



Lock
Haven
University
Foundation

Statement of Investment Policy

Enacted 2/8/2019

TABLE OF CONTENTS

- I. Introduction
 - a. Background
 - b. Purpose
 - c. Investment Objective
 - d. Scope

- II. Roles and Responsibilities
 - a. Board of Directors
 - b. Finance and Investment Committee
 - c. Staff
 - d. Investment Advisor
 - e. Custodian

- III. Investment Policy
 - a. Asset Allocation
 - b. Rebalancing
 - c. Spending Policy
 - d. Liquidity
 - e. Risk Parameters
 - f. Guidelines and Restrictions

- IV. Monitoring and Evaluation
 - a. Time Horizon
 - b. Composite Performance Objectives
 - c. Primary Benchmark
 - d. Broad Policy Benchmark
 - e. Target Weighted Benchmark
 - f. Reporting

- V. Acknowledgement

Statement of Investment Policy

I. INTRODUCTION

A. BACKGROUND

The Lock Haven University Foundation (LHUF) is a 501 (c)3 organization under the U.S. Internal Revenue Code. The mission of the Foundation is to solicit, receive, and administer contributions, in cash or in kind, consistent with the provisions of the Internal Revenue Code, from alumni and friends of Lock Haven University, and to distribute those contributions, and the income therefrom, for the benefit of the University with the primary focus on direct student scholarship grants. Distributions shall be made in strict compliance with the written instructions of donors, or, in the event of unrestricted contributions, in accordance with Lock Haven University Foundation By-Laws.

B. PURPOSE

The purpose of the Investment Policy Statement (the “IPS”) is to set forth the policies that shall be the guide to the Board of Directors (the “Board”), to ensure good stewardship and prudent investment of its aggregate investment portfolio (the (“Portfolio”), in a manner consistent with the investment objectives stated herein. The Board has delegated financial oversight of the Portfolio to the Finance and Investment Committee (the “Committee”).

The IPS shall be used by the Committee in its duty to oversee the management and monitoring of the Portfolio. The IPS shall also be used by the Portfolio’s Investment Advisor, Investment Managers, and Custodian(s) in their respective duties.

The IPS will be reviewed annually by the Committee. Any necessary revisions to the IPS will be recommended by the Committee to the Board.

C. INVESTMENT OBJECTIVE

The investment objective of the Portfolio is to generate long-term growth of the portfolio, without undue exposure to risk, and allow for stable growth of distributions to support the mission of the Endowment. The primary objectives of the Endowment’s investment and spending policy are:

1. To preserve the purchasing power by striving for long-term returns which exceed the distribution, costs for administration and inflation.
2. To adequately diversify among the various asset classes to ensure that adverse results from one asset class will not have an unduly detrimental effect on the entire portfolio.
3. To provide a stable and inflation adjusted payout stream for operations and other periodic expenditures.
4. To adhere to a spending rule consistent with the donor’s gift instrument, if specified, within Foundation policy guidelines.

In order to meet the investment objectives, the investment strategy is to emphasize total return, i.e. the aggregate return from capital appreciation and dividend and interest income. The objective shall be achieved by investing in a mix of fixed income instruments, equity securities and diversifying strategies/alternatives that meet investment guidelines outlined in the policy. Cash is not a strategic asset of the portfolio, but is a residual to the investment

Statement of Investment Policy

process and used to meet short-term liquidity needs that include distributions and payment of administrative expenses.

D. SCOPE

This IPS shall apply to all the endowment assets (unless a separate policy is adopted) which are controlled by LHUF; provided, however this IPS shall not apply to general operating bank accounts of LHUF. Additionally, gifts of Penns Woods stock, its successors and assigns, held by LHUF are not considered a portion of the investment allocation.

II. ROLES AND RESPONSIBILITIES

A. BOARD OF DIRECTORS

The Board has the responsibility for overseeing the investment of the Portfolio in accordance with the IPS. The Board ensures that the appropriate policies governing the management of the Portfolio are in place and these policies are being effectively implemented in a manner consistent with the IPS. To implement these responsibilities, the Board established the Finance and Investment Committee. The President of the Board will appoint the Committee and the Chair in accordance with its by-laws.

B. FINANCE AND INVESTMENT COMMITTEE

The Committee will be composed of the Treasurer, Directors, and the Executive Director (ex-officio). The Committee is responsible for supervising the management of the Portfolio and adherence to the IPS. The specific duties of the Committee include:

1. Determining the portfolio's risk tolerance and investment time horizon and communicating these to the investment advisor(s) and other appropriate parties.
2. Establishing reasonable and consistent investment objectives, policies, guidelines and allocations that will direct the investment of the assets.
3. Communicating financial needs including liquidity requirements to the investment advisor(s) on a timely basis.
4. At least annually and as needed, reviewing the policy and guidelines and recommending appropriate revisions to the Board.
5. Prudently and diligently selecting qualified investment professionals, including investment advisor(s) and custodians for Board approval.
6. Meeting with the Investment Advisor as appropriate to review their performance and philosophy.
7. Regularly evaluating the performance of the investment advisor(s) and managers to ensure adherence to the investment policy guidelines stated herein and to monitor progress toward investment objectives.
8. Provide the Board with information regarding the Portfolio's investment structure and performance against established objectives and policies.
9. Approving short term exceptions to the IPS under radical changes in market conditions.
10. Developing and enacting proper control procedures (for example, replacing investment managers because of a fundamental change in the investment management process or failure to comply with established guidelines)

Statement of Investment Policy

C. STAFF

The President and/or the Chief Financial Officer will be responsible for the day to day contact with the Investment Advisor.

D. INVESTMENT ADVISOR

The Investment Advisor shall be responsible for overseeing, managing and monitoring the aggregate asset allocation of the Portfolio. The Investment Advisor 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 IPS. The Advisor is to follow the Prudent Investor Rule and as such investments shall be made with the judgment and care, under the circumstances then prevailing, which persons of skill, prudence, discretion and intelligence exercise in the management of their own affairs or the affairs of others, not for speculation, but for investment, considering the objectives of the LHUF as specified in this IPS. Furthermore, the assets shall comply in a manner consistent with statutory fiduciary responsibilities and applicable laws and regulations. Specific responsibilities of the investment advisor include:

1. Selecting investment managers and determining their respective allocation within the guidelines established in this statement.
2. Monitoring the activities and performance of each investment manager.
3. Altering the asset allocation within the guidelines established in this statement based on the advisor's economic and economic outlook.
4. Advising on the establishment of any changes to the policies and guidelines.
5. Reporting on a timely basis, investment performance results and pertinent data on the investments in the portfolio. The advisor will meet with the Committee at least semi-annually or more frequently, as requested, to discuss the portfolio, performance results, and investment strategy.
6. Communicating any significant changes to the economic outlook or investment strategy that might impact the investment results.
7. Informing the Committee of any qualitative change within the advisor's management organization.
8. Voting proxies on behalf of the Portfolio

E. CUSTODIAN

The custodian will (1) physically, or through agreement with a sub-custodian, maintain possession of securities held in the portfolio, (2) collect dividend and interest payments, and (3) fulfill the duties of trade execution including redemption of maturing securities, and receipt and delivery following purchases and sales. In addition, the Custodian shall:

1. Provide monthly transaction reports and monthly asset reports
2. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel or procedures.

III. INVESTMENT POLICY

A. ASSET ALLOCATION

Statement of Investment Policy

Based on the investment objectives, goals and risk tolerance, the investment of the trust assets shall be in accordance with the following asset allocation:

Asset Class	Target	Range
Cash Equivalents	1.0%	0 – 10%
Fixed Income	11.5%	5 – 30%
Equities	80.0%	55 – 90%
Diversifying Strategies/Alternatives	7.5%	0 – 20%

The portfolio shall be fully invested. Cash positions shall not exceed the amount needed to meet required distributions, expenses and reserves for purchases.

Allocation within each broad asset class will be diversified to enhance the risk/return profile of the portfolio. The equity, fixed income and alternative allocations for the Portfolio will be diversified in accordance with the strategic and tactical allocation of the investment advisor. Asset categories may include, but not be limited to the asset categories below:

EQUITY

Domestic Large Cap

Domestic Mid Cap

Domestic Small Cap

Developed International

Emerging Markets

Real Estate

Master Limited Partnerships

FIXED INCOME

Domestic Investment Grade

Domestic High Yield

Developed International

Emerging Markets

ALTERNATIVES

Market Neutral

Absolute Return

Hedged Equity

Alternative Fixed Income

Managed Futures

Multi-Strategy

Commodities

B. REBALANCING

The Investment Advisor will actively manage the Asset Allocation of the Portfolio based on their determination of market valuations in each asset class, but remain within their target at all times. Should any class or category move out of any acceptable range due to market movements, the Investment Advisor shall use prudence in rebalancing the portfolio, taking into consideration factors such as liquidity and investment outlook.

C. SPENDING POLICY

The intent of the Spending Policy is to provide reasonably stable withdrawals while preserving the inflation-adjusted value of the Portfolio. Annually, the Committee approves the Spending Policy following its Statement of Spending Objectives and Policies. The Committee's recommendation regarding withdrawals for periodic expenditures will be consistent with the long term facility construction, maintenance and growth objectives of the Foundation. The Board may use a percentage of the Foundation's asset base for operations.

D. LIQUIDITY

Liquidity needs are low. Except for investment purposes and the Spending Policy payout requirement, the fund requires no sizable liquid reserves. In addition, investing in

Statement of Investment Policy

marketable securities will enable the Portfolio to raise cash on short notice for extraordinary events.

E. RISK PARAMETERS

Because of the Foundation's long term time horizon, the Portfolio can assume a level of volatility similar to a comparable market index that is deemed acceptable in order to achieve the investment objectives of the portfolio

F. GUIDELINES AND RESTRICTIONS

EQUITIES

The purpose of equity investments is to provide growth of principal. Individual equity holdings shall consist of marketable securities traded on recognizable exchanges and can include both domestic and international issues. Each active equity investment manager, will be held to the following guidelines and restrictions:

1. Maintain broad diversification.
2. Assure that no position of any one company exceeds 5% of the manager's portfolio, as measured by market value, or 2 times its weight in the relevant underlying benchmark, whichever is greater.
3. Construct a properly diversified portfolio across applicable sectors such that no position of any one sector exceeds 135% its weight in the relevant underlying benchmark or 10% of the portfolio, whichever is greater.

FIXED INCOME

The purpose of the fixed income investments is to provide stability, preserve principal and generate an interest income stream. Individual fixed income holdings shall consist of marketable securities traded on recognizable exchanges and can include both domestic and international issues. Each active fixed income manager will be held to the following guidelines and restrictions:

Investment Grade Fixed Income Managers

Each investment grade fixed income manager shall:

1. Maintain an overall weighted credit rating of A or better by Moody's and Standard & Poor's.
2. Hold no more than 10% of the portfolio in below investment grade securities. Below investment grade bonds must be within a diversified Act 40 mutual fund or exchange traded fund.
3. Maintain duration +/- 25% of the appropriate benchmark.
4. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured by market value, except for securities issued by the US Government or its agencies.

Below Investment Grade Fixed Income Managers

The Investment Advisor shall:

Statement of Investment Policy

1. Assure that the allocation to below investment grade fixed income securities shall not exceed 30%.
2. Below investment grade bonds must be within a diversified Act 40 mutual fund or exchange traded fund

DIVERSIFYING STRATEGIES/ALTERNATIVES

The purpose of Diversifying Strategies and Alternatives is to provide diversification and reduce volatility by investing in strategies that are either non-correlated to equities and fixed income or have lower correlation to equities. The Investment Advisor shall:

1. Employ only Act 40 mutual funds or exchange traded funds that provide liquidity, transparency and regulatory oversight.

Except within a diversified Act 40 mutual fund or exchange traded fund, the following securities and transactions are prohibited:

1. Use of margins or otherwise borrow funds for the acquisition of any security.
2. Acquiring any security subject to any restrictions on its sale.
3. Investing in warrants, futures, options, derivatives, commodities and limited partnerships.
4. Employment of short selling
5. Purchase of non-publically traded securities or investments including but not limited to oil, gas or natural resources properties, mineral rights, venture capital and real estate.

IV. MONITORING, EVALUATION AND REPORTING

A. TIME HORIZON

The Foundation seeks to attain performance results over a full market cycle. The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods investment managers may produce significant over or under performance relative to the broad markets. For this reason, long term investment returns will be measured over a 5-year moving average using the criteria established herein. The Committee reserves the right to evaluate and make any necessary changes regarding investment advisor(s) over a shorter term using the criteria established herein.

B. COMPOSITE PERFORMANCE OBJECTIVES

All investment returns shall be measured gross and net of fees. The performance objectives for the portfolio will be reviewed on an ongoing basis and evaluated upon the following criteria:

C. PRIMARY BENCHMARK

The primary objective of the Portfolio is to achieve a total return, net of fees, in excess of the Spending Policy and inflation.

Total Return after fees greater than Consumer Price Index +5%

Statement of Investment Policy

D. BROAD POLICY BENCHMARK

The secondary objective of the Portfolio is to achieve a total return net of fees in excess of the Broad Policy Benchmark, comprised of each broad asset class benchmark weighted by its long term strategic allocation. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions. The benchmark is intended to assess the long term success of strategic, tactical, and active manager decisions.

Asset Class	Weight	Index
Equities	80%	MSCI ACWI
Fixed Income/Diversifying Strategies	20%	Barclays US Aggregate

E. TARGET WEIGHTED BENCHMARK

Another investment objective is to achieve a total return net of fees in excess of the Target Weighted Benchmark, comprised of each category benchmark weighted by its target allocation. The target weighted index is comprised of specific indices, weighted in proportion to the portfolio's long term strategic target allocation. The Target Weighted Benchmark measures the contribution from any strategic biases when compared to the Broad Policy Benchmark as well as the impact of any tactical allocation decisions. Each asset category will be measured against the appropriate benchmark. The benchmarks include but are not limited to the following and can be varied to reflect value, growth or core investment strategies as market opportunities present themselves or change.

Asset Category	Index
US Large Cap Equities	S&P 500
US Mid Cap Equities	S&P Mid Cap 400
US Small Cap Equities	S&P Small Cap 600
Developed International Equities	MSCI EAFE
Emerging Market Equities	MSCI Emg Mkt
Real Estate	S&P Developed REIT
MLPs	Alerian MLP
US Core Fixed Income	Barclays US Aggregate Bond
	Barclays US Int Gov/Credit
US Short Duration Fixed Income	Barclays US Aggregate 1-3 Yr
Dev International Fixed Income	Citi WGBI
Emerging Markets Fixed Income	JPM EMBI Global
Diversifying Strategies	Wilshire Liquid Alternative

F. REPORTING

Investment performance shall be reported to the Committee at the end of each quarter and at least annually before the Committee. The investment report shall provide the following information:

- a. Review of key investment decisions, the rationale, portfolio structure, and investment performance.

Statement of Investment Policy

- b. Commentary of investment results in light of the current investment environment and asset allocation decisions.
- c. Discussion of economic and market outlook and what specific decisions this outlook may dictate.
- d. Description of all securities held their market value.
- e. Compliance with the portfolio's investment policy
- f. Recommendations as to changes in goals and guidelines in light of material and sustained changes in the capital markets.
- g. Organizational update, including a report on any and all changes in organization structure, investment personnel and process.

Beyond these customary reviews, certain circumstances or events, as outlined below, will trigger automatic formal reviews, and where appropriate, reconsideration by the Committee of employing the affected agent. None of these circumstances or events shall serve as automatic cause for changing investment agents, but merely indicate the need for review.

1. Investment returns significantly below the criteria established above.
2. Failure to adhere to any aspect of this IPS.
3. Significant changes to the Investment Advisor's organization, including turnover of personnel key to the portfolio management process or involvement in relevant regulatory investigations or litigation.
4. Significant change in fees.

Statement of Investment Policy

V. ACKNOWLEDGEMENT

Lock Haven University Foundation

Date

Fulton Financial Advisors

Date