

University of Alaska & University of Alaska Foundation

Consolidated Endowment Fund Investment Policy

IV. PRINCIPLES AND CONSIDERATIONS FOR FUND MANAGEMENT AND INVESTMENT

The Primary Investment Goal of the Fund is to provide a real rate of return (total return minus investment expenses, administrative fees and inflation) sufficient to support the purposes of the various endowments that make up the Fund in perpetuity. ~~Of paramount concern is the preservation of the value of the assets in real terms in order to maintain the purchasing power of the funds for support of the University without eroding the real, long-term value of the corpus.~~

The greatest investment risk for the Fund is the probability of not meeting its Primary Investment Goal. Therefore, in order to minimize this risk the Committee will consider in all aspects of its investment decision-making process (1) the probability of missing the objective and (2) the asset allocation, which is the primary determinant of long-term performance. Achievement of the Primary Investment Goal and management of funds will be driven by the core principles and considerations listed below.

Charitable Purpose: Endowment management and investment decisions shall be made with consideration to the purposes of the institution and the participating fund(s) and documented donor intent.

Distributions (Spending Allowances): Distributions from the endowment funds shall be made in accordance with spending policies adopted for the particular endowment or class of endowments by the responsible Board. In making such distributions and managing endowments the responsible board shall consider the duration and preservation of the fund, the purposes of the institution and the fund, the general economic conditions including inflation and deflation, the expected total return, other resources of the institution, and the applicable investment policies.

Diversification: The likelihood of realization of the Primary Investment Goal is enhanced substantially through diversification and the reduction of risk; therefore, the Committee will diversify assets among various classes of investments and managers.

Fees and Expenses: Fees and expenses may cause a significant drag on returns and appreciation, which can limit the Boards' ability to attain the Primary Investment Goal; therefore, the Committee will monitor fees and expenses associated with investment activities on an annual basis and incur only costs that are appropriate and reasonable.

Inflation: The Consumer Price Index shall be used as the basis for determining the real rate of return, and attainment of the Primary Investment Goal, ~~and for setting the Target Rate of Return and Target Asset Allocation.~~

Liquidity: The Fund has relatively modest cash outflow requirements; therefore, excessive amounts of liquidity are not required and modest portions of the Fund may be invested in non-liquid investments.

Time Horizon: The Fund has an infinite life; therefore, investment strategies may take a long-term perspective.

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Total Return: The Boards have adopted a “Total Return” approach to managing endowments, unless otherwise directed by the donor; therefore, the Committee will manage the Fund’s investments without regard to the distinction between current income and net realized or unrealized gains and losses, and will emphasize returns net of fees when assessing overall performance of the Fund and recommending spending rates.

Verification of Facts: A reasonable effort shall be made to verify facts relevant to the management and investment of funds.

Volatility: The Primary Investment Goal can best be achieved by assuming acceptable risk levels commensurate with long-term market volatility; therefore, the Committee will measure and seek to limit the overall level of volatility to an acceptable level as it makes specific asset allocation decisions.