CLARE COLLEGE
CAMBRIDGE

Investment Policy

Adopted as of 6 July 2023

I. Purpose and Review of Investment Policy.

A. Purpose. The purpose of this Investment Policy is to give guidance to the Trustees on Finance Committee of the College ("Trustees") and the Investment Committee (the "Investment Committee" or the "Committee") of the College in connection with the investment and management of the College's funds designated for investment (the "Endowment"). Long-term investment objectives, policies and a prudent investment program are essential tools for the Trustees and Investment Committee in carrying out their fiduciary responsibilities with regard to the management and investment of the College's Endowment.

B. Investment Managers. In the pursuit of its investment objectives, the Investment Committee may engage the services of an investment advisor to assist in the selection of investment managers of the funds invested under the purview of the Investment Committee (each, an "Investment Manager").

C. Investment Committee Review. The Investment Committee will review this Investment Policy as needed and make any appropriate changes.

II. The Investment Committee.

A. General. In recognition of its responsibility to manage the Endowment prudently, the Trustees has appointed an Investment Committee in accordance with the By-Laws of the College. The Investment Committee has been charged with the responsibility to supervise the investment and management of the Endowment, and has been further charged with the responsibility of keeping the Trustees properly advised of the status of the College's investments.

B. Structure and Operations.

1. Composition and Qualifications. The Investment Committee will be comprised of one or more members of the Trustees, one or more members of the wider Fellowship, a representative of the UCS and a representative of the MCR and potentially one or more members of the public, preferably with financial and/or investment background or expertise.

2. Appointment and Removal. In accordance with the practice of the College, the members of the Committee will be appointed by the Finance Committee annually, and may be reappointed for further periods, provided that their total period of appointment will not exceed eight consecutive years except in the strictly defined circumstances set out in paragraph B4 below. Any member of the Committee may be removed, with or without cause, by a majority vote of the Trustees.

3. Chair. The Chair of the Committee will be the Master of the College. The Chair of the Committee will chair Committee meetings and set the agendas with the Bursar of College. In the absence of the Master, the Master may delegate to the Bursar to chair the Committee meeting.

4. Only in exceptional circumstances will a member who is not Chair or Bursar be permitted to serve on a committee for more than nine consecutive years. The exceptional circumstances are where in the opinion of the Trustees, the member brings particular specialised knowledge or experience to the committee. Such members may only be reappointed for further periods but not exceeding ten consecutive years.

5. Members retiring from a committee after completing nine consecutive years are not eligible for reappointment to that committee until after an interval of at least one year.

6. For members of the Investment Committee at the introduction of this Investment Policy, who have already served nine or more consecutive years at 30 June 2023, then these members may be reappointed for further periods but not exceed a further three consecutive years.

C. Meetings. The Committee will meet at least termly, or more frequently as circumstances dictate. The Committee may invite to its meetings any fellow or employee of the College, and any other person with whom it deems appropriate to consult in order to carry out its duties and responsibilities.

III. Duties and Responsibilities.

A. Investment Committee. The following are the duties and responsibilities of the Investment Committee:

1. Authorization and supervision of the investment of the Endowment;

2. Periodic review of the written Investment Policy for the Endowment, including any exclusions, risk appetite and investment objectives;

3. Establishment and review of an investment strategy consistent with the requirements, guidelines and principles articulated in the Investment Policy including determining the asset allocation targets and ranges to deliver the investment objectives;

4. Deciding to appointment or terminate any Investment adviser or Investment Manager;

5. Reviewing the performance of Investment Managers;

6. Regularly reporting to the Trustees material information regarding the Endowment, including value and performance, including relative performance against appropriate benchmarks, exposure to particular asset classes and other relevant information;

7. Setting annual appropriation from endowment funds for expenditure in accordance with the guidelines set forth in this Investment Policy;

8. Oversight of the financial and cash management processes and methods utilized in the management of the Endowment, including the deposit and safekeeping of moneys, securities and other financial and investment assets of the Endowment; and

9. The carrying out of any other duties and responsibilities delegated to the Investment Committee by the Trustees from time to time.

IV. Investment Objective and Spending Policy

The College seeks to generate a real return (after inflation measured by CPI) of at least 3% per annum over the long-term in order to:

A. Preserve and where possible enhance the real (inflation-adjusted) purchasing power of the Endowment while

B. Generating distributable earnings to fund College activities that is prudent for the uses, benefits, purposes, and duration of its endowment fund(s). Stability is important because large fluctuations are difficult to accommodate in the College's activities.

In determining this investment objective, the Trustees will consider the following factors: (i) preservation of the College's assets; (ii) the purposes of the College and, if applicable, the purposes of any specific endowment fund; (iii) the expected total return from both income and the appreciation of investments (iv) general economic conditions; (v) the possible effect of inflation or deflation; (vi) other resources of the College; (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the College's assets, giving due consideration to the effect such alternatives may have on the College; and (viii) this Investment Policy Statement.

For the avoidance of doubt, these are factors to be considered in making a decision, and the relative importance given to each remains in the discretion of the Trustees who may, for example, determine that the purposes of the College are best served by increased spending in response to an exigent need, notwithstanding any impact on the preservation of the College's assets.

The minutes of the meeting at which such decision is made will record the consideration given by the Finance and Investment Committees to each of the factors above.

As of 1 July 2023, for 2023-24 onwards the spending rate for the Endowment is:

3% of prior three years' average ending market value

V. <u>Investment Considerations</u>.

A. <u>Long Term Investment Horizon</u>. The funds under the purview of the Investment Committee, except those required for near-term needs in accordance with the College's spending policy, should be treated as long-term assets managed to maintain the purchasing power of those assets (net of the College's annual expenditures from those assets) in the future while being mindful of the cash flow and liquidity requirements of the College. Endowment should be invested in such a way as to help in meeting the future capital and other investment needs of the College, while maintaining an acceptable level of risk.

The Trustees do not expect that the investment objective will be achievable in every year and, as a result, will normally measure investment performance over rolling three- and five-year periods. The Trustees also recognizes that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of the College. In developing and implementing the College's investment program, the Investment Committee will consider the risks associated with each investment strategy and asset class and the correlation between them.

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted in accordance with the long-term policy targets.

B. Intergenerational equity. The College adopts a very long-term time horizon when making investments. The objective of managing the endowment is to ensure an equitable distribution of benefits between current and future generations of beneficiaries.

C. Diversity, Equity, and Inclusion. Based on experience and available research, the College believes that diversity, equity, and inclusion ("DEI") can positively affect decision-making, promote innovation, improve morale, facilitate access to new and existing markets, provide reputational and relational benefits, and ultimately enhance financial performance. On the other hand, a disregard of DEI can create significant legal and reputational risks, and the magnitude of these risks continues to grow as public opinion and legal requirements evolve. Without limiting its investment discretion, the College intends to take DEI into account when making investment decisions. In selecting Investment Managers, the Investment Committee may consider, among other attributes, the DEI of the Investment Manager as well as how the Investment Manager takes DEI into account in making investment decisions.

D. Universal Ownership Approach. As a universal owner, the College believes that it has a duty to act in the best long-term interests of its beneficiaries by helping to preserve the long-term health of the real economy and the social and environmental substrates on which it relies. In this fiduciary role, the College recognises that environmental and social systemic risks can have a material impact on the financial performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). The College also believes that applying this Universal Ownership Approach will better align the College's investment activities with its mission, consistent with the College's duty of obedience to its charitable purposes. The College intends to take systemic environmental and social issues into account when making investment decisions. In selecting Investment Managers, the Investment Committee will consider, among other attributes, the Investment Manager's environmental and social practices – for example, primary market financing of, and votes against directors of, companies engaging in fossil fuel expansion

E. Legal Considerations. The Trustees and the Investment Committee will carry out their responsibilities in compliance with applicable law.

VI. Asset Allocation and Asset Classes.

A. Allocation Responsibility. The responsibility for establishing the strategic asset allocation policy ("Asset Allocation") for the College rests with the Investment Committee. In making asset allocation judgments, the Committee recognizes that the College must invest in a portfolio of assets that aims generate a return sufficient to meet the stated objectives while complying with its ESG principles.

B. Re-Allocation. On a periodic basis, at least annually, the Investment Committee should review the strategic asset allocation and consider whether any changes should be made. On an ongoing basis, the Investment Committee will consider tactically re-allocating within the agreed regional weighting ranges in the particular case of public equities.

C. Minimising transaction and management costs. The Investment Committee will evaluate whether the fees charged by an Investment Manager are justified by the expected risk-adjusted returns from that manager and asset class.

D. Global Equity Securities. This asset class may include, but is not limited to, common stock that is readily marketable on listed exchanges, convertible preferred stock, convertible debentures or other investments or vehicles that invest in or correlate with the performance of these securities. Stock rights or warrants received from existing equity holdings may be held or sold at the discretion of the Investment Manager.

E. Global Fixed Income Securities. This asset class may include, but is not limited to Treasury obligations, Government agency notes, corporate bonds, debentures, notes and preferred stock, commercial paper, commercial bank certificates of deposit, semi-secured floating rate bonds, mutual fund/co-mingled bond funds, yield enhancement techniques (e.g., options and futures) or other instruments or vehicles that invest in or correlate with the performance of these securities.

F. Real Estate. This asset may include direct and indirect real estate holdings. It may include open-and closed-end real estate funds. It will not include any direct property holdings that the College classifies as operational estate.

G. Alternative Investments. Alternative investments relates to interests in financial alternatives, such as; private equity, venture capital, hedge funds and private credit, along with real asset alternatives, such as; infrastructure, transport, timber and commodities. These asset classes are typically implemented through open- and closed-end alternative funds and similar alternative asset holdings. Among the factors to be considered in connection with Alternative Investments, liquidity, leverage and volatility will receive particular consideration.

H. Cash or Cash Equivalents. Investment Managers may invest in short-term U.S. Treasury obligations, government agency obligations, commercial bank CDs and other generally acceptable money market and equivalent instruments.

I. Asset Allocation Policy. As of 6 July 2023, the Asset Allocation policy for the Endowment is as follows:

Asset Class

Asset Class	Long-Term Policy	Range	Benchmark
Equity			
UK Equity			MSCI UK SRI Filtered
Europe Equity			MSCI Europe SRI Filtered
Japan Equity			MSCI Japan SRI Filtered
Emerging Market Equity			
Global Equity			MSCI ACWI
Total Equity	70%	50-80%	
Real Estate			
Direct Holdings			
Real Estate Funds			
Total Real Estate	20%	10-30%	MSCI/AREF UK Quarterly Property Fund
Alternative Investments			
Hedge Funds			
Private Equity	10%	0-20%	Buyouts MSCI ACWI leveraged 30%; VC NASDAQ
Absolute Return	0%	0-20%	Cash + 4%
Infrastructure			
Total Alternative Investments	10%	0-20%	
Fixed Income & Cash			
Cash & Short Term			
GBP Fixed Income			
Foreign Exchange & Non-GBP Fixed Income			
Complementary Structured Strategies			
Total Fixed Income & Cash	0%	0-20%	Sterling Overnight rate
TOTAL	**100.0%**		

VII. **Investment Restrictions**.

A. Climate Change and Sustainability

1. The College has agreed not to hold directly or indirectly shares in fossil fuel producers (defined as businesses generating 5% or more of revenue from this activity).

2. The College shares the University of Cambridge's aspiration to achieve net zero emissions by 2038 from both its operational activities and its investments.

3. The College encourages the Investment Committee to seek out investments which offer both attractive risk adjusted returns and make positive contributions to sustainability.

4. Management of the College's directly held properties and the property investment funds in which the College invests should also take account of best sustainability practice consistent with generating required returns.

5. The Investment Committee should report annually on its evaluation of the Portfolio's progress towards net zero with effect from Academic Year 2023-24.

B. Diversification. In general, the Investment Committee should seek to ensure an appropriate diversification of the portfolio by asset class, sector, geographic region, and by Investment Manager. The Investment Committee will ensure compliance with the following diversification guidelines unless the Investment Committee prudently determines that, because of special circumstances, the purposes of the Endowment are better served without diversification. Any decision not to diversify will be reviewed at least annually. The Investment Committee should monitor compliance with the following considerations:

1. The percentage of total market value of each Investment Fund invested with a single active Investment Manager should be limited to the extent necessary to ensure manager diversification.

2. In its public equity holdings, College seeks exposure to the full range of global market opportunities, consistent with concerns about carbon intensity and other ESG-related issues. It is also recognised that from time to time market prices can diverge from 'fundamental' value; that this divergence can vary from country to country; and that over the long run investing in line

with fundamentals has tended to generate higher returns than being invested on a purely market-capitalisation weighted basis.

3. The portfolio's normal country-by-country allocations are set in line with fundamentals, while using fund vehicles that reflect the climate change impact and other ESG concerns. Allowable ranges are set around these normal allocations, to reflect the fact that on occasion College may want to diverge from normal, as well as practical trading considerations.

4. The target country weights come from the widely-recognised FTSE RAFI All-World 3000 Index. They are derived from a composite of fundamental valuation measures including total cash dividends, free cash flow, total sales and book equity value. The country weights that emerge (as of end-2022) and the associated ranges are:

Geographic Region	**LLong-Term Policy**	**RRange**	**FTSE RAFI All-World 3000 Index (2022)**
North America	50%	40-60%	51.6%
UK	10%	0-25%	6.8%
Europe excluding UK	18%	10-25%	17%
Japan	9%	0-15%	8.1%
Emerging Markets	9%	0-15%	8%
Other	4%	0-15%	8.5%

5. At least annually, the Investment Committee should review the investments of the Endowment to ensure compliance with the investment restrictions set forth in this policy.

C. Derivative Instruments. It is understood that Investment Managers, with prior approval, may invest in various derivative instruments. The Investment Committee, to the extent possible and practical, will monitor the Endowment' exposure to derivative instruments.

D. Leverage. The Endowment may be invested with Investment Managers that employ leverage to enhance returns with appropriate risk exposure. The Investment Committee will monitor leverage exposure and related tax considerations.

E. Liquidity. It is understood that the College must maintain a certain minimum level of liquidity that is sufficient to fund the programmatic activities of the College as well as to fund the ongoing expenses of the College, including capital calls. The Investment Committee will establish guidelines for minimum liquidity available from the Endowment and will monitor on an ongoing basis the liquidity of the Endowment consistent with these parameters. However the College does not need to pay a premium for daily liquidity as the College does not require instant liquidity and can plan when drawdowns are taken.

F. Volatility. Portfolio volatility and risk should be prudently managed in keeping with pertinent metrics that enhance the Investment Committee's ability to evaluate risk exposure and manage risk.

G. Deviation. The foregoing investment restrictions and limitations are intended as guidelines. If the Investment Committee is notified or otherwise becomes aware that a limitation has been exceeded, then the Committee will take steps that in its reasonable judgment are necessary to address the situation. For sake of clarity, the Investment Committee may decide not to take any action at that time.

H. Foreign Currency. The foreign currency exposures for equities are not explicitly hedged unless there is a specific tactical case for doing so. This is mainly because it is difficult to identify the underlying currency exposure for multinational companies. Academic research, notably by Elroy Dimson, Paul Marsh and Mike Staunton, also shows that currency contributes little to real global equity returns over long-run periods to a sterling investor: hedged and unhedged returns are very similar. All cash is held in sterling unless there is a specific tactical case to do otherwise.

VIII. Performance Evaluation and Benchmarks.

The performance objectives for each asset class or subcategory are outlined in the Asset Allocation policy above. The purpose of the objectives is to establish specific, clear, consistent, fair and rigorous parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods, generally three- to five-year periods or a market cycle, whichever is greater. The Investment Committee will monitor Investment Managers on an ongoing basis to ensure consistency of investment philosophy and process, functioning of the investment team, and performance.

IX. Other Policies.

While investing the assets of the College, all parties, including the Trustees and Investment Committee, will abide by all other College policies, including the Conflicts of Interest Policy;

X. <u>Confidentiality</u>.

Members of the Investment Committee and College staff involved with investments are expected to maintain the confidentiality of information obtained by virtue of their positions. Information obtained solely by virtue of one's position on the Investment Committee or as staff (and not from other sources or relationships) is not to be used for personal financial purposes.

Appendix A

Standard of Conduct

In managing and investing the College's assets, the Trustees and Investment Committee members must act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Investment Factors

The factors that will be considered in managing and investing the College's Endowment are:

a. General economic conditions;

b. The possible effect of inflation or deflation;

c. The expected tax consequences, if any, of investment decisions or strategies;

d. The role that each investment or course of action plays within the overall investment portfolio;

e. The expected total return from income and the appreciation of investments;

f. Other resources of the College;

g. The needs of the College and the portfolio to make distributions and preserve capital; and

h. An asset's special relationship or special value, if any, to the purposes of the College.

The College may incur only those costs that are appropriate and reasonable in relation to its assets and purposes and the skills available to it, and must make a reasonable effort to verify facts relating to the management and investment of its Endowment.

The Investment Committee should contemporaneously document in its meeting minutes its consideration of each of the above factors it determines to be relevant to its decisions regarding managing and investing the College's Endowment.

Delegation

The Investment Committee may delegate investment authority and responsibilities to an external agent, including an Investment Advisor or Investment Manager, to the extent such delegation is prudent under the circumstances. The Investment Committee must act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

a. Selecting an agent;

b. Establishing the scope and terms of the delegation, including the payment of compensation, consistent with the purposes of the College and the Endowment; and

c. Monitoring the agent's performance and compliance with the scope and terms of the delegation.

The Investment Committee, in making the decision as to whether to delegate such functions to a specific external agent, must request and review information regarding the external agent's experience, personnel, track record and proposed compensation as compared to appropriate peers and conduct other customary due diligence as required.

The College will take reasonable measures to assess the independence of the external agent. Any actual or potential conflicts of interest with respect to the proposed external agent must be disclosed and resolved pursuant to the [College's Conflict-of-Interest Policy regarding investments, set forth below, and the College's general Conflict-of-Interest Policy, to the extent applicable.

Appendix B

Proxy Policy

Investment Managers are to vote shareholders' proxies. Such voting is to be solely in the long-term best interest of the Endowment as a universal owner, given Managers' stated policies, goals, and objectives, inclusive of any systemic environmental and social risk considerations, as appropriate.

It is further expected that each of the Investment Managers will report back to the Investment Committee on an annual basis regarding the results of these votes. The Investment Committee will particularly attend to director votes in relation to companies engaging in fossil fuel expansion.

Where Investment Managers or fund vehicles have their own terms regarding proxy voting, such terms will be an attribute to be considered by the Investment Committee in selecting and monitoring Investment Managers and Endowment.