

Florida A&M University Foundation, Inc.

Short/Intermediate Term

STATEMENT OF INVESTMENT POLICY, OBJECTIVES & GUIDELINES

Final

June 2, 2023

1. Investment Policy Purpose

This Investment Policy Statement ("Policy") is intended to govern the investment practices of the assets of the Florida Agricultural and Mechanical University Foundation, Inc. Operating Pool ("FAMU Foundation"), so that all individuals with either direct or indirect responsibility may understand and manage FAMU Foundation's Short/Intermediate Term pool, hereafter referred to as the "Operating Pool." The Operating Pool's funds are identified as all:

- Unrestricted and restricted funds; and
- Endowed Fund operating accounts.

This Policy addresses the following issues.

- The general goals of the Operating Pool
- The specific investment objectives of the Operating Pool
- Asset allocation and rebalancing policies
- Measurement and evaluation of investment performance
- Policies and guidelines for Investment Managers

2. Investment Management Policy

Operating Pool assets will be managed on a total return basis by taking into account capital preservation and moderate to high liquidity requirements. The Investment Committee recognizes the importance of the preservation of capital, but also adheres to the principle that low to moderate degrees of investment risk are generally rewarded with commensurate returns over time. Therefore, low to moderate risk investments with different types and

degrees of capital preservation and liquidity are appropriate for the Operating Pool, provided that such risks are regularly identified and managed.

3. Roles and Responsibilities

The Investment Committee is authorized by the Board of Directors ("Board") to act on its behalf subject to this Policy Statement. The Investment Committee, in turn, is authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Investment Advisor. This delegation of authority allows for sufficient flexibility in the management process to capture investment opportunities as they arise.

Regulatory and Prudent Investor Considerations

It is the intention of the FAMU Foundation to abide by all applicable laws as it relates to financial obligations, annual giving, and portfolio management oversight. Due to the very nature of this investment policy statement, FAMU foundation will make every effort to adhere to the following regulations or principals of the following:

- Uniform Prudent Investor Act of 1994 and
- Uniform Prudent Management Institutional Funds Act (UPMIFA)

The Investment Committee is responsible for:

1. Establishing and maintaining the Investment Policy Statement and Asset Allocation;
2. Monitoring the performance and risk profile of the Operating Pool as a whole;
3. Reviewing the Investment Advisor's implementation of the investment program;
4. Hiring, terminating, or replacing the Investment Advisor;
and
5. Reviewing and addressing all potential conflicts of interest.

The Investment Advisor is responsible for:

1. Selecting, rebalancing, terminating, and making tactical shifts between Investment Managers;
2. Monitoring the appropriateness of each Investment Manager's strategy given FAMU Foundation's overall investment strategies, philosophies, and objectives;

3. Monitoring the investment performance of each Investment Manager compared to the benchmark established for that Investment Manager; and
4. Overseeing FAMU Foundation's investment assets and reporting on the status of the investments to the Investment Committee.

Fiduciary Duty:

The investment advisor is expected to manage the portfolio in a manner consistent with the investment objective, guidelines, and constraints outlined in this statement, the investment advisor's investment management agreement with FAMU Foundation, and in accordance with applicable laws. This would include discharging their responsibilities with respect to the portfolio consistent with "Prudent Investor" standards, and all other fiduciary responsibility provisions and regulations.

4. Investment Goals and Objectives

The investment objectives for the Operating Pool are balanced across competing objectives of preservation of capital, moderate to high liquidity, and low risk total return. Up to half of the operating pool assets should be available within three business days since the Operating Pool's earnings are used to partially fund the Foundation's unrestricted operating budget and available for spending by account owners. The investment horizon for the assets is generally expected to be less than five years.

Return

The return objective for the portfolio is to provide an annualized total return, net of fees, of 3-Month U.S. Treasury Bills plus two to three percent over a full market cycle, which is defined as a three to five-year time period. Additionally, the Investment Committee has set a goal of outperforming, net of all investment expenses, a market index that best represents the target asset allocation of the Operating Pool's overall investment structure.

Market Index: Bank of America/Merrill Lynch 1-3 Year US Treasury Index

Risk

Lower returns involve low volatility, and the Investment Committee is comfortable with low volatility as a means of growing and preserving capital for the Operating Pool. However, it is intended that the Operating Pool's assets be managed and diversified in a manner that seeks to generate a return that minimizes principal fluctuations over the established time horizon. The Operating Pool should experience risk, as measured by volatility or variability of return, not materially higher than that of the benchmark as defined above. It is anticipated that annualized risk,

measured in terms of annualized standard deviation, will be less than 4% over a full market cycle.

The investment goals above are the objectives of the aggregate Operating Pool and are not meant to be imposed on each Investment Manager.

5. Asset Allocation

Diversification across asset classes is a core principle of prudent portfolio management. Academic research suggests that the decision to allocate assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. The asset class targets and ranges below show the approved investment levels associated with the Operating Pool's investment objectives. Within each of these asset categories, sub asset classes and strategies, which are expected to act and react in combination, will be used. The portion of the Operating Pool invested in each sub-class and strategy will change periodically to reflect the Investment Manager's and or Investment Advisor's tactical investment policy so long as it is within the acceptable ranges. Any proposed investment changes outside these ranges must be approved by the Investment Committee prior to being implemented. Asset allocation targets and ranges should be reviewed by the Investment Committee annually.

Target Asset Allocation	Min (%)	Max (%)	Target
Short-term Fixed Income	30%	60%	50%
Alternative Short-Term Investment	0%	60%	50%
Money Market Funds/Cash	0%	70%	0%

From time to time, market conditions may cause the portfolio's investments to vary from the established target allocations. To remain consistent with the asset allocation guidelines established by this Policy, each broad asset class (as defined above) in which the Operating Pool invests shall be reviewed periodically for potential rebalancing back to target or initial allocations. The Investment Advisor retains the ability to not rebalance the Operating Pool back to target or initial allocations based on market conditions, economic events, or account activity as long as allocations remain within the permissible ranges.

Liquidity is required to meet cash flow needs as well as unanticipated expenditures or draws. Further liquidity guidelines: Investments may be made through a combination of externally managed portfolios (separately managed accounts), commingled funds, and partnerships with various liquidity terms. At all times, at least 50% of the Operating Pool should offer liquidity within three days, and 100% of the Operating Pool should be able to be liquidated within one year.

6. Asset Class Guidelines

Cash is intended to serve as the principal source of liquidity for operating cash flow for the Operating Pool. Assets may be invested as follows:

1. Money market funds;
2. U.S. Treasury Bills and other obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities;
3. Federally insured Certificates of deposit issued by U.S. Banks or U.S. Branches of foreign banks, not to exceed the FDIC Insured Limit per financial institution; provided that such banks have, at the time of acquisition of such obligations, total assets of not less than \$1 billion;
4. Commercial paper, variable amount demand master notes, bills, notes and other obligations issued by a U.S. company, a foreign company or a foreign government, its agencies or instrumentalities, maturing in thirty-six months or less, denominated in U.S. dollars, and at the date of investment rated AA or A-1 by a Standard & Poor's Corporation, Aa or Prime-1 by Moody's Investor Service or AA or Duff 1 by Duff and Phelps, Inc.;
5. Repurchase agreements (in conjunction with bank sweep accounts collateralized by U.S. government obligations);
6. Commingled Funds such as short-term fixed income Exchange-Traded Funds (ETFs) and mutual funds (40 Act) with ample liquidity at both the fund and underlying security level; and
7. Alternative short-term investment strategies through fund vehicles that may encompass short-term direct lending, short-term bank loans, reinsurance, retro-insurance, and catastrophe bonds strategies with maturities of less than one year.

7. Socially Responsible Awareness and Guidelines

The Florida Agricultural and Mechanical University Foundation's mission is to promote and support literary, scientific, educational, scholarship, research, charitable and development purposes, and goals at Florida Agricultural and Mechanical University. The Foundation depends on a reasonable return on its investments in order to function effectively and carry out its mission. Therefore, the FAMU Foundation draws on its values and incorporates them as a guide to its financial investment choices. Whenever possible the FAMU Foundation will take active measures to advance ethical and social stewardship by refusing to make "direct" investments in companies whose products, policies or practices are contrary to the FAMU Foundation's core values and mission.

8. Policy Review

It is understood that this investment policy is to be reviewed periodically by the FAMU Foundation to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, tax status or risk tolerances. Should FAMU Foundation permit a deviation from this policy or implement an approved change to the policy, the circumstances and rationale for the change shall be documented and attached to this policy.

This policy was approved and adopted by the Board of Directors and Investment Committee of FAMU Foundation, as evidenced by the signatures below, on June 2, 2023:

<u>Marcelia Freeman</u>	<u>Chair, Investment Committee</u>	<u>7/18/2023</u>
Signature	Title	Date

<u>Lisa LaBoo</u>	<u>Chair, FAMU Foundation</u>	<u>7/18/2023</u>
Signature	Title	Date