portfolio relative to Organizational and Policy Objectives
- Overall portfolio performance relative to the Endowments' investment objectives
- Long-term performance of investment management strategies directed by the Investment Adviser

relative to appropriate benchmarks

- Overall ability of the Investment Adviser to monitor existing managers and identify new managers/strategies

Further, the Committee will conduct a detailed review of the Investment Adviser no less frequently than every five years. At its discretion, the Committee may recommend to the Board the pursuit of a comprehensive Request for Proposal process toward the objective of replacing the Investment Adviser. The Committee will exercise appropriate due diligence in overseeing this process.

XII. Investment Policy Review

To ensure continued relevance of the guidelines, objectives, and capital markets expectations as established in this IPS, the Committee will review this IPS every three years, or more frequently as it deems appropriate, and will recommend revisions or updates to the Board for approval. It is not expected that the policy will change frequently, and it is not anticipated that short-term movements in the financial markets will require adjustments to the IPS.

XIII. Communications

The Committee will schedule quarterly reviews of the status of the Endowments' investments and measure progress against the goals, targets and other measurement criteria established in this policy.

XIV. Accepted

The above statement is agreed to and accepted on July 29, 2025.

by: Deborah J. Chase
Deborah J. Chase (Aug 5, 2025 14:56:42 EDT)

Chair, Board of Trustees, West Chester University Foundation

Appendix A –Responsibilities Finance

Committee

The Board has delegated to the Finance Committee ("Committee") the responsibility for oversight of the management of the Endowments pursuant to the terms of this IPS. The Committee may delegate investment authority to a qualified discretionary Investment Adviser that may be retained by the Board. The Committee's responsibilities include, but are not limited to:

- Determine the investment objectives and time horizon, risk tolerance, spending policy and liquidity needs with respect to the Endowments;
- Establish reasonable and consistent investment objectives, policies and guidelines for the investment of the Endowments;
- Select, monitor, and dismiss the Endowments' Investment Adviser(s) and/or Custodian(s) and establish the scope and terms of delegation;
- Review activities performed by the Investment Adviser to hire or terminate investment managers (including allocations of Endowment assets to funds or other comingled vehicles) and to allocate the assets (within permitted ranges) for tactical reasons; and
- Evaluate the Investment Adviser on an ongoing basis as established in this IPS including the performance of a detailed review every five years (or more frequently if needed) to benchmark the services and prices available and present the results to the full board for approval.

Investment Adviser

The Investment Adviser ("Adviser") owes a duty of loyalty to the Foundation to exercise reasonable care to comply with the scope and terms of the delegation. The Adviser's responsibilities include, but are not limited to:

- Educate the Committee and staff regarding the current state of the economy, the capital markets, the implications of expected risk and return assumptions, and the potential impact on the Foundation's investments;
- Act as a fiduciary in the management of the Portfolio;
- Provide discretionary investment management services within the guidelines established in this IPS including decisions to buy, sell or hold investments, alter the asset allocation (within the guidelines established herein and in compliance with the Policy Asset Allocation), rebalance the Endowment and select, monitor and replace individual investment mandates;
- Establish and implement, in its discretion, a Portfolio Asset Allocation that seeks to accomplish the goals stated in this IPS with an emphasis on understanding and managing the investment risks inherent in the Endowment;
- Monitor the individual investment mandates to ascertain (1) compliance with their stated philosophies and styles, (2) any significant changes in ownership, organizational structure, financial condition or senior personnel staffing of the investment management organizations, (3) adherence to the investment guidelines set forth herein, (4) that this information and its relevance to the Endowment is reported to the Committee, and (5) the need to make changes to the Endowment in response to this information;
- Inform the Committee and staff of any material changes in the Adviser's recommended investment strategy and changes in ownership;
- Report investment performance on a monthly and quarterly basis with a summary of all activity which took place during the period and the rationale for any changes to the individual investment mandates or the asset allocation; and

- Meet in person, at least twice annually, with the Committee to review and explain the Endowment's investment results and related information;
- Review the investment program continuously to ascertain its relevance to the changing needs of the Foundation;
- Coordinate with the Foundation CFO to ensure that the liquidity needs of the Foundation and the University are met, while also seeking to remain fully invested to the extent possible;
- Submit Endowment performance and asset allocation data to a Committee-designated third-party performance review service provider in the form and in compliance with the schedule required by such provider;
- Provide an annual analysis utilizing various spending and capital market scenarios to derive information that can be utilized by the Committee in establishing a spend rate for the year.
- Providing the following reporting:
    - Economic and capital market analysis and commentary;
    - Investment performance for each strategy and the total Endowment versus Policy and Portfolio benchmarks and peer groups for the most recent quarter, the fiscal year-to-date, and the most recent one, three- and five-year periods;
    - Performance attribution for the trailing quarter, one-year, three-year and five-year periods;
    - An asset allocation analysis vs. Policy and Portfolio Asset Allocation targets and ranges;
    - Updates on investment managers and strategies as needed; and
    - Recommendations for portfolio changes as appropriate.

Investment Managers

Investment Manager selection is the responsibility of the discretionary Investment Adviser as defined in this IPS. Investment Managers are expected to invest Endowment assets with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with such aims. The Investment Managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy and, if applicable, their specific mandate.

Specific duties and responsibilities of Investment Managers include:

- Managing designated Endowment assets on a discretionary basis;
- Reporting, on a timely basis, quarterly investment performance results;
- Communicating any major changes to economic outlook, investment strategy, or any other factors that affect the designated portfolio; and
- Informing the Investment Adviser regarding any qualitative changes to the investment management organization. Examples include changes in portfolio management personnel, ownership structure and investment philosophy.

It is understood that if implementation is through the purchase of a mutual or commingled fund, the Committee will not place restrictions on any aspect of such management. However, it is understood that mutual funds or commingled funds employed by the Adviser on behalf of the Endowment will comply with the intent of this Policy.

Custodian

The Custodian (or through agreement, one or more sub-custodians) will maintain custody of securities, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales by the Committee, the Adviser, or the investment managers. The Custodian will also perform regular accountings of all assets owned, purchased, sold, or transferred, as well as movement of assets into and out of the Endowment accounts and will cooperate on year-end reconciliation of the Portfolio's holdings. The Committee may, at its discretion, appoint the Investment Adviser firm as Custodian if it believes that so doing would be prudent and in the best interests of the Endowment.

Chief Financial Officers

The Foundation Chief Financial Officer recognizes his/her responsibility to monitor the Investment Adviser activities toward the objectives of ensuring that the Endowments are managed in compliance with this IPS and the PASSHE Policy (with regard to the University Endowment), and that sufficient assets are available to provide cash as needed. Foundation staff will coordinate with the Committee and the Adviser to ensure the Portfolio is invested appropriately. Responsibilities of the Chief Financial Officer include:

- Communicate the duties and responsibilities to those accountable for achieving investment results;
- Forecast the Endowments' spending needs and communicate such needs to the Investment Adviser on a timely basis;
- Make a reasonable effort to verify facts relevant to the management and investment of the Endowments and the PASSHE Policy (with regard to the University Endowment); and

Keep the Committee adequately informed as to the status of the Endowments' investments.

Appendix B - Allowable Investments – Foundation Endowment

Except as otherwise approved by the Committee, investments for both Endowments will be limited to the following securities and instruments[4]:

- **Equities** – "Equities" are broadly defined within this IPS as representing publicly traded common stock, ordinary shares and/or American Depository Receipts (ADRs) in the form of individual securities, exchange traded funds or mutual funds of the US, developed international or emerging market companies. The equity allocation has an investment objective of outperforming an appropriate blended benchmark index. The equity allocation's purpose is to produce a proportionately greater contribution to total return than the fixed income portion of the portfolio, although it is recognized that this involves the assumption of greater risk and return variability. The equity allocation will be broadly diversified regarding geography, economic sector, industry, number of holdings, and other investment characteristics.

- **Fixed Income** – "Fixed Income" is broadly defined within this IPS as individual securities, exchanged traded funds or mutual funds of U.S. Treasury, agency and corporate debt securities as well as securitized debt securities (such as mortgage-backed and asset-backed instruments). Fixed Income may also include emerging markets and high yield bonds and leveraged loans in the form of exchange traded funds and/or mutual funds. The fixed income allocation has an investment objective of outperforming an appropriate benchmark, although performance will be monitored quarterly. The purposes of the fixed income allocation are 1) to contribute to overall return, 2) to control overall portfolio risk, and 3) to provide a hedge against prolonged economic contractions. Money market instruments may also be held in the fixed income allocation.

- **Diversifying Assets** – In aggregate, the objective of these investments will be to avail the Endowment portfolio of opportunities to dampen short-term volatility and/or enhance total return while pursuing the Organizational Objective. "Diversifying Assets" are defined as "any asset which, in substance and/or construction, is NOT itself traditionally recognized as: (i) cash or cash equivalent, (ii) a mutual fund, exchange traded fund or comingled fund intended to represent allocations to equities, fixed income, or cash or (iii) an individual stock, depository receipt, or bond listed on a nationally recognized domestic or international securities exchange.

    - *Illiquid Investments* - To the extent that the Investment Adviser believes the employment of Illiquid Investments [Defined as Diversifying Investments NOT characterized by BOTH: (a) daily updated market value AND (b) full daily liquidity (i.e. can be liquidated in full over a normal [2-3] business day securities clearing and settlement cycle)] are appropriate and prudent components of the Endowment portfolio, such investments will require prior education of and approval by the Committee. The Committee will consider the Adviser's recommendation of the appropriateness of each illiquid investment on a case-by- case basis, taking into consideration the costs, risks, expected returns, liquidity and structure of the investment, in addition to the Endowment's overall allocation to alternative investments and the anticipated benefit that such Illiquid Investment(s) will provide to the portfolio relative to the Organizational Objective and the Policy Objective.

[4] Additional guidance specific to the University Endowment appears at Appendix E.

Prohibited Assets/Transactions:

The provisions of this IPS establish prudent fiduciary standards regarding the discretionary management of the Endowments by a qualified Investment Adviser. The Investment Adviser will agree, in writing and as a "fiduciary," to conduct all matters related to the investments of the Endowments in compliance with this IPS, applicable laws and regulations, and generally accepted practices and standards of prudent portfolio management.

In all respects, the Investment Adviser will be responsible for ensuring that the investments of the Endowments are managed to these standards and for defining, documenting (for Committee approval) and enforcing a list of any securities, assets and transactions that are expressly prohibited in the management of the Endowment. The Investment Adviser will further accept responsibility for ensuring that separately managed accounts, funds, products, or investment vehicles employed are in continuous compliance with this list or that specific exceptions are approved, in advance of purchase, by the Committee.

Appendix C –

Portfolio Asset Allocation, Portfolio Benchmark and Prohibited Investments (Example)

Asset Class	Minimum	Target	Maximum
Equities	**55%**	**70%**	**80%**
- US	-	-	-
- International	-	-	-
- Global	-	-	-
Fixed Income	**20%**	**30%**	**45%**
- Domestic	-	-	-
- International	-	-	-
- Global	-	-	-
Diversifying Assets	**0%**	**0%**	**20%**
- Hedge Funds	-	-	-
- Private Equity	-	-	-
- Comm/Nat. Res	-	-	-
- Real Estate	-	-	-
- Other Div. Assets	-	-	-
Cash	**0%**	**0%**	**15 %**

Portfolio Benchmark

Asset Class	Target	Benchmark
Equities	**70%**	**MSCI ACWI NR**
- US	-	-
- Large Cap		
- Small Cap		
- International	-	-
- Developed		
- Emerging		
- Global	-	-
Fixed Income	**30%**	**Barclays Aggregate Bond Index**
- Domestic	-	-
- High Grade		
- High Yield		
- International	-	-
- Global	-	-
Diversifying Assets	**0%**	
- Hedge Funds	-	-
- Private Equity	-	-
- Comm/Nat. Res	-	-
- Real Estate	-	-
- Other Div. Assets	-	-
Cash	**0%**	**90 Day T-Bill**

Appendix D - Underwater Endowments

The Foundation's Policy on Underwater Endowments governs the management of endowments that have fallen below their HDV (defined as the aggregate value of all contributions to an endowment fund at the time they were made). The Foundation strives to balance the donor's desire to fund program, faculty, and scholarship needs with the commitment to preserve the HDV of endowments.

In the event an endowment falls underwater by greater than 20% of its HDV, an analysis will be undertaken in order to determine future spending distributions. In the event an endowment falls underwater by greater than 25% of its HDV, spending distributions will be suspended until the fund's value rises above the 25% level. Exceptions to this requirement will be rare and can be granted only with the joint approval of the CEO and CFO. Such exceptions will be re-evaluated on an annual basis.

The analysis of endowment funds that are below 20% of their HDV will be based on the following factors:

- duration and preservation of the endowment
- general economic conditions
- possible effect of inflation or deflation
- expected total return from income and the appreciation of investments
- other resources of the Foundation
- investment policy of the Foundation
- level of impairment of the fund
- discussions with the relevant Dean or department head
- the need of the affected fund for continued support
- cash balance available for use by the affected fund
- consultation with the donor (if possible)
- identification of any temporary alternative funding sources

The intent of this policy is to appropriate expenditure so much of an endowment fund as the Committee determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund was established. In doing so the Committee will balance the need to make spending distributions as designated by the donor with the need to preserve the long-term purchasing power of the endowment.

Appendix E - Allowable Investments – University Endowment

The foregoing Investment Policy Statement (IPS) was created by West Chester University Foundation to achieve the objectives enumerated in the IPS "Purpose" section (Section I, page 1). In addition to providing a governance framework and management structure for the West Chester University Foundation Endowment ("Foundation Endowment"), this IPS serves an identical purpose for the separate Endowment maintained by West Chester University ("University Endowment").[5]

In general, the objectives and management of these two pools will be similar. This Appendix E documents certain distinctions between the two pools and provides clarity on issues that must be considered for management of University Endowment funds.

The University Endowment is governed by the Pennsylvania State System of Higher Education (PASSHE) guidelines. The governing document for the University Endowment is PASSHE Policy 1986-02-A ("the PASSHE Policy"), which lays out specific fiduciary requirements and investment constraints. The PASSHE Office of the Vice Chancellor for Administration and Finance has additionally provided University Management with subsequent interpretive guidance regarding the application and implementation of the PASSHE Policy. The information below describes several PASSHE guidelines, together with an explanation of the consequences of those guidelines for management of University Endowment funds consistent with this interpretive guidance.

- The PASSHE Policy requires that any "affiliated organization" assigned to manage funds that are governed by PASSHE must execute a Fiduciary Agreement with the university that controls the funds. Such an agreement was executed between West Chester University and West Chester University Foundation on May 14, 2020. University Management has determined that a separate Fiduciary Agreement need not be executed with outside parties that provide advisory or management services for University Endowment funds on behalf of West Chester University Foundation.

- The PASSHE Policy requires that each university establish "local guidelines" for investment of "Long-Term funds." The foregoing IPS (including Appendices) constitutes the local guidelines that are required under PASSHE for investment of University Endowment Long-Term Funds.

- The PASSHE Policy directs that funds with a Long-Term orientation are to be weighted toward equities. In practice, this Long-Term portion of the University Endowment is expected to be invested in a manner that is substantially similar to that of the Foundation Endowment as reflected in the IPS "Policy Asset Allocation."

- Equity Investments
  - The PASSHE Policy states that equity investments may be held via "Mutual Funds/exchange-traded funds." This is interpreted to include commingled funds of other types, such as LLCs, so long as the commingled funds are diversified.

  - Equity investments must be US dollar-denominated and traded on the New York Stock Exchange, American Stock Exchange, or NASDAQ, including investments in securities issued by non-US corporations. This requirement applies whether securities are held directly, or as part of an investment in a mutual fund, ETF, or other commingled vehicle.

[5] A Memorandum of Understanding (dated April 6, 2020) and Fiduciary Agreement (dated May 14, 2020) executed between the University and the Foundation provide the basis for the Foundation's governing role with respect to the University Endowment.

- The PASSHE Policy places the following capitalization and “safety” limitations on investments in equity securities. These limitations will not apply in instances where such securities are acquired as part of an investment in mutual funds, exchange traded funds or other commingled investment vehicles. The PASSHE Policy requires that investments in equity securities must meet the following requirements:

    - At least five million shares outstanding and at least $100 million in equity market value, and
    - A “3” or better safety rating by Value Line.

- Investments in Real Estate Investment Trusts (REITs) are allowable, so long as they adhere to the guidelines above pertaining to investments in equity securities.

- Fixed Income
    - The PASSHE Policy provides detailed guidance on the types of fixed income securities in which University Endowment Long-Term Funds may be invested. Allowable fixed Income investments include:
        - United States Treasury and United States agency obligations.
        - Corporate Bonds with a long-term debt rating of “Baa2” or better by Moody’s Investors Service, or the equivalent by Standard & Poor’s.
        - Taxable municipal bonds with a long-term debt rating of “A” or better by Moody’s Investors Service, or the equivalent by Standard & Poor’s.
        - Commercial paper, which shall mean unsecured promissory notes issued either in discount or interest-bearing form by a corporation that carries a Moody’s Investors Service “P-1” or “P-2” rating, or the equivalent by Standard & Poor’s, subject to the provisions defined in the PASSHE Policy.
        - Certificates of deposit from commercial banks, provided that any such issuing bank shall be rated “C” or better by Keefe, Bruyette and Woods and be insured by the Federal Deposit Insurance Corporation. No more than 5% of the total long-term investment funds shall be invested in any single issuer of certificates of deposit. There shall not be, at any time, invested in certificates of deposit more than an aggregate of 25% of the total long-term investment funds.
        - Bankers Acceptances, defined as short-term financing agreements secured by the accepting bank and the goods purchased, which shall be limited to banks whose parent companies bear a Moody’s Investors Service “A Rating,” or the equivalent by Standard & Poor’s, on long-term securities, provided that no more than 5% of the total investable long-term funds shall be invested in any single issuer or guarantor of Bankers Acceptances. There shall not, at any time, be invested in Bankers Acceptances more than an aggregate of 20% of the total long-term investment funds.
        - Repurchase Agreements. Such agreements shall require that the underlying collateral be direct obligations of the United States Treasury, and the collateral be in the physical possession of the State System or its agent. At all times, the market value of the collateral plus the accrued interest on the security to date of valuation must equal at least 102% of the invested principal. Additionally, collateral may not have a maturity of more than four years.
        - The Short-Term Investment Fund or the Intermediate-Term Investment Fund of the State System.

        - Except for direct obligations of the United States Treasury, no more than 20% of the investable long-term funds may be concentrated in any single industry nor more than 6% in any single company.

    - Fixed income investments via mutual funds, exchange-traded funds, or other commingled vehicles will be permissible <u>only if</u> those funds or vehicles demonstrate compliance with the detailed guidance on fixed income investments provided herein and further in the PASSHE Policy related to Long-Term Funds.

    - Investments in fixed income instruments of foreign corporations are allowable if the securities are US dollar-denominated and comply with the fixed income investment guidelines set out herein and in the PASSHE policy related to Long-Term Funds.

    - High-yield bonds are outside the PASSHE Policy guidelines on allowable fixed income instruments. Investments in this asset class are not permissible.

- The PASSHE Policy specifically prohibits investment in "commodity futures, margin purchases, short sales, letter stock purchases, or purchase of securities with similar marketability."

- The PASSHE Policy does not permit investments in asset classes other than those enumerated above.