

**NDSU FOUNDATION
SHORT TERM INVESTMENT POOL
INVESTMENT POLICY STATEMENT**

INTRODUCTION

The NDSU Foundation (the Foundation) acquires, holds, and manages assets for the benefit of North Dakota State University (NDSU). The Executive Governing Board (Board) of the Foundation has a fiduciary responsibility to the Foundation’s donors and to NDSU to manage the assets (hold the principal in safekeeping, earn income, and increase the principal value through appreciation) in a prudent fashion.

This investment policy statement (IPS) provides a framework for the management of the short-term investment pool (STIP) of the Foundation. Its’ purpose is to assist the Finance and Audit Committee (Committee) in effectively supervising and monitoring the STIP of the Foundation. These guidelines are designed to allow for sufficient flexibility in the oversight process to capture investment opportunities as they may occur, while at the same time establishing reasonable risk control parameters to ensure prudence and care in the execution of this IPS.

The STIP is a separate investment pool. The primary sources of funds for this pool are:

- Callable funds (cash balances available on expendable donor restricted funds, including capital projects, and endowment spendable funds)
- Other unrestricted cash such as the operating reserve, capital reserve, and property reserve.

This policy is intended to provide clarity about the Foundation’s STIP asset allocation. The goals of this allocation are to:

1. Ensure adequate cash balances are available for Foundation operations;
2. Adequately reserve for University requests of callable funds;
3. Prudently maximize returns on short term funds.

POLICY

The investment objectives for the STIP are to (i) maintain the principal value and (ii) limit the probability that the principal value will be impaired, while (iii) providing income support for Foundation operations.

The target STIP asset allocations shall be:

	Target Allocation	Maximum/Minimum
Endowment (Long Term) Investment Pool	45%	50%/40%
Fixed Income Investments	45%	50%/40%
Cash	10%	15%/5%

The STIP should be managed in reasonable accordance with the principles outlined below.

- **Principal Preservation Objective:** The STIP’s assets are to be managed for principal preservation to ensure the Foundation can satisfy its obligations to the beneficiaries.
- **Investment Prudence:** The decisions of the Board, the Committee, Foundation Staff and any Outsourced Chief Investment Officer (the “OCIO”) or investment consultants hired by the Board are constrained by the Prudent Investor Rule. The Board and Committee must make decisions in

a prudent manner and in the best interests of the STIP. The Board and Committee have the discretion to delegate this responsibility to other parties such as bank custodians, OCIOs, investment consultants and Foundation Staff who work in a fiduciary capacity for the STIP. The standard of conduct applicable to the STIP is one of ordinary business care and prudence under the prevailing facts and circumstances, considering long-term and short-term needs, present and anticipated financial requirements, expected total return on current pricing of investments, and general economic conditions.

- **Diversification:** The portion of the STIP that is not invested in the Endowment (Long Term) Investment Pool or cash shall be invested in a diversified manner through investments across fixed income asset classes, recognizing that classes with low correlation to each other may perform differently in different economic or investment environments.
- **Investment Vehicles:** The investment structures to be used in managing the STIP may include, but are not limited to, separate account managers, mutual funds, exchange traded funds and notes, other pooled investment vehicles, and corporate and municipal bonds.
- **Guidelines for Fixed Income Managers:** The Foundation will seek some portfolio alpha from the fixed income allocation instead of just deflation protection, as might be the case in other portfolios with smaller fixed income allocations. The fixed income portfolio may not include equities and convertible bonds that are essentially equity securities. Non-dollar-denominated fixed income securities, high-yield securities, preferred securities, mortgage-backed and other securitized instruments are permissible as a part of an opportunistic total return strategy.
- **Guidelines for Cash:** Cash is to be employed productively at all times by investment in cash reserves to provide safety, liquidity, and return as determined by the liquidity needs of the Foundation's operations. The cash component is to be invested in money market equivalents, Treasuries, Agencies, commercial paper, CD's, etc., with a target duration of approximately six months.
- **Liquidity:** There must be sufficient liquidity in the STIP to ensure that the STIP can meet the Foundation's operational needs. Liquidity needs will be evaluated on at least a monthly basis by Foundation Staff. Foundation Staff will promptly notify the OCIO if the liquidity requirements have substantially changed.
- **Rebalancing:** Whenever the allocation to any asset class falls outside its permissible range per this policy, Staff will work with the OCIO to rebalance back within the permissible range as soon as practical. Any rebalancing actions will take into account cash flow needs.

ROLES AND RESPONSIBILITIES

Duties of the Executive Governing Board

In the management of the Foundation's STIP, the Board will:

- Approve the Investment Policy developed by the Committee. The Board in its' sole discretion can delegate decision-making authority regarding investment management.
- Review at least annually investment performance on both an absolute basis and relative to appropriate benchmarks as developed and monitored by the Committee.

Duties of the Committee and Staff

In the management of the STIP, the Committee and Staff will:

- The Committee will review at least annually the STIP portfolio structure and financial performance. The review may include recommended adjustments to the long-term, strategic asset allocation plan if needed.
- The Committee will select, retain and terminate OCIOs or investment consultants as necessary to invest short term investments, conduct performance review, asset allocation, manager review and selection, and topical research. The comments and recommendations of the consultants will be considered in conjunction with other available information to aid the Committee in making informed, prudent decisions.
- The CFO is authorized to act singly, as a named fiduciary, to work with the OCIOs to rebalance the portfolio to maintain the proper diversification determined by the Committee as frequently as the CFO may determine.
- Execute any documents necessary to facilitate implementation of this policy, including but not limited to contracts with consultants and Investment Managers for providing services. The CFO and the President/CEO are each authorized, singly, in this capacity.
- Review the STIP at least semi-annually to ensure that policy guidelines continue to be met. The Committee or Staff shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks. The Committee or Staff shall also monitor portfolio characteristics and portfolio attribution to ensure Investment Managers are managing to their stated style. The information for these reviews may come from Staff, outside consultants, the custodian, and the STIP managers.
- Be responsible for taking appropriate action if investment objectives are not being met or if policies and guidelines are not being followed.
- Administer the STIP in a cost-effective manner. These costs include, but are not limited to: management, consulting and custodial fees, transaction costs and other administrative costs chargeable to the ST Investment portfolio or to the Foundation.
- Be responsible for selecting a qualified custodian.
- Maintain a quarterly summary of investment activity.
- Provide for the collection and investment of contributions and investment income, and the payment of expenditures for the management of the STIP.

Duties of the Outsourced Chief Investment Officer (OCIO)

SEI Investments will serve as the OCIO for the Endowment (Long Term) Investment Pool. All duties and responsibilities for this allocation are detailed out in the Investment Policy Statement for the NDSU Foundation Endowment.

Bell Bank will serve as the OCIO for the Fixed Income Investments and Cash asset allocations. All duties and responsibilities for these two asset allocations are detailed below.

The OCIO will serve in such capacity to select, retain and terminate fund managers (“sub-advisors”) as necessary to execute the investment strategy herein. The OCIO will have discretion to develop and execute the investment strategy within the constraints of the guidelines for each program. The OCIO will be responsible for the timely implementation and administration of these decisions.

The OCIO will, at a minimum:

- Comply with "prudent investor" standards.
- Know and comply with the policies as outlined in this document. It is the OCIO’s responsibility to identify policies that may have an adverse impact on performance and to initiate discussion with the Committee or Staff toward possible improvement of those policies.
- Maintain thorough and appropriate risk control policies and procedures. Oversight of compliance with these policies must be ongoing and independent of investment activity.
- Assist in establishing investment policies, objectives, and guidelines.
- Recommend investment funds in accordance to this policy and periodically review such funds.
- Rebalance the portfolio, in consultation with the CFO, to maintain the proper diversification within the ranges approved by this policy and in accordance to the guidelines established in the rebalancing policy of this document.
- Review the STIP investments at least monthly to ensure that policy guidelines continue to be met.
- Monitor investment returns on both an absolute basis and relative to appropriate benchmarks.
- Reconcile every month accounting, transaction, and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- Maintain frequent and open communication with the Staff, Committee, and Foundation on all significant matters pertaining to the OCIO, including, but not limited to:
 - Major changes in the OCIO’s investment outlook, investment strategy, investment process, sub-advisors or portfolio structure;
 - Significant changes in ownership, organizational structure, financial condition or senior personnel;
 - All pertinent issues which the OCIO deems to be of significant interest or material importance;

Short Term Investment Policy Review:

Approved by:

Executive Governing Board: December 13, 2019

Finance and Audit Committee: December 5, 2019

Effective Date: December 13, 2019

Responsible Department: Finance and Operations