

## **Investment Policy Statement**

### **Ina E. Gordy Endowed Scholarship Fund for Excellence**

**Adopted May 2007, Amended March 2013, October 2013 and  
June, 2016**

#### **General Information**

The Ina E. Gordy Endowed Scholarship Fund for Excellence (The Fund) is housed by the MUW Foundation (The Foundation) for the benefit of qualified scholarship recipients that are determined by The Mississippi University for Women, herein after referred to as MUW. According to Miss Gordy's request as stated in her Will, these funds are to be managed and administered by her designee or the designee's successor, hereinafter referred to as Designee. The Designee is to act primarily on behalf of the MUW scholarship recipients of The Ina E. Gordy Honors College at MUW.

#### **Endowment Spending Policy**

The overriding objective of all Funds is to maintain purchasing power of the Funds. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the fund's investment time horizon. The target spending rate is 4.25% plus a 1% Administration Fee. The annual distributions that are awarded for the Gordy Scholarship recipients are determined by the Investment Committee of The MUW Foundation on June 30<sup>th</sup> of each year for the following fiscal year that begins on July 1<sup>st</sup> of the next calendar year.

There are two prescribed formulas that can be used for determining the annual distributions. The first method, known as the Income Method, is based on the amount of income that is reported on the Tax Form 1099 for the previous calendar year. Income is reported as interest, dividends and royalties received from the accounts' holdings. The second method, known as the Total Return method, is calculated based on the moving average of The Fund's total values for the previous 12 calendar quarters at a spending rate that is to be determined by the Investment Committee. A 12 quarter moving average is used as a smoothing process, versus the annual volatility of the investment markets, and becomes an aid in the planning and budgeting of distributions.

The Fund will use the Total Return method. The Ina E. Gordy Will that provided the initial funding of The Fund and an agreement between the Foundation and the estate of Ina E. Gordy both stipulate that the corpus of The Fund should not be invaded. Therefore, the spending determination will first consider the corpus balance of approximately \$4.3 million at the distribution determination date prior to approval of additional distributions.

## **Purpose of Investment Policy Statement**

This investment policy statement is set forth by The Gordy Funds in order to:

1. Define and assign the roles and responsibilities of all involved parties,
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Funds,
3. Offer guidance and limitation to all parties concerned regarding the placement and investment of each Fund's assets,
4. Establish a clear basis for evaluating investment results,
5. Manage the Fund's assets according to prudent standards as established in common trust law, and
6. Establish the relevant investment time horizon for which the Fund's assets will be managed.

The investment policy statement is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

## **Delegation of Authority**

The Designee has been charged with certain responsibilities and duties. At the discretion of the Designee, certain responsibilities may be delegated from time to time to others. These include, but are not limited to the following:

1. Custodian(s): The custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian(s) will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Funds accounts.
2. Investment Managers: Each investment manager has discretion to purchase, sell, or hold specific securities or mutual funds that will be used to meet the Fund's investment objectives.
3. Specialists: Additional specialists such as attorneys, auditors, actuaries, plan consultants, investment consultants, and others may be used to assist in meeting the responsibilities and obligations to administer the Fund's assets prudently.

All expenses for such specialists must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary. If any such specialists are hired for their services, all contracts and fee arrangements must be pre-approved by the Designee, the Investment Committee and an authorized officer of The Foundation.

## **Assignment of Responsibility**

### **Responsibility of the Designee**

It is the responsibility of the Designee to manage each of the Funds' investments in accordance with this investment policy and report to the MUW Foundation. Specifically, the Designee is responsible for:

1. Reviewing this investment policy statement at least annually with the Investment Committee of The MUW Foundation,
2. Reviewing the performance of each Investment Manager, relative to their stated investment objective and peer group on a quarterly basis and discuss with each Investment Manager or their agent, at least annually, the portion of the Fund that pertains to that manager,
3. Reviewing each fund's asset allocation strategy and performance, relative to its stated investment objective on a semi-annual basis,
4. Monitoring, controlling and disclosing all costs associated with managing each fund's assets,
5. Coordinating the selection of Investment Managers and Specialists,
6. Providing performance reports to the MUW Foundation when requested,
7. Monitor, on an annual basis, the disbursement of funds according to the stipulations set forth by the specific endowment funds.
8. Monitor the asset allocations of the total fund according to the Investment Policy Statement on a quarterly calendar basis and advise the MUW Foundation Investment Committee if changes are needed in the allocation percentages.

### **Responsibility of the Investment Managers**

Each Investment Manager will have discretion to make all investment decisions for assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies outlined in this statement.

1. Reporting, on a timely basis, AIMR compliant quarterly investment performance results which shall include, but are not limited to, asset balances, asset allocation, and measurable investment performance against appropriate benchmarks and time periods,
2. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of the investment process, or progress of the funds' investment management,
3. Informing the Designee of any qualitative change to the investment management organization. Examples include changes in portfolio management personnel, ownership and structure, and capabilities.
4. Informing the Designee of any change in investment philosophy. Each manager is chosen based on their investment style and philosophy, thus a change in investment style and/or philosophy could subject the Fund(s) to undue investment risk.
5. Voting any and all proxies associated with securities held.

### **Responsibilities of The MUW Foundation Office, Investment Committee and Board**

1. Communicate with the Designee on a timely basis for requesting disbursements for scholarship funds and/or monies for the Ina E. Gordy Honors College.
2. Meet with the Designee a minimum of two times per year for an annual review of the funds. These meetings can be electronic.
3. Interact with the Designee pertaining to any questions, suggestions or concerns.

### **General Investment Principals**

1. Investments shall be solely in the interest of the beneficiaries of the funds.
2. Investment of each fund shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
3. One or more investment managers of varying style and philosophies may be employed to attain the fund's investment objectives.
4. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
5. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

### **Investment Guidelines**

To assure diversification, investment in any one company or security shall not exceed 5% of the total fund.

#### **Allowable Assets**

##### **Equity Investments:**

Common Stocks,  
Convertible Notes and Bonds (investment-grade only),  
Convertible Preferred Stocks (investment-grade only),  
American Depositary Receipts (ADRs) of Non-U.S. Companies,  
Covered Call Options  
Exchange Traded Funds (ETFs)  
REITS (Real Estate Investment Trusts)  
Closed End Funds  
Mutual Funds\*

##### **Fixed Income Investments:**

U.S. Government and Agency Securities,  
Corporate Notes and Bonds (investment-grade only),  
Mortgage-backed bonds and notes,  
Asset backed bonds and notes,  
Preferred Stocks (investment-grade only),  
Convertible Bonds (investment-grade only),  
Covered Call options  
Exchange Traded Funds (ETFs)

Closed End Funds  
Mutual Funds\*

Short-Term Investments:  
Treasury Bills,  
Money Market Funds,  
Commercial Paper (rated A2/P2 or better),  
Banker's Acceptances,  
Repurchase Agreements,  
Certificates of Deposit

Alternative Investments:  
Managed Futures Funds, Managed Commodities Funds and Hedge Fund  
of Funds

It is understood that if a Bond Fund is used, either as a separately managed account, an Exchange Traded Fund (ETF), a Closed End Mutual Fund or an Open End Mutual Fund (Mutual Fund), it is possible that the fund(s) may have a limited number of holdings that may not be classified as investment grade, however, as long as the average credit quality of the Bond Fund is rated as investment grade, that fund shall be considered as acceptable and will be deemed as not violating the terms or the spirit of this Investment Policy.

**\*Mutual Funds:**

Mutual funds that invest in securities are allowed in this statement. However, it is understood that from time to time a specific mutual fund used by The Fund, may possibly violate the terms of this Investment Policy regarding specific holdings that may be categorized as prohibited assets as outlined in the following section. The Designee will make every effort to periodically review the individual holdings of any mutual fund used by the Fund or its investment managers and take appropriate corrective action when necessary.

**Prohibited Assets**

Direct Commodities and Futures Contracts,  
Stocks of Non-U.S. Companies (ordinary shares)  
Private Placement,  
Un-covered Options,  
Private Limited Partnerships,  
Venture-Capital Investments,  
Direct Investment in Real Estate properties

**Prohibited Transactions**

Direct short selling, margin transactions or any form of leverage to purchase securities, any actions that violate the laws of the State of Mississippi and any depository and securities regulators including but not limited to the Office of the Comptroller of the Currency, the Securities and Exchange Commission, The New York Stock Exchange and the Financial Industry Regulatory Authority (FINRA).

**Asset Allocation Guidelines****Equity Investments**

<b>Asset Class</b>	<b>Max</b>	<b>Min</b>
Domestic Large Cap Equities	80%	20%
Domestic Mid Cap Equities	40%	5%
Domestic Small Cap Equities	30%	0%
International Equities (ADRs) including Emerging Markets(ADRs)	25%	5%

**Fixed Income Investments**

<b>Asset Class</b>	<b>Max</b>	<b>Min</b>
Fixed Income	75%	10%
Cash & Equivalents	60%	2%

**Evaluation Benchmarks:**

The following benchmarks will be used as a gage for the above asset classes.  
Equities:

Domestic Large Cap Equities	S&P 500 Total Return
Domestic Large Cap Growth Equities	Russell 1000 Growth Index
Domestic Large Cap Value Equities	Russell 1000 Value Index
Domestic Mid-Cap Equities	Russell Mid-Cap Index
Domestic Small-Mid Cap Equities	Russell 2500 Index
Domestic Small Cap Equities	Russell 2000 Index
Global Equities (ADRs)	MSCI AC World ex US Net
Emerging Market Equities (ADRs)	MSCI EM Net
Fixed Income:	
US Taxable Core	Barclay's Aggregate
Preferred Securities	ML Preferred Stock Fixed Rate
Inflation Linked Securities	BC TIPS



## Investment Manager Performance Review and Evaluation

Performance reports shall be generated by the Investment Manager and compiled at least quarterly and communicated to the Designee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks and time periods. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines set forth in this statement. The Designee intends to evaluate each fund's performance over a long-term time horizon (at least three years), but reserves the right to terminate any manager at any time and for any reason including the following:

1. Investment performance which is less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results;
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements; or
3. Significant qualitative changes to the investment management organization.

This Investment Policy supersedes all previous Investment Policies adopted by The Ina E. Gordy Funds adapted by the MUW Foundation, the MUW Foundation Investment Committee to this date. This Policy is subject to future amendments and revisions as deemed necessary by the Designee, the MUW Foundation and the MUW Foundation Investment Committee.

Signed Andrea Stevens Date 8/19/16  
MUW Foundation, Executive Director

Signed Ralph McLean Date September 12, 2016  
MUW Foundation, Chairman

Signed Cynthia S. Kessen Date September 5, 2016  
MUW Foundation, Investment Committee

Signed Mark R. Green Date August 19, 2016  
Designee