

# NORTHERN NEW MEXICO COLLEGE FOUNDATION

## INVESTMENT POLICY

The primary purpose of the investment policy is to provide guidance and assign responsibilities for the management of the Foundation's restricted, unrestricted, endowment and charitable trust funds and to establish investment goals, objectives and policies that will provide for the prudent management of these funds.

The objectives of the investment policy are:

1. to preserve and, over time, increase the inflation-adjusted value of the investable assets of the Foundation.
2. to maximize over the long run the total rate of return on investable assets, assuming a level of risk consistent with prudent investment practices for such a fund, while keeping in mind the primary goal of providing income sufficient to meet the needs of the Foundation.
3. to maintain a portfolio which includes 1) equities designed to provide growth of income and appreciation of principal and 2) fixed-income investments to provide a predictable and reliable source of dividends and interest income which reduce the volatility of the portfolio.

### Investment Policy

Funds should be invested principally in equity and debt securities of United States institutions, corporations and government (public) securities. The investment portfolio should be diversified as to equity holdings. The purpose of this diversification is to provide reasonable assurances that no single security or class of securities will have a disproportionate impact on the total Portfolio.

### Investment Authority

The Foundation Board of Directors, under the advisement of the Finance Committee, retains overall authority for approval and implementation of the investment policy, in accordance with the Foundation Policy Manual. The Finance Committee will be responsible for the investment of gifts to the Foundation and may delegate management of cash investments to investment manager(s) and/or the Foundation staff.

### Investment Goals

The fundamental goals of this investment policy are to preserve the principal of the Foundation's assets, to maintain sufficient liquidity to meet distribution requirements and to produce income with a secondary goal of long-term growth of capital without assuming unacceptable risk.

The standard to be used by investment officials of the Foundation for Northern New Mexico College (Northern) shall be the "prudent person" standard, which states:

"Investment shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived."

The above standard is established as the standard of professional responsibility and shall be applied in the context of managing the Foundation's portfolio. The NNMC Foundation, acting in accordance with this investment policy and written procedures as may be established hereunder and exercising due diligence, shall be relieved of personal responsibility for his or her decision, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### Investment Strategy

The Board of Directors is authorized to engage investment manager(s) for the direct management of the Foundation's investable assets. By such action, the Board expects to acquire investment expertise, which will benefit the Foundation's ability to maximize income and secondarily provide long-term asset growth. In addition, such delegation will provide for continuity in asset management despite periodic personnel changes in Board or Finance Committee composition. This continuity will provide emphasis on achievement of longer-term objectives rather than short-term or ad hoc decisions.

The investment manager(s) will have discretion with regard to individual asset selection, although portfolio variability over time should be minimized with prudent diversification, both among individual assets and by asset class. The Finance Committee will review the manager's time-weighted returns vs. a 5% target total rate of return. Over a typical market cycle of three to five years, the investment manager is expected to outperform the 5% target rate of return and to achieve these results with less volatility than the S&P 500 and Dow Jones Industrial Average. Performance information will be provided quarterly to the Board of Directors. The Finance Committee must analyze results at least annually.

### Investment Guidelines

The Foundation Board, Finance Committee and Investment Committee shall be governed by the following guidelines:

1. No funds shall be borrowed by the Foundation for the purpose of investing.
2. Investment activity in the following is prohibited:
  - a. Short sales, margin purchases
  - b. Private placements or restricted securities
  - c. Commodities
  - d. Puts, calls or hedging techniques

- e. Warrants or other options, except as part of purchase of another security
  - f. Limited partnerships
  - g. Investments that are not permitted under the Employment Retirement Income Security Act (ERISA), as amended, and the Prudent Person rule.
3. Investments should be divided between fixed income and equity securities with a target allocation of 60% (plus or minus 10%) fixed income and 30% (plus or minus 10%) equity (investments in REITs will be weighted at 50% fixed income and 50% equity).
- a. The fixed income portion will be governed by the following:
    - 1) Not more than 10% of the fixed portion, at cost, is to be invested in obligations of any one issuer, excluding obligations of the U.S. government.
    - 2) Marketable bonds, at the time of purchase, must be rated at an investment grade and commercial paper must have a rating of not less than A+ by Standard & Poor's or "PI" by Moody's. Non-investment grade bond funds can be considered as long as no more than 20% of the investment portfolio is invested in this type of investment.
  - b. The equity securities portion of the fund shall be invested in one of the following or in a combination of both:
    - 1) An equity-oriented portfolio diversified in terms of industry group, economic sector and securities selection.
    - 2) A mutual fund with similar objectives.
  - c. The following will govern the investment in equity securities:
    - 1) With a professionally managed, equity-oriented portfolio, the investment manager(s) shall have discretion as to the selection of equities, portfolio turnover and diversification standards in order to assure flexibility in the management of the equity portion subject to this investment policy.
    - 2) The equity portfolio will be managed with the objective of maximizing total return; therefore sales of securities need not be restricted except as stated in this document, but shall be based on the manager's perception of the investment merits of each security in the portfolio.
    - 3) No more than 10% of the total assets of the equity portion of the fund should be invested in any single security at the time of purchase. When a gift of stock is made to the Foundation that exceeds that 10% amount, the Foundation will move quickly to

reinvest the gift in compliance with our policy. The equity securities purchased for the fund should be listed on one of the public stock exchanges or NASDAQ..

- 4) The investment manager(s) is required to submit quarterly reports to the Finance Committee and the executive director of the Foundation detailing the holding of the fund, the current market valuation and suitable comparative data as compared to market indices and any distribution of income or capital gains and any other pertinent information. Quarterly reports and annual reports will be submitted to the Foundation Board.
  - 5) The investment manager(s) shall review investment strategies and cash flow needs with the Finance Committee and the board of directors of the Foundation at least once a year.
- d. When investment is made in a mutual fund (3b2), the fund may purchase shares or units of a mutual fund. The mutual fund shall submit quarterly reports to the Finance Committee detailing the share status of the fund and an audited annual finance report of the investment portfolio.

#### Investment Policy Review

The Finance Committee shall review the investment policy annually prior to the annual meeting and shall make significant modifications only with the approval of the Board of Directors.