

## Board of Trustees

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## St. HOPE Leadership Academy Board of Trustees

### *Investment Policy Statement*

#### I. Roles and Responsibilities

The purpose of this Investment Policy Statement (the "Policy") is to establish guidelines for St. HOPE Leadership Academy Charter School's (the "School") investment portfolio (the "Portfolio"). The oversight of the Portfolio shall be by the Board of Trustees (the "Board"), which shall be responsible for approving all actions with respect to the Portfolio, including its investment objectives, policies regarding expenditure and all actions with respect to the investment or distribution of funds.

The Board has delegated the responsibility for the maintenance and management of the Portfolio to the Investment Committee (the "Committee"). The Committee, and any advisors or managers with which the Board contracts, will always be mindful of their fiduciary responsibility to preserve and grow the assets of the Portfolio as set forth in the Policy. In all case, the Committee's role is to make recommendations, approved by a majority of the Committee, to the Board, consistent with this Policy, and to effectuate the directions rendered by a majority of the Board.

#### II. Scope of this Policy

This Policy sets forth the investment objectives, distribution policies and investment guidelines that govern the Portfolio and the activities and parties to whom the Board has delegated investment management responsibility for the Portfolio. The policies contained herein have been formulated consistent with the School's anticipated financial needs and in consideration of the School's tolerance for assuming investment and financial risk, and are intended to provide guidelines, where necessary, for ensuring that the Portfolio is managed consistent with the short-term and long-term financial goals of the School. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the School.

#### III. Purpose of the Portfolio

The Board has determined that it is in the best interest of the School and the School's long-term goals to invest a portion of the School's cash capital reserve (the "Reserve") into the Portfolio. The Portfolio is to be invested with the objective of long-term preservation of capital, while providing a relatively predictable and growing stream of annual distributions in support of the School and/or any such programs to which the Board may direct such distributions.

It is the intention of the Board that any distributions will be from any amount in excess of Portfolio principal, although the Board may authorize any distribution that it believes to be in the best

interest of the School at that particular time. It is anticipated that any gains in the Portfolio in excess of distributions authorized by the Board will be reinvested to achieve the goal of long-term growth.

The Committee, and any other body as determined by the Board, will review the School's distribution needs annually, or otherwise as directed by the Board, for the purpose of deciding whether the Committee needs to make any recommendations to the Board to amend the spending policy, the target asset allocation, or both.

#### IV. Portfolio investment factors

In managing and investing the Portfolio, the Committee will consider the following factors in making any recommendation to the Board of Trustees:

- (i) general economic conditions;
- (ii) the possible effect of inflation or deflation;
- (iii) the expected tax consequences, if any, of investment decisions or strategies;
- (iv) the role that each investment or course of action plays within the overall investment Portfolio;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the School;
- (vii) the needs of the School and the Portfolio to make distributions and to preserve capital; and
- (viii) an asset's special relationship or special value, if any, to the purpose of the School.

Further, all management and investment decisions about an individual asset shall be made in the context of the Portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the School.

#### V. Asset allocation policy

The stated goals of the Board for the Portfolio are that the allocation of the Portfolio be (i) conservative and (ii) not overly complex.

The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making recommendations for periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Portfolio, to the assumptions underlying Portfolio spending policies, and/or to the capital markets and asset classes in which the Portfolio is invested.

Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of Portfolio equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income

investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments.

Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either or both of the equity and fixed income asset classes.

Outlined below are the long-term strategic asset allocation guidelines, determined by the Committee, and approved by the Board of Trustees, to be the most appropriate, given the School's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated in mutual or exchange traded funds in accordance with the following guidelines:

Asset class	Target allocation
Equity	70%
Fixed Income	30%
Cash	0%

To the extent the Portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the Portfolio's asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 10% of total Portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.

#### VI. Asset diversification policy

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

- (i) With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.
- (ii) With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

To the extent the Portfolio is invested in independently managed mutual or exchange-traded funds, such investments shall be subject to the asset allocation policy set forth in Section V, but not subject to the asset diversification policy set forth in this Section VI.

## VII. Rebalancing

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Committee will review the Portfolio at least annually to determine the deviation from target weightings. If any asset class within the Portfolio is +/-5 percentage points from its target weighting, the Committee will make a recommendation to the Board that the Portfolio be rebalanced. In addition, the Committee may provide a rebalancing recommendation to the Board at any time based on its monitoring and/or review of the Portfolio.

## VIII. Prohibited Acts

Unless expressly authorized by the Board, the Committee and any party to whom the Board delegates authority, is prohibited from the following actions with regard to the Portfolio:

- (i) Purchasing securities on margin or executing short sales.
- (ii) Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
- (iii) Purchasing or selling derivative securities for speculation or leverage.
- (iv) 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 the School.

## IX. Outside Manager

To the extent the Board directs or authorizes the hiring of a third-party to manage, oversee or otherwise exert authority over either the Portfolio or the Reserve, the Board shall approve policies and criteria to hire, monitor, evaluate and dismiss any third-party. Such policy will also specifically delineate the powers of any third-party.