



# **Foundation, Inc.**

**University of Central Florida Foundation, Inc.**

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## **Statement of Investment Strategy**

Version 19.0

## Table of Contents

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Section I: Overview	4
Section II: Endowed Funds Investment Pool	10
Section III: Non-Endowed Funds Investment Pool	14
Section IV: Liquidity Investment Pool	17
Section V: Gift Annuity Pool	19
Section VI: Gift Policy	23
Section VII: Investment Manager Guidelines	24
Section VIII: Responsibility Table	25

### IPS Version Control

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Policy Version	Date Drafted	Date Adopted	Reason For Revision
1		October, 2000	Initial Plan
2		March, 2003	
3		September, 2003	
4		February, 2004	
5		March, 2006	
6	May 20, 2007	May, 2007	Provide for Investment Consultant Discretion
7	October 12, 2007	October 12, 2007	Adjust asset allocation strategy, institute gift policy, adjust spending policy methodology, add responsibility table.

8	April 15, 2008	May, 2008	Establishment of the University Long Term Pool and the Giff Annuity Pool.
9	February, 9 2009	May 6, 2009	Removal of the Harris Rosen Pool. Elimination of the Lower Limit for equity securities in the Short Term Pool.
10.0	June 8, 2009	June, 2009	Removal of Short Term Pool. Addition of Liquidity Pool. Removal of Intermediate Term Pool. Addition of Non-Endowed Funds Pool. Renaming of Long Term Pool to Endowed Funds Pool.
11.0	June, 2010	June, 2010	Adjustment of Endowed Funds Policy Benchmark to substitute MSCI AC World Index ex. US as the International Equity Benchmark. Adjustment of Index to reflect adjustment in Strategic Allocation. Adjustment of Real Estate component calculation in Index. Adjustment of Strategic Allocation and allowable Tactical Ranges.
12.0	March, 2011	March, 2011	Adjustment to Asset Allocation Limits
13.0	April, 2013	June, 2013	Adjustment of the Investment Consultant section to include requirement of SEC form ADV-Part II form to be submitted, and to include Investment Consultant Review. Also includes spending policy update and hedging for stock gifts with restrictions, removal University Managed Pool, and updating the Giff Annuity pool to reflect state regulations.
14.0	November, 2014	November, 2014	Adjustment of the Endowed Funds asset allocation targets, ranges, and policy index.
15.0	May, 2015	May, 2015	Addition of ESG language.
16.0	October 2017	February 2018	Adjustment of the asset allocation targets, ranges and policy index.
17.0	December 2020		Adjustment of the asset allocation targets, ranges, and policy index for the Endowed Funds portfolio.
18.0	March 2022	April 2022	Adjustment of the Endowed Funds asset allocation targets, ranges; Fund evaluation details added in Appendix
19.0	December 2022		Added investment tiers for non-Endowed funds and adjusted asset allocation targets for Tier 1.

**PURPOSE**

This Statement of Investment Strategy represents the formal document for the University of Central Florida Foundation, Inc. ("Foundation") Investment Pool assets. The purpose of this document is to identify and present a set of investment objectives, investment guidelines and performance standards for the assets of the University of Central Florida Foundation, Inc. Five investment pools have been created and are as follows:

- Endowed Funds Investment Pool
- Non-Endowed Funds Investment Pool
- Liquidity Investment Pool
- University Long Term Pool
- Gift Annuity Pool

Each pool has been designed to meet specific objectives with respect to the growth, spending and/or liquidity needs associated with the underlying assets, as defined in Sections II, III, IV, V and VI. Objectives and investment guidelines established for each Investment Manager are presented in Section VIII.

This statement is to be communicated to the appointed Investment Manager(s) as the principal source for developing an appropriate investment strategy and must be agreed upon in writing by each Investment Manager. In addition, this document will be used as the basis for Investment Manager or commingled/mutual fund selections and future investment performance measurement and evaluation.

**RESPONSIBILITIES AND DELEGATION OF AUTHORITY*****The Investment Committee (the "Committee")***

The Investment Committee of the Foundation Board of Directors (the "Board") is charged with oversight of the investment pools as listed above including, but not limited to, the direction and monitoring of the investment management. The Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields.

Investment Committee Functions:

- The Investment Committee's principal function is to develop and recommend to the Board such investment and investment related policies as it deems appropriate. This includes preparing and maintaining this

Investment Strategy Statement (the "ISS") and recommending changes to the Board as necessary.

- Annually, or more frequently as needed, the Investment Committee will review this Investment Strategy Statement to determine its continued applicability. If, at any time, the liquidity needs of the portfolio or the risk/return expectations of the Investment Committee change, the guidelines and objectives will be reassessed and restated in writing for agreement by all parties.
- The Investment Committee will monitor the overall asset allocation within the parameters detailed herein.
- The Investment Committee will prudently select and, as appropriate, terminate the Investment Manager(s), the Custodian, and the Investment Consultant.
- The Investment Committee will monitor and supervise the investment process and the portfolio's management on a quarterly basis. Investment performance will be compared against established objectives established throughout the IPS.
- The Investment Committee will review and, where possible, control investment expenses.
- The Investment Committee will establish and propose to the Board the spending policy for the Endowment Pool.

### ***The Investment Consultant***

The Investment Committee will hire an Investment Consultant to assist the Committee and staff in the performance of their respective functions. The Investment Committee has delegated the following responsibilities to the Investment Consultant (hereinafter the "Consultant"), who will perform these functions in a discretionary capacity:

- Monitoring the overall asset allocation within the parameters detailed herein and adjusting the actual asset allocation so that it remains within the prescribed investment strategy.
- Prudently selecting, and as appropriate, terminating, the Investment Manager(s).

The Consultant will also assist the Committee with the following functions:

- Preparing and maintaining this Investment Strategy Statement (ISS).
- Controlling investment expenses.
- Monitoring and supervising the portfolio's management.
- Providing performance reporting on a quarterly basis or as requested by the Committee.
- Providing reporting to the Board.

*The Committee will hire only competent registered investment advisors to provide investment advisory and consultative services to the Foundation. No investment*

*advisors shall be hired who have not, by their record and expertise, demonstrated fiduciary responsibility. The Committee, further, will seek investment advisors that are capable of making independent and unbiased decisions and that provide transparency of all remuneration (direct and indirect). Investment advisors will be expected to provide to the Committee, annually, a record of their business and alignment of interest through SEC Form ADV – Part II.*

### **The Investment Consultant Review**

The Committee will review the Consultant's performance on an annual basis in accordance with the Investment Consultant Evaluation Policy. A formal review of the Consultant will be conducted after the third year of engagement to determine the Foundation's continuance of the relationship for one more year, up to the fifth year of engagement where the Committee will formally solicit a Request for Proposals (RFP).

### **Investment Manager (the "Investment Manager")**

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

- 1) Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- 2) Providing, on a quarterly basis utilizing a FIFO method of calculation, a report to the Consultant, the Foundation Staff, and to the Investment Committee that includes:
  - a) the quarterly investment results;
  - b) the portfolio composition for each major class of securities including cash equivalents;
  - c) a listing of individual security holdings;
  - d) a listing of all trades executed on behalf of the Foundation including a description of transaction costs; and
  - e) a report of any material changes in policy, objectives, staffing or business conditions of the investment management firm.
- 3) Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.

- 4) Informing the Investment Committee and the Investment Consultant regarding any qualitative change to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- 5) Voting proxy ballots for the exclusive benefit of the Foundation, and communicating such voting records to the Investment Committee on a timely basis. The investment manager shall vote the proxies in accordance with this policy on all shareholder issues.
- 6) Managing the transaction costs they incur on the Endowment's behalf in the best interests of the University. The University of Central Florida Foundation, Inc. expects the purchase and sale of its securities to be conducted in a manner designed to receive the combination of best price and execution. It shall be each Investment Manager's responsibility, when requested, to report to the Committee on the transaction costs incurred and the brokers used on the Endowment's behalf and to specifically report any soft-dollar arrangements.
- 7) Periodically attending Investment Committee and/or Board meetings, as requested, and discussing the performance of the funds under management.
- 8) Agreeing, by signing this document, to abide by the investment guidelines and restrictions included herein and to seek specific approval for any deviations from the Investment Committee of the University of Central Florida Foundation, Inc. Any approval for deviations will be confirmed in writing for the University of Central Florida Foundation, Inc. Board.

### **Custodian**

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. The Custodian will prepare a summary of all holdings and Fund activity and provide it to the Investment Committee on a monthly basis. The Custodian will provide to the staff a monthly portfolio summary.

### **Co-Trustee**

The Investment Committee may appoint an outside individual or entity, such as a bank trust department, to be Co-trustee. The Co-trustee will assume fiduciary responsibility for the administration of Fund assets.

### **Additional Specialists**

Additional specialists such as attorneys, auditors and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

The Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Fund as deemed appropriate and necessary.

### **ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) ISSUES**

The Investment Committee is aware that many Investment Managers have begun implementing Environmental, Social and Corporate Governance (ESG) factors into their research process. One way that Investment Managers signal a commitment to ESG awareness is to sign on to the Principles for Responsible Investment (PRI). On an annual basis, the Investment Consultant will provide the Investment Committee with a report that highlights which Investment Managers consider ESG factors as part of their research process, as well as a list of the Investment Managers who have signed the PRI.

For more information about PRI, visit [www.unpri.org](http://www.unpri.org).

### **DEFINITIONS**

- 1) "Fund" shall mean the University of Central Florida Foundation, Inc. & Endowment.
- 2) "Investment Committee" shall refer to the governing board established to administer the Fund as specified by applicable ordinance.
- 3) "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
- 4) "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.
- 5) "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
- 6) "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.



- 7) "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this pool is to exist in perpetuity.

### INVESTMENT OBJECTIVES

The primary investment objective of the Endowed Funds Investment Pool is to provide a real total return (net of all investment and custodial fees) that preserves the purchasing power of the Endowed Funds pool, while supporting the current and future spending obligations as dictated by the Spending Policy. The Endowed Funds Investment Pool has the potential for significant short-term losses therefore, only assets with a long time horizon, such as endowed assets and quasi endowed assets, should be invested in this pool.

### SPENDING POLICY

The Spending Policy seeks to resolve the tension between the competing goals of preservation of endowment and stability in budgetary support. The Endowment will use an averaging method of determining year to year spending in order to smooth distributions from the aggregate portfolio.

Utilizing this policy will yield two important benefits:

- First, it provides for more consistent and predictable spending for the programs supported by this Endowment.
- Second, it allows the Board of Directors to design an investment strategy which is more "aggressive" with a higher expected return than might be the case if spending were determined by annual investment performance.

With the annual determination method, there is a tendency to pay out the "excess" earnings during periods of over-performance, while maintaining a certain absolute dollar floor of spending during periods of underperformance. Over the long-term, this may result in an erosion of real principal. Therefore, by smoothing the spending, the Endowment reduces the likelihood of real principal erosion due to portfolio volatility.

- The initial spending rate for new endowments with no previous year's spending shall be the Spending Rate applied to the December 31 market value.
- The spending rate will be established by the Board of Directors and specified in the Spending Policy. The following calculation will be utilized to determine annual spending:
  - $[(70\%) (\text{prior year's spending distribution}) (1+\text{CPI})] + [(30\%) (\text{December 31 market value}) (\text{Spending Rate})]$
- Endowments that qualified for spending but had no spending in prior years may use the Spending Rate applied to the December 31 market value (subject to Board approval).

- The annual endowment assessment will be charged on either a monthly or quarterly basis, using the most recent Fair Market Value.
- The Foundation intends on reinvesting the earnings in excess of allotted spending into the principal of the Endowed Funds Investment Pool. In the long term, real (inflation-adjusted) growth is in the best interest of the beneficiaries of the assets invested in the Long-Term Investment Pool.

## **ASSET ALLOCATION STRATEGY**

The assets of the Endowed Funds Investment Pool will be invested according to the following asset allocation guidelines. The allocation to each asset class will be further allocated to investment styles and investment managers within that asset class. This Asset Allocation Strategy has been established to reflect the growth objectives and risk tolerance of the Investment Committee and to support the Spending Policy.

<b>Asset Class</b>	<b>Target %</b>	<b>Range %</b>
<b>Public Equities</b>	<b>49</b>	<b>40 – 58%</b>
<b>Fixed Income</b>	<b>15</b>	<b>8 – 22%</b>
<b>Diversifying Strategies</b>	<b>5</b>	<b>0 – 10%</b>
<b>Private Markets</b>	<b>18</b>	<b>10 - 25%</b>
<b>Real Assets</b>	<b>13</b>	<b>5 - 20%</b>
<b>Opportunistic</b>	<b>0</b>	<b>0 – 5%</b>
<b>Cash</b>	<b>0</b>	<b>0 – 5%</b>

The Fund's Policy Index is a custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this Investment Strategy Statement. It is useful in separating the impact of the investment targets from execution of the investment strategy in evaluating the performance of the Fund's investment program.

The Policy Index is calculated by multiplying the target commitment to each asset class by the rate of return of the appropriate market index, on a monthly basis.

\* For purposes of this Investment Policy Statement, Private Equity is defined as the investment in the equity or debt securities of privately owned operating companies through collective funds ("Private Equity Funds"). The objective of the Private Equity Investment(s) is to provide portfolio diversification and return enhancement over time. Private Equity Funds are illiquid and require a longer investment time horizon. Most Private Equity Funds exist for periods ranging from ten (10) to fifteen (15) years. During the initial five (5) years, little return is expected as capital is being invested into the underlying portfolio investments. Therefore, while performance of the Private Equity Funds will be reviewed on a quarterly basis, a thorough performance evaluation will require a longer perspective.

\*\* The long-term objective of the Real Asset portfolio is to provide income and appreciation while providing a partial hedge against inflation. In addition, Real Assets are to provide diversification within the overall endowment due to its low correlation with other asset classes. The Portfolio is expected, over time, to be invested in a combination of:

- Liquid invests – investments that are valued and traded daily on an open exchange.
- Liquidity restricted investments – investments where liquidity is available no more frequently than quarterly and/or can be withheld at the discretion of the fund manager, and
- Illiquid investments – investment, either directly or through a collective trust, that are made directly in real property.

### ***Asset Allocation Considerations***

The Investment Committee recognizes that the gradual investment pace and opportunistic realizations of Private Equity/Debt & Real Asset Investments will impact its ability to fund and maintain its target commitment to Private Equity/Debt & Real Asset Investments. While it will make efforts to fund and maintain the target allocation, variability in actual allocation is expected.

### **ASSET ALLOCATION REVIEW AND BALANCING PROCEDURE**

The Consultant is charged with the responsibility of monitoring the overall allocation within the parameters described above. The portfolio allocation will be reviewed periodically and will be rebalanced to the target as the Consultant deems appropriate. Cash flows into and out of the portfolio (i.e., new gifts, spending, overhead assessment, gift fees) shall be allocated to the investment managers in a manner that will rebalance the portfolio consistent with asset allocation policies. Rebalancing the portfolio by means of liquidating assets managed by investment managers will be the exception, and only done when deemed necessary by the Consultant.

## **INVESTMENT PERFORMANCE GUIDELINES**

The Long-Term Investment Pool's performance objectives over rolling five year periods are as follows:

- Provide an annualized rate of return that will support the Spending Policy net of inflation and operational/investment costs.
- Outperform the Policy Index.
- Outperform the median peer universe based on asset size.

The individual investment managers' rates of return will be compared with (1) the return of an appropriate market index, (2) the return of an appropriate style benchmark, where applicable, and (3) the returns of a universe of comparable managers, where applicable. Detailed performance objectives for the total fund and Investment Managers will be incorporated in the Appendix – Exhibits I and II, respectively. It is anticipated that the contents of the Appendix will change from time to time as the structure changes or investment managers are added/deleted. The contents of the Appendix will be reviewed and approved by the Investment Committee and will not require Board review or approval.

**INVESTMENT OBJECTIVES**

The primary objective of the Non-Endowed Funds Investment Pool is to maximize current investment returns consistent with the liquidity needs of the University. The investment horizon for the assets which comprise the Non-Endowed Funds Investment Pool is generally expected to be greater than 1 year but less than five years.

**RISK TOLERANCE**

The Non-Endowed Funds Investment Pool will exhibit portfolio volatility and a negative return in difficult market environments is expected. The portfolio should be diversified so potential losses on individual securities will be minimized.

**DISBURSEMENT POLICY**

Assets invested in this pool represent available funds which are expected to be withdrawn during the investment horizon. Any need for immediate liquidity is expected to be off-set by new contributions to the Pool over most periods. It is recognized that cash demands will be based on the book value while the portfolio value will be based on market value. It is expected that the Foundation will maintain a reserve sufficient to fund a shortfall in market value should there be a cash demand from the Non-Endowed Funds Investment Pool.

**INVESTMENT STRATEGY**

The assets of the Non-Endowed Funds Investment Pool have adopted a two-tiered structure that allows the funds to maintain sufficient liquidity and downside protection while also seeking higher long-term growth. Tier 1 assets may be invested in three broad asset classes (Equity, Fixed Income, and Cash & Equivalents), while Tier 2 assets will represent a unitized investment in the Endowment pool. The mix of these asset classes at any time will depend on the expected timing of future cash demands. It is expected the maturity and the amount of those demands will change from time to time, therefore the overall actual investment allocation (i.e. the split between Tier 1 and Tier 2) will be dynamic. The allowable allocation ranges will be broad to allow for these adjustments. In addition, since all possible cash demands cannot be anticipated, the majority of the portfolio shall consist largely of securities with active secondary or resale markets. The allocation to each asset class will be further allocated to investment styles and investment manager(s) within that asset class. This Asset Allocation Strategy has been established to reflect the objectives and risk tolerance of the Investment Committee and to support the operational needs of the Foundation.

<b>Tier 1 - Asset Class*</b>	<b>Target %**</b>	<b>Range %</b>
<b>Public Equities</b>	<b>20%</b>	<b>10 – 35%</b>
<b>Fixed Income</b>	<b>80%</b>	<b>60 – 90%</b>
<b>Cash</b>	<b>0</b>	<b>0 – 10%</b>

  

<b>Tier 2*</b>	<b>Target %**</b>
<b>Endowment Pool</b>	<b>100%</b>

\*Cash inflows will be invested 80% in Tier 1 assets and 20% in Tier 2 assets. Cash outflows will be funded solely from Tier 1.

\*\*The weights of Tiers 1 and 2 are a residual of cash flows and there is no static target allocation between tiers. However, the size of Tier 2 is not expected to exceed 30% of the total non-Endowed portfolio. In the event that a substantial outflow causes the size of Tier 2 to exceed 30%, the Consultant will work with staff re-evaluate the cash flow forecast and policy for the non-Endowed pool.

## **ASSET ALLOCATION REVIEW AND BALANCING PROCEDURE**

The Consultant is charged with the responsibility of monitoring the overall allocation within the parameters described above. The Foundation staff shall be responsible for providing a schedule of expected cash demands from the Non-Endowed Funds Investment Pool on an annual basis and shall be responsible for providing an immediate update should those cash demands change. Within the context of the schedule of cash flows, the portfolio allocation will be reviewed periodically and the cash flow allocation policy will be revisited periodically as cash and liquidity needs evolve. Tier 1 assets will be rebalanced to the target as the Consultant deems appropriate. Cash flows into and out of the portfolio (i.e., new gifts, spending, overhead assessment, gift fees) shall be allocated in a manner that is consistent with investment objectives and expected future cash demands. The near-term cash flow policy instructs 80% of the cash inflows to be invested in Tier 1 assets and 20% of the inflows to be invested in Tier 2 assets. Cash outflows will be funded by Tier 1 assets. There is no planned rebalancing between Tier 1 and Tier 2 as the objective is to grow the Tier 2 allocation over time. Rebalancing the portfolio by means of liquidating assets managed by investment managers will be the exception, and only done when deemed necessary by the Consultant. Where possible, assets associated with demands that are expected to occur in less than one year will be transferred to the Liquidity Investment Pool.

## INVESTMENT PERFORMANCE GUIDELINES

The Non-Endowed Funds Investment Pool's performance objectives over rolling three year periods are as follows:

- Tier 1 assets are expected to outperform the return of a composite index comprised of the following:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Weight</b>
Global Equities	MSCI ACWI IMI	20%
Fixed Income	Bloomberg Aggregate	80%

- The volatility of returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the benchmark.
- Tier 2 assets will be measured against blended benchmarks outlined in Appendix – Exhibit I of this document.

The individual investment managers' rates of return will be compared with (1) the return of an appropriate market index, (2) the return of an appropriate style benchmark, where applicable, and (3) the returns of a universe of comparable managers, where applicable. Detailed performance objectives for each Investment Manager will be incorporated in the Appendix. It is anticipated that the contents of the Appendix will change from time to time as investment managers are added and/or deleted. The contents of the Appendix will be reviewed and approved by the Investment Committee and will not require Board review or approval.



### INVESTMENT OBJECTIVES

The objective of the Liquidity Investment Pool is to preserve capital and maintain liquidity. The secondary objective is to maximize investment return. The investment horizon for the assets which comprise the Pool is generally expected to be less than one year.

### DISBURSEMENT POLICY

All assets invested in this pool represent available funds that may be withdrawn at any time. There will be a need to maintain short term liquidity. New contributions to the pool may not be sufficient to off-set cash requirements. The Foundation staff shall be responsible for providing a schedule of expected cash demands from the investment pool on an annual basis and shall be responsible for providing an immediate update should those cash demands change.

### INVESTMENT STRATEGY

The portfolio will be invested in a combination of short term, high quality fixed income securities and cash and equivalents. The portfolio will be structured to meet operating and cash demand requirements. Attempts will be made to match the durations of securities with anticipated cash demands. In addition, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

### INVESTMENT PERFORMANCE GUIDELINES

The Liquidity Investment Pool's performance objectives over rolling one year periods are as follows:

- Track the return of a composite index comprised of the following:

Asset Class	Benchmark	Weight
Money Market/ST Fixed Income	180 Day US T-Bill Index	100%

- The volatility of returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the benchmark.

The individual investment managers' rates of return will be compared with (1) the return of an appropriate market index, (2) the return of an appropriate style benchmark, where applicable, and (3) the returns of a universe of comparable managers, where applicable. Detailed performance objectives for each Investment Manager will be incorporated in the Appendix. It is anticipated that the contents of the Appendix will

change from time to time as investment managers are added and/or deleted. The contents of the Appendix will be reviewed and approved by the Investment Committee and will not require Board review or approval.

**OVERVIEW**

The University of Central Florida Foundation, Inc. has established the Gift Annuity Pool for the purpose of investing the planned giving assets of Gift Annuities. This Statement of Investment Strategy will assign responsibility and outline an overall investment philosophy between the UCF Foundation and the Investment Manager(s).

**INVESTMENT OBJECTIVES**

The Gift Annuity Pool was established to meet specific regulatory requirements and to provide life income payments to donors and their beneficiaries. The income payments will be withdrawn from the Gift Annuity Pool. Upon the death of the last income beneficiary, the residuum of the life income gift will be withdrawn and applied toward the program or purpose stipulated by the donor, or transferred to the operating or endowment funds. Thus, the assets are defined to be permanent in nature and require a long-term investment approach. The primary investment objective of the Gift Annuity Pool is to provide the individual beneficiaries with the agreed upon entitlement and to grow the corpus of the Gift Annuity Pool while minimizing year-to-year fluctuations in the value of the portfolio.

**TOLERANCE FOR VOLATILITY**

An attempt will be made to balance the desire for long term capital growth with the desire to protect against large swings in portfolio value. The portfolio favors protection from large volatility swings and will weight a majority of the assets to more stable income producing vehicles. It will not be possible, however, to completely insulate the portfolio from volatility and achieve the underlying objectives. Accordingly, the portfolio will experience negative annual returns during difficult phases of the market cycle. Attempts should be made, however, to reduce the probability of negative annual returns. The portfolio will strike a balance between equity securities and income producing investments. Overall, the portfolio will have a moderate tolerance for volatility. It is anticipated that the time horizon for investment will be sufficient to allow for recovery during difficult investment phases.

**ASSET ALLOCATION STRATEGY**

The assets of the Gift Annuity Pool will be invested in five broad asset classes (Domestic Equity, International Equity, Real Asset Investment, Fixed Income, and Cash & Equivalents) according to the following asset allocation guidelines. The allocation to

each asset class will be further allocated to investment styles and investments within that asset class. This Asset Allocation Strategy has been established to reflect the growth objectives and risk tolerance of the Investment Committee.

Per Florida Statute 627.481 (2)(C)2, up to 50 percent of a charity's required reserves and surplus may be invested in a combination of common stock, preferred stock, and stock mutual funds, with no more than 10 percent of the reserve invested in the stock of any one company or in any one stock mutual fund.

Bonds are classified as medium to lower quality are limited to 13 percent of admitted assets, with no more than five percent total in those rated four, five, or six by the Securities Valuation Office of the National Association of Insurance Commissioners. (Those rated six are limited to .5 percent, and the combination of five or six is limited to 1.5 percent.) Investment in issuers from any one industry are limited to 10 percent of admitted assets, with no more than two percent from any one issuer per Florida Statute 625.305(4).

#### **ASSET ALLOCATION REVIEW AND BALANCING PROCEDURE**

The Investment Manager is charged with the responsibility of monitoring the overall allocation within the parameters described above. The portfolio allocation will be reviewed periodically and will be rebalanced to the target as the Investment Manager deems appropriate. Cash flows into and out of the portfolio (i.e., new gifts, spending, overhead assessment, gift fee) shall be allocated to the Investment Manager(s) in a manner that will rebalance the portfolio consistent with asset allocation policies. Rebalancing the portfolio by means of liquidating assets managed by Investment Manager(s) will be the exception, and only done when deemed necessary by the Investment Manager(s).

#### **PROHIBITED INVESTMENT VEHICLES**

The University of Central Florida Foundation, Inc. is prohibited from investing the Gift Annuity in private investment partnerships that contractually restrict the liquidity of the investment. The Gift Annuity Pool will comply with the State Of Florida Investment Restrictions as outlined in Appendix II.

## INVESTMENT PERFORMANCE GUIDELINES

The Long Term Investment Pool's performance objectives over rolling five year periods are as follows:

- Provide for a rate of return sufficient to cover the Gift Annuity Pool's obligations to the beneficiaries.
- Outperform the return of a composite index comprised of the following:

<b>Benchmark</b>	<b>Weight</b>
Russell 3000	29%
MSCI World ex. US	7%
Dow Jones Wilshire REIT Index	4%
Bloomberg Intermediate Govt./Corp. Index	60%

- Outperform, on a net of fee basis, a secondary performance objective of a passive portfolio composed of 40% of the Russell 3000 Index and 60% of the Bloomberg Government Credit Bond Index.

The individual investment rates of return will be compared with (1) the return of an appropriate market index, (2) the return of an appropriate style benchmark, where applicable, and (3) the returns of a universe of comparable managers, where applicable. Detailed performance objectives for each Investment will be incorporated in the Appendix. It is anticipated that the contents of the Appendix will change from time to time as investment managers are added and/or deleted. The contents of the Appendix will be reviewed and approved by the Investment Committee and will not require Board review or approval.

### Permissible Investments

The following are permissible investments:

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- 1) Listed marketable equity securities of the United States or other nations.
- 2) Publicly listed fixed income instruments rated Baa or better by Moody's and/or S&P.
- 3) Mutual or commingled funds as may be needed to fulfill asset allocation strategy.

### Investment Restrictions

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- 1) No single security can compose more than 10% of the CGA Fund's assets
- 2) Short sales are prohibited (as opposed to incidental investment through a mutual fund or commingled vehicle).

- 3) Direct use of leverage (as opposed to incidental investment through a mutual fund or commingled vehicle) is prohibited.
- 4) Margin purchases are prohibited.
- 5) Direct investment (as opposed to incidental investment through a mutual fund or commingled vehicle) in derivatives.
- 6) Direct investment (as opposed to incidental investment through a mutual fund or commingled vehicle) in commodities.
- 7) Direct investment (as opposed to incidental investment through a mutual fund or commingled vehicle) in puts, calls or hedging techniques.

**GIFT POLICY**

It is anticipated that from time to time the University will receive gifts in the form of marketable securities. In such event, the Custodian will be given instructions to liquidate the securities as soon as is practicable. In the event the securities are restricted from sale for a designated period of time due to regulatory reasons, the Foundation will hold said securities until the restricted period has elapsed and then liquidate the securities as soon as practicable thereafter. The Foundation may utilize hedging strategies for a security that is being held due to a restriction, to suppress possible depreciation. The Foundation will make no attempt to add value to the Fund by holding marketable gifted securities.

The Investment Committee is responsible for the investment of all assets and for establishing sound policies and practices. All investments shall be made solely in the interest of the University of Central Florida Foundation, Inc.

The Investment Committee has retained the Consultant to manage all the Foundation Investment assets. The Consultant is authorized to select the Investment Manager(s) to invest all, or a portion of, the Foundation's Investment assets. Investment Managers shall be selected from established and financially sound organizations which have a proven and demonstrable record in managing funds with characteristics appropriate for the risk/return profile of the Foundation's assets. The selection process will involve a disciplined approach, which will be fully documented for the Investment Committee's records.

All assets should be properly diversified to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The Consultant will select Investment Managers to fulfill specific mandates in order to achieve broad diversification. Individual Investment Managers will be expected to rigorously implement their specific disciplines in order to maintain the intended overall portfolio structure.

Investment guidelines and performance standards are required for determining whether or not the objectives are being met. They also provide an objective basis for evaluating how well Investment Managers complement each other and add value collectively. The standards of performance outlined herein will be used as the benchmarks against which results will be measured and evaluated, however, it is understood that there is no guarantee that such results will be attainable.

If a commingled fund or mutual fund is utilized, it is understood that the portfolio will be governed by the prospectus or similar document for the fund. In those cases, the Consultant will utilize these guidelines in selecting and evaluating funds initially and in monitoring them on an ongoing basis for continued suitability. If the assets of the commingled or mutual fund participate in securities lending, the cash collateral should be prudently invested to avoid risk of loss.

Specific investment guidelines and performance standards applicable to the management of the assets will be incorporated in the Appendix of this Investment Strategy Statement and adjusted from time to time. The contents of the Appendix will be reviewed and approved by the Investment Committee and will not require Board review or approval.



Section VIII:

Responsibility Table

<b>Fiduciary Level</b>	<b>Investment Consultant Selection</b>	<b>Written Investment Strategy</b>	<b>Tactical Allocation Among Asset Classes</b>	<b>Strategy Within an Asset Class</b>	<b>Manager &amp; Fund Selections</b>	<b>Security Selection</b>
<b>Board Of Directors</b>	Informed	Approves	Informed			
<b>Investment Committee</b>	Approves	Recommends	Informed	Informed	Informed	Informed
<b>Investment Consultant</b>		Recommends	Approves	Approves	Approves	Monitors
<b>Investment Managers</b>						Approves

Adopted: \_\_\_\_\_  
(Date)

By: The University of Central Florida Foundation, Inc.:

\_\_\_\_\_  
\_\_\_\_\_  
(Title)

# **APPENDIX**

## Exhibit I: Total Fund Evaluation

The Endowed Funds Investment Pool has been designed to meet the Investment Objectives as defined in Section II of this ISS. The overall portfolio design and asset allocation have been structured to provide the most appropriate structure and asset allocation from a risk and return perspective to meet this long-term objective. The Consultant and the Investment Committee have adopted a three- to five-year time horizon for evaluating the Investment Program as a whole, each asset class, and each investment manager relative to established benchmarks.

The Endowed Funds rate of return will be compared with (1) the required return of spending plus loss of purchasing power (inflation, as measured by the Consumer Price Index) and (2) a weighted-average of the returns of broad indices representing each asset category where the weights are the target allocations to each.

Market benchmarks utilized for individual asset classes are listed below:

<b>Asset Category</b>	<b>Market Index</b>	<b>% of Total Portfolio Benchmark</b>
Domestic Equity	Russell 3000 Index	30%
Non-U.S. Equity	MSCI ACWI ex-U.S. IMI	19%
Fixed Income	Bloomberg US Aggregate Index,	15%
Real Assets	NFI ODCE Equal-Weighted Index (net)	13%
Diversifying Strategies	HFRI Fund of Funds Composite Index	5%
Private Equity	Cambridge Global Private Equity 2016+ (1 QTR lagged)	12%
Private Credit	Cambridge Global Private Credit (1 QTR lagged)	6%

The Consultant and Investment Committee understand that in developing an Investment Program, it will take time to become fully invested and to reach the target allocations, particularly for less liquid asset classes such as private equity. As the portfolio is constructed, an intermediate asset allocation target will be utilized until such time as the private equity portfolio is fully funded. The private equity Target allocation will be updated on a monthly basis, scaled to called capital. Any un-invested balance of the private equity Target allocation will be allocated to US equity in the interim and reflected in the Target calculation.

## Exhibit II: Detailed Performance Objectives and Structure

ASSET CLASS	INVESTMENT STYLE	BENCHMARK	% OF TOTAL	% OF ASSET CLASS
<b>DOMESTIC EQUITY</b>		<b>RUSSELL 3000</b>	<b>30.0%</b>	<b>100%</b>
DOMESTIC EQUITY	LARGE CAP PASSIVE	RUSSELL 1000 INDEX	25.0%	85%
DOMESTIC EQUITY	SMALL CAP VALUE	RUSSELL 2000 VALUE INDEX	2.5%	7.5%
DOMESTIC EQUITY	SMALL CAP GROWTH	RUSSELL 2000 GROWTH INDEX	2.5%	7.5%
<b>NON-US EQUITY</b>		<b>MSCI ACWI EX-US IMI</b>	<b>19.0%</b>	<b>100%</b>
NON-US EQUITY	NON-US ALL CAP	MSCI ACWI EX-US IMI	9.5%	50.0%
NON-US EQUITY	NON-US ALL CAP	MSCI ACWI EX-US IMI	9.5%	50.0%
<b>FIXED INCOME</b>		<b>BLOOMBERG AGGREGATE INDEX</b>	<b>15%</b>	<b>100%</b>
FIXED INCOME	US CORE	BLOOMBERG AGGREGATE INDEX	13%	87%
FIXED INCOME	DIVERSIFIED CREDIT	50% BLOOMBERG CORPORATE, 25% BLOOMBERG US 2% HIGH YIELD ISSUER INDEX, 25% S&P/LSTA LEVERAGED LOAN INDEX	2.0%	13%
<b>REAL ASSETS</b>		<b>NFI ODCE EQUAL-WEIGHTED INDEX (NET)</b>	<b>13%</b>	<b>100%</b>
REAL ASSETS	REAL ESTATE	NFI ODCE EQUAL-WEIGHTED INDEX (NET)	13%	100%
<b>PRIVATE ASSETS</b>	<b>PRIVATE EQUITY</b>	<b>CAMBRIDGE GLOBAL PRIVATE EQUITY2016+ (1 QTR LAGGED)</b>	<b>12%</b>	<b>67%</b>
<b>PRIVATE ASSETS</b>	<b>PRIVATE CREDIT</b>	<b>CAMBRIDGE GLOBAL PRIVATE CREDIT (1 QTR LAGGED)</b>	<b>6%</b>	<b>33%</b>
<b>DIVERSIFYING STRATEGIES</b>	<b>HEDGE FUNDS</b>	<b>HFRI FUND OF FUNDS COMPOSITE INDEX</b>	<b>5%</b>	<b>100%</b>