

# **Abraham Baldwin Agricultural College Foundation, Inc.**

## **Investment Policy**

### **PURPOSE**

The purpose of this Investment Policy Statement is to establish and communicate the intermediate and long-term guidelines and investment objectives of the Abraham Baldwin Agricultural College Foundation. In addition, this policy statement describes the responsibilities of the Investment Manager and broad guidelines and performance benchmarks that will be utilized in monitoring the investment activity and performance on a continuing basis.

### **GENERAL OBJECTIVES**

The Primary objective shall be to prudently invest Foundation monies, additional deposits and contributions, and investment income; so as to maximize the rate of return and preserve the capital without undue risk. It is of importance to understand the nature of the Foundation's Scholarship Commitments, so as to work to ensure sufficient cash flow/income generating investments to fund these commitments and goals. The Foundation Scholarship Commitments are calculated on a three (3) year rolling average based on the account value as of June 30 of the previous fiscal year, with June 30, 2002, serving as the initial base year of that average. The assets of the Foundation will be managed solely in the interests of the Foundation and within the framework of the By-Laws of the Abraham Baldwin Agricultural College Foundation, Inc. The Investment Manager is retained to assure that investments are managed in a prudent and proper manner and in compliance with any applicable state and federal laws and/or regulations. It is the intention of the Foundation to give the Investment Manager full investment discretion with respect to the assets under its management.

### **INVESTMENT OBJECTIVES**

The Foundation, through its Finance and Investment Committee, will measure the performance of the Investment Manager utilizing criteria available for measurement of these type funds with similar investment objectives. The criteria established will be communicated to the Investment Manager.

1. The investment return objective for the equity portion of the Fund shall be the Standard and Poor 500 Stock Index net of investment expenses.
2. The investment return objective for the fixed income portion of the Fund shall be the Shearson Lehman Intermediate Government/Corporate Bond Index net of investment expenses.
3. The Investment Manager's performance shall be reviewed annually as of June 30.

## INVESTMENT MANAGER RESPONSIBILITY

1. The Investment Manager will have full investment discretion with respect to market timing, interest rate forecasting, and security selection.
2. The Investment Manager understands that from time to time there will be gifts of stocks/bonds to the Fund. In this case, the Investment Manager has no discretion. Gifts to the Fund will be sold on the day the gifted stock/bond is received.
3. The Investment Manager will employ internal controls to assure that investments will be made in compliance with any applicable state and federal laws and/or regulations.
4. The Investment Manager will be responsible only for those assets under its management and will not aggregate such assets together with assets under "self-management" in determining whether a particular guideline or limitation has been met.
5. The Investment Manager will employ controls, which will assure that diversification, marketability, and other guidelines provided in this Investment Policy Statement shall be followed.
6. The Investment Manager shall ensure that the common stock allocation (including convertibles) shall not exceed 70% of the assets of the portfolio.
7. The Investment Manager shall ensure that the bond allocation shall not exceed 70% of the assets under management.
8. The Investment manager understands that the Trustees intend that the resources entrusted to the Investment Manager be invested primarily in stocks and bonds and that cash and cash equivalent allocations be held to 20% or less, with a goal of 10% at most times.
9. The Investment Manager shall ensure that equity allocation be diversified by sector with deviation from the S & P allocation for any one sector allowed by as much as 2.5x, but not to exceed 30% of the total equities; thereby, allowing some sectors to be absent allocation at any given time.
10. The Investment Manager understands that the Trustees intend (expect) there to be a minimal real return, that is dividends and interest net of expenses and not appreciation, on the total account of no less than 2%.
11. The Investment Manager shall identify any policy guideline that is judged to inhibit investment performance and communicate that view to the Finance Committee for consideration.

## **RESTRICTIONS**

1. There shall be no short selling, securities lending, options trading, financial futures, or other specialized investment activity without prior approval of the Finance and Investment Committee.
2. There shall be no non-marketable direct investments in equity or debt placements, or leasebacks. The Finance and Investment Committee may decide, however, to invest in open-end commingled funds, which invest in equity or debt private placements or real estate and/or participation or nonparticipation companies.
3. The Investment Manager shall monitor assets under its jurisdiction to assure that no purchase shall be made which would cause the holding of any one issuer, (excluding the US Government and agencies of or guaranteed by the US Government) to exceed 5% of the portfolio valued at market. However, if any investment appreciates so that the value of that investment exceeds 5% of the portfolio value, at market, the Investment Manager may, in his discretion, decide to value the investment at cost for purposes of calculating the 5% limitation.
4. No purchase shall be made which would cause a holding to exceed five percent (5%) of an issue outstanding.
5. Bonds and preferred stocks shall not be purchased if the credit rating is below the top six categories by Moody's (A1) or Standard and Poor's (A) rating service.
6. Not more than five percent (5%) of the portfolio valued at market, shall be invested in commercial paper of a single issuer. No short-term commercial paper shall be purchased which has a rating of less than A-1 (Standard & Poor's) or P-1 (Moody's).
7. That portion of the portfolio, valued at market and invested in the bank certificates of deposit of a single issuer, shall be insured by the FDIC or collateralized, unless expressly approved in writing by the Finance and Investment Committee.
8. The Investment Manager's firm will be required to be SEC registered.

## **REVIEW OF POLICY**

This Investment Policy Statement shall be reviewed annually by the Finance and Investment Committee and the Investment Manager and revised or confirmed as appropriate. Investment returns shall be calculated on a quarterly basis and related to objectives and performance benchmarks at least annually.

Approved by the Abraham Baldwin Agricultural College Foundation, Inc. Board of Directors  
(April 26, 2005)