



INVESTMENT POLICY STATEMENT¹

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I. Purpose

The investment policy statement was adopted by the Trustees of the Phi Kappa Psi Foundation to direct the investment portfolio in a manner consistent with the investment objectives stated herein. The Trustees have delegated financial oversight of the Foundation's investment portfolio to the investment committee (*The Committee*). The Trustees and The Committee recognize the need for the Foundation to support current operations of the Foundation and to focus on the long-term growth of assets. While shorter term investment results will be monitored, adherence to a sound long-term investment policy which balances short-term spending needs with preservation of the inflation adjusted growth of assets is crucial to the long term success of the Foundation. The investment policy statement shall be used by The Committee in its duty to oversee the investment portfolio and by any Foundation Investment Manager(s).

II. Objectives

The primary objective of the Foundation's investment portfolio is conservation of capital. Additionally, the funds should earn sufficient income to support current operations of the Foundation and to focus on the long-term growth of assets.

The target return should be at least 5% plus the rate of inflation annualized over a market cycle.

III. Status and Duties

The Investment Committee should be comprised of a minimum of 2 (two) members of the Foundation's Board of Trustees. The Investment Committee is responsible for establishing the overall investment policy. This responsibility includes investment strategies, oversight of the Investment Manager(s), monitoring performance of the investment portfolio on a regular basis (at least quarterly), and maintaining compliance with the investment policy statement. The Investment Committee has the authority to direct the investments of the Foundation within the guidelines of this document and with the

¹ Adopted November 3, 2007; Revised March 1, 2014



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expectations that investment activity will be reported to The Board at each meeting or, if under exceptional or emergency circumstances will reported via telephonic conferencing, facsimile or electronic mail.

Specific item changes to the investment portfolio must be approved by at least 50% of the members of The Committee. Any restructuring of the portfolio which involves more a 20% allocation change must be reviewed by the full committee and approved by at least two thirds of its members.

IV. Guidelines and Restrictions

The investment committee may use wide discretion to achieve returns consistent with the policies contained in this document. Approved investments include, but are not limited to, stocks and bonds, mineral resources, oil royalties and alternative investments.

The fund will not invest in the following asset classes:

1. Naked put and call options
2. Mortgage derivative products (i.e. CMO's, CDO's, Inverse Floaters and the like). GNMA, FNMA Pass Thru Securities are eligible for purchase
3. Private placements
4. Art, jewelry and other collectibles unless obtained by donations to the Foundation

At all times the Foundation must own a broadly diversified portfolio of marketable stocks and bonds. These securities may be purchased individually or owned indirectly through mutual funds or exchange-traded funds. Asset classes may include but are not limited to:

1. Domestic equities
2. International equities
3. Domestic bonds
4. Global bonds
5. Real estate investment trusts (REITS)

Any asset which requires cash outlays and active management (including real estate) should be liquidated as soon as possible with the exception of items endorsed by the full board. The Foundation is authorized to own and operate Laurel Hall.

No asset class should exceed 40% of the total monies in the marketable portfolio.

Additionally, and only with full board approval, the Foundation may invest in limited marketability instruments including alternative investments. Futures activity is allowed in this area, and shall be implemented to hedge long positions, not to speculate on the future price of an asset.

V. Reporting Procedures

At all times the Foundation shall retain one or more Investment Manager(s). Fees paid will be based on a percentage of assets in the portfolio. The Investment Manager(s) may or may not be charged with selecting individual securities or mutual funds for the portfolio. It is expected that if the Investment Manager(s) does not have full discretion that he will generate ideas that will considered by the



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investment committee. The Committee may or may not choose to give the Investment Manager(s) full discretion as to the selection of the securities. On an on-going basis the Investment Manager(s) will:

1. Implement the over-all investment strategy within the investment policy guidelines as detailed in this document.
2. Monitor the asset allocation and activities of the account.
3. Provide the Investment Committee and the Foundation's Board of Trustees with quarterly performance reports within 15 days following the end of each calendar quarter.
4. Supply the Investment Committee with other reports and information as requested.
5. Meet with the Investment Committee as requested.
6. Provide the Committee with an annual review of this policy including an assessment of the Foundations current asset allocation and investment objectives.
7. Act as custodian for Foundation assets.

VI. Acknowledgement

We recognize the importance of adhering to the mission and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein within the guidelines and restrictions to the best of our ability. We acknowledge that open communication is essential to fulfilling this mission, therefore recognizing that suggestions regarding appropriate adjustments to this policy or the manner in which the investment performance is reviewed are welcomed.