University of Montana Foundation
Investment Policy Statement

PURPOSE AND OBJECTIVES

Purpose of Statement

The University of Montana Foundation ("Foundation") was organized in 1950 as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. The mission of the Foundation is to inspire philanthropic support to enhance excellence and opportunity at the University of Montana.

This policy statement provides a framework for the management of the assets of the Foundation's Endowment Fund ("Endowment"). The Endowment consists of a collection of individual funds that are established for a variety of purposes and pooled together and invested as one.

The purpose of this policy statement is to assist the Foundation's Board of Trustees ("Trustees") in effectively supervising and monitoring the investments of the Endowment in order to support the long-term mission of the Foundation. A subcommittee of the Trustees, or Investment Committee ("Committee"), focuses on monitoring the Endowment in accordance with the guidelines outlined in this policy statement. The guidelines are designed to allow for flexibility in the management oversight process in order to capture investment opportunities as they may occur, while simultaneously setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The Trustees set this policy forth in order that:

- There is a clear understanding of the responsibilities and objectives of the Trustees, its delegates, and chosen investment professionals (advisors and managers);
- The Trustees will have a basis for evaluating the investment performance of the Endowment; and
- The Endowment will be managed in accordance with high standards of fiduciary duty and in compliance with all applicable laws and regulations and in conformity with the Uniform Prudent Management of Institutional Funds Act (UPMIFA, *see last section of policy).*

Objective of the University of Montana Foundation Endowment

The primary objective of the Endowment is to achieve intergenerational equity, which is the ability to maintain purchasing power over multiple generations. Therefore, the performance of the Endowment must at least keep pace with its spending rate plus administrative fee plus inflation over the long term so that no generation of beneficiaries is disadvantaged relative to another. This will be accomplished through a carefully planned and executed long-term investment program.

Performance Goals

On an annualized, net of fees basis, the return on the total portfolio over the long term (or a measurable market cycle) will be expected to:

- Equal or exceed the spending rate (4.25%) plus administrative fee (2.0%) plus inflation (CPI) over a market cycle.
- Equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages (*see Policy Benchmark definition below*) over rolling three-year periods

Performance goals are based upon a long-term investment horizon, therefore interim fluctuations should be viewed with appropriate perspective.

INVESTMENT PHILOSOPHY AND ASSET ALLOCATION

Investment Philosophy

The Endowment has a long-term, perpetual investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner is critical to the Endowment's long-term investment performance.

While the Endowment seeks to preserve intergenerational equity, it also recognizes the principle that varying degrees of investment risk are generally rewarded with compensating returns.

Asset Allocation Targets and Ranges

Asset Class	MIN Wt.	Target	MAX Wt.	Benchmark
EQUITY	**35%**	**55%**	**75%**	**MSCI All-Country World Index (ACWI)**
Global Equity	10%	23%	75%	MSCI All-Country World Index (ACWI)
Private Capital*	0%	32%	40%	MSCI All-Country World Index (ACWI)
FIXED INCOME	**10%**	**20%**	**30%**	**Weighted Fixed Income Composite[1]**
Cash	0%	0%	10%	ICE BofA ML 3-Month U.S. T-Bill Index
Core Bonds	5%	13%	20%	Bloomberg Barclays U.S. Aggregate Bond Index
Credit	0%	2%	10%	ICE BofA ML High Yield Master II
Private Credit*	0%	5%	10%	ICE BofA ML High Yield Master II
DIVERSIFYING	**0%**	**10%**	**20%**	**HFRI FOF Conservative**
Diversifying Strategies	0%	10%	20%	HFRI FOF Conservative
REAL ASSETS	**5%**	**15%**	**25%**	**Weighted Real Assets Composite[2]**
Private Natural Resources*	0%	6%	10%	S&P Global Lrg./MidCap Commodity and Resources
Public Natural Resources	0%	0%	10%	S&P Global Lrg./MidCap Commodity and Resources
Private Real Estate*	0%	7%	10%	NCREIF ODCE (Lagged)
Real Estate	0%	2%	15%	NCREIF ODCE (Lagged)
Asset Class Total		**100%**		

Private Investments

Definition: Private investments are illiquid strategies that do not provide the opportunity for redemption requests at least annually. Typically, private investments are expected to have an investment period of multiple years, sometimes exceeding 10 years.

Objective: As compensation for giving up liquidity, private investments are expected to offer a return premium above their public market equivalents. These investments are intended to serve as a driver of long-term capital appreciation.

Policy Target: The Endowment's policy target to private investments is 50 percent of the market value. Because capital is called over time, and distributions begin before all capital is called, it is expected that the total amount committed to private investments may be higher than 50 percent of the Endowment's market value in order to prudently reach the policy target.

Investment Process: Developing a mature, diversified portfolio of private investments requires consistent, periodic investment commitments and a long-term time horizon. Once a mature portfolio of private investments has been developed, sustaining it will require additional commitments to new opportunities in order to maintain the Endowment's exposure to private investments.

Review: On an annual basis, the Investment Advisor will inform the Investment Committee of upcoming anticipated commitments to private investment programs. In addition, the Investment Advisor will review future commitment sizing and pacing to ensure compliance with the allocation specified in the investment policy statement.

Benchmarks

Inflation Benchmark: CPI + 6.25% annualized

University of Montana Foundation's long-term goal is for the portfolio to maintain its real value, net of spending and inflation. Over shorter periods of time, the Endowment's return may deviate substantially from this benchmark.

Policy Benchmark: 55% MSCI All-Country World Index (ACWI)
20% Weighted Fixed Income Composite[1]
10% HFRI Fund of Funds Conservative
15% Weighted Real Assets Composite[2]

The Policy Benchmark is a diversified benchmark that reflects the broad underlying exposures of the Endowment.

[1]**Weighted Fixed Income Composite:** 65% Bloomberg Barclays U.S. Aggregate Bond Index
35% ICE BofA ML High Yield Master II

[2]**Weighted Real Assets Composite:** 60% NCREIF ODCE[3] (Lagged)
40% S&P Global Large MidCap Commodity and Resources Index

[3]The National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity is a capitalization-weighted, time-weighted return index with an inception date of December 31, 1977.

ENVIORNMENTAL, SOCIAL & GOVERNANCE (ESG) POLICY

The Trustees recognize that environmental, social and governance ("ESG") factors may have an impact on corporate and investment performance over the long-term, although the impact can vary by industry.

The Trustees have a fiduciary obligation to invest the assets of the Foundation for the benefit of the University.

The Trustees encourage its Investment Advisor to include ESG factors in their investment processes. ESG considerations are a factor in the analysis and not necessary implemented as an exclusionary screen to eliminate specific companies or sectors from consideration. Relevant ESG factors will vary by industry and should be applied appropriately to improve long-term risk-adjusted returns.

SPENDING & REBALANCING POLICIES

Spending Policy

In order to fulfill the mission of the Foundation, the Trustees maintain a policy for the annual distribution of a portion of the Endowment that will be distributed on a semi-annual or quarterly basis.

Spending Allocation

The distribution for programmatic funds is calculated at the month end of each calendar quarter based on a 12-quarter average of the unit value of the total fund, multiplied by the annual spending rate of 4.25% and divided by four. The amount to be spent for the annual distribution for scholarship funds is calculated yearly using the September 30 unit values, based on a 12-quarter average of the unit value of the total fund, multiplied by the annual spending rate of 4.25%.

The annual spending rate to the University of Montana may occasionally provide for distribution of up to 10% of the Principal of an endowed fund as allowed by applicable law (including UPMIFA) or donor intent under a gift instrument. However, over the long term, the total investment return on the portfolio is expected to be greater than the amount distributed, and the excess return will be invested. The reinvested portion plus future earnings should be sufficient to cover expected future inflation and investment management and related fees as well as Foundation administrative service charges so that the real value of the Foundation investment portfolio is preserved and maintained over time.

Initial Spending from New Endowments

Endowments are intended to be held in perpetuity; therefore, spending typically comes from accumulated earnings derived from investment performance. Consequently, the spending allocation policy will be applied to endowments one year after it is fully funded.

Rebalancing Policy

The purpose of rebalancing is to control portfolio risk and maintain the asset allocation within the Investment Policy's targeted ranges. Portfolio allocations will be monitored regularly and rebalanced as needed, and in a cost-effective manner, to remain in compliance with the policy.

Tactical rebalancing, which represents opportunistic portfolio positioning away from the asset allocation targets, is also permissible as long as the trades do not violate the stated ranges for each asset class.

The Investment Committee has entered into an agreement with an Investment Advisor that allows the Investment Advisor to execute rebalancing transactions in the Endowment on a discretionary basis. The Investment Advisor may not execute rebalancing transactions that would result in, as of the date of investment, an allocation outside the allowable asset allocation ranges defined in this investment policy statement without the prior approval of the Investment Committee.

Mission Investing

The Foundation may periodically consider investments that serve the broader interests of the University of Montana, its students, the community and the state of Montana, especially with regard to economic development in the State. Such investments, in aggregate, will be limited to no more than 2% of the Endowment (at the time of investment), and will not be counter to achieving the overall return and risk objectives of the Endowment. The same fiduciary standard of care that applies to the Endowment as a whole, will be discharged by the Investment Committee in making such investments. The Investment Advisor will provide an analysis to the Investment Committee highlighting the potential unique strengths and risks of the investment in order to support the Investment Committee in carrying out their fiduciary duty.

ROLES & RESPONSIBILITIES

The Investment Committee will implement the investment program within the constraints of this policy statement through the use of a qualified external professional Investment Advisor. Governed by an Investment Management Agreement between the Foundation and the Investment Advisor, the Investment Advisor will have full discretion and authority at the portfolio level for determining investment strategy, portfolio implementation and timing subject to Policy guidelines.

Duties of the Board of Trustees

The Board of Trustees is the preeminent fiduciary for the Endowment and is ultimately responsible for guidance in the investment of the portfolio through the approval of investment policies and guidelines. The Trustees have delegated investment authority to fulfill the objectives defined in those investment policies and guidelines to the Investment Committee. The Committee is responsible for monitoring the portfolio's asset allocation and evaluating its performance with respect to the objectives and guidelines laid out in the Investment Policy Statement, which complies with UPMIFA.

Duties of the Investment Committee

- Set and recommend policy to the Trustees, including, but not limited to:
    - Return objective and goals of the Endowment
    - Risk profile of the Endowment
    - Illiquidity budget of the Endowment
    - Strategic asset allocation targets and ranges
- Supervise the overall implementation of this Policy
- Periodically review and make recommendations to the Trustees and other relevant Committees regarding the spending policy of the Foundation
- Execute such other duties as may be delegated by the Trustees
- Appoint, evaluate and remove the Investment Advisor of the Foundation
- Monitor and evaluate the investment performance of the Endowment
- Manage and monitor all defined risks in the Endowment with assistance of the Investment Advisor
- Ensure that the costs are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution
- Negotiate compensation arrangements with all service providers; control and account for all investment expenses
- Receive, review and retain the reports of the Investment Advisor
- Grant exceptions as permitted in this Policy and recommend changes in Policy, guidelines and objectives, as needed

Duties of Foundation Management and its Staff

In the management of the Foundation's assets, Management will:

- Serve as the liaison and oversee business communications between the Investment Committee, Investment Advisor and the Foundation President
- Execute any documents necessary to facilitate the implementation of the Policy, including but not limited to contracts and subscription documents.
- Monitor significant changes of the Investment Advisor and Investment Managers and assure that key changes and timely concerns are reported to the Investment Committee.
- Review and assure receipt by the Investment Committee of the Endowment's quarterly reports.
- Periodically review the costs associated with the management of the Endowment

Duties of the Investment Advisor

The Investment Committee has agreed to utilize an Investment Advisor to advise and assist the Investment Committee in its duties and responsibilities. The Investment Advisor will have discretion to develop and execute the investment program within the constraints of this Policy. In its advisory capacity, the Investment Advisor will:

- Accept its fiduciary responsibilities under and in accordance with the Investment Advisory Agreement and applicable securities laws and regulations.
- Assist in establishing investment policies, objectives, and guidelines
- Thoroughly understand and comply with this Policy
- Select, retain, and terminate Investment Managers or sub-advisors as necessary to execute the strategies of the investment program
- Act as the Foundation's agent and attorney-in-fact with full power and authority on the Foundation's behalf to buy, sell and otherwise deal in securities and contracts relating to the same
- Rebalance the Endowment within the ranges described in this Policy
- Review the Endowment's investments at least monthly to ensure that policy guidelines continue to be met
- Monitor investment performance and Endowment risks
- Report to the Investment Committee and Foundation Management on a regular basis; reports will include market value, performance, asset allocation, and other pertinent information
- Alert the Investment Committee and Foundation Management of significant changes to investment management or strategies affecting the Endowment

Investment Advisor Reporting and Evaluation

It is expected that the Investment Advisor responsible for the investment of the Endowment shall report at least quarterly on the performance of the portfolio.

The Investment Committee shall receive and review a quarterly performance report on all investments in the Endowment. The quarterly performance report from the Investment Advisor shall consist of the following components:

1. Asset allocation detail
2. Market value detail
3. Total return calculation across multiple periods (e.g., latest quarter and fiscal year-to-date) at the total portfolio level and at the sub asset class levels (net of fees)
4. Comparison of actual total return to the policy benchmark of the Endowment and the long-term benchmark of CPI + 6.25%

In addition, the Investment Advisor should meet with the Investment Committee on a regular basis (at least annually, but typically quarterly) to ensure prudent review of the Endowment.

Duties of the Investment Managers

The Investment Advisor will select, retain and terminate investment managers as necessary to execute the strategies of investment programs.

Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction. The Investment Manager will be responsible for the timely implementation and administration of these decisions. The Investment Manager must operate without any undisclosed conflicts of interest.

Investment Managers will:

- Comply with "prudent expert" standards including investment, operations and compliance processes
- Maintain frequent and open communication with the Investment Advisor on all significant matters pertaining to the investment policy, including, but not limited to, the following:
  - Major changes in the Investment Manger's investment outlook, investment strategy, investment process, sub-advisors or portfolio structure
  - Significant changes in ownership, organizational structure, financial condition or senior personnel
  - All pertinent issues which the Investment Manager deems to be of significant interest or material importance
- Meet with the Investment Advisor on an as-needed basis

INVESTMENT GUIDELINES

Equity

The purpose of public equity investments, both domestic and international, is to provide capital appreciation, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and greater risk of loss than some of the other asset classes. This component includes domestic and international common stocks, American Depository Receipts (ADR's), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of $50 million with reasonable market liquidity. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. However, no single major industry shall represent more than 20% of the Endowment's total market value, and no single security shall represent more than 5% of the Endowment's total market.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of equity securities.

Equity investments may also include Private Equity and Venture Capital, together referred to as Private Capital. These investments are typically made through limited partnerships or limited liability corporations offered by professional investment managers. Private Capital strategies may include private equity, venture capital and distressed investments. These strategies typically offer no or limited ability to redeem or withdraw.

Fixed Income

The purpose of fixed income investments, both domestic and international, is to provide diversification, a predictable and dependent source of current income, as well as a source of downside and/or deflation hedging. It is expected that fixed income investments will not be totally dedicated to the long-term bond market but will be flexibly allocated among maturities of different lengths. Core fixed income instruments should reduce the overall volatility of the Endowment's assets and provide a deflation hedge.

Fixed income investments within the Endowment include, but are not limited to, U.S. Treasury and government agency bonds, foreign government and supranational debt, public and private corporate debt, liquid and illiquid credit, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations.

Yield-oriented investments may include securities that are rated below Investment Grade. These securities may include high yield bonds, business development companies, leveraged loans, and direct loans, in both public and private structures.

Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. However, index funds may also be used if appropriate for implementing the policy.

Investments of a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, FNMA and FHLMC), may not exceed 5% of the total market value of the Endowment.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

Cash and Equivalents

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Endowment's principal value. Commercial paper assets must be rated at least A1 or P-1 (by Moody's or S&P).

No more than 5% of the Endowment's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Uninvested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for investment. However, such vehicles are appropriate as depository for income distributions from longer term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of cash equivalent securities.

Diversifying Strategies

Diversifying Strategies includes hedge fund investments that are intended to provide diversification to the Endowment through low correlations to broad equity and fixed income markets. In addition, the strategies should collectively generate alpha (outperformance relative to its benchmark after accounting for risk) and therefore generate attractive risk-adjusted performance.

These strategies may include hedged equity, credit, event-driven, relative value, global macro, trend-following, quantitative, and other hedged strategies. Hedge fund managers may use leverage and derivatives to implement their strategies.

Real Assets

The purpose of investing in real assets is primarily to hedge the Endowment against inflation and to provide diversification to other investment strategies in the Endowment. Some real asset investments may also provide long-term opportunities for capital growth or income. Investments in real assets may include U.S. Treasury inflation-indexed securities ("TIPS") and non-U.S. dollar denominated inflation-indexed securities, commodities (e.g. agricultural goods, metals, minerals, energy products, and foreign currencies), natural resources (e.g. oil, gas, clean energy, services, timber, and other natural resource investments), sustainable investments (renewable energy, food, agriculture, water, resource efficiency, etc.), real estate (e.g. REITS, core, value-add, and other opportunistic real estate investment strategies) and other real asset strategies (e.g. infrastructure, intellectual property, or royalty payments).

Other Guidelines

Derivatives and Derivative Securities

Certain of the Endowment's managers may be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. Derivatives positions should be fully collateralized. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

RESTRICTIONS

The Investment Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and the investment strategy involved.

For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Committee understands that such funds have their own stated guidelines which cannot be changed for individual investors, in principle and spirit those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

UPMIFA: The Uniform Prudent Management of Institutional Funds Act

It is the intent of the Trustees to have the Investment Committee follow the provisions and apply the investment standards of UPMIFA, as adopted by the State of Montana under Chapter 30 of the Montana Code Annotated, in the prudent management of the Endowment's investment assets. The

UPMIFA incorporates the experience gained in the last 35 years under UMIFA by providing even stronger guidance for investment management and enumerating a more exact set of rules for investing in a prudent manner.

REVISION HISTORY

Effective Date	Rev Letter	Document Author	Description of Change
4/8/2022	B	Jamie Stanton	Addition of ESG policy
12/18/2020	A	Jamie Stanton	Creation of policy under OCIO