THE NORTHERN MICHIGAN UNIVERSITY FOUNDATION

INVESTMENT POLICY STATEMENT

Approved May 19, 2023

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Introduction

The Northern Michigan University Foundation (Foundation) is a nonprofit corporation exempt under Internal Revenue Code Section 501(c)(3). The Foundation's mission is to establish and foster relationships to generate resources that benefit the strategic goals of Northern Michigan University.

This Investment Policy Statement is set forth by the Investment, Finance, and Audit Committee (Committee) on behalf of the Foundation's Board of Trustees. The purpose of this Investment Policy Statement is to:

1. Define and assign the responsibilities of involved parties,
2. Establish a clear understanding of the investment objectives of the Foundation's assets,
3. Provide guidance and limitations regarding the investment of the Foundation's assets,
4. Establish the relevant investment horizon for which the Foundation's various asset pools will be managed, AND
5. Establish a basis for evaluating investment results.

More broadly, the purpose of this Investment Policy Statement is to outline a philosophy and attitude which will guide the investment of the Foundation's assets. It is intended to be specific enough to be meaningful and flexible enough to be practical.

Delegation of Responsibilities

Any revisions to this Investment Policy Statement must be approved by the Foundation's Board of Trustees.

Investment, Finance, and Audit Committee

The Investment, Finance, and Audit Committee is a standing committee of the Foundation's Board of Trustees.

The Committee shall:

1. Honor donor wishes insofar as possible, but always subject to the best judgment of the Committee and legally enforceable restrictions, for gifts accepted by the Foundation's Board of Trustees which carry restrictions as to investment strategies or restrictions on sale or transfer,
2. Have ultimate responsibility for the Foundation's investment policies and strategies,
3. Select and monitor the performance of the Investment Consultant, Investment Managers, advisors, and other fiduciaries,
4. Have a fiduciary responsibility for the assets of the Foundation,
5. Review the Investment Policy Statement annually with the assistance of the Investment Consultant, AND
6. Circulate a Request for Proposal (RFP) for an Investment Consultant at least once every ten years and bring forth a recommendation to the Foundation's Board of Trustees.

Investment Consultant

An Investment Consultant is a third party retained by the Committee to provide objective, third-party advice and counsel that will enable the Committee to make well-informed and timely decisions regarding the investment of the Foundation's assets. Advice offered by the Investment Consultant concerning the investment management of the Foundation's assets will be consistent with the investment objectives, policies, guidelines, and constraints outlined in this Investment Policy Statement.

Delegation of Responsibilities (continued)
Investment Consultant (continued)

The primary responsibilities of the Investment Consultant are to:

1. Assist in the development and periodic review of the Investment Policy Statement,
2. Conduct Investment Manager searches and oversight,
3. Monitor the performance of the Investment Managers to allow the Committee to determine the progress toward the investment objectives,
4. Communicate matters of policy, Investment Manager research, risk management, and Investment Manager performance to the Committee,
5. Provide information to the Committee regarding fees associated with the Foundation's investments, such as fee structure and total fees charged, at least annually,
6. Review the Foundation's investment history, historical capital markets performance, and the contents of this Investment Policy Statement with any newly appointed members of the Committee or the Foundation's Board of Trustees, AND
7. Establish appropriate investment objectives and goals based on the Foundation's needs and risk tolerance.

The Investment Consultant may be asked to:

1. Gather and evaluate statistical information on the Foundation's financial assets, investment needs, and risk parameters,
2. Analyze and understand the implications of historic capital market behavior, particularly with regard to the tradeoff between total rate of return and investment risk,
3. Maintain data on the universe of available professional Investment Managers and categorize (as to investment style and discipline) and evaluate the qualifications of the individual management firms,
4. Provide periodic asset allocation studies and updates,
5. Conduct periodic Committee educational workshops,
6. Provide information with respect to alternative investments,
7. Monitor the investment of the Foundation's assets for compliance with guidelines,
8. Analyze and evaluate the Foundation's investment performance and the performance of its Investment Managers, both past and ongoing, AND
9. Make specific and timely recommendations for the consideration of the Committee during each phase of the investment management process.

Investment Authority

The Investment Consultant is expected to exercise investment discretion within the guidelines of this policy. Such discretion includes decisions to adjust the overall portfolio asset allocation and to add, replace, or remove public market Investment Managers. The Committee will approve new commitments to private market investments.

Performance Review and Evaluation of Investment Managers

The Investment Consultant shall provide the Committee with performance reports and ongoing quality control to assure that the Committee's standards and investment objectives are maintained. Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of total portfolios and asset class components will be measured against commonly accepted performance benchmarks and the investment objectives. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Investment Policy Statement. The Investment Consultant shall regularly review the performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors of any Investment Managers that may impact their ability to achieve the Foundation's desired investment results.

Delegation of Responsibilities (continued)

Investment Managers

Investment Managers are any individual or group of individuals engaged to manage the investment of all or part of the Foundation's assets through pooled investment vehicles, such as Mutual Funds, Separately Managed Accounts, Exchange Traded Funds, or Limited Partnerships. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its supervision. Investment Managers must observe and operate within all policies, guidelines, constraints, and philosophies outlined in this Investment Policy Statement.

The primary responsibilities of the Investment Managers are to:

1. Provide discretionary investment management, including decisions to buy, sell, or hold individual securities, and alter asset allocations, within the guidelines established in this Investment Policy Statement,
2. Communicate to the Investment Consultant any major factors, such as changes in economic outlook or investment strategy, that may impact the Foundation's investment management and objectives,
3. Inform the Investment Consultant of any qualitative changes to the management of the organization, such as changes in portfolio management personnel, ownership structure, or investment philosophy, AND
4. Vote proxies on behalf of the Foundation, if requested by the Committee, and communicate such voting records to the Committee on a timely basis.

Custodian

Custodians are individuals or legal entities that are charged with holding and safeguarding financial assets. The Custodian may work in tandem with the Investment Consultant or the Investment Managers.

The primary responsibilities of the Custodian are to:

1. Provide adequate safekeeping services,
2. Settle securities transactions on time,
3. Collect trust fund income when due,
4. Provide adequate accounting services,
5. Prepare useful, accurate, and timely investment reports,
6. Provide adequate cash management services,
7. Provide adequate administrative support,
8. Develop and maintain adequate data processing capabilities, AND
9. Handle proxy administration promptly and accurately.

Investment Objectives

The Foundation's assets serve a variety of purposes. Needs vary from day-to-day liquidity to long-term growth and purchasing power preservation. The Foundation categorizes its assets available for investing into categories to meet its varying needs. Each category has separate objectives.

Holding (Non-endowed) Pool

The Holding (Non-endowed) Pool will be comprised of funds held outside of the Endowment. It may include the Foundation's operations funds and reserves until such time they are needed for the operations of the Foundation. It may also include expendable department and program funds, the spendable portion of endowed department and program funds, expendable (annual) scholarship funds, the spendable portion of endowed scholarship funds, and capital project funds until such time they are distributed to Northern Michigan University.

Investment Objectives (continued)
Holding (Non-endowed) Pool (continued)

The primary objective of the Holding (Non-endowed) Pool is to provide stability of principal and a total return that maintains the purchasing power of the assets. Funds need to be available on demand while focusing on a total return that keeps pace with inflation.

The investment objective of the Holding (Non-endowed) Pool is to earn an average annual return of the Consumer Price Index (CPI) plus 2% over a 3 to 5 year period. This equates to a 2% real rate of return and will maintain the purchasing power of the assets.

The Holding (Non-endowed) Pool will achieve this by allocating funds between a short-term, capital preservation portfolio and an intermediate-term portfolio focused on market growth. The allocation among the two portfolios will be reviewed annually based on historical spending patterns and future distribution requirements. The portfolios may be comingled in the same account.

The Holding (Non-endowed) Pool will maintain a distinctly different Asset Allocation Policy than the Charitable Gift Annuity Pool and the Endowment Pool.

Charitable Gift Annuity Pool

The primary objective of the Charitable Gift Annuity Pool is to provide income for annuity payments and to create sufficient long-term growth of principal to ensure a residuum of assets upon the passing of the annuitants. Moreover, emphasis shall be placed on maintaining “real” growth of assets, net of inflation, annuity payments, and fees.

The investment objectives of the Charitable Gift Annuity Pool are to 1) earn an average annual return that exceeds 60% of the annuity payment rate specified in the Charitable Gift Annuity contract, and 2) equal or exceed the return of the Policy Index (benchmark).

The Charitable Gift Annuity Pool will maintain a distinctly different Asset Allocation Policy than the Holding (Non-endowed) Pool and the Endowment Pool.

Endowment Pool

The primary objective of the Endowment Pool is to provide for long-term growth of principal through capital appreciation, income, and donor development and gifts, without undue exposure to risk. The focus will be on consistent, long-term capital appreciation, with income generation as a secondary objective. Moreover, emphasis shall be placed on maintaining “real” growth of assets, net of inflation, spending, and fees.

The investment objectives of the Endowment Pool are to 1) earn an average annual return of the Consumer Price Index (CPI) plus 4% over periods greater than five years (4% real rate of return), and 2) equal or exceed the return of the Policy Index (benchmark) over five-year rolling periods.

On a risk-adjusted basis, the Endowment Pool’s performance is expected to equal or be greater than the Policy Index over all five-year rolling periods. The Endowment Pool's absolute investment risk is expected to be less than the Policy Index over the same periods.

The Endowment Pool’s objective is based on the expected returns under the Asset Allocation Policy. The Asset Allocation Policy should result in normal year-to-year fluctuation in the Foundation’s actual return. The expected level of volatility is appropriate given the Foundation’s current and expected tolerance for short-term return

Investment Objectives (continued)
Endowment Pool (continued)

fluctuations. Appropriate diversification of the Foundation assets will reduce the Endowment Pool's volatility.

Special-use Funds

Periodically, the Foundation may establish investment accounts for special-use funds that have been designated for short-term or intermediate-term projects. Assets in these temporary accounts will generally only be placed into short-term U.S. Government backed obligations, U.S. Government Securities Money Market Funds, or other cash equivalents timed to mature as funds are needed.

Mission Related Investments

The Committee and the Foundation's Board of Trustees understand their duty to be loyal to the Foundation's mission and to act in the sole interest of the beneficiaries of the charitable funds. The duties of loyalty and prudence may include the consideration of the Foundation's financial and non-financial interests. The Committee and the Board of Trustees may make investments that are consistent with the Foundation's investment objectives while also supporting its charitable mission. Prudent financial management practices may include the consideration of environmental stewardship, concern for community, and corporate accountability to stakeholders, as these issues connect to the Foundation's mission. Where appropriate and identifiable, the Committee and the Board of Trustees commit to monitoring the social impact of these mission investments in conjunction with financial performance and risk of the strategies. While the Committee will be sensitive to social and political concerns, it will not invest funds to foster a particular social or political action.

Asset Allocation Policy

Holding (Non-endowed) Pool

This Asset Allocation Policy is consistent with the achievement of the Holding (Non-endowed) Pool's liquidity needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, and manager roles. Conformance with statutory investment guidelines is also considered.

The Committee established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on current investments and present market conditions. The Committee intends to review the allocation targets at least annually, focusing on changes in the financial needs, investment objectives, and asset class performance.

Short-term Asset Allocation Targets for the Holding (Non-endowed) Pool
Target 40% of the total Holding (Non-endowed) Pool

	Minimum	Target	Maximum
Cash and Cash Equivalents	0%	20%	50%
Global Equity	0%	20%	50%
Fixed Income	40%	60%	100%

Asset Allocation Policy (continued)
Holding (Non-endowed) Pool (continued)

Intermediate-term Asset Allocation Targets for the Holding (Non-endowed) Pool
Target 60% of the total Holding (Non-endowed) Pool

	Minimum	Target	Maximum
Cash and Cash Equivalents	0%	5%	10%
Global Equity	35%	50%	80%
Fixed Income	5%	20%	35%
Liquid Alternative Investments*	5%	25%	40%

* Includes but not limited to Global/Flexible Managers, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Charitable Gift Annuity Pool

This Asset Allocation Policy is consistent with the achievement of the Charitable Gift Annuity Pool's income needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, and manager roles. Conformance with statutory investment guidelines is also considered.

The Committee established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the current investments and present market conditions. The Committee intends to review the allocation targets at least annually, focusing on changes in the financial needs, investment objectives, and asset class performance.

Asset Allocation Targets for the Charitable Gift Annuity Pool

	Minimum	Target	Maximum
Cash and Cash Equivalents	0%	5%	20%
Global Equity	25%	45%	70%
Fixed Income	15%	20%	50%
Liquid Alternative Investments*	5%	30%	45%

* Includes but not limited to Global/Flexible Managers, Absolute Return Funds, Real Estate, Commodities, and Managed Futures. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Asset Allocation Policy (continued)
Endowment Pool

This Asset Allocation Policy is consistent with the achievement of the Endowment Pool's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward and risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the Endowment Pool's long-term financial needs. Conformance with statutory investment guidelines is also considered.

The Committee established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes based on investment opportunities and changing capital market conditions. The Committee selected the target allocation for each asset class based on the current investments and present market conditions. The Committee intends to review the allocation targets at least annually, focusing on changes in the financial needs, investment objectives, and asset class performance.

Asset Allocation Targets for the Endowment Pool

	Minimum	Target	Maximum
Cash and Cash Equivalents	0%	0%	10%
Global Equity	30%	50%	80%
Fixed Income	10%	15%	50%
Alternative Investments*	10%	35%	50%

* Includes but not limited to Global/Flexible Managers, Real Estate, Commodities, Managed Futures, Private Equity, and Hedge Funds. The Committee acknowledges that other alternative asset classes are available and is not limited to just these investment opportunities. It intends to periodically evaluate the merits of adding new asset classes. The Committee also recognizes the benefits of diversifying manager roles within a given asset class and intends to periodically evaluate this decision as well as the active versus passive manager decision.

Illiquid Investments

In order to help the Foundation achieve its long-term return goals, a portion of the Endowment Pool may be committed to and invested in illiquid investments. Illiquid investments usually have either higher expected returns or lower correlations to their public market equivalents. Illiquid investments are defined as investments that do not provide the opportunity for redemption requests at least annually. Typically, illiquid investments are expected to have an investment period of multiple years.

Given the potential for future operational use for capital, the portfolio will generally have limited exposure to illiquid strategies of less than 25% of the Endowment Pool's market value.

The Foundation seeks to achieve diversification over time to funds investing in different market cycles. Therefore, developing a mature, diversified portfolio of illiquid investments will require a number of years. Once a mature portfolio of illiquid investments is developed, sustaining it will require additional commitments to new funds in order to maintain the Foundation's exposure to illiquid investments.

Fluctuations in valuation of the Endowment Pool and lagged reporting of the illiquid investments may cause allocations to deviate from policy targets.

Because of their long-term nature, individual illiquid investment programs will be considered and approved by the Committee prior to commitment.

Benchmarks

Holding (Non-endowed) Pool – Short-term
(40% of the total Holding (Non-endowed) Pool)

The Policy Index is a hypothetical fund invested as follows: 15% Citi 90-Day T-Bill, 65% Barclays Aggregate, and 20% MSCI AC World.

Holding (Non-endowed) Pool – Intermediate-term
(60% of the total Holding (Non-endowed) Pool)

The Policy Index is a hypothetical fund invested as follows: 35% Barclays Aggregate, and 65% MSCI AC World.

Charitable Gift Annuity Pool

The Policy Index is a hypothetical fund invested as follows: 40% Barclays Aggregate, and 60% MSCI AC World.

Endowment Pool

The Policy Index is a hypothetical fund invested as follows: 35% Barclays Aggregate, and 65% MSCI AC World.

Adopted: September 2002
Amended: May 2004, May 2006, May 2011, November 2013, May 2017, September 2019, and May 2023