GENERAL INTRODUCTION

The Western Connecticut State University Foundation, Inc. ("the Foundation") operates exclusively for charitable and educational purposes and as such promotes, encourages, and assists all forms of education and research at Western Connecticut State University ("WCSU" or the "University"). The Foundation solicits donations of properties, monies and securities and acts as custodian for any and all funds and property received. The Foundation then disburses such funds, property, and the income there from in aiding, supplementing, improving, and enlarging the educational, cultural, and research facilities and activities of WCSU.

In an attempt to control spending from the Endowment, the Board of Directors of the Foundation has established a Spending Policy. Therefore, the goal is for spending to be no more than 5% of the average of the market value of the portfolio, calculated as of the prior three December 31st year end financial reports.

SCOPE OF THIS INVESTMENT POLICY STATEMENT

This statement reflects the investment policy, objectives, responsibilities and constraints of the Endowment. This statement is structured to ensure good financial stewardship of the Endowment's assets.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement is set forth by the Committee in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the investment goals and objectives for Endowment assets.

3. Offer guidance and limitations to all Investment Managers regarding the investment of Endowment assets.

4. Establish a basis for evaluating investment results.

5. Establish the relevant investment for Endowment assets.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific in order to be meaningful, yet flexible enough in order to be practical.
DELEGATION OF AUTHORITY

The Board of Directors of the Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of Endowment assets. The Board of Directors has appointed the Budget and Investment Committee to manage the Endowment. As such, the Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Consultant(s).** The Investment Consultant may assist the Committee in: establishing investment policy, objectives and guidelines; developing an asset allocation strategy; selecting Investment Managers; reviewing such Investment Managers over time; measuring and evaluating investment performance; and, other tasks as deemed appropriate.

2. **Investment Manager(s).** The Investment Manager has discretion to purchase, sell or hold the specific securities that will be used to meet the Endowment’s investment objectives and that comply with this Investment Policy Statement.

3. **Custodian(s).** The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Endowment, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Endowment accounts.

The Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Investment Managers will be held responsible and accountable to follow policy and achieve the objectives herein stated. While it is believed that the limitations will not hamper Investment Managers, Investment Managers should request modifications if and when they deem them appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing.

All expenses for such experts must be customary and reasonable, and will be borne by the Endowment as deemed appropriate and necessary.

DEFINITIONS

1. **“Endowment”** shall mean the Western Connecticut State University Foundation Endowment Fund.

2. **“Committee”** shall refer to the Budget and Investment Committee established to administer the Endowment as specified in the Endowment.
3. “Investment Manager” shall mean any individual, group of individual, or organization employed to manage the investments of all or part of the Endowment assets.

4. “Investment Consultant” shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, Investment Manager search, and performance monitoring.

5. “Securities” shall refer to the marketable investment securities, which are defined as acceptable in this Statement of Investment Policy.

6. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for evaluating Investment Managers is a three to five (3-5) year economic cycle.

ASSIGNMENT OR RESPONSIBILITY

Responsibilities of the Budget and Investment Committee

The Committee is charged with the responsibility for the management of the assets of the Endowment. The Committee shall discharge its duties solely in the interest of the Endowment, its participants, and beneficiaries with the care, skill, prudence and diligence under the circumstances then prevailing, that the prudent investor, acting in a like capacity and familiarly with such matters, would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Committee relating to the investment management of Endowment assets include:

1. Projecting the Endowment’s financial needs and communicating such needs to the Investment Managers on a timely basis.

2. Determining the Endowment’s risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the Endowment’s assets.

4. Prudently and diligently selecting, with the approval of the Board of Directors, qualified investment professionals, including Investment Manager(s), Investment Consultant(s) and Custodian(s).

5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitoring investment objective progress.

6. Developing and enacting proper control procedures such as: providing for the safeguarding of Endowment assets; providing for the accounting of assets, liabilities, income and expenses; providing for an annual examination by certified public accountants; and replacing Investment Manager(s) due to fundamental change in
investment management process, or failure to comply with established guidelines, or poor performance.

**Responsibilities of the Investment Consultant(s)**

1. Assisting in the development and periodic review of asset allocation and investment policy.

2. Conducting Investment Manager searches when requested by the Committee.

3. Providing “due diligence,” or research, on the Investment Manager(s)

4. Monitoring the performance of the Investment Manager(s) to provide the Committee with the ability to determine the progress toward the investment objectives.

5. Communicating the matters of policy, Investment Manager research, and Investment Manager performance to the Committee on a quarterly basis.

6. Reviewing the investment history of the Endowment, historical capital markets performance and the contents of this investment policy statement with the Committee as requested by the Committee.

**Responsibilities of the Investment Manager(s)**

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all general investment principles and all policies, guidelines, constraints and philosophies as specifically applicable to Investment Managers and outlined in this Statement of Investment Policy. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management decisions including to buy, sell or hold individual Securities, and to alter asset allocation within the guidelines established in this Statement of Investment Policy.

2. Complying with any and all regulatory requirements as they pertain to fiduciary duties and responsibilities.

3. Reporting on a monthly, quarterly and annual basis, the investment performance results of the Endowment assets managed by the Investment Manager to the Investment Consultant and to the Committee. Presenting to the Committee upon request an annual review of performance, economic outlook, investment strategy and tactics, organizational changes of personnel responsible for managing the Endowment assets, risk, and rate of return estimates.
4. Communicating any major changes to economic outlook, investment strategy or any other factors, which affect implementation of investment process, or the investment objective progress of the Endowment’s investment management. Any material changes in the ownership, investment management style of the Endowment assets managed by the Investment Manager or key personnel of management should be forwarded in writing to the Committee.

5. Informing the Committee regarding any qualitative change to investment management organization such as changes in portfolio management personnel, ownership structure, investment philosophy, etc.

6. Voting proxies on behalf of the Endowment assets managed by the Investment Manager. Keeping detailed records of said voting of proxies and related actions and complying with all regulatory obligations related thereto.

7. Using prudence and due diligence and acknowledging in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein and applicable to the Investment Manager, and, as modified in the future, provided that prior notice of any such modification is presented to the Investment Manager in writing.

8. If at any time the Investment Managers feel that the guidelines restrict their performance, or that the objectives cannot be met, the Committee should be notified in writing.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the participants and beneficiaries of the Endowment for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.

2. The Endowment shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of the fund of like character and with like aims.

3. Investment of the Endowment shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Committee may employ one or more Investment Managers of varying styles and philosophies to attain the Endowment’s objectives.

5. Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return.
INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities as a result of market cycles and/or security-specific conditions.

2. Risk/Aversion – Understanding that risk is present in all types of securities and investment styles, the Committee recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Endowment’s objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline – Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Endowment is to emphasize long-term appreciation of the assets and consistency of total portfolio returns; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objectives in the investment management for Endowment assets shall be:

A. Preservation of Capital – Over the investment time horizon, historic dollar values are to be protected. A positive return should be experienced over the investment time horizon.

B. Income Requirements – Earn sufficient income for financial requirements.

C. Liquidity – Achieve or exceed on an on-going basis a return on short-term investment funds.

D. Preservation of Purchasing Power – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of the Endowment’s assets.

E. The asset allocation may change as a result of changing needs of the Endowment and market conditions over time.
SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, the goal of this Policy is that the aggregate Endowment assets meet or exceed a cumulative annual total rate of return of 7% or a return equal to the CPI plus 5%, which ever is greater.

Specific investment goals and constraints for each Investment Manager, if any, shall be incorporated as part of this Statement of Investment Policy. Each Investment Manager may receive a written statement outlining his specific goals and constraints as they differ from those objectives of the entire Endowment.

The Committee acknowledges that the Investment Manager cannot provide any guarantee with respect to performance or preservation of Endowment assets under their management, and that the risk and performance objectives herein are targets only and should not be considered as an assurance or guarantee of the risk or the performance of the Endowment assets managed by the Investment Manager or impose any liability on the Investment Manager should this risk or performance objectives not be obtained provided the Investment Manager has otherwise complied with the terms of this Investment Policy Statement and the relevant investment management agreement.

TIME HORIZON

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate return and risk. Most investment styles require a full market cycle to allow an Investment Manager to demonstrate its abilities. Performance expectations will be monitored over a full market cycle generally defined as a three-to-five year time period. Shorter time periods may be used to determine the trend of out-performance or deficiencies.

LIQUIDITY

To minimize the possibility of a loss caused by the sale of a security forced by the need to meet a required payment, the Committee will periodically provide the investment manager with an estimate of expected net cash flow. The Committee will notify the Investment Manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

INVESTMENT GUIDELINES

Every Investment Manager selected to manage Endowment assets must adhere to specific guidelines.

Prohibited Assets

Prohibited investments include but are not limited to the following:

1. Investments in guaranteed insurance contracts, tax exempt securities, commodities, futures, and options.
2. Investment in lettered stock or unregistered securities.

Prohibited transactions include, but are not limited to the following:

1. Short Selling.
3. Short-term financial instruments considered to contain speculative characteristics.
4. Securities lending, pledging, or hypothecating securities.
5. Purchase of U.S. Domestic Stock with market capitalization less than $200 million except for the Small Cap Fund.
6. Managers purchasing their own company’s issues except in an index fund and except as otherwise agreed to by the Committee in writing.
7. Turnover of the fund exceeding 150% in any twelve-month period, with the exception of U.S. Government securities.
8. Foreign currency speculation.
9. Initial Public Offerings (IPO)

Domestic Equity

1. Equity investments shall be made only in securities listed on a recognized United States stock exchange or traded over-the-counter. Such securities include non-U.S. issuers, preferred stock, convertible preferred stock, American Depositary Receipts (ADR’s), Standard and Poors Depositary Receipts (SPDR’s).

2. No more than 5% of the portfolio, at the time of purchase, may be invested in any one issue and no holding should exceed 10% of the portfolio.

3. Invest no more than three times the sector weighting of the respective benchmark or up to 50% in one sector, which ever is greater.

The restrictions set forth above in item #3 should only be reviewed for compliance by the Investment Manager as of the last business day in each month. Should such conditions not be met, the only consequence shall be that the Investment Manager will notify the Committee and discuss the Investment Manager’s reason for the portfolio’s weightings.

Foreign Equity

1. Foreign equity investments shall be made only in securities listed on globally recognized stock exchanges or traded over-the-counter. Such securities include foreign common stock and Global Depositary Receipts (GDR’s).

2. Securities of governments, companies or entities headquartered inside of the United States of America will be limited to ten percent (10%) of the Investment Manager’s portfolio unless written approval to exceed these limits is provided by the Trustees.
3. No more than 5% of the portfolio, at the time of purchase, may be invested in any one issue and no holding should exceed 10% of the portfolio.

4. Invest no more than three times the sector weighting of the respective benchmark or up to 50% in one sector, which ever is greater.

5. No more than 50% of the portfolio’s market value shall be invested in any one country.

The restrictions set forth above in items #3-5 should only be reviewed for compliance by the Investment Manager as of the last business day in each month. Should such conditions not be met, the only consequence shall be that the Investment Manager will notify the Committee and discuss the Investment Manager’s reasons for the portfolio’s weightings.

**Fixed Income**

1. Fixed income investments must be direct issues of the United States Treasury, United State Government Agencies, or Instrumentalities including Mortgage Backed Securities and their derivative products. Mortgage-backed and asset-backed securities not issued by an agency of the Federal Government must be rate BBB or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

2. The average quality rating of the fixed income portfolio shall be AA or better.

3. Only corporate debt issues that hold a rating in one of the four highest classifications by a NRSRO may be purchased. For bonds with split ratings, the lower rating will determine whether or not the bond is acceptable. The manager should avoid holding securities that hold a rating less than BBB by a NRSRO except in the case of unanticipated downgrades. The manager should immediately alert the Committee when any downgrade below BBB by a NRSRO occurs and should outline the course of action anticipated for that security.

4. Other than securities of the U.S. Government or its agencies the fixed income portfolio shall not exceed five percent (5%) of any one issuer.

5. The individual Investment Manager has latitude to adjust the overall duration of their portfolio with +/- 10% of their specific benchmark.

**Cash Equivalents**

1. Liquid Reserves or Cash Equivalents are defined as Commercial Paper, Certificate of Deposits, Banker’s Acceptance, Repurchase Agreements, STIF Funds, Money Market Funds or Treasury Bills.

2. Investments in commercial paper can only be made if rated at least P-1 by Moody’s or A-1 by Standard & Poor’s.
3. Any idle cash not invested by the Investment Manager shall be invested daily through an automatic, interest bearing, sweep vehicle managed by the custodian.

4. The Investment Manager’s liquid reserves or Cash Equivalent portfolio shall not exceed five percent (5%).

**Commingled Funds**

Commingled Funds, Mutual Funds, Exchange Traded Funds (ETF) or private real estate funds of funds may be used as investment vehicles. The Committee recognizes that they cannot give specific policy directives to a fund (whose policies are already established). Therefore, the investments in commingled, mutual or private real estate funds of funds shall be managed in accordance with the objectives, policies and restrictions set forth in the commingled fund’s trust documents, the mutual fund’s prospectus, or the private real estate funds of funds’ private placement memorandum. For commingled funds, mutual funds, ETF’s or private real estate funds of funds, the trust documents, prospectus or private placement memorandum of the fund(s) will govern the investment policies of the funds investments.

**Stock Exchange**

To ensure marketability and liquidity, Investment Managers will execute equity transactions through the following exchanges: New York Stock Exchange; American Stock Exchange; NASDAQ over-the-counter market and organized foreign exchanges. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Committee.

**ASSET ALLOCATION**

Based on the investment time horizon, goals, and risk tolerances, the asset structure and mix of investments below are deemed appropriate. Diversification by asset class and management style is a cornerstone of the Investment Program. The Committee will review the allocation on a periodic basis and rebalance the asset allocation if the targeted percentage exceeds the actual investment by +/- 10%.

Investment management of the assets of the Endowment shall be in accordance with the following asset allocation guidelines:


   - Fixed Income 35.0%
   - Equity 60.0%
   - Cash Equivalents **5.0%**

   Total 100.0%
2. The Committee may employ Investment Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Endowment, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment Managers will receive written direction from the Committee regarding specific objectives and guidelines.

**SELECTION OF INVESTMENT MANAGERS**

The Committee’s selection of Investment Managers must be based on prudent due diligence procedures. The Committee may require that each Investment Manager provide, in writing, acknowledgment of fiduciary responsibility to the Endowment.

Manager(s) must meet the following minimum criteria:

1. Provide information on the employees of the firm with responsibility for managing the Endowment’s assets, the investment philosophy, and the process in determining investment opportunities.

2. Provide a current ADV and ADV Part II.

3. Be an insurance company, bank, or investment management company or investment advisor as defined by the Investment Advisors Act of 1940.

4. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net and gross of fees.

5. The Investment Managers must understand and be able to articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to.

**BROKERAGE POLICY**

All transactions effected by the Endowment will be “subject to the best price and execution” and otherwise in accordance with the provisions of the applicable investment management agreement.

**PERFORMANCE SUPERVISION**

Investment performance will be reviewed at least quarterly by the Committee and their Investment Consultant to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy Statement.
Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods, during which performance deviates from the market index. During such times, greater emphasis shall be placed on peer performance comparisons with Investment Managers employing similar styles. Also, the Investment Manager’s adherence to the investment guidelines, comparisons of the Investment Manager’s results to appropriate indexes and peer groups will be reviewed. The monitoring and supervision of the Investment Manager’s performance is ongoing. The Committee may, at its discretion, take corrective action by replacing an Investment Manager at any time if they deem it appropriate.

CONCLUSION

It is anticipated that any important deviation from the guidelines set forth in this document and the reasons therefore will be brought to the attention of the Committee on a timely basis. This Investment Policy Statement will be reviewed on a periodic basis.

Approved by the Board of Directors of the WCSU Foundation, Inc. on Tuesday, March 11, 2008.

Chairman, Harold C. Wabling

Vice Chairman, Gerard Robilotti

Chairman, Budget & Finance Committee, Bernard Reidy