



EU/23/IPS/2013

# EGERTON UNIVERSITY

## INVESTMENT POLICY STATEMENT

2013

*Transforming Lives Through Quality Education*  
Egerton University is ISO 9001:2008 Certified

# **EGERTON UNIVERSITY**

## **INVESTMENT POLICY STATEMENT 2013**

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## **Introduction**

This policy statement provides a framework for the management of the assets of Egerton University Endowment fund. Its purpose is to assist the Board of Trustees in effectively supervising and monitoring the investments of the Fund. A subcommittee of the board of Trustees, or Investment Committee, may be established to focus on implementing and monitoring the Fund 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 programme.

Egerton University Endowment Fund will be managed by the Board of Trustees. The Board shall consist of no fewer than five (5) and no more of seven (7) members.

### **I. Management of fund Investments**

The Board of Trustees has delegated responsibility for the Fund's investments to the Fund Investment Committee, which shall recommend and implement investment policy with regard to asset allocation, manager selection and portfolio supervision. In order to facilitate communication and reporting between the Board and the Fund Investment Committee, a member of the Board shall be appointed as a liaison to the Committee and shall serve as a voting non-director on that committee. The liaison reports to the Board the status regarding the Fund's investment policies and results;

and reports any recommended changes in the investment policy to the Board

#### **A. Duties of the Board of Trustees**

The Board is charged with the following powers and responsibilities:

- (I) Formulation of overall investment policy and strategy framework;
- (ii) Determination of long-term policies for risk tolerance and asset mix;
- (iii) Determination of the permissible assets;
- (iv) Approving principles for asset class selection;
- (v) Approving principles for asset class selection;
- (v) Approving principles for credit risk management;
- (vi) Setting of performance evaluation standards/benchmark and deviation limits;
- (vii) Selection and review and revision of this Investment Policy Statement.

#### **B. Duties of the Investment Committee**

- (i) Establish investment objectives for the Endowment Fund.
- (ii) Set asset allocation and managerial structure policies for the investments.
- (iii) Establish and continue to update the investment policy,

and report the recommended changes to the Board.

- (iv) Select, and as appropriate terminate, investments managers, fund custodians, and the Investment consultant for the investments.
- (v) Establish, monitor and update the investment process.
- (vi) Review investment performance against established objectives.
- (vii) Review, at least annually, investment activity to ensure compliance with investment policy.
- (viii) Establish and propose to the Trustee, the spending policy for the Endowment Pool.

### **C. Membership of the Investment committee**

Three members of the Board of Trustees will be members of the Investment Committee of which the Vice-Chancellor who will be one of the members. The director, Institutional Advancement will be the secretary of the Investment Committee.

### **III. Endowment Investment Policy and Guidelines**

The goal for Egerton University Endowment Fund is to provide a real total return that preserves the purchasing power of the Endowment's assets, while generating an income stream to support the research and academic activities of the University including scholarships for students. The Endowment's real total return will be sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility.

## **A. Investment objective**

For the long-term, the primary investment objective for the Endowment Fund is to earn a total return (net of portfolio management fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Endowment's assets and support the defined spending policy.

## **B. Asset Allocation**

To achieve its investment objective to the extent provided by the law, the Endowment's assets will be allocated among five asset classes. The asset classes are interest bearing classes, money markets, quoted markets, offshore and property. The purpose of allocating assets to these asset classes is to ensure the proper level; of diversification within the Endowment Fund.

The recommended strategic asset allocation is:

<b>Asset Classes</b>	<b>Target allocation</b>	<b>Range</b>
Interest Bearing Assets	50%	30%-60%
Money Markets	15%	5%-30%
Quoted Markets	20%	15%-40%
Offshore	5%	0%-15%
Property	10%	0%-15%
Total	100%	

### **C. Asset Allocation Review and Rebalancing Procedure**

- (i) The Investment Committee will review the strategic allocation in the five asset classes, as well as the allocation to various styles of managers within these asset classes, at least annually.
- (ii) Cash flows into and out of the portfolio (i.e., new gifts and spending) shall be allocated to the investment manager each month in a manner that will rebalance the portfolio consistent with asset allocation policies. Rebalancing the portfolio by means a liquidating assets managed by investment manager will be the exception, and only done, when recommended by the Trustees. Assets allocation and performance reports will be provided to the committee on a quarterly basis.

### **D. Performance Measurement, Monitoring, and Evaluation**

- (i) Performance (net of fees) will be calculated on a quarterly basis by the Investment Manager.
- (ii) In addition to reporting time-weighted total returns for the Manager and the Pool, a comparison is made with relevant market benchmarks as well as the composite returns for other Manager with similar philosophies to the Manager investing for the Fund. The Manager should add value above these benchmarks. Reports will include historical data in order to evaluate short-term results against longer-term strategies.

## **E. Guidelines for Corrective Action**

Corrective action should be taken as a result of an ongoing Investment Manager's review process. The following are instances where corrective action or termination may be in order:

- (i) Major organizational changes in a firm, including any changes in portfolio Managers, may require a new contract and interview process. Failure on the part of the Investment Manager to notify the committee of such changes is grounds for termination. At all times, communication with the managers should be open and informative. The Investment Manager should be willing and be able to meet at least annually with the Committee.
- (ii) Violation of terms of contract constitutes grounds for termination.
- (iii) As part of its overall asset allocation strategy, the Committee will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee at the time they are engaged. Any significant changes in investment approach may be grounds for termination.
- (iv) The committee will not, as a rule, terminate a manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its style and approach,

the committee may engage a Consultant to provide insight regarding the appropriate length of time. The manager's performance will be viewed in the light of the firm's particular style and approach, keeping in mind at all times the Fund's diversification strategy and, as well as, other organizational and relationship issues.

- (v) Investment Managers may be replaced at any time as part of the overall restructuring of the Endowment Fund.
- (vi) Other events or circumstances that are deemed to be in the best interest of the University.

#### **F. Endowment Spending Policy.**

In this policy 60% of the annual net return, will be available for University use and 40% be invested in the fund.

#### **G. Custodian and Depository Activities**

The custodian and depository activities of the Fund, including agreements with any banks or the temporary, short-term investment of cash and equivalents will be subject to annual review by the committee to assure that the Fund is receiving competitive rates and services.

#### **H. Communication**

The Trustees will ensure that the investment strategy is communicated to the Chancellor and the University Council within twelve (12) months of the signature thereof. The communication will include:

- (i) A brief summary of the governance principles, including

who makes the investment decision.

- (i) A brief summary of the overall objectives and strategy.
- (ii) A brief explanation of the risk profile of the Fund.
- (iii) A summary of the characteristics of the investment portfolio, and should include an explanation of possible negative returns over the short term and the rationale thereof.

## Signatories:

**This document represents the Investment Policy Statement of Egerton University Endowment Fund (Fund)**

1. Signature:

Name:

Chairman \_\_\_\_\_ Date \_\_\_\_\_

2. Signature:

Name:

Member: \_\_\_\_\_ Date \_\_\_\_\_

3. Signature:

Name:

Member: \_\_\_\_\_ Date \_\_\_\_\_

4. Signature:

Name:

Member: \_\_\_\_\_ Date \_\_\_\_\_

5. Signature:

Name:

Member: \_\_\_\_\_ Date \_\_\_\_\_

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