

# Friends School of Baltimore

## Investment Policy of the Endowment Fund – Executive Summary

### I. Investment Objective

The Endowment exists to support the School in perpetuity, providing stable and predictable support to the School's operations while protecting the Endowment against inflation.

### II. Asset Allocation Ranges

	<b><u>Tolerance Range (%)</u></b>
<b>Equity</b>	
Domestic Large-Cap Growth	15 - 25
Domestic Large-Cap Value	25 - 40
Total Large Cap	45 - 55
Domestic Small/Mid-Cap Growth	7 - 13
Domestic Small/Mid-Cap Value	7 - 13
Total Small Cap	17 - 23
International Equity:	0 - 10
<b>Total Equity</b>	<b>65 - 75</b>
<b>Fixed Income and Cash &amp; Cash Equivalents</b>	
Fixed Income	25 - 35
Cash & Equivalents	0 - 10
<b>Total Fixed Income and Cash &amp;     Cash Equivalents</b>	<b>25 - 35</b>

### III. Guidelines

#### 1. Equities

Investment Benchmarks: S&P 500; Russell 1000 Value; Russell 2000 Growth; Russell 2000 Value; applicable Socially Responsible Peer Groups for each asset class

Prohibited Investments: The Endowment will not knowingly hold investments in companies which derive a substantial portion of their revenues from the production or sale of tobacco, alcohol, gaming and war-related materials.

Diversification: single security limited to 6% of the portfolio's value based on cost, or 10% based on market value without consultation of the Investment Committee. Furthermore approval will also be required if an investment manager has a sector allocation of more than double that of the same economic sector as defined by the relevant benchmark.

Market Capitalization: large-cap equity managers are precluded from investing in companies with market capitalizations below \$500 million; small-cap equity managers are precluded from investing in companies with market capitalizations below \$25 million.

Market Timing: so as to prevent market timing, cash and cash equivalents may not exceed 10% without consultation of the Investment Committee.

## 2. Fixed Income

Investment Benchmarks: Lehman Brothers Aggregate Bond Index; Merrill Lynch 91-day T-Bill Index

Allowable Investments: U.S. and non-U.S. issues of Government and Agency obligations, marketable corporate bonds, mortgage or asset backed bonds, and preferred stocks with sinking funds

Acceptable Duration Range: 60 – 140% of relevant benchmark

Quality: emphasis toward "A" issues; below investment grade limited to 10%

Diversification: no more than 5% of the fixed income investments, at market, shall be invested in securities of any one issuer, except Government and Agency obligations, without the Committee's prior approval.

Market Timing: so as to prevent market timing, cash and cash equivalents may not exceed 10% without consultation of the Investment Committee.

## 3. Cash

Allowable Investments: short-term U.S. issues of Government and Agency obligations; commercial paper issued by domestic corporations which is rated both "P-1" and "A-1" by Moody's and Standard & Poor's, respectively; certificates of deposit, bankers acceptances, or other such irrevocable primary obligations from a list of approved banks provided by the managers; and commingled, short-term cash reserve funds managed generally in accordance with the principles set forth above.

## IV. Spending Policy

4.0% of the average market value over 12 rolling quarters