

Investment Process

Investment Responsibility:

The Investment Committee is responsible for developing policy recommendations and for overseeing the investment activities of the Foundation assets, including:

- Selecting, retaining and evaluating investment managers, consultants and custodians
- Controlling the asset allocation within policy limits and by individual investment managers
- Establishing investment performance expectations for each portfolio
- Ensuring all managers comply with established policies

Performance Expectations:

The portfolio as a whole and of the portions managed by individual investment managers will be expected to achieve the following minimum performance standards:

- Rank in the top 50% of an appropriate peer group of actively managed portfolios, and/or
- Exceed an appropriate benchmark index, net of management fees

While these performance standards should be achieved over a complete market cycle, the Committee will also monitor performance over rolling three- and five-year time periods. Failure to achieve these performance standards will prompt the Committee to conduct an in-depth review of the responsible investment manager. The Committee will decide whether to retain to terminate the manager and document reasons for the decision.

Investment Committee Activity:

The Investment Committee is comprised of board members and co-opted persons with background and expertise in investments, finance, banking and business. All Committee members directly represent, or are otherwise related to, one or more TPF investment clients. On an ongoing basis, the Committee will:

- Engage third-party professional investment consultant to assist with investment policy development, asset allocation, manager performance review and evaluation, and manager searches.
- Meet quarterly (February, May, August and November) to review manager performance, meet with managers on a rotating basis (or on demand if circumstances merit), and to consider changes to strategy or allocation
- Meet whenever necessary to deal with urgent or extraordinary matters and to evaluate data and interview managers in connection with terminations and searches

Criteria for Manager Selection:

Segal Marco Advisors, the Foundation's independent consultant, assists in the evaluation, selection and monitoring of all investment managers. Managers are selected according to the type of organization to which they belong, their management style and their performance record. Specific criteria include:

Organization

- Firms that have been managing assets for at least five years
- Firms for which the Texas Presbyterian Foundation would not represent a meaningful percentage of the firm's total assets under management
- Firms with demonstrated experience in the tax-exempt account management
- Firms with a low level of personnel turnover
- Firms with a relatively low level of client turnover and evidence of controlled growth of the business
- Firms that offer separate accounts and/or commingled funds whose minimum account sizes conform to the expected dollar allocation by Texas Presbyterian Foundation

Management Styles

- Firms with a well-defined investment strategy offered for at least three years
- Firms whose investment process derives the majority of its value-added from security selection and sector weightings and not market timing
- Firms whose portfolio characteristics are consistent with the mandate to be utilized by Texas Presbyterian Foundation

Performance

- Verifiable track record that demonstrates consistent adherence to the stated investment approach
- Performance that is competitive both on an absolute and risk-adjusted basis versus other managers employing the same style and versus the appropriate index

Investment Manager Evaluation Process:

Segal Marco Advisors, TPF's independent consultant, maintains a database consisting of over 1,400 investment management firms and 14,000 products, although any manager may submit to the evaluation process. Every manager search combines SRC's evaluation process with our specific search criteria. Using a proprietary 10n category, 53n factor evaluation model, SRC's manager research group conducts over 1,400 meetings per year to assess an investment firm's organizational structure, leadership, investment professionals, investment philosophy and process and resources. The evaluation is designed to identify managers who adhere to their stated investment philosophy and process and are likely to provide future superior performance relative to the appropriate benchmark and peer group. Managers are rated Buy, Qualified, Not Qualified and Sell. Only managers rated Buy or Qualified are employed to manage TPF's portfolios.

Ten Category Manager Research & Ranking Model:

Organizational Categories

1. Business Management
2. Stability
3. Business Risk Management
4. Organizational Structure and Culture

Investment Process Categories

5. Investment Philosophy
6. People
7. Collecting and Refining Information
8. Portfolio Construction
9. Trading
10. Validation