



FLORIDA ATLANTIC UNIVERSITY
Foundation, Inc.

POLICY NUMBER Finance and Accounting – 2	EFFECTIVE DATE April 15, 2024
SUBJECT Investment Policy	HISTORY Revises Policy Adopted February 2, 2021, last amended December 14, 2022

PURPOSE

The purpose of this Investment Policy is to document the philosophy and investment objectives of the FAU Foundation, the approved asset allocations for the Foundation’s invested assets and the roles and responsibilities of the parties involved in the oversight and management of Foundation invested assets. This policy covers all invested assets of the Foundation.

APPLICABILITY

While this policy covers all invested assets of the Foundation, the Foundation may maintain different investment pools for purposes of achieving its investment goals for the specific assets. The current investment pools and general description of their investment goals are set forth herein.

POLICY

I. Defined Terms

“Custodian” means the financial institution responsible for holding and maintaining invested assets and performing the services described in this Investment Policy.

“Full market cycle” means the rolling 7 to 10 year period immediately prior to the current quarter.

“Investment Advisor” means an investment advisory firm to which the Foundation has provided discretionary authority for the investment of Foundation assets.

“Endowed Pool” has the meaning set forth below.

“Long Term Reserve Pool” has the meaning set forth below.

“Medium Term Reserve Pool” has the meaning set forth below.

“Short Term Investments” has the meaning set forth below.

"Total Return" means a total annualized return of the Endowed Pool over a Full Market Cycle, net of all fees and expenses, which is equal to or greater than the Foundation's spending rate, expenses, and inflation.

II. Fiduciary Duty

All investment actions and decisions must be based solely in the interest of the Foundation. The Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) applies to certain of the Foundation's invested assets covered by this Investment Policy. The Foundation Investment Committee retains all decision-making regarding asset allocation and performance benchmarks.

Consistent with FUPMIFA, the Foundation engages one or more Investment Advisors to manage its invested assets. Investment Advisors are likewise subject to FUPMIFA.

Board members, Investment Advisors, fund managers and other service providers must provide full disclosure to the Investment Committee regarding any potential or actual conflicts of interest as soon as they are known or identified. Investment Advisors shall have a process in place for themselves, investment managers, and any other service providers to ensure timely required potential and actual conflict of interest disclosures are made to the Investment Committee.

III. Responsibilities

Responsibilities of the Executive Committee:

- Establish and adopt the investment policy governing invested assets and periodically update the policy based upon recommendations of the Investment Committee;
- Approve the investment strategy, including asset allocation, based on the recommendation of the Investment Committee; and
- Engage and terminate Investment Advisor(s) based on the recommendations of the Investment Committee.

Responsibilities of the Investment Committee:

- Formulate and recommend investment strategy to the Executive Committee, including an asset allocation consistent with this Investment Policy;
- Review the Investment Policy on an annual basis and, based on the review, recommend revisions to this Investment Policy to the Executive Committee for approval;
- At least annually, review the expected Total Return set forth in Appendix A on the Endowed Pool against the actual returns of the Endowed Pool and recommend changes, if any, to the Executive Committee;
- Recommend the selection and termination of Investment Advisors to the Executive Committee;
- Monitor performance of Investment Advisors;
- Evaluate, select, terminate and monitor all other professionals determined necessary to support the investment management function;
- Monitor compliance of the Investment Advisors and other professionals with this policy;
- Monitor performance of the invested assets on a regular basis;

- Report to the Executive Committee regarding the status of the invested assets on at least a quarterly basis; and
- On an annual basis, review the National Association of College and University Business Officers (NACUBO) Study of Endowments (which is an annual report on endowment performance and management practices in higher education) and any other appropriate research providing relevant historical performance information to inform evaluations of investment performance and strategy, including asset allocation.

Responsibilities of Staff:

- Prepare monthly journal entries to record transactional investment activity and reconcile investment activity to custodian-prepared monthly investment statements;
- Process inbound disbursements from and outbound payments to the Custodian, including, but not limited to, endowment payments to be recorded as additions to the endowed pool and distributions representing spending allocations and endowment management support.
- Provide monthly financial reporting including but not limited to endowment market value and cumulative changes to the endowed pool and a breakdown of unrestricted and total cash accounts.
- Provide the Investment Advisor with any necessary support documentation to facilitate the investment in new private equity funds including but not limited to legal identification documents, Foundation Bylaws, and incumbency certifications.
- Provide the Custodian with any necessary support documentation to facilitate capital calls including but not limited to the verification of wiring instructions from the custodian to the investment advisor.
- Implement any other actions under this Investment Policy as directed by the Investment Committee; and
- Provide support, as required, to the Investment Committee.

Responsibilities of Custodian(s):

- Hold all securities in an agreed-upon nominee name and form;
- Execute all transactions as directed by the Investment Advisor and pursuant to the executed Capital Call Execution Agreement
- Collect all income pertaining to the securities held and temporarily invest such income in cash equivalents;
- Periodically remit accumulated income to the Foundation, for credit to the appropriate funds or trusts, pursuant to instructions received from the Chief Financial Officer;
- Provide the Foundation with a full monthly accounting of all transactions, together with a listing of all holdings at cost and market;
- Provide the Foundation with audited financial statements of each investment, on an as needed basis.
- Provide the Foundation with an annual measurement of fair value reporting for each investment in accordance with GASB Statement No. 72, Fair Value Measurement and Application. and
- Provide such other information as may reasonably be required.

Responsibilities of Investment Advisor:

- Manage the Foundation investment pools for which it is responsible, consistent with this Investment Policy, as the same may be amended from time to time, and any subsequent written directives of the Executive Committee;
- Implement and monitor the overall investment strategy, including asset allocation and the selection and termination of holdings;
- Have full investment discretion regarding product and/or security selection within approved asset allocations and in accordance with all other requirements of this policy, including liquidity;
- Recommend for Investment Committee approval and final approval of the Executive Committee performance benchmark(s) that are aligned with the strategic targets;
- Not employ short-selling, margin trading, private placements or direct investments in commodities at the portfolio level;
- Provide quarterly performance reports in the form specified by the Investment Committee to the Chief Financial Officer and Investment Committee members within thirty (30) days following the end of each quarter, or sooner, when required to meet the Investment Committee's meeting schedule;
- Provide timely updates of rebalancing activities authorized or required by this Investment Policy undertaken by the Investment Advisor;
- Assist the Investment Committee with a review of the Investment Policy on at least an annual basis, including an assessment of investment objectives and asset allocation ranges;
- Supply the Foundation with other reports or information as reasonably requested;
- Attend Investment Committee meetings;
- Promptly notify the Chief Financial Officer and Investment Committee Chair in writing of any material changes in (i) the investment outlook, (ii) the portfolio structure, (iii) when an asset category range is exceeded, or (iv) ownership or senior personnel of Investment Advisor; and
- Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with this Investment Policy.

IV. Endowed Pool

The Endowed Pool is for assets owned and held for long-term investment by the Foundation. Endowment funds and Foundation Board designated quasi-endowments are invested through the Endowed Pool.

PRIMARY OBJECTIVE

The Endowed Pool is designed to be maintained into perpetuity. The primary objective of the Endowed Pool is to achieve the Total Return plus any growth factor that the Investment Committee may, from time to time, determine appropriate. The current expected Total Return, expressed in quantitative terms, is set forth in Appendix A.

SECONDARY OBJECTIVE

Target Weighted Benchmark

A secondary investment objective is to achieve a Total Return in excess of a target weighted benchmark, comprised of each asset category benchmark weighted by its target allocation. The current targeted weighted benchmark is set forth in [Appendix B](#).

ASSET ALLOCATION RANGES AND TARGETS

To achieve the foregoing objectives of the Endowed Pool, the asset allocation is based on strategic ranges of asset categories.

The approved asset categories and ranges governing the asset allocation of the Endowed Pool, as well as the targets, are listed in [Appendix B](#).

LIQUIDITY

The Endowed Pool will seek to achieve the Total Return specified in the Investment Policy while generating an income stream to support the activities of the funds held for the colleges and units of FAU and any extraordinary events.

To ensure adequate liquidity for distributions and to facilitate rebalancing, the Investment Committee, Staff, and Investment Advisor will review Endowed Pool liquidity on a quarterly basis. The current liquidity target is set forth on [Appendix A](#).

REBALANCING

The Investment Advisor will always actively manage the assets on an on-going basis and seek to remain within the minimum and maximum ranges for asset classes set forth in this Investment Policy.

Should any category move out of the approved range due to market fluctuations, the Investment Advisor will use prudence in rebalancing the Endowed Pool in a timely fashion consistent with the objectives set forth in this Investment Policy. Additionally, the Investment Advisor is authorized to rebalance the Endowed Pool within the approved ranges to account for cash flows and the need to meet the Primary Objective, subject to liquidity requirements.

V. Short Term Investments

Funds necessary to meet the day-to-day operating cash needs of the Foundation in the next twelve (12) month may be invested to provide a liquid and low investment risk source of funds when needed. The Foundation's CFO, with oversight from the CEO and Finance Committee, will oversee short term investments. Short term investments are not covered by this policy.

VI. Medium Term Reserve Pool

The Medium Term Reserve Pool is the fund in which the Foundation's unrestricted funds, that are not needed for day-to-day cash obligations, but which may be needed in the nearer term (i.e., 1 to 5 years) are invested.

OBJECTIVES

The primary objective of the Medium Term Reserve Pool is to maintain capital while generating excess returns above cash and above short-term returns. The Medium Term Reserve Pool is expected to be managed in a prudent manner with regard to capital preservation while pursuing returns in excess of

those provided by short term investments, meeting liquidity needs and providing a steady flow of interest income to assist in meeting the budgetary needs of the Foundation. This pool has a multi-year time horizon of 1 to 5 years.

VII. Long Term Reserve Pool

The Long Term Reserve Pool is the fund in which the Foundation's long term reserve of unrestricted funds is being invested pending its intended use.

OBJECTIVES

The primary objective of the Long Term Reserve Pool is to provide a source of funds in the event other Foundation sources are insufficient to meet the Foundation's cash needs. A secondary objective is to earn an investment return, which is higher than the return on short term investments and the Medium Term Reserve Pool. Because of the very low likelihood that these reserve funds would be needed to meet cash flow requirements, a greater degree of principal risk is acceptable in order to obtain a higher return.

The Long Term Reserve Pool's investment benchmarks are set forth in [Appendix C](#).

The Long Term Reserve Pool's asset allocation ranges and targets are set forth in [Appendix D](#).

REBALANCING

The Investment Advisor will always actively manage the assets on an ongoing basis and seek to remain within the minimum and maximum ranges for asset classes set forth in this Investment Policy.

Should any category move out of the approved range due to market fluctuations, the Investment Advisor will use prudence in rebalancing the Long Term Pool in a timely fashion consistent with the objectives set forth in this Investment Policy.

VIII. EVALUATION OF INVESTMENT ADVISORS

Investment Advisors will be reviewed on an on-going basis based on the performance of the invested assets and the overall service provided to the Foundation. Specifically, Investment Advisors will be evaluated on the following criteria and such additional criteria as determined by the Investment Committee from time to time:

1. Performance: performance of managed investment pools against the objectives and performance benchmarks set forth in this Investment Policy as well as against other foundations of similar size and asset allocations;
2. Responsiveness: answers questions, concerns, and requests quickly and in a timely manner while following through and completing required tasks;
3. Business Relationship: knowledge of the Foundation and the managed investment pools; knows the people associated with the invested assets;
4. Compliance: compliance with the scope and terms of the delegation of investment management authority granted to the Investment Advisor and Investment Advisor's contract with the Foundation;

5. Professionalism: treats Staff with dignity, interest, and respect; conveys strong desire and commitment to serving the managed investment pools;
6. Proactivity: brings ideas and suggestions to the Investment Committee, Staff, and Executive Committee;
7. Problem Resolution: able to resolve issues and problems in a quick and effective manner;
8. Technical Knowledge: understands financial issues and can clearly explain complex concepts; understands the managed investment pools' specific goals and objectives; and
9. Reports: reports are accurate, complete and delivered in a timely manner; report formats are user friendly and easy to understand; reports contain relevant information that is useful in decision-making.


RESPONSIBLE AUTHORITY

Questions about this policy should be directed to the CFO of the Foundation.

FAU FOUNDATION

For signature of the Foundation's secretary

Approved by the Board of Directors [or Executive Committee] on the 15th day of April, 2024.

DocuSigned by:

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Secretary, Florida Atlantic University Foundation, Inc.

APPENDIX A

Total Return necessary to achieve policy objectives is:

DESCRIPTION	FACTOR
FAU Spending Policy (spending rate)	+ 3.9%
Foundation Expenses	+ 2.75%
Total Return	≥ 6.65%

Inflation Factor	+ 2.3%
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The current liquidity target for the Endowed Pool is:

CLASSIFICATION	RANGE	LIQUIDATION ¹
Liquid	At least 60% of the Assets	Daily
Illiquid ¹	No more than 40% of the Assets	12 Months

¹ For illiquid investments, market movements could cause the assets to move outside the ranges, in which case, rebalancing will not be necessary, but future illiquid commitments may need to be adjusted.

APPENDIX B

ENDOWED POOL ASSET ALLOCATION RANGES, TARGETS & BENCHMARKS

To achieve the Endowed Pool's objectives, the asset allocation is based on strategic ranges and targets. Targets are guidelines, rather than explicit rules, and are reviewed and may be updated from time to time by the Investment Committee, following review and approval from the Executive Committee, to allow the strategy to meet the Endowed Pool's objectives.

The following are the approved minimum and maximums for each asset category and the targets to each of the broad asset category that represent the approved asset allocation for achieving the Endowed Pool's objectives, along with the benchmark for each asset category¹

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM	BENCHMARK
Global Equity	40%	50%	67%	MSCI All Country World
Alternative Assets	0%	36%	46%	
Private Equity	10%	20%	30%	Cambridge Associates Private Equity
Direct Lending	0%	6%	12%	Bloomberg US Corporate High Yield Index
US Direct Real Estate	0%	4%	9%	NCREIF Property Index
Global Infrastructure	0%	4%	9%	Bloomberg Commodity Index
Commodities	0%	2%	7%	Bloomberg Commodity Index
Fixed Income	4%	14%	40%	
Core Fixed Income	5%	12%	19%	Bloomberg US Aggregate Index
US High Yield Bonds	0%	2%	6%	Bloomberg US Corporate High Yield Index
TOTAL		100%		

¹ The Investment Advisor reviews and reports to the Investment Committee on the annual NACUBO – TIAA Study of Endowments (NTSE) reported data to ensure the Investment Committee is provided a comparability analysis of the University's endowment to our peers.

APPENDIX C

LONG-TERM RESERVE POOL BENCHMARKS

The current target weighted benchmark for the Long Term Reserve Pool is:

WEIGHT	INDEX	ASSET CATEGORIES
40 %	Bloomberg Aggregate Bond Index	Core Bonds
10 %	Bloomberg US Corporate High Yield Index	High Yield Bonds and Bank Loans
50 %	MSCI All Country World Index	Global Equities

APPENDIX D

LONG-TERM RESERVE POOL ASSET ALLOCATION RANGES & TARGETS

To achieve the Long Term Reserve Pool's objectives, the asset allocation is based on strategic ranges and targets. Targets are guidelines, rather than explicit rules, and are reviewed and may be updated from time to time by the Investment Committee, following review and approval from the Executive Committee, to allow the strategy to meet the Long Term Reserve Pool's objectives.

The following are the approved minimum and maximums for each asset category and the targets to each of the broad asset category that represent the approved asset allocation for achieving the Long Term Reserve Pool's objectives.

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Global Equity	40%	50%	60%
Fixed Income (Core Bonds and High Yield Bonds)	40%	50%	60%

APPENDIX E

Schedule of revisions beginning 12.7.09

12/7/2009	Revised Benchmarks page 16
1/27/2010	Reduced US all cap by 4%, increased US Quality by 2% and Hedge funds by 2%
7/28/2010	Section K, Page 10. Changed “expressed written consent” to “documented approval”.
10/21/2010	Changed 2% from US All Caps to US Large Stocks; Changed 6% from Int’l large to Int’l Quality
4/27/2011	Changed benchmarks of the Private Equity and illiquid Real Assets funds. Page 16. Changed allocation from tips to Domestic/Global fixed income.
8/10/2012	Decreased the amount of short term cash that can be invested in the portfolio from 50% to 40%.
1/30/2013	Decreased US Large Growth Stock and increased US Large Stock by 5%. Decreased Real Assets and increased cash by 2%.
8/4/2014	Changed Asset Allocation Appendix C, included targets and ranges.
10/8/2015	Added placeholder investments page 5
10/14/2016	Clarification of Private Capital. The Foundation had 5% Private RE in the Real Asset bucket. We moved it to the Private Equity line and changed the name to Private Capital. This clarifies the amount the Foundation has in Private Capital.
10/25/2016	Adjusted Target Allocations to increase Emerging Markets by 5% and International Developed Markets by 4%, and reducing Domestic Equities by 9%.
3/1/2017	Changed Asset Allocation, Appendix C to reflect Cash 0%, US Small –to-Mid Cap Equity 12%, Global Fixed income/High Yield/Inflation 23%, Public Real Assets 8%, Private Capital 20%. The Range for Private Capital changed from 0-15% to 0-25%.
8/14/2018	Clarified calculation for Foreign Bond Threshold.
11/1/2018	Revised Appendix A Non-Endowed Investments. Removed Point B completely.
2/10/2021	Wholesale Rewrite.
12/14/2022	Addresses short term investment; adds Medium Term Reserve Pool. Updates Asset Allocation and Benchmarks for Long-Term Reserve Pool and Endowed Pool. Other Miscellaneous Changes.
4/15/2024	Updated appendices related to asset allocation and benchmarks.