

June 5, 1999

**STATEMENT OF INVESTMENT POLICY,
OBJECTIVES, AND GUIDELINES**



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Antioch University
STATEMENT OF INVESTMENT POLICY,
OBJECTIVES, AND GUIDELINES

I. GENERAL INFORMATION

A. SCOPE OF THIS INVESTMENT POLICY

The University Endowment Fund contains the endowed gifts and bequests of the individual campuses of the University. These funds are held centrally on behalf of the individual campuses for investment purposes and to insure full compliance with the terms and purposes for which the funds were given. This statement of investment policy reflects the investment philosophy, objectives, and constraints of the Antioch University Endowment, but the procedures shall apply only to assets assigned to an Investment Manager.

B. PURPOSE OF THIS INVESTMENT POLICY

This statement of investment policy was adopted by the Antioch University Board of Trustees in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Endowment Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Endowment Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Endowment Fund assets according to prudent standards and the Uniform Prudent Investors Act.
6. Establish the relevant investment horizon for which the Endowment Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

C. DEFINITIONS

1. "Fund" shall mean the Antioch University Endowment Fund.
2. "Investment Committee" shall refer to the Investment Committee of the Board of Trustees, which has been assigned the responsibility by the Antioch Board of Trustees for administering the Fund in compliance with applicable law and Board of Trustee policy.
3. "Fiduciary Responsibility" shall mean the exercise of discretionary authority or control over Fund management or any authority or control over the management, disposition or administration of the Fund assets.
4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the fund assets.
5. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is perpetuity.

D. DELEGATION OF AUTHORITY

The Investment Committee is responsible for directing and monitoring the investment management of Fund assets. The Investment Committee is also authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Management Consultant.** The consultant may assist the Investment Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. **Investment Manager.** The investment manager may choose the specific securities that will be used to meet the Fund's investment objectives. Such services also include economic analysis, and deciding when to purchase, sell, or hold individual securities.
3. **Custodian.** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund.

1. Projecting the Fund's financial needs, and communicating such needs to the Investment Managers on a timely basis.
2. Determining the Fund's risk tolerance and investment horizon, and communicating these to the appropriate parties.

The Investment Committee is charged by the Antioch Board of Trustees with the responsibility for the management of the assets of the Fund. The Investment Committee shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Investment Committee relating to the investment management of Fund assets include:

A. INVESTMENT COMMITTEE OF THE BOARD OF TRUSTEES

II. Assignment of Responsibility

4. **Co-Trustee.** The Investment Committee may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Fund assets.
5. **Additional specialists** such as attorneys, auditors, actuaries, retirement plan consultants and others may be employed by the Fiduciary to assist in meeting its responsibilities and obligations to administer Fund assets prudently.
- The Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications, which they deem appropriate.
- If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.
- The Vice Chancellor has been authorized by the Antioch Board of Trustees to open and/or maintain bank accounts; invest funds; buy, sell, assign, transfer and deliver stocks, bonds, notes, rights, options in securities standing in the name of or owned by the University; borrow funds and establish lines of credit; execute contracts; and take such other actions as are necessary and appropriate to the position. The Vice Chancellor and the Controller are responsible for supporting the Investment Committee in the exercise of its Fiduciary Responsibilities and may perform those tasks assigned by the Investment Committee that are appropriate to their positions.

3. Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the Fund's assets.
4. Prudently and diligently selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process or for failure to comply with established guidelines.

B. RESPONSIBILITY OF INVESTMENT CONSULTANT(S)
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The Investment Consultant's role is that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Providing asset allocation advice and recommendations to assist in meeting a long-term strategic asset allocation target while adhering to allocation constraints such as maximum and minimum exposures to various asset classes.
3. Conducting investment manager searches when requested by the Investment Committee.
4. Providing "due diligence", or research, on the Investment Manager(s).
5. Monitoring the performance of the Investment Manager(s) to provide the Investment Committee with the ability to determine the progress toward the investment objectives.
6. Communicating matters of policy, manager research, and manager performance to the Investment Committee.
7. Reviewing Fund investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Investment Committee.

4. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
3. The Investment Committee may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
2. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances, and with the knowledge of the Investment Committee, it is clearly prudent not to do so.
1. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor, acting in like capacity and familiar with such matters, would use in the investment of a fund of like character and with like aims.

A. GENERAL GUIDELINES

III. GENERAL INVESTMENT PRINCIPLES

5. Voting proxies, if requested by the Investment Committee, on behalf of the Fund, and communicating such voting records to the Investment Committee on a timely basis.
4. Informing the Investment Committee regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, or investment philosophy.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
2. Reporting, on a timely basis, quarterly investment performance results.
1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the individual Investment Manager include:

C. RESPONSIBILITY OF INVESTMENT MANAGER(S)

B. INVESTMENT MANAGEMENT POLICY

1. **Preservation of Capital** - Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. **Risk Aversion** - Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. **Adherence to Investment Discipline** - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

IV. SPENDING POLICY

The Investment Committee will attempt to balance the Fund's shorter-term funding obligations with its goal to provide campus and program support into perpetuity and, therefore, design a spending policy that is prudent and predictable. However, in order to realize the greatest appreciation of the Fund, the Investment Committee may tend toward a more "aggressive" investment strategy seeking higher long-term investment returns than would be possible if spending in a given year were linked directly to annual Fund income. Because expected investment returns from "riskier" portfolios are not consistent and predictable over short periods, the Investment Committee believes that shorter-term spending allocations must be independent from short-term performance of the Fund. In this way, campuses and their programs will be able to endure periods of under-performance without erratic changes in their level of spending. In addition, a moderate spending policy will avoid excessive deterioration of real principal.

The Investment Committee of the Board of Trustees recommends a spending rate and an overall target return of not less than the following:

Spending Rate	5.0%
Fees	1.0%
Inflation (estimated)	2.0%
Real Growth Target	2.0%
 Target Rate of Return	 10.0%

The spending rate in the budgets for fiscal years beginning July 1, 1999 and after will be calculated on the preceding rolling average of the year-end fair market value of the Fund in the three preceding calendar years. In the first year that this policy is in effect (1999-2000), it will be necessary to provide the College with a small supplemental allocation so that there will be no decline in support from the Fund. Thereafter, the formula should generate at least as much annual Endowment support as the College has received prior to the adoption of this policy.

INVESTMENT OBJECTIVES

A. GOAL OF THE FUND

The Investment Committee believes that campus and program support provided in the future is as important as support provided today. This is consistent with the philosophy that this Fund is to exist in perpetuity, and therefore, will provide support in perpetuity. To attain this goal, the overriding objective for this Fund is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Fund's investment horizon. The Fund's specific investment objectives will be established later in this document.

B. ATTITUDE TOWARDS GIFTS

Future giving (contributions) to this Fund is expected to be inconsistent, and therefore, unpredictable. As a result, the Investment Committee has set an investment strategy with the objective of maintaining purchasing power of Fund assets before consideration of gifts. Accordingly, future giving will serve to increase purchasing power. Therefore, total return expectations may be expressed by the following equation:

$$\text{Total Return} = \text{Spending} + \text{Inflation} + \text{Expenses} + \text{Real Growth.}$$

C. CAPITAL MARKET EXPECTATIONS

The specific investment goals below are based on the following expectations of return from the capital markets:

Asset Class	Expected Return
Large Cap Equity	12.7%
Small Cap Equity	13.9%
International Equity	11.9%
Intermediate Domestic Bonds	6.4%
International Bonds	6.1%
90 Day Treasury Bills	4.9%
CPI	4.0%

Expected return calculations for capital markets indices are based on historical annualized performance (Post World War II), with the exception of the international indices. The expected returns of the international indices represent a return premium approach. This premium estimate is calculated comparing each international index against its domestic counterpart, since the inception of the international indexes.

D. LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will periodically provide investment counsel with an estimate of expected net cash flow. The Investment Committee will notify the investment consultant of cash needs sufficiently in advance to allow liquid reserves to be developed.

VI. INVESTMENT GUIDELINES

A. ALLOWABLE ASSETS

1. Cash Equivalents
 - Treasury Bills, Commercial Paper, CD's, Bankers' Acceptance Notes
 - Money Market Funds
 - Repurchase Agreements
2. Fixed Income Securities
 - U.S. Government and Agency Securities
 - Corporate Notes and Bonds
 - Mortgage Backed Bonds
 - Preferred Stock
 - Fixed Income Securities of Foreign Governments and Corporations
3. Equity Securities
 - Common Stocks
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) of Non-U.S. Companies
 - Stocks of Non-U.S. Companies (Ordinary Shares)
 - Stocks of Non-U.S. Companies in emerging markets
 - Listed Real Estate Investment Trust Securities
4. Mutual Funds
 - Mutual Funds which invest in securities as allowed in this statement
5. The University may accept real estate (REITs) into the Fund if acquired as a gift.

B. STOCK EXCHANGES

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, NASDAQ over-the-counter market, and foreign exchange markets. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Investment Committee.

C. PROHIBITED ASSETS

Prohibited investments include, but are not limited to, the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments

D. PROHIBITED TRANSACTIONS

Prohibited transactions include, but are not limited to, the following:

1. Short Selling
2. Margin Transactions
3. Securities Lending

E. DERIVATIVE INVESTMENTS

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMO's (PAC bonds, IO's, PO's, residual bonds, etc.) and interest rate swaps among others. The Fiduciary feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Fiduciary will take a conservative posture on derivative securities in order to maintain its risk-adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited; rather it will serve as a general policy on derivatives. Unless otherwise specifically allowed in this document, the Investment Manager(s) must seek written permission from the Investment Committee to include such investments in the Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

VII. SOCIALLY RESPONSIBLE INVESTMENT GUIDELINES

It is the policy of Antioch University to invest its assets in ways that satisfy the financial objectives of the Fund and that are consistent with its mission to promote a responsible and just society. As an investor, Antioch believes that it has the responsibility to influence corporate policy through selecting investments that do not knowingly conflict with its mission, and to seek those investment opportunities that promote social and environmental betterment.

In keeping with this overall philosophy, Antioch University will avoid investment in the following:

1. Companies with an ongoing record of significant controversies, judgments and/or administrative fines resulting from discrimination based on gender, race, age, marital status, religion, sexual preference or the nationality of its employees or customers.
2. Companies whose operations are aligned with governments with significant human rights abuses or repressive regimes.
3. Companies whose business practices cause substantial environmental damage.

In addition, Antioch University strongly encourages investment in corporations that are providing solutions to social and environmental problems; specifically, companies that:

1. Promote fair employment practices and diversity through innovative employee benefits programs, comprehensive work-family policies, and training and advancement programs for women and minorities.
2. Participate as concerned, involved citizens in their communities, through charitable giving, employee involvement, and direct investment.
3. Uphold global human rights and international justice in their operations around the world.
4. Show industry leadership in environmental progress (e.g., waste reduction and recycling initiatives, use of alternative energy sources, substantial source reduction of toxic emissions, use of recycled and/or recyclable materials in products and packaging).
5. Manufacture products and/or provide services that have a direct positive environmental impact.

VIII. ASSET ALLOCATION GUIDELINES

A. AGGREGATE FUND ALLOCATION

Investment management of the assets of the Fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Fund Asset Allocation Guidelines (at market value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Total Equities	50%	75%	65%
International Equities	5%	15%	10%
Emerging Markets	0%	5%	2.5%
Fixed Income	25%	50%	30%
Cash and Equivalents	0%	20%	5%

2. The Investment Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Investment Committee regarding specific objectives and guidelines.
3. No more than 30% of the total Fund should be invested with any one equity manager and no more than 50% of the total Fund should be invested with any one fixed income manager.

B. DIVERSIFICATION FOR INVESTMENT MANAGERS

The Investment Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent 50% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

C. GUIDELINES FOR FIXED INCOME MANAGERS
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1. Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better.
2. Fund assets may be invested only in commercial paper rated A1P1 (or equivalent) or better.
3. Fixed income duration restrictions are as follows:
 - Maximum duration for any single security is 16 years.
 - Weighted average portfolio duration may not exceed 8 years.
4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

IX. SELECTION OF INVESTMENT MANAGERS

A. PROCEDURES

The Investment Committee selection of Investment Manager(s) must follow prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company. The Investment Committee requires that each investment manager provide, in writing, acknowledgment of fiduciary responsibility to Antioch University.

B. INVESTMENT MANAGER REVIEW/EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment manager's organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

X. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this investment policy, the Investment Committee will review investment policy at least annually.

The Investment Committee of the Antioch University adopts this statement of investment policy on June 4, 1999.

Leressa Crockett, Chair

Thomas R. Kershner

James D. Robinson, IV

Bruce P. Bedford

Niels P. Lyster

The following is information as of 12/31/00.

Current Investment Consultant:

Consulting Group
 Salomon Smith Barney

Current Investment Management Structure:

<u>Investment Manager</u>	<u>Style</u>	<u>Benchmark</u>
Cohen, Klingenstein & Marks	Large Cap Growth	(R1000G)
Sanford C. Bernstein	Large Cap Value	(R1000V)
NewSouth Capital Management	Small-Cap Value	(R2000V)
J & W Seligman	Small-Cap Growth	(R2000G)
Brandes Investment Partners	Int'l Equity	(EAFE-GDP)
Lazard Asset Management	Int'l Equity	(EAFE-GDP)
Seix Investment Advisors	Core Bonds	(LB Gov't/Corp)
Roxbury Capital Management	Large Cap Growth	(R1000G)

Where:

- (R1000G is the Russell Large Growth Company Index)
- (R1000V is the Russell Large Value Company Index)
- (R2000V is the Russell Small Company Value Index)
- (R2000G is the Russell Small Company Growth Index)
- (EAFE-GDP is the Morgan Stanley EAFE GDP-weighted index)
- (LB G/C is the Lehman Brothers Government/Corporate Bond Index)