

Policy 4140	Investment Policy
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Category	School Board Governance
Accountability	Board of Directors, Leadership

The managed assets of Pine Lake Preparatory (“Pine Lake”) will consist of the “Investment Portfolio”. It is the intention of Pine Lake that the Finance Committee ensure that the Investment Portfolio will be managed toward the stated asset allocation, while simultaneously meeting the objectives set forth in this Investment Policy Statement.

The Finance Committee is charged with the direction and oversight of the Investment Portfolio in a manner which builds upon the existing assets and furthers growth of Pine Lake’s purchasing power and assets without exposing the Investment Portfolio to excessive risk. The primary objective should be to maintain, and in some cases, increase the purchasing power of invested assets and preservation of capital, in support of Pine Lake’s mission and financial objectives, with secondary goals of limiting volatility through diversification, and wealth accumulation.¹

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Governance

This Investment Policy Statement (“IPS”) serves as a strategic guide in the planning and implementation of an investment program for Pine Lake and governs the investments associated with Pine Lake’s working capital positions and the Debt Service Reserve Fund and Repair and Replacement Fund (the “Bond Funds”) established and maintained pursuant to Pine Lake’s Education Revenue Bond dated July 1, 2015.

This IPS should establish a clear delineation of the expectations of the Board with respect to the Finance Committee’s oversight and the Investment Advisor(s)’ management of the Investment Portfolio.

This IPS is intended to:

- Define the investment assets to be governed by the IPS and allocation of duties among the Board, Finance Committee and the Investment Advisor(s) with respect to such assets subject to the investment restrictions imposed on the Bond Funds pursuant to Section 4.06 *Investment of Moneys* of the Loan Agreement dated July 1, 2015;
- Establish reasonable objectives for return and risk expectations, incorporating the following constraints: current time horizon; liquidity constraints; and any other unique circumstances regarding the Investment Portfolio;
- Establish the appropriate target allocation and the parameters around restricted security types and asset classes;
- Establish an appropriate portfolio benchmark for the evaluation of investment performance and risk management;
- Establish selection guidelines and expectations for investment and money managers, securities and risk parameters, and processes for monitoring of the Investment Advisor(s) and selected managers;
- Provide a basis for risk management and the evaluation of the investment performance of the Investment Portfolio’s assets at the manager level;
- Encourage effective communication between all parties involved in the oversight, management and operations of the Investment Portfolio.
- Establish the Investment Advisor(s) reporting requirements and the frequency of meetings with the Investment Advisor(s).
- Establish appropriate controls for the handling of investable assets and authorization of trades and investment decisions.

Further, this IPS is intended to provide investment objectives that are sufficiently specific to be meaningful, but adequately flexible to be practicable. The objectives in this IPS are designed to establish an attitude and philosophy to guide the Board and the Finance Committee toward the desired policies and performance in oversight of the Pine Lake’s assets.

Definition of Duties

Position	General Responsibility	Specific Tasks
Board of Directors	Oversees school policy and investment process	<ul style="list-style-type: none"> - Appoints Finance Committee - Authorizes and approves changes to the IPS - Ensures adherence to proper controls and procedures - Retains/dismisses custodians and Investment Advisor(s)
Finance Committee	Coordinates investment activities, institutional direction, and strategic initiatives	<ul style="list-style-type: none"> - Oversees management and/or direction of the investment portfolio - Coordinates periodic asset allocation review - Reviews and recommends revisions to the IPS - Reviews Investment Portfolio transactions and holdings - Reports Investment results to the Board on a quarterly basis
Investment Advisor(s)	Supports the Board and Finance Committee in the development and execution of investment strategy	<ul style="list-style-type: none"> - Complies with the IPS investment objectives, guidelines and restrictions - Constructs / calibrates the Investment Portfolio - Recommends asset classes and asset allocation ranges / targets - Seeks return within acceptable risk parameters - Provides capital markets / asset class information as needed - Rebalances the Investment Portfolio, as appropriate - Generates desired performance reports - Supports Finance Committee requests - Retains / dismisses and allocates to investment and money managers for the Investment Portfolio
Custodian Bank	Safeguards specified financial assets	<ul style="list-style-type: none"> - Controls access to assets - Settles trades efficiently - Collects investment income and principal - Collects and disseminates Investment Portfolio statements - Provide book of record, audit, and tax information

The Finance Committee will be responsible for adopting a recommendation for the Investment Portfolio's investment strategy and overall Investment Portfolio management, as set forth in this IPS. The Finance Committee, in consultation with the Investment Advisor(s), will be responsible for the recommendation of an investment strategy. Once adopted, the Investment Advisor(s) will be responsible for management and implementation of the selected strategy.

The Board and Finance Committee recognize that this IPS requires periodic reexamination and, if necessary, revision, if it is to continue to effectively produce the intended strategic results. If it is determined that this IPS needs to be amended, it is the mutual responsibility of the Finance Committee, in consultation with the Investment Advisor(s), to provide a written recommendation to the Board advocating for such change and for the Board to approve or deny such change request. Pine Lake has established and will periodically review and confirm its investment goals and philosophy, which are set forth below:¹

- Clear and systematic decision-making processes deliver more consistent performance over time;
- The bias of the investable assets is toward being substantially fully invested over time;
- That initially, fixed income investments will provide short-term stability and predictable income that equity and alternative investments cannot, and higher volatility investments may be recommended over time as part of a proper Investment Portfolio diversification strategy;
- That, as our investment strategy matures, it is prudent to diversify the Investment Portfolio across major asset classes and durations;
- That investment managers with active mandates can reduce portfolio risk and potentially add value through security selection strategies;
- That passive management can be appropriate in certain asset classes, and that a portion of the Investment Portfolio may be invested in passive mandates;
- That it may be appropriate to select more than one investment manager in any one asset or sub-asset class, provided that such managers can offer asset class or style diversification;
- Unless agreed upon by the Finance Committee and with Board approval, investments in alternative assets, such as hedge funds and private equity in both traditional (illiquid) and liquid vehicles, will not be used to provide diversification and a competitive risk-adjusted return;
- That it is prudent to consider Pine Lake's tax status (including the applicability of Unrelated Business Income or "UBIT"); and,
- That investment selection for the Bond Funds are subject to an investment grade rating by Standard & Poor's or Fitch of "BBB-" or higher, or by Moody's of "Baa3" or higher. The bond trustee (US Bank) will be responsible for eligible investment offerings to be considered by the Finance Committee.

Investment Advisor Selection

The Board and Finance Committee will consider the following criteria, among other criteria deemed consistent with achieving the Investment Objectives, when selecting or dismissing an Investment Advisor:

- ❑ Relevant Experience: PLP should seek Investment Advisors with extensive experience working specifically with non-profit institutions. They should have a solid understanding of the financial challenges and regulatory requirements facing PLP.
- ❑ Fiduciary Responsibility: The Investment Advisor should have fiduciary duty legally obligating them to act in the best interest of their clients. This ensures they prioritize the organization's financial well-being over their own.
- ❑ Performance Track Record: The Investment Advisor should have a clear and consistent track record of delivering consistent returns and managing risk according to investment strategy and portfolio guidelines.
- ❑ Mission Alignment: The Investment Advisor should understand and align with PLP's mission, values, and goals. They should be able to customize investment strategies that are compatible with PLP's investment and overall objectives.
- ❑ Investment Philosophy: PLP should assess the Investment Advisor's investment philosophy and approach. Are they conservative, aggressive, or balanced? PLP should ensure alignment of the Investment Advisor's style and the school's investment objectives.
- ❑ Compliance and Regulatory Standing: PLP should verify that the Investment Advisor has a comprehensive understanding of the legal and regulatory landscape governing non-profit institutions. They should be up-to-date on relevant laws and compliance requirements, and maintain a clean history (i.e. free from disciplinary or legal matters) of their own regulatory compliance and standard.
- ❑ Fee Structure: PLP should understand the Investment Advisor's fee structure and how it aligns with the school's budget and investment objectives. Transparent and reasonable fees are important, and it's essential to have a clear understanding of all costs and compensation incentives involved.
- ❑ Resources and Team: PLP should evaluate the resources and team available to the Investment Advisor. Consider the size and expertise of their staff, as well as the technology and research capabilities they possess to support their investment decisions, including soft-dollar resources available to PLP.
- ❑ Communication and Reporting: PLP should assess the Investment Advisor's communication style, technology, and frequency. They should provide regular updates and reports, and be accessible to address any concerns or questions regarding their investment decisions. They should also maintain a robust client portal to provide PLP with self-service reporting options and real-time transparency into portfolio composition and performance.
- ❑ Risk Management and Diversification: PLP should ensure the Investment Advisor emphasizes risk management and diversification of the Investment Portfolio. They should provide and continually update their strategic plan to manage risk and achieve PLP's investment objectives.

- Client References: PLP should request references and/or case studies from peer institutions to gain insights into the Investment Advisors character, their experience working with the Investment Advisor, and independently confirm the Investment Advisors performance track record.. References can provide valuable feedback on the advisor’s reliability, professionalism, and overall performance.

Objectives and Constraints

The Board’s and Finance Committee’s investment objective will emphasize:

- Maintaining and growing the purchasing power of assets;
- Limiting volatility through investment security and stability and, over time, diversification; and,
- Preserving capital.

The long-term return objective is to preserve and grow the real value of the Investment Portfolio assets.

The Finance Committee is expected to cause the Investment Portfolio to be diversified in order to minimize the risk of large losses and to manage volatility of asset classes and investment styles. The Investment Advisor(s) are expected to invest Investment Portfolio assets in accordance with the standard of care set forth in the investment management agreement between such Investment Advisor(s) and the Investment Portfolio and to seek reasonable diversification where possible.

Pine Lake recognizes that, over the long term, the risk of owning equities has been and is expected to continue to be rewarded with a relatively greater return than what has been historically available from fixed income investments and may be incorporated into the IPS over time. The role of fixed income investments is to reduce the volatility of the overall portfolio, while providing a predictable stream of income. Pine Lake expects the Finance Committee to follow these accepted investment principals in oversight of the assets of the Investment Portfolio.

Except with regard to portions of the Investment Portfolio explicitly set aside to specific projects, the time horizon for the investment assets will be assumed to be perpetual.

Generally, the Board expects that the Finance Committee will determine Pine Lake’s anticipated spending needs and the amount that should be held in a cash reserve and excluded from investable assets. Initially, the Finance Committee has determined that [XX %] of cash should be held in reserve for distribution or emergency purposes and will instruct the Investment Advisor(s) accordingly.

Portfolio Parameters

The Finance Committee believes that the most significant decision to affect the ability of the Investment Portfolio to meet its objectives is asset allocation. In the event there are two or more Investment Advisors, this Section XI shall be implemented and monitored by the Finance Committee with respect to the Investment Portfolio as a whole, and by each Investment Advisor with respect to the portion of assets of the Investment Portfolio being managed by that Investment Advisor (each a “Sub Portfolio”). With that in mind, and based on the investment objectives and risk tolerances considered herein, the following asset mix targets and ranges are considered appropriate:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Evaluative Index</u>
Equity	<u>0</u>	<u>0</u>	<u>0</u>	<u>Russell 3000/MSCI ACWI EX US</u>
Fixed Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>Barclays Aggregate</u>
Cash or Cash Equivalents	<u>100</u>	<u>100</u>	<u>100</u>	<u>FTSE 90 T-bill</u>

It is the responsibility of the Investment Advisor(s) to monitor asset allocations and to make adjustments in their Sub Portfolios, as necessary, to achieve on-going allocation consistency with the guidelines for the Sub Portfolio set forth in this IPS. It is the responsibility of the Finance Committee to monitor asset target allocations with respect to the Investment Portfolio, as a whole, to maintain compliance with the objectives set forth in this IPS.

The Board will appoint Investment Advisor(s) following a systematic search for those with demonstrated skill in the discipline desired (see Investment Advisor Selection above). Investment Advisor(s) will have discretion to manage their respective Portfolios in accordance with the style for which they are employed, subject to the restrictions and limitations in this IPS.

Investment Portfolios and managers will be chosen and retained by the Investment Advisor(s) using criteria including, but not limited to, the following:

- The investment style and discipline of the proposed Investment Manager;
- Past performance, considered relative to benchmarks having the same investment objective – consideration shall be given to both rankings over various time frames and consistency of performance;

- The historical volatility and down-side risk of each proposed investment;
- The size of PLP as measured by the amount of assets under management with respect to the investment style under consideration; and,
- Experience of Pine Lake as measured by the tenure of the professionals with respect to the investment style under consideration.

The Investment Advisor(s) will monitor managers for consistent investment process, performance, and risk including but not limited to key people and operational risks.

With regard to managers with active mandates, their selection and retention within the portfolio will be predicated on whether or not they fulfill the purpose for which they were selected. If the purpose is:

- Risk management: The manager will be evaluated as to how well downside protection is provided and at what cost to upside participation.
- Security selection: The manager will be evaluated relative to an appropriate benchmark.

The Investment Advisor(s) will monitor active managers and mandates to determine whether or not value is added relative to the intention or to a passive mandate. If the Investment Advisor(s) determine a change is warranted, replacement recommendations will be made to the Finance Committee during the upcoming quarterly review cycle.

The Board and Finance Committee recognize that risk and volatility is present with all types of investments and, in performing their respective fiduciary duties for the Pine Lake, they should avoid high levels of relative risk in every asset class. To this end, the Finance Committee should ensure that the Investment Portfolio manages risk appropriately through diversification by asset class, sector, industry and issuer limits, maturity limits and, to the extent possible, management style. If mutual Investment Portfolios are utilized, their investment objectives should be consistent with this IPS.

Restricted Investments:

The limitations and restrictions in this section shall be implemented and monitored by the Finance Committee with respect to the Investment Portfolio as a whole and by each Investment Advisor with respect to their Sub Portfolio. With the exception of being within pooled investment vehicles, direct exposure to the following strategies and types of securities is prohibited:

- oil and gas wells;
- interest only securities;
- warrants;

- principal only securities;
- margin trading;
- crypto currencies; and,
- inverse floating rate securities.

The purpose of the rebalancing is to help control risk and maintain asset allocation within the ranges set forth in this IPS. The Finance Committee will be responsible for keeping the Investment Portfolio as a whole, and Investment Advisor(s) will be responsible for keeping their Portfolio(s) within the established tolerance levels around the targeted strategic asset allocation. While it is at the Investment Advisor(s) discretion as to the frequency with which they rebalance their Portfolio(s) to the targeted levels, it is understood that asset weight drift that exceeds the tolerance thresholds will be promptly corrected.

Risk Management

Review and Evaluation of Investment Objectives

The achievement of the investment objectives in this IPS shall be reviewed at least on a semi-annual basis by the Finance Committee. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of this IPS. It is not expected that this IPS will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the IPS.

Review and Evaluation of Investment Advisor(s):²

The Finance Committee will meet periodically with the Investment Advisor(s) or their representative(s). Additionally, with or without the Investment Advisor(s), the appropriate committees will review investment results on an established basis.

These reviews will focus on:

- ☐ The Investment Advisor(s)' adherence to this IPS;
- ☐ Comparison of the Investment Advisor(s)' results to the benchmark established for their Portfolio;
- ☐ Material changes in the Investment Advisor(s)' investment philosophy or changes in personnel managing the Investment Portfolio.

Termination of an Investment Advisor should be considered under the following circumstances:

- ☐ Deviation from this IPS.
- ☐ Material deviation from the Investment Advisor(s)' investment disciplines and process.
- ☐ Identification by Pine Lake of a material problem or concern regarding the Investment Advisor, including, but not limited to, material underperformance versus the market and other standard benchmarks, or enforcement actions taken by the SEC or a similar authoritative body.

The Investment Portfolio's and each Sub Portfolio's investment performance will be reviewed, at a minimum, on a quarterly basis, with long-term emphasis placed on results achieved over a full market cycle (typically three-to-five year period). This IPS will be reviewed semi-annually and adjusted, if necessary, after consultation with the Finance Committee. Investment Advisor progress will be measured against this IPS and for consistency with the total return objectives for the Advisor's Portfolio; performance will be reflected net of management fees. The Finance Committee should review investment performance and risk tolerance with more frequency on an as-needed basis, particularly in cases where PLP is reviewing new or existing investment accounts or when there are major changes or volatility in the markets that could impact the investment portfolio.

With regard to performance benchmarking, the Investment Portfolio and each Sub Portfolio will be

measured against a blended index of the component parts used to measure the equity, fixed income, and alternative asset allocations, as/if applicable. This blend will be weighted by the targeted strategic allocation proposed for the Investment Portfolio and each Sub Portfolio, as outlined in this IPS.

Client Service

The Investment Advisor(s) are responsible for frequent and open communication with the Investment Committee on all material matters pertaining to the investment of the Investment Portfolio.

The Investment Advisor(s) will promptly notify Pine Lake of changes in market conditions which may materially impact the Investment Portfolio. Pine Lake will notify the Investment Advisor(s) promptly of any changes in the Investment Portfolio or this IPS.

The Investment Advisor(s) will provide comparative performance and risk evaluation reports on a quarterly basis. In addition, the Custodian will provide quarter-end regular accounting of transactions, Investment Portfolio holdings, yields, current market values, summary of cash flows, and calculations of the Investment Portfolio's total rate of return.

The Investment Advisor(s) and/or Custodian will forward to Pine Lake, as they become available, monthly reports containing Investment Portfolio activity and asset holdings at book and market values. Quarterly, the Investment Advisor(s) should submit tactical and strategic updates regarding the Investment Portfolio's management for performance evaluation purposes.

Acknowledgment of IPS

Pine Lake Preparatory certifies that this Investment Policy Statement was adopted by the Pine Lake's Board of Directors on May 22, 2023.

Pine Lake Preparatory

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

The Investment Advisor named below acknowledges receipt of the Pine Lake Investment Policy Statement, dated [INSERT DATE]. In the event any of the terms of the Investment Policy Statement conflict with the terms and conditions of an investment management agreement or custody agreement entered into between the Pine Lake and the Investment Manager the terms of the investment management or custody agreement shall govern.

Date

Signature