

INVESTMENT POLICY:

[F40]

I. PURPOSE

In recognition of its fiduciary responsibility, the Board of Trustees of Thetford Academy (TA) has adopted the following statement of investment policy. The purpose of this policy and these guidelines is to define TA's investment objectives in order to develop a strategy to achieve these investment goals. This statement establishes the responsibilities of the investment manager and the oversight objectives of TA's Board of Trustees. TA's professionally managed endowment funds under the direction of TA's Board of Trustees shall be governed by this policy.

II. POLICY AND GUIDELINES

A. Objectives and Goals

Fund Name	Objectives and Goals
Endowment Funds without Donor Restriction	<p>The investment objective of TA is to obtain a reasonable total return commensurate with prudent investment of assets. Emphasis shall be placed on safety of principal, growth of principal over time, and reasonable income return. Consistent with the spending policy outlined below, a portion of the Endowment Funds without Donor Restriction will be invested in cash or equivalents to allow for withdrawals.</p> <p>The investment return goal is to exceed the inflation rate by an amount equal to the stated spending policy below. It is recognized that, in times of bear markets, it may not be possible to achieve this goal given TA's risk tolerance.</p>
Endowment Funds with Donor Restriction	<p>The investment objective of TA is to obtain a reasonable total return commensurate with prudent investment of assets. Emphasis shall be placed on safety of principal, growth of principal over time, and reasonable income return. Consistent with the use of funds within the Endowment Funds with Donor Restriction as restricted/mandated by donors, a portion of the Endowment Funds with Donor Restriction will be invested in cash or equivalents to allow for withdrawals.</p> <p>The investment return goal, for that portion of the Endowment Funds with Donor Restriction that is considered long-term (five (5) years or more), is to exceed the inflation rate by an amount equal to the rising costs of</p>

(continued)	education. It is recognized that, in times of escalating costs, it may not be possible to achieve this goal given TA's asset allocation guidelines below. That portion of the Endowment Funds with Donor Restriction which is intended to be used (pursuant to donors' wishes) within the next five (5) years, will generally achieve a lower return given its shorter investment horizon.
Capital Projects Reserve	Reserves set aside for capital projects are likely to be short-term (less than five (5) years) in duration. Investments of these funds shall focus on preservation of capital rather than riskier investments with long-term horizons.

B. Investment Management

TA shall provide guidance to a Financial Consultant / Investment Manager (“Investment Manager”) consistent with the policies, objectives, goals, and guidelines in this document. TA will not actively manage (buy/sell/trade) the investments other than to periodically reallocate, on a broad basis, the investments to adjust for market effects on the overall allocation, to provide liquidity to meet the purposes outlined in this policy, or to account for changes in the political and/or economic climate.

C. Risk Tolerance

The investment objectives of TA are expected to be accomplished without undue risk exposure and within the framework of ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision. It is an objective of this investment policy to minimize the probability of losses in any given year relative to those of appropriate market indices. Risk evaluation should include a review of portfolio diversification and credit quality.

D. Asset Allocation Guidelines

1. Endowment without Donor Restriction

Asset Class	Benchmark	Minimum	Target	Maximum
US Large Cap Equities	S&P 500 Index	25%	35%	50%
US Small Cap Equities	Russell 2000 Index	10%	15%	25%
Asset Class	Benchmark	Minimum	Target	Maximum
Non-US Equities	MSCI EAFE Index	10%	15%	25%
Fixed	Barclays Capital U.S.	30%	33%	65%

Income	Aggregate Bond Index			
Cash Equivalents		1%	2%	10%

Generally, it is expected that the endowment portfolios will be a mix of 65% equities and 35% fixed income and cash. As markets move, it is expected that the investment manager(s) will reallocate the portfolio mix of investments.

2. Endowment with Donor Restriction

Investments of donor-restricted funds shall comply with any investment restrictions placed on them by the donor, shall be chosen to meet any time frames imposed by the donor, and shall be chosen to produce the results dictated by the donor (e.g., to achieve long term gains, to generate income, to preserve capital, etc.). To the extent that donor restrictions allow, this portfolio shall be invested similarly to the Endowment without Donor Restriction.

3. Capital Projects Reserve

Investments chosen for the Capital Projects Reserve shall focus on those suitable for a portfolio with a short-term horizon. Gains in this portfolio will be expected to come from income (dividends and interest) rather than appreciation.

E. Allowable Investment Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Certificates of Deposit

2. Fixed Income Securities (with the exception of the first bullet point, these investments are allowable if in a mutual fund, EFT or some other professionally managed portfolio)

- U.S. Government and Agency Securities
- Corporate Notes and Bonds, primarily Investment Grade Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Real Estate Investment Trusts

3. Equity Securities (these investments are allowable if in a mutual fund, EFT or some other professionally managed portfolio)

- Common Stocks (allowable if in a mutual fund or similar investment)
- Convertible Notes and Bonds Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies

- Stocks of Non-U.S. Companies (Ordinary Shares)

4. Mutual Funds and Other Investments Composed of Diversified Investments

- Mutual Funds which invest in securities as allowed in this statement
- Exchange Traded Funds which invest in securities as allowed in this statement

F. Prohibited Investment Assets

Prohibited investments include, but are not limited to, the following:

- Investments not deemed socially responsible
- Individual Stocks and Bonds, Commodities, and Futures Contracts, except if they are part of a professionally managed portfolio of stocks, bonds, commodities and/or futures contracts
- Private Placements
- Options
- Limited Partnerships
- Venture-Capital Investments
- Real Estate Properties
- Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
- Investments designed with returns based on short-term market timing
- Hedge Funds

G. Prohibited Transactions

- Short selling
- Margin transactions

H. Rebalancing

Actual asset weightings will vary from the asset allocation targets due to market movements, cash needs, and varying investment manager performance. Significant asset movements from the targets will alter the intended expected return and risk of the portfolio. TA, along with the investment manager, shall review the actual asset allocation on an ongoing basis and shall seek to rebalance investments that are out of line with the target allocation by more than 5% in order to, first, safeguard the principal and, second, maximize returns.

I. Spending

TA has adopted a spending policy limiting withdrawals to 4.5% of the three-year moving average of the portfolio's market value. Amounts up to this limit not expended in a given year may be allocated as a reserve for spending in future years. Approval of the use of Endowment funds without donor restriction at a level exceeding this spending policy requires the approval of two-thirds of the Trustees present at a meeting for which there is a quorum.

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of Endowment funds with donor restriction. If a donor, in the gift instrument, has directed that appreciation not be spent, TA shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

J. Communications

TA requires awareness of investment activity and the portfolio's position both absolute and relative. To accomplish this, the following reports shall be required:

- **Monthly:** Reports should be received each month from the investment manager, which detail the prior month's investment activity. The report should include opening balances, purchase and sales transactions, interest income, dividend income, management fees, and ending balances with the market valuation of holdings.
- **Quarterly:** Performance measurement and/or valuation reports shall be supplied to provide current statistics on total rate of return and investment expenses; risk, such as providing an alpha and beta report for the equities portfolio; and a one-year investment outlook. Reports shall present quarterly, year-to-date, and since-inception rates of return, as well as benchmark returns (e.g., Standard and Poor's 500 and Barclays Capital U.S. Aggregate Bond Index) for the respective periods.
- The investment manager or Resources Committee shall report at least annually to the Board on the status of endowment funds, investment performance, and such other matters as are material with respect to the care and custody of the endowment funds.
- The Chief Financial Officer shall report quarterly to the Resources Committee and the Board on the balance and earnings of all funds held by TA.
- **Further Communication:** When, in the opinion of the investment manager or the Resources Committee (IM/RC), a material change in the status of the portfolio (in terms of this investment policy or otherwise) is anticipated or required, the IM/RC shall communicate such information to the Committee with an appropriate recommendation, if any, for action.

If the investment manager feels that these objectives cannot be met or that the guidelines constrict reasonable performance, they shall notify TA in writing, setting forth those areas which they feel limit the attainment of the investment goals set forth above.

If any waiver or exemption from these guidelines is requested, such request should be made to Thetford Academy at 304 Academy Road, Thetford Center, VT 05075.

Should any of these directives, objectives, or guidelines be changed, this document shall be amended and furnished to the investment manager.

K. Investment Manager Selection

Investment management shall be delegated to a professional investment manager. The TA Resources Committee shall be responsible for identifying and conducting interviews with prospective managers. The Resources Committee shall bring a recommendation to the Board of Trustees for action on manager selection.

L. Investment Manager Performance/Review

Annually, the Resources Committee shall review actual results achieved, with a perspective toward a ten-year time horizon, to determine whether the following criteria have been met:

1. The Investment Manager has adhered to the investment policies set forth herein.
2. The Investment Manager's investment decisions have been reasonable.
3. The Investment Manager has performed in a manner consistent with the stated investment approach.
4. The Investment Manager has performed satisfactorily relative to the objectives stated herein.

Recognizing that market conditions may greatly influence the ability of the investment manager to meet year-to-year investment goals and objectives, the endowment shall be monitored through absolute, relative, and comparative terms over annualized time periods. Absolute results will determine the rate of fund growth, while relative results will provide a view of the endowment's investment performance compared to the securities markets, and comparative results will show performance as compared to other investment managers.

ADOPTED: May 12, 2022