

Eastern Washington University Foundation

NON-ENDOWMENT FUNDS

STATEMENT OF INVESTMENT POLICY

Reviewed and approved by the EWU Foundation Board of Directors

December 6th, 2023

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I. STATEMENT OF PURPOSE

The Eastern Washington University Foundation Board of Directors (the Foundation) has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of the Eastern Washington University Foundation's Non-Endowment Funds (the "Non-Endowment Funds") and other operating funds (the "Operating Funds"), hereinafter collectively referred to as "the Funds".

The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Fund's assets; (2) the position of the Foundation with respect to the Funds risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

The conditions of this Investment Policy Statement shall apply to all Non-Endowment Funds accepted by the Foundation. The Foundation's Non-Endowment Funds have been designed to provide liquid investments for future expenses that meet a variety of time horizons from the inception of each grant.

Three separate pools have been established to meet the unique liquidity and time horizon needs of the Foundation. Each pool is comprised of underlying investments of funds representing various asset classes and invested according to the target allocation of each pool.

I. INVESTMENT OBJECTIVES

The Foundation's Non-Endowment Advised Funds are established as three pools with distinct return and risk objectives:

- **Short-Term Pool:** Designed for a very short (overnight to 24 months) time horizon. Its goal is capital preservation, and is appropriate for funds needed in the immediate future and/or for grants having a very low risk tolerance.
- **Intermediate-Term Pool:** Designed for an short- to intermediate-term (24 to 60 months) time horizon. Its goal is income generation and capital preservation. It is appropriate for funds needed in the short- to intermediate-term future and/or grants having a low to moderate risk tolerance. The pool will target a yield above the short-Term Pool by increasing exposure to interest rate and credit risk, but no equity market risk.
- **Long-Term Pool:** Designed for a long-term time horizon, not too dissimilar from the Endowment's perpetual horizon, with emphasis on capital appreciation and income, appropriate for funds needed over a longer time horizon and for grantors willing to tolerate higher levels of risk to get market-like returns. In practice, these funds would be invested in the main Eastern Washington University Endowment Fund.

II. STRATEGIC ASSET ALLOCATION & PERFORMANCE BENCHMARKS

Set forth below are the strategic asset allocation targets and allowable ranges for the Pools. The strategic asset allocation is purposely set at a broad level with respect to the asset classes, to allow the Investment Committee and/or External Advisor sufficient discretion to seek relative opportunities within each category.

Liquidity Pool (0-1 year)

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Cash & Equivalents	100%	0%	100%	90 Day U.S. T-Bills

Intermediate-Term Pool (1-10 years)

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Intermediate-Term Fixed Income	95%	50%	100%	BofA ML 1-10 Year Government / Credit
Cash & Equivalents	5%	0%	50%	90 Day U.S. T-Bills

Long-Term Pool (10+ years)

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Global Equities	60%	50%	70%	MSCI ACWI Index
Investment Grade Fixed Income	30%	20%	40%	Bloomberg U.S. Aggregate Index
Real Assets	10%	0%	15%	3% GRE, 3% GLI, 4% NR
Cash & Equivalents	0%	0%	10%	90 ay U.S. T-Bills

III. ASSET CLASS DEFINITIONS & INVESTMENT GUIDELINES

The Investment Committee will allow each external advisor or investment manager full investment discretion within the scope of the following investment guidelines. Each external advisor or investment manager must adhere to the following investment guidelines as well as their specific guidelines unless explicitly advised in writing and approved by the Investment Committee. The following is intended to provide further clarity to allow allocations to sub-asset classes within the above strategic asset allocation. The Investment Committee has authority to select and set target allocations to sub-asset classes.

- A. **Cash & Equivalents** includes U.S. Treasuries, money market funds, and certificates of deposit with final maturities of 24 months or less. On a quarterly basis, the accounting team will submit a report to the Investment Committee detailing any exposures above the FDIC limits. The Investment Committee will review these exposures for reasonableness.
- B. **Intermediate-Term Fixed Income** include publicly traded debt instruments across all markets and issuer types. While the category generally refers to an intermediate investment-grade domestic fixed income management style typified by Bank of America Merrill Lynch 1-10 Year Government / Credit Index. Allowable securities include U.S. Government and agency securities, corporate notes and bonds, mortgage-backed securities, preferred stock, below investment grade, and debt issuances of foreign governments and corporations. The fixed income portfolios should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.
- C. **Long-Term Pool Investments** will be held in the University's Main Endowment Fund endowment and adhere to the asset class definitions and investment guidelines outlined in Endowment Fund's Investment Policy Statement.

V. REBALANCING PROCEDURES

The asset mix policies and acceptable minimum and maximum ranges established by the Investment Committee, as outlined in Section II: Strategic Asset Allocation & Performance Benchmarks, represent a long-term view. Rapid and significant market movements may cause the funds' actual asset mixes to fall outside the policy range, as well as any interim allocation range set by the investment committee. Any divergence from established ranges should be of a short-term nature and reported promptly to the investment committee. It is the external manager's responsibility to rebalance the portfolio in order bring its allocation back in line with the established ranges. Where possible the target allocations will be maintained through new cash flows. The external manager will have authority to determine the frequency, timing and magnitude of the rebalancing transactions, and may rebalance with judgement based on intermediate to long-term views on the relative risks and return of each asset class and sub-asset classes.

To allow for better yield curve and duration management, the accounting staff will provide the investment manager with annual updates to anticipated cash flow needs for the funds in this pool.

VI. BENCHMARKING AND MONITORING

- A. The Investment Committee will review performance regularly but not less than quarterly. For purposes of performance measurement, portfolio returns will be measured against a custom benchmark (the “Policy Portfolio Benchmark”) composed (where possible) of investable indexes that serve as reasonable proxies for the asset classes contained in Section II: Strategic Asset Allocation & Performance Benchmarks. The Policy Portfolio Benchmark is designed to reflect the underlying exposures in the Funds and serves as a reasonable substitute for the strategic long term policy portfolio. The performance of the Funds is expected to outperform the Policy Portfolio Benchmark over rolling five-year periods.
- B. Returns will be monitored at the total portfolio level, asset class category levels, and individual manager/strategy levels against their respective benchmarks. The External Advisor and underlying strategies will also be evaluated on a set of qualitative factors included but not limited to their adherence to stated investment philosophies, organizational stability, and ethical conduct.

VII. APPROVED INVESTMENT VEHICLES

- A. The following investment vehicles may be used with full discretion: mutual funds, common/collective funds, exchange traded funds (“ETFs”), exchange traded notes (“ETNs”), and separately managed accounts (“SMAs”)
- B. Sustainable and Responsible Investing: The investment committee may consider managers who focus on ESG (Environmental, Social and Corporate Governance) during the investment process.
- C. In general, all in-kind gifts shall be liquidated as soon as practical after receipt and added to the Funds. Any exceptions to this policy shall be approved by the Investment Committee. Exceptions require clear documentation of the rationale for the exception and require a plan outlining the long-term intentions for managing the in-kind gift on an ongoing basis.

- Amended and Approved, Investment Committee – Oct. 17, 2023; Reviewed and Recommended, Finance & Audit Committee – Oct 24, 2023; Reviewed and Recommended, Executive Committee – Nov. 29th, 2023; Amendment Board Adopted – Dec. 6, 2023