

**UNIVERSITY OF NORTHERN IOWA FOUNDATION**  
**STATEMENT OF INVESTMENT POLICY,**  
**OBJECTIVES AND GUIDELINES**  
*Revised by Finance/Investment Committee 10/15/2020*

I. GENERAL INFORMATION

A. SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the University of Northern Iowa Foundation.

B. PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the Investment/Finance Committee of the Board of Trustees of the University of Northern Iowa Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets in accordance with the Uniform Prudent management of Institutional Funds Act.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

C. DELEGATION OF AUTHORITY

The Investment/Finance Committee of the Board of Trustees of the University of Northern Iowa Foundation is a fiduciary, and is responsible for directing and monitoring the investment management of Fund assets. As such, the Investment/Finance Committee of the Board of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Foundation Treasurer. The Foundation Treasurer is responsible for the implementation of the policies set forth by the Investment/Finance Committee. The Treasurer is responsible for ensuring that Foundation funds are deposited

on a daily basis and for ensuring the investment of Foundation funds as soon as practicable. The Treasurer has the authority to purchase, sell, and hold all investment types authorized by this policy. The Treasurer has the authority to specify the types of securities that will be used to meet the Fund's investment objectives. The Treasurer also has the responsibility to oversee the movement of assets into and out of the Fund. The Treasurer has the responsibility to manage all financial assets of the Foundation not assigned to Investment Managers or finance students. See Investment Protocol.

2. Investment Consultant(s). The Consultant(s) may assist the Investment/Finance Committee of the Board of Trustees in: establishing investment policy, objectives, and guidelines; providing asset allocation advice; selecting Investment Managers; reviewing such Managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
3. Investment Manager(s). The Investment Manager(s) have discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
4. Finance Students. University of Northern Iowa undergraduate finance students operating under the oversight of faculty advisors are granted the authority to invest the entire proceeds of the Krause Gentle Corporation gift, its net earnings, and any additions to the fund. (This was a condition of accepting the gift.)
5. Custodians. Custodians will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodians may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the fund accounts.
6. Additional specialists such as attorneys, auditors, actuaries, private trust companies and retirement plan consultants, and others may be employed by the Investment/Finance Committee of the Board of Trustees to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Investment/Finance Committee of the Board of Trustees will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

#### D. DEFINITIONS

1. "Funds" shall mean the University of Northern Iowa Foundation Endowment Funds, Operating Funds, Trust Funds, Capital Funds and Donor Advised Funds.
2. "Investment/Finance Committee of the Board of Trustees" shall refer to the governing board established to administer the Fund as specified by applicable ordinance.
3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition, or administration of the Fund assets.
4. "Investment Consultant" shall mean any individual, or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search and selection, and performance monitoring.
5. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.
8. "Endowment Funds" shall consist of true endowments, term endowments, quasi- endowments and other funds of the Foundation that should be invested in perpetuity.
9. "Operating Funds" shall consist of non-endowed funds where the investment time line is less than perpetuity.
10. "Life Income Funds" shall consist of Charitable Remainder Annuity Trusts, Charitable Remainder Unitrusts, Charitable Gift Annuities and any other types of life income arrangements that the Foundation may receive from time to time.
11. "Capital Funds" shall consist of proceeds restricted for building and equipment.
12. "Donor Advised Funds" shall consist of proceeds where future grants will be made at the recommendation of donors.

## II. ASSIGNMENT OF RESPONSIBILITY

### A. INVESTMENT/FINANCE COMMITTEE OF THE BOARD OF TRUSTEES

The Board of Trustees has established an Investment Committee. The Committee shall determine the general policy for the Foundation's investment portfolios and shall be responsible for the guidance, monitoring and oversight of the portfolios.

The specific duties and responsibilities of the Committee shall be to:

1. Provide oversight of adherence to the guidelines as defined by UPMIFA and all other applicable regulations.
2. Determine the investment portfolios' risk tolerance and investment horizon, and communicate these to the appropriate parties.
3. Establish reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the portfolios' assets.
4. Establish asset allocation guidelines to provide parameters for strategic and tactical asset class allocation moves.
5. Determine if the overall policies and objectives continue to be appropriate and reasonable and make adjustments if necessary.
6. Control and account for all investment expenses.
7. Review performance of the portfolios to stated objectives.
8. Review and monitor performance of the Consultant.

The Board of Trustees has delegated the prudent management of the portfolios to the Committee. As such, the Committee may delegate certain responsibilities to professional experts in various fields.

**B. FOUNDATION TREASURER**

Responsibilities of the Treasurer are as follows:

1. Accepting, recording, accounting for, and ensuring the investment of all funds of the UNI Foundation.
2. Recommending to the Investment/Finance committee any securities and/or other non-cash gifts the Foundation wishes to retain rather than convert to cash.
3. Maintaining appropriate banking relationships and determining the services of the banks that will be utilized.
4. Reviewing all invoices presented to the UNI Foundation for payment and approving the disbursement of funds.
5. Ensuring the timely deposit of all Foundation funds into designated accounts and the timely investing of funds.
6. Projecting the Foundation's cash flows and determining the level of funds that can be invested in the Endowment, Operating, Trust and Capital Funds Portfolios.

7. Advancing funds to Investment Consultant(s) as appropriate. Rebalancing will be accomplished with new gift proceeds to the extent practicable.
8. Directing Investment Consultant(s) to return funds that are needed to meet financial obligations.
9. Advising the Foundation President, Investment/Finance Committee, and Board of Trustees on matters of financial policy.
10. Establishing a system of internal accounting controls within the UNI Foundation.
11. Arranging for an annual audit of the Foundation's financial statements and communicating with the audit committee of the Foundation.
12. Assisting the Investment/Finance Committee in the formulation of investment policy and in the selection and evaluation of Investment Consultant(s) and Investment Manager(s).

#### C. INVESTMENT CONSULTANT(S)

The Consultant's role is that of a discretionary advisor to the Committee. As such, the Consultant will have the responsibility for making all investment decisions regarding the Plans' assets subject to the specific limitations described in these statements, including those boundaries as approved by the Committee in determining the appropriate asset allocations for the Plans. The Investment Consultant will report on the results of investments regularly to the Committee and perform other tasks for the Committee as deemed appropriate. Specific responsibilities of the Consultant include:

1. Review the capital markets in light of the Plan's investment objectives.
2. Assist in the development and periodic review of investment policy.
3. Implement strategic and tactical asset allocation changes within the committee approved guidelines of the policy. The UNIF Investment committee will establish the asset allocation guidelines to provide parameters for the strategic and tactical asset class allocation. The consultant will not allow the asset classes to move outside the approved range parameters.
4. Implement portfolio rebalancing within the guidelines of the policy as referenced in point 3.
5. Conduct investment manager searches and due diligence.
6. Select and implement investment managers.

7. Communicate matters of policy and investment direction to the investment managers when necessary.
8. Review the performance of Investment Managers over time, evaluating their investment performance against appropriate benchmarks.
9. Report investment results to the Committee on a regular basis as requested by the committee.
10. Assist the Committee in the determination, understanding, negotiation and accountability of all fund investment costs.
11. Review Plan investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed Committee members.
12. Provide timely reports for Audit.

The Finance Committee foresees the possibility of using mutual funds, collective trust funds, and/or limited partnerships in the form of diversified fund of funds hedge funds, and understands that they would not have any control over the management of such funds with regard to guidelines and restrictions. However, they intend for the Investment Consultants to utilize funds and other pooled investment vehicles that generally comply with the investment guidelines stated in this Investment Policy Statement.

#### D. INVESTMENT MANAGER(S)

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Make discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Report, on a timely basis, quarterly investment performance results.
3. Communicate any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process, or the investment objective progress of the Fund's investment management.
4. Inform the Investment Consultant and/or the Investment/Finance Committee of the Board of Trustees regarding any qualitative changes to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Vote proxies on behalf of the Fund (unless this responsibility is reserved by the Committee).

## E. RESPONSIBILITY OF CUSTODIAN

The custodian must assume the following responsibilities as they pertain to:

1. Safekeeping of Securities – Hold all assets in the appropriate accounts and provide secure storage of securities. Electronic transfer records at the Depository Trust Company (DTC) are acceptable.
2. Settlement of Trades – Arrange for timely and business-like settlement of all purchases and sales of individual securities made for the Foundation Fund. Transactions shall be made on a delivery versus payment (DVP) method unless provide in writing by the Committee. Receive and document confirmation of mutual and pooled fund transactions.
3. Collection of Income – Provide for receipt and prompt crediting of all dividend and interest payments received as a result of the Foundation Fund’s activities. Monitor income receipts to ensure that income is receive when due and to institute an investigative process to track and correct late or insufficient payments, including reimbursement for any lost interest due.
4. Cash Sweep – Sweep cash daily into an interest bearing account featuring a high degree of safety of principal and liquidity.
5. Reporting – Provide monthly reports showing individual asset holdings with sufficient descriptive detail to include units, unit price, cost, market value, CUSIP number (when available) and any other information needed by the Committee. Transactions including dividends and interest received; deposits and withdrawals; securities purchased, sold and matured; and fee payments will also be listed.
6. Transfer – At the direction of individuals specifically appointed by the Committee, expeditiously transfer funds into and out of designated accounts.

## III. INVESTMENT MANAGEMENT POLICY

### A. Preservation of Capital

Consistent with their respective investment styles and philosophies, Investment manager(s) should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

### B. Risk Aversion

Understanding that risk is present in all types of securities and investment styles, the Investment/Finance Committee of the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

C. Adherence to Investment Discipline

Investment Managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

D Disposition of securities

Securities are sold as soon as practicable unless the Foundation President and/or Foundation Treasurer recommends to the Investment/Finance committee of its intent and purpose for retaining.

E. Disposition of non-cash gifts

Non-cash gifts, other than securities, shall be converted to cash as soon as practicable or transferred over to the University upon approval of the Foundation President and/or Foundation Treasurer. Non – cash gifts the Foundation wishes to retain shall be brought to the Investment/Finance committee for approval.

F. Liquidity

1. Liquidity will be maintained through cash equivalents and/or borrowing.
2. Investment accounts can be leveraged for the benefit of the entity.
3. The Foundation President, Treasurer, and Investment Committee Chair or Vice Chair will have discretion to take a loan from the Portfolio Loan Account of up to \$1 million cumulative without approval from the Investment Committee. If a loan over \$1 million is determined to be necessary, this will require the Investment Committee approval.

V. INVESTMENT OBJECTIVES

The investment/Finance Committee of the Board of Trustees recognizes that grants to be made in the future are as important as grants made today. Endowment funds exist in perpetuity while operating funds are used today to provide support for scholarships and programs at the University. With that in mind, the Foundation has identified the following objectives:

A. ENDOWMENT

The Endowment Portfolio shall be constructed with the overriding objective of maintaining purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value by at least the rate of inflation over the endowment's investment horizon.

B. OPERATING

Short-term spending in dollar terms must be flexible enough to endure periods of

underperformance without excessive deterioration of real principal. Therefore, the Operating Portfolio shall be structured with the objective of attaining the highest possible "total return" with a minimal level of risk while maintaining liquidity to accommodate the immediate need for scholarships and program support.

#### C. LIFE INCOME

By establishing a charitable trust or gift annuity, a donor retains an interest in their gift by nature of receiving income payments during their lifetime. This portfolio is structured with the objective of attaining the highest possible "total return" with a minimal level of risk while maintaining liquidity to meet those scheduled payments.

#### D. CAPITAL PROJECTS FUND

The UNI Foundation Capital Projects Fund shall be structured with the overriding objective of preserving capital while maintaining liquidity to meet predetermined payments for the construction of physical structures. The 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.

These objectives help define spending and asset allocation policies which are found under separate policy cover.

### VI. INVESTMENT GUIDELINES

#### A. ALLOWABLE ASSETS

##### 1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- STIF Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

##### 2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMOs) or other "early tranche" CMOs.

##### 3. Equity Securities

- Common Stocks
- Convertible Notes and Bonds

- Convertible Preferred Stocks
  - American Depository Receipts (ADRs) of Non-U.S. Companies
  - Stocks of Non-U.S. Companies (Ordinary Shares)
4. Mutual Funds
    - Mutual Funds that invest in securities as allowed in this statement.
  5. Other Assets
    - GICs
  6. Exchange traded Funds
    - Exchange traded funds that invest in securities as allowed in this statement
  7. Alternative Investments:
    - Hedge Funds
    - Real Assets
    - Private Equity
    - Managed Futures
    - Credit Structures

## **Hedge Funds**

Hedge funds are private investments, generally structured as limited partnerships or investment companies. Hedge Fund Investment Managers are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives. When investing in a Fund-of-Fund, the offering memorandum of the fund of fund must be reviewed by the investment consultant to ensure that such an investment would not constitute any violation with the Foundation's Investment Policy. It is not expected that the offering memorandums would be reviewed for each underlying fund. When investing in an individual hedge fund, the offering memorandum of the individual fund must be reviewed by the investment consultant to ensure that such an investment would not constitute any violation with the Foundation's Investment Policy.

The Trustees may consider investments in hedge fund strategies within the context of an overall investment plan. The objective of such strategies will be to diversify the Foundation's portfolio, complementing traditional equity and fixed-income investments and improve the overall performance consistency of the Foundation. Of course, there is no guarantee that this objective will be realized.

The Foundation may invest in Hedge Fund-of-Funds or single manager hedge funds. A Fund-of-Funds is managed by an Investment Manager, who subsequently invests in the hedge funds of multiple underlying Investment Advisors. Therefore, Fund-of-Funds are also referred to as Multi-Advisor Funds. Because they are diversified, Fund-of-Funds help to reduce the individual fund-specific risk. In special situations and where considered appropriate, the Foundation may also invest directly with individual rather than Multi-Advisor Funds.

The Committee understands that hedge fund investments are less transparent than traditional investments, but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the Committee understands that liquidity in such investments may be limited. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

**Allowable Hedge Fund Strategies:** Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

- Long/Short Equity
- Convertible Arbitrage
- Merger/Risk Arbitrage
- Fixed-Income Arbitrage
- Distressed Securities

**Allowable Hedge Fund Investments:** The above-referenced strategies may include investments in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

## B. EXCHANGES

To ensure marketability and liquidity, Investment Managers will execute equity transactions in a US stock exchange or over-the-counter market, and foreign exchange markets. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Investment Committee.

## C. DERIVATIVE INVESTMENTS

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMO's (PAC bonds, IO's, PO's, residual bonds, etc.) and interest rate swaps among others. The Fiduciary feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Fiduciary will take a conservative posture on derivative securities in order to maintain its risk-adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited; rather it will serve as a general policy on derivatives. Unless otherwise specifically allowed in this document, the Investment Manager(s) must seek written permission from the Investment Committee to include such investments in the Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

## VII. SELECTION/EVALUATION OF INVESTMENT CONSULTANT(S)

The UNI Foundation Board of Trustees may chose to hire an Investment Consultant(s). The selection of an Investment Consultant(s) shall be based on the Consultant(s)' ability to provide value added results to UNI Foundation investments and to provide other valuable and necessary services to the UNI Foundation and Investment/Finance Committee.

In order to assure adherence to policy guidelines and to monitor investment objective progress, the Investment/Finance Committee will conduct an annual evaluation of the Consultant(s). The contract for Investment Consultant(s) services will be placed out for bid every 8 years unless the Board feels that, due to performance or other issues, it becomes necessary to have such bids before that time.

## VIII. SELECTION OF INVESTMENT MANAGER(S)

### A. PROCEDURES

The portfolio will be invested primarily by Investment Managers. In accordance with the principal of diversification, Investment Managers will be selected who have distinct and different investment styles. Active Investment 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 Investment Managers are also suitable for the portfolio, especially in highly efficient asset classes.

The selection of Investment Managers must be based on prudent due diligence procedures.

### B. INVESTMENT MANAGER(S) PERFORMANCE REVIEW/EVALUATION

Performance reports generated by the Investment Consultant(s) shall be compiled at least quarterly and communicated to the President and Treasurer of the Foundation for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The goal of each Investment Manager, over the investment horizon, shall be to:

1. Outperform the market index, or blended market index, selected by the Investment Management Consultant that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns as well as longer term measurement comparisons of capture ratios, alpha and beta statistics.

The Investment Management Consultant intends to evaluate the portfolio(s) over at

least a three year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Manager(s) shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

#### C. DIVERSIFICATION GUIDELINES FOR INVESTMENT MANAGERS

##### **Guidelines for Equity Investments**

1. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total portfolio at market value.
2. No more than 20% of the total fund should be invested in any one industry.

##### **Guidelines for Fixed Income Investments and Cash Equivalents**

1. The average credit quality of the fixed income portfolio shall be investment grade or higher, as defined by a credit rating of BBB/Baa or higher at the time of purchase.
2. No more than 20% of the total Fund should be invested in any one industry. Individual treasury securities may represent 60% of the Fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.
3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.
4. Fund assets may be invested in commercial paper rated A1P1 (or equivalent) or better.

#### IX. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment/Finance Committee of the Board of Trustees plans to review the investment policy at least annually.

This statement of investment policy, objectives, and guidelines is adopted by the Board of Trustees of the University of Northern Iowa Foundation

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President, UNI Foundation

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*Stacy Robinson*  
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VP/Treasurer, UNI Foundation

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Chair, UNI Foundation Investment/Finance Committee

Addendums– Asset Allocation, Spending Policies, & Asset Liquidation