

# STATEMENT OF INVESTMENT POLICY AND OBJECTIVES FOR ASSETS INVESTED IN THE LONG-TERM INVESTMENT PORTFOLIO

<b>Policy Owner:</b>	Finance and Administration
<b>Category:</b>	Finance and Administration
<b>Applies to:</b>	All staff
<b>Approved by:</b>	Board of Directors (Committee: Investment)
<b>Effective Date:</b>	November 17, 2021
<b>Contact:</b>	Senior Vice President of Finance and Administration
<b>Official Website:</b>	<a href="http://www.foundation.uconn.edu/policies">www.foundation.uconn.edu/policies</a>
<b>Revision History:</b>	October 15, 2021 March 6, 2020 March 1, 2019 December 14, 2018 February 23, 2018 March 11, 2016 March 13, 2015 March 9, 2012 March 14, 2008

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## I. Purpose of Policy

This Investment Policy Statement (“Policy”) is authorized by the Board of Directors of The University of Connecticut Foundation, Inc. (“Foundation”) to provide a framework for the management of assets invested in (i) the Foundation’s long-term endowment investment portfolio (“Foundation Portfolio”) and, (ii) the long-term endowment investment portfolio of the University invested by the Foundation as its agent (“University Portfolio”), collectively referred to as “LTEIP” or “Portfolios.” The role of this Investment Policy Statement is to establish objectives, policies and guidelines and roles/accountabilities for management of the Portfolios by the Investment Committee, Foundation staff and retained third party consultants, advisors, and investment managers. Each person responsible for managing and investing the Portfolio shall manage and invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

## II. Long-Term Endowment Investment Portfolios (LTEIP)

### A. Goals and Objectives

The LTEIP seeks to provide a steady stream of investment returns in support of the Foundation’s and University’s mission and to preserve the real (inflation-adjusted) purchasing power of the assets in perpetuity. Inflation will be defined by the Consumer Price Index (CPI-U). In managing and investing the LTEIP the Foundation may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the Foundation and the skills available to the Foundation. Management and investment decisions about individual assets shall be made not in isolation but rather in the context of the Portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Investment Objectives of the Portfolios as defined below.

## B. Investment Objectives of the LTEIP

### 1) Return Objective

- i. The benchmarks serve as a targeted return to potentially exceed net of investment management expenses, over a full market cycle period. The “Policy Benchmark” is a blend of 70% MSCI All World Country Index and 30% Bloomberg Barclays Capital Global Aggregate Bond Index. To achieve these return goals the LTEIP will construct a diversified investment portfolio.
- ii. The Investment Committee understands that in some periods the return will be less than the Policy Benchmark and in some periods it will be greater.
- iii. The Policy Benchmark has been selected based on several criteria. First, the Policy Benchmark is comprised of stable, widely referenced, and readily available indices. Second, the Policy Benchmark is expected, over the long run, to exhibit a similar level of volatility, or standard deviation, as the LTEIP, assuming (1) the LTEIP investments in certain asset classes are consistent with the long-term targets for each asset class, and (2) future long-term returns and correlations are consistent with historical returns and correlations. Accordingly, the Policy Benchmark should provide the Investment Committee with a fair representation or a proxy which it can use to evaluate the LTEIP’s long-term performance relative to broad, liquid markets.
- iv. As a secondary benchmark, investment returns will also be measured against a “Market Weighted Policy Benchmark” which measures the performance of the underlying benchmarks of the LTEIP’s existing investments, weighted by their existing allocations. By aligning the asset allocation of underlying benchmarks with underlying exposures through time, this benchmark is meant to capture the alpha derived from manager selection, independent of asset allocation decisions.

### 2) Risk Tolerance

- i. The LTEIP seeks to attain a risk level (as measured by ex-post standard deviation over a rolling five-year period) at or lower than the Policy Benchmark.
- ii. The Investment Committee understands that in some periods the risk level will be greater than the Policy Benchmark, and in some periods it will be less.
- iii. The Investment Committee may consider and implement any risk management strategies to reduce volatility and protect portfolio valuation.

### 3) Other factors

In managing and investing the LTEIP, the following factors, if relevant, shall be considered:

- 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 investment portfolio of the fund.
- v. The expected total return from income and the appreciation of investments.
- vi. Other resources of the Foundation.

- vii. The needs of the institution and the fund to make distributions and to preserve capital.
- viii. An asset's special relationship or special value, if any, to the charitable purposes of the Foundation or University.
- ix. Environmental, social, and governance (“ESG”) principles as well as Socially Responsible Investment (“SRI”) principles (as further described in the Foundation’s *Commitment to Responsible Investing* in the Financial Information section of the Foundation’s website, as may be updated from time to time).

### C. Spending Rate

As provided in the Foundation’s *Policy on Expenditures from Endowed Funds*, the Foundation will withdraw funds from the Portfolios periodically to meet necessary expenditures. The amount withdrawn will cover restricted spending distributions to support donor intent as well as support the Foundation’s operational expenses (i.e., Advancement Fee). The goal is to set a sustainable policy for total withdrawals, which enables the Portfolios to maintain the real (inflation adjusted) purchasing power of endowment assets over a perpetual time horizon. The following items represent the components of the Foundation’s spending rate:

#### 1) Spending Policy

The Foundation will utilize a “Moving Average Spending Policy”, which is described in detail in the *Policy on Expenditure from Endowed Funds*.

#### 2) Advancement Fee

The Foundation assesses a fee sufficient to offset its operational needs, which is also explained in further detail in the *Policy on Expenditures from Endowed Funds*.

### D. Investment Management Structure

The Foundation Board of Directors (the “Board”) has fiduciary responsibility over the management of assets invested in the LTEIP and approving this Policy and any related investment policies. The Investment Committee selects investment managers, vehicles and instruments consistent with such policies, and may recommend to the Board the designation of one or more agents or consultants (“Advisor/Consultants”) to assist in investment manager searches, policy development, and monitoring investment performance and investment policy compliance.

Should the Board elect to delegate the management of the LTEIP to an Advisor/Consultant, it shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in selecting any Advisor/Consultant; establish the scope and terms of the delegation, consistent with the purposes of the Foundation and the Portfolios; and periodically review the Advisor/Consultant’s actions in order to monitor its performance and compliance with the scope and terms of the delegation. In performing a delegated function, an Advisor/Consultant owes a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegation.

The Investment Committee maintains fiduciary responsibility for the management and investment of the LTEIP including investing within the targeted asset allocation ranges and benchmarks per asset class below; the risk and liquidity of the Portfolio; the quality of investment manager proposals; and LTEIP returns. The Committee works with and provides oversight of the Advisor/Consultant on these activities where such assistance is provided.

### E. Asset Allocation Targets and Benchmarks

1) Foundation Portfolio

The Foundation Portfolio shall be allocated among the asset classes set forth below and shall be managed within the range and consistent with the strategic target for each such asset class set forth below. The asset allocation and the underlying investment managers should be strategically reviewed on a quarterly basis. The Investment Committee shall have discretion to tactically overweight or underweight certain asset classes so long as each asset class remains within the range set forth below.

Asset Class	Sub-Asset Class	Passive Benchmarks	Range
Global Equity	Global Public Equity	MSCI ACWI Total Return Net US	10-60%
	Private Equity	Burgiss Private IQ: Buyout and Venture	5-45%
	Hedge Funds	HFRI Fund Weighted Composite Index	0- 25%
Global Fixed Income	Global Public Fixed Income	Bloomberg Barclays Global Agg Index (USD Hedged)	5-30%
	Private Debt/Credit	Cliffwater Direct Lending Total Return	0-20%
Real Assets	Marketable Real Assets	50% FTSE EPRA NAREIT Global REIT + 50% S&P Global Infrastructure	0-10%
	Private Real Assets	Burgiss Private IQ: Real Assets (Energy and other) and Real Estate	0-30%
Cash	Cash	Citigroup three (3) month T-Bill Index	0-25%
	Total Portfolio	70/30 Portfolio Benchmark	

2) University Portfolio

The University Portfolio shall be allocated among the asset classes set forth below and shall be managed within the range and consistent with the strategic target for each such asset class set forth below. The asset allocation and the underlying investment managers should be strategically reviewed on a quarterly basis. The Investment Committee shall have discretion to tactically overweight or underweight certain asset classes so long as each asset class remains within the range set forth below.

Asset Class	Sub-Asset Class	Passive Benchmarks	Range
Global Equity	Global Public Equity	MSCI ACWI Total Return Net US	30-90%
Global Fixed Income	Global Public Fixed Income	Bloomberg Barclays Global Agg Index (USD Hedged)	10-70%
Real Assets	Marketable Real Assets	50% FTSE EPRA NAREIT Global REIT + 50% S&P Global Infrastructure	0-10%
Cash	Cash	Citigroup three (3) month T-Bill Index	0-10%

	Total Portfolio	70/30 Portfolio Benchmark	
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**Asset Class Definitions:**

- Equity:

Overview: This asset class generally may include domestic, international and/or emerging market long-only active and index funds, futures, options, and other equity instruments that may employ a variety of investment and trading strategies generally utilizing publicly traded equity securities. This asset class also may include hedge funds that take positions in such equity strategies, as well as private equity funds and co-investments which are illiquid and long-term in nature.

Details: The underlying managers may be generalists, or they may specialize by investment style, market capitalization, sector, country, or geographic region. A material portion of the underlying managers may have value-oriented, growth-oriented, and/or fundamentally-based investment processes and concentrated portfolios. The private equity funds may include venture, growth, buyout investment strategies, as well as direct co-investments. The private equity asset class seeks to provide higher expected returns when compared to the return of the public equity markets due to a higher liquidity premium and potential manager alpha. These underlying funds may therefore have significantly different portfolios than their underlying benchmarks and their performance may materially diverge from their respective benchmarks for extended periods of time. Additionally, a material portion of the asset class may also be invested for a temporary or extended period of time in underlying funds (including secondary funds) that seek to replicate the returns associated with a benchmark as well as any number of sub-indices or other equity indices in public and private markets.

- Fixed Income:

Overview: This asset class generally may include fixed income long-only and hedge fund strategies; futures, options, ETF's, venture that are focused on domestic, international, and/or emerging markets; and fixed income debt, credit and convertible investments including those issued by governments, municipalities, agencies, and corporations in the public markets. In the private markets, it may include private debt and credit strategies that may include direct lending, venture debt, direct investments, and secondary funds. Some or all of the underlying funds in which the asset class invests may seek to replicate the returns associated with a fixed income benchmark as well as any number of sub-indices or their global fixed income indices.

Details: It is expected that the underlying funds in which this asset class invests will primarily invest in securities that have an investment grade or higher average credit quality, although some underlying funds may invest in debt that is not investment grade or is not rated.

- Real Assets:

Overview: This asset class generally may include underlying funds that invest in publicly and privately held real assets, direct investments, hedge funds, futures, options, ETF's. The private funds may provide

exposure to real estate, commercial mortgage-backed securities, energy, infrastructure, mining, timber, agriculture, and other real assets and commodities.

Details: The asset class portfolio may also invest in long-only equity and/or debt strategies, as well as domestic and global commodity indices and/or inflation-linked fixed income portfolios or indices. The private real assets class seeks to provide higher expected returns and/or uncorrelated returns when compared to the return of the equity markets due to a higher liquidity premium and potential manager alpha. The underlying funds in which the asset class portfolio invests may have lock-up periods of varying durations and/or may impose early withdrawal fees.

- Cash:

Overview: This asset class generally may include cash as well as high quality short-term money market instruments, including short-term treasury securities, short-term agency paper, repurchase agreements on government and agency debt, bank issued certificates of deposit, commercial paper, and short-term corporate bonds, and funds that invest in such instruments.

#### G. Rebalancing

The purpose of rebalancing is to maintain the long-term asset allocation within the targeted asset allocation ranges and within any target tolerance bands that may be established by the Investment Committee from time to time. Asset allocation targets and ranges will be formally reviewed against current portfolio positioning on a quarterly basis and will be rebalanced as appropriate. Rebalancing shall also occur at any time to prevent a specific asset class allocation from falling out of compliance with the asset allocation policy or target tolerance bands that may be established by the Investment Committee and its Advisor/Consultants. Given the highly integrated relationship between the public and private markets, Foundation investment staff and the Investment Committee are responsible for achieving collaboration among the Foundation's Advisor/Consultants when considering rebalancing options that impact the respective Portfolios. During the year, available cash flow shall be allocated to existing investments to rebalance the respective Portfolios in the direction of the target asset allocations established by the Investment Committee.

#### H. Risk Management

Risk management practices are focused on the Portfolios' respective investment and operational risks with the goal of efficiently meeting investment objectives. Practices include:

- 1) Reasonable diversification among asset classes and individual investments.
- 2) Limiting total investments (excluding index investments) with any one investment management firm to 10% of each Portfolio at time of investment (exceptions are permissible subject to the Investment Committee's discretion). However, if the total investment with any one investment management firm grows beyond 10%, the Investment Committee will discuss and approve the continued investment in such firm at the prevailing excess value beyond 10% at succeeding in-person meetings of the Committee as warranted.
- 3) Conducting appropriate risk management strategies utilizing experts, advisors, and consultants.

### III. **Roles and Responsibilities**

An Investment Committee with membership as set forth in the Foundation Bylaws has designated responsibility for the oversight and investment of the LTEIP. Although the Board of Directors and the Investment Committee are

ultimately responsible for all investment decisions made related to the Portfolios, to ensure smooth management and oversight of the Portfolios the Committee works closely with external Advisor/Consultants and the Foundation staff on certain activities as outlined below.

1) The Investment Committee is responsible for:

- i. Developing and complying with investment policies, which are subject to Board review and approval;
- ii. Monitoring the performance and risk of the Portfolios in the aggregate and by each investment manager with the Advisor/Consultants during meetings held throughout the fiscal year;
- iii. Reviewing and understanding this Policy and all other Foundation investment policies;
- iv. Knowing the Endowment investment portfolio structure and performance;
- v. Preparing for Investment Committee meetings, including reading presentation materials and any relevant emails;
- vi. Defining target allocations within the specified Policy asset class ranges to meet or exceed the LTEIP's Return Objective with a prudent level of risk; and
- vii. Approving all investments, subject to due diligence and recommendations by Foundation staff and third-party Advisor/Consultants. In the absence of the Investment Committee's alignment regarding any investment decision with its Advisor/Consultants, the Investment Committee Chair must present the investment to the Board of Directors or the Executive Committee acting on behalf of the full Board of Director for review and approval.

2) The Investment Committee Chair is responsible for:

- i. Working closely with the Advisor/Consultants and staff to understand and review the investment policies, investment portfolio, asset allocation, and investment goals of the portfolio, and to review investment recommendations.
- ii. Developing Investment Committee meeting agendas.
- iii. Developing and communicating investment committee responsibilities to committee members.
- iv. Reporting investment performance to the full Board of Directors at full Board meetings.

3) Investment Managers

The investment managers are responsible for direct management of all investments within their mandate.

4) The Foundation's Advisor/Consultants are responsible for:

- i. Proposing asset allocation targets and ranges, within the parameters of Foundation investment and spending policies, for approval and periodic review by the Staff and Investment Committee.
- ii. Identifying, recommending, and monitoring third-party investment managers and investments.
- iii. Recommending rebalancing of asset classes in accordance with targeted asset class exposure and allowable ranges as described in this policy.
- iv. Recommending how to manage liquidity of the Portfolios to meet required cash needs.
- v. Providing quarterly investment performance and risk reporting and commentary to the Staff and Committee.
- vi. Providing additional reporting as requested by the Investment Committee.
- vii. Monitoring the Portfolios in accordance with this Policy and all other existing investment policies as may be established from time to time, and applicable laws.
- viii. Communicating openly with the Staff and Investment Committee on significant matters affecting the Portfolios. The Advisor/Consultants will advise the Staff as to major changes in investment outlook, investment strategy, recommended asset allocation, portfolio structure, market value of portfolio

assets, and any other substantive matters affecting the investments, in accordance with the requirements of applicable service agreements with the Foundation. Further, the Advisor/Consultants will inform the Staff promptly of any significant changes in their ownership, organizational structure, financial condition, or senior personnel staffing. The Advisor/Consultants will report on these changes to the Investment Committee without undue delay.

- 5) Foundation Staff (subject to the Foundation's *Delegation of Authority* policies and procedures) are responsible for:
- i. Monitoring the portfolio allocation in accordance with this Policy;
  - ii. Implementing investment decisions that have been approved by the Investment Committee;
  - iii. Reviewing and executing investment management agreements and related investment guidelines;
  - iv. Providing the Advisor/Consultants with the necessary monthly and quarterly information to compute each LTEIP performance and risk on a quarterly basis;
  - v. Monitoring ongoing performance on monthly and quarterly basis;
  - vi. Performing onsite visits to both existing and prospective investment managers, as needed;
  - vii. Researching and preparing proposals for strategy considerations within the Portfolios;
  - viii. Working with the Advisor/Consultants to present any investment information the Investment Committee and or Chair requests;
  - ix. Working with the Investment Committee Chair on meeting agendas;
  - x. Preparing relevant investment information with the Advisor/Consultants for the Investment Committee meetings;
  - xi. Communicating to the Investment Committee for approval the rebalancing options proposed by the Advisor/Consultants for available assets of each Portfolio;
  - xii. Implementing Board-approved investment policies; and
  - xiii. Managing the liquidity needs for the Foundation's commitments to the university and for investment management strategies. This responsibility includes authority, upon approval of the Investment Committee Chair or designee, to implement partial sales/redemptions and partial purchases/subscriptions of existing instruments previously approved by the Investment Committee, provided that the effects of such transactions are to reallocate these instruments in the direction of the target asset allocations as previously defined by the Investment Committee.

#### **IV. Effective Date**

This Policy is effective immediately and replaces and supersedes any preceding policy concerning this subject matter. This Policy shall be reviewed regularly by the Investment Committee and may be altered or amended at any time upon recommendation of the Investment Committee with the approval of the Board of Directors of the Foundation.