The University of Akron Foundation
Pooled Endowment Funds
Investment Policy Statement
Effective May 19, 2021

I. Purpose

This Investment Policy Statement ("IPS") is intended to serve as a governing framework to guide the activities and decisions of The University of Akron Foundation (the "Foundation"), Investment Committee (the "Investment Committee"), staff (the "Staff"), and the Outsourced Chief Investment Officer ("OCIO") in effectively managing, monitoring, and evaluating the Foundation's pooled endowment funds (the "Endowment"). The Investment Committee, with input from the OCIO, will periodically review the IPS to ensure that it continues to accurately reflect the governance structure, objectives and guidelines that are appropriate for the effective management of the Endowment. Circumstances that would likely prompt revisions include the following:

- Changes in the investment objectives of the Foundation or the Endowment;
- Changes in the risk profile of the Foundation or the Endowment;
- Fundamental, long-term changes in financial market structure or practices (short- and mid-term changes in financial markets will not require adjustments to the IPS); or
- Other presently unknown significant structural issues not currently anticipated by the IPS.

II. Roles and Responsibilities

Investment Committee. Each member of the Investment Committee shall discharge their duties with the care, skill, prudence, diligence, and impartiality and shall avoid personal or professional conflicts under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and aims. The term of each Investment Committee member shall be 10 years with staggered terms unless extended by the Executive Committee.

The Investment Committee is responsible for the prudent oversight of the management of the Endowment's assets, including:

- Adopting and amending the IPS, in consultation with the OCIO, as deemed appropriate and as approved by the Executive Committee.
- Adopting, following consultation with the OCIO, investment guidelines and objectives for the investment of the Endowment assets.
- Monitoring compliance with the IPS, the investment management agreement (the "IMA") entered into with the OCIO, and all applicable laws.

- Reviewing, at least annually, the following:
    - investment performance and risk, including comparisons to objectives and benchmarks where applicable; and
    - fees paid in support of the management of the Endowment's investments.
- Monitoring the OCIO to ensure that it is managing the Endowment's assets prudently and in accordance with the terms of the appointment.
- Communicating to the OCIO and any other advisor(s) any changes in the risk profile and circumstances of the Endowment or the Foundation, or other structural changes that may impact the investment objectives and guidelines of the Endowment.
- Formally evaluating the Foundation's OCIO every five years. Deviations from this five-year time period must be approved by the Executive Committee;
- Reporting regularly to the Executive Committee on the policies and practices of the Investment Committee; and
- Meeting quarterly or at other intervals as reasonably agreed with the Investment Committee.

The Investment Committee may delegate one or more of its activities or responsibilities to a duly constituted subcommittee of the Investment Committee; however, unless otherwise granted authority by the Investment Committee, the subcommittee shall return to the Investment Committee for its consideration and approval for such matters requiring approval.

Committee Meeting: A quorum for taking any action by the Committee shall be a majority of its members. The Committee shall meet at least once each calendar quarter and may invite to participate in any or all of such meetings any individuals whom the Committee deems appropriate to attend.

Conflicts of Interest: At least annually or whenever a need arises, an Investment Committee member shall notify the Investment Committee Chair of potential or real conflicts of interest or of other matters should those rise to the level of needing to inform the Investment Committee Chair with respect to the member's participation on the Investment Committee. Conflicts of Interest may arise in a variety of circumstances, including, but not limited to a member of the Investment Committee (or an immediate family member of such member) having a material ownership interest in or ability to exert substantial influence in an investment manager or the OCIO or other persons or organization which provides material services to the Foundation and its Investment Committee.

Staff. The Staff is responsible for overseeing the operations of the Endowment. Specific responsibilities include:

- Providing administration, reporting, accounting, and external audit support;
- Serving as the day-to-day contact with the OCIO, including communication of planned contributions and withdrawals;
- Monitoring third party service providers (e.g., auditors, custodian); and
- Providing support to the Investment Committee as necessary.

Outsourced Chief Investment Officer. The OCIO is a fiduciary charged with managing the Endowment in accordance with the investment guidelines and objectives established by the IMA. The OCIO shall report to the Investment Committee on a regular basis in accordance with the IMA and the IPS that governs the relationship. Specific responsibilities include:

- Positioning and managing the investment program on a discretionary basis in accord with this IPS;
- Evaluating, monitoring, engaging and terminating outside advisors and service providers;
- Periodically reviewing and recommending to the Investment Committee best practice or other changes or modifications to the IPS, including the investment guidelines and objectives;
- Ensuring outside advisors and service providers are cognizant of social and environmental norms and interests while recognizing the performance of the endowment is of highest importance;
- Meeting with the Investment Committee quarterly, or at other intervals as reasonably agreed with the Investment Committee;
- Interacting with the custodian and other relevant service providers as necessary to perform its investment management services;
- Providing full disclosure of the fees paid in support of the management of the Endowment;
- Notifying the Investment Committee of any material personnel changes in the OCIO team responsible for the management of the Endowment;
- Annual affirmation letter to the Investment Committee to reaffirm the roles and responsibilities of the Investment Committee;
- Assisting the Staff in meeting its reporting, redemption, and administrative requirements; and
- Providing reporting and performance monitoring as necessary for the Investment Committee to perform its oversight responsibilities.

III. Investment Objectives

The fundamental long-term objective of the Endowment is to preserve purchasing power and maintain intergenerational equity. To achieve this, the return objective is to generate a real return greater than the spending policy over rolling 10-year periods. In addition, it is the objective of the Endowment to obtain multi-year performance that exceeds the performance of the "Investment Policy Benchmark" annualized over rolling five-year periods. The Investment Policy Benchmark is set forth in Appendix A to this IPS.

IV. Spending Policy

A formal spending policy has been adopted to provide a predictable and growing stream of revenues to the University and Foundation while preserving intergenerational equity. The spending policy is set forth as follows:

Endowment Distribution Rate

In order to provide predictable, stable, and sustainable funding to support the University of Akron, while preserving the real (inflation adjusted) purchasing power of the Endowment over time, the targeted annual distribution rate ("the distribution rate") shall be four and one quarter percent (4.25%).

Except as noted further below, each fiscal year distribution amount shall be based upon a rolling three-year average measured at each June 30 (the "Measurement Date"). The rolling three-year average shall exclude the most recent Measurement Date closest to the fiscal year beginning on July 1 and instead use the preceding three Measurement Dates. The amounts shall be drawn from the Endowment quarterly.

Newly established endowment funds will initially be subject to a rolling two-year average and the rolling three-year average will be applied as the requisite number of Measurement Dates pass.

Absent a permanent change to the distribution rate, the Executive Committee may nonetheless choose to lower the distribution rate as applied to a particular endowment fund. The Foundation will closely evaluate the impact of such decisions and make every attempt to provide some level of funding through its operating and/or capital budget.

In the rare exception that the donor's intention differs from the above distribution rate, written authorization from the donor will determine the distribution rate applicable to the donor's endowed fund.

Endowment Administrative Fee

The Foundation shall assess an administrative fee to provide essential funding for the Foundation's operating and capital objectives. The administrative fee shall be one percent (1.0%).

Each fiscal year's administrative fee amount shall be based upon a rolling three-year average measured at June 30 (the "Measurement Date") and the amount shall be available to the Foundation evenly and on the last day of each quarter. The rolling three-year average shall exclude the closest Measurement Date to the fiscal year beginning July 1 and instead use the preceding three fiscal years ending on June 30th.

For new pooled endowment funds, the administrative fee shall be assessed the first June 30th.

V. Asset Allocation and Rebalancing

The permissible asset allocation ranges in the IPS have been designed to allow the OCIO sufficient scope for active portfolio management within clearly prescribed boundaries. Within the parameters of these ranges, the OCIO shall manage the asset mix on a discretionary basis, determining the portion of the Endowment that will be allocated to each asset class, as well as the structure and strategy allocations within each asset class. The OCIO shall make all reasonable attempts to remain within the target and allocation ranges including in the event of changes made necessary due to market fluctuations.

VI. Asset Class Roles

The Endowment will be invested across several major asset classes, each playing a central role in the pursuit of the long-term investment objectives of the portfolio:

- U.S., developed non-U.S., and emerging markets public equities – key return engine but volatile. Equity risk will dominate the portfolio, making diversification with other asset classes critical.
- Private equities – high expected return, but illiquid. Private equities are also volatile but are not marked-to-market as frequently as public equities.
- Hedge funds – primary diversifier to traditional assets and fertile opportunity set for value added.
- Real estate, gold, and TIPS – protect against unexpected inflation and/or help diversify the portfolio.
- Fixed income – counterbalance to equity volatility and adds a source of liquidity. Can also be a source of value added in less efficient segments.
- Traditional opportunistic investments – introduce a further source for value added and diversification outside of the traditional alternatives categories of private equity and hedge funds.

VII. Risk Management

The Endowment will be broadly diversified across and within asset classes in order to seek to minimize the impact of unexpected asset class and security-specific adverse results and avoid excessive portfolio volatility. Meeting the long-term return objectives of the Endowment requires the OCIO to regularly monitor and manage investment, operational, and legal risks associated with the overall portfolio, individual asset classes, and specific investments. Key metrics that the OCIO will track include (1) the volatility of total portfolio returns and (2) the tracking error (volatility of added value relative to the long-term investment policy). In its ongoing portfolio management, the OCIO will monitor and manage these volatilities on an ex ante basis as important elements of its investment decision process. In addition, on an ex post basis, the OCIO will monitor tracking error over rolling five-year periods and total portfolio volatility over full market cycles.

VIII. Performance Monitoring and Evaluation

The performance of the Endowment, component asset classes, sub-advisers and commingled investment vehicles will be monitored by the OCIO on an ongoing basis and reviewed by the Investment Committee at least quarterly. All investment returns are to be measured net of investment management, custodial, and advisor fees. The OCIO will provide monthly and quarterly summaries of returns versus stated benchmarks for short-term and long-term periods. The OCIO will meet with the Investment Committee quarterly (or at other intervals as reasonably agreed with the Investment Committee) to provide a review of performance, a discussion of market conditions, and a summary of the current positioning of the portfolio.

IX. Diversification/Investment Restrictions

In general, diversification of the investments in the Endowment (by such categories as choice of sub-manager, asset subclass, sector, or geographic region, for equity securities, and by such categories as market sector, maturity, and credit quality, for debt securities) may likely reduce overall volatility and risk of losses in the Endowment, including such risks as the inherent risk in a particular investment or fund, the inherent risk in a particular class of investments, general market volatility, geographic risk, and others. However, diversification cannot eliminate all risks in investing. In consideration of the need to maintain the Endowment for the long-term uses of the Endowment and of the reduction of risk:

> (a) Investment Committee shall not borrow against the Endowment or make use of margin in respect thereof, or agree to or permit any person or organization to obtain a security interest in the Endowment, and
>
> (b) Illiquid investments, as defined in Appendix B, should not exceed [20]% of the Endowment based on a current market value. It is recognized that significant changes in investment market values could cause the Endowment to be positioned outside of this liquidity guideline. If this occurs, no new commitments to illiquid investments will be made until illiquid investments represent less than [20%] of the Endowment.

A single position in any individual security (other than U.S. Treasury securities or cash equivalents, exchange traded funds, mutual funds, comingled funds, and other multi-security vehicles) should represent no more than [5%] of the Endowment, based on a current market value. Notwithstanding the foregoing, any investment in a fund or investment vehicle made by an investment manager, which incidentally engages in such activities shall not be prohibited.

APPENDIX A
Investment Policy

Set forth below is the "Investment Policy," which includes the "Policy Target," "Policy Ranges," and "Benchmark Indices," for each "Asset Category." The "Policy Benchmark" shall be a total return index comprising the Benchmark Indices weighted in accordance with the Policy Targets for each Asset Category. The Policy Benchmark will be rebalanced quarterly.

Asset Category	*Policy Target*	*Policy Ranges*		*Benchmark Indices* (1)
Equities	**50%**	**40%**	**60%**	
U.S.	22%	12%	32%	*Russell 3000 Index*
Developed Non-U.S.	17%	7%	27%	*MSCI World ex-US Investable Market Index (IMI) (Net)* (2)
Emerging Markets	11%	1%	21%	*MSCI Emerging Markets Index (Net)* (2)
Alternatives (Net) (3)(4)	**22%**	**10%**	**32%**	
Private Equities	10%	0%	15%	*Private Equity Index* (5)
Hedge Funds (Net)(4)	12%	0%	22%	*HFRX Equal Weighted Strategies Index*
Hedge Funds (Gross)	*22%*	0%	27%	
Portable Alpha Overlay	*10%*	-	-	
Real Assets	**8%**	**0%**	**18%**	
Real Estate	2%	0%	7%	*NCREIF Fund Index - Open End Diversified Core Equity*
Gold	3%	0%	8%	*S&P GSCI Gold Index*
TIPS	3%	0%	9%	*Bloomberg Barclays 1-10 Year U.S. TIPS Index*
Fixed Income (6)	**20%**	**10%**	**30%**	
U.S. Investment Grade(7)	18%	3%	28%	*Bloomberg Barclays U. S. Aggregate Index*
U.S. High Yield	2%	0%	12%	*BofA Merrill Lynch High Yield Cash Pay Index*
Non-U.S. Fixed Income	0%	0%	10%	*Citigroup Non-USD World Government Bond Index Hedged*
Traditional Opportunistic	**0%**	**0%**	**10%**	
Cash	**0%**	**0%**	**20%**	*Citigroup 3 Month Treasury Bill Index*
Total	**100%**			

(1) The Policy Benchmark will be rebalanced quarterly and will be reported both gross and net of assumed passive management fees and rebalancing costs.
(2) Indices are net of dividend withholding tax.
(3) Range for total alternatives is based on net hedge fund allocation. The maximum total allocation to hedge funds and private equity combined is 32%.
(4) (Net) indicates that allocations are net of portable alpha strategies. The maximum gross allocation to hedge funds, including those overlaid in portable alpha strategies, is 27%.
(5) A custom benchmark that is the weighted average of the Vintage Year Weighted - Thomson Reuters Cambridge Private Equity, Venture Capital, and Distressed Benchmarks where the weights are based on the market values of the underlying private equity managers in the portfolio and are rebalanced quarterly. Underlying managers are assigned to the specific vintage year benchmark based on the year of inception in the portfolio.
(6) For purposes of assessing compliance with the minimum of the policy range, fixed income will be deemed to include the allocation to cash.
(7) U.S. fixed income includes physical holdings of Treasuries, corporates and synthetic fixed income achieved through portable alpha strategies.

APPENDIX B
Glossary

Diversified index funds – a diversified portfolio of stocks or bonds designed to mimic the composition and performance of a financial market index.

Dividend withholding tax – taxes automatically withheld by foreign governments on dividends paid by companies incorporated within their borders.

Ex ante – analysis based on forecasts rather than actual results.

Ex post – analysis based on actual results rather than forecasts.

Illiquid investments – investments from which funds are not expected to be redeemable for a period of three or more years.

Intergenerational equity – the principle that an endowed institution's spending rate must not exceed its after-inflation rate of compound return, so that investment gains are spent equally on current and future constituents of the endowed assets.

OCIO (Outsourced Chief Investment Officer) – a co-fiduciary hired to manage the implementation of an institution's investment program on a discretionary basis within the parameters of a mutually agreed upon investment policy.

Traditional opportunistic investments – encompass strategies that seek to benefit from anomalies in the capital market structure but are not easily classified by asset class. These strategies have the potential to improve the risk-adjusted return of the total portfolio by introducing a further source of added value and diversification. In contrast to investments that fall neatly into a particular asset class, opportunistic investments often combine the economic exposures and risk and liquidity characteristics of multiple asset classes.

Portable alpha – a strategy which targets alpha (potential for value added above benchmark) in asset categories where it is most abundant and combines it with beta (passive market exposures) in asset categories where it is scarce. The OCIO employs the strategy by combining alphas from its diversified pool of hedge funds with equity and/or fixed income futures contracts to create a single alpha plus beta investment.

Real return – the average annual return of the portfolio in excess of inflation.

Tracking error – the volatility of the difference between portfolio and benchmark returns.

Value added – returns in excess of a benchmark return.

Volatility – a measure of the dispersion of returns around a long-term average return.