THE UNIVERSITY OF ARIZONA FOUNDATION
INVESTMENT POLICY STATEMENT

The Investment Committee appointed by the Board of Trustees of the University of Arizona Foundation (the "Committee") sets forth herewith its statement of investment policies. These policies are subject to change from time to time. At all times these policies shall recognize and implement the restrictions and directions that may have been placed on gifts by donors. These policies shall comply with all applicable laws and shall be changed as necessary to comply with changes in applicable law or legal advice.

INVESTMENT OBJECTIVES AND ASSET ALLOCATION

Unrestricted Fund

Preservation of principal with the highest degree of liquidity is the primary objective for the Unrestricted Fund. Accordingly, Unrestricted assets shall be invested in a US Treasury Money Market Fund.

Restricted Fund

The Foundation's goal is to provide the benefiting unit with these assets when requested on a dollar-for-dollar basis with minimal notice. Preservation of principal is therefore the primary objective for this fund, and the Restricted Fund should be structured to produce a highly probable positive return for any given fiscal year period. Negative returns over any fiscal year period are highly undesirable. Along with the responsibility of principal protection, the Foundation has the right to retain dividends, interest and realized gains from the Restricted Fund as an administrative fee. As this fee plays an integral role in financing the activities of the Foundation, the secondary objective of the restricted fund is to generate current income. The Foundation's Board of Trustees determines each year a fair and reasonable fee for its services in the administration of its funds and has selected this arrangement as a reasonable basis to meet its goals to beneficiaries and permit the corporation to recover its costs. The Foundation has elected to forego a portion of its administrative fee on individual accounts over $1,000,000; the Foundation allocates interest to such accounts at 50% of the rate paid by the US Treasury Money Market Fund, up to a cap of 1.0% per annum.

To meet the two objectives outlined above, restricted assets available for investment will be invested in accordance with an asset allocation model adopted from time to time by the Committee and subject to approval by the Board of Trustees; the current model is attached as "**Exhibit A**". Staff will cause a report to be provided to the Committee each month showing the actual and target allocations and the performance of the Fund.

Life Income Funds

The current Investment Policy for the Foundation's life income funds is attached as "**Exhibit C**".

Endowment Fund

1. Goal: To manage these assets such that the annual real return exceeds the annual "hurdle rate" (the sum of the Payout and the Endowment Fee) adjusted for inflation as measured by the Consumer Price Index so the endowment principal is able to grow and continue to fund in perpetuity the set of activities envisioned by the donor at the time of the gift. In establishing this goal, the Committee defines the primary risks to the endowment as (1) the failure to achieve our Goal over a full market cycle; (2) Volatility of returns; (3) Permanent loss of capital and (4) insufficient liquidity to fund the Hurdle Rate.

Establishing a framework of acceptable ranges and specific targets for the various asset classes is the best way to achieve our goal. This "model portfolio" approach provides long-term strategic allocations to various sources of investment return, creating a diversified portfolio that seeks to generate long-term returns consistent with the above stated goal while managing the primary risks. Capital market returns may not be sufficient in certain periods to meet the portfolio goal. The Committee shall explicitly consider the risk of the model portfolio as expressed by the standard deviation of returns. The Committee recognizes this is an imperfect measure of risk, which at its core is best defined as the permanent loss of investment capital. Processes and policies in place to reduce the likelihood of a permanent loss of capital include but are not limited to (a) the performance of due diligence on prospective managers and continued monitoring of all managers, (b) considering the price of a recommended investment and/or fund at time of purchase, and (c) adding no leverage at the Endowment portfolio level.

Ranges and targets need to be addressed on an annual basis. Ranges should be broad enough to provide guidance in both bull and bear market cycles, and changes to the ranges should be both infrequent and minor in scope. Targets need to reflect the OCIO's and Committee's best thinking as to both the intermediate (7-10 year) term outlook for the various asset classes and the long-term historic returns from those asset classes. Changes are expected on an annual basis; gradual change is more prudent than drastic change in any annual review. The target percentages and acceptable percentage ranges for the various asset classes available to the endowment pool will be established and/or reviewed on an annual basis and subject to approval by the Board of Trustees.

The current endowment model is attached as "**Exhibit B**"

2. Payout Rate: The Foundation's policy is to payout a percentage ("Payout Rate"), established as discussed below, of the average fair value of the corpus of an endowment at the end of the twelve quarterly periods within the three previous calendar year-ends. The Foundation's policy also calls for the declaration of a payout whether or not the fair value of an individual account exceeds its historic gift value, unless otherwise precluded by the donor or by law (this practice recognizes the fact that the inability of the corporation to spend anything from an endowment is likely to be contrary to a donor's intent to provide current benefits to the designated purpose/unit). The Committee shall establish at its first meeting of each calendar year the Payout Rate to be used for the upcoming fiscal year. The Payout Rate established by the Committee is subject to approval by the Foundation's Board of Trustees. The Committee shall strive to maintain a Payout Rate which achieves intergenerational equity, so today's payout beneficiaries do not unfairly benefit at the expense of future beneficiaries or vice-versa. In addition to considering this Investment Policy Statement and the goal/mission of the endowment fund as stated in Item 1 above, the Committee shall consider, if relevant, the following items in their annual deliberations on the establishment of a reasonable Payout Rate:

- The net rate of return earned by the Endowment in each of the five most recent fiscal years

- The net real (as measured by the Higher Education Price Index) rate of return earned by the Endowment in each of the five most recent fiscal years
- Payout rates established by other university endowments as published in the NACUBO Study of Endowments.
- Other resources available to the University, and any unusual or extraordinary circumstances impacting these resources (tuition revenues, State appropriations, etc.)
- The extent to which programs or scholarships benefiting from the Payout Rate rely on these funds to achieve their goals and objectives
- Recommendation from the OCIO
- The Payout Rate in effect at the time of the deliberations
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of the endowment per the most recent asset allocation study

Payout shall be capitalized and reinvested into the corpus for the first twelve months subsequent to the funding of each new endowment account. Beginning with month thirteen, Payout shall be distributed to a Payout account corresponding to each endowment account. Such unspent payout shall only be invested in a US Treasury Money Market Fund. All interest income earned from the investment of unspent Payout funds will be retained by the Foundation as its fair and reasonable fee for the administration of the Payout accounts.

The minutes of the Committee meetings will document the items considered as part of its deliberations; the applicable portion of the meeting minutes plus all documents reviewed by the Committee in establishing the Payout Rate shall be added to the minutes of the Foundation and placed in its books and records.

3. Endowment Fee: The Foundation has considered different approaches to establish a fair and reasonable fee in connection with its services associated with the administration of the endowments and has determined that it is not practical to establish individual fees for separate endowments and that the cost and time necessary for such an approach outweigh any benefits. Therefore, the Foundation has elected to establish a fair and reasonable uniform fee applicable to all endowments of 1% (per annum) of the fair value of the endowments, assessed monthly in arrears.

AUTHORITY AND RESPONSIBILITY

The Investment Committee

The Committee is responsible for directing and monitoring investment of the Foundation's investment assets, but is authorized to retain and solicit the recommendations of qualified professionals including the (a) OCIO, (b) Investment Managers and (c) Investment Custodians. The Committee's major responsibilities involve developing policy and providing advice and direction to the Board of Trustees on strategic matters, including but not limited to:

- Approving investment products for inclusion in or removal from the Foundation's portfolios.

- Monitoring the Foundation's investments for compliance with all laws, rules and regulations, including but not limited to the *Management of Charitable Funds Act* as implemented by the State of Arizona from time to time.

- Approving an asset allocation model for the Restricted and Endowment Funds, and any other funds established by the corporation from time to time, including consideration of the appropriate rates of return and risk for such funds as well as the appropriate levels of liquidity to be maintained in both Funds. This model will include ranges and targets for the asset classes available for investment, and will also include consideration of the best way to implement the model (value vs. growth, passive vs. active, etc.). The recommended models will be submitted to the Board of Trustees for their consideration and approval.

- Approving on an annual basis the contract with the OCIO.

- Recommending to the Board of Trustees the Payout Rate on an annual basis.

- Reviewing performance at the portfolio level on a periodic basis.

- As a regular part of its meeting agenda, assessing the ESG and Sustainability matters noted at page 8 of the Statement.

- Reviewing on an annual basis the continuing sufficiency of these policies as well as the Investment Beliefs (Exhibit D) which instruct the OCIO on strategy and implementation, providing an anchor for sound Investment Committee decision making, and helping ensure the investment approach remains consistent beyond the tenure of any Committee member or Chair.

- Providing regular and detailed reports to the Foundation's Board of Trustees at its regularly scheduled meetings in form and content sufficient for the Trustees to exercise their duty of oversight. The Committee shall also provide to the Board of Trustees its recommendations in connection with any specific investment products being considered and with respect to any suggested changes in these investment policies.

The Committee's responsibilities noted above are defined in the Investment Committee Charter as amended from time to time.

<u>The Investment Committee Chair ("Chair")</u>
The Chair ensures the Committee functions effectively to provide fiduciary oversight of the Foundation's investment program. The Chair's responsibility is to guide the Committee in providing fiduciary oversight while avoiding operational day-to-day portfolio management decisions. Other responsibilities include:

- The development of Committee meeting agendas in collaboration with the Staff Liaison and OCIO.
- The coordination of Committee discussions, ensuring full participation, drawing on individual member domain expertise and managing dynamics among Committee members.
- Representing the Committee in reporting to the Board of Trustees when appropriate and serving as the interface between the Committee and the broader organization.

<u>The Outsourced Chief Investment Officer (OCIO)</u>
The OCIO serves as an advisor to the Investment Committee, and will assist the Committee as needed in carrying out their responsibilities noted above in accordance with the Foundation's Investment Beliefs. Additional responsibilities of the OCIO include:

- Recommending any changes to the Endowment and Restricted asset allocation models on an annual basis consistent with the Foundation's Investment Beliefs.

- Rebalance and re-invest cash flows as needed.

- Recommending new and replacement investment products for the Foundation from their manager due diligence and selection process which are consistent with the Foundation's Investment Beliefs. Such recommendations shall include products that incorporate the ESG and Sustainability matters noted at page 8 of these policies.

- Providing written comments and recommendations on the Foundation's Investment Policy as needed, but on no less than an annual basis.

- Preparing monthly reports to the Committee for the Restricted and Endowment funds comparing fund performance with the applicable benchmarks and asset class composites. Such reports will also show the performance of each manager, how such performance compares to the benchmark(s) selected for such manager, and to the extent possible on a quarterly basis showing the quartile in which such performance is ranked.

- Monitoring the Restricted and Endowment portfolios to ensure that assets remain within the designated ranges and liquidity targets as specified in the asset allocation models, and implementing appropriate actions to address situations where the actual allocation differs from the target allocation by a material amount.

- Monitoring each business day all assets held by the custodian and investigating any significant or unusual changes.

- Reviewing and signing all offering documents for new investment products approved by the Committee.

- Providing an annual summary and analysis of investment management fees and other investment program expenses incurred by the Foundation.

- Providing the Committee with reports comparing investment performance, asset allocation, applicable fees, and governance matters with peer institutions as published in the NACUBO-Study of Endowments.

- Monitoring and reporting on adherence of investment products to this Investment Policy. Providing updates to the Committee on investment products and managers, including departures of key personnel, style drift, changes in investment process and any other matter requiring the Committee's attention including a recommendation that an investment manager be retained or terminated.

- Recommending new and replacement investment products for the Foundation from their manager due diligence and selection process which are consistent with the Foundation's Investment Beliefs. Such recommendations shall include products that incorporate the ESG and Sustainability matters *and Investments with University Benefits* noted at page 8 of these policies

<u>The Investment Managers</u>
Investment managers shall:

- Act as responsible fiduciaries in all matters involving their management of Foundation assets and comply with all applicable laws, rules and regulations.

- Operate at all times within the applicable law and regulations applicable to the industry/sector and consistent with their Environmental, Social, and Governance Policy, which has been drafted to incorporate best practices within the industry/sector

- Vote, or cause to be voted, all proxies on securities held by the Foundation.

- Provide the CFO with copies of audited financial statements covering the investment product in a timely manner.

- Maintain adherence to the mandate under which they were engaged.

PERFORMANCE MEASUREMENT AND REPORTING

<u>Performance Measurement</u>
The OCIO shall prepare or cause to be prepared a report comparing each investment manager's performance to benchmarks as agreed upon from time to time. Benchmarks will include the appropriate primary asset class benchmark, as well as any secondary or style-related

benchmarks, where applicable. Where applicable, this report will include a comparison of the managers versus appropriate peer groups available from recognized reporting services. This report is to be provided to the Committee on a monthly basis.

The following table outlines the Benchmarks to be used for the Foundation's asset classes in situations where a specific benchmark is not agreed upon with a manager. The primary benchmark is listed first, with any secondary benchmarks following:

Asset Class	Benchmark(s)
Cash	US 91-day T Bills
Public Equity-U.S	Russell 3000 Index
Public Equity-Global	MSCI AC World Index
Public Equity-Int'l Developed	MSCI EAFE Index
Public Equity-Emerging Markets*	MSCI Emerging Markets Index
Public Fixed Income	Barclays U.S. Aggregate/Bloomberg Intermediate Treasury Index
U.S. Short-Term Treasuries	Bloomberg 1-5 Year Treasury
U.S. Short Duration TIPS	Bloomberg 0-5 Year TIPS
Private Credit	MSCI Private Credit
Private Equity	MSCI Global Private Equity
Diversifying Strategies	The applicable HFRI Index
Absolute Return	60% MSCI ACWI/40% Barclay's US Agg
Private Real Assets	MSCI Private Global Natural Resources NCREIF Timberland Index MSCI Private Real Estate

**New investments in Russian assets are not allowed.*

In addition to the performance reports noted above, on a quarterly basis the OCIO will prepare or cause to be prepared a report which compares the actual performance for the quarter with the performance of both (1) the "policy portfolio", which is to be computed using the target allocation and primary benchmark for each asset class as shown above (2) a portfolio comprised of 75% MSCI AC World Investable Market Index and 25% Barclays US Aggregate Index. The report shall include an explanation for any significant differences between the actual return and both the policy portfolio return and the 75/25 portfolio return.

The OCIO will make recommendations to the Investment Committee on any proposed adjustments to the benchmarks shown above. The Committee shall determine the advisability of any such changes from time to time and make prompt recommendations to the Board of Trustees.

Reporting to Foundation Finance Staff: All managers shall provide a monthly (quarterly for Private Equity, Private Credit, and Private Real Assets) performance report to Foundation Finance Staff in the form and manner as agreed to from time to time.

ESG and Sustainability

The Committee and Board seek to ensure the Foundation and all related parties conduct business with ethical standards and ensure that our business practices comply fully, in appearance and deed, with all applicable laws and regulations. In managing the portfolio, all constituents and related parties who are affected by Foundation's activities are treated fairly and without prejudice to gender, race, ethnic or national origin, socioeconomic status, age, religion or disability.

Mindful of our goal for managing the endowment as noted at pages 1-2, the Committee will consider the extent to which an investment is consistent with the principles and goals of the University. Where appropriate, the Foundation may seek to influence or avoid those investments that conflict with those principles and goals. Action will only be taken, however, if the Committee believes it would not cause harm to the investment objectives of the Fund, impair performance or place a material burden on the current resources of the Endowment and is otherwise consistent with the Investment Beliefs.

Investments with University Benefits

Mindful of our goal for managing the endowment as noted at pages 1-2, the Committee may consider the extent to which an investment may align with the university's strategic objectives and present added benefits to the university. Such investments may include companies created on the basis of intellectual property or technologies licensed from or developed at the university, companies with strong ties to the university including those founded or led by university alumni or faculty, investments that enhance or expand the university's strategic relationships and partnerships, and investments directly benefiting university faculty and/or students. Such investments shall not cause harm to the investment objectives of the Fund, impair performance, place a material burden on the current resources of the Endowment, and must be consistent with the Investment Beliefs. Investments with University Benefits may not exceed 1% of the total Fund.

MEETINGS

The Committee shall meet on the dates and times approved by the Committee at the last meeting of each fiscal year. In addition to these scheduled meetings:

- The Chair of the Committee may call a special meeting at any time with at least 72 hours notice.

- The OCIO is empowered to conduct meetings via electronic or similar means if a particular investment product or other item of significance requires immediate action by the Committee.

ADMINISTRATIVE FEES

The annual fees assessed for the endowment (including unspent payout) funds and the restricted assets are set out above. In addition to such fees the Committee shall recommend to the Board of Trustees from time to time any special arrangements where it is appropriate to establish a different fee and its basis for doing so.

University of Arizona Foundation
Investment Policy Statement
Restricted Fund Asset Allocation
Exhibit A

Asset Classes	Sub-Categories	Range of Allocation	Target %
Cash		0%-60%	**54%**
U.S. Fixed Income	Public Fixed Income	0%-12%	10%
	U.S. Short-Term Treasuries	0%-50%	28%
	Sub-total		**38%**
Absolute Return		0%-25%	**8%**
	Grand Total		**100%**

January 23, 2026

University of Arizona Foundation
Investment Policy Statement
Endowment Fund Asset Allocation
Exhibit B

Asset Classes	Sub-Categories	Range	FY '27 Target	LT Target
GROWTH			**80%**	**80%**
	Public Equity	30-55%	**47%**	**50%**
	US		26%	
	Global		5%	
	Int'l Developed		11%	
	Emerging Markets		5%	
	Private Equity	10-30%	**20%**	**20%**
	Private Credit	0-6%	**1%**	**0%**
	Private Real Assets	5-15%	**6%**	**5%**
	Diversifying Strategies	0-15%	**6%**	**5%**
LIQUIDITY			**20%**	**20%**
	Cash/Money Market	0-10%	5%	5%
	Public Fixed Income	5-20%	10%	10%
	US Short Duration TIPS	0-8%	5%	5%
	Grand Total		**100%**	**100%**

University of Arizona Foundation
Investment Policy Statement
Life Income Funds-Exhibit C

I. The following **Statement of Investment Philosophy** provides details about the investment philosophy of TIAA-Kaspick ("Manager") as it pertains to the management of the planned gift assets of The University of Arizona Foundation ("Trustee").

The objective of the portfolios under management is to maximize their total return, subject to achieving:

- An acceptable level of income (dividends and interest) for those portfolios that can only distribute income,
- An acceptable balance between the income earned and the total distribution for portfolios with distributions not limited to income, and
- An acceptable level of portfolio risk.

An acceptable level of portfolio risk will be attained by selecting an appropriate asset mix, in consultation with the Trustee, and by diversifying portfolios, both across asset classes and within asset classes. The Manager uses multiple asset classes to diversify portfolios. Asset classes used in the portfolios may include:

- Domestic small capitalization stocks
- Domestic large capitalization stocks
- International small capitalization stocks
- International large capitalization stocks
- Emerging markets stocks
- REIT (real estate investment trust) stocks
- High quality bonds
- Investment grade bonds
- High yield bonds
- International bonds
- Short-term investments

The Manager will not add a new asset class to the portfolios without the prior approval of the Trustee. Any substantial change to the Manager's investment philosophy will be communicated to the Trustee prior to its implementation in any of the portfolios. The Trustee will provide in writing to the Manager any restrictions on the investment activity of any of the portfolios.

The Manager will provide the Trustee with a list of the current investment vehicles being used for the portfolios. Prior to adding any new *types* of investment vehicles, the Manager will provide a written description of the investment vehicle to the Trustee so that the Trustee may review it for any tax implications. The Trustee shall have 30 days to advise the Manager if there are any reasons why the Manager should not use the proposed investment vehicle. If not notified within this period, the Manager shall be free to use the proposed investment vehicle in the portfolios.

II. **Portfolio Asset Allocations:** For investment management purposes, all portfolios without restrictions are assigned to an asset allocation. The asset allocations are: Aggressive, Aggressive Growth, Growth, Growth/Income, Income/Growth, Income, High Income, and All Fixed Income. The names reflect the portfolios' increasing exposure to fixed income instruments. In certain cases, custom portfolio allocations may also be developed.

A. **Asset Allocation:** The current strategic mix for each asset allocation is shown in Exhibit 1, along with its expected current yield and long-term expected total return. While these numbers are based on long-term historical data and current market yields, the Manager makes no assurances or promises that these returns or yields will be achieved. This sheet is reissued annually or sooner if there is a meaningful shift in current market yields or the Manager makes strategic changes to the asset allocations.

The total return numbers shown in Exhibit 1 are based on an inflation rate which may change over time (see the footnote in Exhibit 1 for the assumed inflation rate). Real returns (total nominal returns net of inflation) may vary, but should remain relatively constant over very long periods. Over shorter periods, there will be significant variation around the expected long-term returns.

The Manager will seek to add value to the portfolios by making tactical adjustments around the asset allocation targets and by timing the rebalancing of portfolios. In general, portfolios will be rebalanced when allocations have moved substantially from targets, when a manager or an asset class weighting is changed, or when portfolio cash needs to be replenished.

B. **Diversification Within Asset Classes:** The Manager generally seeks to diversify by investment style within the actively managed equity asset classes. As portfolios fall in size, this diversification is necessarily reduced to avoid small purchases. For portfolios below $50,000, there may also be some loss of asset class diversification. The portfolio holdings within each mutual fund are typically well diversified.

C. **Assigning Individual Portfolios to Allocations:** The assignment of an individual account to an asset allocation depends on several factors: trust type, payout rate, the expected trust horizon, whether fees or expenses are paid from the trust, whether fees or expenses are charged to income or principal, the beneficiary’s situation, the likely impact of the allocation choice on the tax character of the beneficiary’s payments, and any special instructions.

The following policies will be used by the Manager absent specific alternative instructions provided by the Trustee, in writing, for a particular account.

1. For **standard unitrusts** (also known as straight or flat trusts), the investment allocations will be selected taking into account the potential return of the asset mix, as

well as its risk, specifically the risk of payment volatility. As shown in Exhibit 1, the most aggressive allocation used will be the Growth allocation; the most conservative will be the Income/Growth allocation.

2. For **net income unitrusts,** the investment allocation will be selected on a case-by-case basis. The Manager will assist the Trustee in evaluating the alternatives. The allocations will be selected taking into consideration the age of the beneficiary, as well as the payout percentage, the pattern of historical distributions, and the objective for the remainder value. In general, the portfolios of older beneficiaries will be managed to generate income at or near the payout percentage. The portfolio allocations for younger income beneficiaries will be determined with an understanding that maximizing current income may result in an income stream that erodes in purchasing power, as well as in lower total income over the life of the trust.

   When there is a meaningful shift in current yields, the asset allocations selected for individual trusts will be revisited; however, this will not necessarily result in portfolios being moved to a different allocation. This decision is particularly acute for net income trusts in periods of falling interest rates when the Trustee must decide whether to maintain the original asset allocation which will result in an underpayment of the unitrust amount or to shift the trust to an asset allocation that will provide higher current income. A decision to move to an asset allocation that will generate more income (by adding more bonds to the portfolio) may not be in the best long-term interest of the income beneficiary or the remainderman. Because of this trade-off, flip trusts are the preferred trust type for gifts of illiquid assets.

   Net income unitrusts that distribute capital gains as income will be invested on a case-by-case basis. In these cases, year-over-year income is likely to be more volatile. In addition, there is no guarantee that the Manager will achieve the annual target income distribution amount by recognizing capital gains.

   Any expenses or fees charged to income will reduce the amount paid to beneficiaries. If the Trustee wishes to generate more current income than what the All Fixed Income allocation can generate, the Manager will assist the Trustee in designing and evaluating alternative asset allocations with higher current yields.

3. **Flip trusts** that are still net income trusts (i.e., before they flip to standard unitrusts) will be invested on a case-by-case basis. When a flip trust converts to a standard unitrust (beginning on January 1 of the new year after the trust flips), it will be invested according to the policies for standard trusts, described above in C1.

4. For **annuity trusts**, the investment allocations will be selected taking into account the potential return of the portfolio, as well as its risk, specifically the risk that the trust runs out of money before its termination. The portfolio allocation selected will be based on the trust's effective payout rate, equal to the annual beneficiary payment plus annual fees charged to the trust divided by the trust's current market value. As

shown in Exhibit 1, the most aggressive allocation used will be the Growth allocation; the most conservative will be the Income/Growth allocation.

5. The asset allocation for the gift annuity pool reserve account(s) will meet the requirements of the California Department of Insurance and any other applicable state insurance regulatory authorities. The total portfolio, combining both reserve and non-reserve (surplus) assets, will be invested to achieve as closely as possible the Growth/Income allocation. Both current and deferred contracts will be invested in the gift annuity pool.

6. For **life income trusts** (also known as **pre-69 trusts)**, the asset allocation selected will be determined on a case-by-case basis.

8. The Trustee will maintain a **corporate account** at the custodian, invested in a money market fund. Any transfers out of this account or any custody account require the Trustee's authorization.

11. Exhibit 1 summarizes the current asset allocation policy for standard unitrusts and annuity trusts with different payout rates. When applying the policies, the Manager will round up all numbers to the next whole number (e.g. payout rates of 5.2% and 5.7% both round up to 6.0%).

12. When making investment decisions for individual trusts, the Trustee will take into account the **expected horizon** of the trust and/or the age of the income beneficiaries, as well as their financial situation, to the extent known. As noted above, the investment policies are not driven by age alone. Each portfolio decision will be revisited at least annually considering among other factors any new information about the beneficiary's situation.

III. Miscellaneous Policies

A. Fees: Fees for asset management and trust administration services will be charged to the trusts and/or paid by the Trustee, as determined by the Trustee, based on its policies, the language in the trust documents, or applicable law. The Trustee will provide this information in writing to the Manager. The Manager recommends that trust language provide the Trustee with full discretion in allocating fees and that fees generally be charged to principal.

B. Deficits in net income trusts with make-up provisions that result from deficiencies in income generated by the asset(s) funding the trust will not be made up, except to the extent that surplus income is earned from the asset allocation selected under the guidelines above, or upon specific written instructions from the Trustee.

C. **Donated securities** will be sold in their entirety as soon as possible, barring any market trading limitations, typically on receipt of the gift. If requested by the Trustee, the securities can be sold over a longer period. The Manager cannot guarantee that the donor's gift value will be captured in the sales. Due to potentially higher transaction costs, donated fixed income securities may be held as substitutes for fixed income mutual funds if they approximate the desired maturity and risk criteria. Illiquid securities may take longer to sell; the Manager generally does not trade more than 20% of the daily trading volume in any individual equity security.

D. The Manager will generally **invest a new portfolio** or additions to a portfolio immediately at its target portfolio allocation. The Trustee may request that a portfolio be averaged-in over time to its portfolio allocation. These requests may arise because of the age of the donor, the donor's tolerance for volatility, or because the investment period immediately precedes the trust valuation date. In those cases, based on the Trustee's written instructions, the portfolios will generally be averaged-in over a six-month period. Upon **termination of a trust**, assets will be sold as soon as practicable and transferred on the Trustee's instructions. This policy applies to all account types.

E. **Restricted assets or non-marketable assets:** The Trustee will instruct the Manager, in writing, when an asset is to be held in the portfolio rather than sold. To the extent possible, the Manager will "wrap" the desired asset allocation around the restricted asset using the Manager's best judgment as to the asset class(es) the restricted asset substitutes for.

   Promissory notes resulting from the sale of real estate held in the trust will be held by the Manager until maturity or until the notes are called. The Manager will use a value of par or 100 for promissory notes unless otherwise directed. The Manager will notify the Trustee of any late payments but will not perform the duties of a collection agent.

F. Portfolios holding **tax-exempt bonds** will generally require action by the Manager only when the underlying bonds mature or are called, or if the income being generated is insufficient to meet the required payout. In reacting to these situations, the Manager will, based on its best judgment, attempt to maintain the following portfolio characteristics:

   1. Laddered maturities that do not extend significantly beyond the expected maturity date of the portfolio,
   2. A sufficient cash flow or enough principal cash to meet payout requirements,
   3. A credit quality of investment grade bonds for new purchases.

   Because of trust size or market limitations, the Manager may use a tax-exempt mutual fund. Tax-exempt mutual funds will occasionally distribute small amounts of capital gain income. The Trustee should instruct the Manager, in writing, if only state-specific bonds or mutual funds should be purchased. In some cases, because of the domicile of the Trustee, a national tax-exempt fund might have to be used instead of a state-specific tax exempt fund.

G. Portfolios in which the Manager is instructed to minimize income (e.g., **"retirement trusts"**) will be invested on a case-by-case basis. At the Trustee's request, if appropriate, the Manager may design a portfolio that includes zero-coupon bonds to minimize current distributable income.

H. Due to the low long-term expected returns of cash relative to other asset classes, the Manager will manage the portfolios to minimize the amount of cash held.. For portfolios that have greater cash needs, the Manager will raise cash as required.

I. The Manager will be subject to the following **limitations** on portfolios, unless the Trustee has approved an exception in writing: 1) no one security (except for diversified mutual funds and U.S. Treasury obligations) will consist of more than 7% of any portfolio, and 2) no one high yield bond mutual fund will consist of more than 10% of any portfolio.

J. Prudent Investor Act: The Trustee acknowledges that the portfolio assets invested by the Manager are subject to the Arizona Prudent Investor Act (the "Act") and confirms that these investment guidelines comply with the investment provisions of the Act and applicable state laws. The Manager will implement exceptions to these guidelines only upon receipt of a written directive from the Trustee.

University of Arizona Foundation
Investment Policy Statement-Exhibit D
Investment Beliefs

Belief #1: We believe over the long-term risk and return are related. Bearing risk is an obligation of endowment investing, which requires meaningful returns to both provide the annual Payout and preserve principal after inflation.

- This ability to bear risk is best identified via a strategic asset allocation and liquidity management. Tactical asset allocation is hard, even for professional managers.
- Emphasize asset classes and exposures that offer long-term risk premiums that exceed the endowment target return. These should be backed by sound economic rationale and robust long horizon returns through reputable data sources.
- Recognize the range of returns over intermediate time periods can be quite large. We will hold these exposure with conviction, recognizing the holding period to reliably realize these premiums should be extraordinarily long, longer than most Committee Member's tenures. Do not disrupt the compounding process with excessive trading and/or return chasing.

Belief #2: We believe diversification leads to better long-term risk adjusted returns.

- Diversification is not always reliable in down markets, correlations change for a variety of reasons. Diversification likewise requires long-term patience.
- Recognize that it is often the "strategy of maximum regret", invariably a diversified portfolio will have some underperformers over intermediate time frames.
- To maximize the benefits, systematically rebalance.

Belief #3: We believe fees and expenses are reliable detractors of returns.

- Evaluate asset class premiums (Belief #1) and diversification (Belief #2) after expenses (including Unrelated Business Income and International Taxes).
- Recognize a strategy's all-in costs of access (management fee, incentive fee and fund operating expenses), including administrative burden as an implicit expense.

Belief #4: We believe excess returns from "alpha", the return attributable to skill, can have a material long-term impact. But, ex-ante, the identification of alpha is exceedingly rare.

- The vast majority of active strategies underperform after fees and expenses.
- If alpha is identified, hold with conviction, recognizing the holding period to realize should be extraordinarily long, longer than most Committee member's tenures.

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Belief #5: We believe private markets are an investment structure - not a distinct asset class - to access exposures and strategies not available in public markets. Returns can be attributed to underlying exposure, leverage, entry valuations, manager skill, or compensation for illiquidity.

- While private markets may have historically delivered attractive excess returns, increasing competition and capital flows have reduced the persistence of those premiums.

- The Committee recognizes that excess returns depend primarily on identifying and maintaining access to exceptional managers. Excessive diversification can dilute the benefits of manager skill.

- Consistent with Belief #3, these potential benefits must be evaluated net of higher fees, expenses, and implementation costs.

- Performance measurement in private markets is inherently challenging. Evaluation should consider public market equivalents.

- Illiquidity is a scarce resource and should be allocated to the highest expected return opportunities.