University of Wyoming Foundation

Statement of Investment Policies, Objectives and Guideline

Introduction

The Statement of Investment Policies, Objectives, and Guideline of the University of Wyoming Foundation was established to facilitate a clear understanding of the investment policies, guidelines and objectives of the Foundation’s assets. It is the intent of this statement to be both sufficiently specific to be meaningful and flexible enough to be practical.

The Investment Committee carries out the Investment Policies of the Foundation. The Committee will manage the portfolio in accordance with the fiduciary duties and responsibilities set forth in Wyoming law. The Investment Committee shall meet no less than three times per year and will report to the Board of Directors. The Board of Directors retains ultimate control of and responsibility for all investment activity.

Policy

The Investment Policy of the University of Wyoming Foundation shall provide guidelines for the management of the Foundation’s assets and set the investment objectives for these assets. The goal of the Investment Policy is to select strategies and methods appropriate to meeting these objectives.

Objectives

Based upon the Foundation Board’s payout policy (4%), the assumed inflation rate (3%) and the Foundation’s administrative fee (1.25%), the Investment Committee’s long term return objective for the Foundation’s assets is currently 8.25%.

The investment objective shall be determined by the Investment Committee from time to time based upon the Foundation Board’s payout policy, the assumed inflation rate, the Foundation’s administrative fee and such other considerations as the Committee and/or the Board deem advisable.

Investment of Assets

To achieve its investment objectives, the University of Wyoming Foundation may utilize a broad range of investment vehicles for portfolio investment purposes, including, but not limited to, separate accounts, commingled funds, open and closed end mutual funds, partnerships, and primarily in the case of real assets, direct ownership. The Foundation’s assets may be invested in the following asset classes:
1. Publicly traded equities – both U.S. and foreign, including emerging markets. Managers will be evaluated versus a benchmark comparable to their investment objective. The purpose of the equity portfolio is to provide, in aggregate, both capital appreciation and income.

2. Fixed income – both U.S. and foreign, including emerging markets. Specific securities may include government, agency, corporate of various ratings, and other issuers, including bank loans and mortgage backed securities. Managers will be evaluated versus a benchmark comparable to their investment objective. The purpose of the fixed income investments is to provide a hedge against deflation, reduce portfolio volatility, and generate current income.

3. Private equity and venture capital – these investments are typically structured as limited partnerships that make, primarily, direct investments in individual companies. They are highly illiquid and may utilize leverage. Managers will be evaluated versus a benchmark comparable to their investment objective. Their purpose is to provide capital appreciation.

4. Absolute return strategies – these investments are typically structured as limited partnerships that may own a broad range of securities. They may be relatively illiquid and utilize leverage. These investments seek to take advantage of relative mispricing of securities or specific market inefficiencies. Managers will be evaluated versus a benchmark comparable to their investment objective. Their purpose is to provide both capital appreciation and income.

5. Hedge funds – these investments are typically structured as limited partnerships that may own a broad range of securities, both long and short, including direct investments and other possibilities such as derivatives, options, and futures. They may be relatively illiquid and utilize leverage. Managers will be evaluated versus a benchmark comparable to their investment objective. Their purpose is primarily to provide capital appreciation.

6. Real assets – these investments may be structured as limited partnerships, ETF or directly owned and would typically include, among other assets, real estate or oil and gas. They are illiquid. Performance may or may not be subject to evaluation against a benchmark. Their purpose is usually to provide both current income and capital appreciation.

7. Cash – its purpose is to provide liquidity, and reduce portfolio volatility. An appropriate level of liquidity is required to pay distributions, permit necessary portfolio rebalancing, and among other items, meet anticipated capital calls from various investment managers.

Asset Allocation

A long term asset allocation strategy, consistent with an appropriate level of portfolio risk as determined by the Committee, will be determined and reviewed annually by the Committee. Its purpose will be to achieve, over the longer term, the Foundation’s investment objective, consistent with prudent management. Portfolio rebalancing will
take place, as appropriate, to insure that, within a reasonable time period, portfolio investments are consistent with the asset allocation strategy.

1. Reporting to the board
   a.) The investment committee will provide to the Board an update of the actual asset allocation versus the long term target at least semi-annually.

2. Cash flows, contributions and spending needs, should be utilized to rebalance the portfolio as applicable in an effort to minimize potential transaction costs.

3. Defined time period for rebalancing
   a.) When an asset class falls outside the established rebalancing guidelines for a period of one year, the investment committee will develop a strategy for rebalancing the portfolio consistent with the liquidity profile of the portfolio, or make a recommendation to change the target allocation to the full board for their approval.

In choosing investments, special attention will be paid to the 501(c) 3 tax-exempt status of the Foundation. In particular, investment vehicles will be in compliance with:

1. The laws of the State of Wyoming
2. Internal Revenue Code prohibitions on:
   a.) Engaging in any act of self-dealing (IRC Section 4941).
   b.) Making any investments that would jeopardize the carrying out of any of the exempt purposes of the University of Wyoming Foundation.

**Expendable Funds**

Expendable funds will be invested in U.S. Treasury or Agency debt instruments, investment grade corporate bonds, fully insured certificates of deposit or money market funds.

**Real Assets**

Real assets, including, but not limited to, real estate, oil and gas and tangible personal property will be managed in accordance with the Foundation’s By-Laws.

**Investment Restrictions**

1. Investment in any one manager, at the time of investment, should not exceed 15% of the assets in the particular investment under consideration. Any exception must be documented in writing and reported to the Executive Committee of the Board prior to the investment being made.

2. Not more than 5% of the endowment pool can be invested with any one manager in the alternative space who has greater than annual liquidity.
Any exception must be documented in writing and reported to the Executive Committee of the Board prior to the investment being made.

3. No purchase of securities of an investment manager’s organization or of any firm with a controlling interest in said organization are to be made by an investment manager hired by the Committee.

4. Self-custody by any investment manager hired by the Committee is not permissible.

Distributions

Distributions will be made according to the payout policy determined by the Board. The calculation of distributions can be determined by, interest income, dividends, long or short term capital gains, realized or unrealized, or principal, as allowed by statute or donor request.

Administrative Fees

The Foundation shall assess the following fees in an effort to cover its proportionate share of the expenses of the Foundation:

1. Endowment Fund: An annual fee of 1.25%, based on the market value, assessed quarterly, shall be paid from the income or realized capital gains. For all accounts not in the investment pool (excluding accounts holding non-income producing real estate), an annual fee of 1.25% of the principal asset value, assessed quarterly, shall be deducted from income.

2. Expendable Gift funds (excluding Annual Fund accounts and accounts holding real estate): An annual fee of 1% of the principal balance, assessed quarterly, shall be deducted from the income of all accounts in these fund categories.

3. Annual Fund Receipts: A onetime assessment of 10% of the contribution amount shall be deducted from all annual fund receipts and from any other contributions to be held by the Foundation for the discretionary use of the beneficiary department.

4. Non-income producing assets: 1% per year calculated on the selling price and deducted from the proceeds at the time of sale.

5. Bequests: A onetime assessment of 5% will be applied to the amount of the bequest equal to or less than $1 million, plus a onetime assessment of 2.5% will be applied to the amount of the bequest over $1 million. These fees will apply to both endowed and expendable gifts.

Investment Manager and Performance Oversight

The Committee is responsible for the prudent oversight of investment managers employed. In exercising this responsibility, the Committee may rely heavily on the input and analysis from staff, external investment consultants, and other investment professionals. The Committee may, in its discretion, delegate responsibilities to Foundation employees and/or hire investment consultants to assist it in establishing and
implementing this Statement of Investment Policy and Objectives, including asset allocation, manager selection, performance monitoring, portfolio reporting, and other duties related to the investment management of the Foundation’s assets. The investment consultants will provide the Committee with quarterly reports to include, as practicable, the following:

1. Performance reviews – it is recognized that certain asset classes, such as real estate or private equity, may not lend themselves to meaningful quarterly analysis. The Committee will use its best judgment in determining appropriate review schedules. Reviews will consist of current portfolio, asset class, and manager performance on both an absolute and relative basis. Relative performance will compare to selected benchmarks. Risk adjusted performance will be provided where appropriate and obtainable.
2. A summary of portfolio interest income, dividends, and realized and unrealized capital gains on a practicably obtainable schedule, but at least annually.
3. An analysis of individual manager performance, as appropriate, with special emphasis on identifying those managers whose lagging performance may require remedial action by the Committee.
4. Portfolio holdings.
5. Custodial statements, if available, but in any event at least annually.
6. Any other data the Committee deems important.

Additional manager oversight will include:

1. Immediate reports to the Committee on any turnover among senior management personnel, including the reasons therefore and plans for replacement.
2. Any material changes in investment philosophy.
3. Periodic meetings with all managers on a schedule to be determined by the Committee. It is recognized that, as the Foundation’s portfolio grows, the number of investment managers utilized will increase. Since there is a practical limit to the number of managers that may be reviewed at a meeting, the Committee may utilize significant discretion in scheduling decisions. It is expected that individual manager performance will be an important factor in the timing and frequency of manager appearances. It is also expected that the Committee may utilize staff or outside consultants to conduct these meetings.

**Hiring of Investment Managers**

The decision to hire new investment managers will be made only after appropriate due diligence, including: evaluation and verification of performance record, including risk adjusted performance; discussion of investment philosophy, longevity and stability of management, verification of outside custodian and a reputable accountant, among other
items. The Committee will heavily rely in its due diligence upon outside consultants and other investment professionals.

While the Committee will heavily rely in its due diligence upon outside consultants and other investment professionals, in the selection of investment managers, the Committee, or a sub-committee of the Committee must interview each new manager prior to their engagement.