

ADDENDUM #1
RFR# 22-06

Investment Advisory Services

February 28, 2022

QUESTIONS AND ANSWERS

This Addendum contains eight (8) pages.

1.) Are you able to share anything about the Investment Advisory Services desired? What specific services is HCC looking for?

a) Seeking investment management services that have a favorable fee structure and proven history of outperforming industry benchmarks such as the S&P 500 and Barclays Capital Government/Credit Intermediate Index.

2.) How much are they aiming to invest and are they targeting a balanced investment allocation between stocks & bonds?

a) Currently, \$14 million under management, minimum investment of \$3 million, asset allocation to be determined based on advisor(s) awarded.

3.) Why is the search being conducted – contract expiration of incumbent, standard due diligence purpose, influx of capital, seeking additional services, etc.?

a) Standard due diligence.

4.) What firm currently provides the services and will they be allowed/invited to rebid?

a) Eaton Vance and The Common Fund. Yes, they will be allowed to rebid.

5.) What pool(s) of assets will the advisor work on – approximately \$14 million long-term investments, \$5 million in cash & equivalents, etc.?

a) Three to eleven million long term.

6.) What timeframe does the college expect to interview finalists and ultimately select/hire a firm?

a) Within 60 days from Bid Opening Date – March 14, 2022

7.) What will be the expected contract length/term for the selected firm?

a) Five years term with automatic annual renewals until terminated.

8.) Are you able to share a current Investment Policy Statement and/or the College's current portfolio asset allocation?

a) Yes. See pages 4-8.

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9.) Are any of the assets included in the RFR proceeds of Municipal Securities or Municipal Escrow Investments?

a) No

10.) Can you provide the most current Investment Policy Statement?

a) See question 8

11.) What is the total asset base for this mandate?

a) Minimum portfolio \$3 Million up to \$11 Million.

12.) Will this mandate require an advisory structure?

a) No

13.) What is the annual distribution/spend rate?

a) None

14.) Is the Committee willing to consider private capital?

a) No

15.) What is the overall purpose of these assets?

a) Long term strategic reserves

16.) Can you please confirm the mandate is for the college only or does it include the foundation?

a) College only

17.) Are there any liquidity concerns that we should be aware of?

a) None

18.) Please confirm the type of advisory services Holyoke Community College is looking for: Discretionary advisory services or Nondiscretionary advisory services.

a) Discretionary

19.) Is this for the Foundation or another pool of assets?

a) College only long term invested reserves

20.) Please provide the current Investment Policy Statement (IPS)

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a) Answered Question 8

21.) Please provide information on the spending policy.

a) None

22.) What was the catalyst for conducting this search?

a) Due diligence

23.) Could you please discuss any goals, objectives, or key issues for HCC not mentioned in the RFP?

a) None

24.) Is there currently an advisor, and if so, are they invited to rebid?

a) Eaton Vance and The Common Fund. Yes, they will be permitted to bid.

25.) What are the key strengths of the incumbent advisor, if applicable?

a) N/A

26.) When was the last time your organization performed an Advisor Request for Proposal?

a) 2015

***** END OF ADDENDUM #1 *****

HOLYOKE COMMUNITY COLLEGE

Statement of Investment Policy

I. Overview

In accordance with Chapter 15a of the Massachusetts General Laws, the Board of Trustees of Holyoke Community College has the authority to manage locally held funds that are not appropriated by the state legislature or derived from U.S. federal sources. The purpose of this Investment Policy Statement is to set forth the policies and procedures that shall guide the Board, the Finance Committee, and the College's Administration in supervising and monitoring designated investible assets.

II. General Principles

The principal objectives of the investment policy are:

Safety: Investment transactions shall be made in a manner to ensure the preservation of capital and safety of principal in the overall portfolio. The objective will be to minimize credit and interest rate risks. The College will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the College's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The College will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Permitted Investments Section of this Investment Policy; and by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the College will do business.

Liquidity and Market Risk: Investments shall be made to assure that funds are available as required through cash flow projections to maintain adequate liquidity. The College will minimize Market Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in interest rates and economic conditions, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the College's cash requirements.

Return on Investment: The investment portfolio will be designed to earn the maximum rate of return allowed on its investments within the policies imposed by its safety and liquidity objectives, investment strategies for each fund, and all laws and state regulations governing investment of public funds.

The Board is cognizant of the fact that investment of College funds in local institutions supports the local economy, provides employment, and may enhance the economic development of the region. It will therefore, as a matter of policy, to maintain substantial funds on deposit in local institutions.

Given these objectives, the Board of Trustees will support the investment of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds. The College's investible funds shall be managed in accordance with high standards of fiduciary duty and in compliance with applicable laws and regulations. Including but not limited to the Uniform Prudent Management of Institutional Funds Act of 2009.

III. Role and Responsibilities

If the Board of Trustees elects to oversee investment matters directly, it shall undertake the roles and responsibilities prescribed for the Finance Committee herein. Otherwise, the Finance Committee shall implement the management process and monitor the College's investments in accordance with this Statement. The Chair of the Committee shall be a current member of HCC's Board of Trustees; other Committee members need not be Trustees.

The Finance Committee, acting pursuant to this Statement and to instructions from the Board of Trustees, shall have direct responsibility for the oversight and management of the College's investments and for the establishment of investment policies and procedures.

The Finance Committee shall, as more fully described herein, manage the College's investments via a set of asset allocation targets and ranges for the portfolio.

In fulfilling its responsibilities under this Statement, the Finance Committee shall, among other activities, recommend to the Board of Trustees the hiring and dismissal of investment managers, fiscal agents and other advisors.

Periodic reports, as determined by the Finance Committee, will be provided to the Finance Committee by the College's Vice President of Finance and Administration or designee. The College's Comptroller shall be responsible to the Finance Committee for maintaining detailed records of all invested funds, and in concert with the College's CFO, carry out the investment policies and procedures established by the Board of Trustees and Finance Committee.

IV. Policy Review

This Statement shall be reviewed annually by the Finance Committee and any recommendations for changes presented to the Board of Trustees.

V. Investment Policy

A.) Permissible Investments

Equity Securities: The purpose of equity investments, both domestic and international, in the Fund is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depositary Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-

counter markets. Public equity securities shall be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ, and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary.

Fixed Income Securities: Domestic and international fixed income investments are intended to provide diversification and a dependable source of current income. Fixed income investments should reduce the overall volatility of the portfolio's assets and provide a deflation or inflation hedge, where appropriate. The fixed income asset class includes the fixed income markets of the U.S. and the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, public and private corporate debt, mortgages and asset-backed securities. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations.

B.) Prohibited Investments

The following type of transactions or securities are prohibited or restricted:

1. **Futures Contracts:** A futures contract is an agreement calling for a fixed-price, future delivery of standardized securities, usually Treasury and Agency issues.
2. **Short Sales:** This is the sale of a security that is not owned by the College.
3. **Adjusted Trades:** This is a method of hiding an investment loss by selling a security at a fictitiously high price from the same dealer.
4. **IOs and Pos:** Interest-only (IOs) and Principal-only (POs) are stripped mortgage-backed instruments, because of their extreme price volatility.
5. **Residuals:** This security is the excess cash flow from a mortgage-backed security after all other payments have been satisfied.
6. **Pair-off.** A pair-off results from the purchase and sale of the same security prior to the settlement date.
7. **Inverse Floaters:** The value of this security moves in the opposite direction of interest rates. Due to its extreme price volatility, these are prohibited securities.
8. **Exotic Derivatives:** Due to the conservative nature of the Cash Management strategy, investment in exotic derivatives is prohibited. Exotic derivatives for purposes of this policy are described as Interest Only Strips (IOs), Principal Only Strips), Inverse Floaters (INFLs), Inverse Interest Only Bonds, Targeted Amortization Class Bonds (TACs), Z-Bond Tranches and Indexed Amortizing Notes (IANs) and any other investments with similar characteristics.

C.) Authorized Financial Dealers and Institutions

All financial institutions that desire to become qualified bidders for investment transactions must supply the College with the following:

1. Audited financial statements
2. Statements for the most recent fiscal year.
3. Certification that they have read the College's investment policy and the pertinent state statutes.
4. Proof of National Association of Security Dealers' certification.

5. Proof of State registration, where applicable.

VI. Diversification and Asset Allocation

To achieve its investment objective, the investment portfolio shall be divided into two major components: an "Equity Allocation" and a "Fixed Income Allocation." It should be noted that the division by asset class is to ensure that the overall asset allocation between these two asset classes remains under the regular scrutiny of the Finance Committee. Over the long run, the allocation between the Equity and the Fixed Income Allocation will be the single most important determination of the portfolio's investment performance.

For the purposes of asset allocation and investment strategy, the College's operating cash requirements (Operating Funds) shall be excluded from the annual allocation guidelines and performance targets.

Operating Funds must be identified and distinguished from all other funds available for investment. Operating Funds are defined as those funds which are reasonably expected to be expended during a current budget year.

The portfolio will be diversified both by asset class (e.g., equities, bonds, cash equivalents, alternative assets) and within asset classes (e.g., within equities by economic sector, industry, quality, and size). The purpose of such diversification is to provide reasonable assurance that no single security, class of security, or specific investment style will have a disproportionate impact on the portfolio's aggregate results.

The purpose of the Equity Allocation is to provide a total return that will provide for growth in principal and current income (along with that from the Fixed Income Allocation) sufficient to support spending requirements, while at the same time increasing the purchasing power of the portfolio's assets. The Trustees recognize that the pursuit of these long-term objectives entails the assumption of greater variability of the total portfolio's investment returns (risk), in comparison to more conservative asset allocations, which have lower levels of expected risk and return.

The target allocations and ranges for the portfolio are as follows:

<u>Asset Allocation</u>	<u>Lower Limit</u>	<u>Typical Allocation</u>	<u>Upper Limit</u>
Equities	30%	40-60%	70%
Fixed Income & Equivalents	30%	40-60%	70%

The investment performance of the fund will be measured against a blended benchmark using the S&P 500 and Barclays Capital Government/Credit Intermediate Index as the components in relative proportion to the investment.

The Finance committee shall establish asset allocation guidelines and performance targets annually and may revise these guidelines more frequently as economic circumstances and conditions dictate.

Rebalancing: The purpose of rebalancing is to maintain the policy asset allocation within the targeted ranges, thereby ensuring that the College's investment do not incur additional risks as a result of having deviated from the policy. Rebalancing will take place on a portfolio basis to reduce expenses as far as practicable. More frequent tactical rebalancing of asset classes within their ranges will also be permitted in order to take advantage of shorter-term market conditions, as long as such changes or reallocations do not, in the opinion of the Committee, cause undue risk or expense.

VII. Safekeeping and Custody

To protect against potential fraud and embezzlement, the investment assets of Holyoke Community College shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only by book entry or through third-party institutions. All investment officials shall be bonded.

VIII. Conflict of Interest

College funds shall not be invested in any entity in which a member of the Board of Trustees, the President, the Vice President for Administration or the Comptroller, has a financial interest or involvement; provided, however, that such investments may be made if such interest or involvement is disclosed in advance to the Board of Trustees and contemporaneously recorded in the minutes of the Board; and provided further that no member having such an interest or involvement may participate in any particular matter relating to such an investment.

IX. Delegation

The Board will, from time to time, establish investment fund ceilings and broad asset allocation guidelines, but hereby delegates to the President or his designee the authority to determine the exact dollar amounts to be invested within those established limits and guidelines.