

# Mississippi University for Women Foundation

## Investment Policy Statement

Revised: May 2016  
May 2020  
February 2021

### I. Introduction

#### **Information about the Mississippi University for Women Foundation and the Purpose of the Funds**

The MUW Foundation  
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Primary Contact: Andrea Nester Stevens, CPA, Executive Director of Development and Alumni

**Foundation Assets:** \$49,465,451 (As of 12/31/2020)

#### **About the MUW Foundation**

The MUW Foundation is a 501(c)(3) organization dedicated to securing private funding to support the mission of Mississippi University for Women. While the State of Mississippi provides a portion of the funds necessary for The W to operate, private funding from alumni, friends, businesses, foundations, and other organizations is essential to The W's continued success.

#### **Purpose of This Investment Policy Statement**

This Investment Policy Statement (the "Policy Statement") outlines the goals and investment objectives of MUW Foundation ("the Foundation"). Since this Policy Statement is intended to provide guidance for the MUW Foundation Board of Directors ("the Board"), the MUW Foundation Investment Committee ("the Committee"), the Executive Director, the Investment Consultant ("the Consultant"), the Custodian, and the Investment Managers responsible for managing the Foundation's assets, it outlines certain specific investment policies which will govern how to seek to achieve those goals and objectives.

While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term distributions with preservation of the real, inflation-adjusted value of assets, is crucial to the long-term success of the Fund.

This Policy Statement, upon the review and approval of the MUW Foundation Board of Directors:

- Describes a risk posture for the investment of the Foundation's assets;
- Specifies the target asset allocation policy for those assets;
- Establishes investment guidelines regarding the selection of Investment Manager(s), permissible securities and diversification of assets;
- Specifies the criteria for evaluating the performance of the Foundation's Investment Manager(s) and of the Foundation investment portfolio as a whole; and
- Defines certain responsibilities of the Board, of the Committee, of the Executive Director, of the Consultant, of the Custodian, and of the Investment Managers.

The Board believes that the investment policies described in this Policy Statement should be dynamic. These policies should reflect the Foundation's current financial status, and the Committee's philosophy regarding the investment of assets. These policies should be reviewed by the Board periodically and revised as necessary to ensure that they continued to reflect the current financial situation of the Foundation and the capital markets.

This Policy Statement was prepared based upon the information provided by the Committee in the Merrill Lynch Investment Policy Statement Service Questionnaire. It is the Committee's responsibility to provide all the necessary and relevant information for its preparation. This information, as well as the Policy Statement itself, should be reviewed periodically for its continued accuracy and completeness.

## II. Responsibilities of the Foundation Representatives

### **MUW Foundation Board of Directors**

As fiduciaries, the MUW Foundation Board of Directors are ultimately responsible for the Foundation. The Board must ensure that appropriate policies governing the management of the Foundation are in place and that these policies are being effectively implemented. They have delegated the following decisions to the Investment Committee.

### **The Investment Committee**

The primary fiduciary responsibilities of the Committee with respect to the oversight of the investment portfolio are:

- Establish and submit to the Board for final approval an investment policy statement;

- Periodically review the investment policy statement for continued accuracy and completeness;
- Prudently diversify, or oversee the diversification of, the portfolio assets to meet an agreed upon risk/return profile;
- Prudently select investment options, including the selection of one or more Investment Managers;
- Monitor the Investment Managers and the performance of the accounts under management;
- Consider the information provided by the Consultant and other professional advisors and act accordingly;
- The Committee is responsible for monitoring the aggregate asset allocation, and may direct a re-balancing of assets to the target allocation on a periodic basis;
- Control and oversee all investment, record keeping and administrative expenses associated with the accounts; and
- Review and deal prudently with conflicts of interest.

### **The Executive Director**

The Executive Director of the MUW Foundation has daily responsibility for administration of the Endowment's investment portfolio and will:

- Consult with the Committee and Board on all material matters relating to the investment of the Foundation's portfolio; and
- Serve as primary contact for the Foundation's Consultant, Investment Managers, and Custodian.

### **The Investment Consultant**

The Committee should retain an advisor or Consultant to:

- Assist the Committee in strategic investment planning for the Foundation by providing assistance in developing an investment policy, an asset allocation strategy, and portfolio structure;
- Assist the Committee in fulfilling its responsibility to monitor the aggregate asset allocation and potential re-balancing of assets to the target allocation on a periodic basis;
- Assist the Committee in its selection of Investment Manager(s) and strategies;
- Meet with the Committee to help it review investment performance and consider whether any changes or other actions are called for with respect to the investment portfolio;
- Provide written performance measurement reports on a quarterly basis;
- Provide quarterly investment performance reports identifying the portfolio's assets and the portfolio's overall asset allocation relative to its target allocation; and
- Provide any other services mutually agreed to.

### **The Custodian**

The Custodian is responsible for the safekeeping of the Foundation's investment assets. The specific duties and responsibilities of the Custodian include:

- Maintain separate accounts by legal registration;
- Value the holdings;
- Collect all income and dividends owed to the Foundation in its custody;
- Settle all transactions initiated by the Investment Manager; and
- Provide monthly reports to the Executive Director that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

### III. Objectives

#### **Risk Tolerance**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (*i.e.* volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Foundation is the determination of an appropriate risk tolerance. The Foundation has a long-term time horizon and limited liquidity needs. Therefore, the portfolio may be exposed to a fair amount of risk. In order to meet long term spending goals, this fund will have exposure to various asset classes but will be primarily weighted towards equities. Primary emphasis is on achieving portfolio appreciation over time, which may result in a high level of portfolio volatility and a risk of principal loss.

#### **Investment Objectives**

The Foundation's assets should be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The objectives of this Foundation are to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation. In establishing the investment objectives of the Foundation, the Committee has taken into account the time horizon available for investment, the nature of the Foundation's cash flows and liabilities, and other factors that affect the Foundation's risk tolerance. Accordingly, the investment objective of the Foundation is growth and income. This investment objective is a balanced investment approach that is expected to achieve a positive rate of return over the long-term that would contribute to the Portfolio's income needs.

The primary investment objective of the Fund is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than

the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses thus, at a minimum maintaining the purchasing power of the Fund. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending.

## Return Objectives

The primary objective of the Fund is to achieve a total return, net of fees, equal to or greater than spending plus inflation (as measured by the Consumer Price Index, CPI). The target return is the minimum return needed to achieve the portfolio's objectives.

$$\text{Total Return} \geq \text{CPI} + 6.75\% \text{ (4.25\% Spending} + 2.5\% \text{ Administrative Fee)}$$

## IV. Asset Allocation Strategy

In line with the Foundation's return objectives and risk parameters, the mix of assets should be maintained as follows (percentages are of the market value of the Foundation's investments):

Asset Class	Minimum	Target	Maximum	Benchmark
Global Equity	50%	60%	70%	MSCI AC World
Large/Mid Cap Equity	20%	35%	50%	S&P 500, S&P Midcap 400
Small Cap Equity	5%	10%	15%	Russell 2000
International Equity	10%	15%	20%	MSCI EAFE
Emerging Markets	0%	5%	10%	MSCI Emerging Markets Free
Global Fixed Income	10%	15%	20%	Barclays Global Aggregate
Domestic Fixed Income	5%	10%	15%	Barclays U.S. Aggregate
International Fixed Income	0%	5%	10%	Barclays Aggregate ex U.S.
High Yield	0%	5%	10%	Barclays High Yield
Strategic/Diversifying	15%	20%	25%	CPI

Private Real Estate / REITS	0%	3%	5%	NCREIF, NAREIT
Energy / MLPs	0%	2%	5%	Alerian MLP
Hedge Funds	5%	10%	15%	HFRI FOF Composite
Private Equity	0%	5%	10%	Dow Wilshire Micro Cap
Cash	3%	5%	8%	Citigroup 3-month T-bill

### **Rebalancing Procedures**

The allocations to each asset class and to investment styles within asset classes are expected to remain stable over most market cycles.

Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall Foundation's asset allocation, the aggregate asset allocation should be monitored. To achieve the rebalancing of the Foundation, contributions and disbursements from individual Investment Managers may be redirected as appropriate, in addition to shifting assets from one investment manager to another. Before reallocating funds, the Consultant shall remain particularly aware of fees associated with each change.

### **V. Responsibilities of the Investment Managers**

With guidance from the Consultant, it is the Committee's responsibility to select prudent Investment Managers to manage the assets. Such managers can include regulated banks or insurance companies, mutual funds registered under the Investment Company Act of 1940, or registered investment advisors. With respect to any mutual or other commingled funds that have been purchased by the Foundation, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of those assets.

### **Fiduciary Responsibilities for Separately Managed Accounts**

Each Investment Manager is expected to prudently manage the Foundation's assets in a manner consistent with the investment objectives, guidelines, and constraints outlined in this Policy Statement and in accordance with applicable laws. Each Investment Manager shall maintain adequate fiduciary liability insurance and bonding for the management of this account and acknowledge that it is a fiduciary with respects to the assets under its management.

### **Proxy Voting**

Absent delegation to another service provider, each Investment Manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. The Investment Manager(s) shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Committee upon request.

## VI. Investment Strategy

### **Selection Criteria for Investment Managers**

Investment Managers retained by the Committee should be chosen using the following criteria:

- The investment style and discipline of the Investment Manager;
- How well the Investment Manager's investment style or approach complements other Investment Managers in the portfolio;
- Level of experience, financial resources, and staffing levels of the Investment Manager;
- How consistent an investment manager is to the style for which they were hired;
- Reasonableness of expense ratios/fees; and
- Past performance, considered relative to other investments having the same investment objective. Consideration should be given to both consistency of performance and the level of risk taken to achieve results; and
- Stability of the organization.

### **Security Selection/Asset Allocation**

- Except as noted below, each Investment Manager shall have the discretion to determine its portfolio's individual securities selection; and
- The Foundation's portfolio is expected to operate within an overall asset allocation strategy defining the portfolio's mix of asset classes. This strategy, described below, sets a long-term percentage target for the amount of the portfolio's market value that is to be invested in any one asset class. The allocation strategy also defines the allowable investment shifts between the asset classes, above and below the target allocations.

### **Diversification Requirements**

The primary method to reduce risk for the Foundation portfolio is diversification through asset allocation. By allocating assets in different asset classes, the portfolio can reduce risk by avoiding concentration as well as reduce risk through the low-correlation between different asset classes.

Each Investment Manager has discretion with regard to security selection and allocation within its respective portfolio. Unless otherwise noted below, under normal market

conditions, each Investment Manager is expected to be invested consistent with its investment style as described in its relevant documentation. During an initial three-month period after being retained, the Investment Manager may hold cash and cash equivalents in larger proportions in order to invest their portfolio on an orderly basis.

To minimize the risk of large losses, each Investment Manager shall maintain adequate diversification in their portfolio subject to the constraints outlined in this investment policy, and in their investment management agreement with the Foundation.

### **Derivatives and Structured Products**

The Committee understands that derivatives and structured products can be used to efficiently reduce the risk of the portfolio and to expand the return opportunities. However, when used improperly, they can also increase the risk of the portfolio. Before an Investment Manager uses any security other than standard securities (such as: exchange traded common stock, interest bearing bonds and cash equivalents), the security, derivative or structured product must be explained to and approved by the Committee. Derivatives are allowed to hedge an underlying position and may be used to take a long position in anticipation of a cash inflow. Once the cash is used to open a position in the underlying security, the derivative position should be closed out. No derivative or structured product is allowed that will increase the potential for loss greater than that of a long position in the underlying security.

### **Alternative Investments**

Alternative investments represent investments in investment vehicles that seek to provide diversification through innovative and flexible strategies (such as the ability to short, add leverage and hedge). Investments in such vehicles are expected to provide diversification and the opportunity for capital appreciation. Diversification standards within each investment vehicle shall be according to the prospectus or trust document. Investments in these investment vehicles carry special risks. The fund(s) may utilize speculative investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns. The fund(s) may invest in illiquid securities for which there is no ready market and place restrictions on investors as to when funds may be withdrawn. Permitted alternative investments are: Hedge Funds, Commodities, Managed Futures, Private Equity, and Real Estate.

### **Cash and Equivalents**

It is generally expected that the Investment Manager will remain fully invested in securities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves should be held in the Custodian's money market fund, short-term maturity Treasury securities, and insured savings instruments of commercial banks and savings and loans.

Actions that may cause a significant deviation from these investment guidelines should be brought to the attention of the Committee and the Consultant by the Investment Manager prior to execution. Such actions may be authorized by the Committee if it determines they do not constitute an inappropriate departure from the spirit of this Policy Statement. Similarly, unanticipated market action should also be brought to the attention of the Committee and Consultant by the Investment Manager.

## **Exclusions**

The Foundation's assets should not be invested in the following unless agreed to by the Committee pursuant to an approved strategy or specifically approved in writing by the Committee:

- Purchases of letter stock, private placements, or direct payments;
- Private placement convertible issues, also known as "144A" convertible securities;
- Commodities transactions unless by managers approved for that strategy;
- Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or securities of real estate operating companies;
- Investments by the Investment Manager in their own securities or of their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Committee); and
- Any other security transaction not specifically authorized in this Policy Statement.

## **VII. Constraints**

### **Time Horizon**

The time horizon is 6 to 10 years.

### **Liquidity Requirements and Spending**

The distribution rate is based upon a cumulative "total return" approach, which utilizes both income and capital appreciation to be withdrawn for spending. It shall be the policy of the Foundation to meet the annual spending, which is 6.75% (4.25% Spending + 2.5% Administrative Fees) of the Endowment's net investment assets, calculated on a trailing twelve-quarter moving average ending on June 30th.

### **Tax, Legal / Regulatory and Unique Considerations**

The Foundation is not subject to federal or state income taxes.

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act.

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Acts (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence “to any investment as part of the total portfolio, rather than to individual investments.” All investment actions and decisions must be based solely on the interest of the Fund. Fiduciaries must provide full and fair disclosure to the Board/ Committee of all material facts regarding any potential conflicts of interests.

As summarized for the purposes of this Investment Policy Statement, the UPMIFA states that the Committee is under a duty to the Fund to manage the funds as a prudent investor would, in light of the purposes, scope, objectives, and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Fund. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Fund are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

## VIII. Performance Evaluation

As noted above, the Consultant should be retained to provide quarterly performance measurement reports and the Committee should monitor the Foundation’s performance on a quarterly basis. The Committee will evaluate the Foundation’s success in achieving the investment objectives outlined in this Policy Statement over a three- to five-year time horizon and a full market cycle.

The Foundation’s (and Investment Managers’) performance should be reported in terms of rate of return (time-weighted and dollar-weighted) and changes in dollar value. At the time of retention, the Committee and Investment Manager(s) will agree to appropriate benchmark(s). The returns should be compared to these appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods. The Foundation’s asset allocation should also be reported on a quarterly basis.

Risk as measured by volatility, or standard deviation, should be evaluated after twelve months of performance history have accumulated. An attribution analysis should also be performed by the Consultant to evaluate how much of the Foundation's investment results are due to the Investment Managers’ investment decisions, as compared to the effect of the financial markets. This analysis will use the policy index as the performance benchmark for evaluating both the returns achieved and the level of risk taken for the total portfolio and the individual Investment Managers.

## IX. Guidelines for Corrective Action

The Committee recognizes the importance of a long-term focus when evaluating the performance of Investment Managers. The Committee understands the potential for performance over short-term periods to deviate significantly from the performance of representative market indexes. The Committee will not, as a rule, terminate an Investment Manager on the basis of short-term performance. If the Investment Manager is sound and is adhering to its investment style and approach, the Committee will allow a sufficient interval of time over which to evaluate performance. The Committee expects that the Consultant will provide guidance to help it determine an appropriate length of time. The Investment Manager's performance will be viewed in light of the firm's particular investment style and approach, keeping in mind at all times the Foundation's diversification strategy as well as the overall quality of the relationship. The Committee, however, may require an extra level of scrutiny, or consider termination, of an Investment Manager based on factors such as:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of this account;
- Any legal or regulatory action taken against the manager;
- Any material servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in Section X of this investment Policy Statement;
- Violation of the terms of the contract or changes to agreed upon services without prior written approval of the Committee;
- Significant style drift from the intended investment style that the manager was engaged to implement; and
- Lack of diversification.

The Investment Manager may be replaced at any time as part of an overall restructuring of the portfolio or any other reason whatsoever.

## X. Meetings and Communications

- As a matter of course, each Investment Manager should promptly communicate to the Committee and the Foundation's Consultant any material changes in the Investment Manager's outlook, investment policy, and tactics.
- Each Investment Manager should be available on a reasonable basis for telephone communication when needed.
- Any material event that affects the ownership of each investment management firm, any brokerage affiliation of such firm, its key investment personnel, or its management must be reported promptly to the Committee and the Foundation's Consultant.
- The Committee should obtain and review written performance measurement reports quarterly.
- The Consultant should generally meet with the Committee in person no less than twice a year.

This Policy Statement is intended to be a summary of an investment philosophy that provides guidance for the Committee and other parties responsible for the management of these assets. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined here.

As noted previously, this Policy Statement was prepared based on the information provided in the Merrill Lynch Investment Policy Statement Service Questionnaire. It is the Committee's responsibility to provide all the necessary and relevant information for its preparation and the Policy Statement should be reviewed periodically to ensure that it is accurate and complete. It should be understood that any changes to this information would significantly impact this Policy Statement.

## XI. Approval

This Policy Statement has been prepared for the review and approval of the MUW Foundation Board of Directors. It is recommended that the Foundation's other professional advisors, such as an attorney, actuary, and/or accountant, review the Policy Statement. These professionals should be called upon by the MUW Foundation Board of Directors to check relevant documentation, particularly in the case of trusts or retirement plans or where there are legal constraints or prohibitions that impact the Foundation's investment portfolio. The review and approval of the Policy Statement is the ultimate responsibility of the MUW Foundation Board of Directors.

It is understood that this Policy Statement is to be reviewed periodically by the Foundation to determine if any revisions are warranted for any reasons including changing circumstances such as, but not limited to, changes in financial status, risk tolerance, or changes involving the Investment Managers.

By: (signed by Andrea Stevens), 2/11/2021  
Executive Director of Development and Alumni

By: (signed Roger A. Burlingame), 2/11/2021  
Chairman of Investment Committee

By: (signed by Jayne Perkins-Brown), 2/11/2021  
Chairman of Foundation Board