



## Doane University Statement of Investment Policies and Objectives

### Introduction

Doane University (“Doane” or the “University”) is a nationally recognized university offering undergraduate, graduate and doctoral programs through four colleges and one school of integrative learning. The University is committed to academic excellence, innovation, and offers each person in its community a unique sense of belonging. The purpose of Doane University’s Endowment and Similar Fund investments is to support the University’s mission by supplementing the operational budget and providing student scholarships. As such, the Board of Trustees has entrusted the Investment Committee (the “Committee”) with developing and executing an investment strategy that is designed to assure that the Endowment and Similar Funds sustain themselves in perpetuity while providing the capacity to fund the University’s current needs.

Doane University’s investment philosophy combines the goals of total return and preservation of capital with prudent risk tolerance in order to allow investment managers the opportunity to achieve results consistent with its financial objectives. This Statement of Investment Policies and Objectives (“Policy Statement”) is designed to be used as a guide directing the fiduciary oversight activities of the Investment Committee on behalf of the University.

The Committee has elected to outsource the management of its endowment portfolio to a third-party outsourced chief investment office (“OCIO”). The Committee believes an OCIO enhances the resources available to the University in pursuit of its investment objectives and best fulfills the Committee’s fiduciary oversight responsibilities. By separating strategic and investment oversight responsibilities of the Endowment and Similar Funds, the Committee can best oversee the strategic benefit of the Endowment and Similar Funds to the University while holding its OCIO accountable for investment outcomes. The Committee recognizes that investment discretion has been delegated to the OCIO within the parameters defined in Appendix A. This Policy Statement codifies 1) governance structure and responsibilities; 2) investment objectives; and 3) evaluation and review process.

### Scope

This Policy Statement provides guidance for the governance and oversight responsibilities of the Doane University Investment Committee while this Policy Statement is in force. The Investment Committee, in selecting and overseeing the OCIO, shall act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

### Responsibilities

The Doane University Board of Trustees has a direct oversight role regarding all decisions that impact the Endowment and Similar Funds. The Board of Trustees has delegated operating and supervisory responsibility for these assets to the Investment Committee.

The Endowment and Similar Funds (collectively, the “Endowments”) includes two categories of endowments:

- 1) True Endowments: funds received from a donor with the restriction that the principal is not expendable. Amounts above the principal are expendable and are spent per the spending policy outlined in this Policy Statement.
- 2) Similar Funds (Quasi-Endowments): funds that have been established by the Board of Trustees to function like an endowment. The Board of Trustees has discretion over the majority of these funds, and from time to time may authorize the use of these funds for the benefit of Doane University.

The Investment Committee recognizes the responsibility to ensure that assets available for investment are managed:

- Exclusively for the benefit of the University and its mission.
- Prudently and in full compliance with all policies, applicable laws, and regulations. Doane and the financial service professionals it retains shall abide by all federal and state regulations as well as any binding restrictions required by donors related to particular gifts.
- Effectively, so as to enhance the long-term viability of the University.

The Investment Committee's responsibilities include:

- Establishing and periodically reviewing this Statement of Investment Policies and Objectives.
- Selecting, managing, retaining and dismissing outside professionals (e.g. the OCIO).
- Communicating the major duties and responsibilities of the OCIO to whom specific responsibilities have been delegated.
- Monitoring the OCIO's performance on a formal basis, conforming to a predetermined calendar while staying abreast of the OCIO's activities on an informal basis throughout the year.
- Evaluating performance measurement characteristics against benchmarks.
- Monitoring liquidity and risk, establishing appropriate reserves in collaboration with Doane Finance and Administration, and evaluating those amounts annually for rebalancing or as necessary to align with strategic planning of the University.
- Periodically reporting to the Board of Trustees on performance, as well as any other substantive matters.
- Evaluating and approving deviations from this Statement of Investment Policies and Objectives.

The Outsourced Chief Investment Office's responsibilities include:

- Engaging with the Investment Committee in ways consistent with this Statement of Investment Policies and Objectives.
- Managing the Endowments in accordance with the management agreement and other governing documents entered into by Doane University and the OCIO.

### **Conflicts of Interest**

Members of the Investment Committee are charged with the responsibility for recommendations and decisions that in their judgment best serve the long-range interest and objectives of the University and Endowments.

From time to time, the Investment Committee may consider matters in which members of the Committee, or persons affiliated with them, have a direct or indirect financial interest. In order to resolve any questions of conflict of interest, whether real or apparent, the Committee shall adhere to the following procedures:

- Members of the Committee shall disclose to the Board of Trustees any relevant facts that might give rise to a conflict of interest with respect to any matter to be considered by the Committee.
- Members so affected shall abstain from the Committee discussion of any such matters, unless the Committee specifically requests information from them.
- If requested to do so by any other Member of the Committee, the affected Members must withdraw from the meeting during the Committee's deliberations.
- Under normal circumstances, Members or Staff may not be a director of or be employed by firms managing investments for the Investment Funds.
- Members will be required to sign a Conflicts of Interest disclosure statement annually.

### **Investment Objectives**

Clearly defined investment objectives are necessary and appropriate to properly measure and evaluate the success of the investment program. The Committee has agreed upon the following investment objectives which take three dimensions into consideration: return expectations, risk tolerance, and liquidity:

- The primary return objective of the Endowments is to achieve a total rate of return, over rolling ten-year periods, which exceeds the rate of inflation (as measured by the Consumer Price Index) by five percentage points (500 basis points) per year on average, net of all fees and expenses.
- The secondary return objective of the Endowments is to outperform the passive portfolio representative of the asset allocation of the Endowments, over rolling five-year periods, net of all fees and expenses.
- The tertiary return objective of the Endowments is to rank in the top quartile of university peers as represented by the annual NACUBO Survey of Endowments and comparable OCIO firms, over rolling five-year periods, net of all fees and expenses.
- The Committee recognizes the tradeoff between maximizing long-term returns and the likelihood of periodic market declines in pursuit of that objective. Assets should be diversified to reduce the probability of excessive performance volatility and to protect against large investment losses. The Committee is willing to accept a risk posture in the asset allocation of the Endowments that could lead to short-term declines in market value of 20% to 30%.
- The Endowment and Similar Funds have different liquidity requirements based on the extent of the Board of Trustee's discretion and donor perpetuity restrictions. Despite this, the Endowments are invested for the long-term and shall have commensurate liquidity in terms of both the portfolio and the University's access to its capital. The Committee views portfolio liquidity as a function of the pursuit of the Endowments return and risk objectives. Access to the Endowments should be appropriate to meet the University's operating support needs while enabling the OCIO to invest in pursuit of the other enumerated objectives.

### **ESG Considerations**

The Investment Committee has agreed upon a framework that integrates environmental considerations into the management of the Endowments in a way that aligns with the Committee's fiduciary duty to manage the Endowments in line with the investment objectives laid out in this Policy Statement. The Endowments shall make no new direct fossil fuel investments, defined as public or private companies that own fossil fuel reserves, or extract or provide services related to the extraction of fossil fuels.

### **Spending Policy**

The spending policy of the True Endowment is to expend up to a maximum of 5% of the three-year December 31<sup>st</sup> moving average of the unitized market value of the fund. This policy is designed to maintain a predictable contribution to the operations of the University regardless of the return to the fund in any one year.

The spending policy of the Similar Funds is to expend up to a maximum of 5% of the four-quarter moving average of the unitized market value of the fund.

The Committee will review this spending policy annually to ensure its continued appropriateness in light of the University's objectives, financial performance, and market environment.

### **Evaluation & Review Process**

The Committee seeks to engage with the OCIO on a regular basis and in a way which furthers the Committee's understanding of the OCIO's work on the University's behalf. As such, the Committee has the following expectations of its members and the OCIO:

- The OCIO shall attend annual, in-person meetings on Doane University's campus.
- Members shall participate in OCIO-hosted events, both in person and telephonically, which could include quarterly performance calls and investor conferences.

- The OCIO shall provide quarterly reports regarding the Endowment, delivered in a timely fashion, to be reviewed by Committee members.
- The OCIO shall provide ad hoc supplemental reporting and analysis, as appropriate.

During its interactions with Committee, the OCIO will discuss:

- Investment performance and risk levels in light of stated policies, objectives, and market conditions.
- Views of important developments within the economy and securities markets, and potential effects on the investment strategy, asset allocation and performance.
- The effects of manager changes within the Endowments.
- Proposed amendments to the guidelines and investment policies contained in this Statement.

The Committee will review investment performance on a quarterly basis, recognizing that a reasonable time horizon for evaluating investment performance shall be long-term (five to ten years). In its quarterly review process, the Committee will review the following:

- Asset allocation relative to the capital market outlook and risk and return objectives.
- The extent to which the Endowments are being managed consistent with the stated investment philosophy.
- Adherence to the guidelines and investment policies contained in this Statement.
- The performance and risk profile of the Endowments to determine whether objectives are being met.

The Committee will review the Statement of Investment Policy and Objectives annually during the winter meeting of the Investment Committee to determine if it continues to be appropriate in light of changes within the Endowments, the University and the capital markets.

The Committee will conduct a formal review of its outsourced chief investment office every five years to assess 1) investment performance against goals and objectives; 2) organizational strength and stability; and 3) investment strategy and implementation. As part of this review, the Committee will also seek to compare investment performance against other leading firms.

### **Required Document Approvals**

Agreed to and Accepted by the Board of Trustees on May 20, 2020.