OBERLIN COLLEGE
Board of Trustees

Investment Policy Statement

Revised by Investment Committee: September 2022
Adopted by Board of Trustees: October 2022
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OBERLIN COLLEGE
Investment Policy Statement

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1. Purpose

The purpose of the Oberlin College Investment Policy Statement (*IPS* or the *Statement*) is to establish the policies and procedures that shall guide the Board of Trustees of Oberlin College (the *Board*) in supervising and monitoring the management of the Oberlin College General Investment Pool (the *Endowment*).[1]

In establishing a framework for managing the assets of Oberlin College (the *College*), the intent of the Statement is to provide the greatest probability that the objectives of the Endowment are met in a prudent manner, consistent with the established guidelines of the College as well as any regulatory and legal requirements, and to ensure that the Board and other interested parties act in accordance with the fiduciary duties associated with oversight of the assets of the College. From time to time, the Statement references other related documents such as the Charter and Bylaws of Oberlin College (the *Bylaws*) and the Oberlin College Investment Committee Charter (the *Charter*).

2. General Principles

The Oberlin College Investment Committee (the *Committee*) shall manage the assets of the College in accordance with the standards of fiduciary duties and in compliance with all applicable laws and regulations[2]. The standards for risk, return, asset allocation, diversification and liquidity shall be determined from a long-term perspective and measured over successive, multi-year market cycles.

3. Roles and Responsibilities

The following parties shall participate in the management of the Endowment:

A. <u>Board of Trustees</u>: The Board exercises ultimate fiduciary responsibility for the Endowment and other investable assets of the College. By reference to the Bylaws and Charter, the Board delegates the direct responsibility for the development, implementation and monitoring of the investment programs used to manage the Endowment to the Committee, while retaining oversight through specific Board actions and general Board policies.

B. <u>Investment Committee</u>: The Committee shall adhere to the Statement in discharging its duties in managing the Endowment. The Committee shall have the responsibility for the development, implementation and oversight of investment policies, controls, and processes related to the Endowment. The Committee, in turn, is authorized to delegate certain responsibilities to professional experts in various fields, including, but not limited to, professional staff employed by the College and external investment professionals. The Charter further outlines the scope of responsibilities and the composition of the Committee.

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[1] The total Endowment includes both pooled (e.g., Oberlin College General Investment Pool) and non-pooled endowed funds. However, virtually all of the endowed funds of the College are commingled in the GIP. Non-pooled endowed funds held in the Oberlin College Endowment are segregated based on investment restrictions imposed by the donor or the Trustees.

[2] Including, but not limited to, the Uniform Prudent Investment of Institutional Funds Act (as defined in §1715.51 to §1715.59 of the Ohio Revised Code)

C. Vice President for Finance and Administration: The Vice President for Finance and Administration (the *VPFA*) shall have administrative oversight of the Oberlin College Investment Office Staff (the *Staff*), including the Chief Investment Officer (the *CIO*). The VPFA shall be informed in a timely manner of the activities and actions of the Committee.

D. Chief Investment Officer: The CIO shall be responsible for executing the strategy for managing the Endowment established by the Committee consistent with the guidelines established in the Statement. The CIO shall be responsible for identifying, recommending, and managing appropriate resources necessary to accomplish objectives set by the Committee. The CIO shall provide direct operational oversight and management of the Staff as well as any other external service providers. Periodically, the CIO shall provide an update to the Board on the performance of the Endowment and other investment related information. The CIO shall collaborate with other administrators and departments of the College, as needed.

E. Investment Consultant(s): The Committee may recommend the use of third-party investment consultant(s) to assist in the management of the Endowment. All investment consultant(s) utilized by the Committee shall act solely in the long-term interests of the College and comply with the standards and guidelines established in the Statement at all times.

4. Goals and Objectives

A. Objectives of the Endowment: The Endowment has a long-term investment horizon. The primary investment objectives of the Endowment are:

i. Preserve the purchasing power of the assets held in the Endowment after inflation, expenses and withdrawals;

ii. Maximize the risk-adjusted returns of the investment portfolio; and

iii. Provide a stable source of liquidity and long-term funding to support the on-going mission of the College.

B. Investment Philosophy: While recognizing the importance of capital preservation, as a long term investor the Board also recognizes the necessity of accepting risk to achieve the objectives for the Endowment outlined in the Statement. Therefore, the Board acknowledges that choices made with respect to asset allocation will be the major determinants of investment performance. The Committee shall seek to ensure that the risks taken are appropriate and commensurate with the goals and objectives of the Endowment.

5. Investment Guidelines

A. Standard of Conduct: In managing the Endowment, the Committee shall consider a variety of factors, including, but not limited to:

i. General macroeconomic conditions, including the possible effect of inflation or deflation;
ii. The expected return and risk profile of each asset class;
iii. The correlation among asset classes;
iv. The role of each investment within the Endowment
v. The acceptable level of risk for the investment portfolio given the objectives of the Endowment;
vi. Anticipated tax consequences, if any, of investment decisions or strategies;

vii. The need to preserve capital for future generations;
viii. An asset's special relationship or special value, if any, to the College's charitable purposes;
ix. The on-going financial needs, liquidity requirements and spending policy of the College; and
x. Other resources of the College.

B. Asset Allocation: The Committee shall develop and recommend an asset allocation for the investment portfolio that maximizes the probability of achieving the objectives of the Endowment, while accepting an appropriate level of risk.

C. Asset Class Ranges: The Asset Class Ranges (*Ranges*) establish the minimum and maximum acceptable exposure for each asset class and are intended to provide guidance for the Committee in making allocation decisions for the Endowment. The actual exposures of the Endowment should remain within the Ranges established for each asset class in Appendix One at all times. If the actual exposure to an asset class falls outside of the Ranges, the Committee is required to provide written notification of the deviation to the Board immediately. The report to the Board shall include the rationale for maintaining the exposure outside of the Ranges, the expected duration of the deviation and conditions under which the Committee would recommend modifying the Ranges rather than rebalancing the investment portfolio. Thereafter, the Committee shall provide quarterly updates and notify the Board once the actual exposure to the asset class is once again within the Ranges.

D. Benchmark Indices: The Committee shall select a benchmark index, reflecting a long-term expected return and risk profile, for each asset class held in the Endowment.

E. Strategic Portfolio: The Strategic Portfolio represents the long-term target allocations for each asset class held in the Endowment. As such, the target allocations for the Strategic Portfolio reflect the expected return and risk profile for each asset class over multi-year market cycles.

The weighted performance of the benchmark indices, reflecting the target asset allocation for the Strategic Portfolio, will collectively serve as the long-term benchmark for the performance of the Endowment over a full market cycle (generally considered to be three- to five-years).

Appendix One provides the current minimum and maximum exposures and target allocations for the Strategic Portfolio as well as the benchmark indices for each asset class held in the Endowment. The Committee shall review the information contained in Appendix One annually. Any changes to the minimum and maximum exposures, target allocations and benchmark indices for the Strategic Portfolio must be presented to the Board for review.

F. Tactical Portfolio: The Tactical Portfolio represents short-term target allocations for each asset class held in the Endowment. The Committee establishes the target allocations for the Tactical Portfolio based on prevailing market conditions and investment opportunities. As such, the target allocations of the Tactical Portfolio are expected to change occasionally, but must remain within the prescribed range of acceptable exposure for each respective asset class. The Committee shall review the target allocations for the Tactical Portfolio at each meeting.

Staff shall attempt to ensure that the actual exposures of the Endowment reflect the Tactical Portfolio at all times. However, the Committee recognizes that deviations from the target allocations of the Tactical Portfolio may occur periodically due to several factors, including, but not limited to, a timing effect related to the selection of specific investment managers and the relative performance of each asset class.

The weighted performance of the benchmark indices, reflecting the target asset allocation for the Tactical Portfolio, will collectively serve as the short-term benchmark for the performance of the Endowment.

G. Rebalancing: At any point in time, the actual exposures of the Endowment may differ from the prescribed target allocations for the Tactical Portfolio. Such divergences may be the result of either external factors (e.g., the relative performance of individual asset classes or specific investment strategies) or internal factors (e.g., cash flows to or from the Endowment). Staff may also be required to rebalance individual investments based on the concentration guidelines established in the Statement.

The goal of rebalancing is to minimize tracking error between the performance of the Endowment and that of the Tactical Portfolio and to mitigate concentration risk across individual investments, while minimizing transaction costs. Therefore, Staff may rebalance the amount of individual investments held within the Endowment without the prior approval of the Committee if the actual allocation to any asset class deviates by ten percent (10%) or more from the prescribed target allocation for the Tactical Portfolio. Staff will attempt to utilize cash flows to and from the Endowment to accomplish rebalancing whenever possible.

H. Liquidity: The Committee and Staff shall maintain adequate liquidity to meet the anticipated funding needs of the College and Endowment, including projected payouts to support operations, extraordinary withdrawals and future capital commitments related to specific investments, over the next three fiscal years. Staff will monitor the liquidity of the Endowment regularly and evaluate the ability of the investment portfolio to meet the funding needs of the College by estimating the liquidity profile of the Endowment during prevailing, "normal" market conditions, and in conditions representing market stress. Staff shall perform such analysis on a quarterly basis, or more frequently if needed.

I. Concentration Limits:
A maximum of 5.0% of the Endowment's market value may be allocated to an individual manager (across all related underlying funds), and any exceptions to the concentration limit shall be reviewed and approved by the Committee. Mandatory rebalancing will be triggered for liquid investments (fixed income, public equity and absolute return funds) if the position size of a manager exceeds 5.5%.

Concentration limits established herein shall not apply to passive investments intended to replicate exposure to designated benchmark indices periodically held within the Endowment. In addition, the Committee recognizes that maintaining a more concentrated investment portfolio may be desirable at specific times. Therefore, the Committee retains the flexibility to revise the position guidelines outlined in this section of the Statement, but must report exceptions to the Board in a timely manner.

J. Hedging: The Staff, with the prior approval of the Committee, may enter into transactions or positions that are intended to hedge one or more exposures within the Endowment. These positions are expected to be episodic in nature with a well-defined expected holding period. The rationale for these positions may be based on a variety of factors, including, but not limited to, macroeconomic conditions, unintended exposures within the investment portfolio or conditions related to specific investments held in the Endowment.

K. Derivatives: The Staff may from time to time, at the direction of the Committee, utilize derivative contracts held directly within the Endowment to achieve the target allocation to specific asset classes. The Committee expects the majority of derivatives used within the Endowment to consist of futures contracts or other standardized instruments. The Staff will seek to ensure that all positions in futures contracts or similar instruments will be fully collateralized by cash or cash equivalents to the extent practically possible, unless explicitly authorized by the Committee to act otherwise.

L. Leverage: From time-to-time, the Committee may authorize the use of leverage within the investment portfolio. The Committee expects the use of leverage to be episodic and short-term in nature and therefore generally of a limited duration. The Committee and Staff shall thoroughly evaluate the increase in the risk profile of the Endowment resulting from the introduction of levered positions prior to implementation.

   The source of any leverage used within the Endowment shall come solely from the instruments used to establish the desired exposure. Neither the Committee nor the Staff is permitted to create any leverage within the Endowment from any other sources, such as the introduction of a credit facility or other forms of short-term borrowing (e.g., repurchase agreements).

6. Operating Guidelines

The Committee delegates certain responsibilities and discretion to the Staff in executing investment strategy, monitoring investment managers, and taking allowable actions in compliance with the investment guidelines of the Endowment. The following list reflects current allowable actions by Staff and guidelines will be reviewed (affirmed or revised) on an annual basis by the Committee.

A. Report all investment actions to the Committee monthly.

B. Allocate to a new investment manager up to 1% of the Endowment's market value, and up to 5% to all new investment managers within a calendar year.

C. Rebalance individual investments (e.g., public equity, fixed income, absolute return) within the concentration limits of the Endowment, as defined in 5 (I).

D. Terminate investment managers (e.g., public equity, fixed income, absolute return) up to 1% of the Endowment market value. Terminations above 1% will be communicated to the Committee with a minimum two-day advance notification.

E. Re-up investments in new funds from existing investment managers in the Endowment as long as re-ups are less than 2% of the Endowment's market value within a calendar year.

F. Invest selectively in co-investment opportunities offered by existing investment managers in the Endowment upon approval by the Committee Chairperson(s). The annual commitments to co-investment opportunities shall not exceed 0.5% of the Endowment's market value as of the previous calendar year end.

G. Staff may rebalance the private asset allocations (private equity, venture capital and real assets) using secondary sales or purchases as long as the market value of transacted funds is less than 2% of the market value of the Endowment within a calendar year

H. Staff may seek the Committee's approval for certain investment actions at Staff's discretion.

7. Other Related Policies

From time to time, the management of the Endowment may be impacted by other guidelines adopted by the Board on behalf of the College. The following list reflects such policies currently in force and will be updated regularly.

A. Conflicts of Interest: The Oberlin College Conflict of Interest Policy is intended to protect the financial integrity of the College and to ensure that assets of the College are used in a manner that is consistent with the standards and mission of the institution. To achieve these goals, this policy seeks to identify and manage actual, apparent, or potential conflicts of interest through transparent and appropriate disclosures and approval procedures. Members of the Board, the Committee, the VPFA and the Staff are subject to the guidelines established within this policy. Please refer to the Oberlin College Conflict of Interest Policy for additional information.

B. Spending Policy: The College relies on annual distributions from the Endowment as a source of supplemental operating revenue. These distributions are based on the College's Spending Policy, which is designed to balance the needs of the current and future generations of stakeholders by providing appropriate levels of current support to operations and preserving the future purchasing power of assets held in the Endowment.

C. Oberlin College Impact Investment Advisory Group: Please refer to the Oberlin College Impact Investment Advisory Group statement for additional information.

D. Oberlin College Divestment Policy: From time to time, the Board shall consider proposals from the Oberlin College community to divest from certain types of investments and/or assets held in the Endowment. Please refer to the Oberlin College Divestment Policy for additional information.

E. Gifts and Transfers: The Staff shall generally seek to liquidate all gifts, transfers or similar in-kind or in-specie contributions made to Endowment within a commercially reasonable period following the receipt of these assets. However, the Committee recognizes that it may be in the best interests of the Endowment to hold such assets for a period of time in certain circumstances.

F. Proxy Voting: The Committee and Staff shall retain the discretion to discharge rights and duties related to individual security proxy solicitations as appropriate.

8. Statement Review

The Committee shall evaluate the Statement annually and provide an endorsed version to the Board. The Board shall review and ratify the Statement and any other policies related to the management of the Endowment on an annual basis.

Appendix One - Asset Allocation Policy

The following table summarizes the current minimum and maximum exposures and target allocations for the Strategic Portfolio as well as the benchmark indices for each asset class held in the Endowment.

On September 14, 2023, the Committee approved the target allocations as described below.

	Min	Target	Max	Benchmark Index
Cash	-10.0%	**4.0%**	20.0%	BofA ML 1-3 Yr Treasury
Fixed Income	0.0%	**3.0%**	15.0%	Barclays US Aggregate
Developed Markets Equity	10.0%	**27.0%**	50.0%	MSCI World (Net)
Emerging Markets Equity	0.0%	**9.0%**	15.0%	MSCI EM (Net)
Absolute Return	10.0%	**20.0%**	35.0%	Credit Suisse Hedge Fund
Private Equity	10.0%	**15.0%**	30.0%	CA Global Private Equity
Venture Capital	10.0%	**17.0%**	30.0%	CA Global Venture Capital
Real Assets	0.0%	**5.0%**	15.0%	S&P Real Assets