



COASTAL
EDUCATIONAL
FOUNDATION

Supporting Coastal Carolina University

***STATEMENT
OF
INVESTMENT POLICY***

Adopted: October 29, 2008
Revised Investment Policy: February 22, 2017

Introduction

This policy statement provides a framework for the management of the assets (“Endowment”) of the Coastal Educational Foundation (“the Foundation”). Its purpose is to assist the Board of Directors in effectively supervising and monitoring the investments of the asset pool. A subcommittee of the Board of Directors, or Investment Committee, is established to focus on implementing and monitoring the overall investment plan (“Plan”) in accordance with the guidelines outlined in this policy statement. The guidelines are designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

This statement will establish appropriate risk and return objectives in light of the Endowment’s risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines, suitable policies, and responsibilities of the investment manager(s), are outlined below.

Goals and Objectives

The purpose of the Endowment is to support the current and future operations of the University. In pursuit of this objective, the Endowment should be invested to achieve growth in value over time in order to preserve and enhance its purchasing power, thereby protecting the Endowment against inflation.

Performance Goals

The performance objectives of the Endowment shall be defined as:

- The absolute objective of the Endowment is to seek an average total annual return that exceeds the spending rate, CEF management fee plus inflation as measured by the CPI. This objective shall be measured over annualized rolling 5-year and 10-year periods. The intent of this objective is to preserve, over time, the principal value of the Endowment as measured in real, inflation-adjusted terms.
- The relative objective of the Endowment is to equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over rolling 3-year and 5-year periods.

The comparative performance objective of the Endowment is to equal or exceed the average return of a universe of similarly sized Endowments.

Investment Philosophy

The Endowment has a long-term, indefinite time horizon that runs concurrent with the endurance of the University, in perpetuity. As such, the Endowment can assume a time horizon that extends well beyond a normal market cycle, and therefore can be more tolerant of risk with the expectation of being compensated for doing so. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help ensure a reasonable consistency of return.

The assets will be managed on a total return basis. While the Endowment recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is consistent with the objectives established by this policy statement to pursue investment strategies that may exhibit different risk profiles, such as higher levels of volatility or illiquidity, if such strategies are in the Endowment's best interest on a risk-adjusted basis. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Endowment is exposed. The objective is to minimize risks and require appropriate compensation for investment risks which the Endowment is willing to accept.

Investment Program Policies and Procedures

Asset Allocation Strategy

It is the policy of the investment program to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment. The strategy will be based on a number of factors, including:

- The relationship between current and projected assets of the Endowment and its spending requirements;
- The maintenance of sufficient liquidity to meet spending payments;
- Historical and expected long-term capital market risk and returns.

The policy provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Endowment. Asset allocation modeling will assist in identifying asset classes the Endowment will use and the percentage each asset class represents of the total portfolio. Due to the fluctuation of market values, positioning within a specific range is acceptable and constitutes compliance within the policy.

Appendix A defines the Endowment's target asset allocation and the minimum and maximum allocation limits of each asset class.

The asset allocation policy will be implemented through the use of qualified external professional investment managers. The Investment Committee will select and designate these managers. Selection of managers will be based on their ability to effectively fulfill and add value in a specific role in the asset allocation strategy, as well as comply with the guidelines defined within the investment policy statement.

The allocation of assets in the portfolio according to type will be reviewed periodically by the Foundation. Any desired changes in allocations resulting from such reviews will be communicated to the investment manager. Such changes in allocations will consider market price level trends and general economic conditions, while recognizing the history of the capital markets and the difficulty of making short-term prognostications.

Rebalance Policy

It is the Foundation's policy to rebalance within the stated ranges. The purpose of rebalancing is to control portfolio risk and maintain the policy asset allocation within targeted ranges. The method of rebalancing will be based upon a "tolerance" approach, which generally states the

portfolio will be rebalanced if the actual asset allocation goes beyond a stated range (tolerance) for any particular asset category. As an example, if the target asset allocation for equities is 60% with a 15% tolerance, then no rebalancing would be required if the equity allocation remained within a 45% to 75% range; otherwise, management is required to rebalance once these limits are achieved.

Investment Policies, Guidelines, and Restrictions

The investment policies, guidelines and restrictions presented in this policy statement serve as a framework to help the Endowment and its investment manager(s) achieve the investment objectives at an acceptable level of risk. The Endowment will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sectors, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total Endowment. As a result, the risk level associated with the portfolio investment is reduced.

Equity Securities

The purpose of equity investments, both domestic and international, in the Endowment is to provide capital appreciation, growth of income, and current income, with the recognition that the asset class carries with it the assumption of greater market volatility and increased risk of loss. This component includes domestic and international common stocks, American Depository Receipts, preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on major stock exchanges. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of \$50 million with reasonable market liquidity. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. However, no single industry shall represent more than 20% of the total portfolio value, and no single security shall represent more than 5% of the total portfolio value.

The "Traditional Long-Only" investment manager(s) is prohibited from borrowing money or pledging assets, or trading uncovered options, commodities or currencies without the advance approval of the Investment Committee. The manager(s) is also restricted from investing in private placements and restricted stock unless otherwise permitted by the Investment Committee. It is expected that no assets will be invested in securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any state or federal bankruptcy or similar statute.

Within the above guidelines and restrictions, the manager(s) has complete discretion over the timing and selection of equity securities.

Fixed Income Securities

The purpose of fixed income investments, both domestic and international, is to provide diversification, and a predictable dependable source of current income. It is expected that fixed income investments will not be totally dedicated to the long-term bond market, but will be flexibly

allocated among maturities of different lengths according to interest rate prospects. Fixed income instruments should reduce the overall volatility of the Fund's assets, and provide a deflation hedge. This component includes both the domestic fixed income market and the markets of the world's other developed and developing economies. It includes but is not limited to U.S. Treasury and government agency bonds, foreign government and supranational debt, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations.

Investments in fixed income securities should be actively managed to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. These investments will be subject to the following limitations:

- The weighted average duration of each fixed income asset class should give due consideration to the duration of the index to which the asset class is benchmarked.
- Investments of a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, FNMA and FHLMC), may not exceed 5% of the total portfolio value of the portfolio;
- No more than 15% of the total portfolio value of the portfolio may be held in corporate debt securities rated below-investment grade.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

Cash and Equivalents

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Endowment's principal value. Commercial paper assets must be rated at least A1 or P-1 (by Moody's or S&P). No more than 5% of the total market value of the Endowment's assets may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Un-invested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for investment. However, such vehicles are appropriate as depository for income distributions from longer-term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the manager(s) has complete discretion over the timing and selection of cash equivalent securities.

Other Securities

Marketable Alternatives – Investments may also include equity-oriented or market-neutral hedge funds (i.e., Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies) which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

Distressed Debt – Investments may also include domestic or international distressed debt investments (both liquid trading opportunities as well as illiquid control strategies), held in the form of professionally managed pooled limited partnership investments.

Derivatives and Derivative Securities - Certain of the Fund's managers may be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. Derivatives positions should be fully collateralized. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Restrictions

The Investment Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and the investment strategy involved.

For mutual or other commingled funds, the prospectus or offering documents of the fund(s) will govern the investment policies of the fund investments. While the Committee understands that such funds have their own stated guidelines which cannot be changed for individual investors, in principle and spirit those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Roles and Responsibilities

Duties of the Investment Committee

A subcommittee of the Board of Directors, or Investment Committee, may be established to focus on implementing and monitoring the Endowment in accordance with the guidelines outlined in this policy statement.

The Board of Directors will approve the Investment Policy developed by the Investment Committee for the investment program. The Board delegates its decision-making authority to the Investment Committee regarding the investment program within the guidelines established by this policy statement. The following are the duties and responsibilities delegated by the Board to the Investment Committee:

- Review formally the Endowment's investment policy, structure, and financial performance at least annually. The review will include recommended adjustments to the long-term, strategic asset allocation (if adjustments are warranted).
- Review, with assistance from the Management and Investment Advisor/Manager, at least quarterly, the portfolio's investment structure and financial performance.
- Coordinate with the Budget and Finance committee the spending policy to be approved by the Board of Directors.
- Select, retain and terminate Investment Advisor(s)/Manager(s), as necessary to conduct performance reviews, evaluate asset allocation strategy, and provide topical research. The comments and recommendations of the advisors will be considered in conjunction with available information to aid the Investment Committee in making informed, prudent decisions.
- Administer the investments in a cost-effective manner. These costs include, but are not limited to: management, consulting and custodial fees, transaction costs and other administrative costs chargeable to the investment pool.

Duties of Management

The management of the Endowment (defined as the Finance Manager) will:

- Execute and administer the investment policy as directed by the Investment Committee.
- Execute documents necessary to facilitate the implementation of the investment policy, including but not limited to contracts with consultants and investment managers for providing services.
- Fund the spending or distribution account as frequently and in an amount, in the discretion of the Finance Manager, as the Finance Manager may determine.
- Review the Endowment's investments at least quarterly to ensure the policy guidelines continue to be met. Management and its staff shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks. The information for these reviews shall come from the custodian, investment advisor, and/or investment managers.
- Rebalance the Endowment to maintain the proper diversification within the ranges approved by the Investment Committee in accordance with the guidelines established by the Rebalance Policy of this document.
- Raise timely concerns with the Investment Committee and take appropriate action under the direction of the Investment Committee if investment objectives are not being met or if policies and guidelines are not being followed.
- Provide overall monitoring of Investment Advisor and Investment Manager, and ensure that they conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide Management with timely, accurate and useful information.

Duties of the Investment Manager

Investment managers will, at a minimum:

- Comply with the “prudent expert” standards.
- Provide the Endowment with proof of liability and fiduciary insurance coverage.
- Maintain thorough and appropriate written risk control policies and procedures. Oversight of compliance with these policies must be ongoing and independent of line investment activity.
- Be an SEC Registered Investment Advisor recognized as providing demonstrated expertise over a number of years in the management of institutional assets and a defined investment specialty.
- Adhere to the investment management style concepts and principles for which they were retained, including developing portfolio strategy, performing research, buying and selling securities, and voting proxies.
- Execute all transactions for the benefit of the Endowment with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost to the Endowment. At all times, the Investment Manager will attempt to obtain the best available price and most favorable execution with respect to all portfolio transactions.
- Reconcile every month accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- Maintain frequent and open communication with management and its staff on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:
 1. Major changes in the investment manager’s investment outlook, investment strategy, investment process, or portfolio structure;
 2. Significant changes in ownership, organizational structure, financial condition or senior personnel;
 3. All pertinent issues which the investment manager deems to be of significant interest or material importance.
- Meet with management or its designees on an as-needed basis.

ADDENDUM "A" TO THE INVESTMENT AND DISTRIBUTION POLICY

Externally Managed Portfolio ASSET ALLOCATION RANGES

Asset Category	Range	Client Target
Cash	0-10	0
Transactional Cash	0-10	0
Fixed Income	10-45	30
<i>Traditional Investments</i>		
U.S. Investment Grade Taxable Bonds	0-45	22
Non U.S. Global Bonds	0-20	8
High Yield Bonds	0-15	0
Inflation Protected Bonds	0-15	0
Strategic Reserves	0-45	0
Equity	45-75	70
<i>Traditional Investments</i>		
U.S. Large Cap Equity	20-60	23
U.S. Small/Mid Cap Equity	0- 20	15
Non-U.S. Developed Equity	0- 30	22
Emerging Markets Equity	0-15	6
<i>Alternative Investments</i>		
Long/Short Equity Hedge Funds*	0-15	4
Emerging Markets Equity*	0-15	0
Event Driven Hedge Funds*	0-15	0
Private Equity*	0-15	0
Real Assets	0-10	0
<i>Traditional Investments</i>		
US REITs	0-15	0
Non-US REITs	0-15	0
Commodities	0-10	0
<i>Alternative Investments</i>		
Direct Real Estate*	0-10	0

*Investment requires board approval.

The following benchmarks will be used for corresponding asset classes:

Asset Class	Benchmark
Short Term Obligations	90 Day U.S. Treasury Bill Rate
Fixed Income	
U.S. Investment Grade Taxable Bonds	Bloomberg Barclays US Aggregate Float Adjusted TR
Non U.S. Global Bonds	Bloomberg Barclays GA ex-USD FIAj RIC CplxHgd
High Yield Fixed Income	Merrill Lynch High Yield Cash Pay Index
Treasury Inflation Indexed Securities	Bloomberg Barclays U.S. 0-5 Year Treasury Inflation Protected Securities Index
Strategic Reserves	Barclays 1-3 Year US Treasury Index
Equities	
US Broad Market Equity	CRSP US Total Market TR USD
Non-US Broad Market Equity	FTSE Global All Cap ex US
US Large Cap Equity	S & P 500 Index
Developed International Equity	FTSE Developed All Cap ex US Index
Emerging Markets Equity	FTSE Emerging Markets All Cap China A Inclusion Index
Small/Mid Cap Equity	S&P Completion Index
Alternative Investments	
Event Driven Hedge Funds	HFRI Event Driven Index
Long/Short Equity	S&P 500 Index and/or HFRI Long/Short Equity Index
Real Assets	
US REITs	MSCI US REIT
Non – US REITs	S&P Global ex U.S. Property Index
Commodities	S&P North American Natural Resources