

**UWG Foundation, Inc. – Investment, Spending and Endowment Policy**

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**Governance Oversight by: UWG Foundation, Inc. (Foundation) Investment Committee**

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## **I. INTRODUCTION AND PURPOSE**

UWG Foundation, Inc. (“the Foundation”) is a nonprofit organization established and maintained as a 501(c)(3) organization in accordance with the Internal Revenue Code.

The Foundation, through its by-laws, has created an Investment Committee (“Investment Committee”) which is charged with the responsibility of overseeing and monitoring the investment of all assets under its stewardship.

The Investment Committee, with the approval of the Board of Trustees (“Board”), shall set the investment, spending and endowment policies of the Foundation. The purpose of this Investment, Spending and Endowment Policy Statement (“ISEPS”) is to establish a clear understanding of the investment objectives and policies applicable to the Foundation’s long term investments (the “Assets”). This ISEPS is not a contract but is intended to be a summary of an investment philosophy that provides guidance for the Foundation and appointed investment advisors (“Investment Advisor”).

The ISEPS will:

- Outline the Foundation’s goals and provide the framework for a disciplined approach to investing;
- Define the roles and responsibilities of the Foundation, the Investment Committee and Investment Advisors;
- Establish reasonable expectations, objectives and guidelines for the investment of the Assets;
- Set forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
- Create a well-diversified asset mix that can be expected to generate acceptable long-term returns consistent with the Foundation’s risk tolerance and time horizon;
- Establish the criteria for monitoring performance of the Assets; and
- Encourage effective communication between the Board, Investment Committee and Investment Advisors.

The perpetual nature of the Foundation requires a growing asset base and a growing annual return. It is the Foundation's intent to create an ISEPS that promotes sound and prudent management of the Assets in accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), adopted by the State of Georgia, and any other such laws and regulations that may apply now or in the future to the prudent investment of charitable assets and the application of an appropriate spending policy by the Foundation.

It is anticipated that this ISEPS will be effective until modified as conditions warrant and such modifications are approved by the Board. Investment Committee members and Investments Advisors are expected to propose revisions to the policy as necessary.

## **II. ROLES AND RESPONSIBILITIES OF THE INVESTMENT COMMITTEE**

The Investment Committee is charged with the responsibility for managing and monitoring all Assets under its stewardship covered by this ISEPS. The Investment Committee will meet quarterly, normally prior to the Foundation's Board meeting, to review and evaluate investment results and may call other meetings as necessary.

The Investment Committee shall discharge its duties solely in the interest of the Foundation with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent investor, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims. Specific responsibilities of the Foundation and the Investment Committee relating to the investment management of these Assets include:

1. Reviewing this ISEPS at least annually to ensure that it still reflects the needs and circumstances of the Foundation;
2. Prudently and diligently selecting qualified Investment Advisors and monitoring adherence of such advisors to this ISEPS;

3. Projecting the University's needs, including estimates of expected net cash flow and communicating such needs to the Investment Advisor and other appropriate parties on a timely basis;
4. Determining the Foundation's risk tolerance and investment time horizon and communicating these to the Investment Advisor;
5. Establishing reasonable and consistent investment objectives and guidelines that will direct the investment of the Assets subject to this ISEPS;
6. Regularly evaluating the performance of Investment Advisors relative to the Foundation's investment objectives and benchmarks established in this ISEPS;
7. Developing and enacting proper control procedures, such as replacing Investment Advisor due to a fundamental change in the advisor's investment management process or failure to comply with established ISEPS guidelines.

### **III. ROLES AND RESPONSIBILITIES OF INVESTMENT ADVISOR**

The Foundation, upon the recommendation of the Investment Committee, may delegate some or all of its responsibility for managing the Assets to one or more Investment Advisors, duly appointed by the Board and selected with due care in accordance with the Foundation's by-laws and all applicable laws. The Investment Advisor must be either (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or (4) such other person or organization authorized by applicable law or regulation to function as an investment manager.

The Investment Advisor shall have full discretion in managing the Assets in accordance with this ISEPS, as it may be amended periodically. The Investment Advisor shall be specifically responsible for:

- Assisting the Investment Committee in developing an appropriate investment policy based on the Foundation’s needs, objectives, and risk tolerance;
- Advising on the selection of and allocation to appropriate asset classes and investment strategies;
- Identifying and selecting investment managers (“Investment Managers”) and/or specific investments within each asset class;
- Managing and rebalancing asset allocations to specific target allocations set forth in this ISEPS;
- Monitoring and reporting on the performance of the total portfolio, all asset classes and individual managers;
- Preparing and presenting appropriate investment reports;
- Meeting with the Investment Committee quarterly, and at other times as deemed necessary by the Committee; and
- Making appropriate recommendations for modifying any provisions of this ISEPS.

#### **IV. INVESTMENT OBJECTIVES**

The overall financial objectives for the management of the assets of the Foundation are to: 1) support the charitable purposes of the Foundation; and 2) preserve the purchasing power of the Foundation’s assets over time.

The primary investment objective for the portfolio/portfolios of investments is to attain an average annual real total return (net of investment fees) of at least 5.8% above the rate of inflation (as measured by the Consumer Price Index).

## **V. SCOPE OF THIS INVESTMENT POLICY**

1. **PRESERVATION OF CAPITAL** – Consistent with their respective investment styles and philosophies, Investment Advisors should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. **RISK AVERSION** – Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the objectives of the Foundation. However, the Investment Advisors are expected 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.

## **VI. PORTFOLIO COMPOSITION, ALLOCATION AND ALLOWABLE ASSETS**

The structure of the Foundation has at its core the notion of a fund that lasts into perpetuity. There will necessarily be different time horizons for different funds within the corpus. There will always be need for short term/cash equivalent fund management as well as management of longer term investments. The investment goal for the aggregate fund of exceeding the rate of inflation (CPI) by 5.8% is not meant to be the goal imposed on each investment account, or individual Investment Manager. The goal of the Investment Advisor shall be to select Investment Managers, whose performance shall be measured against appropriate peers, and/or, benchmarks.

### **Summary of Asset Allocation Guidelines:**

The Foundation's assets shall be diversified to minimize the risk of large losses within any one asset class, investment type, geographic location or maturity date, which could seriously impair the Foundation's ability to meet its long-term investment objectives.

After reviewing the long-term performance and risk characteristics of various asset classes, the following Asset Allocation Strategy Matrix is incorporated to achieve the objectives of these assets:

<b>Asset Category</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Cash</b>	<b>0%</b>	<b>0%</b>	<b>10%</b>
<b>Fixed Income</b>	<b>10%</b>	<b>15%</b>	<b>25%</b>
<b>Equity</b>	<b>45%</b>	<b>60%</b>	<b>75%</b>
Large Cap	20%		30%
Small /Mid Cap	10%		15%
International	10%		20%
Emerging Markets	0%		10%
Real Estate (Private and/or Public)	0%		10%
<b>Alternative Assets</b>	<b>15%</b>	<b>25%</b>	<b>35%</b>
Hedge Funds	10%		20%
Private Debt	0%		10%
Private Equity	0%		10%

\*\* Note: Asset Category Targets have been included for benchmarking purposes.

**Liquidity:**

There is no set minimum cash requirement; however adequate liquidity should be maintained. It is intended that the Investment Advisor will be given ample notice for any withdrawals to reduce the probability of adversely affecting the portfolio. Additionally, any withdrawals will

be funded on a pro-rata basis to ensure that the asset allocation after the withdrawals is within the investment guidelines as listed above.

### **Rebalancing Procedures:**

The Assets Allocation guidelines establish broad ranges within which the Investment Advisor may tactically manage the Portfolios, with an overall Strategic Target Allocation to be used as the baseline allocation. From time to time, market conditions may cause the investment in various asset classes to vary from the established allocation. It is expected that the Investment Advisor will stay within the established ranges of each asset class and overall allocations. Any deviation outside of the allowable ranges must be approved in advance by the Investment Committee.

### **Allowable Assets:**

#### **CASH EQUIVALENTS AND FIXED INCOME SECURITIES**

- US Treasury Bills
- U.S. Government and Agency Securities
- Money Market Funds (that meet the highest net asset value (NAV) ratings)
- Certificates of Deposit
- Corporate Notes and Bonds\*

\*The fixed income securities shall have a minimum rating of “Baa” by Moody’s or “BBB” Standard and Poors. Overall, the average credit quality must be “A”.

#### **EQUITY SECURITIES**

- Common Stocks
- Preferred Stocks
- American Depositary Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)
- Private Placements

## ALTERNATIVE INVESTMENTS

- Managed Commodities
- Real Estate
- Private Equity or Debt/Credit limited partnerships
- Margin transactions are acceptable within the context of a sub-advisor's portfolio

## Prohibited Assets/Transactions

- Stand Alone Margin Transactions
- Proprietary investment vehicles of the Investment Advisor are prohibited from investment for the Portfolio, unless explicitly reviewed and approved in advance by The Investment Committee

For all investment strategies, the Investment Committee will consider the Environmental, Social and Governance (ESG) rating as a determining factor for investments.

## **VII. PERFORMANCE OBJECTIVES**

The overall fund performance will be reviewed on a quarterly basis, with long-term emphasis placed on results achieved over a three to five year period. Objectives will be reviewed annually and adjusted, if necessary, after consultation with the Investment Committee and Investment Advisor.

### **Total Fund:**

Overall fund performance will be compared to the performance of a similarly structured global market index in line with the target allocation of the total portfolio as set forth in Section VI (A). This global index will be comprised of the MSCI All Country World Index (ACWI), Barclays Capital U.S. Aggregate Bond Index, and the HFRI FOF Composite Index. The Fund should at least equal or exceed the performance of the global balanced index over a full market cycle, represented by three to five year rolling periods.

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the global index, over the same time periods. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

**Equity Segment:**

The performance of the domestic equity portfolio is expected to meet or exceed the performance of the Russell 3000 Equity Index.

The individual returns of each Investment Manager or investment fund will be compared to their own respective benchmarks, and it is expected that performance will be above the median of a comparable universe of other managers/funds over a full market cycle.

The performance of the international developed markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International All Country World Ex-US Index over three to five year rolling periods.

The performance of the emerging markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International's Emerging Markets Index over three to five year rolling periods.

**Fixed Income Segment:**

The performance of the core fixed income portion is expected to meet or exceed the performance of the Barclays Capital U.S. Aggregate Bond index and/or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The individual returns of each Investment Manager or investment fund will be compared to their own respective benchmarks, and it is expected that performance will be above the median of a comparable universe of other managers/funds over a full market cycle.

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the segment's appropriate index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

**Alternative Investments:**

The Investment Committee recognizes that benchmarks for alternative investments, more specifically hedge funds, are relatively new in their creation and there is no perfect Benchmark in existence for these types of investments. Hedge fund indexes are created from hedge fund databases. There is no complete database because inclusion in these databases is voluntary and they are subject to survivorship bias. Additionally, each hedge fund, including fund of funds, has diverse investment objectives and characteristics making like comparisons difficult.

To aid in the on-going evaluation of the alternative investment portion of the portfolio, hedge fund investments will be compared to the following benchmarks:

- The appropriate HFRI Fund Index
- Other benchmarks designated by fund managers and recommended by the Investment Advisor to the Investment Committee

The Investment Committee recognizes that private equity returns are not meaningful in the early years of investment and that the evaluation of this type of investment should be considered over the long-term; a ten year time horizon. To aid in the on-going evaluation of private equity investments, they will be compared to the Cambridge U.S. Private Equity Index.

## **VIII. COMMUNICATIONS AND CLIENT SERVICE**

The Investment Advisor will report the following information to the Investment Committee quarterly:

- Portfolio performance results, both gross and net of all investment expenses, over the most recent quarter, fiscal year-to-date, and trailing one, three, five and ten year periods (if applicable);
- Performance results of each individual investment or Investment Manager for the same time periods;
- Performance results of comparative benchmarks and blended benchmarks for the same time periods;
- Performance results calculated on a time-weighted rate of return basis; and
- An overview of the current market environment and the Investment Advisor’s current investment strategy.

**INVESTMENT, SPENDING AND ENDOWMENT POLICY STATEMENT (ISEPS)**

The Investment Committee shall review the ISEPS annually, at a minimum, to ensure that it reflects the needs and circumstances of the Foundation. The ISEPS may be amended from time to time by the Foundation after consideration of the advice and recommendations of the Investment Committee.

**REQUEST FOR PROPOSALS (RFP'S)**

The Investment Committee shall provide an RFP for an Investment Advisor at a minimum of every Four (4) Years, with the Committee having the discretion to add a Two (2) Year extension to the Four (4) Years should favorable circumstances warrant such an extension.

**CAUTION STATUS**

An Investment Manager will be considered on “Caution Status” if there is a material change in the ownership structure of their organization, or there is a departure of key investment professionals.

An Investment Manager that falls in “Caution Status” should undergo a formal review by the Investment Advisor. The review will address how the Investment Manager will move back to “Favorable Status” or recommend termination. An Investment Manager can move back to “Favorable Status” by improving its performance above the criteria as listed above. Highest

priority will be given to those failing to meet the five-year target and next to those failing to meet the three-year target. There may be situations where immediate problems, questions or short-term performance issues arise regarding an Investment Manager and the priority will shift to review these situations first.

In addition to the above, immediate termination of Investment Advisors should be considered:

- When they deviate from the Investment Committee's instructions;
- When they deviate substantially from their investment disciplines and process;
- When Investment Committee members have any material problem or concerns regarding the Investment Advisors.

## **IX. STATEMENT OF SPENDING POLICY**

The Investment Committee shall perform an annual review of the Spending Percentage Rate for funding endowment allocations ("Spending Allocation") and recommend the Spending Percentage Rate to the Foundation each year. The Foundation will calculate the annual Spending Allocation for the next fiscal year by applying the approved Spending Percentage Rate to endowment total market value on a thirty-six (36) month-end rolling average of endowment funds market value through Calendar year end. The Investment Adviser will be notified by June 1<sup>st</sup> of the next fiscal year annual Spending Percentage Rate and the Spending Allocation. In accordance with this disbursement policy, the Foundation's Investment Committee and Board are committed to: (1) protecting the corpus of the Foundation's endowment, (2) preserving the real spending power of the Assets, (3) obtaining maximum possible investment return commensurate with the Foundation's risk tolerance and operational considerations, and (4) complying with applicable law. The Foundation reserves the right to make more immediate adjustment to the Spending Percentage Rate should circumstances so require. The current Board approved Spending Percentage Rate is 4.25%. The annual Spending Allocation will be pro ratably withdrawn from the endowment bi-annually in July and January of each year.

Spending shall only be for the purposes specified and guided by the restrictions of the donors, Foundation board policies and all applicable state and federal regulations pertaining to such disbursement.

## **X. STATEMENT OF ENDOWMENT POLICY**

Many of the outstanding programs offered by University of West Georgia (“the University”) can only be supported by private funding. State funding can make a good university, but it takes private support to make an excellent university. Although there are many ways of supporting the University, there is none as enduring as an endowed fund. Endowments supplement state dollars by providing academic scholarships, faculty development, advanced technology, and enhanced academic programs to develop the leading edge for students in the 21st Century.

Endowment gifts to the Foundation are made with the understanding that the principal of the gift will be invested and a percentage of the adjusted corpus balance will be spent annually for the benefit of the University of West Georgia. The acceptance of the gift by the Foundation establishes an obligation on the part of its Board to protect the corpus, insuring that the endowment will exist in perpetuity. Each endowment fund bears the name of the donor or some other person specified by the donor. Additional contributions may be made at any time to Endowed Funds.

An Administrative Fee will be assessed annually by the Foundation using the current Board approved Administrative Fee Rate. The Foundation will calculate the annual Administrative Fee for the next fiscal year by applying the approved Administrative Fee Rate to the endowment total market value on a thirty-six (36) month-end rolling average of the endowment funds total market value through calendar year-end. The Administrative Fee Rate is subject to revision and change as recommended by the Investment Committee and the Board, court rulings or administrative decrees. It is the intent of the Foundation to abide by these policies as they are continually developed taking into consideration, as much as possible, the intent of the donor. The current

Board approved Administrative Fee Rate is 1.25%. The annual Administrative Fee will be pro ratably withdrawn from the endowment quarterly beginning in July of each year.

**BY: UNIVERSITY OF WEST GEORGIA FOUNDATION, INC.**

Approved on 5 /23/ 2019

Authorized Signer \_\_\_\_\_  
(signature)

\_\_\_\_\_  
(printed name)

**BY: SUNTRUST BANK AS INVESTMENT ADVISOR:**

Approved on 5/ 23/ 2019

Authorized Signer \_\_\_\_\_  
(signature)

\_\_\_\_\_  
(printed name)