INVESTMENT POLICY

Bridgewater Alumni Association

Revised 5/5/2010
A. Statement of Purpose

The purpose of this Investment and Spending Policy is to assist the Board of the Bridgewater Alumni Association (hereafter, the “BAA”) in effectively supervising and monitoring its investment activities and to provide guidance to investment managers employed to manage assets on behalf of the BAA. This statement represents the current consensus of the BAA’s philosophy and shall be reviewed from time to time ensure that it continues to reflect the expectations, goals and objectives of the BAA.

B. Philosophy

The Board of Directors and members of the BAA recognize that the Alumni Fund represents a legacy by people who care deeply about education and Bridgewater State College. It is in the context of respect and gratitude for this legacy and these people that the management of the Alumni Fund is directed toward ensuring that it becomes an effective tool for funding scholarships at Bridgewater State College for present and future generations. In view of the importance of the Alumni Fund the members of the Board of Directors of the BAA assign a high priority to the productive management of Alumni Fund assets.

The responsibility of the BAA through its Investment Committee is to assure the most effective management of the assets. The Investment Committee will establish broad guidelines for investing the funds, select and evaluate investment managers, and establish asset allocations where applicable.

Investment managers, multi-fund managers, or mutual fund managers selected by the Investment Committee will be responsible for optimizing the return of assets within the guidelines, which will be established by the Board of Directors of the BAA. Other than indicated in this statement, managers will have complete specific investment discretion with the expectations that funds will be invested with care, skill, prudence and diligence.
C. Investment Objective

It is the investment objective of the BAA to manage the Alumni Fund to preserve and enhance, in real dollar terms, the principal of the Alumni Fund and at the same time to provide a dependable source of income for scholarships. Unless otherwise provided by this policy BAA investments as a whole shall be undertaken in accordance with the following objectives:

**Preservation of Capital** – Preserve the capital investment of its assets through prudent management and compliance with all existing Board of Directors policies, guidelines and procedures covering the use and stewardship of BAA funds.

**Liquidity** – Maintain a reasonable amount of portfolio liquidity.

**High Yield** – Attain the highest possible level of current income consistent with the objectives of preservation of capital and liquidity.

**Risk** – Purchase investments with a low degree of default risk and an acceptable degree of price risk resulting from changes in the level of interest rates.

D. Alumni Fund Asset Allocation Policy

The BAA will employ an investment strategy based on diversification in its investment portfolio. The Alumni Fund’s portfolio will be spread among multiple asset classes. The asset allocation policy adopted by the Board of Directors of the BAA will define the range of asset allocation. Equity investments will be emphasized to take advantage of their higher growth rates and overall returns over time. The diversification of investment assets is to avoid unwarranted concentration of funds in a single entity that is subject to default risk and dampen the variability of returns from year to year.
The current investment guidelines, reviewed periodically, as summarized below:

<table>
<thead>
<tr>
<th>ASSET MIX</th>
<th>RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITIES</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>23-37%</td>
</tr>
<tr>
<td>International</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>12-28%</td>
</tr>
<tr>
<td></td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>35-65%</td>
</tr>
<tr>
<td>FIXED INCOME</td>
<td></td>
</tr>
<tr>
<td>Core</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>25-45%</td>
</tr>
<tr>
<td>TIPS</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>0-10%</td>
</tr>
<tr>
<td></td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>25-55%</td>
</tr>
<tr>
<td>NON-CORRELATED</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>0-15%</td>
</tr>
</tbody>
</table>

Recognizing the short-term needs may require modification of the policy, the Investment Committee of the BAA may authorize asset allocation variances of 15% (e.g., equities up to 65%. It is recognized, however, that variation from a long-term policy, which would reduce equity exposure, could be detrimental to the BAA’s long-term investment objectives.

Cash invested under the short-term cash management policy will not be used to calculate the allocation percentages.

The principal category of equity investments will be common stock with primary emphasis on high quality, investment grade, and dividend-paying stock in companies that are financially sound and have favorable prospects for earning growth.

It is expected that the largest percentage of fixed income investments shall be invested in portfolios of high-quality (primarily A to AAA rated) corporate bonds and U.S. Treasury securities. Similarly-rated preferred stocks may also be included in the fixed income category stated in this investment policy.
Non-Correlated assets will be restricted to marketable strategies where the underlying assets could be converted in an orderly fashion into cash within ninety days under normal circumstances.

**E. Short-term Cash Management Policy**

The BAA Investment Committee will be responsible for the immediate investment of current year gifts that will be required for current operations. The Committee will work with the Advancement accounting staff to guide investment into:

- Money market funds which assure safety on the basis of high credit standards;
- Interest bearing checking accounts insured by FDIC;
- Short-term certificate of deposit issued by banks insured by FDIC and/or excess insurance coverage and/or deposit collateralized.

**F. Sale of Gifts of Securities**

The staff of the Advancement office shall promptly sell gifts of stock and securities.

**G. Spending Policy**

The spending level from assets is critical to the long-term preservation and enhancement of real value. Alumni Fund growth will be carefully managed with a stated percentage total used annually to support the current needs of the BAA. This percentage shall be determined each year by the BAA Board of Directors for the Investment Committee at their annual meeting in June for the following year. The BAA uses a percentage of the three-year average of the market value of the Alumni Fund as a base. Such a controlled policy will allow for flexibility and the long-term growth.
H. Investment Management

The BAA shall engage professional investment managers for the direct management of the BAA’s assets. Managers will be carefully selected in a comprehensive search and review process. The selected manager must have demonstrated ability to meet or exceed the BAA’s performance standards through the consistent application of well-defined investment disciplines. Management fees will be negotiated and become an expense of the Alumni Fund.

The BAA Investment Committee will monitor the performance of the Investment Manager twice a year. The Investment Manager(s) is expected to provide a return over a complete market cycle (usually three to five years) that meets agreed-upon standards based upon an index of general market performance.

The following are more detailed benchmark indexes for each authorized asset class. These will serve as the base performance standards against which each class and manager will be compared:

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>BENCHMARK INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td></td>
</tr>
<tr>
<td>US Equities</td>
<td>Standard &amp; Poors 500 Index</td>
</tr>
<tr>
<td>Developed</td>
<td>MSCI EAFE</td>
</tr>
<tr>
<td>Emerging</td>
<td>MSCI Emerging</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
</tr>
<tr>
<td>Core</td>
<td>Barclays Capital Aggregate Bonds</td>
</tr>
<tr>
<td>TIPS</td>
<td>Barclays Capital TIPS</td>
</tr>
<tr>
<td>Non-Correlated</td>
<td>Treasury Bills + 2%/year</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>91-day Treasury Bills</td>
</tr>
</tbody>
</table>

The aggregate fund will be compared to an unmanaged composite of benchmark indexes weighted in direct proportion to the fund’s actual asset mix: and a nationally-recognized balanced manager universe.
Non-Correlated assets will be restricted to marketable strategies where the underlying assets could be converted into cash within ninety days under normal circumstances.

I. Criteria for Selection of Investment Managers

The BAA shall employ investment managers whose investment philosophy and strategy complement the investment objectives of the BAA. The BAA may withdraw assets from a manager at any time with or without cause. Recommendations on the purchase, retention, or sale of individual securities will be made by managers who shall be full-time, trained and experienced investment professional selected by the BAA Investment Committee and such managers shall be charged to operate in accordance with the established guidelines and procedures of the BAA. Managers should demonstrate the following minimum standards of competence:

1. The firm has the capability of achieving the objectives of the BAA.
2. Experience managing $500 million or more for a minimum of three years.
3. Above-median performance, compared to a universe of similar managers.
4. Ability to build and maintain confidence through timely, effective communication.
5. Employ a clear, concise, and effective decision-making system.
6. Sufficient organizational depth and personnel to carry out its mission as outlined in this Investment Policy.
7. Strong consistency of the manager’s investment policy.
8. Adequate reporting, administration and back-office support.

J. Investment Manager Retention and Evaluation

To facilitate accurate comparisons, the BAA Investment Committee will establish reporting criteria for Investment Managers. External Investment Managers will be expected to achieve an annualized total return over a three-to five-year period that exceeds, or approximates, an appropriate market
index. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value. The Investment Manager/fund(s) will also be expected to achieve a total rate of return that is equal to or above the median return in a universe of peers with comparable investment styles or portfolio objectives. The Investment Manager will provide performance data reports at least quarterly to the BAA Investment Committee. At a minimum, these reports shall include written comments on the following:

1. Review of investment objectives as outlined in this Investment Policy.
2. Commentary on investment results, including calculations of performance.
3. Key decisions of the period, rationale and anticipated impact on future results.
4. Outlook and specific decisions that may result from this outlook.
5. Possible changes in objective, goals, or standards based on capital markets.

In addition, managers, where applicable, shall meet with or be reviewed by the BAA Investment Committee at least annually; and will be supplemented by other meetings as necessary for proper review.

The BAA Investment Committee may at its discretion use an independent performance evaluation service to examine the reports of all Investment Managers, as good evidence that they are competitive in the market and their performance meets the needs and expectations of the BAA with respect to these guidelines and the objectives outlined in this Investment Policy.

K. Other Procedures

To ensure the safekeeping of the BAA’s investments, the following controls will be followed:

- Require approval of all major investment acquisitions and disposals by The Investment Committee.
- Require separation of recording and custodial duties associated with investments.
• Require monthly reconciliation of records on all investment activity.

L. Proxies

The investment manager(s) will have the authority to vote proxies and other corporate actions in such a manner that would produce the best long-term financial results for a company. The BAA retains the right to have its Investment Committee direct the manager(s) to vote in certain cases.

M. Authority

The Alumni Association gives standing authorization to the Investment Committee to implement all aspects of the investment program. The Investment Committee will adhere to the limitation and restrictions stated in this Investment Policy.

This Investment Policy will be reviewed and ratified by the Alumni Association Board at least annually.