

ICR 1

Office of the Executive Vice President for Finance and Administration
December 3, 2024

Members, Investment Committee of the Board of Trustees:

REVISED ENDOWMENT INVESTMENT POLICY

Recommendation: that the Investment Committee of the Board of Trustees approve the attached revisions to the Endowment Investment Policy.

Background: The revised policy reflects the following minor changes:

- Section III reflects updated Governing Regulations approved in June 2024.
- Section VII reflects adjusted benchmarks for Public Real Assets and Diversifying Strategies and additional detail on Private Investment benchmarking methodology.

Action taken: Approved Disapproved Other _____

UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS

ENDOWMENT INVESTMENT POLICY

Amended December ~~35~~, 202~~43~~

**University of Kentucky
University of Kentucky Research Foundation
University of Kentucky Gluck Equine Research Foundation, Inc.
University of Kentucky Humanities Foundation, Inc.
University of Kentucky Mining Engineering Foundation, Inc.**

The investment policy shall be formally reviewed annually and at such other times as desired by the Committee and Endowment investment staff. Any modifications to the policy shall be approved by the Committee.

III. Roles and Responsibilities

Responsibilities of the Investment Committee

The Board of Trustees has established the Investment Committee with members appointed annually by the Chair of the Board of Trustees. The Committee is responsible for the review and oversight of the Endowment investments of the University of Kentucky and its affiliated corporations. As a standing committee of the Board, the Investment Committee must have at least five (5) Trustee members, including the Committee Chair under Governing Regulation II.G.5.

Governing Regulation II.G.5, ~~E, (2) (f)~~ of the University of Kentucky sets forth the specific responsibilities of the Investment Committee as follows:

This Committee is responsible for review and oversight of the endowment investment programs of the University and its affiliated corporations and entities. These responsibilities include: (1) formulating and reviewing investment policies; (2) appointing, monitoring and evaluating investment managers and consultants; and (3) reviewing and approving plans for the general management of the endowment funds of the University.

In addition to the five voting Trustees, this Committee may have up to five non-voting Community Advisory Members to aid it in its functions by providing specialized advice and support. The President, in consultation with the Board Chair, will appoint the Community Advisory Members. The Community Advisory Members will serve for a three-year term and may be reappointed.

~~Under delegation from the Board of Trustees, and consistent with KRS 164A.550 through 164A.630, the Investment Committee is responsible for review and oversight of the endowment investment programs of the University and its affiliated corporations. These responsibilities include: formulating and reviewing investment policies; appointing, monitoring and evaluating investment managers and consultants; and reviewing and approving plans for the general management of the endowment funds of the University.~~

~~The membership of the Committee shall be composed of five (5) voting Trustee members and up to five (5) non-voting Community Advisory members to assist it in its functions by providing specialized advice and support. Said Community~~

~~Advisory Members shall be selected on the basis of their expertise in such areas as investment management and finance, and appointed for a three-year term. Community Members may be reappointed. The membership of the Committee, including the Chair, shall be appointed by the Chair of the Board of Trustees in consultation with the President. The initial Trustee member appointments to the Committee shall be staggered terms in the following manner: two (2) members for three (3) years, two (2) members for four (4) years, and one (1) member for five (5) years. Trustee members appointed thereafter shall serve for three-year terms and may be reappointed.~~

~~The Investment Committee Chair reports to the Board of Trustees after each meeting of the committee on the performance results of endowment investments. Policies of the committee are implemented by University Financial Services in carrying out the day-to-day operations of the University's endowment funds.~~

Responsibilities of Investment Staff and Endowment Advisory Group

Investment Staff

The senior Endowment investment staff ("Staff") will consist of the University's Executive Vice President for Finance and Administration, Chief Investment Officer, and Investment Director. Staff is responsible for executing the policies and decisions enacted by the Committee and the general daily activities and administration of the Endowment assets. The Staff will prepare analysis and recommendations for the Committee on development of policies and guidelines, selection of an appropriate long-term asset allocation, and selecting an appropriate manager structure. The Staff will perform other duties as delegated by the Committee. The Staff will maintain summaries of the investment guidelines for the various investment managers and periodically provide to the Committee.

Endowment Advisory Committee

An Endowment Advisory Committee of senior University administrators and faculty may be established by the President to advise the Executive Vice President for Finance and Administration and Staff on various matters pertaining to the prudent management of individual endowment funds.

Responsibilities of Investment Consultant

The Committee may engage an independent Investment Consultant ("Consultant") to assist the Committee and Staff in developing policies and guidelines, selecting an appropriate long-term asset allocation, selecting an appropriate manager structure, identifying investment managers, evaluating investment performance, and offering other services as requested. The Consultant will prepare quarterly and annual assessments of investment performance that include results for the

and will include risk metrics and risk-adjusted returns.

Performance Benchmarks

The total Endowment performance will be measured against two principal benchmarks:

1. The primary performance objective of achieving a long-term total return, net of fees and expenses, of at least 7.5%. It is expected that portfolio performance will vary significantly from this benchmark over shorter periods. Therefore, performance compared to this benchmark will be evaluated only over very long periods (ten years or more).
2. A Policy Benchmark consisting of market indexes reflecting the Endowment's "strategic target" asset allocation percentages. Performance compared to this benchmark will be evaluated over rolling three- to five-year periods. The current Policy Benchmark appears in the following table:

<u>ASSET CATEGORY</u>	<u>TARGET</u>	<u>INDEX</u>
GLOBAL EQUITY	64%	
Public	40	MSCI All Country World IMI Index (ACWI IMI)
Private	24	Cambridge Associates (CA) Private Equity and Venture Capital indices [1]
FIXED INCOME	12%	
Public Fixed Income	10	Barclays Aggregate Bond Index
Private Credit	2	Cambridge Associates Private Credit and Distressed indices [1]
REAL ASSETS	12%	
Public	3	1/3 each Bloomberg Barclays U.S. TIPS Index, NAREIT Index and Alerian Midstream EnergyMLP Index
Private	9	CA Private Real Estate, -Natural Resources, and Infrastructure indices [1]
DIVERSIFYING STRATEGIES	12%	25 30% MSCI ACWI IMI / 7 50% BBG Short-Term Govt/Corp Index

[\[1\] Cambridge Associates Private Benchmarks will be weighted based on the actual exposures of the underlying private investment asset classes for each respective allocation.](#)

In addition to these principal benchmarks, performance may from time-to-time be compared to a peer group of similar institutions.

The asset class performance will be measured against:

1. The asset class' index.