Michigan Tech Fund

Statement of Investment Policy

Approved February 2022

Contents

Executive Summary

- The Board of Directors (the "Board"), ultimately, is responsible for making the decisions that affect Michigan Tech Fund's investment (the "Funds"). The Board receives information and recommendations from the Investment Committee.
- The Policy Asset Allocation decision is, arguably, the most important decision made by the Board with regard to the Investment Funds. The Board is responsible for determining the Policy Asset Allocation target, 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 investment policy and permissible asset class ranges.
- The Long-Term Objective of the Endowment Fund is to achieve a total return equal to or in excess of the Endowment Fund's financial requirements over the Time Horizon. In addition to achieving the Spending Rate, the Policy Asset Allocation, as described herein, is designed to cover the costs of inflation, investment management/advisory fees, administrative costs, any growth factor, which the Board may, from time to time, determine appropriate.
- 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 investment policies, guidelines and objectives governing all assets 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. The assets for which the Michigan Tech Fund is responsible for include the Endowment Fund, Demand Fund, Unrestricted Fund, Specialized Accounts, Non-Endowed Major Gift Fund, and the Gift Annuities.

Scope of Policy

This Statement of Investment Policy applies to all investable assets held by the Michigan Tech Fund on behalf of Michigan Technological University. Separate pools 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: scholarships, faculty endowments and grants, departmental use, equipment, fellowships, awards, and other.
- **Non-Endowed Major Gift Fund:** Defined as funds for specific non-endowed purposes for which the Fund serves as a custodian and manager. Typically, these funds are larger in nature and have a strategic plan use of one to five years. Examples include: Athletics, Departmental, Equipment, Fellowships, Grants, Student Loans, Awards, Scholarships, Senior Challenges, and Other.
- **Demand Fund:** Defined as funds received for specific non-endowed purposes for which the Fund serves as a custodian and manager. These may be contributions or deposits. Withdrawals from funds, including principal, may be made at any time with the authority of the University department head or their designee. There are no specific cash-flow requirements for these funds. Examples include: Athletics, Departmental, Equipment, Fellowships, Grants, Student Loans, Awards, Scholarships, Senior Challenges, and Other.
- **Unrestricted Fund:** Sources of funds for this category include unrestricted bequests, unrestricted annual gifts, and fees assessed by the Michigan Tech Fund.
- **Specialized Accounts:** Special accounts established to meet unique donor request. These are established to fulfill specified investment guidelines or income requirements. Examples include: Bosch Fund and Pooled Income Fund.
- **Gift Annuities:** Special accounts established for planned gifts received for annuities.
- **Applied Portfolio Management Program (APMP):** Investments managed by Michigan Tech students in the Applied Management Portfolio Program.

Delegation of Responsibilities

Relationship between Board and Investment Committee

The Board, ultimately, is responsible for making the decisions that govern all aspects of the Michigan Tech Fund's investments. The Board has created the Investment Committee, a working committee of the Board to coordinate the activities of the Investment Advisor and the Custodian, and to study issues pertinent to the Funds. The Board has delegated authority to the Investment Committee to act on behalf of the Board in the performance of the Committee's delegated responsibilities as set forth below. The Investment Committee shall report to the Board on its activities.

The Board's responsibilities include:

1. Engaging outside agencies to provide administrative and custodial services and outside independent auditors to account for the Funds' assets and activities.
2. Approving changes to the Statement of Investment Policy as recommended by the Investment Committee.
3. Approving the asset allocation policy and permissible asset class ranges.

Investment Committee of the Board

The Board sets investment objectives and performance measurement standards. In turn, the Board has delegated to the Investment Committee the responsibility to monitor the Funds' investment management on its behalf. The Investment Committee has the responsibility to ensure that the assets of the Michigan Tech Fund are managed in a manner that is consistent with the policies and objectives of the 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 Fund and for the exclusive purpose of meeting the financial needs of Michigan Tech.

The Investment Committee's responsibilities include:

1. Reviewing recommendations from the Investment Advisor.
2. Recommending investment policy and asset class ranges for Board approval, and acting within those approved asset class ranges, determining and allocating amongst sub-asset classes.
3. Selecting Investment Advisors, Custodians, and other Advisors, in accordance with this policy.
4. Recommending Investment Advisors, Custodians, and other Advisors to the Board for approval.
5. Developing investment objectives and performance measurement standards that are consistent with the financial needs of Michigan Tech, for approval by the Board.
6. Reviewing the Policy Asset Allocation and rebalancing strategies.

7. Reviewing and evaluating investment results in the context of predetermined performance standards, and implementing corrective action as needed.
8. Reporting to the Board.
9. Recommending Spending Policy guidelines for approval by the Board.

The policies described in this Statement 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

Investment Advisor

The Investment Committee may recommend to the Board the engagement of an independent investment-advisory firm to assist the Fund in the attainment of the Funds' objectives and to monitor compliance with the stated investment policies. The Investment Advisor is expected to be proactive in recommending changes in investment strategy, asset allocation, and investment managers if the situation warrants change. 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 pools 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.
17. Reviewing the annuities and their investment strategy.

Investment Discretion: Consistent with the appointment of the Investment Advisor and the terms of the Graystone Consulting Agreement ("Agreement") that the Funds has entered into, the Investment Advisor is responsible for recommending and as appropriate, modifying the Funds' asset allocation, consistent with the terms of the Agreement and this Statement.

The Investment Advisor also has the responsibility and authority to manage the Funds' assets. In order to carry out its investment duties, the Investment Advisor will appoint Investment Managers to manage designated components of the Funds on a day-to-day basis, consistent with the terms of the Agreement and this Statement. 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 Funds. The Investment Advisor represents that with respect to the performance of its duties under this Statement, 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, and will ensure that each Investment Manager it selects for the investment of the Funds 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 "Funds", the Funds 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 guidelines, the Funds understands that individual Fund portfolio holdings may not at all times be consistent with this Statement.

The Custodian's responsibilities are as follows:

1. Providing timely reports detailing investment holdings and account transactions monthly to the Michigan Tech Fund and the Investment Advisor.
2. Providing an annual summary report to the Michigan Tech Fund and the Investment Advisor within 30 days following each fiscal year end. The report will include the following:
    a. Statement of all property on hand.
    b. Statement of all property received representing contributions to the accounts.
    c. Statement of all sales, redemptions, and principal payments.
    d. Statement of all spending from the account.
    e. Statement of all expenses paid.
    f. Statement of all purchases.
    g. Statement of all income.
3. Establishing and maintaining accounts for all Investment Managers of the Funds.
4. Providing all normal custodial functions including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of un-invested cash, etc.
5. Preparing additional accounting reports as requested by the Michigan Tech Fund, Investment Committee, or the Investment Advisor.

Investment Policies and Objectives

General Investment Philosophy

Objective: The Objective and general investment criteria of each of the Funds shall be described in Appendix A of this document.

The investment objectives of the six separate Pools within the Michigan Tech Fund are based on each Pool's investment 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 six separate Pools 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 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
- Asset/Style Allocation as the primary determinant of long-term performance

Spending Rate Policy

Sources of Spending

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.

Total Return Policy

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.

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 when administering the Spending Rate Policy. When distributions are made, they will be withdrawn from the Funds regardless of the portion of the total return that is from capital gains or from income.

Administrative Fees

Administrative fees are defined as fees charged to the Funds and are calculated based upon the market value of each of the Funds.

Asset Allocation

The single most important recommendation made by the Investment Committee is the Policy Asset Allocation. Investment research has determined that a significant portion of a portfolio's investment behavior can be attributed to (1) the asset classes/styles which are employed by the Fund, and (2) the weighting of each asset class/style. It is the responsibility of the Investment Committee to identify the Policy Asset Allocation that offers the highest probability of achieving the Funds' investment objectives. The Investment Committee, with guidance and recommendations from the Investment Advisor shall review the asset mix 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 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 Funds 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.S. Equity: Publicly traded U.S. stocks are a core asset class of institutional portfolios with long-term investment horizons and modest liquidity constraints. The objective of the Domestic Equity portfolio is to generate investment returns with adequate liquidity through consistent exposure to common stock investments. The U.S. 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 U.S. equity market which will primarily be achieved through the use of, but not limited to, commingled index funds and exchange traded funds (ETFs). 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 (SMAs), and limited partnership structured vehicles. The primary benchmark for the Domestic Equity portfolio is the Russell 3000 and its component sub-indices (i.e., Russell 1000, Russell 2000, etc.).

International Developed & Emerging Market Equity: Publicly traded stocks of predominantly international markets, both in developed and developing regions. Although the correlations between international and U.S. equities has been on the rise in recent years and can rise rapidly in times of market stress, the Organization believes that over long periods of time through globalization - increasing industrialization, strong demographic trends, and increasing depth and efficiency of capital markets in foreign markets – international equities offer the opportunity to generate higher returns than available in the U.S. markets alone and impart some diversification benefits. The objective of the International Equity portfolio is to generate investment returns with adequate liquidity and to provide modest diversification benefits to the entire portfolio. The International Equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost, broad exposure to the international equity markets and will primarily be achieved through the use of, but not limited to, commingled index funds and ETF's. The portfolio seeks to generate incremental returns (i.e., alpha or out performance) through its 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, ETFs, SMAs, and limited partnership structured vehicles. The primary benchmark for the International Equity portfolio is the MSCI All Country World Index (ACWI) ex-US and its component sub-indices (i.e., MSCI EAFE, MSCI Emerging Markets, etc.).

High Yield Bonds: Includes investments in publicly and privately traded credit and credit-related securities which possess below investment grade ratings or characteristics of lower quality debt instruments. Investments in this segment of the portfolio will generally fall into three main categories – high yield (or "junk") bonds, levered loans/bank loan debt, and distressed debt securities. The underlying liquidity of these instruments will vary greatly and can be highly sensitive to current market conditions. In stressed market environment, liquidity can quickly diminish or disappear leading to significant market price discounts if these positions need to be liquidated. Given that these securities are not highly 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. Investments in this sector tend to have shorter maturities/durations than high quality, intermediate maturity core fixed income investments (i.e., due to their lower credit quality standing) and higher current income returns. They are available in both fixed and floating rate/coupon form. One advantage of this portfolio segment is the above average yield these securities offer. That said, the portfolio will focus on total return – both income production and opportunities for capital appreciation in evaluating the opportunity set within this portfolio segment. These strategies will be accessed primarily through commingled funds, ETFs, SMAs, and limited partnership structured vehicles. The primary benchmark for the High Yield Fixed Income portfolio will be the Barclay's High Yield Bond index and the Credit Suisse Levered Loan Index.

International Emerging Market Bonds: Includes investments in publicly and privately traded debt instruments issued by corporations and governments outside of the U.S. These credit instruments will carry both investment grade and below investment grade ratings and characteristics. In addition, a secondary risk is that many of these securities are issued in foreign currencies and carry exchange rate risk. The underlying liquidity of these instruments will vary greatly and will be highly sensitive to global economic and market conditions. In stressed market environment, liquidity can quickly diminish or disappear leading to significant market price discounts if these positions need to be liquidated. Given that these securities are not generally highly 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. The instruments are issued in both fixed and floating rate/coupon form. For situations where a higher allocation to non-U.S. dollar denominated assets is desired – due to a unique circumstance or a prolonged decline in the value of the U.S. dollar versus other foreign currencies – exposure to International Emerging Market Bonds can provide added portfolio benefits. These strategies will be accessed primarily through commingled funds, ETFs, SMAs, and limited partnership structured vehicles. The primary benchmark for the International Emerging market Bond portfolio will be the JP Morgan Diversified Global Emerging Markets Bond Index.

Real Estate & Infrastructure: 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, ETFs, SMAs, 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 DJ-Brookfield Global Infrastructure Index.

Natural Resources & Commodities: 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, ETFs, SMAs, 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.

Hedge Funds: 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 Cambridge Private Equity Index series, as well as a variety of other private equity indices to better match the focus and sometimes concentrated nature of these investment strategies.

Risk Mitigating Assets

U.S. Investment Grade Bond: 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, ETFs, and SMAs. 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 ETFs. 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, ETFs, and SMAs. The primary benchmark for the IPB portfolio is the Barclay's U.S. TIPS Index (and its maturity/duration segmented sub components).

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, ETFs, SMAs, 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 for a Funds 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

Since Policy Asset Allocation is the most critical component of the Funds' returns, it is desirable to rebalance each Fund periodically to minimize deviations from the Policy Asset Allocation mix that would have adverse impacts on the expected return and risk profile of the Funds. In setting the desired Policy Asset Allocation for each Fund, a minimum and maximum range will be built around the desired target asset allocation level. If/when the asset allocation of any segment or sub-segment falls outside the minimum or maximum asset allocation range, the Investment Advisor should automatically rebalance the Fund to insure the funds' asset allocation is moved back into compliance with the Policy Asset Allocation.

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 Equity
- Global Credit
- Real Estate & Infrastructure
- Natural Resources & Commodities
- Hedge Funds
- Private Equity
- Core Domestic Fixed Income
- Short Term Fixed Income
- Inflation Protected Securities
- International (US $ Hedged) Fixed Income
- Money Market

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.

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 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 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 Mix
Endowment	High Real Return & Long-term Growth	25+ Years	Return Seeking: 75.0% Risk Mitigating: 25.0%
Demand Fund	Liquidity & Preservation of Capital	1 Year	Return Seeking: 0.0% Risk Mitigating: 100.0%
Unrestricted Fund	Liquidity & Preservation of Capital	1 – 5 Years	Return Seeking: 0.0% Risk Mitigating: 100.0%
Specialized/Other Fund	As stipulated by Donor guidelines or use the general asset allocation mix specified here which assumes a 25+ year investment time horizon	As stipulated by 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%

Based upon Morgan Stanley’s Global Investment Committee Markets Assumptions (CMA).

Appendix B – Comparative Indices for Investment Managers

Asset Class	Comparative Index
Global Equity	Russell 1000 / Mid Cap / 2000 / 3000 (and its growth / value subcomponents); CRSP US Total Market; MSCI ACWI; MSCI ACWI ex US (and its small / SMID / growth / value subcomponents; MSCI EAFE (and its small / SMID / value / growth subcomponents; FTSE all World ex US; MSCI Emerging Markets; MSCI Frontier & Emerging Markets; & MSCI Frontier Markets
Global Credit	Barclay's Universal; Citi World Government Bond Index; Barclay's High Yield Bond' Merrill Lynch High Yield Bond; JP Morgan GBI-EM Global Diversified; & Credit Suisse Levered Loan
Real Estate & Infrastructure	FTSE EPRA – NAREIT Index series; NCREIF Property; & DJ-Brookfield Global Infrastructure
Natural Resources & Commodities	Bloomberg Commodity Index; Newedge Trend Index
Hedge Fund	HFRI Hedge Fund Composite series
Private Equity	Cambridge Private Equity Composite series
Core Domestic Fixed Income	Barclay's Aggregate Bond & Barclay's Intermediate Government / Credit Bond Index Series
Short Term Fixed Income	Barclay's Short Term & Intermediate Term Bond Index series; 90-day US Treasury Bills
Inflation Protected Securities	Barclay's UP TIPs series & Merrill Lynch TIPs series
International (US $ Hedged) Fixed Income	Barclay's Global Aggregate ex-US Dollar (US$ Hedged) series
Money Market	90-day US Treasury Bills

Appendix C – Endowment Fund Objectives and Guidelines

Objective: The Objective of the Endowment Fund, as determined by the Board, 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, attributable costs of the Michigan Tech Fund's administration, and any growth factor which the Investment Committee may, from time to time, recommend to the Board, as appropriate. The Investment Committee has recommended 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.

Spending Rate Policy

Sources of Spending

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.

Spending Rate

The Investment Committee recognizes that a Spending Rate equal to the Endowment Fund's total returns each year will doom the Endowment Fund to declining real values, due to the effects of inflation and costs of investment management. The Spending Rate will be reviewed periodically by the Investment Committee in light of evolving trends with respect to investment returns and the rate of inflation and recommended for approval by the Board. Adjustments will be made when appropriate. When considering the investment performance of the Endowment Fund, the

Investment Committee will consider the total returns of the Endowment Fund, including dividends on stock, interest on fixed-income securities, and capital gains, both realized and unrealized.

Administrative Fees

Administrative fees are the fees charged to the Endowment Fund calculated based upon the expected return and balance of the Fund.

Spending Rule

It shall be the policy of the Endowment Fund to distribute to every endowment account an amount equal to the product of the investment portfolio's average market value for the trailing twelve quarters ending June 30th, multiplied by the Spending Rate. The amount to be distributed will be calculated as of June 30th and will be communicated to the University. This amount will not fluctuate throughout the fiscal year.

Endowment Fund Asset Allocation Policy

	Policy Normal Level	**Lower Range**	**Upper Range**
Return Seeking Assets			
Global Equity	40.0%	30.0%	60.0%
Global Credit	2.0%	0.0%	8.0%
Real Estate & Infrastructure	8.0%	4.0%	12.0%
Natural Resources & Commodities	0.0%	0.0%	6.0%
Hedge Funds	5.0%	0.0%	10.0%
Private Equity	20.0%	5.0%	25.0%
Sub Total	75.0%	60.0%	85.0%
Risk Mitigating Assets			
Core Domestic Fixed Income	23.0%	15.0%	35.0%
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%
Money Market	2.0%	0.0%	15.0%
Sub Total	25.0%	15.0%	40.0%
Total	100.0%		

Appendix D – Demand Fund Objectives and Guidelines

Objective: The Objectives of the Demand Fund are liquidity and preservation of capital.

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 the fees charged to the Demand Fund based upon the expected return and balance in the Fund.

Demand Fund Asset Allocation Policy

	Policy Normal Level	**Lower Range**	**Upper Range**
Return Seeking Assets			
Global 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 Funds	0.0%	0.0%	0.0%
Private Equity	0.0%	0.0%	0.0%
Sub Total	0.0%	0.00%	0.00%
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%
Money Market	25.0%	15.0%	40.0%
Sub Total	100.0%		
Total	100.0%		

Appendix E – Unrestricted Fund Objectives and Guidelines

Objective: The Objectives of the Unrestricted Fund are liquidity and preservation of capital.

General Investment Considerations:

- **Risk:** Because of the relatively short time horizon of the instruments in the Unrestricted Fund, there is little tolerance for risk of principal.
- **Liquidity:** Because of the necessary liquidity to meet the withdrawals from the fund, there is an explicit allocation to marketable assets.
- **Time Horizon:** The Unrestricted Fund has an investment Time Horizon of one to five years.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are the fees charged to the Unrestricted Fund based upon the expected return and balance in the Fund.

Unrestricted Fund Asset Allocation Policy

	Policy Normal Level	**Lower Range**	**Upper Range**
Return Seeking Assets			
Global 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 Funds	0.0%	0.0%	0.0%
Private Equity	0.0%	0.0%	0.0%
Sub Total	0.0%	0.00%	0.00%
Risk Mitigating Assets			
Core Domestic Fixed Income	55.0%	30.0%	75.0%
Short Term Fixed Income	30.0%	20.0%	40.0%
Inflation Protected Securities	0.0%	0.0%	10.0%
International (US $ hedged) Fixed Income	0.0%	0.0%	10.0%
Money Market	15.0%	10.0%	40.0%
Sub Total	100.0%		
Total	100.0%		

Appendix F – Specialized Fund Objectives and Guidelines

Objective: The Objectives of the Specialized Fund are 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 Asset Allocation Policy

	Policy Normal Level	**Lower Range**	**Upper Range**
Return Seeking Assets			
Global 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 Funds	0.0%	0.0%	0.0%
Private Equity	0.0%	0.0%	0.0%
Sub Total	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%
Money Market	2.0%	0.0%	15.0%
Sub Total	30.0%	20.0%	45.0%
Total	100.0%		

Appendix G – Gift Annuity Reserve Fund Objectives and Guidelines

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

Gift Annuity Reserve Fund Asset Allocation Policy

	Policy Normal Level	**Lower Range**	**Upper Range**
Return Seeking Assets			
Global 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 Funds	0.0%	0.0%	0.0%
Private Equity	0.0%	0.0%	0.0%
Sub Total	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%
Money Market	2.0%	0.0%	15.0%
Sub Total	30.0%	20.0%	45.0%
Total	100.0%		

Appendix H – Non-Endowed Major Gift Fund Objectives and Guidelines

Objective: The Objectives of the Non-Endowed Major Gift Fund are to invest funds for specific non-endowed purposes for which the 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:** The Non-Endowed Major Gift Fund has an investment Time Horizon of one to five years.
- **Taxes:** The Michigan Tech Fund is tax-exempt.
- **Administrative Fees:** Administrative fees are the fees charged to the Non-Endowed Major Gift Fund based upon the expected return and balance of the Funds.

Non-Endowed Major Gift Fund Asset Allocation Policy

	Policy Normal Level	Lower Range	Upper Range
Return Seeking Assets			
Global 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 Funds	0.0%	0.0%	0.0%
Private Equity	0.0%	0.0%	0.0%
Sub Total	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%
Money Market	10.0%	5.0%	20.0%
Sub Total	60.0%	50.0%	70.0%
Total	100.0%		

Appendix I – 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 MTF shall serve on the APMP advisory board.

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

Assets under management by the APMP students shall be capped at 2% of the MTF managed endowment. Anything over this amount shall be managed by the MTF investment firm for the benefit of the APMP program.

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

Signatures

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Richard Koubek, President
Michigan Tech Fund

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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.