

# **UNIVERSITY OF COLORADO FOUNDATION**

## **LONG TERM INVESTMENT POOL (LTIP) INVESTMENT POLICY STATEMENT**

### **Policy Level 1**

#### **Introduction**

The University of Colorado Foundation (the “Foundation”) holds, manages and invests pure and quasi endowments and similar funds with long-term investment horizons for the benefit of the University of Colorado (the “University”). These funds comprise the Foundation’s Long Term Investment Pool (the “LTIP”). The endowments and other gift funds in the LTIP represent philanthropic donations made by friends and alumni of the University and the purpose of these funds is to provide financial resources to advance the mission of the University for many years to come.

The Foundation’s Board of Directors is responsible for the prudent management of the LTIP and the implementation of appropriate investment policies. The Board’s Investment Policy Committee develops and recommends investment policies, monitors the LTIP’s investment performance and reports regularly to the Board and University stakeholders. The day-to-day management of the LTIP is delegated to an outsourced chief investment officer firm (the “OCIO”). The Investment Policy Committee exercises close oversight of the OCIO ensuring that the firm complies with the Foundation’s investment policies, achieves performance goals, and otherwise performs pursuant to the terms of the OCIO’s investment management agreement with the Foundation.

This Investment Policy Statement (the “IPS”), developed and recommended by the Investment Policy Committee and approved by the Foundation’s Board of Directors, establishes objectives, policies and guidelines for the administration and investment of the LTIP. The IPS documents the prudent investment policies that the Foundation believes will provide the greatest probability that the purposes established by donors of the endowments and other gift funds will be achieved.

#### **Investment Philosophy**

At the core of the IPS is a set of fundamental investment beliefs and priorities that conform to the standards of prudence and fiduciary care established by the Uniform Prudent Management of Institutional Funds Act and take into account the goal of achieving inter-generational equity for the endowments:

- Given that the endowments exist in perpetuity, the Foundation should take a long-term view in setting its investment policies.
- The LTIP should maintain a bias towards equity investments that have historically produced higher returns over the long term.
- The LTIP should include international investments to benefit from global economic growth.
- The LTIP should include investments in private capital to reap the rewards of its illiquidity premiums.
- Because risk management is essential, the LTIP should be diversified by asset class, economic sector and geography.

## **Investment Objectives of the LTIP**

### **1. Return Objective**

- a. The LTIP seeks to attain an average annual total return in excess of a Policy Benchmark, net of investment management expenses, over the long term. The Policy Benchmark is a blend of 80% MSCI All Country World Index and 20% Barclays Capital U.S. Aggregate Bond Index.
- b. The Investment Policy Committee understands that in some periods the return will be less than the Policy Benchmark and in some periods it will be greater.
- c. The Investment Policy Committee has selected the Policy Benchmark because it is comprised of stable, widely referenced, investable indices, weighted toward equities similar to the LTIP's long-term targets. Accordingly, the Policy Benchmark provides the committee with a fair proxy to evaluate the LTIP's long-term performance.
- d. The LTIP seeks to earn a total return, net of investment management fees and expenses, equal to or exceeding the spending rate plus inflation over the long term.
- e. The LTIP aspires to achieve investment returns that are in the top quartile as compared to peer college and university endowments over the long term.

### **2. Risk Tolerance**

- a. The LTIP seeks to attain a risk level (as measured by standard deviation over a rolling five-year period) at or below the Policy Benchmark.
- b. The LTIP is willing to have meaningful levels of illiquid assets within the overall portfolio in order to enhance the returns necessary to achieve investment goals and objectives.
- c. The Investment Policy Committee understands that in some periods the risk level will be greater than the Policy Benchmark and in some periods it will be less.

### **3. Investment Constraints**

- a. Time Horizon -- Although the LTIP has been established in perpetuity, the Investment Policy Committee has established a 20-year period as a frame of reference for long-term strategic investment considerations.
- b. Liquidity -- Spending levels and fees charged to the LTIP are determined by the Foundation's Board of Directors. Liquidity must be sufficient to meet projected spending levels and fees charged and accommodate anticipated forward investment commitments.
- c. Diversification -- The LTIP should be properly diversified to ensure that adverse or unexpected developments arising in one security or asset class will not have a significant detrimental impact on the entire portfolio. Assets will be diversified by asset class, geography, manager and security characteristics as determined by the OCIO.
- d. Equity index, sovereign credit futures, options, currencies, commodities and related derivatives may be used by the OCIO for the purposes of transaction facilitation or risk management. These instruments may not exceed 7.5% of the value of the LTIP for a maximum of 120 days without the written acknowledgement of both the Foundation's CEO and the Investment Policy Committee Chair.
- e. Concentrated Positions -- Any new commitment to a single manager of more than 5% of the LTIP asset value will require the written acknowledgment of the Investment Policy Committee Chair and the Foundation's CEO prior to funding.
- f. Leverage -- Leverage may be used only in portfolios managed by underlying investment managers or to bridge portfolio transitions.

- g. Proprietary Investments -- The LTIP may invest in commingled vehicles of the Foundation's OCIO if they charge no additional management fees and are pass-through vehicles in terms of expenses. Investments in such commingled vehicles may not exceed 7.5% of the value of the LTIP upon entry into the vehicle.
- h. Securities Lending -- A securities lending program may be implemented to provide additional income to the fund.
- i. Laws and Regulations -- As fiduciaries, the Foundation's Board of Directors, the Investment Policy Committee and the OCIO will follow all standards of prudence and fiduciary care, including the Colorado Uniform Prudent Management of Institutional Funds Act (C.R.S. Sections 15-1- 1101, et seq., as amended from time to time) and all other applicable federal and state laws.

### **Performance Reporting**

1. Performance reports will be provided to the Investment Policy Committee by an independent outside consultant separate from the OCIO. The reports will follow a standardized format, so that each report can be compared to previous periods. Reports will be provided at each meeting of the Investment Policy Committee.
2. At each regular meeting of the Investment Policy Committee, the OCIO will provide a report on the LTIP's investment performance. This performance will include return and risk. Illiquidity risk must be presented.
3. On an annual basis, the OCIO will provide schedules of the management and incentive fees paid to each underlying investment manager and an analysis of each underlying manager's return net of fees over various periods as compared to an appropriate passive index.
4. On an annual basis, the Investment Policy Committee will review the LTIP's performance in relation to peer college and university endowments.
5. On an annual basis, the Investment Policy Committee will consider whether over the long term the LTIP is earning a total return, net of investment management fees and expenses, equal to or exceeding the spending rate plus inflation.

### **Portfolio Rebalancing**

The OCIO shall rebalance the portfolio's asset classes and manager selections as it deems appropriate and within asset allocation guidelines set forth below.

## Asset Allocation

Asset Class	Long-Term Target	Allowable Range
Global Public Equities	45%	30% - 70%
Global Private Capital	25%	15% - 35%
Real Assets	10%	5% - 20%
Fixed Income and Cash	5%	0% - 20%
Global Hedge Funds	15%	0% - 30%

### Manager, Custodian, Consultant and OCIO Review Process

In addition to ongoing risk-adjusted performance analysis, underlying investment manager contracts and fees will be monitored on an annual basis. Custodian and consultant contracts, fees and performance will be reviewed every five years, or more frequently as needed. The OCIO will be evaluated every five years, or more frequently as needed, for its performance relative to the investment management agreement and the IPS.

### Investment Policy Statement Review Process

The Investment Policy Statement may be altered or amended at any time by the Foundation's Investment Policy Committee, but shall be formally reviewed at least annually by the committee to determine whether any modifications are necessary. The policy and any amendments or changes thereto are subject to approval by the Foundation's Board of Directors.

Responsibilities of the Investment Policy Committee are outlined in the committee's charter.

Policy Owner: SVP, CFO

Investment Policy Committee approval: July 10, 2024

Board of Directors approval: August 15, 2024