



## Board of Trustees Investment Subcommittee

May 13, 2024

4:00 p.m.

Via Zoom

In accordance with Massachusetts Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020

A live stream of the meeting for public viewing will also take place at the following link: <https://www.westfield.ma.edu/live>

---

**Committee Members Present:** Paul Boudreau (Chair), George Gilmer (Vice Chair), Theresa Jasmin (Secretary), Chris Montemayor, Daniel Currier.

**Committee Members Excused:** None.

Committee Chair Boudreau called the meeting to order at 4:00 p.m. Attendance taken by roll call. All committee members present.

### Minutes – February 9, 2024

**MOTION** made and seconded, to approve the minutes of the February 9, 2024, Investment Subcommittee meeting. There being no discussion, **motion passed unanimously with all in favor by roll call vote.**

### First Quarter Portfolio Review & Index Fund Allocation

The first quarter portfolio and index fund allocation were reviewed. The portfolio increased 5.1% in the first quarter versus a benchmark return of 4.6% and increased 16.9% over the past 12 months versus a benchmark return of 14.3%. The portfolio has outperformed the benchmark in all periods including year-to-date, one-year, two-years, and three-years. The cumulative portfolio return since inception has been 32%. The asset allocation as of March 31, 2024, was 71% equities and 29% bonds and cash. The equity allocation is 9% higher than the allocation in December 2022. Equities increased 23.1% over the past 12 months. The equity allocation includes 75% of total equities invested in passive index funds. Corient provided a more detailed breakdown of the University's investments in the magnificent seven. The University is overweighted in the magnificent seven. Of the seven, there are two that are overweight: Microsoft and Amazon. Corient recommends that no changes are made. The overweight is due to performance and both companies are minimally overweight.

New Bond Portfolio Update

Already discussed.

Spending Policy Recommendation (Cash Investments)

A separate spending policy is recommended for the bond portfolio, to continue to utilize this revenue stream to support the University's operating budget. If there is consensus by the subcommittee on the proposed drawdown plan for the bond portfolio, a motion and policy change will be proposed at the next quarterly meeting to allow further development of the University's FY25 budget.

Proposal for Investment Advisor

The RFP for investment management services has been released. Vendor responses are due by May 17, 2024. The working group will identify the top three vendors to be interviewed. The bid will be awarded by June 14, 2024. Thirty-seven organizations have downloaded the RFP to-date. The contract with Corient ends on June 30, 2024.

University Cash Summary

The investment and cash balances as of April 30, 2024, were reviewed.

Annual Charter Review

The new charters require annual review. Please notify the subcommittee should any changes be needed.

There being no further business, **MOTION** made and seconded, to adjourn the meeting. There being no discussion, **motion passed unanimously will all in favor by roll call vote.** Meeting adjourned at 4:57 p.m.

**Materials provided for this meeting:** Minutes 2-9-24 (Draft); First Quarter Portfolio Review; Spending Policy Recommendation; Proposal for Investment Advisor; University Cash Summary; and Annual Charter Review.

**Secretary's Certificate**

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees, Investment Subcommittee meeting held on May 13, 2024.

\_\_\_\_\_  
Theresa Jasmin, Secretary

\_\_\_\_\_  
Date



# Westfield State University

**Stephen P. Haines, Vice President / Advisor**

**Gary R. Price, Managing Director Institutional Services**

**Connor Dervin, Senior Institutional Portfolio Analyst**

July 19, 2024

For client use only.

## Key Dates:

- June 3<sup>rd</sup>: FEG invited to present at RFP Finals presentation
- June 6<sup>th</sup>: Finals presentation in Westfield, MA
- June 7<sup>th</sup>: FEG chosen to join Westfield Team!
  
- June 13<sup>th</sup>: FEG executes signed contract back to WSU
- June 20<sup>th</sup>: FEG start date in contract
- June 26<sup>th</sup>: Westfield approval to delink Corient at Schwab and transition to FEG
- June 27<sup>th</sup>: FEG begins account transition to strategies under fiduciary supervision. All current strategies have daily liquidity in ETF/Mutual Fund structure, which can be updated quickly after discovery.

## FEG primary objectives during transition period:

1. Maintain existing WSU asset allocation framework: Fixed Income account remained 100% fixed income; Balanced account maintained the existing 70/30 allocation split between equity and fixed income.
2. Broad diversification across equity and fixed income strategies
3. Income generation: two accounts currently yielding approx \$1,200,000/year
4. Yield: moved from 0.1% to 5.2% on cash; fixed income yield moved from 4.0% to 4.7% with similar credit quality.

**PORTFOLIO  
ALLOCATION BEFORE**

Large Cap	52%
SMID	8%
International	9%
Emerging Markets	3%
Fixed Income	25%
Cash	3%

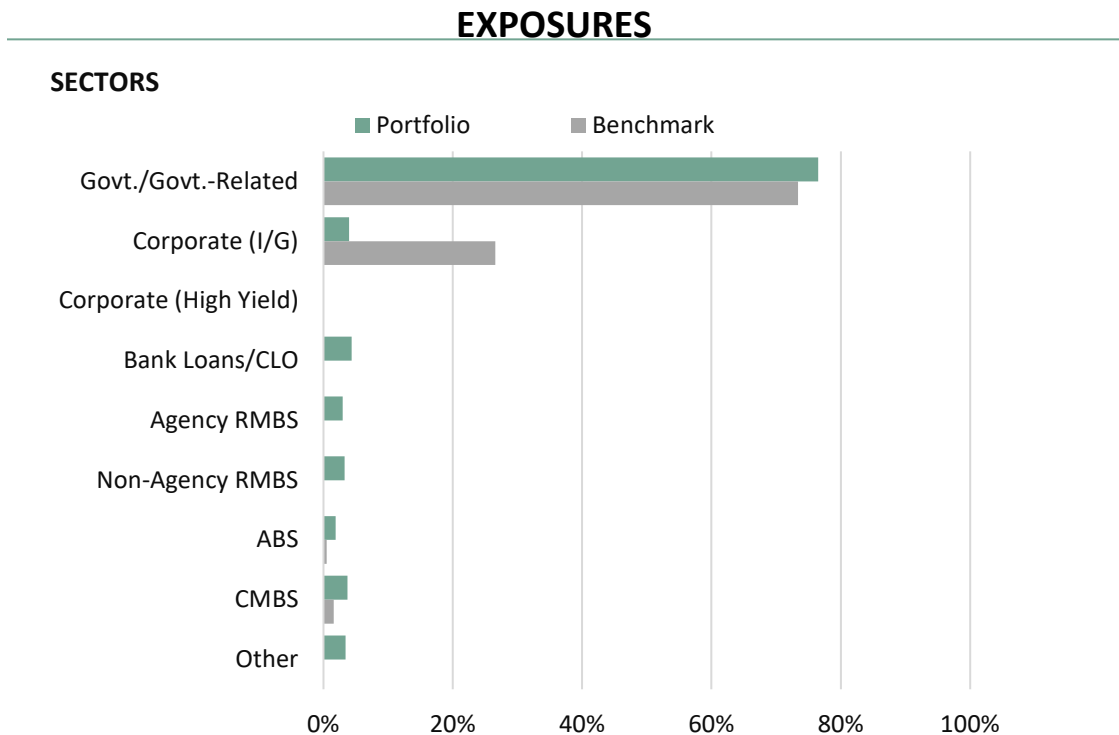
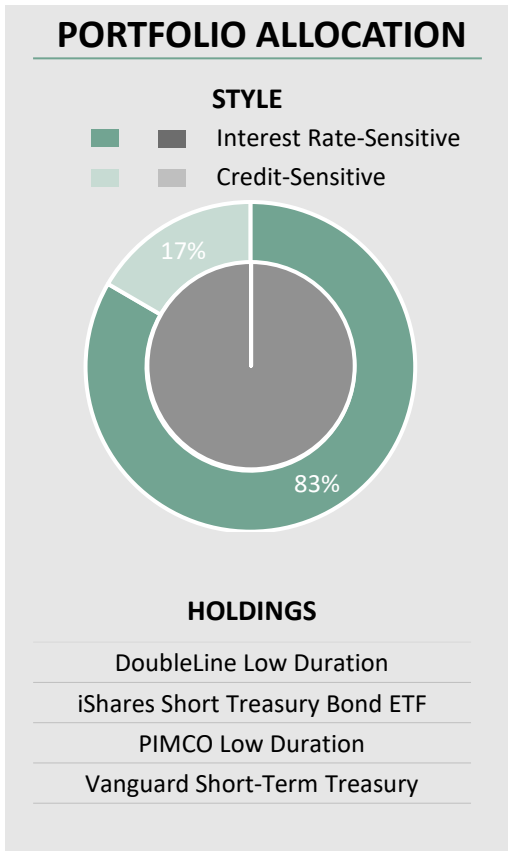
**BALANCED  
ALLOCATION AFTER**

Large Cap	45%
SMID	3%
International	15%
Emerging Markets	6%
Fixed Income	30%
Cash	0%

**Top 10 Equity  
Holdings**

Microsoft Corporation	4.55%
Apple Inc.	4.17%
NVIDIA Corporation	3.57%
Alphabet Inc.	2.76%
Amazon.com, Inc.	2.40%
Meta Platforms, Inc.	2.33%
Eli Lilly and Company	1.16%
UnitedHealth Group	0.98%
Taiwan Semiconductor- Manufacturing Comp.	0.95%
<u>Broadcom Inc.</u>	<u>0.88%</u>
<b>Total</b>	<b>23.75%</b>

- Asset Allocation: current 70/30 allocation split is on the outer range of existing IPS.
- Derivatives: existing IPS excludes derivatives. Direct derivate exposure is omitted from accounts. **Note** most mutual funds – including funds held by Corient – utilize overnight futures to equitize cash in the funds. Consider updating language in IPS to note exclusion for commingled vehicles.
- Private Capital Allocations: access to best-in-class private capital managers are available to WSU at no additional fee from FEG. Private credit is of note given yield dispersion between public and private markets.
- Annual Income Requirements: Implementing a yield vs total return approach

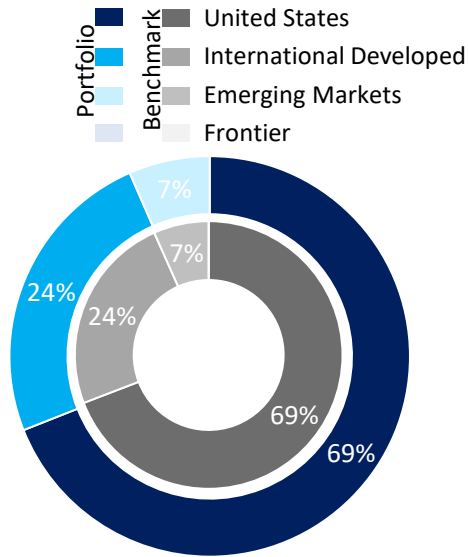


Data shown for the hypothetical FEG OCIO Portfolio Model. May not be indicative of actual client portfolio or holdings.  
 Data sources: FEG, Manager data. Data as of 03/31/2024.

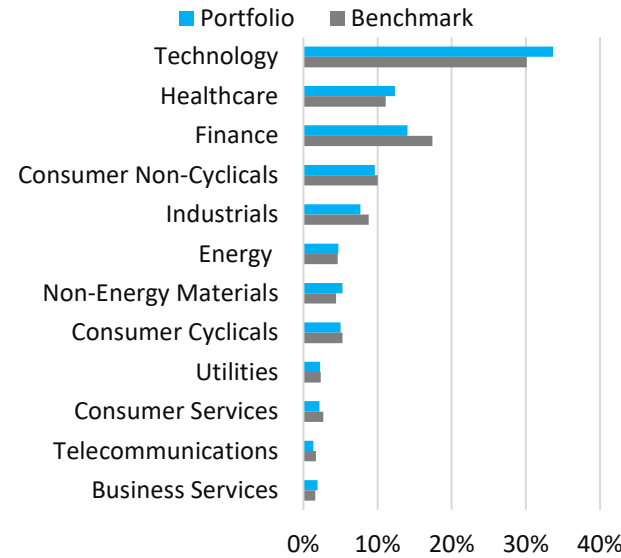


## EXPOSURES

### GEOGRAPHIC

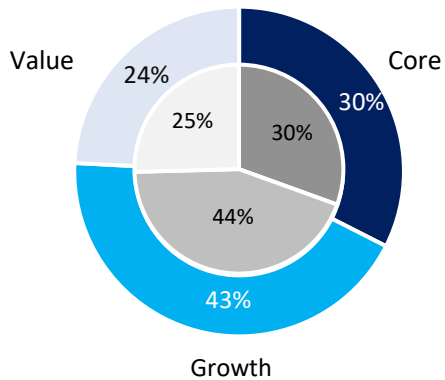


### SECTORS

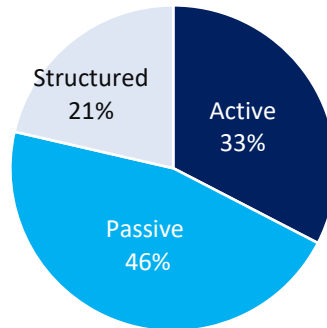


## PORTFOLIO ALLOCATION

### STYLE



### ACTIVE / PASSIVE



### HOLDINGS

RAE US	JO Hambro
IVV	Schwab Intl
Schwab LC Growth	Redwheel
River Road	Oaktree
RAE Intl	GMO Quality

## Top 10 Holdings

Microsoft Corporation	4.55%
Apple Inc.	4.17%
NVIDIA Corporation	3.57%
Alphabet Inc.	2.76%
Amazon.com, Inc.	2.40%
Meta Platforms, Inc.	2.33%
Eli Lilly and Company	1.16%
UnitedHealth Group	0.98%
Taiwan Semiconductor-Manufacturing Comp.	0.95%
Broadcom Inc.	0.88%
<b>Total</b>	<b>23.75%</b>

Data shown for the hypothetical OCIO Fully Liquid Home Country Portfolio Model. May not be indicative of actual client portfolio or holdings. Data sources: FEG, Manager data. Data as of 03/31/2024. <sup>1</sup>Blended Benchmark comprised of 69% MSCI USA & 31% MSCI ACWI ex U.S.



## SECOND QUARTER 2024 MARKET SUMMARY

*A quickly shifting global macroeconomic picture demanded investors' attention in the second quarter of 2024, with certain financial market themes remaining firmly in place, notably the continued strong performance by U.S. large cap growth stocks, particularly versus value and smaller-cap companies, which continued to lag. Internationally, emerging market equities modestly outperformed domestic, while international developed stocks posted essentially a flat return. Performance across the bond market appeared somewhat muted for the quarter, as total returns spanning investment grade credit and the broader core bond universe were essentially flat, while below investment grade credit (high yield and bank loans) eked out low single-digit returns. Performance among the major real assets sectors appeared mixed for the second quarter, with modestly negative returns witnessed across the real estate investment trust (REIT) and global listed infrastructure sectors, but solid gains generated by commodity futures and energy-related infrastructure assets.*

- U.S. equity market performance has been highly concentrated, with the top ten stocks providing 77% of the S&P 500 Index’s performance and accounting for 37% of the index’s market capitalization.
- Most notably, chip-maker NVIDIA’s meteoric rise of approximately 150% in the first half of 2024 has accounted for almost one-third of the S&P 500 Index’s year-to-date performance.

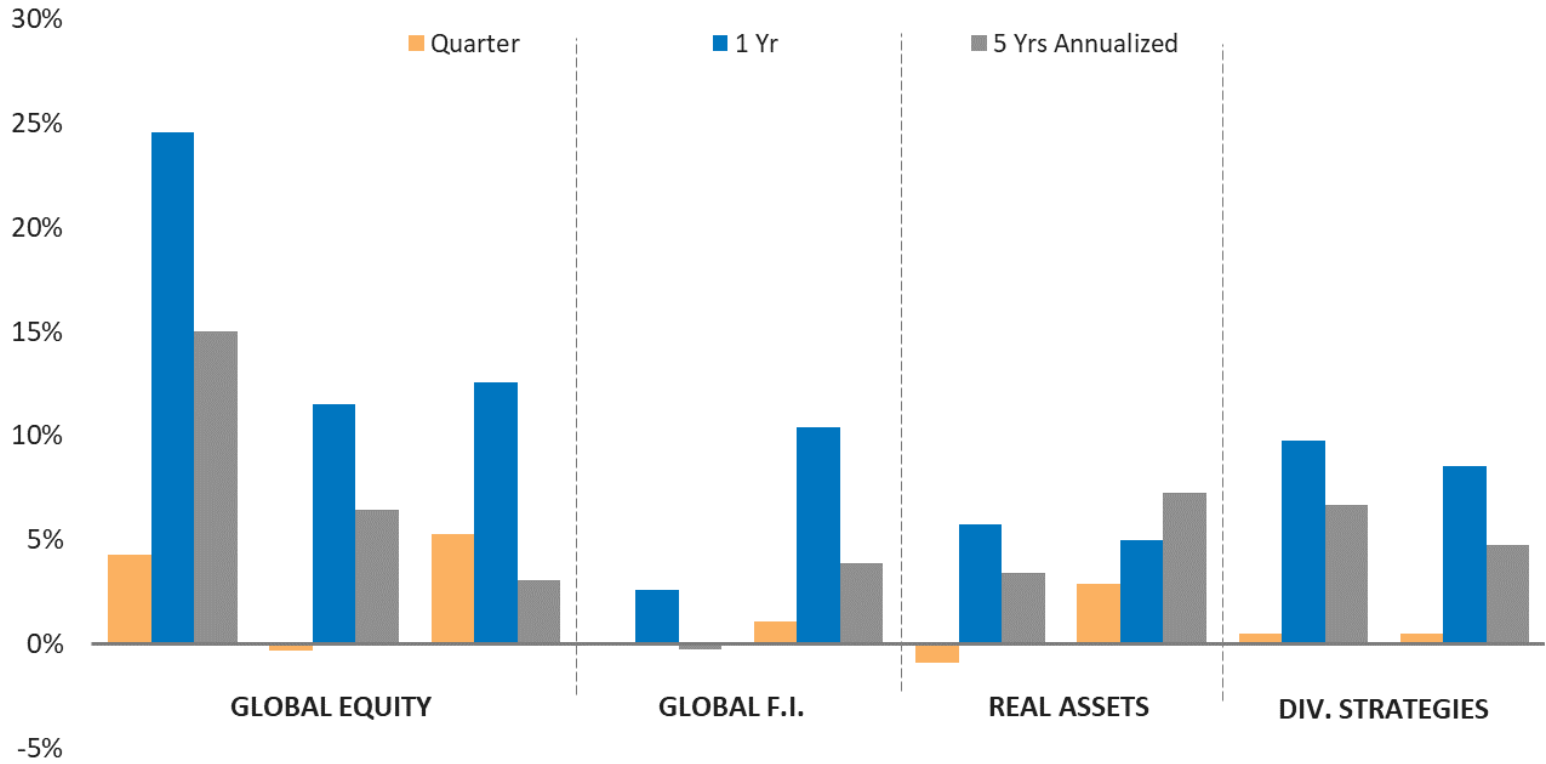
## NVIDIA HAS BEEN THE PRIMARY DRIVER OF U.S. EQUITY MARKET PERFORMANCE

Largest Individual Contributor to Annual S&P 500 Price Performance

Year	Name	% Change	% Contribution
2011	Apple Inc.	25.6%	27989.1%
2015	Amazon.com Inc.	117.8%	105.6%
<b>2024</b>	<b>NVIDIA Corp.</b>	<b>149.5%</b>	<b>31.6%</b>
2007	Exxon Mobil Corp.	24.3%	23.2%
2020	Apple Inc.	82.3%	22.4%

Data source: Strategas, 2024 is the Year-to-Date Performance Contribution

## MAJOR ASSET CLASS RETURNS

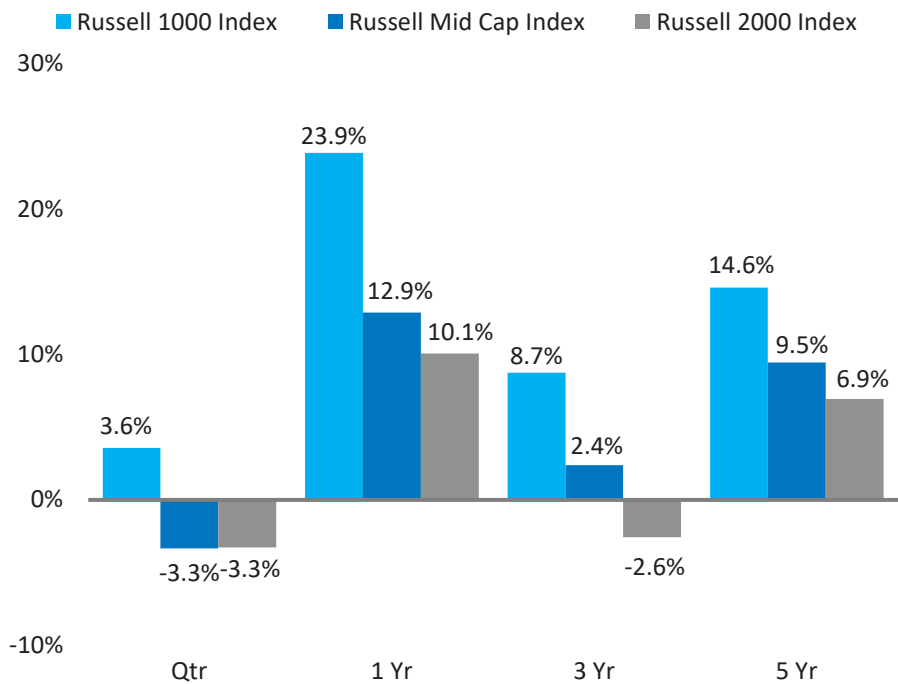


	S&P 500 Index	MSCI EAFE Index	MSCI Emerging Mkts Index	Blmbrg U.S. Agg Index	Blmbrg HY Index	FTSE NAREIT All Equity Index	Blmbrg Cmnty Index	HFRI Fund Wtd Comp. Index	HFRI Fund of Fund Index
Quarter	4.3%	-0.3%	5.3%	0.1%	1.1%	-0.9%	2.9%	0.5%	0.5%
1 Yr	24.5%	11.5%	12.5%	2.6%	10.4%	5.8%	5.0%	9.8%	8.6%
5 Yrs Annualized	15.0%	6.5%	3.1%	-0.2%	3.9%	3.4%	7.2%	6.7%	4.8%

Data sources: Lipper and Hedge Fund Research, data as of the fifth business day following quarter-end

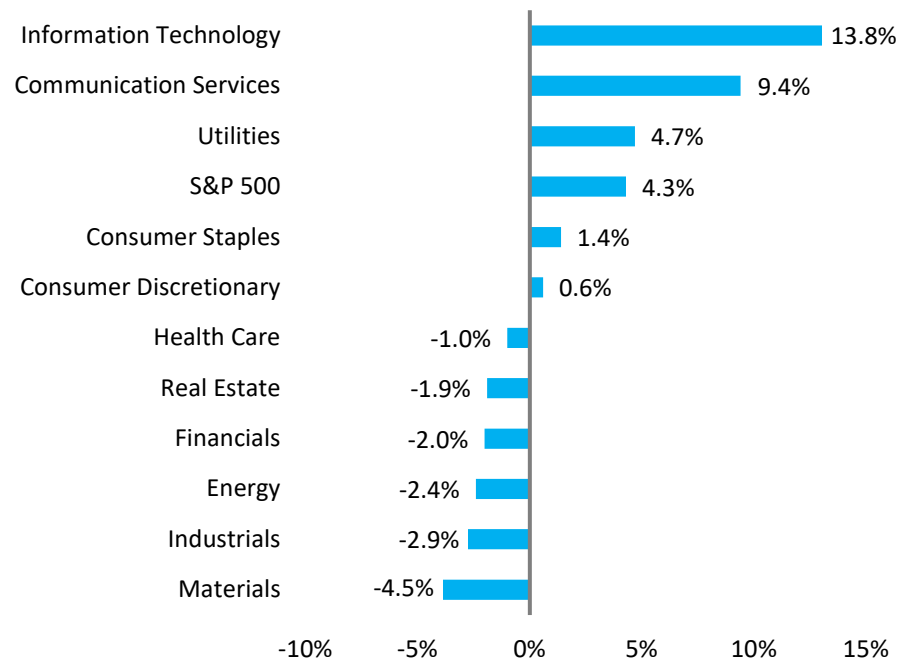
- Equity markets in the second quarter of 2024 were filled with volatility, new historic highs, and market oddities such as the return of the “meme” stocks. Due to the strength of some Asian markets, emerging market equities outperformed both the S&P 500 Index and the MSCI EAFE Index.
- The artificial intelligence (AI) theme drove returns in the U.S. large cap equity markets. Robust earnings reports across different sectors contributed to relative outperformance, as the S&P 500 recorded its highest year-over-year earnings growth rate in over two years at 5%.
- Continued price appreciation of mega-cap stocks has resulted in significant concentration in the S&P 500. The strong performance of these top stocks has led to the significant outperformance of large cap stocks over small cap.

## LARGE CAP, MID CAP, AND SMALL CAP



Data source: Russell  
©2024 Fund Evaluation Group, LLC

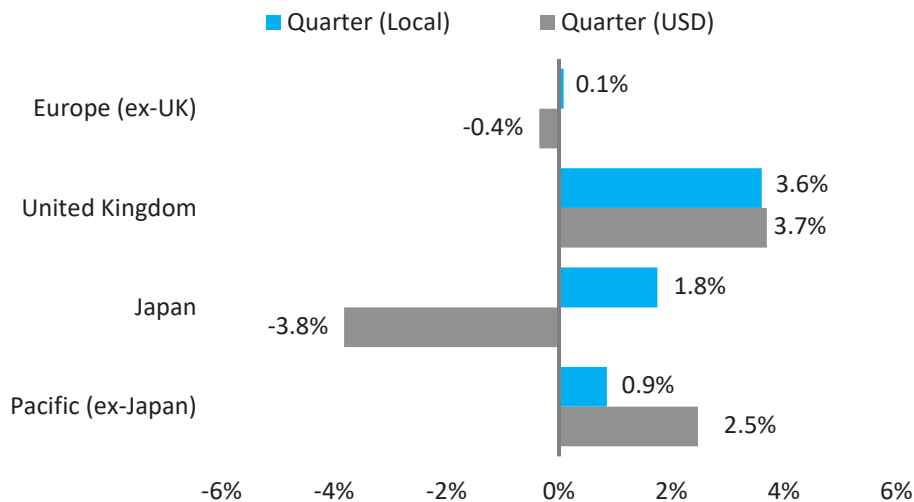
## S&P 500 SECTOR PERFORMANCE



Data source: FactSet

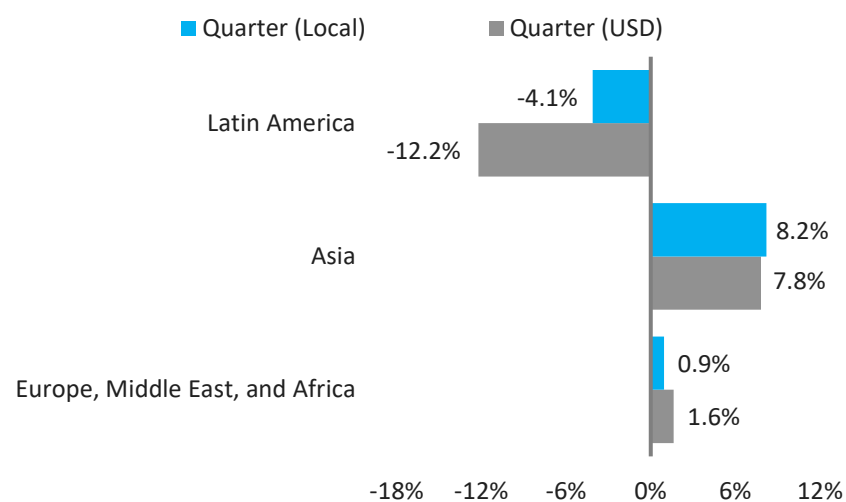
- European equities ex-UK underperformed their U.S. and UK counterparts. The consumer discretionary sector contributed to much of the underperformance amid a decline in consumer spending and election news out of France that left that nation’s markets down almost 7% in local currency. UK equities hit record highs in May after rebounding from a brief recession that occurred in late 2023 and bid activity for UK-listed companies reached its highest level since 2018.
- Although Japanese equities experienced positive returns at the local level, a weakening yen, which has begun to weigh on consumer sentiment, wiped out Japanese market gains for U.S. investors.
- The MSCI Emerging Markets (EM) Index delivered more than a 5% gain, outperforming developed markets. Asian markets were key contributors to performance, particularly Taiwan, where the demand for AI has provided a significant tailwind. China’s momentum from the first quarter fizzled out in May as real estate debt defaults increased and U.S. tariffs pressured Chinese manufacturers and retailers.

MSCI EAFE REGIONAL QUARTERLY RETURNS



Data source: MSCI Barra

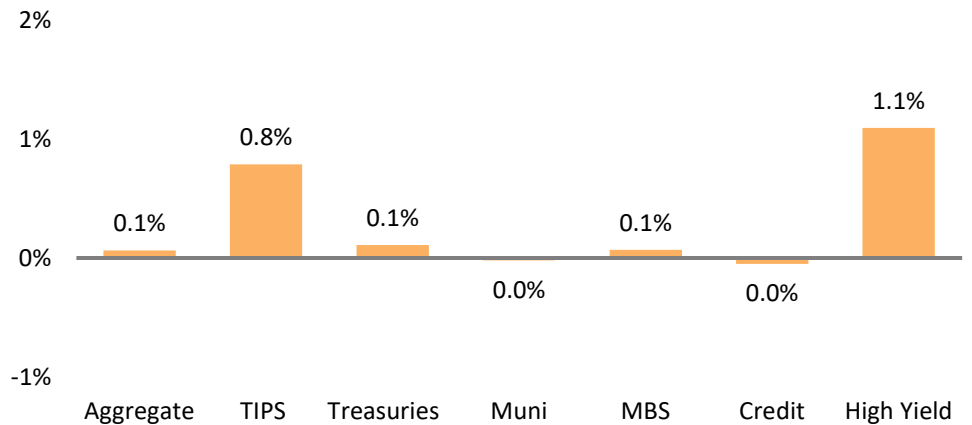
MSCI EM REGIONAL QUARTERLY RETURNS



Data source: MSCI Barra

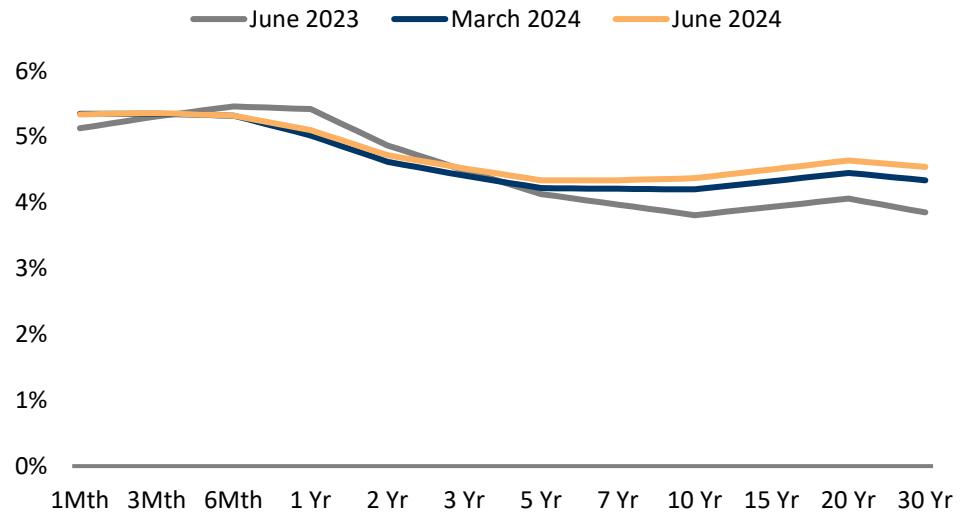
- Fixed income performance was slightly positive for the quarter. A rise in rates across the curve following continued strong economic data limited returns.
- The Federal Open Market Committee (FOMC) pushed back on aggressive rate cut expectations and maintained that rates could remain higher for longer if economic data remains strong and inflation remains sticky.
- Yield curve inversion persisted but showed slight flattening throughout the period. Credit spreads, which had reached a low in May near 3%, moderately widened. This move likely reflected a reversion to the mean rather than an indication of materially heightened market risk.
- The Treasury had a series of weak auctions throughout the quarter due to a lack of investor demand. The Treasury transitioned to issuing short-term T-bills rather than long-term bonds. The increased market share of short-term T-bills dampened demand for U.S. debt. Consequently, the Fed had to offer T-bills at a greater discount, propelling yields higher.

## BLOOMBERG U.S. FIXED INCOME INDEX RETURNS



Data source: FactSet

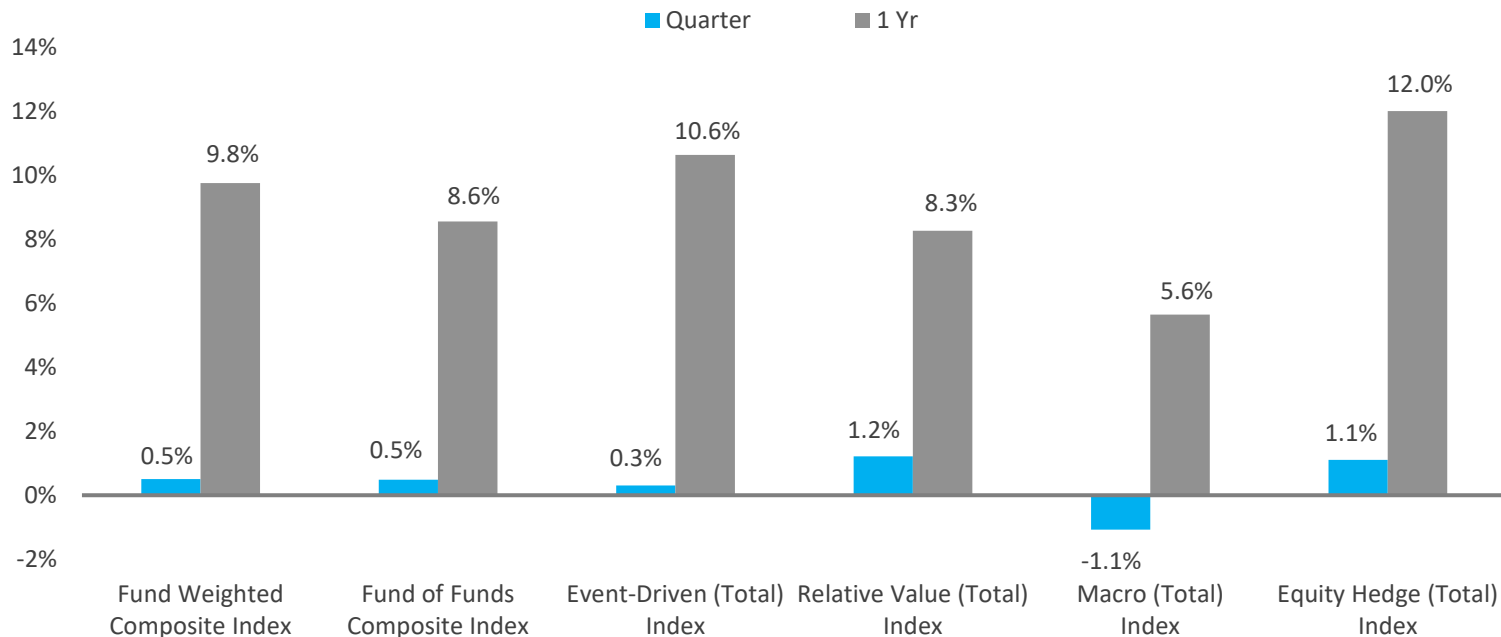
## U.S. TREASURY YIELD CURVE



Data source: FactSet

- Hedge fund performance was relatively rangebound in the quarter. Relative value and hedged equity strategies tended to generate positive performance, while global macro strategies faced headwinds.
- Hedged equity continued to produce gains across the technology sector and quantitative directional strategies. The healthcare sector, which had been an outsized performer, detracted early in the quarter before rebounding in May and June.
- Systematic trend-following managers started the quarter with solid gains across fixed income, currencies, metals, and soft commodities. The tides turned beginning in May and continued into the end of the quarter, with losses occurring within short fixed income and long metals positioning. Performance in equities was also a detractor, especially in Europe.

## HFRI INDICES PERFORMANCE RETURNS IN U.S. DOLLARS



Data source: Hedge Fund Research



This report was prepared by Fund Evaluation Group, LLC (FEG), a federally registered investment adviser under the Investment Advisers Act of 1940, as amended, providing non-discretionary and discretionary investment advice to its clients on an individual basis. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directed to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202 Attention: Compliance Department.

The information herein was obtained from various sources. FEG does not guarantee the accuracy or completeness of such information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. FEG assumes no obligation to update this information, or to advise on further developments relating to it.

Index performance results do not represent any managed portfolio returns. An investor cannot invest directly in a presented index, as an investment vehicle replicating an index would be required. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell any securities.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Past performance is not indicative of future results.

This report is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report.

All shown returns greater than one year are annualized.

All data as of June 30, 2024, unless otherwise specified.

The Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships that provides investors with an unbiased, comprehensive benchmark for this emerging asset class.

The Bloomberg Capital Aggregate Bond Index is a benchmark index made up of the Barclays Capital Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index, including securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

The FTSE NAREIT Composite Index (NAREIT) includes only those companies that meet minimum size, liquidity and free float criteria as set forth by FTSE and is meant as a broad representation of publicly traded REIT securities in the U.S. Relevant real estate activities are defined as the ownership, disposal, and development of income-producing real estate. See [www.ftse.com/Indices](http://www.ftse.com/Indices) for more information.

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc., and are utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund of funds which report to HFR. See [www.hedgefundresearch.com](http://www.hedgefundresearch.com) for more information on index construction.

MSCI ACWI – Ex. U.S. Index is a market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets.

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

The S&P 500 Index is capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

Information on any indices mentioned can be obtained by contacting your consultant or by sending a written request to [information@feg.com](mailto:information@feg.com).



## DISCLOSURES

This one-on-one presentation was prepared by Fund Evaluation Group, LLC (FEG), a federally registered investment adviser under the Investment Advisers Act of 1940, as amended, providing non-discretionary and discretionary investment advice to its clients on an individual basis. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Fund Evaluation Group, LLC, Form ADV Part 2A & 2B can be obtained by written request directed to: Fund Evaluation Group, LLC, 201 East Fifth Street, Suite 1600, Cincinnati, OH 45202 Attention: Compliance Department.

The information herein was obtained from various sources. FEG does not guarantee the accuracy or completeness of such information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. FEG assumes no obligation to update this information, or to advise on further developments relating to it. FEG, its affiliates, directors, officers, employees, employee benefit programs and client accounts may have a long position in any securities of issuers discussed in this report.

Neither the information nor any opinion expressed in this report constitutes an offer, or an invitation to make an offer, to buy or sell any securities.

Any return expectations provided are not intended as, and must not be regarded as, a representation, warranty or predication that the investment will achieve any particular rate of return over any particular time period or that investors will not incur losses.

Past performance is not indicative of future results.

This report is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report.

Standard Deviation – A measure of variability in returns. The annual standard deviation measures the dispersion of annual returns around the average annualized return. Alpha -A measure of a portfolio's volatility comparing its risk-adjusted performance to a benchmark index.

The data published herein may be simulated and in such instances, no allowance has been made for trading costs, management fees, implementation shortfalls or other costs, are not indicative of any specific investment, are unmanaged and cannot be invested in directly. Any information and data pertaining to an index contained in this document relate only to the index itself and not to any asset management product based on the index. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading, but are based on the historical returns of the selected investments, indices or investment classes and various assumptions of past and future events. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Also, since the trades have not actually been executed, the results may have under or over compensated for the impact of certain market factors. In addition, hypothetical trading does not involve financial risk. No hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of the trading losses are material factors which can adversely affect the actual trading results. There are numerous other factors related to the economy or markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect trading results.

Bloomberg Data Disclosure: Source- Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg does not approve or endorse this material or guarantee the accuracy or completeness of any information herein, nor does Bloomberg make any warranty, express or implied, as to the results to be obtained therefrom, and, to the maximum extent allowed by law, Bloomberg shall not have any liability or responsibility for injury or damages arising in connection therewith.



Fund Evaluation Group, LLC | 513.977.4400 | [information@feg.com](mailto:information@feg.com) | [www.feg.com](http://www.feg.com)  
Cincinnati | Dallas | Indianapolis



## INVESTMENT POLICY

### STATEMENT OF PURPOSE

Chapter 15A of Massachusetts General Laws provides that the Westfield State University Board of Trustees (Trustees) has the authority to establish and manage trust funds. The administration of these funds will comply with MGL Chapter 73 § 14 and with MGL Chapter 180A; also known as the Uniform Management of Institutional Funds Law. This Investment Policy is intended to serve as a basis for actions of management in carrying out its investment duties, and for the Trustees in monitoring management's investment activities. A concurrent responsibility of the management of the funds is the thoughtful investment of trust monies. The University may use the services of one or more investment management firms and/or a bank trust department (Investment Manager(s)) to carry out the University's investment activities. The basic responsibility of the Investment Manager(s) will be to keep management of the University abreast of the economy and market conditions and to invest in a mix of eligible instruments within the context of laws, regulations and this investment policy. The Investment Manager(s) shall be approved by the Board of Trustees as part of this policy. University management may delegate authority to the Investment Manager(s) to act within the boundaries of this policy.

### SCOPE

This Investment Policy applies to funds that are not appropriated by the Commonwealth of Massachusetts and specifically excludes federal or other restricted allocations. All funds are accounted for in the University's financial reports. The overall goal is to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements and principal growth of certain fund balances.

### INVESTMENT SUBCOMMITTEE

A subcommittee will be formed called the Investment Subcommittee and will oversee the investment portfolio, policy and the selection of an investment advisor. The subcommittee is established under the Finance and Capital Assets Committee who has formal authority over investments, as provided in the Trustee by Laws. The composition of the Investment Subcommittee may have members other than trustees who can provide guidance but will not be voting members of the subcommittee. The subcommittee will be staffed by the Vice President for Administration and Finance and or their designee.

### INVESTMENT OBJECTIVE

It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio. The basic objectives of the Investment Policy are:

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 2 of 7

REVIEWED: December 2023

- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a manner that seeks to ensure the preservation of capital and safety of principal. Implicit in this objective is the financial goal of preserving and enhancing the portfolio's inflation adjusted purchasing power.
- b. Minimizing Price Volatility – This Investment Policy prohibits investments in securities with the potential for wide price volatility. (See Prohibited Investments).
- c. Return on Investment - Investment income is an integral part of the University's annual budget and long term viability. The portfolio of Westfield State University shall be designed to attain an optimal rate of return under shifting economic conditions and investment cycles.

## ASSET ALLOCATION

The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with recommendations from the Investment Subcommittee and with specific responsibilities assigned to the Vice President for Administration and Finance. The Investment Subcommittee shall review the allocations twice a year and will report up to the Finance and Capital Assets Committee with its findings. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that over the long-term, the allocation between the equity and fixed income allocation will be the single most important determinate of the portfolio's investment performance.

Asset allocation of the University portfolio should be equivalent to approximately 60% in equities, 40% in fixed income and 0% in cash. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

	<u>Goal</u>	<u>Acceptable Range</u>
Equities	60%	45-75%
Fixed Income	40%	30-60%
Alternative Investments	---	---
Cash	0%	0-10%

Any asset allocation not within these ranges should be communicated by the Investment Managers(s) to management as soon as practicable, but no later than the next quarterly status report to the University. The portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration.



# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 3 of 7

REVIEWED: December 2023

The Investment Manager(s) is expected to rebalance the portfolio at least annually. Rebalancing recommendation discussions will be part of the ongoing dialogue between the investment manager and the investment committee. Rebalancing is allowed if it is within the acceptable range.

## PROHIBITED INVESTMENTS

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

## DELEGATION OF AUTHORITY

Oversight responsibility for the investment program is delegated to the Finance and Capital Assets Committee and includes asset allocation, and active management decisions consistent with this policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Assets Committee at the recommendation of the Investment Subcommittee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

### Roles and Responsibilities

The Vice President for Administration and Finance (VPAF), with oversight from the Finance and Capital Assets Committee, shall have the overall responsibility for implementing the management of the Investment Policy. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Finance and Capital Assets Committee, upon recommendation by the Investment Subcommittee and University Management, will appoint the investment advisor/manager. The Investment Policy's related procedures shall comply with the University's Internal Control Plan.

## ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

## REPORTING

University management shall provide quarterly reports from the investment advisor, summarizing investment activity and detail to the Finance and Capital Assets Committee through the Investment Subcommittee.

## AUDITS

The University retains the option to request an independent audit of the funds invested through the investment advisor.

## INVESTMENTS

With stability, capital growth and total return as essential objectives in this Investment Policy, available funds will be invested in instruments consistent with the objective and asset allocation methodology.

The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks/managed funds); (3) cash or cash equivalents.

Total fees (advisory and expenses) for the Investment Advisor/Manager will be limited to 100 basis points unless approved by the Finance and Capital Assets Committee.

### 1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

#### 1. U.S. Treasury and Federal Agency Securities

- a. Maximum size of portfolio - no limit
- b. Maximum lot size - no limit
- c. Mutual funds or ETFs consisting of individual securities that meet the above characteristics

#### 2. Corporate Bonds

- a. Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
- b. All individual corporate bonds shall have a rating of Baa3/BBB- or better as published by Moody's or Standard & Poor's at the time of purchase. If a bond is downgraded below Baa3/BBB-, the manager shall sell as soon as prudently possible.

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 5 of 7

REVIEWED: December 2023

- c. Mutual funds or exchange traded funds (ETFs) consisting of individual securities that meet the above characteristics
- d. Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings above Baa3/BBB- as published by Moody's or Standard & Poor's at the time of purchase.

### 3. Municipal/Other Tax Exempt Issues

- a. Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

### 4. Preferred Stocks (Considered Fixed Income)

- a. Aggregate limit of preferred stocks of 15% of total portfolio (prudently diversified).
- b. All individual preferred have a rating of Baa3/BBB- or better as published by Moody's or Standard & Poor's at the time of purchase.

## 2. **Equity (stocks):**

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 6 of 7

REVIEWED: December 2023

Westfield State Custom Benchmark		
		Policy Benchmark
Barclays U.S Government Credit Intermediate	Fixed Income	35%
BofAML 0-3 Month US T-Bill Index	Cash	5%
<b>Fixed Income</b>		<b>40%</b>
S&P 500	Large Cap	30%
MSCI EAFE (NET)	Developed	15%
MSCI Emerging Markets	Emerging	6%
Russell 2000 Index	Small Cap	5%
Russell 2500 Index	Mid Cap	4%
<b>Equity</b>		<b>60%</b>

“Alternative Investments” may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered “liquid alternative” mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

### 3. Cash and Cash Equivalents:

Cash and cash equivalents are instruments that are relatively “liquid” in nature and are available for operational and/or investment opportunities. This component of the portfolio should be minimal.

### 4. Prohibited Investments:

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

### 5. Fossil Fuel and Alternative Investment Strategy:

The university’s investment advisors are instructed to consider further divestment from direct holdings in the balance of the Carbon Underground 200 list to the

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 7 of 7

REVIEWED: December 2023

extent the advisers believe it is financially prudent with the goal of achieving full divestment. The advisors are further instructed to invest in alternative and/or renewable energy companies, consistent with the parameters of this investment policy as they may deem financially prudent.

Note: It is not a requirement that the State Colleges and Universities must avoid the Carbon Underground 200 list. Imposing the requirement will impact investment performance.

## SPENDING POLICY

The University has adopted the following spending policy, which will apply to the WSU investment portfolio.

1. This Policy seeks an appropriate balance among the following goals:
  - a. Provide the University with a predictable and stable stream of revenue
  - b. Ensure the real value (defined as purchasing power) of the invested assets and its revenue stream does not decline over the long term
  - c. Base the spending policy on best practices for similar organizations or market segments (e.g., treat the invested funds as endowment like).
2. Authorized expenditures during an upcoming fiscal year shall be limited to four percent (4%) of the average total market value of the investment portfolio over a trailing twelve quarter period ending June 30 fiscal year, not to include additions during the current fiscal year. In the event the average annualized total return for the trailing three year period fails to equal or exceed 4%, then the University shall calculate the new percentage and seek approval from the Finance and Capital Assets Committee for an exception to the 4% threshold. The amount for the upcoming fiscal year is to be calculated each June 30th and will be reviewed and approved annually by the Finance and Capital Assets committee with a recommendation from the Investment Sub-Committee.
3. In making such distributions, the University is authorized to use both Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
4. Exceptions to or changes in this spending policy shall only be made by approval of the Board of Trustees based on recommendations from the WSU Finance and Capital Assets Committee (and the Investment Subcommittee).

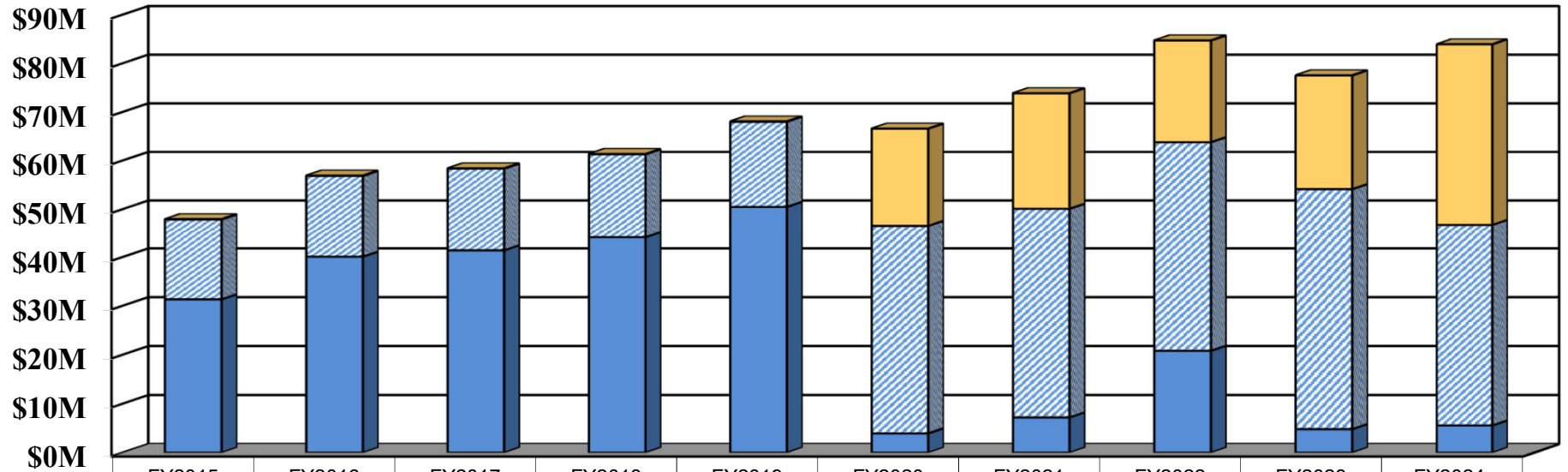
## REVIEW

This policy shall be reviewed annually by the Vice President for Administration and Finance and the Investment Subcommittee with changes approved by the Finance and Capital Assets Committee.

**Westfield State University**  
**Cash and Investment Balances as of June 30, 2024**

<u>Source</u>	<u>Balance 6-30-24</u>	<u>Balance 4-30-24</u>
<u>Investments</u>		
MMDT	\$ 26,310,630	\$ 26,070,617
Equities Portfolio	27,143,381	25,724,931
Bond Portfolio	10,015,780	9,770,255
Total Investments	<u>63,469,790</u>	<u>61,565,804</u>
 <u>Cash Resources</u>		
Working Capital	<u>20,438,698</u>	<u>21,046,009</u>
Total Cash Resources	<u>20,438,698</u>	<u>21,046,009</u>
 Total Cash & Investments	 <u>\$ 83,908,488.23</u>	 <u>\$ 82,611,812.51</u>

## Westfield State University-Cash and Investment Balances June 30,



	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Investments-long term	\$0.06	\$0.06	\$0.06	\$0.06	\$0.07	\$20.00	\$23.76	\$20.93	\$23.39	\$37.16
Investments-short term	\$16.56	\$16.76	\$16.96	\$17.20	\$17.51	\$42.61	\$42.88	\$42.96	\$49.31	\$41.19
Cash	\$31.32	\$40.07	\$41.38	\$44.09	\$50.47	\$3.95	\$7.21	\$20.82	\$4.81	\$5.56

Parenzo project payments: \$4.0M paid 7/15/21 (FY22), \$15.514M paid 7/15/22 (FY23), \$.5M paid 7/15/23 (FY24)  
 HEERF funds of approximately \$3.0M remained unspent at the end of FY22 thereby adding to the University's cash balance