

Investment Strategy

BACKGROUND

Investment strategies within OSU's investment portfolio are evaluated based on the purpose of the funds. The quarterly investment report presents the investment returns of OSU's Operating Assets, Board Designated Assets, and Endowment Assets in alignment with this strategy. The table in Attachment 1 categorizes cash and investments by strategy and tier, identifying the associated risk tolerance and return expectations. The focus of this discussion is on investment manager selection, asset allocation strategies, and monitoring of the Board Designated Funds and Endowment Funds. The "Investment Due Diligence – 5P Framework" has been included as Attachment 2 for reference.

The Investment Strategy discussion at the Finance and Administration Committee's April 2022 meeting focused on investment manager selection, asset allocation strategies, and monitoring of short- and intermediate-term operating funds and unspent bond proceeds. The university's cash and investment strategies for operating assets are different than those used for long-term investments.

LONG-TERM INVESTMENTS

OSU's cash and investments are categorized by strategy and tier, identifying the associated risk tolerance and return expectations. Board Designated Funds and Endowment Funds represent the long-term, or Tier 3 investments held by Oregon State University.

Tier 3 – Long-term investments are intended to be held longer than ten years with the primary investment objective of return on investment with the ability to assume more risk and volatility than Tier 1 or 2. Prudent money management allows for the most flexibility to change the risk/return profile for these investments where permitted. Assets are held as land, equities (stocks), endowment pool investments, and fixed income securities.

Board Designated Funds

The Board of Trustees has approved two specific funds within the class of Board Designated Assets: 1) the Bond Repayment Investment fund and the Long-Term Equity investment fund. Both of these funds are treated like endowments and both of these funds take advantage of the higher expected returns of equity investments. The construction of the equity portfolio utilizes a core-satellite portfolio strategy. The core of the portfolio consists of passive investments that track major market indices. Calvert Funds' passive domestic and international equity index funds represent the core positions in the equity portfolios. Satellites are actively managed investments in the portfolio providing the opportunity for higher returns offset by additional costs. Satellite strategies may include domestic and international small and mid-cap equities and alternative investment strategies including private capital, real estate and infrastructure. Currently, OSU has not made any allocation to satellite strategy investments.

Bond Repayment Investment – Follows a long-term investment strategy with the objective of repayment of outstanding taxable general revenue bonds approximately 90-years from the date of issuance.

The Bond Repayment Investment fund was approved by the Board on January 29, 2021, and funded with \$38.7 million of 2020 general revenue bond proceeds. The intention of the bond repayment investment is to repay the principal amount of all taxable general revenue bond issuances structured with bullet maturities after 90-years from the initial issuance date. The portfolio will ultimately be structured to mature in eight separate tranches, or bullets, beginning in 2053. With a 3% average annual return, the expectation is that in fiscal year 2107 the maximum balance will reach \$485.8 million. The final maturity payment is expected fiscal year 2111.

Long-Term Equity – Created as a perpetual investment of a portion of OSU's operating assets utilized to enhance the return on investments by diversifying asset class and duration. As Tier 3 investments, these investments are intended to be held longer than ten years and assume more risk and volatility in order to gain higher returns.

The Long-Term Equity investment fund's (Tier 3) risk tolerance is moderately high, given the long-term time horizon. In January 2019, the Board approved designating up to 15% of operating assets to be invested in equities. In order for that to occur, the board's investment policy was modified to allow up to 15% of Board Designated funds to be invested in equities. Subsequent to that policy language change, the Board also created the Bond Repayment Investment fund, another Board Designated fund. This effectively reduced the allowable allocation of operating assets to equity investments. Staff will be requesting modification of the investment policy to remove that unintentional limitation. PFM Asset Management is preparing a recommendation of actively managed investments (satellites) to include in the portfolio. A recommended amendment to the investment policy to support these investment opportunities is provided in FAC Agenda Item 6A.

Staff have invited the university's investment advisors from PFM Asset Management to participate in the discussion and be available for questions.

Endowment Funds

The university has three categories of endowment funds within the class of Endowment Assets: 1) assets invested in the OSU Foundation Endowment Pool pursuant to a Funds Management Agreement authorized by the board in March of 2015, 2) Land Held as Separately Invested Endowment Funds consisting of land donated to the university for endowment purposes, and 3) Other Endowment Assets.

OSU Foundation Endowment Pool – Assets invested by the OSU Foundation (OSUF) pursuant to the Oregon State University Fund Management Agreement and Board-approved OSUF Endowment Fund & Pooled Investment Policy. The OSUF Endowment Fund & Pooled Investment Policy has been included as Attachment 3 for reference.

The assets, invested in accordance with the OSUF's investment policy, are being managed against benchmarks that allow 80% of assets to be allocated into public and private equities, including real assets and 20% of assets into public and private fixed income and other alternative assets. The Foundation outsources investment management to Agility Partners.

Staff have invited the Oregon State University Foundation investment managers from Agility to participate in the discussion and be available for questions.

Land Held as Separately Invested Endowment – Oregon State University faculty managed endowed lands.

The university has four land endowment agreements being managed by university faculty. Cameron, Collins, and Matteson Forests are managed by the College of Forestry. The College of Agricultural Sciences manages the Roth property.

Other Endowments – Investment of the proceeds from the sale of land granted to the State of Oregon to establish Oregon State University pursuant to the Morrill Act of 1862 are restricted to certain fixed income investments. These assets are invested in the PUF.

NEXT STEPS

Staff, together with representatives from OSU and the OSU Foundation's financial advisors, will present information about OSU's long-term investment strategy at the May 2022 Finance and Administration Committee meeting. Trustees will have an opportunity to ask questions and determine if further discussion is needed.

Cash and Investment Allocation by Tiers as of March 31, 2022

	Operating Funds		Unspent Bond Proceeds		Total Combined		Risk Tolerance	Return Expectations
	Market Value	Allocation	Market Value	Allocation	Market Value	Allocation		
Tier 1 - Short-Term								
Cash at Bank(s)								
JP Morgan - US	\$ 31,794,018		\$ 26,809,107		\$ 58,603,125			Nominal
JP Morgan - INTL	761,573				761,573			Nominal
Cascades Revolving	20,518				20,518			> 90-day T-bill
US Bank (Perkins)	2,581,967				2,581,967			Nominal
Oregon Short-Term Fund								> 90-day T-bill
Operating Funds	135,602,167				135,602,167			
Bond Proceeds			100,376,348		100,376,348			
RBC Liquidity Portfolio			53,169,323		53,169,323			> 90-day T-bill
Total Tier 1 - Short-Term	\$ 170,760,244	59.5%	\$ 180,354,778	58.8%	\$ 351,115,022	59.1%	AVERSE	
Tier 2 - Intermediate-Term								
PUF Core Bond Fund	\$ 116,357,754		\$ -		\$ 116,357,754			> Oregon Short-Term Fund
RBC Short-Duration			126,195,608		126,195,608			> 1-3 yrs T-bond rates
Total Tier 2 - Intermediate-Term	\$ 116,357,754	40.5%	\$ 126,195,608	41.2%	\$ 242,553,362	40.9%	LOW	
Total Tier 1 and 2 Cash and Investments	\$ 287,117,998	40.7%	\$ 306,550,386	43.4%	\$ 593,668,384	84.1%		

	Board Designated		Endowments		Total Combined		Risk Tolerance	Return Expectations
	Market Value	Allocation	Market Value	Allocation	Market Value	Allocation		
Tier 3 - Long-Term								
Calvert US Large Cap Equity	\$ -		\$ -		\$ -			
Bond Repayment Investment	25,788,903				25,788,903			> 3% annualized
Long-Term Equity	4,752,133				4,752,133			6-8% annualized
Calvert International Equity								
Bond Repayment Investment	13,231,661				13,231,661			> 3% annualized
Long-Term Equity	468,745				468,745			6-8% annualized
Land and Timber			7,848,204		7,848,204			CPI +
OSUF Endowment Pool			59,981,866		59,981,866			> 8% annualized ¹
Other Endowment Assets			322,968		322,968			PUF Return
Total Tier 3 - Long-Term	\$ 44,241,442	6.3%	\$ 68,153,038	9.7%	\$ 112,394,480	15.9%	MODERATE	
Total Cash and Investments					\$ 706,062,863	100.0%		

¹ Annual return expectation is gross of OSUF's 1.5% administrative fee.

INVESTMENT DUE DILIGENCE – 5P FRAMEWORK

1. **People and Philosophy** – Review manager tenure and firm philosophy/culture. Do they promote environmental and social progress? How do they work together to make decisions? How are they motivated? How many assets under management and what is the manager capacity to assume new assets? *Investment talent is the key resource that firms must have.*
2. **Process** – Is the team’s investment process sound and repeatable? Is it battle-tested? If actively managed, does the manager have a special advantage in selecting securities or constructing portfolios? How does the team generate investment ideas? Does the process align with the university’s investment policy and objectives?
3. **Portfolio** – Review portfolio composition, styles and exposures. Is the investment style consistent over time or does it vary and why? Is the investment strategy active or passive? What are the portfolio benchmarks and why? What is their sell discipline?
4. **Performance and Risk** – Compare historical performance to peers and benchmark, evaluate risk versus return. *Strong relative performance suggests a successful process and gives clues to assist in due diligence prior to investing.*
5. **Pricing** – Evaluate active and passive options, relative to peers. Is the process commensurate with the performance received and risk taken? The “price” of an investment includes more than manager fees, it also includes characteristics such as liquidity.

Board-approved OSUF Endowment Fund & Pooled Investment Policy

Policy: Endowment Fund & Pooled Investment Program
Statement of Investment Objectives and Policy

Section: Investment

Number:

Replaces: 1.IC.EndowedFunds.2016.07.15
 1.IC.EndowedFunds.2014.05.16
 1.IC.EndowedFunds.2012.05.18
 1.IC.EndowedFunds.2009.10.10
 1.IC.EndowedFunds.2009.03.02
 1.IC.EndowedFundsInvestment.2006.11.03
 1.IC.EndowedFunds.2007.05.18

Authority from Resolution:

Resolution Recording Date:

Committee: Board of Trustees

Minutes Number

Scheduled Update:

Last Review Date:

Procedure Number:

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Article 1: Purpose

The mission of the Oregon State University Foundation (“Foundation”) is to strengthen the University’s capacity to broaden access to high-quality higher education, push the frontiers of knowledge, contribute to Oregon’s prosperity, and enhance the quality of life for the citizens of the state and the nation. It does so through advocacy, fundraising, investment management and stewardship as an independent 501 (c) (3) nonprofit corporation charged with receiving and administering private gifts for the benefit of the University.

As a fiduciary of private gifts provided to support this mission, the Foundation’s primary investment objective is to achieve the highest long-term total investment return on investment assets that is compatible with the Foundation’s risk tolerance and time horizons and consistent with prudent investment practices.

The Foundation Board of Trustees (“Board”) has adopted this Investment Policy to govern the investment of institutional funds held by the Foundation’s endowment fund and other assets commingled in the Foundation’s Pooled Investment Program (herein after collectively referred to as “the Fund”).

This statement is set forth to ensure that the Trustees of the Foundation, the Investment Committee, Foundation staff (“Staff”), Outsourced Chief Investment Officer (“External Investment Manager”), investment manager(s) and the Fund beneficiaries may be made aware of the policies of the Board with regard to the investment of the Fund’s assets, the investment objectives and the expectations and requirements with respect to the ongoing management of the Fund’s assets

Article 2: The Fund

The Fund is expected to operate in perpetuity and the investments will be invested with a long-term horizon. It is therefore important to follow coordinated endowment policies regarding fund-raising, spending and investment that will protect the principal of the Fund and produce above-average long-term total returns while maintaining a prudent level of risk.

Article 3: Governance Roles and Allocation of Responsibilities

This section describes and delineates the responsibilities of the key parties to the Fund’s investment process.

A. Foundation Board of Trustees

The Foundation Board provides performance accountability, membership oversight and governance evaluation for the Investment Committee. The Foundation Board's responsibilities are to:

1. Approve the investment policy and changes to the investment policy.
2. Assess Fund performance against annual goals.
3. Review financial audits.
4. Review and approve final candidates for open positions on the Investment Committee as recommended by the Committee on Trustees, including Trustee and non-Trustee members.
5. Approve appointments of Investment Committee Chair and Investment Committee Vice Chair.
6. Annually review the operational performance of the Investment Committee and its members.
7. Review and approve member de-selection recommendations as submitted by the Committee on Trustees.
8. Maintain "best in class" operations by periodically assessing investment performance and evaluating changes in the roles and responsibilities of Investment Committee and Staff and the structure and composition of the Investment Committee, including the characteristics and qualifications of the Chair and Investment Committee.
9. Address problems with Investment Committee operations as they arise.
10. Approve a group of higher education institutions where the Foundation can benchmark its results with endowments similar in size.

B. Foundation Investment Committee

The Investment Committee is responsible for management of the Fund's investments. It has the authority to delegate specific investment and administrative tasks to others, including a sub-committee of the Investment Committee, pursuant to this policy. The Investment Committee's responsibilities with respect to the Fund's assets include completing each of the duties below in a prudent manner:

1. Comply with all applicable state and federal laws, regulations, and rulings that relate to the Fund's investment management process.
2. Recommend investment policy changes for approval to Board of Trustees.
3. Operate within the allocation ranges of the investment policy.
4. Establish and regularly review policies, objectives, asset allocation and guidelines for the investment of the Fund's assets.
5. Establish and periodically review the Fund's spending policy.
6. Establish and comply with policies addressing issues that may result in perceived or actual conflicts of interest (including but not limited to relationships with investment managers or other firms doing business with the Fund and receipt of gifts or entertainment above a certain dollar value from firms doing business with the Fund) and other governance issues.
7. Select a qualified External Investment Manager to manage the Fund's assets.

8. Select other service providers it deems appropriate to carry out its function, including, but not limited to, independent investment consultant(s).
9. Meet at least three times per year, in person or by conference call, to evaluate policy compliance, review progress in achieving the Fund's goals and assess the effectiveness of the investment program.
10. Evaluate the Fund's performance and the performance of the External Investment Manager hired to assist the Investment Committee in managing the Fund's investment program.
11. Communicate on a regular basis with the External Investment Manager.
12. Take appropriate action if objectives are not being met or if policy and guidelines are not being followed.

C. Sub-committee

If there is a specific action required before the next regularly-scheduled Investment Committee meeting, and the President/CEO of the Foundation and the Chief Financial Officer of the Foundation together determine that calling a special meeting of the Investment Committee is not feasible or appropriate, the President/CEO and the Chief Financial Officer may call a meeting of a sub-committee of the Investment Committee. If either the President/CEO or the Chief Financial Officer is not reasonably available, the other of them acting alone may call a sub-committee meeting.

The powers of the sub-committee are limited to:

1. Acting on a recommendation to terminate the External Investment Manager or other service providers.
2. Taking other actions specifically delegated to the sub-committee by the Investment Committee.

The sub-committee will be comprised of three persons: the Chief Financial Officer (or the President/CEO if the Chief Financial Officer is not available), the Chair of the Investment Committee (or an Investment Committee member designated by the Chair), and one other member of the Investment Committee selected by the Chair of the Investment Committee who is also a Trustee of the Foundation.

The sub-committee must act by unanimous vote. Actions of the sub-committee will be promptly reported to the full Investment Committee.

D. Chair of the Investment Committee

The Chair must be a member of the Board of Trustees. The Chair is responsible for the following duties:

1. Provide leadership in the conduct of Committee responsibilities and preside at Investment Committee meetings.
2. Report Investment Committee activities and actions and Fund performance at meetings of the Foundation Board.
3. Communicate on behalf of the Investment Committee.
4. Review member performance with the Committee on Trustees and assist in

the de-selection process.

5. Participate in new member orientation sessions.
6. Collaborate with Chief Financial Officer and the External Investment Manager to develop meeting agendas and meeting locations.

E. Chief Financial Officer

The Chief Financial Officer is responsible for the following duties:

1. Assist the Investment Committee in maintaining relevant policies and procedures.
2. Coordinate contract reviews and execution.
3. Maintain day-to-day relationship management of investment program service providers.
4. Act as liaison between the Investment Committee, the External Investment Manager, and investment program service providers.
5. Monitor asset allocation.
6. Provide direction letters to the External Investment Manager, bank custodian, and consultant.
7. Determine liquidity needs and communicate same to appropriate service providers.
8. Monitor the External Investment Manager's compliance with the Fund's investment policy.
9. Provide reports to internal and external constituencies as required.
10. Develop meeting agendas and collaborate with Chair and External Investment Manager, as needed.
11. Provide orientation to new Investment Committee members.

F. Custodian Bank

Fund assets will be held by an institution designated as the custodian bank, which shall manage, control and collect the assets of the Fund in accordance with the terms of a separate custodial agreement as well as the terms of this policy. The custodian bank for the Fund is responsible for:

1. Fulfilling all the customary fiduciary duties of a custodian in accordance with applicable state and federal laws.
2. Receiving all contributions and paying all disbursements and Fund expenses as directed by Staff.
3. Safekeeping of assets, timely settlement of securities transactions, and the daily sweep of excess cash from manager accounts into suitable cash management vehicles.
4. Accurate and timely reporting of the assets to the Staff by individual manager account(s), investment pool, and total Fund.
5. Coordinating asset transfers as requested by the Staff.
6. Meeting with the Staff as requested.

G. Investment Managers

The manner in which the Fund's investment objectives are to be accomplished and the accountability of the investment managers in seeking to achieve the investment objectives shall be consistent with all applicable state and federal laws, regulations, and rulings.

The investment managers are retained and supervised by the External Investment Manager. Investment managers have discretionary authority to accomplish specific investment objectives of the Fund, subject to oversight by the External Investment Manager and the guidelines set forth in this investment policy. The investment managers are responsible for the following:

1. Implementing the style and strategy for which they were hired.
2. Implementing security selection and timing decisions.
3. Providing reports and data as requested by the Investment Committee, Staff, bank custodian and/or External Investment Manager.
4. Meeting with the Investment Committee and Staff, as requested.
5. Voting proxies and providing a report at least annually on the proxy votes cast on behalf of the Foundation.

Investments in pooled funds shall be subject to the investment policy guidelines established by the respective fund managers.

H. External Investment Manager

The Investment Committee may retain an External Investment Manager to advise the Investment Committee, and the Vice President and Chief Financial Officer on the development and implementation of this Policy and to provide day-to-day management of the Fund on a discretionary basis within the confines of this Policy. The External Investment Manager's primary responsibilities are to:

1. Select and retain investment managers.
2. Utilize discretion in managing the assets of the Fund in accordance with this Policy.
3. Notify the Investment Committee proactively if it believes that the investment policy should be modified to achieve the objectives stated herein.
4. Seek to outperform, on an after-fee basis, the Policy Benchmark (as defined herein) over a full market cycle, which would generally be viewed as a period of five to seven years.
5. Provide ongoing education and insights into the capital markets to the Investment Committee.
6. Conduct asset allocation reviews upon request of the Investment Committee or as deemed necessary by the External Investment Manager.
7. Conduct spending analyses to inform the spending policy contained herein.
8. Conduct fee analyses.
9. Provide performance reporting within 30 business days of the end of each month to the Investment Committee.
10. Attend meetings and participate in conference calls of the Investment

Committee, as requested.

11. Assist with investment policy recommendations and revisions.
12. Assist the Vice President and Chief Financial Officer and Staff in the execution of their responsibilities, as mutually agreed.

I. Advisory Committee for Public Input on Investment

The Foundation Board may in its discretion create an advisory committee to allow a forum for public input regarding the nature of the Foundation’s investments. The advisory committee is comprised of the Foundation Chief Financial Officer, the Senior Director of Communications & Stewardship, and other such Foundation staff, Trustees, or members-at-large as the Committee on Trustees may recommend. The advisory committee will make periodic reports of its meeting and activities to the Executive Committee. The Executive Committee will inform the Investment Committee with respect to any recommendations from the advisory committee.

Article 4: Investment Policy Guidelines

The Board does not expect the Fund to be reactive to short-term investment developments, recognizing that the needs for payout are long-term and that investment performance must be measured over a meaningful period of time.

A. Asset Allocation

The Fund is invested in accordance with this policy as approved by the Board. Based upon historic results and future expectations, equity investments are expected to produce higher total rates of return for the Fund than fixed income investments over long periods of time. In order to achieve this goal, and provide for regular income and liquidity the board has established policy ranges and a long-term target for the Fund investment mix as follows:

	Minimum	Long-Term Target	Maximum
Public Equities	35.0%	50.0%	65.0%
Fixed Income	0.0%	5.0%	20.0%
Cash	0.0%	0.0%	10.0%
Absolute Return	5.0%	10.0%	20.0%
Private Capital	5.0%	25.0%	35.0%
Public Real Assets	0.0%	5.0%	10.0%
Private Real Assets	0.0%	5.0%	10.0%

The asset mix policy and acceptable minimum and maximum ranges established by the Foundation represent a long-term view. As such, rapid and significant market movements may cause the Fund’s actual asset mix to fall outside the policy range. The Investment Committee must report to the Board any change in the overall investment allocation. The Board must approve an investment allocation that exceeds the maximum thresholds set forth above.

B. Risk

The acceptable risk profile for the Foundation should generally be to assume the lowest possible risk for the return goal desired. While negative returns in any single year may be unavoidable, over longer terms, asset allocations should be selected which are expected to achieve overall positive portfolio returns. In order to assess and monitor portfolio risk, the Investment Committee will review its asset allocation policy and asset allocation at least annually.

Risk can be construed to include multiple different outcomes including loss of principal, failure to meet an expected return, or volatility of investment returns around an expected mean (standard deviation). The Investment Committee's policy regarding investment risk, consistent with modern portfolio theory, is that risk cannot be eliminated but should be managed. Investment committee members, with the help of the External Investment Manager and investment managers, are responsible for understanding the risks inherent in various investment strategies, ensuring that they are properly compensated for these risks, and measuring and monitoring them. It should be considered in the hiring of new investment managers as well as in the continued monitoring of existing investment managers and the overall portfolio. Risk should also be considered in the selection of individual asset classes and the overall portfolio asset allocation. Most importantly, the level of overall portfolio risk taken should be consistent with the overall return objectives of the Foundation.

C. Rebalancing

The External Investment Manager will rebalance the investment portfolio on an ongoing basis as new gifts to the Foundation are received, or market value fluctuations occur. The portfolio is expected to remain within the boundaries of the ranges around the target asset allocation; however, the assets will be rebalanced to ranges that are shown in Article 4A. It is understood that during the initial implementation of alternative asset classes, the allocation may fall below the established minimum range until the program can be fully established. Further, the strategic allocation to alternative asset classes may differ from the target ranges outlined for extended periods of time, due to the illiquid nature of these asset classes.

D. Liquidity

Foundation staff will monitor cash flow on a regular basis, and sufficient liquidity shall be maintained to ensure spending policy is met. When withdrawals become necessary, Staff will notify the External Investment Manager as far in advance as possible to allow it sufficient time to liquidate assets, as necessary.

Article 5: Relative Returns – Total Portfolio Objectives

The investment objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run through a combination of investment income and capital appreciation. The Board is dedicated to active management and its goal is that the Foundation's total portfolio investment performance will be within the top 25% over 10 year periods of a nationally recognized universe of other endowment/foundation sponsors. In addition, the composite results will be compared to a Policy Benchmark, which is comprised of the following broad market indices:

- 80% global equities (MSCI All Country World Index)
- 20% fixed income (Barclays Capital Global Aggregate Bond Index)

Article 6: Additional External Investment Manager Responsibilities

A. Legal Compliance.

1. Fiduciary Standard. The External Investment Manager is responsible for strict compliance with the fiduciary standards set forth in the Oregon Uniform Prudent Investor Act ("UPIA") and the Oregon Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All transactions that use assets of the Fund shall be undertaken for the sole benefit of the Foundation.
2. Internal Revenue Restrictions. The Foundation is generally exempt from Federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). While most investment decisions will not be affected by tax considerations, some investments, including those that employ leverage, may be subject to unrelated business taxable income ("UBTI"). While the use of investment strategies that have UBTI is allowed, the inclusion of these strategies will be closely evaluated and monitored by the Investment Committee and the External Investment Manager. The Investment Committee and the External Investment Manager will consider the risks and costs associated with making investments that may have UBTI consequences and will utilize their best efforts to minimize the impact of UBTI on the Fund.

B. Evaluation Timetable.

The External Investment Manager is expected to provide such data as is required for proper monitoring on a timely basis each quarter.

The External Investment Manager shall meet, by phone or in person, with the CFO and/or Investment Committee at least annually to review:

1. The External Investment Manager's actual results for the preceding forecast period compared to the previously established return goal for the reporting period.
2. The investment objectives and policy of the Fund. If the External Investment Manager believes that the investment policy is too restrictive or should be amended in any way, the investment manager shall notify the Chief Financial Officer in writing.

Article 7: ESG Investment Option

Environmental, Social, and Governance-related ("ESG") investments are geared toward maximizing returns while also promoting and recognizing the long-term importance of ESG criteria. The External Investment Manager offers an ESG investment option called the "Global ESG Integration Portfolio" that utilizes high scoring ESG managers, while excluding companies

with investments in fossil fuels. Donors who seek to support ESG oriented investments, and not invest in fossil fuels, may direct that their gifts be invested in the Global ESG Integration Fund.

The Global ESG Integration Portfolio has similar goals and objectives as the overall Fund, but it has a more simplified asset allocation (defined below). The goal of the Global ESG Integration Portfolio is to further diversify as more investment options in fossil fuel free strategies become available.

<u>Asset Class</u>	<u>Long-Term Targets and Ranges (%)</u>		
	<u>Low End</u>	<u>Target</u>	<u>High End</u>
Global Equity	50	80	90
Fixed Income	10	20	50

The External Investment Manager will utilize its discretion in managing the assets of the Global ESG Integration Portfolio, subject to the targets and ranges highlighted above. The spending policy for the Fund set forth in Article 9 will also apply to the Global ESG Integration Portfolio.

Article 8: Conflict of Interest

Investment Committee members are subject to the same conflict of interest policies that apply to Foundation Board members.

Article 9: Spending Policy

Payments are based on a three year (12 quarter) moving average of the Fund’s market value. The three year average minimizes upswings and downswings in the market, and helps provide a reliable stream of income to endowment programs. The current annual payout rate to the University is 4%, and the current annual payout rate to the Foundation is 1.50% to support financial and fundraising operations.

Article 10: Policy on Investments that benefit the Foundation, Oregon State University, or Oregon State University Students

The Fund’s External Investment Manager advises the Investment Committee as provided Article 3.H. From time to time, Staff and members of the Investment Committee may receive requests from the University for investment opportunities that offer a reasonable investment return and are outside of the scope of services provided by the External Investment Manager, but offer a significant benefit to the University, the Foundation, and/or University students (“Directed Investment”). The Foundation currently has three such investments: (i) the Student Investment Club (2008); (ii) the Rogue Venture Partners, (2016, 2018); and (iii) Seven Peaks Ventures Fund (2018).

When a Directed Investment is proposed to members of the Investment Committee or Staff, the Directed Investment, along with all details and related information about the Directed Investment, shall be forwarded to Staff by the individual receiving the proposal. The Staff will conduct a review of the Directed Investment, and will consult as needed with the Investment

Committee and the External Investment Manager. All Directed Investments shall be subject to approval by the Investment Committee. In the case of any Directed Investment relating to student groups or clubs at the University, the Directed Investment must be supported by a University faculty member or staff adviser.

No single Directed Investment should exceed 1% of the net asset value of the Fund as valued annually. To the extent the value of a Directed Investment exceeds the value of 1% of the Fund, the excess amount shall be pulled back and re-invested in the Fund portfolio.

The amount invested by the Student Investment Club will be capped at .3% of the net asset value of the Fund in order to retain a similar asset allocation to the initial allocation in 2008. An annual rebalancing will occur as of June 30 each year if the balance is more than 10% above target. However, no additional contribution to the Student Investment Club account will be required if the balance falls below .3% of the net asset value of the Fund.

Each manager of a Directed Investment shall provide information and updates to the Investment Committee upon request and on not less than an annual basis to meet compliance and reporting requirements.