

Donnelly College
Investment Policy Statement
April 2012

Introduction

The Donnelly College Board of Trustees is aware of its responsibility to manage prudently endowed and/or invested funds which are given to the College. The purpose of this document is to provide the basis for the proper discharge of this responsibility by establishing a clear understanding of the investment policies, goals and objectives for Donnelly College. The Board's intent is to develop guidelines and limitations for the investment managers to ensure that assets are being managed in accordance with these investment policies, goals, and objectives, and to provide a basis for the evaluation of the investment performance of our assets.

The Finance Committee of the Board serves as the Investment Committee for all endowed and/or invested funds and will provide guidance and advice on specific issues. The Finance Committee will rely on the President of the College for day-to-day oversight of these investment policies. The Board will review these policies at least annually to make any modifications required to ensure the investment management remains in the best interest of the College.

The goal of Donnelly's endowment management strategy is to assure that present and future generations of students will enjoy quality educational programs at the lowest possible costs. Attainment of this goal will require a managed approach that will (1) generate income (payout) to provide for current College needs; (2) maintain a base for generating income to meet future needs, and (3) provide for possible major emergency needs consistent with the purpose of the fund and the level of risk permitted by this policy. The Board approved spending rate from the endowment is 3-5% annually depending on budget needs.

The Trustees desire to permit investment managers flexibility to maximize investment opportunities; however, it is the fiduciary responsibility of the Trustees to conserve and protect the assets of the portfolios and by prudent management to prevent exposure to undue and unnecessary risk.

This statement of investment policies, goals and objectives is intended to provide investment objectives that are sufficiently specific to be meaningful, but sufficiently flexible to be practicable. These objectives are designed to establish an attitude and philosophy that will guide the investment managers toward the desired policies and performance.

The following investment objectives and policies are stated for the general guidance of the management of the endowment funds. Exceptions thereto for individual and/or all investment managers may be made upon specific written approval by the Board of Trustees through the Finance Committee, the college president, or other responsible college representative designated by the Board.

Donnelly College Investments

Donnelly has invested various endowed funds, several of which have government restrictions that are applied. Investments are held at the Catholic Foundation of Northeast Kansas and with Bank of America. Investments held with the Catholic Foundation of Northeast Kansas will follow CFNEK's Investment Policy Statement. All other college investments will follow the policies stated below:

Moral Principles

Donnelly College will attempt to be morally and ethically responsible in accordance with the tenets of the Church and reflect the principles of justice and peace integral to all of the actions of the Archdiocese, including its investment decisions.

The Investment Manager must collaborate with Donnelly College in its attempt to be morally and ethically responsible in accordance with the tenets of the Church and to reflect the principles of social justice and peace in our investment decisions. The United States Conference of Catholic Bishops (USCCB) has developed a clear and comprehensive set of policies which are used to guide Donnelly College's investments. These guidelines will be update from time to time, but currently cover the following areas:

- Protecting human life;
- Promoting human dignity;
- Reducing arms production;
- Pursuing economic justice;
- Protecting the environment, and
- Encouraging corporate responsibility.

As a result of the above responsibility, investments must seek whenever possible to comply with the USCCB Socially Responsible Investment Guidelines. This document is available at USCCB.org.

It is anticipated that mutual funds/pooled vehicles/limited partnerships may be utilized within the Portfolio and it is understood that Donnelly College will not have control over the management of such vehicles with regard to guidelines and restrictions. However, the Investment Manager and Donnelly College shall seek to select and utilize funds which comply with these guidelines and restrictions whenever possible. Any potential investment vehicle not in full compliance with the above guidelines will be communicated to Donnelly College by the Investment Manager for discussion regarding possible application in the Portfolio.

Investments, generally speaking, should be made in companies and products where possible that enhance human life, and support justice for all, and show a special concern in and for the poor.

Investment Objectives

1. To preserve and over time increase the inflation-adjusted value of the investable assets of this fund.
2. To maximize long-term total return - Funds in excess of those required to meet liquidity needs as projected by college staff should be invested in equity and fixed income securities

in an amount which offers the greatest potential for maximizing long-term total return consistent with investment guidelines stated in this document.

Asset Allocation

With consideration given to the long-term goals of the fund, the following ranges are defined as suitable for Donnelly's portfolio asset allocation:

	<u>Minimum</u>	<u>Maximum</u>
*Equity	40%	60%
Fixed Income	30%	50%
Cash Reserve	3%	15%

* International stock will be limited to a maximum of 20% of the total portfolio.

Investment Guidelines

Permitted investments include:

I. Individual Equity Investments

1. U.S. Exchange listed common stocks, over the counter common stocks, iShares/Exchange Traded Funds, preferred stocks and convertible securities.(Also included are domestic common equity funds maintained by the Investment Manager or his/her affiliate).
2. Shares of well-established companies located in major Non-U.S. markets, including those countries that comprise the Morgan Stanley Capital International Europe, Australia and Far East (EAFE) Index and Canada, and limited as noted under asset allocations.

II. Individual Fixed-Income Securities

1. US Treasury and Agency Securities which can be held without limit
2. Individual corporate bonds, mortgage-backed bonds and asset-backed bonds. These must be in the A range (as defined by S&P OR Moody's) or better. If their respective rating should fall out of the A range (as defined by S&P OR Moody's) bond must be sold within 90 days and the board notified of such action.
 - a) Individual corporate bonds, individual mortgage-backed bonds and individual asset-backed bonds cannot comprise more than 50% of the fixed-income portfolio.
 - b) With the exception of GNMA (Ginnie Mae) securities, no individual issue should represent more than 5% of the fixed-income portfolio.

The weighted average option-adjusted duration of the fixed-income portfolio shall be within a range of 85%-115% to that of the Barclays (Intermediate) Government/Credit

Bond Index.

III. Mutual Fund Investments

Mutual fund investments, including index funds and iShares/Exchange Traded Funds, are permissible. In order for a mutual fund to be considered as a viable investment alternative for Donnelly's portfolio it must have, at a minimum, a 5 year track record as recorded by Morningstar AND a 3 star rating as defined by Morningstar for the most recent 3 year time period.

Restricted investments/allocations include:

1. Borrow money (temporary overdrafts in cash balances are not considered borrowing of money);
2. Purchase securities on margin;
3. Make short sales of securities;
4. Underwrite securities;
5. Invest in companies for the purpose of exercising control of management;
6. Make loans except for the purchase of obligations described in the above fixed-income securities;
7. Invest in tangible property, direct real estate, direct participation investments, venture capital, or other non-investment grade securities;
8. Purchase or sell commodities or commodity contracts, put or call options, warrants or any combinations thereof;
9. Derivative products;
10. Managed futures;
11. Hold more than 5% of the portfolio's total assets, taken at market value, in the securities of any single issuer, other than obligations issued or guaranteed as to principal and interest by the United States of America, its agencies, instrumentalities, or corporations;
12. Hold more than 20% of the value of the portfolio's total assets in the securities of companies in any one industry, valued at the time of any proposed transaction. This last restriction is not violated if the limitation is exceeded only as a result of changes in values not resulting from a transaction; however, the Finance Committee should be informed when this threshold is exceeded.

Benchmarks

Asset Class

Benchmark

Cash Equivalents
Short Term Fixed Income

90 Day Treasury Bill Index
Merrill Lynch 1-3 Year Treasury Corporate
A or Better Index

Intermediate Term Fixed Income

Barclays Intermediate Govt/Credit Bond
Index

Equities:
Large Cap Equity
Mid Cap Equity

Standard & Poor's 500 Index
Standard & Poor's 500 Index
Standard & Poor's Mid Cap Index

Small Cap Equity
International Equity

Inflation

Standard & Poor's Small Cap Index
Morgan Stanley Capital
International EAFE Index
Consumer Price Index

Performance Monitoring

The investment manager will be responsible for due diligence on their investment selections. This responsibility includes making decisions in the event there are material changes. These material changes could include management departure, change of corporate structure, underperformance to the designated benchmark, style drift, etc.

Further, the Advisor will remove or make changes to the investment selections to the extent he/she feels performance would be negatively impacted. Managers that underperform their benchmark will be discussed at regular meetings.

Communications

The Finance Committee will review the performance of the managers and pooled funds, as applicable, at least semi-annually. To facilitate these reviews, the managers of individual portfolios should provide a portfolio performance summary for each semi-annual measurement period. This summary should include a listing of all securities, divided by type of investment and by industry, with percentage weights given to individual securities and to industry groupings. The summary should include performance figures for the portfolio as a whole, as well as the cash, fixed income and equity components. Performance and strategic summaries should also be provided quarterly by managers of pooled funds.

Results of investments will be reported to the Board of Trustees at its quarterly meetings by the College's Chief Financial Officer. Also, the asset allocation will be reviewed semi-annually and adjustments made as deemed necessary.

The managers are responsible for frequent and open communication with the College on all significant matters pertaining to investment policies and the management of the portfolio including:

1. Any significant changes in the ownership, organizational structure, financial conditions, or senior personnel staffing in the organization of investment management,
2. Major changes in the managers' investment philosophy, decision-making process, outlook, strategy, socially responsible investment guidelines of portfolio structure;
3. Written notice that the managers believe that our Objectives cannot be met or unduly constrict performance.

The managers will provide a monthly investment statement and direct all brokerage firms they utilize to provide confirmations to the manager who will have them available for inspection by the college.

The managers will provide on an annual basis a disclosure of the fees being charged for their and any of their affiliate's services. This should be a complete disclosure of all management fees, expense ratios and any ancillary fees as a result of transactions and maintaining custody of the assets.

Name: _____

Title: _____

Date: _____