1. Introduction
   1. The Seattle Pacific University Student Investment Fund (hereafter referred to as the “Fund”) was created to provide students of Seattle Pacific University (hereafter referred to as the “University”) an opportunity to gain “real world” investment management experience, and to provide the University with a return consistent with the level of risk assumed by the Fund and the skills and experience of the students. This statement also incorporates accountability standards that will be used for monitoring the progress of the Fund’s investment program and for evaluating the contributions of students working on behalf of the University and its beneficiaries.
2. Role of the Student Fund Managers
   1. The Student Fund Managers (the “Students”) are acting in a fiduciary capacity with respect to the Fund, and are accountable to the Board of SPU Overseers (the “Overseers”) for overseeing the investment of all assets owned by, or held in trust for, the Fund.
      1. This Investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Students. The investment policies for the Fund contained herein have been formulated to be consistent with the University’s anticipated financial needs and in consideration of the University’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Overseers.
      2. Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Fund’s investments are managed to be consistent with the short-term and long-term financial goals of the University. At the same time, they are intended to provide sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the University.
      3. The Students will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Students, and written confirmation of the changes will be provided to all Students members and to any other parties hired on behalf of the Fund as soon thereafter as is practical.
3. Investment objective and spending policy
   1. The Fund is to be invested with the objective of preserving the long-term real value of the assets while also earning a return consistent with the level of risk assumed by the Fund.
   2. In partnership with the School of Business and Economics (SBE), the Fund will set its operating expenses to be consistent with the level of operating funding provided by the SBE.
   3. The distribution of Fund assets for the purpose of meeting operational expense requirements shall only be allowed by the pre-approval of the Overseers.
   4. Periodic cash flow, either into or out of the Fund, will also be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy at Section IV. A. here-in.
4. Fund investment policies
   1. Asset Allocation Policy
      1. The Students recognize that the strategic allocation of Fund assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Fund asset value stability.
      2. The first month of each academic year may be spent analyzing a security to purchase for the fund. The reasoning is so people will have something in the Fund that is theirs and may learn have experience dealing with the psychological parts of investing.
      3. The Students expect that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Students wish to retain flexibility with respect to making periodic changes to the Fund’s asset allocation, it expects to do so only in the event of material changes to the Fund, to the assumptions underlying Fund spending policies, and/or to the capital markets and asset classes in which the Fund invests. The Fund will be allocated under a Value-Weighting Model.
      4. Fund assets will be managed as a balanced equity portfolio with the goal of maximizing the long-term real growth of Fund assets.
      5. Cash investments will, under normal circumstances, only be considered as temporary Fund holdings, and will be used for Fund liquidity needs or to facilitate a planned program of dollar-cost averaging.
      6. Outlined below are the long-term strategic asset allocation guidelines, determined by the Students to be the most appropriate, given the Fund’s long-term objectives and short-term constraints. Fund assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

|  |  |  |
| --- | --- | --- |
| Asset Class | Sub-Asset Class | Target Allocation |
| Equity | Large-Cap | 50% |
|  | Mid-Cap | 20% |
|  | Small-Cap  Foreign Index-Funds | 20%  10% |

* + 1. The Students recognize that there is negligible statistical benefit to holding more than forty different equity investments at any one time. As such, the Fund shall be prohibited from holding more than 40 equity investments during a quarter.
  1. Diversification policy
     1. Diversification across and within asset classes is the primary means by which the Students expect the Fund to avoid undue risk of large losses over long time periods. To protect the Fund against unfavorable outcomes within an asset class due to the assumption of large risks, the Students will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:
        1. With the exception of passively managed index fund, no investment shall comprise more than 10% of total Fund assets.
  2. Rebalancing
     1. It is expected that the Fund’s actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments. The Fund will be rebalanced to its target normal asset allocation under the following procedures:
        1. The Student’s will use incoming cash flow (contributions and investment income) or outgoing money movements (disbursements) of the Fund to realign the current weightings closer to the target weightings for the Fund.
        2. The Overseers and the Committee will review the Fund semiannually (June 1 and December 1) to determine the deviation from target weightings. During each semiannual review, the following parameters will be applied:
           1. If any asset class within the Fund is +/–10 percentage points from its target weighting, the Fund will be rebalanced.
        3. The Overseers may provide a rebalancing recommendation at any time.
        4. The Students shall act within a reasonable period of time to evaluate deviation from these ranges.
  3. Other investment policies
     1. Unless expressly authorized by the Overseers, the Students are prohibited from:
        1. Purchasing securities on margin or executing short sales.
        2. Pledging or hypothecating securities.
        3. Purchasing or selling derivative securities.
        4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given the objectives of their Fund.

1. Monitoring portfolio investments and performance
   1. The Students will monitor the Fund’s investment performance against the Fund’s stated Investment objectives. At a frequency to be decided by the Overseers, it will formally assess the Fund and the performance of its underlying investments as follows:
      1. The Fund’s composite investment performance (net of fees) will be judged against the following standards:
         1. The Fund’s absolute long-term real return objective.
         2. A composite benchmark consisting of the following unmanaged market indexes weighted according to the expected target asset allocations stipulated by the Fund’s investment guidelines.
            1. U.S. Equity: Standard & Poor’s 500 Index
   2. The performance of the Students will be judged against the following standards:
      1. A market-based index appropriately selected or tailored to the Student’s agreed-upon investment objective and the normal investment characteristics of the Student’s portfolio.
      2. The performance of other investment student managers having similar investment objectives.
   3. In keeping with the Fund’s overall long-term financial objective, the Overseers will evaluate Fund and Student’s performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.
   4. Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or as more frequently requested by the Overseers. The Students are expected to be available to meet with the Overseers once per year to review portfolio structure, strategy, and investment performance.