



Northeast Ohio Medical University
Foundation
Investment Policy Statement
Amended November 2024

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Purpose

This document establishes the Investment Policy Statement for the Northeast Ohio Medical University (NEOMED) Foundation and is designed to assist in effectively supervising, monitoring and evaluating the investment of the Foundation assets. The Foundation assets are comprised of unrestricted, temporarily restricted, and permanently restricted (or endowment) funds. Its objectives may be summarized as follows:

- To state investment objectives, performance expectations and investment guidelines for Foundation assets.
- To establish an appropriate investment strategy for managing all assets, including investment time horizon, risk tolerance ranges and asset allocation. The goal of this strategy is to provide sufficient diversification and overall return over the long-term time horizon.
- To establish investment guidelines to control overall risk and liquidity, within the agreed upon investment strategy.
- To establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.
- To comply with fiduciary, prudence, due diligence and legal requirements for Foundation assets.
- To establish appropriate distribution policy.

The NEOMED Foundation Board has arrived at this Investment Policy Statement through careful study of the returns and risk associated with investment strategies in relation to the current and projected spending policies and fund-raising requirements of the Foundation. This policy has been chosen as the most appropriate policy for achieving the objectives that are described in the next section of this document.

Objectives and Goals

The objectives for the investments of the Foundation are the preservation of capital and long term growth without exposing principal to undue risk utilizing an investment strategy of investing in equities, fixed income, cash equivalents and alternative investments in a mix that participates in a rising market and provides protection in a falling market.

The Foundation shall strive to exceed:

- A total return on the assets for the Foundation, net of investment manager fees, shall be the greater of: (A) the Consumer Price Index plus 4 percent, or (B) a 6 percent nominal rate of return.
- The portfolio shall be diversified both by asset class (such as equities, bonds, alternative investments and cash equivalents) and within sector, including industry, quality, size, investment style, corporate, government and duration. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on Portfolio.
- The Foundation assets shall be divided into “Growth ,” “Income and Liquidity ,” and “Diversifying Assets.”
 - The purpose of the Income and Liquidity Portion (fixed income, cash and cash equivalents) is to provide a deflation hedge, to reduce the overall volatility of the Foundation portfolio, and produce current income in support of the needs of the Foundation.
 - The purpose of the Growth Portion is to provide a total return that shall simultaneously provide for growth in principal and current income while preserving the purchasing power of the Foundation assets, even though assets invested in the Growth Portion have greater market volatility and risk.
 - The purpose of the Diversifying Assets allocation is to provide diversification, risk reduction, as well as enhance the overall performance.
- Unless otherwise directed by the Investment and Finance Committee or the Foundation Board of Directors, new cash and cash flow will be applied as set forth in the Administrative Guidelines.

Duties and Responsibilities

The NEOMED Foundation Board is responsible for managing the investment process in a prudent manner with regard to preserving principal while providing reasonable returns. In carrying out these duties, the NEOMED Foundation Board shall retain Investment Advisor(s) to assist in managing the assets of the Foundation.

The Investment Advisor(s)' role is to provide guidance to the Board on matters pertaining to the investment of assets including investment policy, portfolio allocation, investment manager selection, monitoring the portfolio's performance and compliance with the Investment Policy. All decisions pertaining to the investment policy and guidelines for the policy's implementation shall be made by the NEOMED Foundation Board. The Investment and Finance Committee shall be a sub-committee of the Board that meets on a regular basis and reports back to the full Board.

Individual duties and responsibilities are detailed below.

NEOMED Foundation Board of Directors

As delegated to the Investment and Finance Committee:

- Retain qualified Investment Advisor(s) to assist in the development and implementation of the investment policy (e.g., goals, objectives, and guidelines).
- Establish the investment policy. This includes, but is not limited to, allocation between equity and fixed income assets, selection of acceptable asset classes and broad investment performance expectations.

Investment and Finance Committee

As delegated by the Foundation Board of Directors, the Investment & Finance Committee is responsible for ensuring that the investment process is managed in a prudent manner, seeking to meet the Portfolio's investment objectives. The Investment & Finance Committee, with the assistance of the investment advisor, will review investments and asset allocation on a quarterly basis. Moreover, in accordance with the State of Ohio's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Investment & Finance Committee will take the following into consideration when overseeing the Portfolio and setting spending policy but not limited to:

- Duration and preservation of the funds
- Need of the endowment to make distributions and preserve capital
- Expected total return from income and appreciation
- The role that each investment plays within the overall portfolio
- General economic conditions
- The possible effect of inflation or deflation
- Other resources of the organization
- Assets of special relationship or special value to the charitable purpose
- Expected tax consequences

Investment Advisor(s)

- Regularly review investment performance to ensure the policy is being followed and progress is being made toward achieving objectives.
- Assist NEOMED Foundation Board in establishing and updating the investment policy and guidelines contained in this Investment Policy Statement.

- Determine an investment strategy and select appropriate investment managers. This strategy shall be within investment policy guidelines as set forth in this statement and as otherwise provided by NEOMED Foundation Board.
- Monitor asset allocation and verify that allocations are within targets defined by NEOMED Foundation Board.
- Provide comparative performance reports quarterly for presentation to the NEOMED Foundation Board, or as requested by management.
- Report in a timely manner substantive developments that may affect the management of Foundation assets.
- Discretionary Authority: The Directors have delegated decision making authority, or discretion, to the Investment Advisor. This authority permits making tactical asset allocation adjustments, raising or investing cash, and retaining and replacing investment managers. All of the guidelines stated within this Policy must be met when making investment decisions. Any decision sought outside of the parameters herein stated within this Policy must have approval from the Board of Directors.

Investment Managers

The Portfolio shall engage professional Investment Managers for the direct investment management of the Portfolio's assets, including separately managed accounts, mutual funds, comingled funds, and partnerships. Each Investment Manager has discretion to purchase, sell, or hold the specific securities within the specific investment strategy.

Voting of proxies: Investment managers are responsible for voting proxies which should be made in the best interest of the Foundation-

Execution of security trades: The Investment Manager is expected to transact securities in a manner designed to receive a combination of best price and execution.

Custodian

The custodian will physically maintain possession of securities owned by the Portfolio, collect dividend and interest payments, redeem maturing securities, and affect receipt and delivery following purchases and sales. The custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Portfolio accounts. The custodian is also responsible for providing monthly statements. Access to online balances and statements should be made available.

Asset Allocation

- The Investment and Finance Committee, as delegated by the Board of Directors, will review the asset allocation quarterly. In addition, the asset class allocation percentages will be reviewed annually.

Portfolio Asset Allocation

ASSET CLASS	TARGET	ACCEPTABLE RANGE
Growth	60%	50 – 70%
Income & Liquidity	30%	20 - 40%
Diversifying Assets	10%	0 – 20%
TOTAL PORTFOLIO	100%	

- Changes in the asset allocation parameters may be established by the Investment Committee as delegated by the Board of Directors in its sole discretion.
- Occasionally a donor will request that their gift be held in a particular form or in a specific institution for a period of time. In such cases, it is the Foundation’s policy to comply with the donor’s wishes, to the extent that it conforms to our general Foundation policies and sound business practice, for the sake of good donor relations. Unless otherwise specified, donated securities will be sold as soon as possible upon receipt and invested in the Foundation investment strategy outlined herein.
- New illiquid and semi-liquid strategies are not permitted without prior approval of the Investment and Finance Committee. However, the Investment Advisor has discretion to make add-on investments in previously approved semi-liquid strategies without Committee approval as long as positioning fits within the stated asset allocation guidelines.

Definitions for Growth Holdings

- Common stocks
- Convertible preferred stocks
- American depository receipts (ADRs) of non-U.S. companies
- Stocks of non-U.S. companies (Ordinary shares)
- Equity mutual funds and exchange traded funds

Guidelines for the Growth Portion

- Performance shall be monitored on a quarterly basis and evaluated over rolling three-to-five year periods.
- The Equity Portion shall be broadly diversified according to economic sector, industry, number of holdings and other investment characteristics.
- The Investment Advisor will have discretion to select investment managers of varying styles and philosophies. Decision as to individual security selection, security size and quality, number of industries and holdings, turnover and other tools employed by active managers are solely the responsibility of the manager. Managers are expected to invest consistently with the investment style and philosophy the manager represented when hired.
- Unless otherwise instructed, an equity manager may, in his or her discretion, hold investment reserves of either cash equivalents or bonds. Each manager's performance will be measured against the appropriate stock index and peer group which best relates to the manager's style.
- Each investment manager may vote proxies for those securities under its control absent any specific directive to the contrary by the Investment and Finance Committee as delegated by the Board of Directors.
- The monthly statements shall provide the cost basis of the pool.

Definitions for Income and Liquidity Holdings

- U.S. government and agency securities
- Municipal bonds
- Corporate notes and bonds
- Convertible notes and bonds
- Mortgage backed bonds
- Preferred stock
- Fixed income securities of foreign governments and corporations
- Fixed income mutual funds, exchange traded funds and interval funds

Guidelines for the Income and Liquidity Portion

- Performance shall be monitored on a quarterly basis and evaluated over rolling three-to-five year periods.
- In general, the Income and Liquidity Portion shall be well diversified with respect to type, industry and issuer in order to minimize risk exposure.

Obligations carrying the full faith and credit of the U.S. Government or government agency may be held without limitation.

- The monthly statements shall provide the cost basis of the pools.

Definitions for Diversifying Assets

- Hedge funds
- Real estate and real assets
- Tactical asset allocation strategies
- Absolute return strategies
- Long-short equity and fixed income strategies
- Alternative mutual funds and exchange traded funds
- Other strategies as approved by the Investment and Finance Committee

Guidelines for Diversifying Assets

- Performance shall be monitored on a quarterly basis and evaluated over rolling three-to-five year periods. The monthly statements shall provide the cost basis of the investments.

Risk/Performance Guidelines

- All investment returns shall be measured net of fees. Investment return and risk will be reviewed on an ongoing basis and evaluated upon the following criteria:
 - Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing; and,
 - Ability to meet or exceed the return of the appropriate benchmark index within the volatility limits set in the following chart.

Summary of Quantitative Performance Objectives

The following table summarizes the quantitative performance objects stated above. Betas will be calculated versus an appropriate index.

ASSET CLASS	INDEX	RISK MEASURE	PEER UNIVERSE
Growth	Weighted blend of Russell 3000 and MSCI ACWI ex USA	1.2x Index	Top 50%

Diversifying Assets	Weighted blend of underlying strategy benchmarks*	1.3x Index	Top 50%
Income & Liquidity	Bloomberg Barclays US Aggregate	1.2x Index	Top 50%
TOTAL FUND	Inflation + 4%	1.2x Wtd. Index	N/A

Risk measure as calculated as a standard deviation of return relative to an appropriate benchmark measured over a five-year period.

*The blended benchmark is provided to NEOMED at every quarterly review meeting. No changes to the benchmark shall be made without informing NEOMED. Benchmarks may include but are not limited to the HFRI Fund of Funds Conservative Index, HFRX Merger Arbitrage Index and BAML 91 Day TBills Index, among others.

Guidelines for Transactions

- This statement of investment policy will be reviewed by the Investment and Finance Committee or the Foundation Board of Directors at least annually for its continued relevance in light of applicable conditions.
- An investment advisor who believes that a policy, condition or guideline contained herein inhibits its investment performance, must communicate those views to the Investment and Finance Committee or the Board of Directors in writing. Unless the Investment & Finance Committee or the Board of Directors receives a written communication from the investment advisor, it will assume that all investment manager(s) is/are abiding by all matters set forth in the Investment Policy Statement applicable to it.
- The portfolio will be monitored by the Investment Advisor(s) to the Investment and Finance Committee as delegated by the Board of Directors on a regular basis for consistency in investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions and market volatility. Portfolios shall be reviewed by the Investment and Finance Committee or the Foundation Board of Directors on a quarterly basis, but results will be evaluated over rolling three-to-five year periods. The Investment and Finance Committee or the Foundation Board of Directors and its Investment Advisor(s) will review each manager to confirm that factors underlying performance expectations remain in place.
- The Investment Advisor(s) retained by the Investment and Finance Committee or the Foundation Board of Directors will provide a monthly statement from the custodian, monthly flash report, and quarterly performance report.. Monthly statements from the custodian shall include a cost basis of the pools.

- Each investment manager will report total return net of all commissions and fees on a quarterly basis. Reporting will include asset allocation and portfolio performance in relation to proper index and risk measure.

Investment Manager Review

- The investment performance will be reviewed on a quarterly basis, based upon a report provided by the Investment Advisor(s) employed by the Investment and Finance Committee as delegated by the Board of Directors.

Administrative Guidelines

- Unrestricted new cash and cash flow shall be invested in a money market fund, business checking/savings and/or short-term CD and used first to pay current obligations of the Foundation.

Spending/Distribution Guidelines

- The three categories of gifts the NEOMED Foundation receives include unrestricted, temporarily restricted and permanently restricted (endowment) contributions. The administrative procedures for allocating and distributing funds within each of these categories are as follows:
 - Those contributions received without restriction will be allocated and distributed through the undesignated budget process as recommended by the Investment and Finance Committee and approved by the NEOMED Foundation Board of Directors.
 - Those contributions received for temporarily restricted purposes will be allocated and distributed according to the terms agreed upon by the donor and the NEOMED Foundation.
- For permanently restricted (endowment) funds, the NEOMED Foundation may distribute up to 5 percent of the average of the June 30 year-end market values for the previous three years. Distributions will be made in the subsequent fiscal year. All undistributed funds will remain invested and made available for future distributions in accordance with the approved distribution amount in effect at that time. This policy is subject to periodic review and may be amended to accommodate changes in the financial markets.