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Section: Treasury **Policy No: 3.2**

Non-Endowed Investment Policy

PURPOSE:

The purpose of this document is to define the investment policy for the non-endowed funds of the Foundation. As such, this will serve as the baseline policy for most (but not all of) the Foundation's various types of non-endowed assets. Non-endowed assets include contributions which are donor designated as fully spendable, spending allocations generated from the endowment, and any other assets that are short-term in nature which may require more accessible liquidity and are callable at any time to support Foundation or University initiatives. The policy will identify a set of investment objectives, guidelines and performance standards. The objectives have been created in response to:

- the anticipated financial needs of the organization,
- the need to preserve the assets and maintain liquidity,
- the organization's risk tolerance; and
- the need to document and communicate objectives, guidelines, and performance standards

This policy is to be communicated to the Investment Consultant for their use in developing an appropriate program and to the Board of Directors for their use in exercising fiduciary responsibility. The policy has been developed through careful study of the returns and risks associated with various investment strategies in relation to the current and anticipated needs of the organization. This document will also be used as the basis for investment performance measurement and evaluation. This policy will be reviewed by the Investment Committee and the Board on an annual basis.

TIME HORIZON

The Foundation recognizes that non-endowed assets are intended to be more liquid and typically spent annually. Therefore, the framework of investment decisions should be centered upon short-term and intermediate-term investment horizons. However, the Board also recognizes that there are occasions when cash flows and fund balances exceed anticipated short-term liquidity needs and desires to ensure appropriate risk is taken to maximize the investment rate of return during such occasions. The investment guidelines outlined are based upon the unique investment horizons for the various tiersof funds. Tier 1 is the Cash Pool and has a short-time horizon (less than one year) to manage the daily account needs of the Foundation while the Tier 2 Reserve Pool has an intermediate-term horizon (two to three years plus) to maintain overall liquidity while attempting to enhance investment returns. Notwithstanding these referenced tiers, the Board is fully aware of its fiduciary responsibility and realizes that up to 100% of the total Non-Endowed funds could be subject to withdrawal requests at any given time. As such, the policy set forth herein could result in gains or losses to the Foundation depending upon asset prices at the time of any withdrawal requests.

PHILOSOPHY

The primary philosophy of the Foundation in relation to the non-endowed fund shall be centered around the following three pillars:

- Safety: The safety of principal is the foremost objective of the non-endowed investment philosophy. Investments of the Foundation shall be undertaken in a manner that attempts to ensure the preservation of principal in the overall portfolio.
- Liquidity: The investment portfolio will remain sufficiently liquid to enable the Foundation to meet all operating requirements and respond to emerging needs.
- Return on Investment: The portfolio shall be structured in appropriate tiers with the objective of attaining the highest possible total return for the investment portfolio while adhering to a prudent level of risk subject to the tier time horizon, investment constraints, and overall objective.

INVESTMENT OBJECTIVE

The primary investment objective of the non-endowed investment portfolio is to ensure adequate operating liquidity for the Foundation. Liquidity needs are actively managed in a two-tier structure that allows for differentiation among investment risks and returns. The separate tiers of investment pools adequately provide for operating cash needs and creating the necessary margin on reserve funds to financially support the needs of the Foundation. This policy distinguishes the fund's objectives, risk constraints and guidelines based on the two separate non-endowed investment pools:

1. Tier 1--Cash Pool (Short-term pool): The objective of the Cash Pool shall be to serve as the primary checking account to meet the day-to-day obligations of the Foundation. As a result, these funds should be highly liquid and remain in cash and/or cash equivalents. Based on historic trends, the amount maintained in the cash pool shall be a minimum of $1 million and a maximum of $3 million. This strategic range shall be maintained by balancing to or from the Tier-2 Reserve Pool accordingly.
2. Tier 2--Reserve Pool (Intermediate-term Investment Pool): The objective of the Reserve Pool shall be to provide a liquidity backstop in the event the Cash Pool is insufficient to meet the Foundation's immediate liquidity needs. Simultaneously, the Foundation is attempting to achieve a higher rate of return on these surplus funds over an intermediate term market cycle than is readily available in

solely cash equivalents. The Board understands the inherent calculated risk associated with this investment strategy. These funds shall be invested in cash alternatives, fixed income and global public equity securities. The asset allocation shall be established based on the contingent need, the estimated time horizon for the use of the funds, and the balance of the investment pool. This pool should maintain daily liquidity and strive for a lower volatility than the Foundation's endowed assets, in accordance with its more conservative asset weighting and shorter time horizon.

ASSET ALLOCATION

The target asset allocation for the non-endowed investment portfolio is structured separately for each of the respective tiers to meet the stated objectives of safety, liquidity, and return on investment.

- Tier 1: Cash Pool: The purpose is to provide a high level of liquidity for the Foundation to effectively manage daily operations. The primary objective is to preserve principal and utilize the Cash Pool as the checking account for the Foundation. As such, these assets will remain in either cash (checking) or cash equivalent positions (i.e. money market funds).
- Tier 2: Reserve Pool. The purpose is to provide some income growth through reserve funds while maintaining needed liquidity. The objective is to attain a higher level of return balanced with a moderate level of risk. The asset allocation ranges for the Reserve Pool are as follows:

Asset Class	Tier 2 Investment Reserve Pool	
	Strategic Target	Tactical Range
Global Public Equity	30%	10-40%
Total Fixed Income	40%	25-50%
Cash and Cash Equivalents	30%	10-50%

The Foundation staff, or its designees, will be responsible for reviewing tier balances on a regular basis and maintaining adequate cash balances for the liquidity needs of the Foundation. Staff will make withdrawals from the Reserve Pool to fund cash needs, for deficit banking balances, or as otherwise needed for operations of the Foundation on a monthly basis. Likewise, Foundation staff will make contributions from the Cash Pool to the Reserve Pool when excess banking balances are available based on an understanding of the Foundation's anticipated short-term cash flow requirements.

Earnings received from the non-endowed investment pool will be transferred annually to the Foundation to provide financial support to the annual operating budget. Even though the restricted funds' cash is held within the overall investment pool, the individual projects within the Foundation do not receive any of the earnings from the non-endowed investment pool because of their individual immediate need for liquidity. The Foundation accrues the earnings in any given year because the Foundation also assumes the risk in potential down-market cycles. In the event of principal losses in the non-endowed portfolio, the Foundation is obligated to cover the deficit from Board discretionary operating or reserve funds.

The overall asset allocation outlined is intended to reflect a balance of the Foundation's need for safety, liquidity, and return on investment. It is the responsibility of the Investment Committee, and duly delegated to the Investment Consultant, to monitor the overall allocation of the non-endowed investment portfolio. The Investment Consultant may provide additional rebalancing recommendations to the Investment Committee at any time, but any permanent changes to these guidelines must be approved by the Board of Directors.

IMPLEMENTATION

The Board of Directors are a fiduciary and responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Board is authorized to delegate certain responsibilities to a volunteer committee or professionals in various fields. These include, but are not limited to:

1. Investment Committee. The committee is acting in a fiduciary capacity with respect to the overall portfolio, and is accountable to the Board of Directors and to the Executive Committee, for overseeing the investment of all assets owned by, or held in trust for, the Foundation.
2. Investment Consultant. The consultant may be employed to assist the Foundation in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; ensuring compliance within the targets outlined by asset allocation strategies; rebalancing the portfolio; and other tasks as deemed appropriate.
3. Investment Manager(s). Investment managers may be employed with discretion to purchase, sell, or hold the specific securities that will be used to meet said manager's investment objectives.
4. Additional specialists such as attorneys, auditors, and others may be employed by the Board of Directors to assist in meeting responsibilities and the obligation to administer the Foundation's assets prudently.

No strict formula will be utilized in hiring, maintaining, or terminating any particular investment manager, as the Board of Directors believes that this is a largely subjective decision on the part of both the Investment Committee as well as the Investment Consultant. However, key criteria which shall be evaluated in making these determinations may include but are not limited to: stability of the organization and management team, regulatory compliance, assets under management, risk adjusted returns, relative peer group performance, and portfolio composition.

PERFORMANCE MEASURING AND MONITORING

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each investment manager and are expected to be achieved net of investment management costs. The Investment Consultant will be evaluated by the overall performance of the comprehensive portfolio.

The comprehensive investment portfolio of the Foundation's non-endowed assets will be measured against a benchmark designed to approximate the strategic targets of the Foundation's asset allocation and holdings of anticipated comparable volatility. The peer universes will be selected by the Investment Consultant based on the objective of the respective tier and the appropriateness of constituents, including relative size, asset allocation, and risk.

Performance of all managers shall be provided to the Foundation on a quarterly basis by the Investment Consultant. These reports shall contain quarterly, yearly and rolling period comparisons of each manager against their relevant market benchmark(s).

These accountability standards shall serve as the guide for monitoring the progress of the portfolio and for evaluating the contributions of the manager(s) hired on behalf of the Foundation and its beneficiaries.