THE UNIVERSITY OF NORTH ALABAMA FOUNDATION INVESTMENT/SPENDING POLICY

I. INTRODUCTION

The purpose of this document is to provide guidelines for the management of funds of the University of North Alabama Foundation (the Foundation). The Investment Policy seeks to translate the investment goals and objectives of the Foundation into a cohesive, long-term investment framework that is consistent with the overall mission of the Foundation.

II. PURPOSE OF POLICY

The purpose of this statement is to establish the Investment Policy for the management of funds of the Foundation. This statement of investment policies is set forth in order to:

1. Establish and document the investment objectives, philosophy, policies, guidelines and goals for the investment funds of the Foundation.

2. Provide the Investment Committee of the Foundation and any investment managers, with a written document and understanding of said investment objectives, philosophy, policies and goals of the Foundation.

3. Clearly communicate to the Foundation Board of Directors, and the Foundation’s investment manager their duties and responsibilities.

4. Establish the basis for evaluation of the investment performance of the Foundation’s portfolio and of any investment manager servicing the portfolio.

This statement is meant to be sufficiently specific, but also flexible enough to attain the objectives outlined, allowing for changing economic conditions and securities markets.

III. CONTEXT OF POLICY

In developing the Investment Policy, the Foundation Board of Directors recognizes the following:

- Fluctuating rates of return are a characteristic of the investment markets.
- Performance cycles cannot be accurately predicted as to their beginning, end or magnitude.

Therefore, the asset allocation decisions set forth in this policy are based on a careful examination of:

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• The mission and goals of the Foundation.
• Historical review of various asset classes and allocations.
• The risks and returns of various asset classes and the correlation of their returns with those of other asset classes.

The policies and practices hereinafter set forth refer solely to the Endowment Investments consisting of longer term investments. All operating funds for the Foundation are regulated under separate cover.

IV. INVESTMENT RESPONSIBILITY AND CRITERIA

The Foundation assigns to the Investment Committee the responsibility for direct investment and administration of Endowment Investments. The Investment Committee may choose to delegate investment responsibilities to the Foundation Executive Director. The responsible investment authority shall monitor the Endowment Investments to ensure that these Investment Objectives are being met.

Endowment Investments:

Endowment Investments are applicable to the following fund groups:

1. Endowment (including Quasi-endowment and Term Endowment)

2. Life Income or Annuity Funds managed by the Foundation where the principal will eventually become the fee simple absolute property of the Foundation

3. Planned Gifts, or other deferred income vehicles, including but not limited to, Charitable Remainder Trusts, Charitable Lead Trusts, and Charitable Gift Annuity funds (CGAs)

4. Costs of Foundation Administrative Expenses

a. Endowment Investment Objectives

i. The Foundation Board of Directors, through its Foundation Executive Committee, Investment Committee and the Executive Director, is charged with fiduciary responsibility of preserving and augmenting the value of the Endowment Investments, thereby sustaining its ability to generate financial support to further the mission of the University.

ii. The Foundation’s investment objective for the Endowment Investments is to maximize investment returns consistent with liquidity needs of the Foundation and to protect principal from decline in value due to investment losses or inflation.

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Explicitly stated, the long-term total return of the Endowment Investments should equal or exceed all three of the following components combined:

1. Endowment spending as described in Section VI. Spending Policy.

2. Inflation as measured by the Consumer Price Index (CPI).

3. Costs of portfolio management.

A return of 6-8% per annum over a full investment cycle is the objective.

It is the Foundation’s general policy to pool endowment resources whenever possible. There are, however, occasional holdings that must be kept in non-pooled accounts.

b. Investment Responsibility

The Investment Committee has the responsibility for direct investment and administration of Endowment Investments. The Investment Committee shall monitor the Endowment Investments to ensure that the above Investment Objectives are being met.

c. Asset Allocation

The Foundation Board of Directors recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various market conditions. Therefore, the allocation of the Foundation’s total assets may vary from time to time without being considered an exception to this Investment Policy.

In addition to traditional asset classes within the fixed income and equity holdings of the Endowment Investments, the Foundation Board of Directors acknowledges that the below asset allocation may contain the following alternative investments as defined, where appropriate:

Alternative investments may consist of, but are not limited to; venture capital, limited partnerships, futures, commodities, private equity, hedge funds and derivative investments. It is the desire of the Investment Committee to limit the use of alternative investments. The Foundation would prefer to utilize more traditional and liquid investments (i.e. cash and cash alternatives) to protect its investment portfolio during times of extreme volatility.

Endowment Investments (including approved funds, separate account management and passive instruments) shall have the following target allocations and normal ranges:
### Endowment Investment Criteria

The Foundation expects to achieve competitive results on its investment portfolio. The following performance goals have been established to provide a basis upon which to judge the effectiveness of the investment objective and those responsible for implementing investment decisions on a day-to-day basis. Investment managers will be judged over a cycle of three to five years and are expected to meet or exceed investment results for various asset classes as measured by the following base line indices:

- Standard & Poor 500 and 400 Mid Cap
- Dow Jones Industrial Average
- Barclays Government/Corporate & Intermediate
- 90-day U.S. Treasury Bills
- Other indices, mutually agreed on by the Foundation
Executive Committee, the Investment Committee, and the investment manager which provide a better match for the manager’s investment style or strategy (i.e. MSCI EAFE)

Prohibited Investments
The following categories of securities and other investment activity are not permitted for investment without the prior written approval of the Foundation Executive Committee.

− Foreign securities not traded on U.S. or NASDAQ exchange
− Uncovered options
− Margin trading

Reporting and Review
The Foundation Executive Committee and Investment Committee shall meet periodically to review the returns of the Foundation versus its performance objectives on both absolute and relative return basis. It is the responsibility of the investment manager to supply the Foundation with quarterly statements which detail the specific assets of the account.

Performance Measures
Investment manager performance will be evaluated according to the long-term asset allocation goals and guidelines specified in this policy.

V. POLICY REVIEW AND MODIFICATION

The Investment Committee will review periodically the investment objectives and restrictions for the Foundation. The Investment Committee and Executive Committee will also use its periodic investment performance evaluations as occasions to also consider whether elements of the existing policy are either insufficient or inappropriate. In particular, the Investment Committee will review the following:

- The Foundation’s ongoing ability to tolerate downturns in asset value (function of financial and cash flow considerations)
- Any changes in the Foundation’s liquidity requirements
- Any changes in the Foundation’s income requirements
- Any changes in the Foundation’s rate of return objectives
- Changes in the Foundation’s priorities
- Areas found to be important but not covered by policy
VI. SPENDING POLICY

It is the policy of the Foundation to annually distribute at least 3 – 5% of the average market value of the Endowment Investments over a *rolling three-year period*. It shall be the responsibility of the Foundation Executive Committee, Investment Committee and investment manager to periodically review the spending policy against actual returns in order to make adjustments necessary.

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated and is reviewed and approved by the Foundation Executive Committee and Investment Committee.

The income that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e. dividends, interest, etc.) and appreciation, both earned and unearned. All income and appreciation not needed to meet spending needs is reinvested in the investment pool.

VII. POLICY ADOPTION

This proposed new Investment Policy was developed by the Investment Committee of the University of North Alabama Foundation Board consisting of; Rusty Trapp, Macke Mauldin, Robert Potts, Doug Tallman, David Marbury and Tom White, and has been adopted by the Foundation Board of Directors on November 16, 2018.