

# UNIVERSITY OF NORTHERN IOWA FOUNDATION

## ASSET ALLOCATION POLICY

*Approved October 2023*

### PURPOSE

The Board of Trustees of the University of Northern Iowa Foundation have adopted an Investment Policy which expresses the goals and objectives of the Foundation's investment portfolios and establishes responsibility for oversight and management of the Foundation Endowment Funds, Operating Funds, Trust Funds, Plant Funds and Donor Advised Funds. The Investment Policy charges the Investment Committee with establishing, updating, and implementing Asset Allocation Policies that are designed to achieve the Foundation's investment goals and objectives for each fund. This policy is intended to fulfill that responsibility.

### INVESTMENT PRINCIPLES

Investment of the Foundation's portfolios is based on a set of core principles that are intended to maintain investment discipline over the long term and to protect the portfolios from market-driven departures away from prudent long-term policies. The core principles are:

1. Asset allocation is the key determinant of return. Therefore, asset allocation targets will be established strategically with the intent of achieving the objectives of the Investment Policy. Asset allocation ranges will be maintained through a disciplined rebalancing process.
2. Diversification is a critical risk management technique. The portfolios will remain well-diversified both among and within asset classes to minimize the risk that a concentrated position will have a disproportionately adverse impact on the portfolios.
3. The portfolios will be invested primarily by external managers. In accordance with the principal of diversification, managers will be selected who have distinct and different investment styles. Active managers will be measured against relevant benchmarks and will be expected to add value (net of fees) over the benchmark during the course of an economic cycle. Passive managers are also suitable for the portfolio, especially in highly efficient asset classes.
4. For those portfolios which have a longer-term horizon, the portfolios are permitted to seek higher return potential in illiquid asset classes and asset classes exhibiting greater-than-average volatility. Allocations to these asset classes will be closely managed to control aggregate portfolio volatility, protect the underlying value of the principal, and ensure sufficient liquidity to maintain the spending distribution.

## ASSET CLASSES

For asset allocation purposes, the Foundation's investments are classified into different asset classes: equities (public and private capital), alternatives (including semi-liquid and liquid), publicly traded real assets, publicly traded fixed income, and cash. The tables below define a long-term strategic target and a long-term policy range for each asset class in each of the funds. The long-term strategic target represents the goal toward which the portfolios are expected to move over a time. Annual allocation plans will be adopted by the investment committee to achieve the long-term strategic target in progressive increments. The long-term policy range defines the acceptable ranges within which the annual allocation plans may fall. The long-term policy range is intended to be fairly wide to accommodate varying economic and market conditions. Annual plans may vary from the long-term strategic targets but are expected to remain within the long-term policy ranges.

### **Endowment Fund**

<b>Asset Class</b>	<b>Long-Term Strategic Target</b>	<b>Long-Term Policy Range</b>
<b>EQUITIES - Public &amp; Private</b>	<b>75%</b>	<b>30% – 85%</b>
Public Equities	50%	30% – 85%
Private Capital	25%	0% – 35%
<b>ALTERNATIVES (Semi Liquid / Liquid)</b>	<b>10%</b>	<b>0% – 20%</b>
Hedge Funds, Allocation Funds	10%	0% – 20%
<b>REAL ASSETS - Publicly Traded</b>	<b>5%</b>	<b>0% – 15%</b>
<b>FIXED INCOME - Publicly Traded</b>	<b>10%</b>	<b>5% – 40%</b>
<b>CASH</b>	<b>0%</b>	<b>0% – 10%</b>
<b>TOTAL</b>	<b>100%</b>	

## Operating Fund

<b>Asset Class</b>	<b>Long-Term Strategic Target</b>	<b>Long-Term Policy Range</b>
<b>EQUITIES - Publicly Traded</b>	<b>0%</b>	<b>0% – 20%</b>
<b>ALTERNATIVES</b>	<b>0%</b>	<b>0% – 20%</b>
<b>Liquid, Semi-Liquid Alternatives:</b>	<b>0%</b>	<b>0% – 20%</b>
Hedge Funds, Allocation Funds	0%	0% – 20%
<b>FIXED INCOME - Publicly Traded</b>	<b>100%</b>	<b>60% – 100%</b>
<b>CASH</b>	<b>0%</b>	<b>0% – 50%</b>
<b>TOTAL</b>	<b>100%</b>	

## Capital Projects Fund

The UNI Foundation Capital Projects Fund may be invested in a range of fund options to include money market, ultra-short bond funds, and/or short duration bond funds depending on the market environment and liquidity needs.

## Life Income Funds

<b>Asset Class</b>	<b>Long-Term Strategic Target</b>	<b>Long-Term Policy Range</b>
Publicly traded equities:	60%	50% - 70%
<i>Domestic equities</i>	40%	30% - 50%
<i>International equities</i>	20%	10% - 30%
Publicly traded fixed income	35%	25% - 45%
Cash	5%	0% -8%
Hedge Funds	0%	
Illiquid alternatives:	0%	
<i>Private equity (venture capital, buyouts, distressed, and similar strategies)</i>	0%	
<i>Real assets (energy, commodities, real estate, and similar strategies)</i>	0%	
<i>Other</i>	0%	

Publicly traded equities are intended to provide appreciation of principal that more than offsets inflation and to provide a growing stream of current income. Within this asset class, managers will be selected to provide diversification among investment styles (value, growth, and core) and market capitalizations (small, mid, large cap). Managers who are not limited by style characteristics may be selected, as long as the overall portfolio remains well diversified.

Publicly traded fixed income assets are intended to provide current income in support of spending needs, provide a hedge against deflation, and reduce the overall volatility of portfolio returns. This asset class may include a variety of bond investments (high quality, high yield, inflation-indexed, global) as well as short term cash and cash equivalents. The percentage of assets allocated to fixed income should be sufficient to provide that neither the current income nor the principal value of the total fund declines by an intolerable amount due to market volatility or deflation.

The purpose of the hedge fund allocation is to reduce the volatility and risk of the aggregate investment portfolios either by reducing correlations to the market or by providing absolute returns. Hedge funds-of-funds as well as direct investments in single hedge fund strategies may be used to achieve broad diversification within this asset class.

The purpose of illiquid alternatives is to enhance the long-term returns of the portfolios. This asset class may include venture capital, buyout funds, distressed debt, real estate, natural resources, commodities, and other strategies. Investments to this asset class are made through commitments that may be called over an extended period of time, which may cause the asset class to be over- or under-funded relative to its target range. The default position for an unfunded allocation to private equity-like investments will be publicly traded equities, and the default position for an unfunded allocation to real asset investments will be publicly traded bonds.

## ANNUAL PLAN

Within the stated asset allocation framework there can be numerous sub-asset classes. Because an optimal asset allocation evolves through time in response to changing economic circumstances, annually the Investment Committee in consultation with staff and the consultant will adopt a detailed asset allocation plans by sub-asset class, including targets and ranges for each sub-asset class as well as trigger points for rebalancing. This detailed plan will be based on considerations of capital market risks and returns, inflation, volatilities, correlations, and similar factors. The plans will also be coordinated with the Foundation's spending formula to ensure that spending distribution needs are met.

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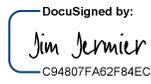
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