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Investment Policy Statement - Antioch College Corporation

Purpose of This Investment Policy

This investment policy statement was adopted by the Investment Committee of the Board of Trustees of Antioch College Corporation in order to:

1. Establish an understanding of the investment philosophy and investment objectives for the Investment Committee, donors, and investment managers.
2. Serve as requirements for the investment managers retained.
3. Serve as a basis for evaluating investment results.
4. Encourage effective communication between fund manager(s), consultant(s), and the Investment Committee.
5. Manage the endowment fund assets according to prudent standards and the Uniform Prudent Management of Institutions Funds Act (UPMIFA).

Scope

This policy applies to all assets that are included in Antioch's long-term investment pool for which the Investment Committee has been given supervisory responsibility. The long-term investment pool is comprised of the Antioch College Invested Funds subpool and the Endowment Reserve Funds subpool (the "Fund").

Fiduciary Duty

This investment policy reflects the fiduciary responsibilities and duties as described within UPMIFA regulations:

1. Duty of obedience: comply with donor intent and consider the purpose of the charity and the Fund.
2. Duty of loyalty: make investment decisions in the best interests of the charity, not personal interests. Fiduciaries must provide full and fair disclosure to the Investment Committee of all material facts regarding any potential conflicts of interests.
3. Duty of care: Act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
4. Duty to manage costs: investment activity costs must be appropriate and reasonable in relation to assets, the charity's purpose and the skills available to the charity.
5. Duty to verify: make a reasonable effort to verify the accuracy of information used in making decisions.
6. Duty to diversify: investments must be diversified, except under special circumstances.
7. Duty to review asset suitability: consider the suitability of retaining contributed property and document decisions to retain or dispose of assets.

Statement of Responsibilities

The Board of Trustees has the ultimate fiduciary responsibility for the Fund's investment portfolio. The Board appoints the Investment Committee and determines and approves the Investment Policy Statement and delegates responsibility to the Investment Committee for implementation and ongoing monitoring.

The Investment Committee is responsible for recommending to the Board and implementing investment strategies. This includes hiring and firing investment managers, custodians, and investment consultants, monitoring performance of the investment portfolio on a regular basis (at least quarterly), maintaining sufficient knowledge about the portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement. The Committee is committed to transparency and full disclosure regarding its investment activities and will make available any of the reports received to the Board of Trustees upon request.

The Investment Consultant is responsible for assisting the Investment Committee in managing and overseeing the Fund's investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

1. Provide the Investment Committee with performance reports within 45 days following the receipt of performance statements for each calendar month.
2. Meet with the Investment Committee quarterly, or as needed.
3. Perform due diligence and assist with investment manager searches.
4. Provide quarterly performance and asset allocation reports.
5. Provide counsel on socially responsible investing from investments to shareholder activism if so requested.
6. Communicate the Investment Policy Statement to fund managers and recommend changes to the Investment Committee as necessary.
7. Provide performance results of each individual fund manager over the last quarter, and the trailing one-, three-, five-, and ten-year periods, along with comparative benchmarks.
8. Provide peer group analyses and percentile rankings for the same.
9. Develop aggregate portfolio investment performance based on asset allocations.
10. Make any recommendations for changes of the managers or asset allocation.

Investment Managers are responsible for making the investment decisions while operating within all policies, guidelines, constraints, and philosophies as outlined in this Investment Policy Statement. The Investment Committee may employ one or more investment managers of varying styles and philosophies to seek to achieve the Fund's objectives. Specific responsibilities of the individual Investment Managers include:

1. Exercising full discretion with respect to buying, holding or selling assets held in the portfolio, including asset allocations within guidelines established in this Investment Policy Statement and their prospectus.
2. Reporting investment performance results on a monthly basis.
3. Voting proxies, if requested by the Investment Committee, on behalf of the Fund. At some future date Investment Managers might be called upon to facilitate shareholder activism on behalf of the ACCF.
4. 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.
5. Informing the Investment Committee regarding any change to investment management organization: examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

The Custodian is responsible for the safekeeping of the portfolio's assets. These responsibilities include: valuing the holdings, collecting income and dividends, settling all transactions initiated by the fund managers, and providing reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report. The custodian's quarterly report details portfolio holdings, activity, and changes in value.

Investment Philosophy

The Fund is intended to be a permanent vehicle for supporting Antioch College. Changes in the value of the Fund will result from investment performance, dividend and interest income, distributions to support Antioch College as specified by donors, investment management fees, and administrative costs.

The Articles of Incorporation of the Fund limit annual distributions to a maximum of 7.0% of the fair market value calculated on the basis of market values determined quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made. Furthermore the Articles of Incorporation prohibit expenditures if the value of the Fund in the aggregate is below, or by virtue of the expenditure, would fall below 90.0% of the "historic dollar value" of the fund.

Modern portfolio theory will be the primary influence on the portfolio's structure and investment decisions. The aim is to optimize risk/return utilizing a diverse portfolio including a variety of asset classes, styles, and managers/funds.

Investment Goal & Objective and Spending Policy

The fundamental long-term investment goal is to preserve the purchasing power of the endowment while providing a 5.0% return after inflation, to be spent as directed by the various funds, net of all investment and management fees.

Therefore, the long-term investment objective is for the portfolio to achieve a total rate of return net of investment management and consulting fees equal to or exceeding 8.0%. This is calculated based on the spending policy of 5.0%, and estimated annual inflation and fees of 3.0%.

The Spending Policy is determined by a total return system. The amount spent in support of Antioch College for the coming fiscal year is calculated each June 30 and is reviewed by the Board of Trustees prior to distribution. The calculation is based on a 12quarter moving average of the market value of the total fund-multiplied by an amount not to exceed 7.0%.

The product of this calculation is then adjusted by the Board to reflect fund liquidity, possibility of non-cash distributions to restricted funds, and donor restrictions. The final planned spending amount will be communicated to the Investment Consultant at the beginning of the fiscal year with the distribution planned to be made within that fiscal year.

Furthermore, in recognition of the Uniform Management of Institutional Funds Act (UMIFA), spending shall comply with the evolving "prudent spending" guidelines of UMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Investment Program Strategy

The Committee will place assets with qualified external professional Investment Managers that show competence in each asset class. The external Investment Managers will have full discretion and authority for determining investment strategy, security selection, and timing of purchases and sales of assets subject to the guidelines specific to their allocation.

The Fund shall be allocated across a number of investment classes to provide diversification and achieve the Fund's investment objectives. The following table defines the Fund's target asset allocation and range for each asset class:

Target Asset Allocation

Asset Class	Target	Range	Representative Index

Global Equities	43	38 – 48	MSCI AC World
Domestic Equity	18	13 – 23	S&P 500
International Equity	20	15 – 25	MSCI AC World ex-US
Emerging Equity	5	2.5 – 7.5	MSCI EM
Flexible Capital	20	15 – 25	HFRI Diversified
Fixed Income	22	17 – 27	Custom Composite
Domestic			Barclays US Aggregate (float adjusted)
International			Citigroup Non-US World Government Bond
Inflation Hedging	15	10 – 20	Custom Composite
Liquid Capital	0	0 – 5	-

The target allocation will be reviewed by the Investment Committee at least annually with adjustments made as warranted at any time by the Investment Committee with ratification by the Board.

Investment Management Policies, Guidelines, and Restrictions

These investment policies, guidelines, and restrictions are intended as a framework to help the Fund and its Manager(s) achieve the investment objectives at a level of risk deemed acceptable. The Fund will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

Equity Securities

The purpose of equity investments, both domestic and international, in the Fund is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depository Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to the discretion of the Investment Managers, subject to the standards of fiduciary prudence. However, no single major industry shall represent more than twenty percent (20%) of the Fund's total market value, and no single security shall represent more than five percent (5%) of the total market value of the Fund's equity segment, unless approved by the Investment Committee.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection or sale of equity securities.

Fixed Income Securities

Domestic and International fixed income investments provide diversification and a dependable source of current income. Diversification within fixed income investments will be flexibly allocated among maturities of different lengths according to interest rate prospects and the goals of the Fund. Fixed income instruments should reduce the overall volatility of the Fund's assets, and provide a deflation or inflation hedge, where appropriate.

Fixed income includes both the domestic fixed income market and the markets of the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The Investment Manager(s) must take into account credit quality, sector, duration, and issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Within the above guidelines and restrictions, the Investment Manager(s) has complete discretion over timing the sale, purchase, and selection of fixed income securities.

Cash and Equivalents
The Investment Manager(s) may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. No more than 5.0% of the Fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Uninvested cash reserves shall be kept to a minimum since short term, cash equivalent securities are usually not considered an appropriate investment vehicle for long-term investments. However, such vehicles are appropriate as a depository for income distributions from longer-term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Investment Manager(s) has complete discretion over timing the purchase, sale, and selection of cash equivalent securities.

Alternatives (Flexible Capital)
Marketable Alternative Strategies - Investments may include equity-oriented or absolute return funds which can be domestic and/or international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

Directional long/short hedge funds are a category of the hedge fund market that combines the use of long and short holdings so that the fund has exposure to the overall market, i.e. not market neutral. These funds add value by participating in moves in the financial markets; directional funds tend to be more volatile and more highly correlated with major market benchmarks than absolute return funds. Directional long/short managers are allowed to use leverage in order to enhance returns, but it may increase volatility as well. Typical hedge strategies include long/short equity, long/short credit, and global macro.

Absolute Return includes investment strategies that can invest, in general, across the range of asset classes with greater flexibility, i.e., short selling, leverage, etc. Specifically, strategies include long/short equity (security selection-oriented), event driven strategies (distressed, restructurings, and merger arbitrage), non-event arbitrage (capital structure arbitrage, statistical equity arbitrage, and fixed income arbitrage), and global macro (including commodity trading advisors).

The predominant vehicles are domestic limited partnerships or offshore corporations, which have limited liquidity. Quarterly liquidity is typically available, though some investments lock-up funds for several years. The number of managers employed may vary over time depending on the use of multi-strategy/multi-manager vehicles (funds-of-funds) and based on available opportunities. The size of direct manager mandates will depend on the relative risk of the manager’s underlying strategies and capabilities.

Inflation Hedging (Real Assets)

Real Assets includes a broad array of assets and sectors with varying levels of liquidity: private real estate (core, value-added, opportunistic, international), publicly-traded real estate (REITs), publicly-traded energy-related equities (global), commodities (typically through futures), natural resource partnerships (oil/gas, timber), and inflation-indexed bonds (global).

Other sectors such as energy-related equities and commodity indices may be included, either passively or actively. Diversification across strategies/sectors and managers will be sought to control risk. For target maintenance purposes, passive or active mandates that focus on the entire or specific segments of the “liquid” opportunity set may be utilized temporarily or permanently. The number of managers employed may vary over time depending on the use of multi-strategy/multi-manager vehicles (funds-of-funds) and based on available opportunities. The size of direct manager mandates will depend on the relative risk of the strategy/sector and the capabilities of the manager.

Restrictions

The Investment Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the Investment Manager(s) and the investment strategy involved. An addendum supporting such investments where a waiver or modification has been made will be maintained as a permanent record of the Investment Committee. All waivers and modifications will be reported to the Board at the meeting immediately following the granting of the waiver or modification.

Any investment that is made in mutual funds and/or commingled funds will be reviewed and approved by the Investment Committee on a case by case basis and if approved, may vary from this Policy. For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Investment Committee understands that such funds have their own stated guidelines, which cannot be changed for individual investors, in principle and spirit, those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Investment Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Rebalancing
The Investment Committee intends to periodically rebalance the Fund back to the respective asset allocation targets to ensure that the asset allocation remains an accurate reflection of Antioch College's desired risk profile. To remain consistent with the asset allocation guidelines, the Investment Committee shall review the actual allocations on a quarterly basis and rebalance the Fund back to the recommended weighting if a class is outside of its acceptable range, unless under the circumstances, it is clearly prudent not to rebalance.

The following guidelines will be used when rebalancing the Fund to the target allocations: 1) rebalance will be considered during the review of the Fund's performance, intended to occur on at least a quarterly basis; 2) rebalancing will be considered alongside any cash transitions in (gifts, e.g.) or out (annual distribution to the College, e.g.) of the Fund; and 3) should actual allocations move outside of allowable ranges due to short term changes in the market value of the portfolio, the Investment Committee will convene to determine the appropriate course of action.

In general, the Fund's average asset allocation should match the targets listed in the table above. However, there may be times when tactical over- or underweights are maintained to take advantage of favorable market conditions or disequilibria in certain asset categories (tactical weighting within the rebalancing boundaries of ±5%). In addition, the Committee recognizes that investing in certain illiquid investments (i.e. private equity and real assets) makes it more challenging to quickly adjust those allocations. Furthermore, the pace of commitments to these investments must be measured to construct an optimally diversified portfolio. As a consequence of these constraints, deviations from policy targets may occur.

Cash receipts shall be invested as soon as practical and in accordance with the current asset allocation policy, unless otherwise approved.

Manager/Fund due-Diligence Process

The Investment Committee will interview, select, and monitor external managers to invest the assets of the Fund.

The Investment Consultant conducts the fund manager/fund due diligence process, which is monitored continuously on a quarterly basis utilizing both quantitative and qualitative analysis.

The quantitative portion of the screening process emphasizes several key factors, including superior risk adjusted performance to their respective peer group and benchmarked over specific time periods, style consistency to a specific asset class, and correlation to existing managers to insure adequate diversification.

Performance is measured by looking at annual returns over one-, three-, five-, and ten-year time periods. Other considerations include returns in up and down markets, standard deviation, alpha, beta, and R-squared for one-, three-, five-, and ten-year periods.

The qualitative analysis includes philosophy, process, people, performance, product fit, fees, and intangibles including: fulfillment of the fund manager responsibilities as enumerated earlier in this Investment Policy Statement, avoidance of significant deviation from the manager's stated investment philosophy and style, and avoidance of regulatory actions against the firm, its principals, or employees.

Performance Measurement

Performance shall be evaluated according to the following framework:

Short Term (fewer than three years) – adherence to the stated philosophy and style of management at the time the Investment Manager was retained by the Investment Committee; and continuity of personnel and practices at the firm.

Intermediate Term (rolling 3 year periods) – adherence to the stated philosophy and style of management at the time the Investment Manager was retained by the Investment Committee; continuity of personnel and practices at the firm; and ability to meet or exceed the average annual rate of return of the weighted average benchmark over a three-year period.

Performance at the Total Fund level will be compared to its Policy Benchmark, which represents the optimal "Policy Portfolio" selected by the Investment Committee. The Policy Benchmark is defined as the sum total of all the policy target weights for each of the asset classes multiplied by the returns of their respective benchmarks. Significant performance deviations from the Policy Benchmark will be explained and appropriate actions taken if necessary.

In addition to the Fund and asset-class benchmarking, all Investment Managers within each asset class will be compared to their own relevant style index benchmarks. While a horizon of at least three years is the preferred comparison period, significant short-term differences will be highlighted and, if warranted, actions recommended to the committee.

Risk Tolerance

In establishing the risk tolerance for this Investment Policy Statement, several factors were considered including:

- Financial ability to accept risk within the investment program;
- The time horizon;
- Cash flow requirements; and

- Willingness to accept return volatility.

Taking these items into account, the Investment Committee rates their risk tolerance as moderately aggressive. The very long-term time horizon and need to maintain the real purchasing power of the Fund assets in perpetuity argue for a growth-oriented approach. The Investment Committee understands that higher returns involve more volatility and that the long-term time horizon of the Fund has a mitigating effect on the downside risk.

Liquidity

The Investment Committee's basic requirement for liquidity from the Fund is to provide for the 5.0% annual distribution. The Fund's liquidity will be monitored on a regular basis to ensure appropriate levels of liquidity.

Use of Derivatives and Leverage

In general, the Fund will not make direct use of derivatives or leverage. However, the Fund may have exposure through certain investment managers, such as those in the private equity, long/short hedge, absolute return, and real assets. When prudently used, derivative instruments and strategies can be an important element of general portfolio management. Derivatives offer investment management firms effective alternatives to trading physical securities, provided firms have the technical knowledge of the market factors, the quantitative skills to analyze the securities over a range of scenarios, and the ability to determine reasonable valuation before purchasing. Portfolio management agreements or manager guidelines must explicitly authorize the use of derivatives, or clearly state when their use is permitted.

Conflict of Interest

If any member of the committee, staff, or the Investment Consultant shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective member's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion. All parties must also comply with any other conflicts of interest policies adopted by Antioch College.

Implementation

In order to keep the Investment Policy Statement current, this information is subject to no less than annual review.