

# **VIRGINIA COMMONWEALTH UNIVERSITY FOUNDATION**

## **Investment Policy, Objectives and Guidelines**

### **Statement of Purpose and Objectives**

This policy is issued by the Board of Trustees of the Virginia Commonwealth University Foundation (the “Foundation”). Its purpose is to guide staff, investment managers, and others in the investment of Foundation assets. This Policy should be formally reviewed not less than once every three years.

It is the policy of the Foundation to invest funds in a manner that will provide an appropriate return on investment with the maximum security while meeting the cash flow requirements of the Foundation. Investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investments are divided into three broad funds: equity, fixed income, and alternatives. Within these funds, investments are further divided into various styles of management.

### **Delegation of Authority and Fiduciary Responsibilities**

The Foundation may choose to establish its own investment committee comprised of Foundation board members or it may elect to appoint persons external to the Foundation to serve in such a capacity (the “Committee”). The Committee is responsible for monitoring investment performance and recommending asset allocation ranges and manager selection. The Committee shall provide notification of all meetings and minutes to the Executive Director of the Foundation, as well as report on investment performance at the Foundation’s board meetings.

The Foundation’s Executive Director, Treasurer or his/her designee is authorized to delegate certain responsibilities to professionals in various fields. These include, but are not limited to the following:

- **Investment Manager(s).** Investment Managers has discretion to purchase, sell, or hold the specific securities that will be used to meet the foundation’s investment objectives as expressed herein.
- **Custodian.** The Custodian will physically maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of Foundation accounts.
- **Other Specialists.** Attorneys, auditors, and others may be employed to assist in meeting its responsibilities and obligations to administer investment assets prudently.

### **Equity Fund**

The Equity Fund is designed to provide long-term capital appreciation. Investment objectives for the equity fund require investment managers (excluding managers of index funds) to outperform

the appropriate market index, net of fees, over a market cycle. Domestic equity managers, excluding small cap-style managers, will be measured against the S&P 500 index. Small cap domestic equity managers will be compared to the Russell 2000 index. International equity manager performance will be judged versus the EAFE index, and the MSCI World Ex USA index. Equity managers are encouraged to be fully invested in common stocks. Should a manager's style or philosophy dictate the need for case reserves to be held, the manager(s) may do so with the understanding that performance will be measured against the market indices listed above. Where index funds are used, the manager(s) will be measured against the respective indices they represent.

### **Fixed Income Fund**

The Fixed Income Fund is designed to provide a hedge against deflation and to increase current return relative to all equity funds. Equities are excluded from use in the fixed income portion of the investment pool. The portfolio is to be composed of investment-grade (Baa or better) issues. Investment objectives are to outperform the Barclays Aggregate Bond Index, net of fees. Where index funds are used, the manager(s) will be measured against the respective indices they represent.

### **Alternatives Fund**

The Alternatives Fund is to provide, in exchange for illiquidity and higher risk, lower volatility and diversification of the investment pool. The Alternatives Fund may include investments in leverage buy-outs, limited partnerships, real estate holdings, hedge funds, private equities and other similar investments. Alternative fund managers will be measured against the respective indices they represent.

### **Asset Selection**

Equity and fixed income managers may invest in readily marketable securities. Domestic and foreign common stocks and bonds are acceptable. All securities should comply with stated philosophies and management styles. Security selection, size, quality, number of holdings in the portfolio, number of industry groups, current income levels, and turnover are left to broad manager discretion subject to the standards of fiduciary prudence.

### **Fund Monitoring**

The Total Fund and the individually managed portfolios will be monitored on a continual basis for consistency in each manager's investment philosophy and return relative to objectives. Investment risks are measured by asset concentration, exposure to extreme economic conditions and market volatility. The investment objective of the Total Fund is to earn a real total return at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index (CPI). In addition, Total Fund performance should be compared to a custom market index based on fund asset allocation. The Alternatives Fund should provide a long-term return that exceeds the Total Fund.

## **Asset Allocations**

The following ranges are provided for each fund:

### Range

Equity 40-70%

Fixed Income 5-25%

Alternatives 15-50%

## **Security Trading**

As a general guideline, all transactions should be entered into on the basis of best execution. Commissions may be designated for payment of services rendered to the Foundation.

## **Security Custody**

The Foundation, or its designated custodial agent, shall hold securities purchased pursuant to the provisions of this policy.

## **Spending Policy**

The spendable return from endowment funds, calculated on an individual fund basis, shall be up to five (5) percent of the eight-quarter average market value of endowment fund units. This calculation will be made as of December 31 of the previous calendar year. Distributions shall be made as of July 1 of the following calendar year or as soon thereafter as funds are available. Total return in excess of the actual distribution shall be reinvested and shall be considered principal for all future distribution computations. At distribution date, should a distribution or market value decline result in a balance below the donor's original principal, a distribution will not be made. Distributions will be reactivated when the account grows sufficiently to allow for a distribution while maintaining the donor's principal balance.

Reviewed and approved at VCU Foundation Full Board Meeting

January 14, 1999

January 15, 2004

October 19, 2006

February 19, 2009

May 5, 2011