Board of Trustees Policy Number: BTRU 1.06	**Date of Adoption/Revision: June 3, 2016**

SUBJECT	Investment Policy
AUTHORITY	Board of Trustees
APPLICABILITY	All Bennett College managed investments
PURPOSE	The purpose of this policy is threefold: a)to protect the principal of gifts to assure continuation of the College's mission; b) to obtain a stable investment return that provides cash flows to meet the scholarship, educational support and other needs of the College; and c) to obtain growth of investments to mitigate the effects of inflation on the assets.

POLICY	The Bennett College Board of Trustees has overall fiduciary responsibility to ensure that all investable assets are invested prudently and in conformance with the North Carolina Uniform Prudent Management of Institutional Funds Act and with the requirements, if any, of the donor. The Board of Trustees delegates the authority to oversee the implementation of all investments to the Board appointed Investment Committee.
PROCEDURES	• The primary investment objective is to use a total return approach while exercising the degree of prudence and fiduciary care required for endowment funds of this type. • The Investment Committee will review the asset allocation policy as the needs of The Fund change. The target asset allocation will be based on The Fund's anticipated cash flow needs for the next year and the anticipated additions to and withdrawals from The Fund for the current year. • The target-spending rate will be five (5.0%) percent of the previous three (3) fiscal year-end average investment fund balances. The Board of Trustees will review and approve these withdrawals at least annually. • New monies designated for The Fund shall be invested following the strategy described in the guidelines. All gifts of liquid securities will be liquidated immediately upon

	receipt and invested according to the asset allocation in place at that time. If suitable, gifts may be immediately used for cash flow needs as the wishes of the donor may dictate and as determined by the College. • Specific guidelines for the criteria for management and reporting of all investment activities are provided in Appendix A of this policy.

Replaces policy: *Date*

APPENDIX A

BENNETT COLLEGE
INVESTMENT GUIDELINES

Investment Guidelines were established to assist with the management of the Investment portfolio, hereafter referred to as (The Fund) of Bennett College. These policies and guidelines apply to unrestricted and restricted funds of the College. The ultimate responsibility for managing The Fund shall rest with the Bennett College Board of Trustees (Board).

GENERAL INFORMATION AND DISTRIBUTION POLICY AND GUIDELINES

- The Fund is a tax-exempt fund established to provide income for the support of the mission of the College.

The guidelines address the need for future growth, inflation adjustment and spending requirements of The Fund's assets.

- The primary investment objective is to use a total return approach while exercising the degree of prudence and fiduciary care required for endowment funds of this type.

- The Investment Committee will review the asset allocation policy as the needs of The Fund change. The target asset allocation will be based on The Fund's anticipated cash flow needs for the next year and the anticipated additions to and withdrawals from The Fund for the current year.

- The target-spending rate will be five (5.0%) percent of the previous three (3) fiscal year-end average investment fund balances. The Board of Trustees will review and approve these withdrawals at least annually.
- New monies designated for The Fund shall be invested following the strategy described in the guidelines. All gifts of liquid securities will be liquidated immediately upon receipt and invested according to the asset allocation in place at that time. If suitable, gifts may be immediately used for cash flow needs as the wishes of the donor may dictate and as determined by the College.
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DELEGATION OF AUTHORITY AND RESPONSIBILITY:

The ultimate responsibility for managing The Fund shall rest with the Bennett College Board of Trustees (Board). The Board has the fiduciary responsibility to invest The Funds prudently for the benefit of the College, as defined in the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board has delegated responsibility for the College's investments to its Investment Committee. The primary function of the Committee is to develop and recommend to the Board investment related policies as it deems appropriate for the benefit of the College.

Members of the Investment Committee shall not have or appear to have a conflict of interest that impairs or appears to impair the member's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties.

Duties of the Investment Committee:

- Will make regularly scheduled reports to the Board of Trustees by the committee chair.

- Will review the investment policies and make appropriate changes as necessary to meet the needs of the College.

- Will review the asset allocation policy and determine appropriate asset allocation ranges for the approved asset classes.

- Will set relative performance objectives for The Fund and review The Fund performance against the established objectives as well as set the risk level deemed suitable for The Fund.

- Establish and propose to the Board the spending policy for The Fund.

- Will retain highly qualified investment advisor(s) who will report to the Committee on their work under these policies as part of fulfilling the College's fiduciary responsibilities. The advisor(s) will assist with investment strategies, asset allocations, market trends, investment manager(s) and custodian selection, manager and custodian evaluation criteria, investment performance evaluations, and any other appropriate matters.

- Will review the work of the investment advisors as it relates to the stipulations of these guidelines.

- Will select and change investment managers, fund custodians and the investment advisors for The Fund as the Committee believes best fulfills these guidelines.

- May delegate authority to the investment advisor to make manager changes and or asset allocation shifts in the portfolio, within the bounds of this investment policy statement. Any such changes made by the investment advisor will be promptly communicated to the Committee.

RESPONSIBILITIES OF INVESTMENT MANAGERS

In general, the primary responsibility of each Investment Manager is to act as a "prudent expert" by investing in assets in accordance with the investment policies described in this document and in accordance with its own judgments concerning relative investment values. Each Investment Manager is responsible for making investment decisions in a discretionary manner, within the asset allocation guidelines established by the Board of Trustees through the Investment Committee.

The specific duties and responsibilities of each Investment Manager include:

- Managing the assets of The Fund within Investment Policies and Guidelines.

- Exercising investment discretion in regard to buying, managing and selling assets held in the portfolio, subject to any restrictions contained in this investment policy.

- Maintaining all state and federal registrations necessary to manage the assets of The Fund.

- Notifying The Fund of any legal action taken against the manager(s), any arbitration involving the manager(s), or any judgments against the manager(s) or any of its employees.

- Keeping records of all proxy votes if the voting of such is their direct responsibility.

- Providing quarterly performance reports that are within the industry standards and in a format that is acceptable to the Investment Committee.

INVESTMENT ADVISOR RESPONSIBILITIES:

The primary role of the Investment Committee's Investment Advisor is to provide objective, third party advice and guidance.

The specific duties and responsibilities of the Investment Advisor are:

- Assisting the Investment Committee in making well informed and educated decisions regarding the investment of Bennett College assets.

- Assisting the Investment Committee in the development of investment policy guidelines that reflect the Committee's tolerance for risk and rate- of-return objectives.

- Assisting the Investment Committee in the development of an Investment Manager structure that provides adequate diversification with respect to the appropriate number and types of Investment Managers.

- Assisting the Investment Committee with identifying the appropriate benchmarks and manager style groups for manager comparisons.

- Maintaining proper due diligence on a database of qualified Investment Managers for use within the fund.

- Assisting the Investment Committee in monitoring each Investment Manager and the total fund on an ongoing basis.

- The Investment Committee may grant discretion to the Investment Advisor for responsibilities such as manager selection, asset allocation and/or portfolio rebalancing within the guidelines of this document. Any such discretion will be clearly documented and agreed upon by the Investment Committee and the Investment Advisor.

INVESTMENT CRITERIA:

The objectives of Bennett College Endowment Funds are to maximize return within reasonable and prudent levels of risk. Bennett College seeks appreciation of assets, inflation adjustments and spending requirements under these policies. In accordance with this policy, The

Fund will seek to diversify across appropriate asset classes and styles in order to achieve a diversified portfolio.

As a general guide, the implementation of the asset allocation will follow the Consulting Group's (or successor) Global Investment Committee tactical recommendations for moderately conservative to moderately aggressive portfolios. Specific choices will be based on guidance about the market outlook contained in the monthly Research Report of the Consulting Group, Global Investment Committee.

ASSET ALLOCATION:

The strategic asset allocation policy may use any of the following broad asset classes:

- Domestic Equities
- Foreign equities from developed and emerging economies
- Fixed Income (Domestic and Foreign)
- Cash Equivalents

In addition, the following investments may be considered for The Fund:

- High Yield Bonds
- Alternative Investments
- Real Estate Investment Trusts

EQUITIES

The equity allocations may include the following styles. Additional styles may be approved as the Committee decides.

DOMESTIC LARGE CAPITALIZATION EQUITIES GROWTH ACCOUNT:

This asset class seeks to provide capital growth by investing primarily in common stocks and securities convertible into common stocks. The manager should invest in equities with long-term growth potential. Growth may be considered either appreciation of the security itself or growth of the company's earnings or gross sales. Any income will be entirely incidental to the objective of capital growth. Securities considered for this portfolio will normally have price-to-earnings ratios that are higher than the market average and dividend yields that are less. The appropriate benchmark for this portfolio is the Russell 1000 Growth Index.

DOMESTIC LARGE CAPITALIZATION EQUITIES VALUE ACCOUNT:

This investment type seeks to provide appreciation of the asset base by investing primarily in common stocks of companies that are under-valued by the market. Value may be considered either on a relative low price-to-earnings multiple, out-of-favor industries with future appreciation potential, special situations in which companies are temporarily out of favor in the market, but are still quality firms, or firms whose value has not yet been recognized by the market. Typically, value investing generates a portfolio with a higher dividend yield than the market and a corresponding lower price-to-earnings ratio. The appropriate benchmark for this portfolio is the Russell 1000 Value Index.

SMALL AND MID CAP GROWTH DOMESTIC EQUITIES ACCOUNT:

This portfolio is intended to be invested in smaller rapidly growing companies. Excessive volatility is acceptable given the potential for long-term returns. The appropriate benchmark for this portfolio is the Russell 2000 Growth Index.

SMALL AND MID CAP VALUE DOMESTIC EQUITIES PORTFOLIO:

The purpose of this portfolio is to provide exposure to smaller established corporations for return and diversification. Value may be determined by low P/E multiples, low price-to-book multiples, or any other common means of valuation deemed prudent. The appropriate benchmark for this portfolio is the Russell 2000 Value Index.

SMALL CAP CORE EQUITIES

Given the relatively small allocation to small cap equities, either growth or value, the Investment Committee may decide to combine the approaches with a single small cap core manager. The appropriate benchmark for this portfolio is Russell 2500 or 2000.

FOREIGN/INTERNATIONAL EQUITY ACCOUNT:

The objective for these securities is the same as for domestic equities, appreciation and income from either growth or value strategies. Generally, the allocation to equities from developed countries will predominate over equities from emerging markets, reflecting the greater volatility of emerging market equities. The additional risk factors of foreign stocks (currency risks, political risks, liquidity risks) should be weighed against the increasing importance of foreign economies and the relatively high, long term growth rates of emerging markets. The appropriate benchmark for developed countries equities is Morgan Stanley Capital International All Country World Excluding US (MSCI AC WD xUS) Index and emerging markets Morgan Stanley Capital International Emerging Markets (MSCI EM) Index.

FIXED INCOME:
Security types may include:

- U. S. Government Securities
- U. S. Agency Securities
- Corporate Securities
- Mortgage-Backed Securities
- Certificates of Deposit
- Preferred Securities
- International securities, from developed and emerging countries
- High Yield Securities

The fixed income securities of The Fund should be well diversified, provide a dependable source of income, and reduce the volatility of The Fund. Taken as a whole, the rating of the securities should be at least an "A". The average maturity should be less than ten (10) years. High yield securities and international securities, taken together, should make up no more than ten (10%) percent of The Fund. Performance should be measured against the Barclays Aggregate Bond Index.

INVESTMENT GRADE FIXED INCOME ACCOUNT:

The purpose of this account is to provide diversification and a highly predictable, dependable source of income. Fixed instruments should reduce the overall volatility of the account's assets and provide a deflation hedge. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total Fund. The funds within this portfolio are not necessary for the immediate operation of Bennett College. Prudent total return consisting of both capital appreciation and interest income is expected from the manager(s). Liquidity will be managed through the use of readily marketable securities and adherence to the fixed income specifications outlined in the Investment Polices and Guidelines.

HIGH YIELD FIXED INCOME ACCOUNT:

The funds within this portfolio are designed to complement the other allocation to fixed income and shall be limited to five (5%) percent of the total Fund. The investment advisor will diversify high yield fixed income securities shall be diversified appropriately among issues and sectors to avoid unnecessary risk from any single issuer or industry.

ALTERNATIVE INVESTMENTS PORTFOLIO:

Alternative investments represent an approach that seeks to provide diversification through innovative and flexible strategies such as the ability to short, add leverage and hedge. Investments in such vehicles are expected to provide diversification. They may reduce volatility or seek greater appreciation.

Diversification standards within each investment vehicle shall be according to the prospectus or trust document. Investments in these vehicles carry special risks. The Fund may utilize speculative investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. The Fund may invest in illiquid securities for which there is no ready market, and place restrictions on investors as to when funds may be withdrawn. There is no single benchmark for alternative investments.

REAL ESTATE SECURITIES PORTFOLIO:

To achieve diversification, the Fund may invest in a portfolio of real estate holdings through Real Estate Investment Trusts (REIT). Real estate holdings shall be diversified by property type, geographic area and management structure Investments in Refits should not exceed 10% of the Fund. The appropriate benchmark for this portfolio is the National Association of Real Estate Investment Trusts (NAREIT).

REBALANCING PROCEDURES:

One essential component of a strategic asset allocation policy is the development and use of rebalancing ranges for the target allocation. Each asset class shall fall within a range of value as designated below. This range shall be examined regularly, but not less often than quarterly, for allocations within tolerance levels. The Fund should be rebalanced whenever an investment style's actual allocation deviates significantly from its tactical target allocation.

Asset Allocation Ranges

	Min	**Target**	**Max**
Broad Allocation Targets			
Total Equities	50%	65%	80%

Total Fixed Income & Cash Equiv.	20%	35%	50%

Allowable Asset Class Ranges

Large-Cap US Equities	15%	25%	35%
Mid- and Small-Cap US Equities	5%	10%	15%
Developed International Equities	10%	20%	30%
Emerging Markets Equities	5%	10%	15%
Cash and Equivalents	0%	2%	15%
Investment Grade Fixed Income	15%	30%	45%
High-Yield Fixed Income	0%	3%	5%
Alternative Investments	0%	0%	15%

Alternative Investments and REITS may be added to The Fund by the Committee. Target allocations for other asset classes will be reduced.

<u>PERFORMANCE STANDARD</u>:

Benchmarks for various asset classes are as follows:

Large Cap Growth Domestic Equities	Russell 1000 Growth
Large Cap Value Domestic Equities	Russell 1000 Value
Small Cap Core Domestic Equities	Russell 2000
Foreign Equities	MSCI-AC WD X US
Emerging Markets	MSCI EM
Intermediate Fixed Income	Barclays Credit
Alternative Investments	None
High Yield Fixed Income	Barclays High Yield
Bond	
Real Estate Investment Trusts	(REIT) NAREIT

The primary purpose of The Fund is to achieve a rate of return that is above the combined rate of inflation and spending rate of the College. This measure of effectiveness shall be calculated over a full market cycle or a rolling five-year period.

The Committee will measure all accounts against the appropriate benchmark(s). Performance is expected to be in the upper third of comparable managers over a five-year period. The manager should, over the same rolling five-year period as above, achieve risk-adjusted returns that demonstrate value in excess of those obtained by the passively managed indexes mentioned above. (Example: A manager who takes equal risk, as measured by their standard deviation, to the index but under-performs on a total return basis will be deemed as not having added value.) Risk measurements will be obtained by observing long-term statistics including alpha, beta, standard deviation, and a Sharpe ratio.

COMMUNICATIONS:

Each investment manager is required to provide The Fund and its investment advisor with periodic investment information as follows:

Quarterly:

- Time weighted rates of return for the quarter, YTD and since inception.
- Performance commentary that describes elements of quarterly performance to the sources of return.
- Strategy statement that describes current portfolio strategies.

As Develops:

- Any organizational developments that address changes to manager's organization, investment philosophy, decision-making process, financial condition, ownership or professional staff.

Pooled Funds:

The Fund recognizes that mutual funds/commingled funds guidelines are established by their trust documents/prospectus and that the Investment Guidelines have no bearing on fund policies. However, the Investment Committee expects that the Investment Advisor/Consultant will inform the Investment Committee if the trust document/prospectus or any such fund conflicts with the investment policy and guidelines.

EQUITY REQUIREMENTS:

Individual issues may not exceed five (5%) percent of the portfolio at cost per issuer unless the Investment Committee approves an exception.

No more than twenty (20%) percent of the portfolio may be invested in a single industry.

FIXED INCOME REQUIREMENTS:

Cash requirements will be set by the Office of Business and Finance during the fiscal year.

The Fixed Income Portfolio should be “A” rated or better.

<u>GENERAL REQUIREMENTS</u>:

Discretion will be given to the manager to buy and sell securities as a fiduciary on the behalf of The Fund.

Quarterly performance reports must be sent to The Fund and to the advisor within thirty (30) days following the quarter end.

<u>ASSET ALLOCATION AND RE-BALANCING PROCEDURES</u>

The Investment Committee will review the strategic allocation in each class, as well as the allocation to various approaches of managers within these classes, at least annually.

Cash flows into and out of the portfolio (i.e., new gifts and spending) shall be allocated to the investment managers each month in a manner that will rebalance the portfolio consistent with asset allocation policies. Rebalancing the fund will follow the strategic guidance of the Committee. Asset allocation reports will be provided to the Committee on a quarterly basis.

<u>PERFORMANCE MEASUREMENT, MONITORING AND EVALUATION</u>

Performances will be calculated on a quarterly basis by the Advisor.

In addition to reporting time-weighted total returns for each manager, a comparison is made with relevant market benchmarks as well as the composite returns for other money managers with similar philosophies. Managers should add value above these benchmarks over the long term. Reports will include historical data in order to evaluate short-term results against longer-term strategies.

<u>GUIDELINES FOR CORRECTIVE ACTION</u>

Corrective action should be taken as a result of an ongoing Investment Manager’s review process. The following are instances where corrective action or termination may be in order:

- Major organizational changes in a firm, including any changes in portfolio managers, may require a new contract and interview process. Failure on the part of the Investment Consultant/Advisor to notify the Investment Committee of such changes is grounds for termination. At all times, communication with the managers should be open and informative. Investment Consultant/Advisor should be willing and able to meet at least annually with the Committee.

- As part of the overall asset allocation strategy, the Committee will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee at the time they are engaged. Any significant changes in investment approach may be grounds for termination.

- The Committee will not, as a rule, terminate a manager on the basis of short-term performance. If the organization is sound and the firm is adhering to the style and approach, the Committee will allow a sufficient interval of time over which to evaluate the performance. The Committee's consultant/advisor will provide insight regarding the appropriate length of time. The manager's performance will be viewed in light of the firm's particular style and approach, keeping in mind at all times The Fund's diversification strategy and other organizational and relationship issues.

- Investment Managers may be replaced at any time as part of the overall restructuring of The Fund.

- Other events or circumstances that are deemed to be in the best interest of the College.

ENDOWMENT SPENDING GUIDELINES

Generally, the College will allocate five (5%) percent of the three (3) year value of the Fund for spending. The Investment Committee may make exceptions.

GIFT ACCEPTANCE POLICY (Bennett College Policy 8.01)

It is anticipated that from time to time the College will receive gifts in the form of marketable securities. In such event, the Investment Advisor in consultation with the Office of Business and Finance and the President will liquidate the securities as soon as possible. In the event that the securities are restricted from sale for a designated period of time due to regulatory reasons, the College will hold said securities until the restricted period has elapsed and then liquidate the securities as soon as possible thereafter. The College will make no attempt to add value to The Fund by holding gifted securities.

CUSTODIAN AND DEPOSITORY ACTIVITIES

The custodian and depository activities for The Fund, including agreements with any banks for the temporary, short-term investment of cash and equivalents, will be subject to annual review by the Investment Committee to assure that the College is receiving competitive rates and services.

This Investment Policies and Guidelines have been formally adopted by the Board of Trustees of Bennett College effective as of the date shown below. This policy statement will replace any and all existing investment policies for the College.

This policy and guidelines were approved by the Bennett College Board of Trustees on June 3, 2016.