



**Statement of Investment Policy,
Objectives and Guidelines**

**SRJC Foundation
Board Approved Amendment
November 30, 2023**

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Statement of Investment Policy, Objectives, and Guidelines

Executive Summary

Type of Fund: The Santa Rosa Junior College Foundation is a Non-Profit Corporation, an Auxiliary of the Sonoma County Junior College District.

Time Horizon: Perpetual

Investment Horizon: A minimum period of 10 years for asset allocation modeling.

Real Return Target: A return greater than the rate of inflation by 5.5% net of all investment related expenses.

Time Horizon Return:

- A minimum *average* annual growth rate of the underlying principal (and additions) of at least the rate of growth of the Consumer Price Index over the long-term, after distributions and the payment of all fees.
 - 3.5% Spending Rule
 - 2.0% Administration Expense

Spending Policy: 3.5% of a 5-year moving average of market valuations.

Strategic Policy Summary

| Asset Class | Strategic Allocation | Lower Limit | Upper Limit |
|-------------------------|----------------------|-------------|-------------|
| Global Public Equity | 45% | 35% | 65% |
| Global Private Equity | 10% | 0% | 15% |
| Global Fixed Income | 20% | 15% | 35% |
| Real Assets/Real Return | 10% | 0% | 20% |
| Hedge Funds | 15% | 0% | 25% |
| TOTAL | 100% | | |

STATEMENT OF INVESTMENT POLICY & GUIDELINES

THE SANTA ROSA JUNIOR COLLEGE FOUNDATION

The SRJC Foundation is a non-profit, tax-exempt auxiliary organization headquartered in Santa Rosa, California. The Foundation manages its endowed and operational assets, as well as custodial funds, according to guidelines established by the Board of Directors of the SRJC Foundation.

MISSION

The mission of the Santa Rosa Junior College Foundation is to advance educational opportunities by raising and stewarding funds to support program, scholarships, facilities and special projects of the College. In cooperation with the Sonoma County Junior College District, the Foundation enhances the quality of higher education in the communities we serve.

INTRODUCTION

This statement of Investment Policy and Guidelines is set forth in order that:

- A. There is a clear understanding by the Board of Directors of the SRJC Foundation, the Investment Committee, the Investment Consultant and any appointed Investment Manager(s) of the nature, purpose and goals of the Santa Rosa Junior College Foundation
- B. The Investment Consultant is given guidance regarding the execution of his/her duties on behalf of the Foundation. He/she shall review transactions for conformity to the Objectives and Guidelines.
- C. The Board of Directors of the SRJC Foundation, the Investment Committee and the Investment Consultant have agreed upon a basis for evaluation of the Investment Manager's performance with regard to management of Foundation assets.

It is the intent of this statement to establish an attitude and/or philosophy which will guide the Investment Committee, the Consultant and Investment Manager(s) toward the performance desired. It is intended that the objectives be sufficiently specific to be meaningful, but flexible enough to be practical.

UPMIFA - THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT

It is the intent of the Board of Directors of the Santa Rosa Junior College Foundation to have the Investment Committee follow the provisions of UPMIFA and apply the investment standards of UPMIFA in the management of the fund's investment assets. In managing and investing an institutional fund, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The expected tax consequences, if any, of investment decisions or strategies.
- The role that each investment or course of action plays within the overall investment portfolio of the fund.
- The expected total return from income and the appreciation of investments.
- An asset's special relationship or special value, if any, to the charitable purposes of the institution.
- The needs of the institution and the fund to make distributions and to preserve capital.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
- Except as otherwise provided by law other than UPMIFA, the institution may invest in any kind of property or type of investment consistent with the guidelines of the investment policy.
- The institution shall diversify the investments of an institutional fund unless it reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.
- Within a reasonable time after receiving property, the institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of the investment policy.
- A person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

BOARD OF DIRECTORS OF THE SRJC FOUNDATION

The Board of Directors is charged with the responsibility for the investment of Foundation assets. The Directors shall discharge their duties solely in the interest of the Foundation, with the care, skill, prudence and diligence required by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the SRJC Foundation is authorized to delegate certain responsibilities to professional experts in various fields. The following outlines the delegation of authority and specific responsibilities of various committees and professionals in the management of the SRJC Foundation's assets.

Responsibility of the Board of Directors of the SRJC Foundation

As it relates to the management of investment assets, the Board of Directors of the SRJC Foundation is responsible for:

- Ensuring that the costs are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution.
- Making reasonable effort to verify facts relevant to the management and investment of the fund.

- Approving investment and spending policies for the investment of fund assets.
- Reviewing and monitoring the activity and procedures of the Investment Committee.
- Reviewing and approving selection and retention of an Investment Management Consultant.

Responsibility of the Investment Committee

As it relates to the management of investment assets, the Investment Committee is responsible for:

- Formulating and recommending the investment and spending policies for the fund to the Foundation Board.
- Determining if the overall policies and objectives continue to be appropriate and reasonable and making recommendations for adjustment if necessary.
- Selection and retention of the Investment Consultant.
- Engaging with the Investment Management Consultant to develop strategic asset allocation targets for investment policy and ultimate approval by the Board.
- Reviewing the investment activity of the Investment Management Consultant to ensure adherence to the guidelines as set forth by the Investment Policy Statement.
- Review performance of the fund to stated objectives.
- Review and monitor the performance of the Investment Consultant in managing their responsibilities to the Investment Committee.
- Account for all investment expenses to assure they are appropriate and reasonable in relation to the investment assets. Report this information to the Board of Directors of the SRJC Foundation.

Responsibility of the Investment Consultant

The Investment Consultant's role is that of a discretionary manager to the Investment Committee. Investment activity will be managed by the Investment Consultant and will be consistent with the investment objectives, policies, guidelines and constraints as established in policy.

Specific responsibilities of the Investment Consultant include:

- Assisting in the development and periodic review of investment policy.
- Reviewing the financial markets and the economy in light of the Fund's investment activity.
- Implementing on all matters of investment management in order to prudently guide the Fund in meeting the investment objectives, within the guidelines of the Investment Policy.
- Conducting "due diligence" research on investment managers.
- Hiring and sizing of underlying investment managers.
- Evaluating investment managers in maintaining compliance with the Fund's policies, objectives and risk parameters.
- Terminating of investment managers that are not meeting objectives.
- Implementation of tactical adjustments of the strategic targets for purposes of risk management and/or return opportunity.
- Monitoring the performance of the Total Fund as well as the individual Investment Manager(s).
- Assisting the Investment Committee in the determination, understanding, negotiation and accountability of all fund investment costs.
- Operate and manage without any conflicts of interest.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under their jurisdiction. Specific responsibilities of the Investment Manager(s) include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities within the investment methodology the manager was hired to perform.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect the execution of their investment management duties to the Investment Consultant.
- Informing the Investment Consultant regarding any qualitative change to their investment management organization

GENERAL INVESTMENT PRINCIPLES

- Investments shall be made solely in the interest of the beneficiaries of the Fund.
- The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- The Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities. Preservation of capital is outlined in the Asset Allocation Addendum A, by the probability analysis of keeping the Foundation's principal growing at the assumed rate of inflation over a long-term time horizon net of the targeted 3.5% spending rate.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board of Directors of the SRJC Foundation recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives. The overall portfolios risk aversion is also best illustrated through the asset allocation analysis in Addendum A. Individual securities with higher betas are considered appropriate within the overall portfolio construction when managed by professional investment managers or included in a passive index portfolio.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

LONG-RANGE GOALS

The long-range goals of the Foundation are to provide a reliable source of distributable income, and to have the assets positioned and managed to provide an increasing level of income to offset the anticipated yearly increases in the needs of the Foundation. While the SRJC Foundation expects to be the ongoing recipient of various charitable gifts and bequests, it does not wish to make the meeting of its regular operational expense contingent solely on new contributions. Therefore, growth of income is an important long-range goal.

INVESTMENT OBJECTIVES

The investment objectives for the SRJC Foundation address the Foundation's investment assets, which exclude Doyle Funds. These investment objectives are:

1. A total return of 5.5% (3.5% spending + 2.0% Administration) above the Consumer Price Index (CPI) over the long-term. The Foundation understands that under extremely difficult periods of the capital markets the 5.5% above CPI total return may require a longer time period. This total return requirement will include income from securities, capital gains and losses from transactions and price appreciation on the market value of the underlying portfolio. The return will be adjusted for capital additions received into the Foundation's fund, and for distributions out of the fund. The base return will be after all management, custodial and transaction costs to manage the funds.
2. A minimum *average* annual growth rate of the underlying principal (and additions) of at least the rate of growth of the Consumer Price Index, on a five-year trailing average, after distributions and the payment of all fees. The Foundation understands that under extremely difficult periods of the capital markets this objective may also require a longer time period.

Both the Board of Directors of the SRJC Foundation and the Investment Committee desire that the principal value of the Fund and the income generated by the Fund be managed to at least offset any inflationary pressures on them. This is a relatively conservative approach allowing any Investment Manager(s) necessary tolerances to reasonably safeguard the assets subject to his/her control. The Board of Directors of the SRJC Foundation and the Investment Committee prefer to establish conservative minimum objectives.

SPENDING POLICY

The Foundation's spending policy currently requires a target total return of 7.5% over a five-year trailing period. This total return includes a distribution rate of 3.5%, a minimum average annual growth rate of the five-year trailing Consumer Price Index B, and a 2.0% rate of the Foundation's operating expenses. Unless otherwise specified by the donor, the target distribution rate of 3.5% will be monitored over a trailing five-year period, or the life of the endowment, whichever is less, in reference to the total return achieved by the Foundation Investment Policy and may be adjusted up or down based on this monitor. (The current total return objective is $7.5\% = 3.5\% \text{ distribution rate} + 2.0\% \text{ CPI} + 2.0\% \text{ operating expenses}$). For distribution purposes, contributions of \$500,000 or more to existing endowments will be calculated for immediate payout rather than averaged over 5 years.

RISK MANAGEMENT

The SRJC Investment Committee realizes that there are many ways to define risk. To measure risk for the management of the investment portfolio, a variety of risk measures will be considered and evaluated. These risk measurements will be included in the performance monitoring reports on a quarterly basis.

1. Volatility as measured by Standard Deviation – The volatility of the aggregate total portfolio will be monitored on a 36 monthly rolling period versus the volatility of the Normal Portfolio as defined by a 70% MSCI AC World Equity Index / 30% World Government Bond Index) risk benchmark. The SRJC Foundation investment assets target volatility is to be within a (+ -) 20% range of this risk benchmark as measured by standard deviation.
2. Beta – The Beta of the aggregate total portfolio will be monitored on a 36 monthly rolling period versus the Beta of the MSCI AC World Equity index and the Beta of the Normal Portfolio.
3. Alpha – The risk adjusted returns of the aggregate total portfolio will be measured on a rolling 36 month basis versus the Global Equity Markets (MSCI AC World Equity Index).

LIQUIDITY:

Liquidity is the time to convert a security to cash at little or no loss; maximums are put on each liquidity category based on the overall cash needs of the Foundation. Certain investment strategies have different liquidity characteristics. To better define the liquidity of various investment strategies, the following definitions will apply:

Liquid – Marketable securities with daily liquidity up one-week depending on capital market conditions.

Semi-liquid – Liquidity greater than one week up to one-year. Generally quarterly liquidity including alternative investments with securities in limited partnership structures such as Hedge Funds, Managed Futures and other program structures.

Illiquid - Liquidity greater than one-year. Includes investments in Private Equity, Private Real Estate, Infrastructure and other investments that require a schedule of capital call funding and distributions over a longer than one-year time period.

Considering the various liquidity definitions, the table below will outline the liquidity restrictions for the portfolio at the time of purchase:

| | <u>Maximum % of Portfolio</u> |
|-----------|-------------------------------|
| Liquid: | 100% |
| Semi- | 30% |
| Illiquid: | 30% |

The combined exposure to Semi-Liquid and Illiquid investments shall not exceed 50%.

The above illiquidity budget may be utilized in whichever asset class the Foundation deems appropriate, so long as the asset class weights remain consistent with the guidelines this policy.

ASSET ALLOCATION GUIDELINES

Asset Allocation shall be applied to Investment assets and not include Doyle Funds, Charitable Remainder Funds, Holding Account Funds and any assets held separate from the Investment Assets for specific purpose deemed necessary by the Investment Committee. Asset Allocation shall remain the responsibility of the Investment Committee with the assistance of the Investment Consultant. The overall or Strategic Policy Allocation is set forth in the **Asset Allocation Addendum A**. Strategic asset allocation balances the risk, return and correlation characteristics of different asset classes in an overall investment structure to manage total fund risk and achieve total fund return. Each asset class has different volatility characteristics and is given different weights in the asset allocation model. The purpose of maximum limits to the strategic model is to set risk controls for maintaining the strategic model through volatile markets. Investment Managers will be retained to manage assets of the Fund within the management style of the individual manager and not be subject to these limits. Rather, the Investment Consultant will review the Fund's overall asset allocation quarterly to maintain the strategic policy. As overall policy, the Investment Committee has set forth the following strategic asset allocation:

| Asset Class | Strategic Allocation | Lower Limit | Upper Limit |
|--------------------------------|-----------------------------|--------------------|--------------------|
| Global Public Equity | 45% | 35% | 65% |
| Global Private Equity | 10% | 0% | 15% |
| Global Fixed Income | 20% | 15% | 35% |
| Real Assets/Real Return | 10% | 0% | 20% |
| Hedge Funds | 15% | 0% | 25% |
| TOTAL | 100% | | |

PORTFOLIO RE-BALANCING:

The Total Funds Investment Assets will be re-balanced by the Investment Management Consultant at their discretion. The Investment Management Consultant will consider re-balancing the portfolio when the asset allocation exceeds the maximum allocation allowed. Re-balance activity may also be initiated by the Investment Management Consultant at any time regardless of asset allocation limits. Contributions to Investment Assets or distributions from Investments Assets will be managed in a process to bring the funds as close as possible to the Strategic Asset Allocation. Contribution and/or withdrawals may occur at any time and therefore the Investment Consultant will report at the next quarterly meeting the results of that process.

INVESTMENT RESTRICTIONS

a) Doyle Funds

The Foundation shall possess the flexibility to invest the Doyle Trust funds in accordance with the investment policy statement guidelines governing the broader endowment pool (except where size prohibits), or within the following predefined allowable investments: Cash Equivalents, Certificates of Deposit and U.S. Treasury bonds. It is recognized that these funds may have a shorter term time horizon associated with them, and as a result may be invested in a more conservative fashion when compared to the broader endowment pool. In conjunction with the SRJC Scholarship Committee, the SRJC Foundation Investment Committee will recommend that Doyle Trust funds be invested as deemed fiscally prudent and in accordance with the Frank P. Doyle and Polly O'Meara Doyle Scholarship award distribution schedule. Doyle funds will be segregated from, and monitored separately from, the Foundation's investment assets.

b) Foundation Agency Trust Funds (FATF)

Foundation assets that are earmarked for specific purpose are to be segregated and in separate Foundation Holding Accounts. These assets will not be considered in the Foundation's Spending Policy. Distributions will be made depending upon specific situations and types of securities invested. Multiple accounts may be created for accounting, monitoring and distribution policy purposes. Investments may include those approved for the Foundation's Investment Assets.

c) Foundation Investment Assets

While no strict restrictions have been placed with regard to individual equities, the Investment Managers are asked to be sensitive to the cultural expectations of an institution of higher education.

SELECTION OF INVESTMENT MANAGERS

The SRJC Foundation's selection of Investment Manager(s) must be based on prudent due diligence procedures. The Manager Selection process should include both quantitative and qualitative characteristics. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Investment Committee will use the services of a qualified Investment Consultant to implement the Manager Selection and evaluation process.

Investment Manager Risk Monitoring:

Investment managers are required to maintain prudent diversification and manage the risk of their portfolios. The Investment Management Consultant will maintain responsibility for the evaluation of the diversification and risk management of the investment managers and their continued due-diligence to assure the investment managers are operating according to the stated investment methodology approved by the consultant. In the evaluation and monitoring of investment managers, the following risk factors and exposures will be considered but not be limited to the following:

Equity Managers

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- Diversification in economic & geographic sectors
- Diversification in market capitalization

Fixed Income Managers

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- The overall duration and yield of the portfolio in relation to various specific benchmarks
- Diversification in economic sectors
- Diversification in the type of fixed-income securities
- The quality of the Securities
- The allocation of foreign security investing

Hedge Fund, and Real Asset / Real Return Managers

- Evaluating methodology of security selection and portfolio construction
- Benchmark used for performance evaluation
- Role of manager in the portfolio
- Gross & Net exposure to sub asset classes
- Diversification across investment strategy
- Diversification in economic & geographic sectors
- Leverage utilized
- Liquidity profile

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE INVESTING

Consistent with achieving the applicable investment objectives set forth herein, the Foundation's investment policy will be implemented within a framework that incorporates environmental, social and governance factors as components of the evaluation of the merits of current and potential investments. The Committee considers environmental, social, and governance issues in its decision-making process, while acknowledging that within commingled accounts or mutual funds, it may not have the ability to direct the specific inclusion or exclusion of securities, and that ESG considerations are one of several considerations in retaining or selecting investment strategies.

It is the ultimate responsibility of the Board, based on advice by the Committee or Staff, to ensure that the social and ethical goals of the Foundation are reflected in the portfolio.

PERFORMANCE MONITORING

Performance Guidelines for Total Fund

Performance reports generated by the Investment Consultant shall be compiled quarterly and communicated to the Committee for review. Performance monitoring will focus on the evaluation of the following:

- Spending Policy Benchmark - Net total returns to Policy Goals Example: (CPI + Spending, Net Expenses)
- Composite Benchmark - The aggregate performance of the Total Fund versus the established policy benchmarks. (Made up of a static blend of market indices mirroring the policy asset allocation.)
- Risk Benchmark - The aggregate performance of the Total Fund versus established composite global risk benchmark.

Performance Guidelines for Investment Managers

The goal of each investment manager shall be, but not limited to:

- Meet or exceed the market index, blended market index that most closely corresponds to the style of investment management on a risk-adjusted basis. A record of the benchmark parameters (indices, etc.) used to evaluate each investment manager is included in the quarterly performance monitors.
- Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. Risk will be measured by, but not limited to, beta, alpha and standard deviation of quarterly returns.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve desired investment results. A variety of risk analytics will be applied to the on-going evaluation of the investment managers. The risk analytics will include but not be limited to beta, standard deviation, up and downside capture ratios, drawdown, sharp ratio, alpha and others.

REVIEW MEETING

It is the desire of the Investment Committee to meet quarterly with the Investment Consultant and to communicate semi-annually with any Investment Manager(s) to discuss the following:


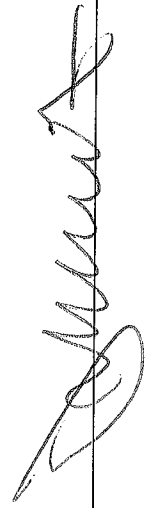
- a) Review of the ongoing investment policy and any changes thought advisable for the coming year.
- b) Develop an understanding of the asset allocation strategy and security selection tactics of any Investment Manager.
- c) Review of the current and anticipated economic environment and its effect on the fund's assets.
- d) Address any major shifts in strategy, which may have taken place since the previous meeting.
- e) Review the performance of the portfolio(s) with respect to the investment objectives and policy.

In addition to the quarterly meetings held with the Investment Consultant, the Investment Committee may conduct six additional meetings for a total of 10 meetings annually for the purpose of additional review as described above (a-e). The committee also reserves the option of meeting in "emergency session" as economic conditions dictate. These meetings will be called by the committee chair and are considered above and beyond other regularly scheduled meetings. Information discussed and decisions or recommendations made will be reported to the Board of Directors of the SRJC Foundation by the Investment Committee Chair. The Investment Committee will conduct an annual review of the services and performance of the Investment Consultant, which may include a competitive analysis.

CONCLUSION

This statement of Investment Objectives and Policy is designed to be used as a guideline to assist the Santa Rosa Junior College Foundation Board of Directors, the Investment Committee, the Investment Consultant and any Investment Manager(s). It should **not** be considered a legal document or contractual obligation. It should be viewed as a flexible document whose purpose is to assist all parties in the management of the Foundation's assets.

The Officers of the Foundation whose signatures appear below adopt this Statement of Investment Policy & Guidelines in November of 2023:

| | | |
|---|------------------------|---------------------------------------|
|  | Date <u>01/17/2024</u> | Chair, Board of Directors of the SRJC |
|  | Date <u>12-7-23</u> | Chair, Investment Committee |
|  | Date <u>12/7/23</u> | Executive Director |