

ICR 1

Office of the Executive Vice President for Finance and Administration
December 2, 2025

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 V reflects an adjustment to the endowment management fee.
- Section VII reflects a refinement to the benchmark for Private Credit and additional detail on private equity and credit benchmark composition.

Action taken: Approved Disapproved Other _____

UNIVERSITY OF KENTUCKY AND AFFILIATED CORPORATIONS

ENDOWMENT INVESTMENT POLICY

Amended December ~~23, 2024~~2025

**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.**

of 4.0% is applied to the average market value of the Endowment over the preceding 36 months. The spending distribution amount determined by the formula will be constrained so that the calculated rate is at least 3.5%, and not more than 5%, of the current Endowment market value. The hybrid spending distribution formula is depicted below:

$$60\% * (\text{Prior Year Spending Distribution} * [1 + \text{Annual Percent Change in CPI-U}]) \\ + 40\% * (4\% * \text{Average Market Value for Preceding 36 Months})$$

Note: the calculated spending distribution rate must fall between 3.5% and 5% of the current market value of the Endowment.

Management Fee

Eligible endowments will be assessed an annual management fee of ~~0.50~~1.00% of the current market value (assessed monthly) to support administrative costs.

~~Effective July 1, 2018, the management fee will be temporarily increased by up to 0.50%, for a maximum annual assessment of 1.00%, to support additional expenses related to the capital campaign. The standard management fee assessment of 0.50% will resume upon completion of the capital campaign.~~

Underwater Endowment Funds²

The target spending distribution rate and management fee established by the Investment Committee represent maximum amounts that can be withdrawn annually from individual endowment funds. The Treasurer may reduce or suspend withdrawals from individual endowment funds that are underwater.

Spending distributions and management fee withdrawals will be suspended on all endowments underwater by more than 20%. Endowments underwater more than 10% will undergo a formal review by University Financial Services and appropriate College Dean to determine the appropriate level of spending distributions in accordance with the following factors set forth in the Kentucky Uniform Prudent Management of Institutional Funds Act:

- the duration and preservation of the endowment fund;
- the purposes of the institution and the endowment fund;
- general economic conditions;
- the possible effect of inflation or deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the institution;

² Underwater endowments are those in which the market value is less than the contributed value.

ASSET CATEGORY	TARGET	INDEX
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] <u>[2]</u>
FIXED INCOME	12%	
Public Fixed Income	10	Barclays Aggregate Bond Index
Private Credit	2	Cambridge Associates Private Credit and <u>Distressed indices</u> Index [1] <u>[3]</u>
REAL ASSETS	12%	
Public	3	1/3 each Bloomberg Barclays U.S. TIPS Index, NAREIT Index and Alerian Midstream Energy Index
Private	9	CA Private Real Estate, Natural Resources, and Infrastructure indices [1]
DIVERSIFYING STRATEGIES	12%	25% MSCI ACWI IMI / 75% 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.

[2] PE / VC Indices contain the following sub-asset classes: Buyouts, Growth Equity, Venture Capital, and Distressed Securities (Credit Opportunities / Control Oriented Distressed).

[3] Private Credit indices contain the following sub-asset classes: Credit Opportunities, Subordinated Capital, and Senior Debt.

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.
2. A peer group universe of similar asset classes.

The individual manager performance will be measured against:

1. The manager's specific market indexes.
2. A peer group universe of similar investment styles.

Long-Only Active Managers

Managers will be measured against their primary benchmark and their peer universe.