QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.

Investment Policy and Guidelines
For Operating Funds

1. INVESTMENT PHILOSOPHY

The QVCC Foundation's Board of Directors holds the Assets of the Foundation's Endowment Funds to generate earnings on surplus unrestricted operating funds to help support the Foundation's efforts to provide scholarships for the College as well as to respond to the academic needs of the College. These circumstances, which require a growing asset base as well as a growing annual return on that base, dictate the following Investment Philosophy:

a. The primary emphasis of the Investment Policy is to safeguard and preserve the principal of the QVCC Foundation after inflation;
b. The Policy should help provide a payout to be approved annually by the Finance Committee and the Board. There are no planned payouts from these funds, but withdrawals or additions may be made over time;
c. The target real rate of return is after inflation and net of fees and expenses;
d. That these investment objectives must be achieved within acceptable risk parameters relative to the degree of risk inherent in the designated performance benchmarks;
e. The Real Total Return (see below Part 2.a.) is defined as the sum of capital appreciation (or loss) plus current income, i.e. dividends and interest income less investment management fees and expenses, adjusted for inflation;

2. INVESTMENT POLICY

a. The investment portfolio is diversified among asset classes in order to improve performance and lessen investment risk.
b. The projected Liquidity needs for Foundation operating funds will be maintained separate from these funds, however these funds will be invested in liquid, publicly traded securities.
c. While the Foundation is sensitive to the issue of Conflicts of Interest, this policy does not preclude the selection as Investment Manager of any firm or person who has an association or affiliation with either the Finance Committee or the Board of Directors of QVCC. In the event discussions are held with any such firm or persons, the Board

member who is related will not participate in any discussions or votes and clear guidelines to evaluate performance will be agreed upon in advance.

d. The Foundation's Endowment funds will be managed consistent with the standards of prudence as set forth in CUPMIFA—Connecticut Uniform Prudent Management of Institutional Funds Act.

3. **INVESTMENT RESPONSIBILITY**

   a. The Board of Directors of QVCC Foundation has delegated the responsibility for establishing an Investment Policy for all Assets to the Finance Committee. This Policy will be reviewed annually by the Finance Committee and any recommendations for change will go to the Board of Directors.
   b. The Finance Committee is responsible for determining the broad asset allocation among various asset classes, selecting, retaining or termination of Investment Managers and other Professionals, the monitoring of results and the periodic re-balancing of the Portfolio.
   c. The Finance Committee will report to the Board of Directors of the QVCC Foundation at least four (4 times) per year on results of the Foundation's Investment Programs.

4. **INVESTMENT STRATEGIES**

   a. Investments should be made from an intermediate to long-term perspective;
   b. Investments of the Foundation need to be diversified to prevent the adverse effects of over-weighting from any given investment that penalizes the overall portfolio performance;
   c. In order to control risk, the assets of the Foundation should be diversified by asset class and by investment style;
   d. The portfolio shall be managed on a total return market value basis without consideration to tax consequences. Moreover, no investment is permitted that would jeopardize the tax-exempt status of the Foundation or incur penalty taxes under the Internal Revenue Code;
   e. It is expected that the equity-oriented investments will provide higher rates of return and greater appreciation of Principal, while the fixed income investments will reduce the overall volatility of the portfolio. Therefore, a general guideline for the allocation of assets is 30% to 40% in Equities and 60% to 70% in Fixed Income. Within Equities, guidelines and bands for Large and Small Cap, and

International will be set by the Finance Committee and reviewed at least semi-annually. This responsibility may be delegated to an Investment Manager engaged by the Finance Committee to provide such portfolio allocation as part of a comprehensive investment management service.

5. **PERFORMANCE STANDARDS**

   a. The total investment program, along with the Investment Manager and it's component sectors will be judged against appropriate benchmarks as follows:
      i. The total program will be judged against benchmarks weighted according to a static mix of equities, fixed income and cash passively invested in the following benchmark investments, or other measures as the Finance Committee deems appropriate:

         Equities—40% weighting will be benchmarked against the S&P 500;

         Fixed Income—60% weighting will be benchmarked against the Barclays Capital Total US Aggregate Bond Index;

         Cash—any Cash will be benchmarked against the Average Money Market Fund;
      ii. Investment Managers will be measured against an index or indices appropriate for the investment style followed by the manager and peer groups of managers following a similar style of management.

6. **INVESTMENT MANAGER GUIDELINES**

   a. Equity Investments
      i. **Use of Cash Equivalents**: The portfolio should essentially be fully invested. However, the manager is authorized to hold cash equivalents to the extent appropriate for the operations of the Foundation and Market Conditions;
      ii. **Use of Foreign Securities**: The portfolio may be invested in international securities which can be made up of stocks and/or mutual funds, consistent with the allocation ranges approved by the Finance Committee. International Equities shall be oriented toward developed international markets as defined by the MSCI EAFE Index while any Foreign Bonds should be denominated in US Dollars.

iii. **Security Trading**: Security trading should emphasize best execution, i.e. the highest proceeds and the lowest costs net of all transaction expenses.
iv. **Percentage of portfolio to be invested in a single issue**: No more than 5% of equity portfolio may be invested in securities of any single issuer.
v. **Margins:** Trading on margin or leveraging is not permitted.

b. Fixed Income Investments

i. **Percentage of portfolio to be invested in a single issue**: No more than 5% of the fixed income portfolio at Market may be invested in securities of any single issuer other than the US Government and its Agencies.
ii. **Grade of Issues**: Issues purchased shall be largely "Investment Grade" U.S. Debt Issues including securities rated Baa/BBB or better as rated by Moody's and Standard and Poor's or their equivalent.
iii. **Bonds issued by foreign countries**: Bonds and other similar issues by foreign countries or banks may be purchased consistent with the allocation strategies of the selected manager on a market value basis, providing all credit standards are met.
iv. **Trading on a competitive basis**: Trading should be accomplished with a brokerage firms on a fully competitive basis.
v. **Sector Allocation**: With the exception of the US Government and its Agencies, no one sector allocation should exceed 50% of the fixed income portfolio on a market basis.
vi. **Exceptions**: Any exceptions to these guidelines shall be reported in writing by the Investment Manager to the Finance Committee.

7. Review:

The Finance Committee reviews the Investment Policy at least annually and makes revisions as necessary. The Investment Manager and Portfolio performance will be reviewed and monitored quarterly. Performance reports and updates for the full Board will be done Quarterly.

Original: April 2013
Reviewed: November 11, 2014