

ENDOWMENT INVESTMENT POLICY STATEMENT

OFFICE WITH PRIMARY RESPONSIBILITY: Business and Finance

OFFICE FOR ENSURING COMPLIANCE: Financial Services, Investment and Treasury Services

CONTACT OFFICE: Investment and Treasury Services

EFFECTIVE DATE: May 31, 2023

REVISION HISTORY: Supersedes version dated February 28, 2023

SCHEDULED FOR REVIEW: Annually, October Investment Committee Meeting of the Board of Trustees

- return (net of fees and expenses) of at least 5% over the rate of inflation (as measured by the Consumer Price Index (“CPI”). This objective should be achievable within risk levels defined by the Committee.
3. Investment performance directly impacts the balance sheet of the University and the ability to meet its bond covenant obligations. A financial objective of the endowment is to support the University by providing financial stability.

D. Management and Investment Guidelines

These guidelines are consistent with prudent investor standards as well as the standards in accordance with Maryland Law and the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by Maryland on April 14, 2009.

Subject to the intent of a donor expressed in a gift instrument, the University, in managing and investing the endowment, shall consider the charitable purposes of the University and the purposes of the endowment.

In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing of the University’s endowment shall manage and invest the fund exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision.

In managing and investing the endowment, the University may incur only costs that are appropriate and reasonable in relation to the assets, the mission of the University, and the skills available to the University and shall make a reasonable effort to verify the facts relevant to the management and investment of the portfolio.

served without diversification. A decision not to diversify must be reviewed as frequently as circumstances require, but not less than annually.

Within a reasonable time afte

- d. Review any relevant reports from the investment advisor in connection with the selection of investment managers which have been selected by the investment advisor;
- e. Select, and as appropriate, terminate i

reporting of manager transaction and valuations. The custodian will provide monthly statements to the Office of the Vice President for Finance and Treasurer and the investment advisor.

6. Investment Responsibilities

Appendix A summarizes the major responsibilities of the Committee, investment advisor, investment custodian, and Office of the Vice President for Finance and Treasurer.

G. Annual Distribution

The University has a policy of appropriating

short-term liquidity needs.

B. Asset Allocation

Asset allocation will likely be

Interest Rate Sensitive (Global)	The goal of the interest rate sensitive portion of fixed income is to provide income and stability for overall performance and as a diversifier to equities and other investments. Interest rate sensitive investments often include “core” fixed income holdings such as high-quality bonds. The interest rate sensitive portion of the fixed income pool is also expected to provide a hedge against deflation. Foreign fixed income holdings are subject to impacts of currency movements and changes in interest rates.
Credit	Credit investments include fixed income opportunities where the yield (and expected total return) is generally higher than “core” strategies that may be included in the interest rate sensitive category. Credit investments will generally exhibit greater risk than core fixed income.
Real Assets	
Real Estate	Real estate is expected to provide an inflation hedge as well as diversification relative to other investments. Real estate investments include private real estate as well as public real estate through REITs. REITs are liquid, but performance may be affected by movements in the stock market. Private real estate is a purer allocation to real estate and may benefit from specialized manager knowledge but requires liquidity constraints (10-year commitment in many cases).
Natural Resources /Commodities	Natural resources include private energy/renewables/energy transition, infrastructure, timber, and commodities. Commodity investments made through the futures market are usually liquid, but may be affected by supply/demand issues potentially diluting the desired allocation. Private investments provide a purer natural resource exposure and may benefit from specialized manager knowledge but require liquidity constraints (10-year commitment in many cases).
Treasury Inflation-Protected Securities (TIPS)	Investments in fixed income securities that are structured in an effort to provide inflation protection through principal adjustments that are directly linked to changes in CPI. Although the coupon rate is constant, actual dollar interest changes as the coupon rate is multiplied by the adjusted principal.
Cash	
Cash	Cash has underperformed stocks and bonds, and has barely outperformed inflation over long periods of time. Given the opportunity cost of holding cash, it should not be used as a strategic investment.

D. Risk

The endowment should experience risk as measured by volatility or variability of return not materially higher than that of its composite benchmark.

E. Restricted Investments

Certain funds are obtained by the University through donations wherein the donor has placed restrictions on the form of investment to which these amounts may be applied, whether directly, by specifying qualifying investment vehicles, or indirectly, by stipulating a higher-than-normal spending rate. Such funds will be invested in accordance with the donor’s requirement to the extent such requirement is a condition of the gift, and will be segregated from the total pool of

The portfolio will be constructed to be at the targeted allocation set forth in Appendix C. The Committee has set forth acceptable ranges of each asset class' targeted allocation. The investment advisor will monitor the portfolio allocations on a quarterly basis to determine whether any rebalancing actions are necessary to bring asset allocation in line with prescribed policy ranges. If the portfolio moves outside of the ranges, the investment advisor will develop a recommendation for the Committee of actions needed to rebalance. The additions of new money or withdrawals for spending may be used to rebalance.

G. Liquidity

Liquidity is necessary to meet the annual distribution requirements and any extraordinary events. The Committee understands that in many instances, the most appropriate investment option is one that comes with liquidity constraints. This tradeoff will be considered throughout the portfolio construction process.

Although some degree of portfolio illiquidity is permissible, it is expected that the majority of the endowment will be invested in publicly traded securities through vehicles which will provide

operational and legal risks. Consistent with the University's mission, core values, and strategic priorities, the Committee consider investments that are consistent with the transition toward a low carbon economy, equity and social justice and our high standards for investment rigor and diligence.

The Portfolio will seek to avoid direct investments in any fossil fuel companies; however, it is understood there may be some indirect fossil fuel exposure through commingled funds.

In addition, the Investment Committee and Investment Consultant will consider investment opportunities in 1) managers with a demonstrated record in fostering environmental sustainability and 2) strategies that facilitate the energy transition to cleaner sources of energy.

The Investment Advisor shall monitor and assess the ESG (environmental, social, and governance) policies and efforts of existing and prospective managers within the portfolio. The Committee expects annual impact reports from all current managers that include a carbon footprint. Managers will be engaged and given a numerical score based on the extent to which they have ESG policies in place, and whether or not those policies are being followed. The Fund will be scored in aggregate, and progress tracked over time.

III. EVALUATION AND PERFORMANCE MEASUREMENT

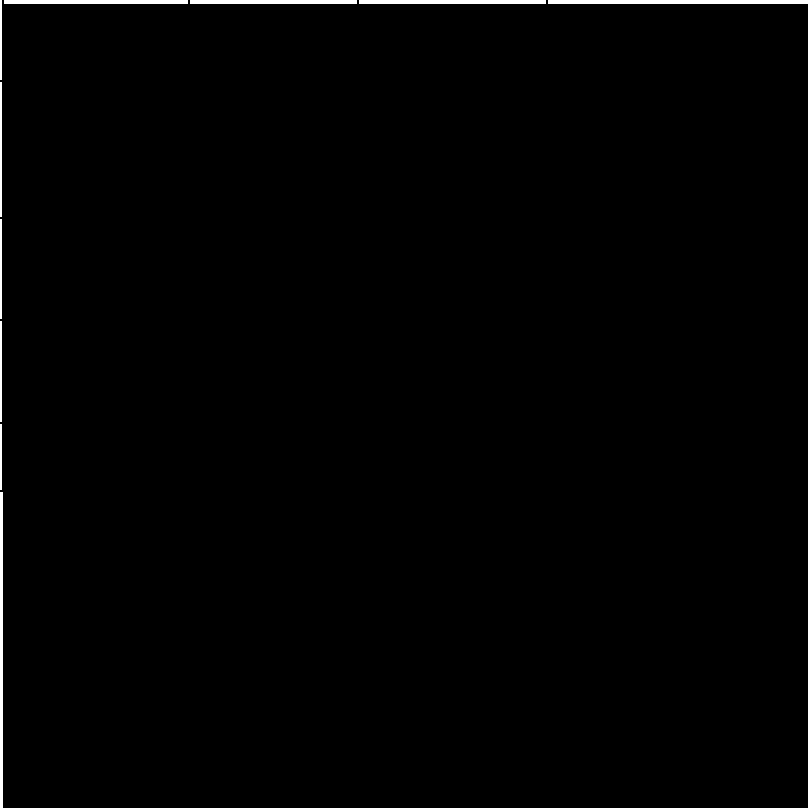
The advisor is responsible for monitoring the performance of current managers and proactively providing the Committee with recommendations for new managers.

The identification, selection, and management of managers in specific market segments is essential to achieving the target asset allocation. As part of the due diligence process, the investment advisor will carefully review both quantitative and qualitative factors for each organization. Specific requirements are contained in Appendix B.

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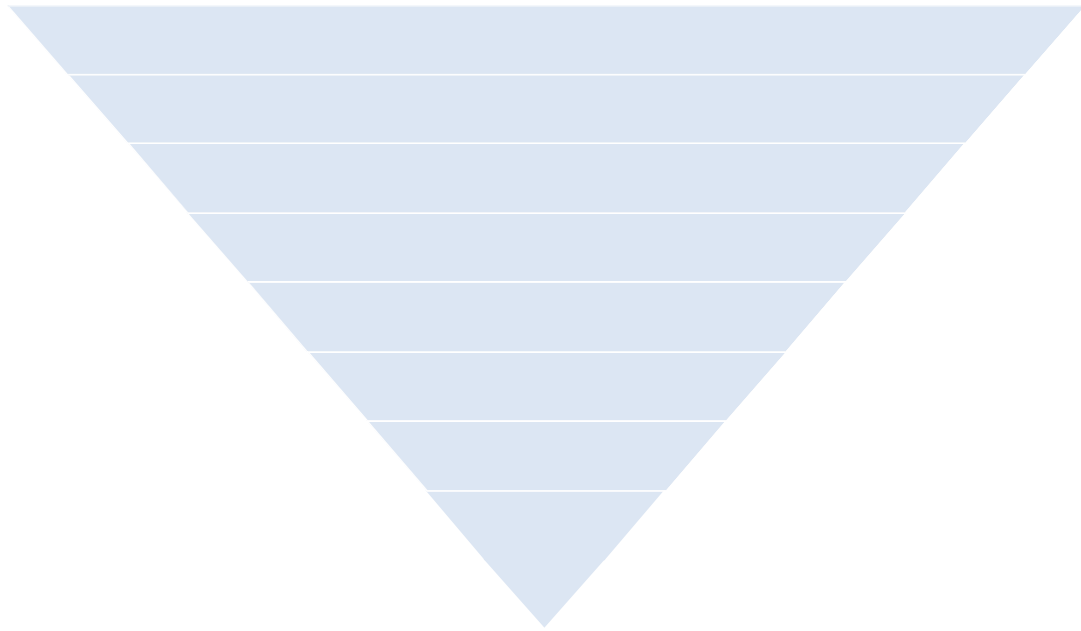
Appendix A: Allocation of Investment Responsibilities

Responsibility	Investment Advisor(s)	Investment Committee	Investment Custodian	Office of VP Finance & Treasurer
Investment Policy Statement		Determines		Develops and Recommends
Investment Advisor(s) Performance				
Rebalancing and Tactical Allocation within Ranges	Develops and Recommends			
Asset Class Manager Selection	Develops and Recommends			
Performance Measurement and Evaluation	Monitors and Reports			
Regulatory Changes	Monitors			



Appendix B: Conducting Research on Recommended Managers

The manager evaluation and selection process narrows the manager candidates from idea generation to formal recommendation. All managers that proceed through the manager selection process are evaluated according to the criteria outlined below. Only those that meet all of the criteria proceed to the formal research report. The steps that follow encompass the entire research process. These detailed due diligence steps may vary between liquid and illiquid investments to address risks specific to the investment vehicle and mandate.



Appendix C: Asset Allocation

Asset Class	Target (%)	Range (%)