



3.H-2000 Endowment Policy

1. Overview

The investment objective of St. Mary's University is to enhance the value of the endowment portfolio and at the same time provide a dependable, increasing source of income, which will be used to support the operating budget of the University. The portfolio shall include equities and fixed-income investments. The equities are designed to provide current income, growth of income, and appreciation of principal. The fixed-income investments are intended to provide a predictable and reliable source of interest income while reducing the volatility of the portfolio. Investments will be diversified in order to enhance return and reduce risk.

2. Financial Objective

Total return shall be the method for measuring the performance of the endowment. This refers to the combination of income (interest and dividends) and appreciation/depreciation in the fund's value for a certain period of time. The specific financial objective is for total return less expenses and distributions of income to equal or exceed the Consumer Price Index (CPI) for that period. Real growth is a measure of the extent to which total return, less expenses and distributions, exceeds the CPI. It is recognized that this objective will not be attained every year because of market fluctuations, but it is expected to be attained over a period of time.

3. Spending Policy

Income (interest and dividends) from the endowment shall be distributed to St. Mary's University not less often than annually, and such income shall be used for the charitable purposes designated by the donor.

All capital gains, realized and unrealized, shall be allocated to the principal of the endowment, and there shall be no encroachment on this principal except as may be

Approval Authority	Responsible Office	Effective Date	Date Last Revisited	Review Frequency
Board of Governors	Finance	October 3, 2000	October 3, 2000	Every 5 years

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necessary to satisfy the disbursement quota pursuant to the Income Tax Act from a capital account.

(Note: The Charity may prefer to invest some of its funds in a reserve fund where it may expend capital as needed. It can do this with any funds not subject to the ten-year rule under Section 149.1(1)(e)(i) of the Income Tax Act, or even with those funds after the expiration of the ten-year period. The policies here presented presuppose that the charity is establishing a pure endowment with the intention of spending income only.)

4. Asset Structure

To facilitate investment and accounting the endowment shall function as a mutual fund. Each individually-named endowed fund shall hold units as part of an investment pool. The initial value of a unit shall be \$10.00, and thereafter it will fluctuate with the changing market value of the investments held in the pool. The number of units assigned to each fund shall change only when additions are made, usually by gifts. On the last day of each quarter, the unit value will be determined by dividing the total market value of the endowment pool by the number of units in the pool. On occasion, income may be capitalized and transferred to the principal of a fund.

When contributions for the endowment are received they shall be temporarily retained by St. Mary's University in a holding account and added to the endowment on the first day of the following quarter. The number of units assigned shall be determined by dividing the amount of the addition by the unit value as of the end of the immediately preceding quarter.

The funds within the endowment shall consist of all named funds and the general endowment fund.

5. Investment Management

The endowment shall be managed by the Vice-President of Finance at the Operational level with oversight of the Finance Committee of the Board of Governors whose responsibilities in the area of investment administration are as follows:

- To recommend to the Board of Governors policies for the management of the endowment.
- To make recommendations to the Board of Governors on the selection of portfolio managers.
- To determine how assets are to be allocated.
- To monitor the management of the endowment portfolio in order to enhance return and control risk, and to keep the Board of Governors fully informed.

6. Asset Allocation

The monitoring and adjustment of the mix of assets among the investment classes is a major factor in achieving investment return. The Finance Committee shall carefully review the mix of assets in the endowment and periodically make, or instruct the portfolio managers to make, transfers within prescribed asset class limitations. Not more than 40 percent of the portfolio may be invested in equities and the balance in fixed-income investments and cash equivalents.

7. Portfolio Managers

The Board of Governors, upon recommendation of the Finance Committee, may appoint one or more portfolio managers and may allocate endowment assets among them in whatever proportions it deems appropriate. One or more managers shall be given responsibility for equity investments, and one or more for fixed-income investments, or any manager may be given responsibility for both.

8. Minimums for Designated Endowments

Any amount may be contributed to the general endowment fund or for any previously-established named endowment fund.

The minimum required to establish a named endowment fund, the income from which can be used at the discretion of St. Mary's University, is currently \$10,000.

9. Execution of Endowment Agreements

A named endowment fund can be established either by a lifetime gift or by bequest. When it is created by a lifetime gift the donor and officers of St. Mary's University will sign an endowment agreement that sets forth the terms of the endowment. When the donor executes a will containing language directing that a named endowment be established, no other documentation is required.

Contributions for existing named endowments or for the general endowment require only a transmittal letter or bequest language stating the donor's intention.