



MSU-Northern Foundation
Investment Policy
February 22, 2020

Purpose and Board Direction:

The purpose of the Montana State University-Northern Foundation (“The Foundation”) is to support the mission of Montana State University-Northern (“The University”) by soliciting, receiving, managing, and disbursing funds in accordance with the mission and vision dictated by Montana State University-Northern.

Pursuant to the direction of the Board of Directors, management is given the discretion to invest company funds as follows:

To invest (or re-invest) funds, to protect the cash position, and to carry out an effective cash management program. Investments will generally be made in money market funds, certificates of deposit, fixed income securities (bonds), or equities (common and preferred stock). Additionally, investments made in market securities will be according to guidelines approved by the Board of Directors. Investments will be made in compliance with state and federal law.

Investment Goals:

Consistent with the overriding intent to encourage the growth of the Foundation's assets through reinvestment of a portion of the annual earnings and to provide support for university priorities, projects and programs at a level consistent with the intentions of the donors, the initial annual payout policy shall be 5.5 percent of the current market value of the Foundation's assets. The payout rate shall be reviewed periodically and at least annually.

- a. Fundamental Objectives
 - i. Preservation of Capital: ensure a stable base of capital for The Foundation
 - ii. Generation of Income and Capital Appreciation: maximize the return on The Foundation’s assets at an acceptable level of risk
 - iii. Liquidity: maintain a liquid portfolio of investments to meet the cash flow needs of The Foundation
- b. Performance Objectives
 - i. Earn a real rate of return (interest and dividend income plus realized and unrealized appreciation expressed as a percentage of market value, adjusted for inflation) of 5.5 percent to 6.0 per annum, measured over a three-year to five-year period
 - ii. Manage growth of assets to meet or exceed short-term required spending levels of The Foundation
- c. Brokerages/Advisors

- If management seeks investment advice, it will do so from a professional advisor registered with the SEC. Management will use every effort to ensure that cash and securities are traded and held in a manner to avoid fraud and minimize administrative costs. Buy, sell or hold individual securities in The Foundation's portfolio
- Will report annually to the Board of Directors, in writing or in person, about the investment performance to the Foundation, including a performance comparison against pre-selected benchmarks
- Will communicate major changes in the economic outlook, investment strategy, or any other factors impacting the organization's investment objectives or outcomes
- Will inform the Board of Directors regarding any qualitative change to the investment manager's organization

Short-Term Working Cash

Generally these funds will be managed on a 12 month horizon and will:

- Protect the principal of working capital by avoiding both loss of value and loss of purchasing power. FDIC insured accounts.
- Provide for maximum liquidity to enable cash requirements to be met, including cash requirements on a forecasted 12-month basis for operating expenses, capital equipment purchases, and loan payments. Provide acceptable levels of current income, based on available short-term investments.
- It is recognized that much of this cash will be held in regular checking accounts, money market accounts, and short-term certificates of deposit.

Fixed Income Securities

- Fixed Income Securities- defined as government bonds, corporate bonds, municipal bonds, or preferred stock paying a fixed dividend with maturities greater than one year
- Fixed Income securities shall have a rating of "BBB" or better (or the equivalent as defined by Standard & Poor's or Moody's)
- Corporate bonds shall be diversified by sector and industry
- Investments in non-dollar denominated securities are not permitted
- No more than 1 percent of the outstanding debt of one issuer, with the exception of the U.S. government or government agencies, may be owned in the fixed-income portfolio (companies must have a net worth of at least \$10 million)
- Investments in any one security shall not exceed 5 percent of the investment manager's portfolio at market value
- Private placements, purchases on margin, short sales, and interest-rate futures contracts are not permitted

Equities

- Equities- defined as common stock, convertible preferred stock, convertible bonds, and convertible stock
 - Equity investments in any one company shall not exceed 5 percent of the investment manager's equity portfolio
 - Investments in equities of any one company shall not exceed 5 percent of that company's equity outstanding

Diversification

Management is responsible for:

- Achieving an optimal level of diversification in order to protect the assets. Diversification is achieved through portfolio management that produces a variation of investments among asset classes, as well as among individual securities within the asset class.
- Identifying a target portfolio allocation that reflects a balance of reward, risk, and liquidity. The target portfolio allocation dictates a mix of investment types comprised of bonds, stock (domestic and foreign), mutual funds, and cash.
- The portfolio will consist of:

Asset Class	Allocation Range
Fixed Income	30-75%
Equities	20-70%
Cash	0-25%

Performance Reporting:

Management is responsible for quarterly reporting of the investment performance to the Board of Directors.

- The report will identify cumulative gain/loss.
- An absolute return objective will equal 5.5 to 6 percent annual returns
- Over the long term, investments should outperform the long term risk-free rate, as measured by a 5-year average of the 1-year Treasury Constant Maturity Rate. This measurement may be changed by the Board of Directors at its discretion.

Authority and Responsibility:

Board of Directors has primary authority and responsibility for management of The Foundation's funds. It delegates investment management functions, as appropriate, to its Investment Manager(s). The Board's principal responsibilities are to:

- Monitor the performance of the organization's investments to ensure compliance with guidelines and to assess results
- Review the performance of the Foundation's investments at regularly scheduled Board meetings
- Review the Investment Policy on a regular basis and approve any revisions as they may arise
- Provide oversight to the Account Manager to the retention or selling gifts of stock, securities, land, and real property received as donations to benefit The Foundation
- Conduct searches for Investment Manager(s) and perform the hiring and termination of Investment Manager(s) for the purpose of managing funds and to direct and supervise the Investment Manager(s) with respect to fund management guidelines and policy.
- Delegate to the investment and finance committee the authority to, from time to time, make exceptions to the investment guidelines set forth in this Investment Policy Statement, with the provision that the exceptions be made known to the Board of Directors no later than the next scheduled board meeting.
- Investment manager(s) must acknowledge, in writing, its acceptance of fiduciary responsibility. The Investment manager(s) will have full discretion to make

investment decisions for the assets placed under its domain, while also operating within the policies, guidelines, and constraints outlined in this statement.

Created 5/1/2015
Amended 2/22/2020