

# UNIVERSITY OF VERMONT

## INVESTMENT POLICY STATEMENT

### A) INTRODUCTION

This Investment Policy Statement (“Policy”) is authorized by the Board of Trustees (“Board”) of the University of Vermont and State Agricultural College (“University”), which has fiduciary responsibility over the University’s assets subject to this Policy. The purpose of this Policy is to establish a framework for the administration and management of the assets, including the establishment of reasonable expectations, objectives, and guidelines.

### B) STANDARD OF CARE

In seeking to attain the investment objectives set forth in this Policy, the Board shall exercise prudence and appropriate care in accordance with the Vermont Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). UPMIFA requires members of a governing board to “manage and invest the fund in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances.”

In making decisions regarding the management and investment of institutional funds, the Board will consider factors that may be expected to have a material impact on investment outcomes, including but not limited to expected return and risk, liquidity, taxes, costs, and diversification. The Board will act in good faith with the care a prudent person would exercise in making investment decisions in the context of a diversified investment portfolio.

No member of the Board shall have or appear to have a conflict of interest that impairs or appears to impair the member’s ability to exercise independent and unbiased judgment in the good faith discharge of the member’s duties.

### C) INVESTMENT OVERSIGHT

Investment Oversight, for the purpose of this Policy, is defined as the responsibility for defining the parameters within which investments will be managed and for evaluating the investment results for managed investments. The Board and its Budget, Finance, and Investment Committee (“Committee”) have the responsibility for Investment Oversight, including but not limited to:

- 1) Appoint members to the University of Vermont Investment Management Company, LLC (“UVIMCO”).
- 2) Authorize and review investment management agreements with UVIMCO.
- 3) Affirm, or recommend changes to, this Policy on an annual basis.
- 4) Establish overall investment objectives and set broad parameters for asset allocation and risk to be defined in an appendix to this Policy.
- 5) Vote all proxies for securities or delegate such power in an investment management agreement to a third party or by resolution to staff.
- 6) Monitor investment results and market conditions on at least a quarterly basis to assure investment objectives are being met.
- 7) Review investment performance with UVIMCO at least twice per year or with others responsible for Investment Management.
- 8) Review, at least annually, investment transactions to ensure compliance with this Policy.

#### **D) INVESTMENT MANAGEMENT**

Investment Management, for the purposes of this Policy, is defined as the responsibility for executing the investment process. Investment Management responsibilities are assigned to UVIMCO or others in the appendices, including but are not limited to:

- 1) Manage and be accountable for the investment process and investment outcomes.
- 2) Determine appropriate asset allocation and risk consistent with the mandates and objectives described in the appendices.
- 3) Review this Policy no less than annually and make recommendations to the Committee as appropriate.
- 4) Develop, adhere to, and annually review a conflicts of interest policy.
- 5) Engage, review, and terminate external advisors and consultants to assist with the investment process.
- 6) Select, review, and terminate investment managers with demonstrated expertise to manage selected assets based on a range of factors including manager investment philosophy and strategy, experience, results, risk, and fees.
- 7) Select, review, and dispose of any other investment holdings.
- 8) Determine appropriate internal benchmarks for evaluating advisors, investment managers, and any other investment holdings.
- 9) Monitor investment results and market conditions to ensure investment objectives are being met and ensure that investment processes comply with this Policy.
- 10) Report investment results to the Board and Committee.

## **E) POOLED AND NON-POOLED ENDOWMENTS AND INVESTMENTS**

Unrestricted assets and restricted assets may be invested according to a donor gift instrument or by Board resolution (each commonly called an endowment). Endowments may be pooled for investment purposes or an endowment may be individually invested. Pooled endowments will be managed in the form of unitized accounts, as further described in this Policy. A non-pooled endowment will be managed individually according to its donor gift instrument or Board resolution. Donor gift instruments that require assets to be invested separately from the pools described in this Policy must be approved by the Board's Treasurer.

Each endowment must be managed according to its donor gift instrument or Board resolution; if there is a conflict between this Policy and the terms of an endowment, then the terms of the endowment will control. Donor gift instruments that conflict with this Policy must be approved by the Board's Treasurer. Transfer of an endowment in whole or in part between the asset pools must be approved by the Board's Treasurer.

The appendices of this Policy describe the terms and conditions for pooled and non-pooled endowments and investments.

## **F) PERFORMANCE BENCHMARKS**

Performance benchmarks are used by the Boards to properly measure and evaluate investment outcomes. These performance benchmarks are intended for evaluation purposes and are not intended to guarantee or assure future investment performance. Benchmarks will be consistent with the mandate and investment objectives for the assets. While other benchmarks or comparisons may be used, the following are the primary performance benchmarks:

- 1) Market Passive Benchmark – This benchmark is used to evaluate investment outcomes against a simple investment strategy comprised of readily investible market indexes.
- 2) Inflation Benchmark – This benchmark is used to evaluate whether investment returns are sufficient to cover inflation, distributions, and fees.
- 3) Peer Benchmark – This benchmark is used to evaluate investment outcomes compared to investment outcomes at institutions with endowments of similar market value.

## G) ASSET CLASS DEFINITIONS

Assets will be generally organized into the following classes:

- 1) Cash – U.S. dollar denominated cash and cash equivalents, including money-market instruments and short-term US treasury and agency obligations.
- 2) Fixed Income – Holdings may include US and non-US government obligations, and asset-backed and corporate credit instruments.
- 3) Public Global Equity – Holdings may include public equities in US and international markets, including emerging markets.
- 4) Marketable Alternatives – Holdings may include investment strategies such as multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage, and long/short equity investments in global markets.
- 5) Private Investments – Holdings may include private investment strategies of all types, including but not limited to buyouts, venture capital, secondaries, distressed, real estate, and similar strategies.

### APPENDIX 1 – LONG TERM POOL

<b>Pool Name</b>	Long Term Pool
<b>Investment Oversight</b>	Budget, Finance, and Investment Committee
<b>Investment Management</b>	UVIMCO
<b>Investment Objectives</b>	To provide uniform, stable, sustainable, and predictable distributions to support donor and Board purposes while exceeding performance benchmarks.

<p><b>Investment Strategy</b></p>	<p><b>Time Horizon</b> – The time horizon for these assets is perpetual. The Pool’s assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.</p> <p><b>Total Return</b> – The total return on the Pool will be evaluated on a five (5) year rolling basis and should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund distributions, fees, and other withdrawals.</p> <p><b>Risk Tolerance</b> – Prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. The Pool will be structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the Pool should be in line with the risk of the primary benchmark.</p> <p><b>Liquidity</b> – The Pool will maintain adequate liquidity to meet requirements for distributions, fees, and investment commitments for each quarter.</p> <p><b>Fees</b> – Fees and expenses associated with investment activities shall be appropriate and reasonable to maximize return and appreciation.</p> <p><b>Moral, Ethical, and Social Considerations</b> – While assets must be invested in a manner consistent with prudent fiduciary practices, in compliance with the requirements of UPMIFA, moral, ethical, and social criteria may be considered in selecting investments or participating in shareholder resolutions.</p>
<p><b>Benchmarks</b></p>	<p><b>Market Passive Benchmark</b> – 75% MSCI All Country World Index and 25% Bloomberg US Aggregate Bond Index. This is the primary benchmark.</p> <p><b>Inflation Benchmark</b> – CPI plus 5% (where 5% approximates the effective withdrawal rate for spending distributions and fees).</p> <p><b>Peer Benchmark</b> – Top quartile of NACUBO Study of Endowments for institutions with endowments of similar market value.</p>

<b>Performance Reporting</b>	A quarterly report of investment performance, asset allocation, and liquidity will be provided by UVIMCO to the Budget, Finance and Investment Committee.	
<b>Liquidity</b>	<b><u>Liquidity</u></b>	<b><u>Allowable Range</u></b>
	Daily, monthly, or quarterly	60-100%
	Greater than quarterly or illiquid	0-40%
<b>Asset Allocation</b>	<b><u>Asset Class</u></b>	<b><u>Allowable Range</u></b>
	Cash	0-10%
	Fixed Income	0-30%
	Public Global Equity	30-80%
	Marketable Alternatives	0-15%
	Private Investments	0-30%
<b>Holdings Requirements</b>	<p>a) No direct investments in fossil fuels. No new, nor extension of existing, private investments in fossil fuels.</p> <p>b) No direct or private investments in tobacco.</p> <p>c) No direct or private investments in the manufacture of cluster munitions as defined by the Oslo Treaty of December 2008.</p> <p>d) No direct or private investments in companies doing business with or otherwise aiding the governing regime of Sudan.</p>	
<b>Gifts and Other Additions</b>	This is the primary and default investment pool for contributions by donors and for other additions by the Board. Gifts and other additions buy units each quarter, based on that quarter's ending market value per unit.	
<b>Investment Return, Net</b>	The pool's quarter-ending net investment return is credited to each unit owned at the start of the quarter.	
<b>Spending Distributions and Other Withdrawals</b>	<p>Spending distributions and other withdrawals sell units each quarter, based on that quarter's ending market value per unit.</p> <p>Spending distributions will be assessed on a quarterly basis according to the following annualized calculation:</p> <ul style="list-style-type: none"> <li>4.5% of the pool's average market value per unit for the trailing 20 quarters multiplied by the number of units as of December 31, for use the following fiscal year beginning July 1.</li> </ul>	

<b>Underwater Protocol</b>	Whenever the December 31 market value of a permanent endowment is 90% or less of the historical gift amount, spending distributions will be suspended the following fiscal year.
<b>Fees</b>	An endowment management fee will be assessed based on the following annualized calculation: <ul style="list-style-type: none"> <li>• 1.0% of the pool's average market value per unit for the trailing 20 quarters multiplied by the number of units as of December 31, for use the following fiscal year beginning July 1. <ul style="list-style-type: none"> <li>○ 20% to support the operations of the University of Vermont</li> <li>○ 80% to support the operations of UVM Foundation</li> </ul> </li> </ul>

**APPENDIX 2 – PLANNED GIVING POOLS**

<b>Pool Name</b>	Planned Giving Pools
<b>Investment Oversight</b>	Budget, Finance, and Investment Committee
<b>Investment Management</b>	University Treasurer and State Street Investment Management

<p><b>Investment Objectives</b></p>	<p>To grow inflation-adjusted value intended to benefit both the income beneficiary and the University by achieving investment returns that exceed distributions and fees, while exceeding performance benchmarks, for the following planned giving vehicles:</p> <p><b>Gift Annuity</b> - Beneficiaries are paid fixed payments based on original gift value, and payments can be made from principal or income. A total return investment approach can be applied.</p> <p><b>Standard Payout Trusts</b> - Beneficiary payments are based on the trust payout rate applied to an annual market value. Payments can be made from income or principal and a total return investment approach can be applied.</p> <p><b>Net Income Payout Trust</b> - Beneficiary payments are based on the income (dividends and interest) earned by the portfolio up to but not exceeding the payout rates. Trusts established with a “make up provision” can use excess income in a given year to meet prior year short falls. If specified in the trust document, realized capital gains may be considered distributable income. Due to the need to generate income, an income-oriented investment approach must be applied. However, an equity allocation should be maintained to offset the effect of inflation on trust principal.</p> <p><b>Annuity Payout Trusts</b> - Beneficiary payments are fixed based on the original gift value. Payments can be made from income or principal and a total return investment approach can be applied.</p> <p><b>Pooled Income Fund</b> - Beneficiary payments are based on the income (dividends and interest) earned by the portfolio. Due to the need to generate income, an income-oriented investment approach must be applied. However, an equity allocation should be maintained to offset the effect of inflation on trust principal. This planned giving vehicle will cease no later than June 30, 2035.</p>
<p><b>Investment Strategy</b></p>	<p><b>Time Horizon</b> –The Pool’s assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.</p> <p><b>Total Return</b> – The total return on the Pool will be evaluated on a five (5) year rolling basis and should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund distributions, fees, and other withdrawals.</p>

	<p><b>Risk Tolerance</b> – Prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. The Pool will be structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the Pool should be in line with the risk of the primary benchmark.</p> <p><b>Liquidity</b> – The Pool will maintain adequate liquidity to meet requirements for distributions, fees, and investment commitments for each quarter.</p> <p><b>Fees</b> – Fees and expenses associated with investment activities shall be appropriate and reasonable to maximize return and appreciation.</p>																																		
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REITs	0-15%
Commodities	0-15%

**7% Standard Payout CRUTS and Effective Payout CRATS**

<b><u>Asset Class</u></b>	<b><u>Allowable Range</u></b>
Cash	0-5%
Fixed Income	10-90%
<i>Investment Grade Fixed Income</i>	10-35%
<i>Non-Investment Grade Fixed Income</i>	0-15%
<i>Non-US Fixed Income</i>	0-10%
<i>Treasury Inflation Protected Securities</i>	0-15%
Public Global Equity	10-90%
US Large Cap Equity	5-35%
US Mid Cap Equity	0-15%
US Small Cap Equity	0-15%
International Developed Equity	5-35%
Emerging Markets Equity	0-10%
REITs	0-15%
Commodities	0-15%

**8%+ Standard Payout CRUTS and Effective Payout CRATS**

<b><u>Asset Class</u></b>	<b><u>Allowable Range</u></b>
Cash	0-5%
Fixed Income	20-80%
<i>Investment Grade Fixed Income</i>	20-40%
<i>Non-Investment Grade Fixed Income</i>	0-15%
<i>Non-US Fixed Income</i>	0-10%
<i>Treasury Inflation Protected Securities</i>	0-15%
Public Global Equity	10-80%
US Large Cap Equity	5-35%
US Mid Cap Equity	0-15%
US Small Cap Equity	0-15%
International Developed Equity	5-35%
Emerging Markets Equity	0-15%
REITs	0-15%
Commodities	0-15%

	<p><b><u>Net Income Payout Trusts</u></b> The Treasurer is authorized to determine the asset allocation for net income payout trusts.</p> <p><b><u>Pooled Income Fund</u></b></p> <table> <thead> <tr> <th><b><u>Asset Class</u></b></th> <th><b><u>Allowable Range</u></b></th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>0-50%</td> </tr> <tr> <td>Fixed Income</td> <td>0-70%</td> </tr> <tr> <td>Public Global Equity</td> <td>0-80%</td> </tr> <tr> <td>    <i>High Yield</i></td> <td>0-50%</td> </tr> <tr> <td>    <i>Hybrid</i></td> <td>0-30%</td> </tr> <tr> <td>REITs or Global Real Estate</td> <td>0-25%</td> </tr> </tbody> </table>	<b><u>Asset Class</u></b>	<b><u>Allowable Range</u></b>	Cash	0-50%	Fixed Income	0-70%	Public Global Equity	0-80%	<i>High Yield</i>	0-50%	<i>Hybrid</i>	0-30%	REITs or Global Real Estate	0-25%
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<b>Holdings Requirements</b>	None.														
<b>Gifts and Other Additions</b>	This investment pool is exclusively for contributions by donors for charitable trusts. Gifts and other additions buy units each month, based on that month's ending market value per unit.														
<b>Investment Return, Net</b>	The pool's month-ending net investment return is credited to each unit owned at the start of the month.														
<b>Spending Distributions and Other Withdrawals</b>	Spending distributions are determined based on the terms of each donor agreement.														
<b>Underwater Protocol</b>	Not applicable.														
<b>Fees</b>	Not applicable.														

Adopted by the Board of Trustees on May 15, 2026, to replace the former "Statement of Investment Objectives and Policies"