COMMUNITY COLLEGES
of
NEW HAMPSHIRE
Foundation

Investment and Spending Policy

Community Colleges of New Hampshire Foundation

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COMMUNITY COLLEGES OF NEW HAMPSHIRE FOUNDATION
Investment Policy Statement

INTRODUCTION

This Investment Policy Statement ("Statement") is issued by the Board of Directors ("Board") of the Community Colleges of New Hampshire Foundation ("Foundation") for the guidance of the Finance & Investment Committee ("Committee"), the investment manager(s) of the Foundation's Portfolio Fund ("Fund"), and other fiduciaries, in the course of investing the monies of the Fund. This Statement is intended to set forth an appropriate set of goals and objectives for the Fund's assets and to define guidelines within which the investment manager(s) may formulate and execute their investment decisions. The Board may amend this Statement both upon their own initiative and upon consideration of the advice and the recommendations of the Committee, investment manager(s) and Fund professionals. It is the policy of the Committee to review these goals and objectives at least once per year and to communicate any material changes to the investment manager(s).

STATEMENT OF GOALS AND OBJECTIVES

The investment goals for the Fund and its investment manager(s) are outlined below:

1. *Net total return,* consistent with prudent investment management, is the primary goal of the Fund. *Total return,* as used herein, includes income plus realized and unrealized gains and losses on Fund assets. Net total return is total return after the deduction of investment management fees. *Total Fund,* as used herein refers to the aggregate value of all fund assets at the end of each month.
2. In order to meet the Foundation's overall objective, the average annual net total return over an extended period, after adjusting for inflation, should be sufficient to support current spending as determined annually by the Board and sufficient to maintain the real (inflation-adjusted) value of the spending for the future. Accordingly, the Fund, net of investment management fees, should exceed inflation by the amount of current spending in order to maintain the purchasing power of Fund assets.
   The total return for the Fund, on a gross and net of fee basis, will be compared to the Fund's Asset Allocation and Benchmark Policy Index as described in Appendix I. The investment performance of the Fund and the managers of the portfolio shall be measured against the target benchmarks in Appendix I.
3. Risk exposure and risk-adjusted returns for the total Fund and individual managers will be regularly evaluated and compared to the objectives noted above and in Appendix I. Normally, results are evaluated over a three to five year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Fund. (As described in Appendix II.)

INVESTMENT GUIDELINES

The overall capital structure targets and permissible ranges for eligible asset classes are detailed in Appendix I.

Full discretion, within the parameters of the guidelines described herein, is granted to the investment manager(s) regarding the asset allocation, the selection of securities, and the timing of transactions. The manager(s) should determine that the securities to be purchased are suitable for this account and appropriate measure should be taken to ensure adequate diversification. The Committee may issue additional guidelines specific to a particular manager at its discretion.

With the exception of mutual fund investments, the holding of an individual security shall not exceed 5% of the total Fund assets without explicit Committee approval. Securities of an individual issuer, excepting the U.S. government and the U.S. government agencies backed by the full faith and credit of the U.S. government, shall not constitute more than 5% of an investment manager(s)'s portfolio at any time. Holdings in an individual security shall not exceed 3% of the amount of that issue currently outstanding.

The specialist manager(s) are expected to be fully invested. This notwithstanding, the Committee understands that some liquidity in the portfolio is necessary to facilitate trading, and does not place an explicit restriction on the holding of cash equivalents. The custodian bank short-term investment fund ("STIF") is an allowed investment, as are other cash equivalents, provided they carry an S&P rating of at least A1 or an equivalent rating.

Equity Investments

The purpose of the equity allocation (broadly defined to include domestic stocks and foreign stocks) is to provide appreciation of principal that more than offsets inflation. It is recognized that pursuit of this objective could entail the assumption of greater return variability and risk within individual asset classes. However, the diversification benefits of combining various equity components should enhance the overall portfolio risk-return profile.

Domestic equity specialist managers are permitted to invest in domestically traded equity securities and, where appropriate, domestic fixed income securities as equity substitutes. The characteristics of a domestic manager's portfolio will be compared to the appropriate benchmark and to similar managers. International equity managers are permitted to hold equity securities in foreign markets, but may only invest up to 5% in countries not represented in the MISCI EAFE in foreign markets Index.

Fixed Income Investments

The purpose of the fixed income allocation is to provide a hedge against deflation, to increase current income relative to an all-equity fund, and to reduce overall volatility of the Fund. Below-investment grade securities are allowed only through a mutual fund.

Domestic fixed income specialist manager(s) are permitted to hold domestic fixed income securities as well as international securities. Global fixed income manager(s) may hold domestic and international fixed income securities.

SPENDING POLICY[1]

The Fund is used to support the Foundation's scholarship grants and operations. Annually, the Board reviews the method used to determine the spending rate so that it is consistent with long-term net total return expectations.

Managing and Investing Institutional Funds
The Foundation has adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA), RSA 292-B, for the purposes of managing and investing all permanently restricted endowment funds as a single unit.

The appropriation for expenditure in any year of any amount greater than 7 percent of the fair market value of any particular endowment fund within the Fund, calculated on the basis of fair market value determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the fiscal year (July 1 – June 30) in which the appropriation for expenditure was made, creates a rebuttable presumption of imprudence. For such an endowment fund in existence for fewer than 3 years, the fair market value of the endowment fund shall be calculated for the period of time the endowment fund has been in existence.[2]

Investment manager(s) should assume that withdrawals might be made from the Fund from time to time to meet Foundation needs or to rebalance the portfolio. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process. The Foundation will endeavor to provide ample notice of any material withdrawals.

Two Components of the Annual Spending Rate

Spending Rate for Grant making
The Community Colleges of New Hampshire Foundation deems 4% of the fair market value of the permanently restricted endowment funds to be appropriate and prudent for expenditure or accumulation for the uses, benefits, purposes, and duration for which the endowment fund was or is established. This is calculated on the basis of fair market value determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the fiscal year (July 1 – June 30) in which the appropriation for expenditure was made.[3] Unless stated

[1] Spending Policy Updated, Clarified May 2015
[2] RSA 292-B:4 VI
[3] Added May 2015

otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

Foundation Administrative Expenses
At the discretion of the Foundation's Board of Directors, the Foundation's operating fund may be credited with a sum not to exceed 1.5% of the fair market value of the Fund computed and payable annually, in order to compensate the Foundation for costs and expenses incurred to manage and administer the Fund.[4] This is calculated on the basis of fair market value determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the fiscal year (July 1 – June 30) in which the appropriation for expenditure was made.[5]

In making a determination to appropriate or accumulate, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following seven factors:

1. the duration and preservation of the endowment fund;
2. the purposes of the Foundation and the endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Foundation;
7. The Investment and Spending policy of the Foundation.[6]

Derivatives Policy

Derivative securities are permitted after review by and approval of the Finance & Investment Committee.

Ineligible Investments

Unless specifically approved by the Committee, certain securities, strategies and investments are ineligible for inclusion within this Fund's asset base. These are:

- Privately-placed or other non-marketable debt, except securities issued under Rule 144A;
- Lettered, legend or other so-called restricted stock;
- Naked options or naked futures, contracts, uncovered short positions;
- Securities of any party in interest;
- Direct investments in private placements, real estate, oil and gas and venture capital, or funds comprised thereof.

Gifts received of otherwise ineligible investments will be reviewed by the Committee and retained at the discretion of the Board.

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[4] Added 5/8/2013
[5] Added May 2015
[6] RSA 292-B:4

Proxy Voting

Responsibility for the exercise of ownership rights through proxy solicitations shall rest solely with the investment manager(s), who shall exercise this responsibility strictly for the economic benefit of the Fund. Investment manager(s) shall report to the Committee standing policies with respect to proxy voting, including any changes that have occurred in those policies.

Directed Commissions

Investment manager(s) shall use their best efforts to ensure that portfolio transactions are placed on a "best execution" basis. Additionally, arrangements to direct commissions should only be implemented by specific authorization of the Committee.

Co-mingled Funds and Limited Partnerships

The Committee, in recognition of the benefits of co-mingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment accounts and the lower costs which can be associated with these funds) may elect to invest in such funds from time to time.

The Committee recognizes that they cannot give specific policy directives to a fund with pre-established policies. Therefore, the Committee is relying on the investment manager(s) to assess and monitor the investment policies of any funds used by the Fund to ascertain whether they are appropriate for this Fund.

COMMUNITY COLLEGES OF NEW HAMPSHIRE FOUNDATION

Finance & Investment Committee and Investment Managers

RULES AND RESPONSIBILITIES

The Board of Directors shall, by resolution, appoint a Finance & Investment Committee consisting of not less than three elected members of the Board of Directors. The Investment Committee shall be responsible for the development and execution of investment policies and procedures. It may elect an investment manager(s) to advise it with respect to the funds and investments of the Foundation. It shall also be responsible for periodically reviewing the performance of the portfolio and shall authorize policies and procedures with respect to the purchase and sale of stocks, bonds, securities, real estate, and any other properties of the Foundation.

The investment practices and policies of the corporation shall be consistent with standards generally applicable to such foundations and policies adopted from time to time by the Community College System of New Hampshire, except for those policies solely intended to reduce the financial risk of the Board's investments decisions.

The Committee shall review the total investment program. The Committee shall recommend and implement the investment policy, set asset allocation, and provide overall direction to the management staff in the execution of the investment policy. The Committee is responsible for evaluating, hiring, and terminating investment manager(s) and custodian banks.

The Committee shall develop and modify policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation and the appropriate mix of investment manager(s) styles and strategies, select investment manager(s), and evaluate and analyze performance. The Committee should meet no less than three times a year.

INVESTMENT MANAGERS

The duties and responsibilities of each of the investment manager(s) retained by the Committee include:

1. Managing the assets under its management in accordance with the policy guidelines and objectives expressed herein.
2. Exercising investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the manager's current investment strategy and compatible with the investment objectives.
3. Complying with all provisions pertaining to the investment manager's duties and responsibilities as a fiduciary. Fund assets should be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional investment manager(s), acting in a like capacity and familiar with such matters, would use in the investment of Fund assets.

4. Using best efforts to ensure that portfolio transactions are placed on a "best execution" basis.
5. Exercising ownership rights, where available, through proxy solicitations, doing so strictly for the economic benefit of the Fund.
6. Meeting with the Committee upon request of the Committee. Additionally, the investment manager(s) shall submit quarterly reports in writing within 30 days at the end of a quarter.
7. Acknowledging in writing to the Committee the investment manager's intention to comply with this Statement as it currently exists or as modified in the future.

Investment manager(s) are expected to meet or exceed the specific benchmarks expressed in the Investment Policy Statement.

CUSTODIAN BANKS

In order to maximize the Fund's return, no money should be allowed to remain idle. Dividends, interest, proceeds from sales, new contributions and all other monies are to be invested or reinvested promptly.

The custodian bank(s) will be responsible for performing the following functions:

1. Accept daily instructions from designated investment staff.
2. Advise designated investment staff daily of changes in cash equivalent balances.
3. Immediately advise designated investment staff of additions or withdrawals from account.
4. Notify investment manager(s) of proxies, tenders, rights, fractional shares or other dispositions of holdings.
5. Resolve any problems that designated investment staff may have relating to the custodial account.
6. Safekeeping of securities.
7. Collection of interest and dividends.
8. Daily cash sweep of idle principal and income cash balances.
9. Processing of all investment manager(s) transactions.
10. Collection of proceeds from maturing securities.
11. Disbursement of all income or principal cash balances as directed.
12. Providing monthly statements by investment account and a consolidated statement of all assets.
13. Working with the investment consultant and the Fund accountant to ensure accuracy in reporting.
14. Managing the securities lending program.
15. Provide written statements revealing monthly reconciliation of custody and investment manager's accounting statements.

APPENDIX I

COMMUNITY COLLEGES OF NEW HAMPSHIRE FOUNDATION
Asset Allocation and Benchmark Policy

In order to have a reasonable probability of achieving the Fund's target return at an acceptable risk level, the Committee has adopted the asset allocation policy outlined below. The actual asset allocation will be reviewed on a quarterly basis and will be readjusted when an asset class weighting is outside its target range.

ASSET CLASS	TARGET %	TARGET RANGE %	TARGET BENCHMARK
EQUITY	**62**	**48 – 80**	
Large Capitalization	28	12 – 42	Russell 1000
Mid Capitalization	7	0 – 17	Russell Mid Cap Index
Small Capitalization	6	0 – 16	Russell 2000
Developed Markets	12	2 – 22	MSCI EAFE
Emerging Markets	9	0 – 19	MSCI Emerging Markets
FIXED INCOME	**25**	**10 – 40**	
Core-Investment Grade	18	4 – 34	Barclays Aggregate
High Yield	4	0 – 14	ML HighYield Master
International	3	0 – 13	Barclays Global Aggregate ex-US Index
REAL ESTATE (REIT's)	**5**	**0 – 15**	NAREIT Equity Index
TANGIBLE ASSETS	**7**	**0 – 17**	Dow UBS Commodity
CASH	**1**	**0 – 30**	90-Day T-Bill

The Fund's Policy Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement. It is useful in separating the impact of investment policy from execution of the investment strategy in evaluating the performance of the Fund's investment program. The Policy Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, as listed above.

APPENDIX II

COMMUNITY COLLEGES OF NEW HAMPSHIRE FOUNDATION
Investment Manager(s) Reporting Requirements

As Necessary *(based on occurrence)*:

1. **Review of Organizational Structure**
   - A. Organizational changes (i.e., ownership).
   - B. Discussion of any material changes to the investment process.
   - C. Departures/additions to investment staff.
   - D. Material changes in assets under management for the product managed on behalf of the Fund and for total firm.

Quarterly

1. **Summary of Investment Guidelines**
   - A. Discuss adherence to guidelines.
   - B. Comments, concerns, or suggestions regarding policy constraints, guidelines, etc.

2. **Performance Review**
   - A. Present total fund and asset class returns for last calendar quarter, year-to-date, last year, last three years, last five years, and since inception versus designated benchmarks. Show both pre- and post-fee returns.
   - B. Discuss performance relative to benchmarks and provide attribution analysis which identifies returns due to allocation and selection decisions, as appropriate.
   - C. Provide portfolio characteristics relative to benchmarks.

3. **Provide Portfolio Holdings**
   - A. Present book value and current market value
   - B. List individual securities by sector, asset class, or country, as appropriate.

4. **Other Comments or Information**

Annually

1. **Review of Investment Process and Evaluation of Portfolio Management Process**
   - A. Brief review of investment process.
   - B. Investment strategy used over the past year and underlying rationale.
   - C. Evaluation (in hindsight) of strategy's appropriateness.
   - D. Evaluation of strategy's success/disappointments.
   - E. Current investment strategy and underlying rationale.

Policy Ratified/Re-approved: November 2, 2009; November 8, 2010; June 10, 2011; November 10, 2012; May 8, 2013; January 27, 2014; May 29, 2015

Paul R. Boucher — 5/29/2015

Paul Boucher, Treasurer — **Date**