



HAVERFORD COLLEGE INVESTMENT POLICY STATEMENT

I. INTRODUCTION

This Investment Policy Statement (the “Policy”) is issued by the Investment Committee (the “Committee”) of the Board of Managers of Haverford College (“Haverford” or the “College”) to establish the investment objectives and policies for the management of the Endowment investment assets (the “Endowment” or “Portfolio”) of the College with the purpose of (i) guiding the College, its Board, its Investment Committee (the “Committee”), and its investment adviser (“Investure” or “Investment Office”).

II. KEY UNDERSTANDINGS

The following statement is provided to the Board of Managers of the College to describe the means by which the Committee intends to accomplish the investment objectives, and is based on several key understandings:

- Haverford College was founded as a perpetual institution.
- The College will manage its current operations so that it is in financial equilibrium.
- Donors have supported the Endowment with the intent that both present and future generations should benefit from its resources.

III. INVESTMENT OBJECTIVES

The Endowment should be managed with a total return orientation and the Investment Office will endeavor to balance the dual objectives of preserving the purchasing power of assets for future generations and maintaining sufficient operating liquidity and income to support the near-term operating needs of the College.

To ensure that the near-term operating needs of the College are met, a portion of the Endowment should normally be invested with a perspective that incorporates preservation of principal and liquidity.

To preserve the long-term purchasing power of the endowment for future generations, a significant portion of the endowment should be managed with a long-term perspective. In an effort to achieve real growth in Endowment assets after adjusting for the effects of distributions, inflation, expenses and gifts, it will be necessary from time to time to endure periods of negative investment results, which could entail the loss of capital. Nevertheless, the Investment Office will always endeavor to avoid permanent impairment of capital.

Finally, while acknowledging the critical importance for our Investment Policy to achieve strong risk-adjusted investment returns from the Portfolio over the long-term, the Committee also recognizes that there are two additional factors that have important effects on the long-term growth rate of the Endowment: endowment spending and the level of philanthropic support for the College. Consequently, Haverford should avoid disproportionate reliance upon Investment Policy and instead should consider Investment Policy as one of three policy tools—along with spending policy and development policy — which will directly impact the long-term growth rate of the Endowment.



IV. INVESTMENT PRINCIPLES

The Board of Managers of Haverford College and the Committee have delegated the responsibility for oversight of the Endowment to the Investment Office. In managing the Endowment portfolio, the Committee has adopted the following guiding principles:

A. Long-Term Investment Horizon & Return Objective

Haverford was founded as a perpetual institution. The Committee and the Investment Office believe that the long-term investment horizon afforded by a perpetual institution provides the investment portfolio with a competitive advantage compared with market participants who are focused on short-term performance. The perpetual time horizon of the Endowment enables the College to look beyond short-term periods of negative performance and temporary impairment of capital in the pursuit of long-term capital growth.

The Investment Portfolio will be managed to maximize annualized returns net of all costs over rolling 10-year periods while adhering to the College's stated risk parameters.

B. Diversification & Strategies

The long-term horizon of the Endowment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, will also be used to reduce risk and overall portfolio volatility.

The Endowment portfolio will be diversified across asset classes and managers.

C. Performance Benchmarking

While the Investment Office may examine the performance of individual investment managers in the Portfolio relative to specific market benchmarks, the ultimate success of Investment Policy should be measured by how well the Endowment's investment objectives are met rather than by short-term investment performance relative to market benchmarks or peer group returns. The stated objective of the Endowment is to balance the operational needs of the College for current generations while striving to achieve long-term growth in purchasing power of the Endowment to support future generations.

D. Risk Considerations and Liquidity Assessment

The Endowment portfolio will be deployed in a manner that seeks to avoid 25% or greater peak-to-trough declines in value excluding spending.

Given the income needs of the College from the Endowment, the liquidity risks of the Portfolio should be managed to maintain a minimum level of liquidity to meet the ongoing income needs of the College. Additionally, the Committee will seek to maximize the liquidity profile of portfolio assets for a given risk-return profile. Under normal circumstances, at least 30% of the Endowment's assets are intended to be held in vehicles utilizing lockups of 12 months or shorter.

As a general rule, at least 50% of the Endowment's assets are intended to be held in vehicles utilizing lockups of 60 months or shorter, recognizing that private partnership cash flows are unpredictable. Lockup is defined as an expected period until all or substantially all of the value from an investment vehicle can be received in cash by the Haverford Endowment.



Under normal circumstances, private partnership net asset value plus private partnership unfunded capital commitments will not exceed 75% of the Endowment's market value.

E. Spending Policy

Endowment distributions should be geared to provide a relatively stable stream of income to current and future operating budgets of the College. Working in conjunction with the Finance Committee of the Board of Managers, the Committee will endeavor to formulate the spending policy in a manner that does not cause undue variability in Endowment distributions. To achieve this goal, the pattern of payouts should be held constant or move in a countercyclical direction to the Endowment's investment results. Specifically, the spending rate should be expected to be held constant or decline in years of strong investment performance and held constant or increase in years of poor investment performance.

The Investment Committee will inform the Finance Committee of the Board of Managers if the spending rate moves to a level that is deemed to be unsustainable, considering the expected return on the Endowment portfolio. Historical experience suggests that providing stable income to address the needs of current generations and growing Endowment purchasing power to address the needs of future generations typically entails annual spending rates between 3.5% and 5.0% of total Endowment value. The Committee recognizes that special circumstances may dictate that spending move outside of this range on a temporary basis.

F. Conflicts of Interest

The Committee should always seek to make investment decisions that are free of any conflicts of interest. This statement is not meant to exclude the possibility of dealings with related parties. However, any investment under consideration in which pre-existing or contemplated business relationships or financial dealings with College trustees or other interested parties may or will exist, must be fully disclosed to the Committee and such proposed investment must be subject to the same due diligence process to which a similar investment would otherwise be subject. Additionally, the due diligence process should consider whether a substantially similar strategy is available in the market without the possibility of a conflict of interest.

Members of the Committee shall disclose to the Committee in a timely manner any relevant facts or circumstances that might give rise to a conflict of interest, or even the appearance of a conflict of interest. In the event of a real or apparent conflict of interest, or with respect to matters that come before the Investment Committee, the Committee member must recuse himself or herself from any discussion and decision-making on the matter.

V. GOVERNANCE STRUCTURE AND DELEGATION OF RESPONSIBILITIES

The Board of Managers, members of the Investment Committee, and the Investment Office all function as fiduciaries of the Endowment and must consider their responsibilities relative to the management of the Endowment. The nature of the responsibilities of each party involved in Endowment management is outlined below:

- A. Board of Managers:** The Board of Managers of Haverford College, through its Nominations and Governance Committee, approves the membership of the Investment Committee. The Board maintains oversight of the Endowment by receiving regular reports from the Investment Committee during the normal course of Board Meetings, or as specifically requested by the Board. The Board also approves this Statement of Investment Policies and Objectives for the Haverford Endowment. Any revisions to this Policy Statement made by the Investment Committee will be



submitted to the Board for approval at the next Board meeting.

- B. Investment Committee:** The Investment Committee is responsible and accountable, as delegated by the Board, for the prudent management of the Endowment’s investment assets, including 1) developing and maintaining the Investment Policy; 2) setting risk tolerances and controls; 3) approving the long-term strategic allocation of assets; 4) appointing and evaluating the Investment Office; and 5) reporting to the Board periodically the results of the investment program. The Investment Committee will also seek to collaborate with the Finance Committee on matters pertaining to both the Endowment and the College’s financial position. The Committee typically meets during regularly scheduled meetings of the Board of Managers and, when warranted, will also conduct interim meetings. The Investment Committee will spend the majority of its time developing Endowment governance and investment policy strategy as well as reviewing and evaluating the Endowment’s investment results. The Committee oversees all other elements of the Endowment and may choose to delegate responsibility for policy and strategy implementation based on the most effective use of Haverford’s resources.
- C. Investment Office:** The Investment Office will have certain discretionary trading authority and is responsible for developing, implementing, and administering the Policy with the goal to achieve the stated objectives while complying with all Policy guidelines and the Investment Management Agreement between the College and the Investment Office. The Investment Office will serve as the primary contact for all investment managers and the custodian(s).

VI. MISCELLANEOUS PROVISIONS

A. Sustainability and Diversity Considerations

The Endowment is invested with a long-term perspective with a diversified portfolio of investment managers to provide a perpetual source of support to the College. The Investment Committee, Investment Office and our investment managers have a fiduciary duty to ensure the long-term health of the Endowment by seeking to maximize investment return for a given level of risk. Current and prospective investment managers are evaluated across a broad range of factors to ensure that investment objectives are met.

The inclusion of sustainability and diversity factors as part of the criteria on which investment managers are evaluated provides a means to align the College’s values with fiduciary responsibility. The College believes that:

- Sustainability factors can introduce long-term risks to the portfolio, such as those posed by climate change.
- Diversity in background, experience, and perspective expands creative insight and mitigates risk in group analysis and decision-making.

Thus, the extent to which the Investment Office and the underlying investment managers in the College’s Endowment consider sustainability and diversity factors in their investment processes should be understood by the Committee. All else being equal, the Investment Committee believes that investment managers who thoughtfully consider sustainability and diversity factors in their investment process should be favored over those who ignore such factors.

The Board of Managers and the Investment Committee recognize that inclusion of sustainability and diversity factors in the investment process is not intended to result in the exclusion of specific investments on the basis of these factors alone.



B. Proxy Voting

All proxies are voted by the investment managers with the sole purpose of maximizing shareholder value.

C. Sales of Gifted Securities and Distributions In-Kind

All marketable securities received from donors or through in-kind distributions from partnerships will be sold as soon as practical and the cash allocated as part of regular rebalancing of the portfolio.

D. Use of Derivatives

Consistent with the risk considerations specified in this Policy, the Committee authorizes the use of any type of derivative instruments, including, without limitation, over-the-counter and exchange-traded derivative instruments that may exist on the date hereof or that may be created in the future. Such instruments may be employed:

1. for hedging purposes;
2. as an alternative to the underlying direct investments where such derivative instruments offer:
 - a. advantages with respect to timing, flexibility, lower execution costs or improved control, or
 - b. other benefits; or
3. in any other circumstance in which the Committee believes that the use of such instruments is in the best interest of the College's Endowment providing that instruments with unlimited liability will be prohibited.

Notional value of derivative exposure that is held directly by the Endowment and not fully backed by cash is not to exceed 5% of portfolio NAV.

VII. MONITORING OF OBJECTIVES AND RESULTS

All objectives and policies are in effect until modified by the Investment Committee. They will be reviewed at least annually at a meeting of the Committee for their continued appropriateness.

Last revised November 1, 2022

Effective date November 1, 2022

Contact the Vice President of Finance and the
Chair of the Investment Committee
with any questions