



**UNIVERSITY OF DENVER
POLICY MANUAL
INVESTMENT POLICY STATEMENT**

Responsible Department: Business and Financial Affairs
Recommended By: Senior Vice Chancellor for Business and Financial Affairs, Investment Committee of the Board of Trustees
Approved By: Board of Trustees

Policy Number
FINA 2.20.022

Effective Date
4/1/2023

I. INTRODUCTION

The purpose of this Investment Policy Statement is (i) to guide the University, its Board of Trustees, its Investment Committee, and its Investment Office in effectively managing, monitoring and evaluating the University’s Consolidated Endowment Fund (the “Endowment”) and (ii) to define the Investment Committee’s composition and responsibilities.

II. POLICY OVERVIEW

- A.** The University, through the Board of Trustees, is responsible for managing, monitoring, and evaluating the University’s Endowment.
- B.** The Chairperson of the Board of Trustees appoints members of the Investment Committee (“Committee”) and designates the Investment Committee Chairperson.
- C.** The Chairperson of the Investment Committee will report periodically to the Board of Trustees on the status of the investments in the Endowment.
- D.** The Board will approve the policies of the Committee.

III. PROCESS OVERVIEW

- A.** Investment Committee
 - 1.** The Committee is responsible and accountable, as delegated by the Board of Trustees, for the prudent management of the Endowment's assets, including:
 - a.** developing and maintaining the Investment Policy in light of the

- University's strategic plan;
 - b. setting risk tolerances and controls;
 - c. approving allocation of assets;
 - d. appointing and evaluating the Investment Office; and
 - e. reporting to the Board periodically the results of the investment program.
2. The Committee will meet at least three (3) times per year.
 3. The Committee shall consist of not fewer than four (4) members, a majority of whom shall be Trustees.
 4. A quorum of the Committee is defined as a majority of members of the Committee.

B. Investment Office

1. The Investment Office is charged with the responsibility for developing, implementing, and administering this Policy Statement. In doing so, it will assist in the attainment of the stated objectives while complying with all Investment Policy guidelines and standards.
2. The Investment Office will serve as the primary contact for all investment managers and the custodian.

C. Standard of Care

1. In exercising its responsibilities, the Committee and Investment Office will act in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.
2. A person with special skills or expertise, or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing institutional funds.

D. Standards for Prudent Investing

1. In investing and managing the Endowment, the Committee will consider both the purposes of the University and the purpose of any specific institutional fund.
2. Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the Endowment as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the University.
3. In managing the Endowment, the Committee will incur only those costs that are appropriate and reasonable in relation to the Endowment or any specific institutional fund, the purposes of the University, and the skills available to the University, and use reasonable efforts to verify facts relevant to the management and investments of the Endowment or any specific institutional fund.
4. Except as the donor's gift instrument otherwise requires, the following

factors must be considered by the Investment Office, if relevant, in managing and investing the Endowment, including any specific institutional funds:

- a. general economic conditions;
- b. the possible effect of inflation or deflation;
- c. the expected tax consequences, if any, of investment decisions or strategies;
- d. the role that each investment or course of action plays within the University's overall Endowment portfolio;
- e. the expected total return from income and the appreciation of investments;
- f. other resources of the University;
- g. the needs of the University and a given institutional fund to make distributions and to preserve capital; and
- h. an asset's special relationship or special value, if any, to the purpose of the University.

E. Return Objective

The Endowment will be managed to maximize annualized returns net of all costs over rolling ten (10)-year periods while adhering to the University's stated risk parameters.

F. Risk Considerations

1. The Endowment will be deployed in a manner that seeks to avoid 25% or greater peak-to-trough declines in inflation-adjusted unit value.
2. The Endowment will be structured to avoid annualized shortfalls exceeding 3%, relative to the mean return of endowments with greater than \$1 billion in assets reporting to NACUBO, over rolling 10- year periods.

G. Liquidity

1. Under normal circumstances, at least 30% of the Endowment's assets are intended to be held in vehicles utilizing lockups of twelve (12) months or shorter.
2. As a general rule, at least 50% of the Endowment's total assets are intended to be held in vehicles utilizing lockups of sixty (60) months or shorter, recognizing that private partnership cash flows are unpredictable. Lockup is defined as an expected period until all or substantially all of the value from an investment vehicle can be received in cash by the Endowment.
3. Under normal circumstances, private partnership NAV plus private partnership unfunded capital commitments will not exceed 75% of the Endowment's market value.

H. Strategies

1. The long-term horizon of the University allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. Other assets, including but not limited to hedging, derivative, or diversification strategies, will also be used to reduce risk and overall portfolio volatility.
2. The Endowment will be diversified across asset classes and managers.

I. Use of Derivatives

1. Consistent with the risk considerations specified in this Policy Statement, the Committee authorizes the use of any type of derivative instruments, including, without limitation, over-the-counter and exchange-traded derivative instruments that may exist on the date hereof or that may be created in the future. Such instruments may be employed:
 - a. for hedging purposes
 - b. as an alternative to the underlying direct investments where such derivative instruments offer:
 - c. advantages with respect to timing, flexibility, lower execution costs or improved control or
 - d. other benefits, or
 - e. in any other circumstance in which the Committee believes that the use of such instruments is in the best interest of the University providing that instruments with unlimited liability will be prohibited.

J. Proxy Voting

All proxies are voted by the managers with the sole purpose of maximizing shareholder value.

K. Annual Policy Review

The Committee will review this Investment Policy Statement annually in the fall of each calendar year.

IV. DEFINITIONS

- A. **“NACUBO”** means the National Association of College and University Business Officers.
- B. **“NAV”** means “net asset value”. NAV is calculated by adding the value of all of the investments in the fund and dividing by the number of shares of the fund that are outstanding.

V. RESOURCES

A. University Policy FINA 2.20.020 – *Consolidated Endowment Fund*

B. University Policy FINA 2.30.091 – *Establishment of Quasi-Endowments*

C. University Policy ADV 10.10.010 – *Gift Acceptance*

Revision Effective Date	Purpose
<i>11/5/2019</i>	<i>Investment Committee Annual Review and update to the Investment Policy Statement</i>
<i>5/2022</i>	<i>Investment Committee Annual Review and update to the Investment Policy Statement</i>