This Investment Policy was approved by the Board of Trustees of Holy Cross College on October 21, 2011.
HOLY CROSS COLLEGE
Investment Policy Statement

Purpose:
The purpose of the Investment Policy Statement (Policy) is to guide the Board of Trustees of Holy Cross College (Board) in more effectively managing, monitoring and evaluating the investment activities of the investment portfolio (Portfolio) and to provide a clear understanding of the investment objectives, policies and guidelines for Holy Cross College (HCC). This policy will:

• Define the responsibilities of all parties involved in investment decision making and investing activities;

• State in writing the attitudes, expectations, and goals for the managing the investment portfolio;

• Provide a basis for reviewing investment managers;

• Encourage effective communication between HCC and the investment managers and;

• Set benchmarks against which the performance results of the Portfolio, operating within the constraints imposed by the Policy, can be measured.

This policy statement covers the Portfolio of HCC, and serves as the primary investment policy document for these assets. The Board has delegated management of the Portfolio to the Finance Committee of HCC (Committee).

Philosophy
The primary purpose of the Portfolio is to establish a system of diversified funds management that will provide a net total return that, at minimum, will exceed inflation over time and comply with any creditor covenants that may exist. Maintenance of long-term purchasing power of the Portfolio, coupled with liquidity and overall capital preservation shall be the overriding investment themes directing this Policy.

Scope
The scope of this Policy shall include all cash, marketable securities and other liquid assets not required for HCC’s operational working capital over a rolling 12-month period. Working capital as defined in this paragraph shall only be invested in bank money market accounts, certificates of deposit, and overnight repurchase agreements with capital preservation being the sole investment objective.
I. DELEGATION OF RESPONSIBILITIES

Fiduciary Duty

Overall guidance is a fundamental responsibility of the Board. The Board will approve the structure under which it will delegate responsibilities while requiring timely reporting of the results and updating of the Policy and guidelines.

In seeking to attain the investment objectives set forth in the Policy, the Committee and its members must act with care, skill, prudence and diligence. The measure of such behavior shall be what a prudent investor in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. All investment actions and decisions must be based solely on what is in the best interest of HCC.

Responsibilities of the Board

- The Board authorizes the Committee to create the Policy and submit to the Board for adoption, subject to any amendments, from which the Committee shall act. The Board also delegates responsibility to the Committee for implementation and ongoing monitoring of the Policy.

- At least annually, the Board will receive a review of the Policy from the Committee and propose changes, as appropriate.

- The Board recognizes its responsibility to ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented.

Responsibilities of the Committee

In order to achieve the broad objectives listed above, the specific responsibilities of the Committee in the investment process include:

- Approval of the major duties and responsibilities of investment managers for achieving investment results.

- Development and approval of a sound and consistent Policy, to include ongoing Policy review.

- Approval of the overall asset allocation within the broad guidelines established by the Policy.

- Selection and monitoring of investment managers (individual managers or mutual funds).

- Evaluation of results to assure that the Policy is being adhered to and objectives are met.
• Take appropriate action to discharge an investment manager for failure to perform.

• Keep the Board adequately informed as to the status of the Portfolio no less than annually.

**Responsibilities of the Chief Financial Officer (CFO)**

On a day-to-day basis, the Committee will be represented by the CFO, who is to act as liaison for communications between the Committee and the investment managers. Responsibilities of the CFO as they relate to this Policy include:

• Signing all investment management agreements and other investment related documents that have been approved by the Committee.

• Ensuring investment managers are always in possession of a current Policy statement, as evidenced by their acknowledged receipt of a copy thereof.

• Ensuring that investment decisions made by the Committee are implemented in a timely and efficient fashion and are consistent with the Policy.

• Coordinating Portfolio reviews for scheduled Board and Committee meetings.

• Meeting with investment managers (excluding mutual fund managers) as deemed appropriate.

• Implement a performance measurement procedure that reviews and monitors the performance of the Portfolio on an ongoing basis.

• Monitor the investment managers to ascertain:
  • Adherence to their stated philosophies and styles,
  • Any significant changes in ownership, organizational structure, financial condition or senior personnel staffing the investment management organizations,
  • Adherence to the Policy and investment guidelines set forth herein.

**Responsibilities of the Investment Managers**

• **Adherence to the Policy**

  The Portfolio assets are to be managed in accordance with the Board-approved Policy as expressed therein. Instructions amending this Policy must be communicated in writing from the Committee, as approved by the Board.

  Individual investment managers may be asked to limit their investment focus to a particular investment class or style in order to meet the overall comprehensive objectives of the Policy.
• **Discretionary Authority**

The investment managers are expected to exercise complete investment discretion within the boundaries established by this Policy and instructions provided by the CFO. Such investment discretion includes decisions to buy, hold, or sell specific securities in amounts and proportions reflective of the investment manager’s current investment strategy and in accordance with this Policy.

• **Communication**

The Committee encourages, and the investment managers are responsible for, frequent and open communication with the CFO on all significant matters pertaining the Portfolio. All material communications are to be made in writing to the CFO and copied to the Committee and the VP Operations, CBO. In this manner, the Committee will be advised of any major changes in investment strategy, asset allocation, economic outlook and any other substantive matters affecting the Portfolio. The CFO, VP Operations and Committee must be informed of any major changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the investment management organizations.

The Committee recognizes that the Policy requires periodic re-examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever an investment manager believes that the Policy should be altered, it is the responsibility of the investment manager to initiate written communication to the CFO, for consideration by the Committee and the Board.

• **Reporting**

The Committee expects the investment manager to forward to the CFO, on a timely basis and at a minimum quarterly, reports containing Portfolio activity, current market valuations and strategy updates. These reports should also minimally contain both period to date, year to date, inception to date and other periodic dates as appropriate, to more fully gauge performance results.

If requested by the Committee, the investment manager will meet with the Committee or Board to review the Portfolio performance, as well as to assist understanding the current investment market environment, outlook and implications of expected risk and return.

The CFO will meet with the Committee and Board no less than annually to review:

• **Asset Allocation**
- Performance of investment managers (are investment managers performing satisfactorily in relation to the guidelines and objectives set forth in this Policy and in their respective management agreements?).
- The Policy (does the Policy objectives continue to be appropriate, reasonable, and achievable?).

II. INVESTMENT GOAL

In accordance with the philosophy and scope of this Policy, the Portfolio shall be constructed to, at minimum, keep pace with inflation over time, as measured over rolling three-year periods. The Portfolio shall also be monitored to ensure that aggregate risk associated with the Portfolio properly corresponds to the returns being sought.

III. INVESTMENT POLICY GUIDELINES

- All securities purchased for the portfolio should be highly liquid.
- Equity investments (i.e. common stocks, preferred stocks, convertible issues) are permitted. The specific limitations as to the commitment to equities is not to exceed, in the aggregate, (50%) and not to be less than (20%) of the total portfolio’s asset base (at market).
- With the exception of American Depository Receipts, international equities may only be purchased through a diversified fund, and may not exceed 10% of the aggregate portfolio.
- The use of fixed income investments may include U.S. and foreign securities with an investment grade rating of BAA and or BBB or a comparable rating by a nationally recognized rating service. Fixed income securities will represent not less than 40% or more than 70% of the total portfolio. Of the fixed income portfolio, 75% must be A rated or better.
- Bank deposits (including certificates of deposits, money market accounts, overnight bank repurchase agreements, etc) are only to be held in financial institutions with assets greater than $2 billion, unless deposits are fully federally insured, up to maximum permissible limits under FDIC. Commercial paper utilized will be A1P1 or comparable rating. The selection of particular cash equivalent securities investments should be determined primarily by the safety and liquidity of the investment and only secondarily by the yield available. No more than 20% of the total investment portfolio may be held in cash or cash equivalents at any given time.
- In addition to individual securities, acceptable securities for investment in the above-referenced asset classes include mutual funds and exchange-traded funds (ETF).
- Certain securities are deemed to be ineligible for Portfolio. Such securities are:
• Privately placed or other non-marketable debt, without prior written approval of the Committee.

• Lettered, legend, or other restricted stock.

• Options or other derivative securities, unless specifically authorized by the Committee.

• Insurance Policies.

• Real property or collectibles.

IV. **ASSET ALLOCATION**

The minimum and maximum allocation conforming to the parameters defined in Section IV are listed below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum Allocation</th>
<th>Maximum Allocation</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>20%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>40%</td>
<td>70%</td>
<td>50%</td>
</tr>
<tr>
<td>Cash &amp; Cash Equiv</td>
<td>0%</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

V. **BASIS FOR MEASUREMENT**

Portfolio performance will be compared with an index structured specifically to replicate the targeted Portfolio.

The policy index is

- 40% S&P 500 with dividends
- 50% Lehman Brothers (LB) Aggregate
- 10% U.S. Treasury Bills

VI. **APPROVAL OF INVESTMENT POLICY STATEMENT**

Approved by the Board of Holy Cross College, Notre Dame, Indiana, this 21 day of October, 2011.