

LOYOLA UNIVERSITY
OF CHICAGO

Investment Policy and Guidelines

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Section 1 – General Terms

A. Introduction

- x This statement of investment policy and guidelines for Loyola University of Chicago (the “University”) is established by its Investment Committee (the “Committee”) under the power and authority delegated to the Committee by the Board of Trustees (the “Board”).
- x This statement governs the management of the investment portfolios of the University and guides the Committee, Investment Office, staff, and any consultants in the

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- x Oversees implementation of the investment policy and guidelines and monitors the achievement of investment and performance objectives.
- x Has the power and authority to delegate to each of the Senior Vice President for Finance and Chief Financial Officer, the Chief Investment Officer, the Treasurer, and the Assistant Treasurer of the University (the “Designated University Officers”) the responsibility to implement and execute the investment policy and guidelines.
- x Reports to the Board on a quarterly basis.
- x Produces written minutes or reports of its meetings.

2. The Chief Investment Officer:

- x Oversees the daily management of the University’s invested assets.
- x Implements and executes the investment policy approved by the Committee, including tactical asset allocation and sub-asset class exposures within the established policy ranges and guidelines, and recommends policy and guideline changes or updates to the Committee as necessary.
- x Maintains internal controls and procedures for implementation of the policy.
- x Retains investment advisors or consultants as needed to assist the University in managing the invested assets.
- x Establishes and maintains such custodial and investment accounts and other agreements as are necessary to properly implement the policy and manage the invested assets.
- x Monitors and evaluates investment managers’ performance and organizations on an on-going basis and retains the discretion to make additional subscriptions and partial redemptions to existing managers.
- x Conducts due diligence and informs the Committee regarding the hiring and termination of investment managers.
- x Reports investment performance to the Committee on a quarterly basis, which includes portfolio performance relative to the policy benchmark and manager performance relative to manager-specific benchmarks.
- x

Section 2 – Long-Term Investment Pool

A. Composition of Assets

- x Endowment funds (also referred to as “true endowments”), which are institutional funds that are not wholly expendable on a current basis because of a donor restriction in the gift instrument governing the endowment fund.
- x Quasi-endowments or board-designated endowments, which are established by the University using gift or other funds whose use may be restricted, or unrestricted funds that the University elects to treat like an endowment.
- x Institutional reserves, representing other non-endowed funds set aside from time to time by the University.
- x True endowments and quasi-endowments may be referred to in aggregate as “endowments.”

B. Fiduciary and Investment Standards

- x The management and investment of endowments is governed by the Illinois Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), subject to certain exceptions, and unless there are specific instructions in a gift instrument that take precedence over UPMIFA.
- x The fiduciary standard of UPMIFA requires that trustees, officers and other fiduciaries responsible for managing and investing funds shall act in good faith and with the care an “ordinarily prudent person” in a like position would exercise under similar circumstances. However, as a result of other language in UPMIFA, the fiduciary standard applied is generally considered to be the “prudent investor” standard for investment decisions in which the appropriateness of the portfolio as a whole, and not each investment, is measured.

C. Investment Objectives

- x Preserve and enhance the real (i.e., inflation-adjusted) purchasing power of institutional funds and provide for a stable level of spending from endowments.
- x Earn a real total rate of return (net of investment management fees) at least equal to the maximum endowment spending rate authorized by the Board of Trustees over rolling five-year periods.

D. Spending Policy for Endowment Funds

- x Endowment spending policy is set by the Board and may change from time to time.
- x Absent Board approval, annual budgeted spending from each eligible endowment fund for a given fiscal year will not exceed 5% of an endowment’s net asset value at the measurement date that is selected from time to time.

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- x Selection of a method of implementation of the spending policy is delegated to the President, the Senior Vice President for Finance and CFO (or such other officer or employee who shall have the responsibility of chief financial officer of the University) and the Treasurer to determine how to achieve the financial and investment objectives for endowments.

E. Implementation and Risk Management Guidelines

Liquidity

- x The following liquidity classification thresholds will govern all investment allocations notwithstanding the asset allocation targets and ranges below.

Liquidity Classification	% of Portfolio Market Value
Available within zero to ninety (0 - 90) days	Minimum of 50%
Available within one (1) year	Minimum of 60%
Available beyond one (1) year	Maximum of 40%
Available beyond three (3) years	Maximum of 30%

- x In the event that the one year liquidity classification threshold is breached due to market conditions, no additional investments in funds that restrict capital for more than one year will be made, until the portfolio returns to compliance, and only to the extent that the portfolio is in compliance after funding an investment.
- x In the event that the three year liquidity classification threshold is breached due to market conditions, no new investments in or commitments to funds that restrict capital for more than three years will be made more than three years after the portfolio

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Asset Allocation

% of Portfolio Market Value				
Asset Class Guidelines	Target	Min	Max	Benchmark
Global Equity	45%	40%	50%	MSCI ACWI
Private Capital	20%	5%	30%	MSCI ACWI
Real Assets	2.5%	0%	5%	FTSE NAREIT
Opportunistic Credit	2.5%	0%	5%	BB/BC US High Yield
Marketable Alternatives	20%	10%	30%	HFRI Fund-Weighted Index

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Concentration

- x An investment in an individual hedge fund will not exceed 5% of the portfolio market value at the time of investment.
- x An allocation to any individual manager will not exceed 10% of the portfolio market value at the time of investment.
- x A passively managed investment (e.g. an index fund or ETF) is not subject to the 10% maximum allocation in the previous statement.
- x A hedge fund investment will not exceed 5% of its manager's assets under management at the time of investment.
- x The Chief Investment Officer will review any investment that is in excess of any concentration guideline and evaluate the need to reduce the size of the investment (considering liquidity, anticipated cash flows and market conditions).

Manager and Strategy Selection

- x A manager and/or an investment fund must:
 - o have the requisite experience and skills to manage the strategy under consideration,
 - o have a sufficient complement of personnel with the necessary knowledge, experience and training,
 - o adhere to the manager's stated investment style or strategy,
 - o have a valuation policy based on GAAP fair value standards or other generally accepted valuation standard,
 - o be managed with an appropriate match between invested assets and liabilities and commensurate liquidity terms,
 - o be registered and in good standing with appropriate regulatory agencies,
 - o be audited annually by a recognizable, reputable accounting firm,
 - o have invested assets appropriately segregated and held by an independent custodian,
 - o have independent, third party providers clear trades and provide client statements to the extent it is appropriate to separate these functions between a manager and a service provider,
 - o undergo a legal review of applicable documents when deemed necessary by the Chief Investment Officer and in accordance with the University's Contract Policy, provide a current Form ADV Part II (as filed with the SEC) and explain adequately any irregularities.

F. Measuring Investment Performance

- x Long-term performance will be evaluated based on comparison of portfolio return with the rate of spending and inflation.
- x A secondary measure of one or more market-weighted benchmarks may be used to evaluate the asset allocation and individual managers and strategies selected for the portfolio.
- x Performance will be reported to the Committee at least on a quarterly basis.

G. Other Administrative Matters

- x Shareholder rights will be exercised solely in the best interests of the University, in furtherance of the objectives enumerated above.
- x Although the University is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code, certain investment funds or strategies may generate tax liabilities (e.g. unrelated business income tax) payable by the University and will be evaluated by qualified professionals selected by management to assess the potential tax liability, performance impact and any filing requirements.

Section 3 – Charitable Assets

A. Introduction

- x The University is trustee of charitable remainder unitrusts (CRUTs), charitable lead unitrusts (CLUTs), charitable remainder annuity trusts (CRATs), and net income charitable remainder unitrusts (net income CRUTs, with or without a make-up provision) which together may be referred to as charitable trusts.
- x The University is a party to charitable gift annuity (CGAs) agreements which are contractual agreements between the University and a donor.
- x Due to legal, tax and/or administrative considerations, charitable trusts and gift annuities are invested separately from the University's institutional funds.
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reasonable care, skill, and caution based on the facts and circumstances prevailing at the time of the decision, and in the context of the trust portfolio as a whole and as a part of an overall investment strategy that should incorporate risk and return objectives reasonably suitable to the trust.

C. Investment Objective

- x Charitable trusts will be invested individually taking into account the specific terms and circumstances of a trust and in a manner that is consistent with the trustee's duty of impartiality to all beneficiaries.
- x As trustee, the University must consider both the reasonable production of income and the preservation of capital available at maturity of the trust, unless the trust instrument provides otherwise.
- x Charitable gift annuities may be pooled for investment purposes and invested to meet the contractual obligation to pay annuitants and preserve capital available at maturity.

D. Asset Allocation and Implementation Guidelines

- x Charitable trusts and gift annuities will generally be invested in conformity with a model asset allocation selected from the categories listed below.
- x The figures below represent the general allocation between equity and fixed income, respectively.

Loyola's Model Asset Allocation	Model 1	Model 2	Model 3
Equity/Fixed	75%/25%	50%/50%	25%/75%

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- x Funds whose guidelines are substantially similar to the above requirements will be eligible.

Manager and Strategy Selection

- x A manager and/or an investment fund must:
 - o have the requisite experience and skills to manage the strategy under consideration,
 - o have a sufficient complement of personnel with the necessary knowledge, experience and training,
 - o have the resources and expertise necessary to analyze the credit-worthiness of eligible securities,
 - o adhere to the manager's stated investment style or strategy,
 - o have a valuation policy based on GAAP fair value standards or other generally accepted valuation standard,
 - o be registered and in good standing with the appropriate regulatory agencies,
 - o be audited annually by a recognizable, reputable accounting firm,
 - o have invested assets appropriately segregated and held at an independent custodian,
 - o have independent, third party providers clear trades and provide client statements to the extent it is appropriate to separate these functions between a manager and a service provider,
 - o undergo a legal review of applicable documents when deemed necessary by the Chief Investment Officer and in accordance with the University's Contract Policy,
 - o provide a current Form ADV Part II (as filed with the SEC) and explain adequately any irregularities.

