

# LAMBDA CHI ALPHA EDUCATIONAL FOUNDATION

## Investment Policy Statement

Approved March 3, 2018

### PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for the Lambda Chi Alpha Educational Foundation (hereinafter, "Foundation"). This policy applies to assets that are part of the Foundation and for which the Investment Committee has authority.

While shorter-term investment results will be evaluated, adherence to a sound long-term investment policy, which balances short-term distribution needs with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the Foundation.

### GENERAL OBJECTIVES

1. The **primary investment objective** is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending; thus, at a minimum maintaining the purchasing power of the portfolio. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending.
2. The Investment Committee understands the long-term nature of the Foundation and believes that investing in assets with higher return expectations outweighs their higher short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real estate securities. Real estate also can provide the added benefit of inflation protection. Fixed income exposure should lower short-term portfolio volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs.
3. The asset allocation should reflect the following structure:

<b>Asset Category</b>	<b>Target Position</b>	<b>Range</b>
<i>Equities</i>	70%	60-80%
U.S. Equities	40	32-48
Large Cap	20	16-24
Mid Cap	10	8-12
Small Cap	10	8-12
International Equities	30	24-36
Developed Markets	15	12-18
Emerging Markets	15	12-18
<i>Fixed Income</i>	25	20-30
<i>Real Estate Investment Trusts</i>	5	4-6
<i>Cash</i>	0	0-5

## INDEX FUNDS

Because of the drawbacks with active management (most managers underperform their benchmarks, identifying superior managers beforehand is challenging, and gaining any advantage requires extraordinary patience), index funds will be utilized.

## REBALANCING ASSET ALLOCATION

The asset allocation will be monitored with the goal to stay within the ranges allowed for each asset class. If the portfolio becomes over-weighted or exceeds the range of percentage for an asset class, a plan of action, either for immediate rebalancing of the portfolio or a rebalancing that will occur over the subsequent few months, will be developed.

## SPENDING POLICY

Up to 4% of the value of the assets held in the Foundation's endowment fund, computed on a rolling average over the most recent twelve quarters, will be available for distribution over the subsequent fiscal year. The remaining amount of the total return will then go back to principal. This policy will allow for the re-investment of excess total return which, when compounded, can lead to long term growth of the fund.

## TIME HORIZON

Due to the inevitability of short-term market fluctuations, the Committee intends that the following Specific Performance objectives will be achieved over a full market cycle, typically 5-7 years.


## TOTAL FUND – OBJECTIVES

1. The total return shall exceed the Consumer Price Index plus 4%.
2. The total return shall meet or exceed a Broad Policy Benchmark composed of: 45% of the Russell 3000 Index (U.S. Equity and REITs), 30% of the MSCI All Country World Index ex-US (International Equity), and 25% of the Bloomberg Barclays U.S. Aggregate Bond Index (Fixed Income).
3. The total return shall meet or exceed a Target Weighted Benchmark composed of: 20% of the S&P 500 Index (U.S. Large Cap Equity), 10% Russell Mid Cap Index (U.S. Mid Cap Equity), 10% of the Russell 2000 Index (U.S. Small Cap Equity), 15% of the MSCI EAFE Index (International Equity), 15% of the MSCI Emerging Markets Free Index (Emerging Markets Equity), 5% of the MSCI U.S. REIT Index, and 25% of the Bloomberg Barclays U.S. Aggregate Bond Index (Fixed Income).

## CONCLUSION

This statement of investment policy shall be reviewed periodically.

Acknowledged

  
On Behalf of the Lambda Chi Alpha  
Educational Foundation

Date

