UNIVERSITY OF WYOMING INVESTMENT POLICY

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POLICY CONTENTS

I. INTRODUCTION

A. Purpose

The Investment Policy of the University of Wyoming establishes the general guidelines and procedures for the investment of University funds.

This policy is established by the University Board of Trustees (Board) to guide the Board, its Audit and Fiscal Integrity Committee (Committee), and the University administration in the process of fund investment. The Board retains the right to make decisions contrary to this policy, when such decisions are deemed to be in the best interests of the University. The Board also retains the right to accept and administer donated funds or property with donor restrictions contrary to this policy.

It is not the purpose of this document to specify the details of every situation, nor to set forth specific short-term goals. The policy governs the investment management of University endowment and operating funds and long-term investment practices, and is supplemented annually with discussion of market predictions and short-term goals, including return targets.

B. Social Responsibility

When the Trustees adjudge that corporate policies or practices cause substantial social injury, the Trustees, as responsible and ethical investors, shall give independent weight to this factor in the investment of the portfolios.

C. Use of Managers and Advisors

It is the policy of the Board to invest funds through a combination of the University's Manager of Taxes and Investments and externally contracted, professional investment managers selected by the Board, or the Board's designee. Portfolios managed by the Manager of Taxes and Investments (internal) include fixed income, low risk, federally guaranteed or insured instruments only.
Portfolios managed by contracted managers (external) include instruments appropriate to the style of each manager. It is also the policy of the Board, or the Board's designee, to determine the need to

contract with an independent investment advisor or performance evaluation service. The Board, or Board's designee, determines, and periodically reviews, the level of services desired.

II. INVESTED FUNDS

A. Endowment Funds

Endowment funds are defined as funds received from a donor with the restriction that the original principal is not expendable. These funds commonly carry a restriction regarding the use of the earnings, which might apply to specific programs or student scholarships. These funds are fully invested by the University, regardless of the balance. Accounts with continuing balances of less than five thousand dollars ($5,000) are considered by the Board for consolidation with other endowments of a similar nature, if donor restrictions allow.

B. Term Endowment Funds

Term endowment funds are defined as funds for which the donor stipulates that the principal may be expended after a stated period or upon the occurrence of a certain event. Such funds are treated in the same manner as endowment funds until expiration of the stipulated term, when the Board determines future treatment in accordance with the donor's wishes and University priorities.

C. Funds Functioning as Endowment (Quasi-Endowment Funds)

Quasi-endowment funds are defined as funds established to function as endowment funds. These funds are invested in a like manner to endowment funds.
<u>Purpose:</u> to establish procedures to:

- create new,
- add to existing,
- or withdraw moneys from funds functioning as endowment (FFE) accounts.

1. The minimum threshold to establish a new "stand-alone" quasi-endowment is $50,000. There is no minimum if the quasi-endowment is related to an existing "true" endowment.

2. Unrestricted gifts (Fund 1600) and funds restricted for purposes other than scholarships (Fund 4400) may be used to create a quasi-endowment. No state appropriations, tuition & fees, operating funds, pledged revenues, contract/grant funds or other funds may be used for this purpose. If restricted funds are used the earnings remain restricted to the original purpose.

3. Moneys used to create a new FFE account, or funds added to existing FFE accounts must be held for a minimum of five (5) years. Exceptions to the minimum timeframe may be approved by the Vice President for Administration if created under No. 5 (below), or by the President of the University and the Board of Trustees if created under No. 6 (below). Written requests to withdraw funds must be given at least one hundred and twenty (120) days prior to the end of any calendar quarter (March 31, June 30, September 30, and December 31).

4. College Deans and University Officers may request new FFE accounts and/or additions to existing FFE accounts. Recommendation by the requester's vice president must be obtained prior to approval under No. 5 or No. 6.

5. The Vice President for Administration, or his/her designee, is authorized to approve individual requests for new FFE accounts and/or additions to existing FFE accounts of less than $250,000 as they are received throughout the year.

6. Any request to establish a FFE account of $250,000 or more requires recommendation of the Vice President for Administration and approval by the President of the University and the Board of Trustees.

7. All FFE accounts shall be invested by the University of Wyoming Foundation according to the November 10, 2003 Addendum to the Memorandum of Agreement, dated May 10, 1998 between the University and the Foundation.

8. If established under No. 5, the Vice President for Administration, or his/her designee, shall approve withdrawals after the minimum time period, and if established under No. 6, the President of the University and the Board of Trustees shall approve withdrawals.

9. The Vice President for Administration will report annually on new FFE accounts established in the past year.

10. In consideration of State of Wyoming matching funds a FFE account will be designated as permanent and an agreement executed memorializing the permanent nature of matched funds.

D. Operating and Agency Funds

The Manager of Taxes and Investments invests the following types of funds. These funds can be invested in a combination of fixed-income, minimal risk instruments and money market funds.

- Departmental gift and endowment income funds are invested at departmental request and earnings are directed to the accounts invested, provided a minimum balance of five thousand dollars ($5,000) is maintained for at least one year.

- Bond proceeds and construction funds are fully invested in accordance with resolutions, contracts and payment schedules. Earnings are deposited to the relevant bond or construction accounts, with consideration given to applicable federal arbitrage regulations.

- Federal funds are invested at departmental request and earnings are directed to the accounts invested.

- Operating funds are invested in accordance with overall operating and liquidity needs, and earnings are accounted for as general University income. Amounts to be invested are determined daily by the Manager of Taxes and Investments.

- Agency funds are invested at agency request and earnings are directed to the accounts invested.

E. Advanced Payment of Higher Education Costs Program (APHEC)

The University administration invests funds held for the Advanced Payment of Higher Education Costs program (APHEC) in accordance with Wyoming law and the regulations of the APHEC governing board.

III. LONG-TERM OBJECTIVES

The long-term investment goals for the University endowments are designed to achieve the following objectives:

- Donor objectives;
- Protect the assets from excessive risk;
- Total return, which provides program income (yield) and allows for growth of the endowment;
- Preserve the purchasing power of both the principal and the income.

These goals dictate a policy that includes a range of investment instruments and philosophies, balancing yield, growth, and manageable risk.

A. Donor Objectives

The University desires to make every effort to administer endowment funds in such a way as to achieve the long-term goals of the donors and the University. Potential conflicts are resolved by the Board before the acceptance of a gift, and conflicts that arise over time are resolved through best faith efforts by the Board, after consideration of all factors. In general, all donors are encouraged to limit restriction of their gifts as much as possible to allow flexibility.

B. Protect the Assets

The investment goal of the University is to earn an acceptable rate of return without subjecting endowment funds to significant risk of loss in the long term. It is expected that equity investments are selected so that any short term losses are more than offset by gains, and that no investment practices place a greater emphasis on return than on the protection of principal against erosion from excessive investment risks.

C. Total Return

Return on investment is measured in terms of total return, the combination of income (yield) and changes in principal value (growth or loss in market value). Yield is necessary to provide expendable return for program operations, and growth is necessary to provide expendable return for program operations and administrative fees, and to provide long-term inflation protection of endowment principal. The expendable return for program support and administrative fees is discussed under the investment procedures section of this policy.

D. Preserve Purchasing Power

Endowments. To preserve purchasing power of both principal and income, it is necessary that endowments grow at a rate equal to or greater than inflation, in order that income levels increase accordingly. It is expected that over the long term, investment practices will result in an average annual total return rate at least equal to the expendable return rate plus the inflation rate.

Operating and Agency Funds. The long-term investment goals for operating and agency funds are designed to achieve the following primary objectives:

- Achieve a return to provide program income (yield) for the various objectives.
- Protect the assets from risk, and
- Maintain liquidity to meet spending requirements.

These goals dictate a policy that utilizes low-risk investment instruments with an acceptable rate of return.

IV. ASSET ALLOCATIONS

A. Endowments

The University of Wyoming (University) and the University of Wyoming Foundation (Foundation) entered into a memorandum of agreement dated May 10, 1998 that was executed by the University on November 19, 1999 and by the Foundation on October 13, 1999. This memorandum of agreement established the Foundation as the primary fund-raising organization and investment manager of gifts and donations to the University.

The University and the Foundation executed an addendum to the memorandum dated November 10, 2003 on November 11, 2003 to designate the Foundation as the University's agent for the purpose of investing and managing certain University endowment assets (University Endowments) for the benefit of the University.

B. Operating and Agency Funds

Investments are limited to collateralized bank certificates of deposit, money market funds or federally guaranteed or insured securities that mature in less than one year.

C. Portfolio Philosophy

The University Endowments shall be invested by the Foundation in investments and in an allocation of investments as determined by the Foundation which shall be consistent with:

- The investment policy implemented by the Foundation with regard to the other assets it manages; and
- The intent that the total investment return generated by these investments and investment allocations results in substantially the same total investment return, to the greatest extent possible, for the University Endowments as for the Foundation's own pooled endowment funds.

Total operating and agency funds are combined into one portfolio, which is subdivided into an investment pool for each type of fund invested. The Manager of Taxes and Investments manages this portfolio.

V. INVESTMENT PROCEDURES

A. Account Valuation

Endowments. All endowment funds are pooled for investment purposes, unless otherwise restricted by the donor. Accounting systems are maintained to allocate returns to the separate accounts.

Operating and Agency Funds. Operating and agency funds are in various pools dependent on type of funds and are invested internally. The principal may change daily and the earnings are distributed on a pro rata basis at the end of each month.

B. Expendable Return Allocations

Endowment Allocations. The amount of expendable return allocated each year for program support and administrative fees is established by the Foundation as a percentage of the endowment base amount. The Audit and Fiscal Integrity Committee reviews the percentage distribution annually. The endowment base amount is calculated annually and is the average (mean) of the December 31st market values of each endowment for the current year and immediately preceding two years. By allocating expendable amounts in this way, total return is recognized for spending purposes.

It is anticipated that allowing a preset percentage of the endowment base amount to be expended for program support and administrative fees also allows for adequate growth in the principal amounts. Any portion of total return not distributed for program support and fees is re-invested.

The University Endowments and the distributions from the University Endowments shall be devoted exclusively to the purposes established for the respective University Endowments and in no part and in no event be given or contributed to or inure to the benefit of any private person or corporation, except to the extent of fees authorized to be retained by the Foundation. The Foundation shall be entitled to fees calculated in the same manner as applicable for other endowments managed by the Foundation.

The Foundation's investment policies shall apply to the University Endowments in the same manner as to other assets managed by the Foundation and shall be effective as to University Endowments at the same time and in the same manner those policies become effective as to other Foundation assets. The Foundation shall advise the University's Board of Trustees in writing of changes to the Foundation's investment policy not later than five (5) business days after the change has been approved by the Foundation.

Endowment Administrative Processes. Expendable return allocations are determined annually for the subsequent fiscal year. For those accounts requiring Board-approved budgets, the recommendations are taken to the Audit and Fiscal Integrity Committee and Board at the May meeting.

Operating and Agency Funds. The expendable return is accrued at the end of each month and distributed to the various sources of funds within the pools based on their relative percentage of the average daily investment for the month.

VI. PERFORMANCE EVALUATION AND REPORTING

A. Endowments

Portfolio Evaluation. Portfolio performance is measured by the Foundation and reported to the Board on a quarterly basis.

Another assessment of performance is the annual National Association of College and University Business Officers (NACUBO) Endowment Study, which compares relevant investment data for hundreds of colleges and universities.

It is expected that long-term performance of all portfolios should compare favorably with relevant performance measures.

Manager/Advisor Evaluation and Selection. The Foundation contracts for services of external investment managers and advisors.

Reporting. Performance reports are supplied to the Board at the first meeting following the end of each quarter, if time allows. If a meeting falls too close to the end of a quarter to prepare the pertinent reports, they are supplied at the following meeting. Annual discussions are held with the Foundation.

Management reports and related discussions are prepared and conducted quarterly, approximately sixty (60) days after the end of a quarter.

B. Operating and Agency Funds

Reporting. Operating and agency funds performance reports are supplied to the board at the first meeting following the end of each quarter.

VII. AUTHORITY AND RESPONSIBILITIES

A. Board of Trustees

The Board of Trustees is responsible for prudent investment of funds and distribution of earnings to applicable programs.

B. Audit and Fiscal Integrity Committee

The Audit and Fiscal Integrity Committee of the Board provides oversight of investment performance and makes recommendations to the Board regarding policy and investment management. The Committee has the authority to approve short-term deviations from the stated policy, when urgent situations threaten the safety of invested funds.

C. Vice President for Administration (Deputy Treasurer)

The Vice President for Administration (Deputy Treasurer) is responsible for administration of Board policy and recommendations to the Audit and Fiscal Integrity Committee. The Vice President has authority to deviate from the policy in an urgent situation, after consultation with members of the Committee.

D. Associate Vice President for Fiscal Administration/University Controller

The University Controller is responsible for maintenance of all endowment files, preparation, compilation, and review of reports, and coordination with the Foundation and the Manager of Taxes and Investments.

Endowment investment files are maintained in the office of the University Controller, and include the following detail, if available:

- Basic donor biographical information
- Donation date
- Amounts of original donation and any additions
- Name, number and type of account established
- Restrictions placed on the use of earnings and the source of the restrictions, whether donor, Board, or other
- Any limitations on investment instruments
- Any Board action taken relative to the account
- Relevant notes

Information from these files is available to the Board on request.

E. Manager, Taxes and Investments

The University Manager of Taxes and Investments is responsible for daily decisions regarding internal investments and periodic reports on the internally invested portfolio. The Manager has authority to make short-term investment decisions in accordance with Board-approved policy and established process.

F. External Managers

Contracted managers are responsible for management of external portfolios and quarterly and annual reports. Managers have the authority to select investment instruments and make trade decisions, in accordance with the objectives of the Foundation and the management style represented to the Foundation, as agent for the Board.

G. Foundation

The Foundation has the responsibility to monitor and report the performance of the external managers. Other contracted services may be arranged as the Foundation chooses.

H. Custodial Services

Custodial services are utilized to safeguard the assets and provide monthly accounting reports.