

IIT MADRAS FOUNDATION

INVESTMENT POLICY STATEMENT

Approved
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**INVESTMENT POLICY STATEMENT
OF
IIT MADRAS FOUNDATION**

I. PURPOSE

This Investment Policy Statement (hereafter referred to as the “Policy”) has been developed to ensure that the investment assets of the IIT Madras Foundation (“Foundation”) are invested in a manner consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Nonprofit Corporation Law of California, and to assure grantors, donors and potential donors that their funds will be managed prudently to support the long-term viability of the Foundation’s programs. This Policy has also been developed to identify the responsibilities of the Foundation’s Board of Directors and of related parties. This document as of this date supersedes all previous versions of this document and prior amendments.

II. GOVERNANCE, ROLES AND RESPONSIBILITIES

A. Board of Directors. All powers and activities of the Foundation under the Policy shall be exercised and managed by the Board of Directors of the Foundation. The Board of Directors is ultimately responsible for all investment activities, but may delegate the investment and management of its funds to the Investment Committee, officers, employees, and third-party agents.

B. Investment Committee. The Investment Committee (“IC”) shall have at least three members, and may be comprised of directors and non-directors. The activities, affairs, and powers of the IC shall be exercised under the ultimate direction of the Board of Directors. Subject to the ultimate direction of the Board of Directors, the IC shall have the authority to:

1. direct and monitor the Foundation’s investments and to manage any related outside parties such as investment manager(s) or Investment Advisor(s), as defined in Appendix A, if any;
2. select, if desired, one or more Investment Advisors to manage the investment assets and to advise the IC, though the IC may choose not to select an Investment Advisor at all; and
3. in the absence of selected external Investment Advisor(s) or managers, advise the Board of Directors on investment policy, recommend asset allocations, and either recommend investment managers who will invest the funds or invest the funds directly at the direction of the Board of Directors.

Members of the IC need not be registered “Investment Advisors” under the Investment Advisors Act of 1940. Notwithstanding this, any person who has special skills or expertise, or is selected by the Board of Directors to serve on the IC in reliance upon the

person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

C. Investment Manager(s). The Investment Manager(s) is one or more firms retained by the Investment Committee (or, if so selected, by the Investment Advisor) to manage the investment of all or part of the portfolio. These may include separate account managers and comingled fund managers.

III. INVESTMENT POLICY.

A. Investment Standards. When investing and managing the Foundation's investment assets, and when delegating the investment and management of the assets, the Directors and other parties responsible for the investment and management shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the Foundation's purposes. In the course of administering the investment assets pursuant to this standard, the Directors and other parties shall consider the charitable purposes of the Foundation as well as:

- (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 portfolio;
- (v) The expected total return from income and appreciation of investments;
- (vi) The Foundation's other resources;
- (vii) The needs of the Foundation to make distributions and to preserve capital;
and
- (viii) An asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

Decisions about an individual investment shall be made not in isolation, but rather in the context of the Foundation's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

B. Overall Investment Policy. Subject to the terms of this section, the overall investment policy of the Foundation shall be to establish and maintain an appropriate balance

between the goals of preserving capital, liquidity, and growth, considering the projected cash flow needs of the Foundation.

1. Return Objectives. Total return (the aggregate return from capital appreciation, dividends, interest income, and other returns) shall be the standard of measurement for investment performance, to be achieved through a well-diversified portfolio, as described herein. Over the long term, the portfolio is expected to generate a total return in excess of the Foundation's annual average spending rate of its investment assets, determined in accordance with the Foundation's spending policy, if any, in order to grow and provide for the long-term needs of the Foundation.

2. Liquidity. While the Foundation has a very long investment horizon, it must maintain sufficient short-term liquidity, either through choice of investment vehicles and/or prudent asset allocation to be able to meet its obligations and to fund the Foundation's expenses in the event of a shortfall in revenues over expenses. To facilitate this, the Foundation staff shall provide the IC, on a best efforts basis, an updated twelve-month projection of anticipated cash needs every quarter. Cash balances that are to be invested will be determined quarterly by the IC and invested according to the Policy.

3. Passive Investments. The Foundation seeks to be neutral with respect to investment style, and to follow a passive investment approach, at least until the investment assets reach a critical size for active management to be beneficial. The Foundation expects to select investment managers and investments based on availability of suitable passive products, with a strong emphasis on cost and service, including passive mutual funds or exchange traded funds. Ease of implementation and reduced friction costs, without use of Foundation staff dedicated solely to investments, are important criteria for selection of specific investments, at least until the Foundation's investment assets grow considerably larger. Furthermore, in the interest of costs, the Foundation may choose to manage its investment assets using available internal resources.

4. Risk Objectives. Asset allocation and portfolio construction are expected to reflect a conservative risk management approach with the resulting portfolio expected to be more strategic than tactical, and more diversified than concentrated. Given the long-term nature of the Foundation and its modest liquidity needs, the Foundation has an above average tolerance for volatility. Therefore, when reviewing and approving asset allocations under this Policy, the Board of Directors is willing to accept short term value fluctuation in order to achieve long-term total return over full economic cycles. The Board of Directors may change the asset allocation if and when risk objectives change in the future.

5. Other Commitments. The Foundation, in selecting its investments, is also committed to:

- (i) global investments as a source of return and diversification;
- (ii) equities, in general, as a source of long-term capital appreciation;

- (iii) high quality, fixed-income securities as a source of low volatility;
- (iv) higher yielding fixed-income securities as a source of current income; and
- (v) inflation protected securities as a source of inflation protection.

C. Asset Allocation. Based on the Overall Investment Policy, the investment assets of the Foundation shall be divided per the asset allocations described in Appendix B, attached hereto and incorporated herein. Appendix B may be revised in the future via changes to the allocation weights or addition/deletion of asset classes at the recommendation of the IC. The Board of Directors must approve all changes to Appendix B.

D. Rebalancing. Because the asset classes do not move concurrently, deviations from the target allocations will occur through normal market activity. Normal market activity will be allowed to shift individual allocations within +/- 5% of the target allocations defined in Appendix B (with rounding). In addition, the portfolio is also expected to be maintained within +/-5% of the Global Equity Target Allocation as defined in Appendix B . The Foundation expects to rebalance the assets at the end of each quarter, at the direction of the IC. If the allocation of assets deviates beyond +/-5% from the individual allocations or the Global Equity Target Allocation prior to the quarterly rebalance dates, IC must make a recommendation to the Board of Directors regarding whether or not an interim rebalancing action is warranted, and if so, the extent of such an action.

The IC will review the rebalancing triggers and calculations annually and recommend adjustments, as needed, to the Board of Directors. In the event of a significant market event, the Board of Directors may, in its discretion, grant additional authority to the IC to rebalance more than once per quarter or to modify certain rebalancing parameters.

Rebalancing calculations will be carried out by the staff and/or IC and will be implemented by the staff of the Foundation on direction from the IC.

IV. EVALUATION & REPORTING

A. Benchmarks. The IC shall select benchmarks for each asset class and investment. The IC may update benchmarks when appropriate. .

B. Investment Committee Meetings. The IC shall meet at least once per quarter (in person or by telephone conference) to conduct a thorough review of the portfolio for the purposes of: (i) determining the possibility of achieving the investment objectives and appropriateness of rebalancing to respond to a changing economic environment; (ii) comparing the investments and investment managers', if any, results to the appropriate indices and peer groups to determine if the current selections are appropriate or if any changes should be made; and (iii) reviewing the Foundation's investment objectives and guidelines to determine their continued applicability.

C. Investment Committee Reports. The IC shall report to the Board of Directors quarterly on the investment performance of the portfolio. The IC shall perform an annual review of this Policy and bring any recommended changes to the Board of Directors for review and approval at least annually, including any changes to the list of current investments on Appendix B.

APPROVED	
IIT MADRAS FOUNDATION	
By:	<i>Widish</i>
Its:	President & CEO

**APPENDIX A:
INVESTMENT ADVISOR**

The Investment Advisor is one or more individuals or firms employed to advise the Foundation on investment policy, determine precise asset allocations, and either select the Investment Manager(s) who will invest the funds or invest the funds directly. As long as the Investment Committee (“IC”) meets the Standard of Care set forth in Section III.A above in selecting the Investment Advisor, it may rely on the advice of the Investment Advisor in exercising its duties and meeting its standard of care. The Investment Advisor shall provide a written report to the IC showing its recommended asset allocations. The Investment Advisor shall recommend updates to these recommendations as it deems appropriate.

The Investment Advisor must exercise prudent judgment within the guidelines of this Policy. The Investment Advisor has full discretion to make all investment decisions of the assets placed under its jurisdiction and may independently determine the investment strategy and tactical asset allocation of the funds under management, with an understanding of the goals and subject to the limitations outlined in this Policy. If an Investment Advisor is managing just a portion of the investment assets, specific guidelines and benchmarks for performance measurement will be separately determined and documented, such that the overall combination of the guidelines given to each advisor will achieve the targets and limitations of the overall portfolio as provided in the Policy.

APPENDIX B:
ASSET ALLOCATION TARGETS &
CURRENT INVESTMENTS