



# INVESTMENT STRATEGY OVERVIEW

## INVESTING TO FUEL THE BROTHERHOOD

Diligent stewardship of our assets matters because strong performance means that together, with our community of donors, we can make a greater impact on our brotherhood and the world around us.

As a fiduciary and 501(c)3 charitable organization, the Foundation takes seriously its responsibility to provide judicious management and oversight of the organization's assets. The financial and investment operations of the Foundation are under the direct oversight of the organization's Board of Trustees, which has adopted and regularly reviews an Investment Policy Statement. It has delegated specific responsibilities for the implementation and oversight of this policy to the Foundation's Investment Committee. This committee selects and oversees our investment advisor, evaluates the allocation strategies recommended by our advisor for each investment pool, and monitors the investment managers selected by our advisor. It also regularly reviews investment performance and monitors market conditions.

## PRUDENT INVESTING

The principles that guide the Foundation's asset allocations, the selection and evaluation of managers, and forecasting the likely performance of portfolios are all grounded in decades of academic and practitioner research into the world's financial markets.

Evidence-Based investing contrasts with popular ways to invest that focus on hiring talented managers and anticipating market moves to achieve performance that exceeds overall market returns. Research consistently shows these tactics, while common, regularly underperform market benchmarks after fees over extended periods, and those that do well in one period tend not to repeat that performance in the next.

In contrast, research confirms the efficiency of global equity markets and the benefits of owning markets broadly through enhanced indexes that capture persistent, pervasive and robust risk premiums which have been shown to improve expected investment returns over time.

## PORTFOLIO CONSTRUCTION

Academic and practitioner research supports a number of pragmatic tenets that guide how the Foundation's portfolio is constructed.

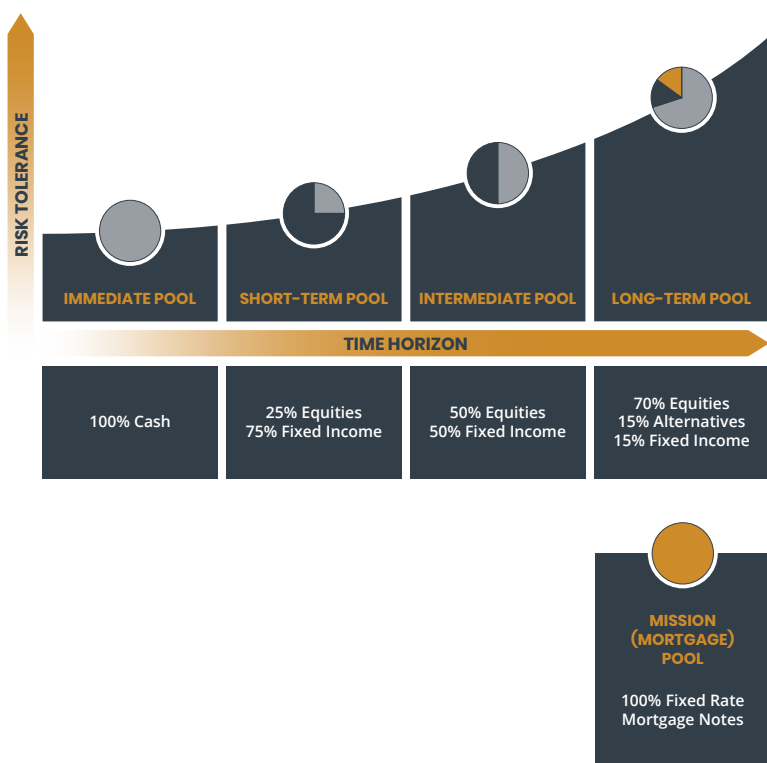
- A focus on strategic asset allocation that balances investment goals that support programming with the Foundation's ability to tolerate various forms of investment risk. These allocations are maintained over time by dynamically rebalancing them back to target weightings across changing market conditions.
- Owning equity markets broadly utilizing low-cost mutual funds. These funds are diversified widely across size, sector, and geographical region (domestic and international) to capture the overall return of the market.
- Within these broad equity holdings, the portfolio is overweighted to aspects of the market that research shows provide persistent and pervasive premiums that improve expected returns such as size, value and momentum premiums.
- Within fixed income, the portfolio is focused on high quality, short-to-intermediate term individual bonds to capture the modest but persistent term premium.

# INVESTMENT POOLS AND OBJECTIVES

The dollars entrusted to the Foundation are gifted to achieve specific purposes that advance each chapter's or donor's charitable intent and further Phi Psi's vision of inspiring men to strive for their highest intellectual, moral and spiritual character in order to live productive, honorable, and purposeful lives.

These purposes have different timeframes and some carry unique restrictions; some are very short-term while others longer and some perpetual in nature. As a result, the Foundation's assets are invested in one of five investment pools with asset allocations consistent with these purposes. These allocations are rebalanced to targets when appropriate.

These pools enable the Foundation to commingle like gifts and funds with similar investment objectives while maintaining detailed accounting records for individual funds. Commingling donor funds within investment portfolios aligned with each donor's charitable intent and timeframe has been a best practice for community foundations, larger universities, hospitals and cultural organizations for many, many years. The Phi Kappa Psi Foundation is the community foundation serving chapters, alumni and friends wherever their commitment to service takes them.



## IMMEDIATE OR CASH POOL

- Investment Horizon: 0-2 Years.
- Cash and cash equivalents.

## SHORT-TERM POOL

- Investment Horizon: 2-5 Years.
- Modest equity exposure & short duration bond portfolio.

## INTERMEDIATE-TERM POOL

- Investment Horizon: 5-9 Years.
- Increased equity exposure & short duration bond portfolio.

## LONG-TERM POOL

- Investment Horizon: 10+ Years.
- Significant equity exposure, allocation to alternatives, & intermediate duration bond portfolio.

## MISSION (MORTGAGE) POOL

- Established to manage the collateralized loans made to chapter house corporations for the purchase and/or renovation of chapter facilities as well as to support living-learning communities where community good is a measure of return.

# INVESTMENT ADVISORS

The Foundation has engaged Buckingham Strategic Wealth as its Investment Advisor after a national, competitive selection process. As a provider of Outsourced Chief Investment Officer (OCIO) Services, Buckingham enables the Foundation to outsource the majority of the investment process to seasoned professionals while maintaining close oversight, which aligns directly with the fiduciary approach envisioned in statutes like the Uniform Prudent Management of Institutional Funds Act. In this role, Buckingham brings the understanding our volunteer leaders have for the Foundation's charitable purposes and the intent of our donors together with a disciplined investment process to yield clear investment objectives and transparent investment solutions aligned with each of these goals. They also provide the reporting infrastructure and performance data that enables the investment committee to closely monitor performance, adherence to strategy, and risk exposures.