IOWA | Center for Advancement

Long-Term Investment Policy Statement

Effective Date: Annual Review
Last Revised: October 2021

Policy Owner: Investment Committee
Policy Contact: Vice President, Chief Investment Officer

1. Reason for Policy

The purpose of this Long-Term Pool Investment Policy Statement ("policy") is to establish the investment objectives and philosophy for the Long-Term Pool ("Fund") of the State University of Iowa Foundation dba the University of Iowa Center for Advancement ("UICA"). This policy will describe the standards utilized by the Investment Committee ("Committee") of the UICA Board of Directors ("Board") as well as serve as a guideline for any investment manager retained.

2. Scope

This policy applies to the Board and to the UICA.

3. Policy/Procedures

3.1 Investment Objective

The investment objective of the Fund is to seek maximum total return consistent with the preservation of principal, diversification, and avoidance of excessive risk. The Committee will exercise reasonable care, skill, and caution with regard to the UICA's investment of funds in the context of the entire portfolio which incorporates risk and return objectives reasonably suitable to the purposes of the UICA. The assets are to be managed in a manner that seeks to meet these investment objectives.

3.2 Fiduciary Duty

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Iowa Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The UPMIFA requires members of the governing board to "manage and invest the fund in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances." In so doing, they shall consider "general economic conditions; the possible effect of inflation or deflation; the expected tax consequences, if any, of investment decisions or strategies; the role that each investment or course of action plays within the overall investment portfolio of the fund; the expected total return from income and the appreciation of investments; other resources of the institution; the needs of the institution and the fund to make distributions and to preserve capital; an asset's special relationship or special value, if any, to the charitable purposes of the institution."

3.3 Description of Roles

Board of Directors and Investment Committee	The Board adopts the provisions of this policy. The Committee, subject to approval of the Board, is responsible for approving investment strategy; hiring and firing of investment managers, custodians, and investment consultants; monitoring performance of the Fund on a regular basis (at least quarterly); and maintaining sufficient knowledge about the Fund and its managers to be reasonably assured of their compliance with this policy. The Board is responsible for approval of target asset allocation.
Vice President, Chief Investment Officer	The Vice President, Chief Investment Officer (CIO) or his/her designee has daily responsibility for administration of the Fund and will consult with the Committee and the investment consultant on matters relating to the investment of the Fund. The CIO or his/her designee will serve as primary contact for the Fund's investment managers, investment consultant, and custodian.
Investment Consultant	The investment consultant is responsible for assisting the Committee and the CIO in all aspects of managing and overseeing the investment portfolio. The consultant is a source of investment education and investment manager information. On an ongoing basis the consultant will: 1. Provide proactive recommendations pertaining to asset managers, allocation of assets and general economic conditions. 2. Supply the Committee with reports (e.g., asset allocation studies, investment research and education) or information as reasonably requested. 3. Monitor the activities of each investment manager or investment fund. 4. Provide the Committee with quarterly performance reports. 5. Review this policy with the Committee from time to time.

3.4 Investment Philosophy

Strategy	The Committee understands the long-term nature of the UICA and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. An equity-oriented strategy is required to meet the investment objectives. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. We seek to ensure that UICA and all related parties conduct business with ethical standards, and ensure that our business practices comply fully, in appearance and deed, with all applicable laws and regulations. The primary goal is to generate a sustainable stream of distributions to support the University of Iowa. Mindful of this objective, the Investment Committee and staff will consider the extent to which an investment is consistent with the principles and goals of the university. Where appropriate, the UICA may seek to influence or avoid those investments that conflict with those principles and goals. Action will only be taken, however, if the Investment Committee believes it would not cause harm to the investment objectives of the UICA portfolio, impair performance, or place a material burden on the current resources.
Asset Allocation	Asset allocation will likely be a key determinant of the Fund's returns over the long term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, may be expected to reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories will generally be based on the impact to the total portfolio rather than judging asset categories on a standalone basis. To achieve the investment objective described in this policy, the asset allocation will be set with the following categories of assets: Global Equity Global Fixed Income Real Assets Diversifying Strategies

	The Categories of Assets are described below.
Categories of Assets	**<u>Global Equity</u>**. The allocation will consist of public and private equity-oriented funds managed by external investment firms. This is expected to be the highest risk, highest return asset category of the four. The allocation will be diversified by factors including, but not limited to, security, sector, geography, market capitalization, and manager style.
	<u>Global Fixed Income</u>. The allocation will consist of two broad categories: 1) high quality/rate sensitive and 2) credit/distressed. For the purposes of this policy, high quality bonds are defined as securities rated investment grade by S&P and Moody's (Baa/BBB and above). These bonds provide equity risk mitigation, deflation protection, and liquidity to the portfolio. The credit/distressed allocation provide investment opportunities to generate a substantial real return.
	<u>Real Assets</u>. The allocation will consist primarily of real estate and natural resources, including timberland, oil and gas partnerships, and commodities. These investments are expected to provide inflation protection as well as generate positive real rates of return.
	<u>Diversifying Strategies</u>. The allocation will consist of investments whose primary source of risk and return is not determined by a constant allocation to one of the three asset classes listed above. This includes, but is not limited to, hedge funds whose approach can be described as "absolute return," multi-strategy, event driven, and equity market-neutral. These hedge funds typically are one or both of the following: 1. use unique strategies whose source of risk and return is not dependent upon the direction of any asset class. This would include strategies such as merger arbitrage, convertible arbitrage, capital structure arbitrage, basis trades, etc., and/or 2. are opportunistic allocators of capital across asset classes. In other words, they will be long certain equities, credits or commodities at a given time based on the market environment and their skill set. They will not, however, have a consistent net long bias in any asset class over time.

4. Responsibilities

Any questions about this policy should be directed to the Vice President, Chief Investment Officer.

5. Related/Reference Information

Resource	Link
Spending Policy	OnBoard/Resources
Board Statement on Iowa UPMIFA	OnBoard/Resources

6. Policy History

Revision Date	Author	Description
10-14-2019	Board of Directors	Last approval at annual Board meeting.
10-08-2021	Board of Directors	Removed Spending Policy and updated Investment Policy