

COLLEGE OF MICRONESIA-FSM BOARD POLICY NO. 1440

Investment Policy

Date Adopted: 20-23 March 2006

Date Revised: March 2013; 21-22 November 2022

Date Reviewed: 21-22 November 2022

Reference: ~~See Appendix 18 for the Investment Policy Statement in its entirety~~ [COM-FSM Endowment Fund: Investment Policy Statement](#), as adopted on December 3, 1997, and amended 2001, 2003, 2005, 2008, 2011, 2013, 2014, & 2016.

~~TIME HORIZON A.~~ TIME HORIZON

Investment guidelines are based upon an investment horizon of greater than twenty years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the endowment's strategic asset allocation is based on this long-term ~~perspective~~ objective.

~~RISK TOLERANCES B.~~ RISK TOLERANCES

Recognizing the difficulty of achieving the endowment's investment objectives in light of ~~the~~ uncertainties and complexities of contemporary investment markets and that some risk must be assumed to achieve the endowment's long-term investment objectives, the following factors bearing on the ability and necessity to withstand short and intermediate term variability are identified in establishing risk tolerances:

1. The endowment currently is significantly under-funded, in light of the current size of the endowment and its goal of attaining a market value of ~~\$20~~ \$50 million prior to utilizing annual earnings for special projects and special needs; and
2. ~~The board has set the goal of achieving a fully funded status by the year 2025-2032.~~

~~PERFORMANCE EXPECTATIONS C.~~ PERFORMANCE EXPECTATIONS

The desired investment objective is a long-term nominal rate of return on assets that is at least equal to ~~7.1%~~ 6.0% annually, net of all investment related costs. The target rate of return for the endowment has been based upon the assumption that future real returns will approximate the long-run rates of return experienced for each asset class in the investment policy statement.

It is acknowledged that the specified rate of return may not be achievable each and every year. It is the objective of the COM-FSM Endowment Fund to meet this objective over a complete market cycle.

The investment objective of the endowment is to strive for positive real rates of return. As inflation statistics are more readily available for the United States than for the FSM, the U.S. Consumer Price Index (CPI) will be used when determining the real rate of return.

Each investment security utilized in the management of the endowment must have a competitive market rate of return if it is to be included in the endowment.

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The board realizes that market performance varies and that a 10% nominal rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers have been identified.

Over a complete market cycle, the endowment's overall annualized total return, after deducting all investment related costs, should exceed a customized index comprised of market indices weighted by the strategic asset allocation of the endowment.