Michigan Tech Fund

STATEMENT OF INVESTMENT POLICY

APPROVED MARCH 2024

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Statement of Investment Policy for
Michigan Tech Fund

EXECUTIVE SUMMARY

- The Board of Directors (the “Board”), ultimately, is responsible for making the decisions that affect the Michigan Tech Fund’s investments. The Board receives information and recommendations from the Investment Committee.

- The Policy Asset Allocation decision is the most important decision made by the Board with regard to the Michigan Tech Fund’s investments. The Board is responsible for determining the asset allocation targets and permissible asset class ranges while the Investment Committee is granted the responsibility to act within those approved asset class ranges, determining and allocating among sub-asset classes.

- The Board is willing to accept an overall level of risk commensurate with the Policy Asset Allocation.

- The Investment Committee is charged with recommending the Policy Asset Allocation and permissible asset class ranges.

- The objective of the Endowment Fund is to achieve a total return equivalent to or greater than the Endowment Fund’s financial requirements over the time horizon. The Endowment Fund’s financial requirements are the sum of the spending rate, the long-term inflation rate (as indicated by the Higher Education Price Index), the aggregate costs of portfolio management which includes the administrative fee, and any growth factor which the Investment Committee may recommend to the Board.

- The Investment Advisor is charged with assuming overall fiduciary responsibility of management of the Michigan Tech Fund’s investments.

- Investment Managers are required to invest assets in accordance with the guidelines and restrictions dictated by the Statement of Investment Policy.

INTRODUCTION AND PURPOSE

This Statement of Investment Policy is set forth to:

1. Define the asset allocations, policies, guidelines and objectives governing all investments for which the Michigan Tech Fund is responsible.
2. Create a framework from which the Investment Committee can evaluate performance, explore new opportunities, and make recommendations to enhance the investment portfolio.
3. Provide guidance for, expectations of, and limitation on, all parties bearing investment responsibilities for the Michigan Tech Fund.

The intent of this Statement is to design an investment strategy with specific parameters that reflect the philosophy of the Board, thereby providing the Investment Committee with clearly defined policies and objectives. Although these policies and objectives are intended to govern the investment activity, they are designed to be sufficiently flexible in order to be practical. Specific portfolio guidelines will be contained in separate Appendices.

SCOPE OF POLICY

This Statement of Investment Policy applies to investable assets held by the Michigan Tech Fund on behalf of Michigan Technological University, with the exceptions noted below. Separate funds with different purposes have been established as follows:

Endowment Fund: Defined as funds contributed with the specific requirement that the contributions be invested permanently for the purposes for which the contributions were given. The Board controls cash-flow requirements and investment decisions from a long-term perspective. Examples include endowed scholarships and fellowships, endowed faculty positions and endowed departmental use.

Non-Endowed Major Gift Fund: Defined as funds for specific non-endowed purposes that are spent over a mid-term time frame. These funds are generally larger in nature and have a strategic plan use of one to five years. Withdrawals of funds may be made at any time. Examples include funds for academic and non-academic departments, and scholarships.

Demand Fund: Defined as funds received for specific non-endowed purposes and for unrestricted purposes that are spent over a short-term time frame. These may be contributions or other deposits. Withdrawals of funds may be made at any time. There are no specific cash-flow requirements for these funds. Examples include athletics, academic departments, non-academic departments, equipment, facilities, scholarships, and fellowships.

Specialized Accounts: Defined as special accounts established to meet unique donor requests. These are established to fulfill specified investment guidelines or income requirements. Examples include the Bosch Fund.

Gift Annuities: Defined as special accounts established for contributions received for charitable gift annuities.

Applied Portfolio Management Program (APMP): Defined as investments managed by Michigan Tech students in the Applied Management Portfolio Program. The Michigan Tech Fund Board does not set the asset allocation for these investments.

DELEGATION OF RESPONSIBILITIES

The Board and Investment Committee

The Board is responsible for making the decisions that govern all aspects of the Michigan Tech Fund's investments, including approving the Policy Asset Allocation and permissible asset class ranges, and approving changes to the Statement of Investment Policy.

The Board has created the Investment Committee, a working committee of the Board consisting of five individuals. The Investment Committee meets quarterly, and meetings are attended by the Investment Advisor. The Board has delegated authority to the Investment Committee to act on behalf of the Board in the performance of the Investment Committee's delegated responsibilities as set forth below. The Investment Committee shall report to the Board on its activities. The Investment Committee has the responsibility to recommend policies to the Board pertaining to investments, endowment management, asset allocation, real estate gift acceptance, management and optimizing the return on the investments of the Michigan Tech Fund, and to approve the specific investment recommendations of the Investment Advisor firm engaged by the Michigan Tech Fund. In so doing, the Investment Committee will comply with all applicable laws. The Investment Committee members are required to discharge their duties solely in the interest of the Michigan Tech Fund and for the exclusive purpose of meeting the financial needs of Michigan Technological University.

The policies described in this Statement of Investment Policy are to be interpreted in light of that overall sense of stewardship, following the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The key tenets of UPMIFA include:

- give primary consideration to donor intent as expressed in a gift instrument;
- act in good faith, with the care an ordinarily prudent person would exercise;
- incur only reasonable costs in investing and managing charitable funds;
- make a reasonable effort to verify relevant facts;
- make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- diversify investments unless, due to special circumstances, the purposes of the fund are better served without diversification;
- dispose of unsuitable assets; and,
- in general, develop an investment strategy appropriate for the fund and the charity

Subject to specific legal limitations or other restrictions in a gift instrument, the Investment Committee may hire and prudently delegate to the Investment Advisors the management of some or all of the Michigan Tech Fund's investments. The Investment Committee will act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances in:

1. Selecting Investment Advisors.
2. Establishing the scope and terms of the delegation, consistent with the purposes, goals, and mission of the Michigan Tech Fund.

3. Periodically reviewing the Investment Advisor's actions in order to monitor the Investment Advisor's performance and compliance with the scope and terms of any delegated activities.

In this regard, the Investment Committee shall engage qualified external Investment Advisors that have demonstrated competence in their respective areas of expertise. The Investment Advisors shall have discretion and authority for determining the investment strategy, security selection, and timing of purchases and sales of assets subject to applicable laws, regulations and the provisions of this Statement of Investment Policy. The duties and responsibilities delegated to the Investment Advisors will be defined by specific contracts, applicable laws, and regulation.

Investment Advisor

Consistent with the appointment of the Investment Advisor and the terms of the Morgan Stanley Wealth Management Custom Investment Outsourcing Agreement ("Agreement") that the Michigan Tech Fund has entered into, the Investment Advisor is responsible for establishing the Michigan Tech Fund's Policy Asset Allocation, which the Investment Committee recommends that the Board. The Board is responsible for approving the Policy Asset Allocation and any future modifications thereof, consistent with the terms of the Agreement and this Statement of Investment Policy.

The Investment Advisor also has the responsibility and authority to manage the Michigan Tech Fund's investments. In order to carry out its investment duties, the Investment Advisor will appoint Investment Managers to manage designated components of the Michigan Tech Fund on a day-to-day basis, consistent with the terms of the Agreement and this Statement of Investment Policy. The Investment Advisor will be responsible for the selection and monitoring of such Investment Managers. The Investment Advisor may also choose mutual funds, exchange traded funds, or other commingled investment vehicles for inclusion in the Michigan Tech Fund. The Investment Advisor represents that with respect to the performance of its duties under this Statement of Investment Policy, it is a "fiduciary" and is registered as an investment advisor under the Federal Investment Advisers Act of 1940 (the "Advisers Act") and will perform the duties set forth hereunder consistently with the fiduciary obligations imposed under the Advisors Act, and regulations promulgated thereunder and any interpretations thereof by the U.S. Security and Exchange Commission.

The Investment Advisor will adhere to the guidelines set forth in this Statement of Investment Policy and will ensure that each Investment Manager it selects for the investment of the Michigan Tech Fund investments are appropriate within these guidelines. With respect to the inclusion of mutual funds, exchange traded funds (ETF's), or other commingled investment vehicles, collectively referred to as "Fund Investments", the Michigan Tech Fund understands that the Investment Advisor does not have control over the management or portfolio composition of the Funds. While the Investment Advisor will use its best efforts to utilize Funds with investment objectives and policies that are generally consistent with the Statement of Investment Policy guidelines, the Michigan Tech Fund understands that individual Fund portfolio holdings may not at all times be consistent with this Statement.

In addition to responsibilities mentioned above, the Investment Advisor's responsibilities are as follows:

1. Assisting in the development of investment policies, objectives, and guidelines,
2. Preparing asset allocation analyses as necessary and recommending asset allocation strategies with respect to the Funds' objectives,
3. Selecting Investment Managers,
4. Preparing and presenting performance evaluation reports,
5. Attending Investment Committee meetings to present evaluation reports on a quarterly basis and at other meetings on an "as needed" basis,
6. Reviewing contracts and fees for both current and proposed Investment Managers for conformance to industry standards,
7. Reviewing and developing special investment strategies that complement existing asset classes or strategies to be considered by the Committee,
8. Communicating investment policies and objectives to the Investment Managers, monitoring their adherence to such policies and reporting all violations,
9. Notifying the Investment Committee of any significant changes in personnel or ownership of the advisory firm,
10. Assisting the Investment Committee in special tasks,
11. Notifying the Investment Committee of commencement of any litigation or enforcement or other regulatory action known to the Investment Advisor involving a violation of securities regulations in which any Investment Manager recommended by the Investment Advisor is involved,
12. Notifying the Investment Committee of any significant changes known to the Investment Advisor in portfolio managers, personnel or ownership of any investment management firm recommended by the Investment Advisor,
13. Assisting in the rebalancing of the portfolios,
14. Evaluating the Endowment Fund and other investment funds designated in the Advisory Agreement,
15. Providing research on specific issues and opportunities,
16. Being proactive in fulfilling these responsibilities with management and the Investment Committee in the management of the Funds, and
17. Reviewing the annuities and their investment strategy.

Investment Policies and Objectives

Objectives

The objectives, investment time horizon, and target asset allocation of each of the Funds are described in **Appendix A** of this document.

The investment objectives of the five separate funds within the Michigan Tech Fund are based on each pool's time horizon, allowing interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is enhanced by diversification of the Funds.

Over time, each of the five separate funds constituting the Michigan Tech Fund will aim to achieve its specific objective while maintaining acceptable risk levels. To accomplish this goal, the Funds will diversify assets among several asset classes. **Appendix B** provides permissible asset classes and appropriate index measures of these classes.

The following return objectives are designed to coincide with the objective of the Funds. All objectives for the Funds and Investment Managers described below are understood to be net of (after) investment expense.

1. Total Fund assets should achieve an annualized nominal rate of return equal to or greater than that of the Objective.
2. Total Fund assets should return, over trailing twelve-month periods, a nominal rate of return greater than or equal to a composite index created by combining various indices (**Appendix B**) in the same proportion as the Fund's target allocation (as described in the Asset Allocation section of this document).
3. In general, active managers will be expected to provide returns greater than their appropriate benchmark, net after fees, while utilizing acceptable risk levels, over moving thirty-six-month periods. In contrast, index, or passive managers will be expected to provide returns very nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

Volatility and Risk

The Investment Committee believes that the Objectives can be achieved while assuming acceptable risk levels commensurate with "market" volatility. "Market" volatility is defined as the trailing three-year standard deviation of investment returns (based on monthly data) of the benchmark indices deemed appropriate. In addition, the Investment Committee believes that properly managing draw down risk to limit the expected losses to the Funds during adverse market events is desirable.

The Investment Committee further believes that the greatest investment risk the Funds face is the probability of failing to meet the Funds' objectives over the time horizon. Therefore, to minimize the probability of failure, thereby minimizing risk, the following variables should be considered by the Investment Committee in all aspects of the decision-making process with regard to the Funds' investable assets:

- Probability of missing the objective
- Impact of inflation on the Funds
- Assets/style allocation as the primary determinant of long-term performance

Spending Rate Policy

The spending rate policy, as well as the spending rate, may differ among the Funds due to the various purposes and time horizons of each investment pool. The application of these elements for the Endowment Fund is fully described in **Appendix C**.

The Board has adopted a "total return" approach to calculating investment returns. The Investment Committee recognizes that the Funds' total return is comprised of both traditional "income" and realized and unrealized net capital gains or losses.

In recognition of these facts, the Investment Committee has determined to consider the Funds' total return from both income and net realized and unrealized capital gains or losses when administering the spending rate policy.

Administrative Fees

Administrative fees are defined as internal fees charged to Michigan Tech Fund accounts held in the Endowment Fund, Demand Fund, Non-Endowed Major Gift Fund, and APMP Fund and are calculated based upon average market values of each account. The administrative fee percentage is determined by the Board.

Policy Asset Allocation

The single most important investment decision is the allocation of the Michigan Tech Fund's investments to various asset classes. The primary purpose of the Michigan Tech Fund's Policy Asset Allocation is to provide a strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework that meets the long-term goals and objectives of the Michigan Tech Fund. Each asset class should not be considered alone but in the context of the overall structure of the portfolio. Diversification among asset classes has historically increased returns and reduced overall portfolio risk. How the different asset classes relate and interact with each other is the key to making asset allocation decisions within the context of the required risk and return trade-offs.

A core fundamental investment belief of the Michigan Tech Fund is that a bias toward investing in return seeking assets, which produce higher long-term returns, should be maintained. In addition, the Michigan Tech Fund's long-time horizon in the Endowment Fund is well suited to exploiting investments in illiquid, often private, less efficient asset classes where the empirical evidence supports the more persistent presence of higher potential returns. With these basic tenets in mind:

1. Return seeking asset bias for increased returns.
2. Diversification to reduce overall portfolio risk.
3. Long investment time horizon.

The following asset allocation framework was developed.

It is the responsibility of the Investment Committee to identify the Policy Asset Allocation that offers the highest probability of achieving the Michigan Tech Fund's investment objectives. The Investment Committee, with guidance and recommendations from the Investment Advisor shall review the asset allocation on an ongoing basis and recommend revisions to the Board as necessary.

The Policy Asset Allocation shall be determined based on a comprehensive asset allocation study completed by the Investment Advisor and reviewed from time to time, in depth. The Policy Asset Allocations of the Funds, as presented in **Appendix C–H**, is designed to give balance to the overall structure of the Michigan Tech Fund's investment program over the time horizon. However, some factors may impact the Policy Asset Allocations, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include:

1. The Investment Committee's assessment of the intermediate or long-term outlook for different types of asset classes and styles,
2. The Investment Advisor's assessment of the intermediate or long-term outlook for different types of asset classes and styles and,
3. Divergence in the performance of the different asset classes and styles.

General Asset Allocation Structure

The basic framework for developing the asset allocation mix for the Michigan Tech Fund is to consider the universe of investments fitting into two broad categories – return seeking assets and risk mitigating assets. Return seeking assets are generally the return drivers of the portfolio, provide portfolio diversification benefits during stable capital market conditions, but tend to see their diversification benefits diminish (as a result of rising correlations) during stressed capital market environments. As a result of their lower and more stable correlations (even in stressed capital market conditions), especially in relation to return seeking assets, risk mitigating assets provide a dependable diversification benefit during all market environments. By optimizing and controlling the overall portfolio mix between return seeking assets and risk mitigating assets, a more stable, risk managed portfolio results – especially during stressed capital market environments. What follows is a review of the return seeking assets and risk mitigating asset segments approved for use in portfolio construction.

Return Seeking Assets

<u>Global Public Equity:</u> Publicly traded U.S., developed international, and emerging market stocks are a core asset class of institutional portfolios with long-term investment horizons and moderate liquidity constraints. The objective of the Global Public Equity portfolio is to generate investment returns with adequate liquidity through consistent exposure to common stock investments. The Global Public Equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the global equity market which will primarily be achieved through the use of, but not limited to, commingled index funds and exchange traded funds (ETF's). The portfolio may seek to generate incremental returns (i.e., alpha or out performance) through an active investment strategy. The active investment strategy may include both skill and risk-based strategies employed in the form of both long only and/or long/short strategies. These strategies will be accessed primarily through commingled funds; ETF's, separately managed accounts (SMA's), and limited partnership structured vehicles. The primary benchmark for the Global Public Equity portfolio is the MSCI ACWI and its component sub-indices (i.e., MSCI ACWI US, MSCI ACWI ex-US, MSCI ACWI Large Cap, etc.).

<u>Global Credit:</u> Includes investments in publicly and privately traded fixed income strategies and securities which possess higher return characteristics and greater risks than those in the Risk Mitigating Fixed Income segment. These strategies and the securities that comprise them will attempt to generate "near equity" like returns through exposures to one or more of the following return / risk characteristics: structured and securitized fixed income instruments that expose the investor to increased optionality, market exposure, and credit risk; emerging market debt including exposures to currency risk; unhedged developed market credit instruments which take on currency and credit risk; high yield and below investment grade (i.e., "junk") bonds exposing investors to significant credit risk; levered loans and bank debt which provide enhanced credit and liquidity risks; and distressed debt securities whose issuer is in financial distress or default. The underlying liquidity of these instruments will vary greatly and can be highly sensitive to current market conditions. Exposure to bonds denominated in foreign currencies also pose additional volatility and currency translation risks. In stressed market environment, liquidity for the bonds and strategies employed in this segment can quickly diminish or disappear leading to significant market price gapping if positions need to be liquidated. Given that these securities are not perfectly correlated with other risk asset categories (although correlations can rise dramatically in a falling, or poor capital market environment) they do provide some moderate overall portfolio diversification benefits during normally functioning capital market environments. Investments in this sector tend to have duration and maturity structures that vary widely, and these bond strategies often provide a greater level of current income than investments in the Risk Mitigating Fixed Income segment due to their higher risk profile. Instruments in this segment come in both fixed and floating rate/coupon form. One of the main advantages of this portfolio segment is the above average yield these securities offer. That said, the investment focus will be total return – both income production and opportunities for capital appreciation. Many of the managers employed in this segment will utilize a combination of the above strategies to provide enhanced returns. Often these managers employ tactical rotation strategies to move in and out of different higher return / risk bond strategies to mitigate risks and improve the overall return profile for the portfolio. Managers who utilize this approach generally have very broad mandates and are known as "unconstrained" fixed income managers. These strategies will be accessed primarily through

commingled funds, ETF's, SMA's, and limited partnership structured vehicles. A variety of benchmark indices will be utilized to evaluate strategies in this segment including various Barclay's and Merrill Lynch U.S. High Yield Bond indices, the Credit Suisse Levered Loan Index, the JP Morgan Diversified Global Emerging Markets Bond Index series, Barclay's Universal and Multiverse indices, etc.

<u>Real Estate & Infrastructure:</u> The long-term objective of the Real Estate & Infrastructure portfolio is to provide equity-like returns while providing a partial hedge against inflation. Real estate and infrastructure investments (especially private real estate and infrastructure) provide good portfolio diversification benefits given their generally low correlations with other risk assets. Investments in real estate and infrastructure may be made in the form of both public market securities (i.e., primarily Real Estate Investment Trusts (REIT's) and other securities that possess many common characteristics of general public equity investments) and private real estate and infrastructure investments (i.e., actual direct investments, commingled fund vehicles, or limited partnership structures). Private investments in this asset class are invariably illiquid but come with the benefit of generally higher returns and better diversification benefits. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the Real Estate & Infrastructure portfolio will be FTSE/EPRA NAREIT Global Real Estate Index, the NCREIF Property Index, and the S&P Global Infrastructure Index.

<u>Natural Resources & Commodities</u>: Like the Real Estate & Infrastructure portfolio, the long-term objective of the Natural Resources & Commodities portfolio is to provide equity-like returns while providing a partial hedge against inflation. Natural resource and commodity investments (especially the "private" assets in this segment) provide good portfolio diversification benefits given their generally low correlations with other risk assets. Investments in natural resources and commodities may be made in the form of both public market securities (i.e., futures contracts, swaps, as well as public equity investments) and private investments in timber, oil and gas, mineral rights, or other natural resources (i.e.: actual direct investments, commingled fund vehicles, or limited partnership structures). Private investments in this asset class are invariably illiquid but come with the benefit of generally higher returns and better diversification benefits. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the Natural Resources & Commodities portfolio will be the Bloomberg Commodity Index, the New Edge Trend Index, as well as a variety of other natural resource indices to better match the focus and sometimes concentrated nature of these investment strategies.

<u>Hedge Funds</u>: The Hedge Fund segment of the portfolio includes managers specializing in asset allocation across multiple investment strategies that have low correlations and/or market exposure to other asset classes. The objective of this asset class is to generate near equity-like returns with less volatility and market exposure than long only investments in U.S. or international equities. Diversification across strategies and positions will be wide in order to dampen portfolio volatility. The portfolio's liquidity will be moderate, less than that of traditional public equities but more

liquid than private investments. This portfolio will focus on areas and strategies where value added by active management can contribute a substantial portion of the return. The underlying investments utilized by the managers in this portfolio segment are generally public market traded vehicles and will include traditional stocks and bonds as well as a variety of other derivative investments. Some of these investments could have limited liquidity and marketability. These strategies will be accessed primarily through limited partnership structured vehicles. The primary benchmark for Hedge Fund segment of the portfolio will be the HFRI Fund of Fund or HFRI Hedge Fund Indices (and their related components depending upon the focus, nature, and structure of the underlying fund investment).

Private Equity: The Private Equity segment of the portfolio includes illiquid investments in private and public companies domiciled both domestically and internationally. These investments include venture capital, buyout, high yield, and subordinated debt. The Private equity portfolio's objective is to earn higher returns than the public equity markets over the long term. This portfolio invests in highly illiquid positions and should generate higher returns as compensation for that illiquidity. A secondary objective of these investments is diversification. The portfolio's strategy is to invest in a select group of funds (or fund of funds) managed by the highest quality management teams. Like all investments in private asset classes, manager selection, access, ongoing due diligence, and scale are important drivers for implementing a successful investment strategy. Underlying fund managers are sought which have proprietary deal flow and whose experience enables them to bring strategic, operational, or technical expertise to a transaction in addition to financial acumen and capital. The portfolio will be diversified across investment categories and investment stage (i.e., vintage year). These investments are almost exclusively organized as limited partnership investments. The primary benchmark for the Private Equity portfolio is the Russell 2000 +200 basis points and the Cambridge Private Equity Index series.

Risk Mitigating Assets

U.S. Investment Grade Bonds: The U.S. Investment Grade Bond segment of the portfolio will consist primarily of publicly traded debt instruments of the U.S. government, its agencies, and U.S. domiciled corporations. In general, the underlying investments which comprise this portfolio will be intermediate in maturity/duration, high quality (i.e., investment grade rated), and highly liquid/marketable. The objective of the U.S. Investment Grade Bond portfolio is to generate income and most importantly provide stability/down-side risk protection for the portfolio in times of capital market stress. A low and stable correlation between the U.S. Investment Grade Bond portfolio and the Risk Asset portfolios are the primary determinant of the portfolio's ability to fulfill this mission. The U.S. Investment Grade Bond portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the broad U.S., investment grade, bond market and will primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio may seek to generate incremental returns (i.e., alpha) through an active investment strategy. The active investment strategies will be accessed primarily through commingled funds, ETF's, and SMA's. The primary benchmark for the U.S. Investment Grade Bond portfolio is the Barclay's U.S. Aggregate Bond Index (and its maturity / duration segmented sub components).

Inflation Protected Bonds (IPB): The IPB portfolio will consist primarily of publicly traded, inflation-protected, debt instruments of the U.S. government, foreign governments, and high quality, investment grade corporations (both domestic and foreign). The objective of the IPB portfolio is to generate real, inflation-adjusted income and most importantly provide stability/down side risk protection for the portfolio in times of capital market stress. A low and stable correlation between the IPB portfolio and the Risk Asset portfolios are the primary determinant of the portfolio's ability to fulfill this mission. The IPB portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the broad or maturity/duration targeted segment - primarily the U.S. Treasury Inflation Protected Securities (TIPS) market - and will primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio may seek to generate incremental returns (i.e., alpha) through an active investment strategy. The active investment strategies will be accessed primarily through commingled funds, ETF's, and SMA's. The primary benchmark for the IPB portfolio is the Barclay's U.S. TIPS Index (and its maturity/duration segmented subcomponents).

International Developed Market Bonds: Includes investments in publicly and privately traded debt instruments issued by corporations and governments in developed countries outside of the U.S. These credit instruments will carry investment grade ratings and characteristics. To be included as risk mitigating assets, the foreign currency exposure of the bonds should be hedged to the U.S. dollar. The underlying liquidity of these instruments will vary greatly and can be highly sensitive to global economic and market conditions. The instruments are issued in both fixed and floating rate/coupon form. These strategies will be accessed primarily through commingled funds, ETF's, SMA's, and limited partnership structured vehicles. The primary benchmark for the International Developed Market Bond portfolio will be the Barclay's Aggregate Global Bond Index ex-U.S. (Dollar Hedged) Index.

Cash: Cash investments are by their nature relatively risky investments given the general, long investment time horizon and low returns (i.e., often zero or negative returns on a real basis) – which result in a diminution in purchasing power - of these pools of capital. As a result, unless unusual circumstances exist, it is generally prudent to minimize the long-term cash allocation in the portfolio. Cash positions do however have value for meeting transaction liquidity, portfolio rebalancing needs, and as a volatility cushion during times of turbulent capital market activity. Commingled funds, invested in short maturity/duration, high quality, highly liquid and marketable, interest bearing, money market securities will generally be used to fulfill this asset class segment. The primary benchmark for the Cash portfolio is the 90-day U.S. Treasury Bill Index.

Portfolio Rebalancing

Rebalancing is a critical element in controlling the long-term asset allocation of the Michigan Tech Fund. The portfolio rebalancing policy will be implemented in a systematic and disciplined fashion using the guidelines outlined below.

Consistent with the limitations imposed by the Policy Asset Allocation, the Investment Advisors will periodically adjust the allocation of assets within the allowed target ranges depending on: (i) routine cash flows and net new money available for investment; and (ii) the relative performance of each and all asset classes. If the weighting of an asset class exceeds its target range, the

Investment Advisors shall either (a) rebalance the portfolio to within the target range within a reasonable period of time; or (b) seek approval from the Investment Committee to adjust the target range.

In general, the Investment Advisors are expected to review the portfolios at least quarterly to determine if any rebalancing activities are required. The Michigan Tech Fund's assets will be allocated in a manner consistent with the Policy Asset Allocation, as determined by the Investment Committee and the Investment Advisors given prevailing market conditions, with variations around the expected long-term policy normal allocation levels permitted within the ranges set in the asset allocation guidelines.

Permissible Investments

The Policy Asset Allocation of the Funds is expected to include a wide range of asset classes. These asset classes and their relative comparative indices are displayed in **Appendix B**. The asset classes include:

- Global Public Equity
- Global Credit
- Real Estate & Infrastructure
- Natural Resources & Commodities
- Hedge Funds
- Private Equity
- U.S. Investment Grade Bonds
- Inflation Protected Bonds
- International Developed Market Bonds
- Cash

Investment Policies for Investment Managers

The following are performance goals and constraint guidelines placed on individual asset managers within specific asset classes:

1. The Investment Advisor shall establish a clearly defined process for reviewing investment managers. This process should include reviewing any structural changes of the manager and the manager's returns compared to their benchmark and to their peers.
2. Trading and Execution: Managers should execute trades on a competitive basis, considering both commission and market impact, as compared to relative size funds.

Liquidity Management

The Endowment may have liquidity needs for operational commitments, need cash to meet annual payout requirements, or for the management of its legal commitments to draw down funds for certain private investments. Additionally, the portfolio needs to be able to respond to changing market conditions allowing the portfolio to be shifted modestly to take advantage of the relative or absolute attractiveness of certain asset classes over time. To address all these needs, care must be given to the level of liquid assets in the portfolio, the anticipated funding needs, and the level of future funding commitments while providing additional liquidity for unplanned or emergency needs. There should be an awareness of how liquidity can change in periods of capital market stress. Nevertheless, the permanent nature of the Endowment's capital should enable it to accept lower levels of liquidity in instances where capital is likely to earn a sufficient return premium.

As a general test of overall portfolio liquidity, the Endowment shall use an unfunded commitment to liquid asset ratio to determine an acceptable level of liquidity. This ratio will be the result of dividing the unfunded capital commitments (the portion of the capital commitments that have not been drawn down pursuant to the investment agreements) divided by the market value of liquid investments (for this test, liquid assets are defined as those assets which can be converted into cash within thirty business days or less and have no limitations – no "gates" – imposed on their liquidity). This ratio, or percentage, shall not exceed 0.60. To the extent the Endowment's investment portfolio meets or exceeds this basic liquidity test, there are no liquidity restrictions imposed on the management and operation of the portfolio. To the extent the Endowment's investment portfolio fails this basic liquidity test, further action or cash flow monitoring and liquidity plan must be developed, implemented, and monitored by the Investment Committee.

Other Investment Management Issues

1. *Securities Lending:* Investment Managers may engage in securities lending, or the "loan" of the Funds' securities in return for interest, to broker dealers as a means of enhancing income.
2. *Active vs. Passive Management:* The Investment Committee shall pursue both investment styles.
3. *Related Party Transaction:* The Funds will not loan funds to related parties, defined as an officer, Investment Committee member, employee, or donor, either current or prospective.

Performance Goals for Investment Advisors

The Investment Advisors will be reviewed on an annual basis and evaluated upon the performance of the duties outlined in *Delegation of Responsibilities, Investment Advisor,* of this Statement of Investment Policy.

Procedure for Revising Guidelines

All investment policies and performance goals will be reviewed annually or when deemed necessary by the Investment Committee. The Board must approve changes to this policy.

Conflicts of Interest

All persons responsible for investment decisions or who are involved in the management of the Funds or who are consulting to, or providing any advice whatsoever to the Investment Committee shall disclose in writing at the beginning of any discussion or consideration by the Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Investment Committee may require such persons to remove themselves from the decision-making process.

Any members of the Investment Committee responsible for investment decisions or who are involved in the management of the Funds shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably tend to influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by the Investment Committee. The intent of this provision is to eliminate conflicts of interest between Committee membership and the Michigan Tech Fund. Failure to disclose any material benefit shall be grounds for immediate removal from the Investment Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Funds' custodian(s), Investment Managers, or Investment Advisor in the course of their services on behalf of the Michigan Tech Fund.

APPENDIX A

SUMMARY TABLE OF FUND INVESTMENT CRITERIA

Fund	Objective	Investment Time Horizon	Target Asset Allocation
Endowment	High Real Return & Long-Term Growth	25+ Years	Return Seeking: 80.0% Risk Mitigating: 20.0%
Demand Fund	Liquidity & Preservation of Capital	1 Year	Return Seeking: 0.0% Risk Mitigating: 100.0%
Specialized / Other Fund	As stipulated by the donor guidelines or use the general asset allocation mix specified here which assumes a 25+ year investment time horizon		Return Seeking: 70.0% Risk Mitigating: 30.0%
Gift Annuity Reserve Fund	Gift Annuity Reserves	25+ Years	Return Seeking: 70.0% Risk Mitigating: 30.0%
Non-Endowed Major Gift Fund	Liquidity & Moderate Growth	1 - 5 Years	Return Seeking: 40.0% Risk Mitigating: 60.0%

[1] **based upon Morgan Stanley's Global Investment Committee Markets Assumptions (CMA).**

APPENDIX B

COMPARATIVE INDICES FOR INVESTMENT MANAGERS

Asset Class	Comparative Index
Global Public Equity	MSCI ACWI; Russell 1000 / 2000 / 3000; S&P 500; MSCI ACWI ex-US; MSCI EAFE; MSCI Emerging Markets; MSCI Frontier Emerging Markets
Global Credit	Barclay's Corporate High Yield; Merrill Lynch US High Yield Bond; Credit Suisse Levered Loan; JP Morgan Diversified Emerging Markets Bond; Barclay's Multiverse Bond; Barclay's Universal Bond; Barclay's Global Aggregate Bond
Real Estate & Infrastructure	FTSE EPRA/NAREIT US & Global Real Estate; S&P US & Global REIT; NCREIF Property; S&P Global Infrastructure; MSCI US & Global Infrastructure; DJ Brookfield Infrastructure; Alerian MLP
Natural Resources & Commodities	Bloomberg Commodity Index; Newedge Trend Index
Hedge Fund	HFRI Hedge Funds
Private Equity	Russell 2000 Index + 2%; Cambridge Private Equity
U.S. Investment Grade Bonds	Barclay's US Aggregate Bond
Inflation Protected Bonds	Barclay's US TIPS
International Developed Market Bonds	Barclay's Global Aggregate ex-US (Dollar Hedged)
Cash	90-day US Treasury Bill

APPENDIX C

ENDOWMENT FUND ASSET ALLOCATION

Objective: The objective of the Endowment Fund is to achieve a total return equivalent to or greater than the Endowment Fund's financial requirements over the time horizon. The Endowment Fund's financial requirements are the sum of the spending rate, the long-term inflation rate (as indicated by the Higher Education Price Index), the aggregate costs of portfolio management which includes the administrative fee, and any growth factor which the Investment Committee may recommend to the Board.

The Investment Committee will recommend a Policy Asset Allocation designed to achieve a return equal to or greater than the objective. The excess return over the objective is designed both to reduce the probability of missing the objective over the time horizon and to provide for growth of the Endowment Fund.

General Investment Considerations:

- **Risk:** The Investment Committee will seek to limit the overall level of risk consistent with the chosen Policy Asset Allocation.
- **Liquidity:** Because the vast majority of the Endowment Fund's assets are marketable, liquidity can be obtained as needed; therefore, the Endowment Fund does not require a significant allocation to cash or cash equivalents.
- **Time Horizon:** The Endowment Fund has an infinite life. An investment time horizon of twenty-five years is appropriate.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are assessed against the average balances of the funds invested in the Endowment Fund.

Spending Rate Policy

The Investment Committee recognizes both the short-term need of the Endowment Fund for annual income from the investment portfolio, and the long-term need for maintenance and growth of the Fund's purchasing power. As a result, the Board may appropriate for expenditure in any year for the uses and purposes for which the Endowment Fund is established so much of the net appreciation, realized and unrealized, in the fair market value of the investment portfolio over the historic dollar value of the investment portfolio as is prudent, but in all events not to exceed the amount determined under this Spending Rate Policy. This amount shall include any extra disbursement made by the Board in recognition of market conditions.

The Board has adopted the Historical Endowment Purchasing Power Preservation Value ("HEPPPV") spending rate policy. The calculation method for the HEPPPV adjusted spending rate is illustrated in **Appendix I**. The goal of the HEPPPV spending rate policy is to make decisions on future spending based on the current market value of the Endowment Fund while accounting for inflation, historical spending, and contributions to the Endowment Fund. The HEPPPV methodology allows for an adjustment to "normal" spending based up historical market returns compared to required returns needed to maintain Endowment Fund purchasing power over time. To the extent that the Endowment Fund's actual market value tracks above (below) the value of the HEPPPV, the base spending rate of 4% is increased (decreased). The spending rate policy will be reviewed periodically by the Investment Committee, taking into consideration evolving trends with respect to investment returns and the rate of inflation. The Investment Committee will recommend to the Board for approval, adjustments to the base spending rate when appropriate.

Spending Rule

The Endowment Fund will distribute to every endowment account an amount equal to the product of an endowment account's average market value for the trailing twelve quarters ending June 30, multiplied by the HEPPPV adjusted spending rate. The amount to be distributed will be calculated as of June 30, communicated to the University, and will not fluctuate throughout the fiscal year.

ENDOWMENT FUND POLICY ASSET ALLOCATION

	Policy Normal Level	Lower Range		Upper Range
Return Seeking Assets:				
Global Public Equity	30.0%	20.0%	-	40.0%
Global Credit	5.0%	0.0%	-	10.0%
Real Estate & Infrastructure	12.0%	5.0%	-	20.0%
Natural Resources & Commodities	3.0%	0.0%	-	10.0%
Hedge Fund	5.0%	0.0%	-	12.0%
Private Equity	25.0%	15.0%	-	35.0%
Subtotal	80.0%	60.0%	-	85.0%
Risk Mitigating Assets:				
Core Domestic Fixed Income	19.0%	15.0%	-	30.0%
Short Term Fixed Income	0.0%	0.0%	-	8.0%
Inflation Protected Securities	0.0%	0.0%	-	8.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	-	8.0%
Cash	1.0%	0.0%	-	15.0%
Subtotal	20.0%	15.0%	-	40.0%
Total:	100.0%			

APPENDIX D

DEMAND FUND ASSET ALLOCATION

Objective: The objective of the Demand Fund is to preserve capital and maintain liquidity.

General Investment Considerations:

- **Risk:** Because of the relatively short time horizon of the instruments in the Demand Fund, there is little tolerance for risk of principal.
- **Liquidity:** Because the necessary liquidity to meet the withdrawals from the fund, there is an explicit allocation to marketable assets.
- **Time Horizon:** The Demand Fund has an investment time horizon of one year.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are assessed against the average balances of the funds invested in the Demand Fund.

DEMAND FUND POLICY ASSET ALLOCATION

	Policy Normal Level	Lower Range		Upper Range
Return Seeking Assets:				
Global Public Equity	0.0%	0.0%	-	0.0%
Global Credit	0.0%	0.0%	-	0.0%
Real Estate & Infrastructure	0.0%	0.0%	-	0.0%
Natural Resources & Commodities	0.0%	0.0%	-	0.0%
Hedge Fund	0.0%	0.0%	-	0.0%
Private Equity	0.0%	0.0%	-	0.0%
Subtotal	0.0%	0.0%	-	0.0%
Risk Mitigating Assets:				
Core Domestic Fixed Income	45.0%	30.0%	-	60.0%
Short Term Fixed Income	30.0%	20.0%	-	50.0%
Inflation Protected Securities	0.0%	0.0%	-	10.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	-	10.0%
Cash	25.0%	15.0%	-	40.0%
Subtotal	100.0%		-	
Total:	100.0%			

APPENDIX E

SPECIALIZED FUND ASSET ALLOCATION

Objective: The objective of the Specialized Fund is to meet unique donor requests.

General Investment Considerations:

- **Risk:** The risk considerations are based on the donor stipulations.
- **Liquidity:** Liquidity needs are based on donor stipulations.
- **Time Horizon:** The time horizon is based on the donor stipulations.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are based upon donor stipulations.

SPECIALIZED FUND POLICY ASSET ALLOCATION

	Policy Normal Level	Lower Range		Upper Range
Return Seeking Assets:				
Global Public Equity	57.0%	40.0%	-	70.0%
Global Credit	5.0%	0.0%	-	10.0%
Real Estate & Infrastructure	5.0%	0.0%	-	10.0%
Natural Resources & Commodities	3.0%	0.0%	-	6.0%
Hedge Fund	0.0%	0.0%	-	0.0%
Private Equity	0.0%	0.0%	-	0.0%
Subtotal	70.0%	55.0%	-	80.0%
Risk Mitigating Assets:				
Core Domestic Fixed Income	28.0%	18.0%	-	38.0%
Short Term Fixed Income	0.0%	0.0%	-	14.0%
Inflation Protected Securities	0.0%	0.0%	-	14.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	-	8.0%
Cash	2.0%	0.0%	-	15.0%
Subtotal	30.0%	20.0%	-	45.0%
Total:	100.0%			

APPENDIX F

GIFT ANNUITY RESERVE FUND ASSET ALLOCATION

Asset Allocation: The asset allocation for the Gift Annuity Reserve Fund can be found below.

GIFT ANNUITY RESERVE FUND POLICY ASSET ALLOCATION

	Policy Normal Level	Lower Range		Upper Range
Return Seeking Assets:				
Global Public Equity	57.0%	40.0%	-	70.0%
Global Credit	5.0%	0.0%	-	10.0%
Real Estate & Infrastructure	5.0%	0.0%	-	10.0%
Natural Resources & Commodities	3.0%	0.0%	-	6.0%
Hedge Fund	0.0%	0.0%	-	0.0%
Private Equity	0.0%	0.0%	-	0.0%
Subtotal	70.0%	55.0%	-	80.0%
Risk Mitigating Assets:				
Core Domestic Fixed Income	28.0%	18.0%	-	38.0%
Short Term Fixed Income	0.0%	0.0%	-	14.0%
Inflation Protected Securities	0.0%	0.0%	-	14.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	-	8.0%
Cash	2.0%	0.0%	-	15.0%
Subtotal	30.0%	20.0%	-	45.0%
Total:	100.0%			

APPENDIX G

NON-ENDOWED MAJOR GIFT FUND ASSET ALLOCATION

Objective: The objective of the Non-Endowed Major Gift Fund is to invest funds for specific non-endowed purposes for which the Michigan Tech Fund serves as a custodian and manager. Typically, these funds are larger in nature and have an expected spending related to the strategic plan (i.e., a one-to-five-year time horizon).

General Investment Considerations:

- **Risk:** The Investment Committee will seek to limit the overall level of risk consistent with the chosen Policy Asset Allocation.
- **Liquidity:** The investments consist of liquid securities.
- **Time Horizon:** One to five years.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are assessed against the average balances of the funds invested in the Non-Endowed Major Gift Fund.

NON-ENDOWED MAJOR GIFT FUND POLICY ASSET ALLOCATION

	Policy Normal Level	Lower Range		Upper Range
Return Seeking Assets:				
Global Public Equity	32.0%	22.0%	-	42.0%
Global Credit	2.0%	0.0%	-	4.0%
Real Estate & Infrastructure	4.0%	0.0%	-	8.0%
Natural Resources & Commodities	2.0%	0.0%	-	4.0%
Hedge Fund	0.0%	0.0%	-	0.0%
Private Equity	0.0%	0.0%	-	0.0%
Subtotal	40.0%	30.0%	-	50.0%
Risk Mitigating Assets:				
Core Domestic Fixed Income	40.0%	32.0%	-	48.0%
Short Term Fixed Income	10.0%	5.0%	-	20.0%
Inflation Protected Securities	0.0%	0.0%	-	10.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	-	8.0%
Cash	10.0%	5.0%	-	20.0%
Subtotal	60.0%	50.0%	-	70.0%
Total:	100.0%			

APPENDIX H

APPLIED PORTFOLIO MANAGEMENT PROGRAM (APMP) GUIDELINES

APMP investments shall be in the custody of Ameriprise Financial or a Michigan Tech Fund approved brokerage firm.

A representative from the Michigan Tech Fund shall serve on the APMP advisory board.

The Investment Committee reserves the option to request an annual presentation by the APMP students to the Board.

Assets under management by the APMP students shall be capped at 2% of the Michigan Tech Fund's managed endowment. Anything over this amount shall be managed by the Michigan Tech Fund's Investment Advisor for the benefit of the APMP program.

APMP shall be charged an annual administrative fee of $4,000. The annual administrative fee is to facilitate the competitiveness of the investment performance in the APMP. This fee structure shall be evaluated every three years.

APPENDIX I

HISTORICAL ENDOWMENT PURCHASING POWER PRESERVATION VALUE (HEPPPV) CALCULATION

The information below illustrates how the HEPPPV adjusted spending rate is calculated annually.

Calculation 1

Beginning Endowment Market Value + (Beginning Endowment Market Value x Inflation Rate) + Fiscal Year Donations = Ending HEPPPV

Calculation 2

Ending Endowment Market Value/Ending HEPPPV = HEPPPV Adjustment Factor

Calculation 3

12-Quarter Average Endowment Market Value x Base Spending Rate = Base Spending Amount

Calculation 4

HEPPPV Adjustment Factor x Base Spending Amount = HEPPPV Adjusted Spending Amount

Calculation 5

HEPPPV Adjusted Spending Amount/Ending Endowment Market Value = HEPPPV Adjusted Spending Rate

Signatures:

Richard Koubek, President
Michigan Tech Fund

Julie Seppala, Treasurer
Michigan Tech Fund

This Statement of Investment Policy must be reviewed by the Investment Committee at least once a year and confirmed as appropriate or amended as necessary at that time.