
INVESTMENT POLICY STATEMENT

For

The Endowed Funds of the

Vermont State Colleges

Amendment Dates
April 14, 2025
March 31, 2017
September 2014

Purpose

The purpose of this Investment Policy Statement (the "IPS") is to assist the Vermont State Colleges (VSC) in effectively supervising, monitoring and evaluating the investment of the Endowed Funds of the VSC system. This IPS supports VSC Endowment Investment and Spending Policy #430.

The IPS represents the prudent investment process that implements the investment goals set by the Board of Trustees. The IPS sets forth the investment structure for managing assets, including appropriate asset classes, asset allocation and acceptable ranges. Together, these investment principles are expected to produce a sufficient level of overall diversification and total investment return over the long-term to meet the investment goals of the VSC.

The IPS is intended to comply with all applicable fiduciary, ethical and due diligence requirements that experienced investment professionals would employ. It will also adhere to all applicable laws, rules and regulations from various local, state, federal and international governmental entities that may impact the Plan's assets. It seeks to be in full compliance with all aspects of the Uniform Prudent Management of Institutional Funds Act as adopted in the State of Vermont.

Background

The VSC holds endowed funds to be managed for the benefit of VSC system. These assets are managed with a long-term time horizon of ten years or greater and are maintained and managed for perpetuity. Within this Investment Policy Statement these assets shall be referred to as the Fund.

Duties and Responsibilities of Involved Parties

The Vermont State Colleges Board of Trustees

The Board is responsible for setting overall Investment Policy and acting on advisory recommendations made by the Finance & Facilities Committee.

The Finance & Facilities Committee of the Board of Trustees

The Finance & Facilities Committee shall be responsible for developing advisory recommendations to the Board. The Finance & Facilities Committee may designate an Investment Subcommittee to assist in its responsibilities. These responsibilities include:

- Fiduciary oversight of the Fund.
- Selecting and overseeing an advisor ("Advisor") for the Funds.
- Investment objectives and policies of the Fund.
- Advising the Chancellor on the selection and retention of asset managers.

- Changes in investment policy, guidelines, and objectives.
- Providing Advisor with any information relevant to the objectives, cash flows, spending policy or risk tolerance of the Funds and any changes to this information.
- Responsibility to exercise all rights, including voting rights, as are acquired through the purchase of securities.

The Chancellor

The Chancellor, or the Chief Financial Officer on behalf of the Chancellor, shall be responsible for implementing and monitoring the IPS, day-to-day oversight of the Fund, authorizing the selection and retention of investments or asset managers, day-to-day communications with the Advisor, authorizing actions as directed by the Board and making decisions not otherwise vested in the Board of Trustees.

The Advisor

The Advisor is a Registered Investment Advisor and shall act as the investment advisor to the Board of Trustees, the Finance and Facilities Committee and the Chancellor until it is decided otherwise.

The Advisor, at the direction of the Chancellor or his designee, may employ either asset managers that actively select securities or utilize index funds or vehicles that passively track an appropriate benchmark index.

The Advisor shall be responsible for:

- Designing and implementing an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
- Advising the Board of Trustees, Finance & Facilities Committee, and Chancellor about the selection of and the allocation of asset categories.
- Identifying specific assets and asset managers within each asset category.
- Providing "due diligence", or research, on the Asset Manager(s)
- Monitoring the performance of all selected assets the advisor consults to.
- Periodically reviewing the suitability of the investments for the Board of Trustees and/or Finance Committee.
- Being available to meet with the Board of Trustees and/or Finance & Facilities Committee at least four times each year.
- Being available at such other times within reason at the Board of Trustees and/or Finance Committee's request.
- Preparing and presenting appropriate reports.
- Assisting in the development and periodic review of investment policy.

The Advisor shall not:

- Have discretionary control of the portfolio.

- Have authority to withdraw funds from the Fund's accounts, except to cover payment of previously agreed to fees or to rebalance the portfolio or at the Board of Trustees or its designee's specific direction.
- Change the investment policy, including the targeted strategic asset allocation, of the Fund without the Board of Trustees prior approval.

The Asset Manager(s)

Each Asset Manager will have full discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Managers shall maintain the general investment style and risk level as stated at time of hiring unless VSC is specifically notified in advance otherwise. Specific responsibilities of the Asset Manager(s) include:

- Implementing discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, periodic investment performance results.
- Communicating any major changes in investment strategy or any other factor which might affect implementation of investment process.
- Informing the Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.
- Voting proxies, unless otherwise directed by the Board of Trustees or the Chancellor.

Selection of Asset Managers

The Chancellor or his designee, after the recommendation of the Advisor, will select appropriate asset managers to manage the fund assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of comparable investments, and reported net and gross of fees.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Maintain minimum assets under management of \$250 million.

Plan Objectives and Time Horizon

Time Horizon

The investment time horizon of the Fund is ten years or greater, as the existence and obligations of the Plan are long term and ongoing. The Board of Trustees may alter this time horizon if factors change making shorter-term liquidity more important.

Risk Tolerances

In establishing the market risk tolerances of the Plan, the ability to withstand short and intermediate term variability was analyzed. The Board of Trustees and Finance Committee recognize that "moderate" risk and volatility, including periods of portfolio declines, must be assumed in order to achieve the long-term investment objective of prudent capital appreciation.

As a general guideline, the assumed risk on Fund assets is targeted to be less than the projected volatility of U.S. domestic equities as measured by the Standard & Poor's 500 Stock Index and greater than a portfolio comprised of 50% of the Standard & Poor's 500 Stock Index and 50% the Barclay's Aggregate Bond Index.

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Performance Expectations

The rate of return on the Fund is expected to meet or exceed the rate of return for the composite of 65%MSCI ACWI and 35% Barclay's Aggregate Bond Index.

Spending Policy

The Board of Trustees has set the annual maximum withdrawal and spending rate to be the lesser of 5% of the current market value or 5% of the average market value over the last three years. Actual spending will be limited by the amount of unspent earnings available at the time the spending allocation is made. Distributions from the Fund will be made as needed.

Strategic Asset Allocation

Asset allocation of the Fund will be determined based on the time horizon, moderate risk tolerances, performance expectations and investment objectives. The structure of the portfolio will follow modern portfolio theory and attempts to maximize return while limiting risk over time. The current allocation grid is set forth in Exhibit A. The asset allocation will be reviewed from time to time, but no less frequently than

once per year. The Board of Trustees may adjust the Target Strategic Allocation in order to meet fund objectives.

Rebalancing of Plan Assets

The value of each asset class will change depending upon asset performance. When necessary and/or available, cash inflows/outflows will be deployed to rebalance the portfolio in a manner consistent with the Target Strategic Allocation of this IPS. Additionally, at the recommendation of the Advisor and with the approval of the Chancellor, the assets will be reviewed quarterly and rebalanced, in order to more closely align with the Target Strategic Allocation.

Asset Managers

The Chancellor may employ either asset managers that actively select securities or utilize index funds that passively track an appropriate benchmark index.

Duties and Responsibilities of the Asset Managers

The duties and responsibilities of each money manager or fund company retained by the Vermont State Colleges include the following:

- Managing the fund assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein.
- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- Passively tracking an appropriate benchmark index.

Investment Policies and Guidelines for the Asset Managers

Every asset manager selected to manage fund assets must adhere to the following investment policy and guidelines. If mutual funds are employed, only those that meet the following relevant criteria shall be selected:

- Equity holdings in any one company should not exceed more than 3% of the market value of the Plan's equity portfolio.
- The manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. Cash is to be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity and return. Nonetheless, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

Brokerage Policy

All transactions effected for the Fund will be subject to the best price and execution.

Monitoring of Asset Managers

Quarterly performance will be evaluated to monitor progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with managers employing similar styles.

On a timely basis the Advisor will assess each asset manager relative to the following:

- Overall adherence to the IPS guidelines.
- Material changes in the managers' organization, investment philosophy and/or personnel.
- Comparisons of the managers' results to appropriate indices and peer groups.
- Comparison of Up/Down market capture ratios.
- Other comparisons as agreed to by the Chancellor and the Advisor.

Review of this Investment Policy Statement

The Finance and Facilities Committee will review these guidelines on an annual basis or in the interim whenever substantive changes to the guidelines are proposed by the Chancellor.

EXHIBIT A

Asset Allocation	Min	Target	Max
US Equity	20%	50%	70%
International Equity	5%	12%	20%
Total Equity	25%	62%	90%
Fixed Income	15%	30%	70%
Alternatives	0%	7%	15%
Cash	0%	1%	50%

Evaluation Benchmarks

Individual investments with asset classes will be compared to the most appropriate benchmark including but not limited to:

Standard & Poor's 500 Stock Index
MSCI All Country World Index
Russell 1000 Large Capitalization Growth Index
Russell 1000 Large Capitalization Value Index
Russell 2000 Small Capitalization Growth Index
Russell 2000 Small Capitalization Value Index
MSCI EAFE Index
MSCI Emerging Markets Index
Barclay's Aggregate Bond Index
Barclay's High Yield Bond Index
JPM Non-US Govt. Index
HFRI Fund of Funds Index – Conservative and/or Composite
Dow Jones Real Estate Index
S&P GSCI

The most appropriate benchmark will be used to evaluate individual manager performance.

Amended and Restated

May 26, 2011
March 31, 2017
July 11, 2024