

Keck Graduate Institute

Investment Policy

Latest Revision

May 2021

Responsibilities

The Investment Committee of the Board of Trustees of Keck Graduate Institute (KGI) is delegated to the full Board, which approves and monitors KGI's investment and cash management policies. The Committee consists of Trustees with significant investment and general industry experience. The members meet periodically to assess current investment market values, investment vehicles, asset allocations, investment performance rates, performance benchmarks, and the performance of present and prospective investment managers. The Committee reports periodically on investment activity and performance to the full Board.

Objectives

The objective of the investment program is to generate investment income and a total return sufficient to permit spending a prudent portion of the income each year to support the operating budget for instructional and research programs and initiatives, with appropriate attention to the long-term preservation of capital. The asset allocation is also intended to produce ordinary income and distributed capital gains of no less than 2.5% (excluding fees) to facilitate an annual endowment draw. Any returns of capital will be reinvested in the fund from which the return of capital distribution originated. The Committee has set a spending rate of 5% of the average trailing twelve-quarter market value of cash and marketable securities to be drawn at the end of each calendar month, plus any net operating income from the 555 Arrow Highway building in Claremont. Suppose the spending rate is insufficient to cover KGI's operational spending needs - In that case, the Committee may, by majority vote, recommend to the Board that the endowment principal be liquidated and made available to make up for the shortfall.

Asset Allocation

Due to the relatively modest size of its endowment and its continued dependence on endowment payout to support operations, KGI, through its Investment Committee, seeks to avoid undue risk and market fluctuations by insisting on prudent allocation and adequate diversification of its investments. The investment time horizon for a not-for-profit institution of higher education is perpetual, and the Committee will accordingly invest in domestic and international equities, as well as fixed-income securities, cash, and real estate. The investments may not include venture capital, private equity partnerships, or leveraged hedge funds. Currently, the endowment consists of a single real estate asset located at 555 Arrow Highway in Claremont among its assets. If requested by KGI, the Committee may approve of using this asset as collateral for working capital facilities.

Institutional and donor-designated endowments and similar funds are invested in a unitized pool unless donor restrictions require separate investments or the assets are held for non-investment purposes. Cash is invested in a short-term money market fund linked with a checking and deposit account at a commercial bank, which facilitates cash transfers to invest daily deposits and cover accounts payable and payroll disbursements.

Service Providers

The Committee may engage investment managers, custodians, and advisors as appropriate for the asset allocation and selection, trade execution and settlement, and performance measurement.

Target Ranges

Target asset allocations are established as percentage ranges. The current ranges are:

For pooled investments:	Equity	50% to 80%
	Fixed Income	20% to 50%
	Cash Other	0% to 20%
	Active Managers	25% to 100%
	Passive Index Funds or ETFs	0% to 50%
For equities in pooled investments:	Domestic	50% to 100%
	Global	0% to 50%
For bonds in pooled investments:	Domestic	75% to 100%
	Global	0% to 25%

Effective February 2016, KGI will invest no more than 20% of total pooled investments, excluding the value of the property located at 555 Arrow Highway in Claremont, with any single new investment manager or in any particular investment. Any manager in place before July 2011 may manage up to 25% of the pooled investments, excluding the value of the property at 555 Arrow Highway in Claremont.

Real Estate Investments

Generally Accepted Accounting Principles require all real estate investments to be valued at fair value. Real Estate investments with a value of \$10 million or more will need a new valuation annually as of June 30. If the asset is valued between \$5 million and \$10 million, it shall be appraised every two years as of June 30, and all other properties shall be appraised every three years. Staff will evaluate the need for an appraisal for real estate investments valued under \$5 million held for five or more years. Staff will also conduct an annual internal impairment analysis on real estate investments and determine the impact on their valuation.

Revisions

The Committee will review this investment policy for potential revisions annually, but may review and modify it at any time. The vote of the full Board of Trustees must ratify any changes to this policy.

Approved – By Board of Trustees

Effective Date – May 12, 2021

Revisions – May 2021, February 2016, Oct 2013, July 2011, June 2008

Responsible Officer – Vice President of Finance & Administration