



# Endowment Investment Policy

Effective: **January 1, 2026**

Last Approved Revision: June 14, 2024

Last Review: November 7, 2025

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# Investment Policy Statement

## COLLEGE MISSION STATEMENT & VALUES

At Colorado College, our mission is to transform our students by providing the finest liberal arts education available, taught through the academically rigorous, immersive, and flexible Block Plan.

Our vision is to ignite and nurture the passion and potential of our students, and the entire Colorado College community, to create a more just, equitable, and humane world.

As members of the Colorado College community, we share a commitment to:

- Honor the life of the mind as the central focus of our common endeavor.
- Value all persons and seek to learn from their diverse experiences and perspectives.
- Practice intellectual honesty and live with integrity.
- Serve as stewards of the traditions and resources of Colorado College.
- Nurture a sense of place and an ethic of environmental sustainability.
- Encourage engagement, anti-racism, and social responsibility at local, national, and global levels.
- Seek excellence, constantly assessing our policies and programs.

This Investment Policy has been carefully considered and serves as a guideline for the College's endowment investment program consistent with the objectives and mission of the institution. The purpose of this investment policy is to develop a clear understanding of the College's investment objectives, policies and guidelines among the board, the investment committee, college administrative staff & faculty, investment consultants, and committee advisors. The Board will review changes to this policy, as recommended by the Investment Committee periodically, to ensure its continued appropriateness.

## INTRODUCTION AND OVERVIEW

To a substantial degree, the College's ability to achieve its educational mission today, as well as in perpetuity, is dependent upon the performance of the endowment. Therefore, in accordance with the investment policies established by the Board, the Investment Committee is charged with the fiduciary responsibility of preserving and augmenting the value of its Endowment. The Investment Committee shall also advise the Board on matters over which the Board has retained decision-making authority.

These objectives, goals, and policies provide a framework for the management of the assets, assisting the Investment Committee in effectively supervising and monitoring the investments. The guidelines are designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they arise, while at the same time, setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

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## **INVESTMENT POLICY AND PORTFOLIO SPECIFICATION**

It is the policy of the investment program to invest according to a long-term Portfolio Specification, designed to meet the Endowment Investment Objectives and Performance Goals. The specification may be created by the advisor to the endowment and will be approved by the Investment Committee on behalf of the Board. The specification provides a diversified approach utilizing multiple asset classes and multiple managers, minimizing the risk of loss, and maximizing the rate of return within acceptable overall levels of risk and the tolerance of return volatility. Please refer to Appendix A for the endowment's current approved Portfolio Specification.

The Portfolio Specification (outlined in Appendix A) will be formally reviewed at least annually to determine whether any modifications are necessary. Changes to the Portfolio Specification targets are typically motivated by market movements, contributions of new assets, cash withdrawals, new risk/return estimates, redeployment of investments to new managers, changing organizational preferences such as spending levels, overall risk tolerance, and consideration of new asset classes.

## **ROLES AND RESPONSIBILITIES**

The Colorado College Board of Trustees has delegated the responsibility and authority to implement the investment policies established by the Board to the Investment Committee. The roles and responsibilities of the respective parties involved in the management and execution of these policies are detailed below.

### ***INVESTMENT COMMITTEE***

The Committee has a minimum of five elected trustees whose role is to invest and manage the College's assets in the same manner as would a prudent investor, exercising reasonable care, skill, and caution in the context of the approved and documented Investment Policy and in compliance with the requirements of Colorado law including, but not limited to, the Colorado Uniform (Prudent) Management of Institutional Funds Act. The Committee shall evidence this process through adherence to the Investment Policy and written accounts of the Committee's discussions and decisions.

The Committee shall meet a minimum of three times per year, normally during regularly scheduled trustee meetings (three times per year) and one additional meeting per year may convene as determined by the committee members. The chairperson shall have the authority to convene non-scheduled or special meetings in person or by telephone as circumstances require.

The act of a majority of all voting members present at the meeting, at which a quorum is present, shall be the act of the Committee. A quorum at any meeting shall consist of a majority of the total number of voting members on the Committee. The Committee may also act without a meeting by unanimous consent whether by written letter or by e-mail.

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The Committee shall have the express authority and responsibility to:

- 1) Monitor, review, and recommend updates to the Investment Policy to ensure alignment with Endowment Investment Objectives, Portfolio Specification, and Spending Policy.
- 2) If desired, select a third-party, independent Investment Consultant/Advisor, which will be responsible for architecting and implementing the College's investment program, including strategy, asset allocation, manager selection, and risk management.
- 3) Conduct initial due diligence in connection with proposed investments/investment managers or delegate such authority to the College's investment advisor (advisor, outsourced chief investment officer, OCIO). If delegated, the Committee retains oversight and certain approval responsibilities in accordance with its investment advisory agreement with its advisor.
- 4) Approve, implement, and modify individual investment decisions in accordance with its investment advisory agreement with its advisor.
- 5) Approve, modify, and terminate written contractual relationships with investment managers in accordance with its investment advisory agreement with its advisor, and advisory or consulting firms. Determine and approve the terms and conditions of the service arrangements including the compensation/fee structures.
- 6) Delegate on-going investment/investment manager due diligence to the College's contracted investment advisor and the College's employees. If delegated, the Committee retains oversight and approval responsibilities in accordance with its investment advisory agreement.
- 7) Execute or rescind on behalf of the College, proxies to vote stock and other securities owned by the College. Administrative action in the area may also be delegated to investment advisors or College staff.
- 8) Provide periodic reports to the full board regarding investment performance, goals, strategies, and objectives.

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## ***FACULTY REPRESENTATIVE***

The Chair of the Board, upon a recommendation from the Faculty Executive Committee, shall appoint a faculty representative to serve on the Investment Committee. This appointed faculty member shall serve a two-year term and shall be entitled to act as a full member of the committee with a voice and vote on all committee matters. In the event there becomes a vacancy in the faculty member position on a committee, the Faculty Executive Committee shall recommend to the Chair of the Board a replacement faculty member.

## ***COMMITTEE ADVISORS***

The Investment Committee will select nonvoting, independent Advisors to the Committee. Advisors will be expected to attend meetings and provide expertise, knowledge, and guidance with regards to the Investment Policy, strategy, and manager selection.

## ***COLLEGE ADMINISTRATIVE STAFF***

- 1) Carry out directions of the Committee and act as authorized signatory on behalf of the College when entering into investment agreements after appropriate/determined legal review.
- 2) Act as a liaison between the College's advisors and the Committee.
- 3) Implement all changes approved by the Committee.
- 4) Maintain detailed records for all endowment funds and the related accounting.
- 5) Review annual endowment overhead expense review and disclosure.
- 6) Compile and provide Committee reports, in collaboration with the College's investment advisor.
- 7) Provide due diligence reports in collaboration with investment advisor with respect to all investments, as appropriate, to meet all audit requirements.

## ***INVESTMENT CONSULTANT/ADVISOR***

The terms of any executed Investment Advisory Agreement apply in addition to the below:

- 1) In collaboration with the committee, establish and annually review the Portfolio Specification for appropriateness in the context of the macroeconomic environment and the College's financial situation.

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- 2) Perform capital market assessments including the development of short-term and long- term economic forecasts for domestic and foreign markets.
- 3) Measure, evaluate, and report on the College's current investment managers and performance.
- 4) Track key measures of portfolio risk and monitor for compliance with the Portfolio Specification and actively monitor liquidity.
- 5) Provide recommendations on the number and selection of managers for the respective asset classes, to include recommendations of the level of commitment to each.
- 6) Present qualitative and quantitative investment manager analysis for consideration by the Committee for new investment opportunities to include manager ranking as compared to the universe of potential asset class managers where applicable.
- 7) Review and evaluate investment ideas, potential investment opportunities, or potential investment managers requested by the Committee.
- 8) Conduct on-going manager review and monitoring activities in order to keep abreast of organizational and investment developments occurring at the investment management firms and present information to the Committee.
- 9) Advise the Investment Committee with respect to the hiring, retention, or dismissal of investment managers.
- 10) Provide advice on the determination of appropriate asset classes and allocations, rebalancing, and managers as they relate to the Endowment Investment Objectives set forth by the Committee.
- 11) Update Committee on all completed actions either in meetings or by email, for information only.
- 12) Participate in all regularly scheduled meetings held by the Committee. Provide written research or other assessment informational reports.
- 13) Assist in reviewing and completing new investment subscription documents.
- 14) Communicate proactively with Staff and Investment Committee on any significant portfolio issues.

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## SPENDING POLICY

A primary goal for investing the endowment is to maintain intergenerational equity, preserving the long-term purchasing power of the endowment while providing adequate support for the operating budget, balancing the support for current students with its ability to also meet the needs of our future students.

In determining its policy for endowment fund appropriations ('Spending Policy'), the College will act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and will consider the following factors, if relevant:

- 1) The duration and preservation of endowment funds
- 2) The purposes of the College and the endowment funds
- 3) General economic conditions
- 4) The possible impact of inflation or deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the College
- 7) Where appropriate and where circumstances would otherwise warrant, alternatives to expenditures of an endowment fund, giving due consideration to the effect that such alternatives may have on the College.
- 8) The Investment Policy of the College

The Board of Trustees shall determine and approve the amount of endowment fund spending in accordance with Article II, Section 2.3, of the bylaws of The Colorado College.



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## ENDOWMENT INVESTMENT OBJECTIVES

- 1) Achieve intergenerational equity by attaining a net (after fees/expenses) total return sufficient to preserve its real (inflation adjusted) purchasing power in perpetuity.
- 2) Provide a relatively predictable (and increasing) stream of spendable endowment income as calculated by the College's approved Spending Policy.
- 3) Develop a well-diversified (by asset class and manager) long-term investment program which provides a high probability of achieving the College's total return objectives, within the overall risk tolerance of the Trustee Committee on Investments and the College.

The Endowment Investment Objectives will be accomplished through a carefully planned and executed long-term investment program.

## ENDOWMENT INVESTMENT PERFORMANCE GOALS

On an annualized, net-of-fees basis, the return on the total portfolio over the long term will be expected to:

- 1) Equal or exceed the spending rate (payout) plus inflation over a full market cycle; and,
- 2) Equal or exceed the average return of appropriate capital market indices, benchmarks, or market average returns, after fees, for the specific asset categories in which the assets are invested. Please refer to Appendix A for further detail on the endowment's policy benchmark, measurement, frequency, and calculation as set forth by the advisor and agreed by the Investment Committee.

Endowment Investment Performance Goals are based upon a long-term investment horizon; therefore, interim fluctuations should be viewed with an appropriate perspective.

## OTHER INVESTMENT GUIDELINES

**Conflicts of Interest:** Committee members are required to disclose any potential conflict of interest in connection with an investment currently owned by the College or under consideration by the Committee. Any potential conflict of interest disclosed to the Committee in connection with any investment must be reviewed, evaluated, and presented to the full Board for consideration and/or approval.

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**Responsible Investing:** The primary fiduciary responsibility of the College's Board of Trustees, regarding investing and managing the College's endowment portfolio, is to maximize the financial return on these investments within the parameters set forth in this policy ensuring equitable financial support to the College in perpetuity.

In addition to this primary objective, the College recognizes the importance of responsible investing and environmental, social, and governance (ESG) considerations with respect to the endowment portfolio. For the purposes of this policy, the ESG framework includes matters related to Diversity, Equity, and Inclusion (DEI). DEI specifically is a critically important value to the College community and is promoted in various ways within the broader activities of the College. Such significance is correspondingly reflected in the endowment and its management.

Colorado College's chosen Investment Advisor integrates ESG, including DEI, into the investment program to the extent that it contributes to meeting the portfolio's overarching investment objectives. The Investment Advisor may additionally be utilized as a resource for ESG-related education and guidance. Examples of integration could include the Investment Advisor's measurement of certain ESG attributes and data, incorporation of ESG considerations into their underlying due diligence process, and active engagement with asset managers. ESG integration and resulting portfolio actions will be taken based on investment merit.

The Investment Committee will review holdings as needed in relation to ESG characteristics. Should the College identify any ESG-related issues regarding individual investments, these matters will be handled on a case-by-case basis ensuring that as fiduciaries of these assets, blanket decisions are not made without a clear understanding of the consequences.

Specific ESG-related issues raised by members of Colorado College's community outside of this periodic evaluation process should be brought in writing to the Investment Committee, who will then discuss and decide how best to proceed.

These decisions may be made in conjunction with or by leveraging input from the College's Investment Advisor.

**Uniform Prudent Management of Institutional Funds Act (UPMIFA):** The state of Colorado adopted UPMIFA in 2008. The Committee oversees the endowment investments in accordance with the act and shall manage and invest the endowed funds in good faith and with prudence.

**Quasi Endowments:** Quasi endowments, by definition, are funds established by the Board of Trustees to function like an endowment. Principal and income may be expended with appropriate approval. Quasi endowments are established with college-designated funds or with donor unrestricted gift funds.

Any new quasi endowment requires formal approval by majority vote of the Colorado College Board of Trustees. Although quasi endowments allow for the withdrawal of principal, Colorado College considers them to be long-term investments with the goal of having the original principal remain intact for a minimum of seven years. Withdrawal of a principal amount of up

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to \$1 million requires written approval of the Senior Vice President for Finance and Administration.

The Investment Committee of the Board will receive written notification of this action at the next regular meeting of the Board of Trustees.

Withdrawal of principal amounts over \$1 million and less than \$3 million requires written approval of the President and the Senior Vice President for Finance and Administration with prior notice to the Chair of the Investment Committee and the Chair of the Board of Trustees.

The above listed amounts are the maximum limits on the withdrawal of principal from the quasi endowment that may occur within any 12-month period without formal approval by a majority vote of the Board.

Withdrawal of principal amounts of \$3 million and higher requires formal approval by majority vote of the Colorado College Board of Trustees.

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## Colorado College Endowment Investment Policy: Appendix A

### ***INVESTMENT TIME HORIZON***

Investments will be made according to a long-term and indefinite investment horizon in line with the expected perpetual operating life of the institution.

### ***ANNUALIZED NOMINAL RETURN TARGET***

The endowment's goal is to equal or exceed the assumed spending rate, which is detailed in 'Spending Policy' above, plus inflation over a full market cycle. Even over a market cycle, there can be no guarantee that this return target will be achieved.

### ***ANNUAL WITHDRAWAL/SPEND***

The annual withdrawal/spend is expected to be in line with the College's Spending Policy as outlined above.

### ***RISK TOLERANCE***

The Committee recognizes and acknowledges that a reasonable level of risk must be assumed to provide an opportunity to achieve the long-term Endowment Investment Objectives. The Committee and its Investment Consultant/Advisor should identify and monitor risks to the portfolio, mitigating those that cause the most concern.

Given the endowment's long-term perspective, financial resiliency and target returns, the College's core investment portfolio will be run with a long-term target equity-like risk of 70%. The equity-like risk level of the overall endowment may fluctuate as a result of the addition of quasi-endowment funds.

### ***STRATEGIC RISK ALLOCATION***

The portfolio's Strategic Risk Allocation is defined in terms of core market risks or "betas". The mix of risks, once accounting for correlations to equities, translates to the policy equivalent equity-like risk (70%, as described in 'Risk Tolerance' above) that is mutually agreed by the Investment Advisor/Consultant and the Investment Committee. The portfolio's Policy Benchmark, against which performance is measured, is calculated using the agreed weights and ascribing an investible benchmark to each market risk.

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<u>Market (Beta) Exposure</u>	<u>Strategic Allocation</u>
	<u>Target</u>
<b><i>“Risk”</i></b>	
Developed Markets Equity	60%
Emerging Markets Equity	4%
Credit	11%
Property	5%
Commodity	-
<b><i>“Safety”</i></b>	
Interest Rates	4%
Inflation Linked Bonds	3%
Cash / Non-Directional Assets	13%
<b><u>Total Equity-Like Risk</u></b>	<b>70%</b>

Conversion factors outlined above are a representation of long-term regressions of each asset class against Developed Markets Equities.

## ***BENCHMARKING & MEASUREMENT FREQUENCY***

The portfolio will be benchmarked and evaluated at the following levels:

- 1) Versus the portfolio’s Policy Benchmark over quarterly and annual periods. The Policy Benchmark is a composite calculation of individual beta benchmarks (e.g. equities, credit, interest rates) at the agreed weights. Weights will be reviewed annually. Benchmark components currently include:

<u>Market (Beta) Exposure</u>	<u>Benchmark Index</u>
Developed Markets Equity	75/25 iShares S&P 500 Index/iShares MSCI Hedged EAFE Index
Emerging Markets Equity	iShares Core MSCI Emerging Markets ETF
Credit	iShares iBoxx \$ High Yield Corporate Bond Fund
Property	33/67 iShares Global REIT ETF / Schwab Treasury Obligation
Commodity	iShares S&P GSCI Commodity Index Fund

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Interest Rates	iShares Barclays 7-10 Year Treasury
Inflation Linked Bonds	iShares Barclays TIPS Bond Fund
Cash / Non-Directional Assets	Schwab Treasury Obligations Money Market Fund

- 2) Versus a market reference benchmark (70%/30% Global Equities / Fixed Income) over the medium term (rolling 3-5 years).
- 3) Versus a portfolio target return over a market cycle (7-10 years).

## ***ASSET CLASS RESTRICTIONS & POSITION SIZING***

There are no current restrictions in terms of the asset classes in which the endowment can invest. The Investment Committee is sophisticated and familiar with the risks associated with private and alternative investments and comfortable with positions in such vehicles alongside traditional, liquid investments. The Endowment will be broadly diversified both by asset class and within each asset class to minimize the possibility that a single security, class of securities or individual investment will have a disproportionate impact on the fund's overall return.

Position sizing will be considered within the framework of the overall equity-like risk budget (detailed within 'Risk Tolerance' above). Core active manager positions will typically be sized at 3%-5% of the portfolio, whereas more niche, volatile, or concentrated strategies will typically be sized smaller, at 2-3%. Excluding legacy investments preceding the establishment of the Partners Capital mandate, no single actively managed investment fund should generally exceed 10% of the portfolio. The endowment may invest in passive index funds and Partners Capital pooled vehicles. Such positions may be sized larger due to the greater underlying diversification of these funds.

## ***REBALANCING***

Portfolio rebalancing will be considered by the Investment Advisor/Consultant at least quarterly and more often as required. Rebalancing will be based on broad market price movements in order to maintain an overall equity equivalent risk level of 70% and the appropriate mix of asset classes in relation to the present opportunity set.

## ***LIQUIDITY***

The endowment should contain sufficient liquidity to meet its Spending Policy and operational needs, as well as to fund commitments to investment managers. The Investment Committee will receive regular reports on daily, monthly, quarterly and annual liquidity.

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In terms of illiquid investments, the portfolio's allocation is expected to grow to a target of 30%, while achieving sufficient vintage year and strategy diversification across Private Equity, Private Debt, and Private Equity Real Estate. Outside of the target illiquid allocation, the portfolio will invest in a diversified multi-asset class portfolio of investment vehicles with sufficient liquidity to fund liabilities.

## ***REPORTING CURRENCY AND FX HEDGING POLICY***

The base currency denomination for the endowment portfolio will be the US Dollar. No portfolio level foreign exchange hedging will be employed. Where possible, all investments will be US Dollar-denominated or in a US Dollar-hedged share class, except where exposure to non-US Dollar currencies is an explicit part of the investment rationale, or where hedging costs outweigh the benefit to risk-return trade-off.

## ***USE OF LEVERAGE***

Portfolio-level leverage will not be a routine component of the endowment's investment strategy. Certain underlying allocations may use leverage or have derivative exposures.

## ***DOMICILE/TAXATION RESTRICTIONS***

Investments with the potential to generate UBTI (unrelated business taxable income) will be considered on a case-by-case basis.

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## Colorado College Endowment Investment Policy: Appendix B

### *COLORADO COLLEGE ENDOWMENT: ROLES & RESPONSIBILITIES*

Activity	Investment Committee	Committee Advisors	Administrative Staff	Investment Consultant/ Advisor
<b>Investment Policy</b>				
Introduction and Overview	Review / Approve	Review	Responsible	Input as Needed
Roles and Responsibilities	Review / Approve	Review	Responsible	Input as Needed
Spending Policy	Review / Approve	Review	Responsible	Input as Needed
Investment Objectives	Review / Approve	Review	Responsible	Input as Needed
Investment Performance Goals	Review / Approve	Review	Responsible	Input as Needed
Investment Policy and Portfolio Specification	Review / Approve	Review	Responsible	Input as Needed
Other Investment Guidelines	Review / Approve	Review	Responsible	Input as Needed
Appendix A	Review / Approve	Review	Input as Needed	Responsible
<b>Investment Program Management</b>				
Investment Advisor/Consultant Selection	Responsible / Approve	Responsible	Responsible	-
Manager Selection	Review	Input as Needed	-	Responsible / Approve
Manager Redemptions (ex. J.W. Bristol, legacy illiquids)	Review	Input as Needed	-	Responsible / Approve
Manager Redemptions (J.W. Bristol, legacy illiquids)	Review / Approve	Input as Needed	-	Responsible
Performance Measurement & Reporting	Review	-	Review	Responsible
Tactical Shifts & Rebalancing	-	-	-	Responsible / Approve
Liquidity Tracking	-	-	-	Responsible
Meeting Attendance	Responsible	Responsible	Responsible	Responsible
Record-Keeping / Accounting	-	-	Responsible	-
Investment Agreement Signatory	-	-	Responsible	-
Corporate Action Decisions	Input as Needed	Input as Needed	Responsible	Input as Needed
<b>Material Preparation</b>				
Investment Committee Materials	-	Input as Needed	Input as Needed	Responsible
Board Materials	Responsible	Input as Needed	Responsible	Input as Needed