

# **Massachusetts College of Art and Design Foundation Endowment Fund**

## **Revised Statement of Investment Policy**

**Voted by Foundation Board of Directors on December 7, 2024**

### **1. Introduction**

The purpose of this document is to express the objectives, policies, and guidelines that govern the investment of assets for the Massachusetts College of Art and Design Foundation (endowment “fund”).

### **2. Investment Objectives**

The primary investment objective of the endowment fund is to increase the purchasing power of the permanently and temporarily restricted funds. The “fund” is expected to distribute 4% of its value, based on the average of asset values at the end of the preceding twelve quarters. The distribution rate will be reviewed annually.

The long-term investment objective is to earn a rate of return at least 4% in excess of the inflation rate per year, as measured by the Consumer Price Index. The assets shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility. Performance will be measured as outlined in section 4.

For planning purposes, the goal is to utilize a strategic investment policy that over the long-term (at least five years) will enhance the real purchasing power of the Foundation’s assets while not impairing the endowment’s ability to provide adequate funding in the intermediate future. While distinct asset classes and investment approaches exemplify different return and risk characteristics and, by themselves, can be quite volatile, it is recognized that combinations of asset classes and approaches produce diversification benefits that enhance expected returns at any given risk level. Accordingly, the “fund” will strive to maintain a broadly balanced investment program so that at least a portion of the assets can be anticipated to perform satisfactorily under most reasonable economic scenarios.

The investment approach also emphasizes a commitment to values-based investing, reflecting MassArt’s mission to foster creativity, civic engagement, access, and innovation while strengthening and enhancing financial resources that support this mission. The

Foundation's investment choices consider the College's foundational values, prioritizing initiatives that align with our dedication to the arts, education, and community engagement. The approach will endeavor to select and support funds that contribute positively to society and the cultural landscape while ensuring that financial resources reinforce our core mission.

### 3. Investment Guidelines

#### A. Asset Mix

a. *Endowment*: The long time horizon of the "fund" suggests an asset mix tilted towards equities for appreciation purposes. Specifically, the following asset allocation guidelines apply (see table below)(percentages will be based on the market value of investments)

b. *Charitable Gift Annuity Pool*: The current and short-term liability associated with the Charitable Gift Annuity Pool suggests an asset mix tilted towards fixed income. Specifically, the following asset allocation guidelines apply (see table below)(percentages will be based on the market value of investments)

Asset Class	Endowment Port. Range CGA Portfolio Range
Cash	- 1-10%
Global Equities	45-75% 30-60%
Global Fixed Income	15-35% 40-60%
Global Other	0-15% -

c. *Global Equity Investments*: The purpose of the equity allocation is to maximize total long-term investment performance. The portfolio's exposure will be broadly diversified across industry sectors, geographies and types of Securities. Large gifts in the form of securities can be segregated in consultation with the donor and at the discretion of the Investment Committee.

- d. *Global Fixed Income Investments*: The main purpose of the fixed income allocation is to dampen the volatility of equities and to take advantage of active return opportunities in the fixed income area. This asset class may typically include US Government and Agency obligations, investment grade corporate bonds, zero coupon bonds, debentures, mortgages, CMOs, commercial paper, CDs, time deposits, Eurodollars, sovereign/supranational agency debt (i.e., World Bank), and other such instruments as are deemed prudent. If employed, an active manager shall have the flexibility to adjust the maturity structure in anticipation of current and projected market conditions and yield curve opportunities.
- e. *Global Other Investments*: Generally investments other than stocks, bonds or cash including but not limited to real estate and hard assets.
- f. *Management Style*: While a passive index approach may be utilized in the pursuit of investment objectives, an active investment management style is also considered appropriate where the potential exists to add value. For example, the relative inefficiencies of the small cap equity sector of the capital markets at times have enabled various active managers to substantially outperform their benchmarks.
- g. *Use of Mutual Funds*: Because of the endowment's comparatively small size, mutual funds are considered appropriate investment vehicles to combine the prerequisite standards of diversification, investment efficiency, and performance expectations. Product selection may be based upon how well past returns have correlated with broad market indices or may be derived from a particular fund's demonstrated ability to successfully invest in an asset class or specific style (value, growth, small cap, etc.) While investment criteria will dictate the choice of mutual funds, administrative and marketing considerations are also relevant. Ethical management practices, timely reporting, the absence of marketing commissions, and reasonable management fees constitute additional priorities.
- h. *Investment Restrictions*: The following are not permissible investments without prior written approval<sup>1</sup>:

<sup>1</sup>These restrictions do not preclude the use of mutual funds that apply portfolio hedging techniques on behalf of shareholders (hedge funds) or that specifically

invest in commodities and options for purposes of total return.

i. Short sales of any type

ii. Buying or selling on margin

#### **4. Performance Measurement**

Investment performance shall be reviewed on a regular basis but not less than two times annually. Active managers and/or mutual funds shall be evaluated relative to the objectives and guidelines described herein. In most cases, a full market cycle (generally considered to be three to five years) will be used for judging whether the performance objectives have been realized.

##### *Comparative Criteria*

The compound time-weighted rate of return for the endowment's investments will be evaluated relative to the following performance benchmarks:

<u>Asset Class</u>	<u>Benchmark</u>
US Equities	S&P 500 Index 45%
Non-US Equities	MSCI EAFE Index 20%
Fixed Income	Barclays US Aggregate Index 25%
Emerging Markets	MSCI Emerging Markets IMI 5%
Fixed Income	US T-Bill 5%

#### **5. Acting Authority and Oversight Responsibility**

The Investment Committee will act as a surrogate for the Foundation's Board, assuming responsibility for matters relating to the selection of one or more investment advisors, brokers, measurement of performance, the disposition of security gifts, and the overall allocation of assets. In addition to the Chair of the Board being invited to every Investment Committee meeting as a member (ex-officio), regular updates will be provided to the full Foundation Board semi-annually and at any other times as requested by that body. Monthly statements from broker-dealers will be directed to the Foundation office.

The Investment Committee will communicate to the Board in a timely manner any

changes of strategic direction executed within the guidelines established by this policy. Rebalancing the endowment portfolio by returning to a predetermined target allocation will not be considered a change of direction. The introduction of new investment criteria or different asset class ranges would necessitate Board approval prior to implementation.