

**Statement of Investment/Spending Policies and Objectives  
For the North Carolina Central University  
Foundation, Inc.**



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**Statement of Investment/Spending Policy, Objectives, and Guidelines**  
**Executive Summary – Dated February 2025**

|                            |                                                                                                                                                                                                                                                                           |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Type of Fund:</b>       | Not for Profit Corporation as defined in Chapter 55A of the General Statutes of North Carolina                                                                                                                                                                            |
| <b>Investment Horizon:</b> | +10-years                                                                                                                                                                                                                                                                 |
| <b>Real Return Target:</b> | CPI plus + 4%                                                                                                                                                                                                                                                             |
| <b>Spending Policy:</b>    | A maximum of 5% of the Total Return of the Foundation's three-year average market value for scholarships and awards; and based on Board approval, a 2% of total market value of investments will be allocated for Foundation's operations at the end of each fiscal year. |

**Asset Allocation**

| Asset Allocation                                       | Lower Limit | Target Allocation | Upper Limit | Representative Index                        |
|--------------------------------------------------------|-------------|-------------------|-------------|---------------------------------------------|
| <b>Growth Assets</b>                                   |             |                   |             |                                             |
| US Large Cap Stocks                                    | 20.0%       | 29.0%             | 45.0%       | Russell 1000                                |
| US Mid Cap Stocks                                      | 0.0%        | 5.0%              | 12.0%       | Russell Mid Cap                             |
| US Small Cap Stocks                                    | 0.0%        | 4.0%              | 12.0%       | Russell 2000                                |
| International Developed Stocks                         | 0.0%        | 10.0%             | 25.0%       | MSCI EAFE                                   |
| International Emerging Market Stocks                   | 0.0%        | 3.0%              | 10.0%       | MSCI Emerging Markets                       |
| <b>Total Growth Assets</b>                             |             | <b>51.0%</b>      |             |                                             |
| <b>Risk Reduction Assets</b>                           |             |                   |             |                                             |
| US Fixed Income                                        | 15.0%       | 23.0%             | 40.0%       | Bloomberg Intermediate Govt/Credit          |
| International Fixed Income                             | 0.0%        | 2.0%              | 10.0%       | Citigroup World Govt Bond Ex US             |
| Preferred Stocks                                       | 0.0%        | 2.0%              | 5.0%        | B of A Plus Fixed Rate Preferred Securities |
| US High Yield Fixed Income                             | 0.0%        | 3.0%              | 6.0%        | Bloomberg High Yield 1% Issuer Cap          |
| Cash                                                   | 0.0%        | 0.0%              | 25.0%       | FTSE T-Bill 3 Months                        |
| <b>Total Risk Reduction Assets</b>                     |             | <b>30.0%</b>      |             |                                             |
| <b>Inflation Protection / Alternative Assets</b>       |             |                   |             |                                             |
| Private Equity                                         | 0.0%        | 6.0%              | 15.0%       | CPI + 5%                                    |
| Global Hedge Funds                                     | 0.0%        | 5.0%              | 15.0%       | HFR Fund of Funds                           |
| Infrastructure Fund                                    | 0.0%        | 2.0%              | 6.0%        | FTSE T-Bill 3 Months                        |
| Private Debt                                           | 0.0%        | 2.0%              | 6.0%        | FTSE T-Bill 3 Months                        |
| Commodities/Natural Resources                          | 0.0%        | 2.0%              | 6.0%        | Goldman Sachs Commodity Index               |
| Private Real Estate                                    | 0.0%        | 2.0%              | 6.0%        | FTSE T-Bill 3 Months                        |
| <b>Total Inflation Protection / Alternative Assets</b> |             | <b>19.0%</b>      |             |                                             |
| <b>Total</b>                                           |             | <b>100.0%</b>     |             |                                             |

## INTRODUCTION

The North Carolina Central University Foundation, Inc. ("Foundation" or "Fund"), is independent, non-profit corporation as defined in Chapter 55A of the General Statutes of North Carolina. The Foundation's purpose is to support and promote the growth of higher education in North Carolina, specifically at North Carolina Central University.

## NORTH CAROLINA CENTRAL UNIVERSITY MISSION

North Carolina Central University, with a strong tradition of teaching, research, and service, prepares students to become global leaders and practitioners who transform communities. Through a nationally recognized law school, highly acclaimed and innovative programs in visual and performing arts, sciences, business, humanities, and education programs, NCCU students are engaged problem solvers. Located in the Research Triangle, the University advances research in the biotechnological, biomedical, informational, computational, behavioral, social, and health sciences. Our students enhance the quality of life of citizens and the economic development of North Carolina, the nation, and the world.

## PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Investment Policy Statement ("Policy") outlines the Foundation's approach to managing its assets. The objectives of this policy are to:

1. Define and assign the responsibilities of all parties involved in managing the Foundation's assets.
2. Establish a clear understanding of the investment goals and objectives.
3. Provide guidance and limitations for investment managers and consultants.
4. Set a framework for evaluating investment performance.
5. Determine the relevant investment horizon for asset management.

This Policy is designed to establish a structured yet flexible investment approach, ensuring meaningful and practical decision-making.

## DELEGATION OF AUTHORITY

The Board of Directors of the North Carolina Central University Foundation, Inc. serves as the governing fiduciary body, responsible for directing and overseeing the management of Foundation assets. The Board may delegate specific responsibilities to professionals in relevant fields, including but not limited to:

1. Finance Committee: The Board delegates direct oversight of investment management to this committee.
2. Investment Consultant: The consultant advises the Board and Finance Committee on investment policy, objectives and guidelines. Responsibilities include selecting investment managers, monitoring their performance, and making recommendations as needed.
3. Investment Managers: These professionals have discretion to buy, sell, or hold securities within the limits of their assigned investment mandates to achieve the Fund's objectives.
4. Custodians: Custodians, or sub custodians, are responsible for safeguarding the Fund's securities, collecting dividends and interest payments, processing transactions, and ensuring accurate movement of assets.

## THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)

The Finance Committee intends for the Foundation to adhere to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in managing both Donor-Restricted Endowment Funds and Unrestricted Institutional Funds.

### Donor Restricted Endowment Funds

The Finance Committee interprets the North Carolina version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, unless explicitly directed otherwise by the donor. Based on this interpretation, the Foundation classifies the following as permanently restricted net assets:

1. The original value of gifts donated to the permanent endowment.
2. The original value of the subsequent gifts to the permanent endowment.
3. Any accumulated earnings added to the permanent endowment in accordance with donor's instructions.

Any remaining portion of a donor-restricted endowment fund that is not classified as permanently restricted is considered temporarily restricted. These assets are used in a manner consistent with the standard of prudence outlined in UPMIFA. In

making decisions to appropriate or accumulate funds, the institution acts in good faith, exercising the care that an ordinarily prudent person would use under similar circumstances. The following factors are considered when making such determinations:

1. The duration and preservation of the endowment fund
2. The purposes of the institution and the endowment fund
3. General economic conditions
4. The effects of inflation or deflation
5. The expected total return from income and the appreciation
6. The needs of the institution
7. The institution's investment policy

### **Unrestricted Institutional Funds**

The Finance Committee and investing Unrestricted Institutional Funds, if relevant, must be considered:

1. General economic conditions
2. Effects of inflation or deflation
3. Tax consequences
4. The role that each investment in the overall investment portfolio
5. The institution's needs to make distributions and preserve capital
6. The needs of the charity and the fund to make distributions and preserve capital
7. Expected total return from income and appreciation
8. The charity's other resources

UPMIFA requires that delegation of investment management be conducted in good faith, adhering to the standard of a prudent person. This includes:

- Selecting a qualified agent
- Establishing the scope and terms of delegation
- Conducting periodic reviews and supervision of the agent

### **ASSIGNMENT OF RESPONSIBILITY**

#### **Responsibility of Finance Committee**

The Finance Committee is responsible for recommending the Investment Policy for the Fund to the Board of Directors. This includes but is not limited to the evaluation, hiring, and termination of investment managers. The Committee must ensure the investment managers align with the Fund's objectives and risk tolerance. Duties of the Finance Committee include:

- Establishing clear investment guidelines and restrictions.
- Recommending policy changes to the Board of Directors, as necessary.
- Monitoring and evaluating investment managers, ensuring appropriate asset allocation and reasonable costs.
- Reviewing Fund performance quarterly and ensuring compliance with established objectives.
- Ensuring all decisions adhere to the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

#### **Responsibility of the Investment Consultant(s)**

The Consultant serves as an independent advisor to the Committee and must provide expertise in investment strategy, asset allocation, and manager selection. The Consultant's responsibilities include:

- Assisting in the development and periodic review of the Investment Policy.
- Providing recommendations on investment strategies and asset allocation.
- Conducting due diligence on investment managers and reporting findings to the Finance Committee.
- Monitoring performance of the Fund and investment managers.
- Ensuring all recommendations are objective and free from conflicts of interest.

**Responsibility of the Investment Manager(s)**

Investment managers are responsible for making investment decisions within the guidelines of the Fund's policy. Their duties include:

- Managing assets prudently in alignment with the Fund's objectives.
- Implementing investment strategies and maintaining appropriate asset allocation.
- Ensuring compliance with industry standards and regulations.

**Fiduciary Duty**

The Committee and its members shall exercise prudence and appropriate care in managing the Fund's investment objectives, in accordance with the Prudent Investor Rule. All investment decisions must be based solely on the interests of the Fund. Furthermore, investment managers and consultants must provide full and fair disclosure of all material facts, including potential conflicts of interest.

**Confidentiality**

Any advice or information furnished by either party under this agreement shall be treated as confidential and shall not be disclosed to third parties unless required by law.

**Spending Policy**

Income available for disbursement is determined by a total return calculation. An endowment total book value must be invested for at least 12 months before a spendable amount is available. Specifically, the matured fair market value of the Foundation's three previous fiscal year ends (as adjusted for additions and withdrawals) is determined. Then a three-year average is calculated. The generally accepted spending policy is a maximum of 5% for scholarships and awards. The Board of Directors, by two-thirds vote, may amend the stated spending policy to meet the prudent needs of the University. In addition to the above spending rate, the Board of Directors has approved an annually 2% of the fiscal year-end market value for the total investments will be used to fund the operations of the Foundation.

**Definition of Risk**

The Finance Committee believes that any person or organization involved in the process of managing investment assets understands how it defines risk, so that the assets are managed in a manner consistent with the Fund's objectives and investment strategy as documented in this statement of investment policy. The Committee defines risk as:

1. The probability of not maintaining purchasing power over the Fund's investment time horizon net of expenses
2. The probability of not meeting the Fund's investment objectives
3. The portfolios volatility being considerably more than the volatility of the normal portfolio as measured by 60% MSCI All Country World Index (ACWI)/40% Barclays Aggregate Bond Index

**Environmental, Social, Governance (ESG) Consideration**

When selecting investment strategies, the Finance Committee will consider ESG factors, including environmental, social, and corporate governance.

**GENERAL INVESTMENT PRINCIPLES**

All investment actions and decisions must be based solely in the interest of the Fund. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

1. Investments shall be made solely in the interest of the Fund
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. The Committee may employ one or more investment managers and/or investment vehicles of varying styles and philosophies to attain the Fund's objectives.

## DIVERSIFICATION AND ASSET ALLOCATION STRATEGY

The overall asset allocation strategy shall be to diversify investments to provide a balance that will enhance long-term total return while avoiding undue risk or concentration in any single asset class or investment strategy. The Committee has approved fourteen distinct asset classes for inclusion in the portfolio. They are as follows: domestic equity (large, mid and small cap), domestic fixed income, international fixed income, US high yield fixed income, preferred stocks, international equity (developed and emerging), commodities/natural resources, real estate investment trusts, alternative investments, and cash. The portfolio will be invested with investment manager(s) and investment vehicles in each of these seven asset classes. Multiple manager(s) and or investment vehicles may be employed. The overall objective of the Fund will be to maintain a fully invested asset allocation strategy with minimal allocation to cash. Individual asset class managers may hold cash as a portion of their portfolios consistent with their investment methodology.

Maximum and minimum allocations are provided to give guidelines for re-balancing the portfolio when the valuations of each asset class move outside those collars. Specific policy is provided in the section on "Re-balancing".

| Asset Allocation                                       | Lower Limit | Target Allocation | Upper Limit | Representative Index                        |
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| <b>Growth Assets</b>                                   |             |                   |             |                                             |
| US Large Cap Stocks                                    | 20.0%       | 29.0%             | 45.0%       | Russell 1000                                |
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| <b>Total</b>                                           |             | <b>100.0%</b>     |             |                                             |

## Rebalancing Policy

The Foundation's consultant will review the investment portfolio quarterly to assess its alignment with the strategic asset allocation outlined in the policy. If asset balances fall outside the designated lower or upper policy limits, a rebalancing process will be implemented.

Rebalancing transactions will be executed by the consultant with approval from the Finance Committee. A rebalancing spreadsheet will document and track these adjustments. Contributions into and distributions from the Foundation will be used to bring the fund closer to the target asset allocation.

**Selection of Investment Managers**

The Finance Committee selects investment managers through a prudent due diligence process. A qualified Investment Manager must be a registered investment adviser under the Investment Advisers Act of 1940 or a bank or insurance company. The Committee may engage a consultant to assist in selecting and evaluating investment managers. The manager search process includes quantitative and qualitative evaluations of the investment managers under consideration.

**Commingled Funds**

The Committee may also invest in commingled funds, provided their investment strategies align with these policies overall objectives. Investments must be made in accordance with the funds' prospectus and disclosure statements. However, the Committee remains responsible for ensuring these investment practices are consistent with the policy.

**PERMISSIBLE INVESTMENTS****Domestic Equity**

1. The portfolio will be diversified according to economic sectors, industries holdings and investment characteristics. While perfect diversifications is unattainable, multiple managers employing difference strategies will help achieve the desired balance.
2. Domestic equity managers may only hold publicly traded securities, such as American Depositary Receipts ("ADRs") or stocks on recognized U.S. exchanges.
3. No more than 5% of the manager's portfolio, may be held in the securities of a single issuer.
4. Short selling, derivative trading, and speculative investments, such as financial futures and options, are prohibited.
5. Any deviation from these guidelines requires prior approval from the Committee.

**Domestic Fixed Income**

1. Fixed Income investments must be direct issues of the United States Treasury, United States government agencies, or instruments such as mortgage-backed securities, corporate debt, and asset-backed bonds. Mortgage-backed and asset-backed securities must be issued by entities rated A or better by a Nationally Recognized Statistical Rating Organization (NRSRO).
2. The portfolio's average credit quality rating must be at least A-.
3. Only corporate bonds rated in the top four categories by at least two NRSO's (Moody's, S&P or Fitch) may be purchased. If ratings differ, the lower rating will apply. If only one rating exists, it must meet policy standards. Investments below BBB by two of the three NRSRO's should generally be avoided, except in cases of unexpected downgrades. In such instances, managers must promptly notify the consultant and Finance Committee
4. Investment managers should allocate no more than the lower of 2 times the respective index weight in BBB-rated securities (as determined by an NRSRO) or 15% of the total portfolio.
5. Investment managers have the discretion to adjust the portfolio's overall duration within +/- 20% of their specific benchmark.

**Alternative Investments**

The Foundation may engage investment managers to pursue alternative strategies beyond traditional stock and bond investments. These strategies aim to diversify market exposure and enhance overall returns.

Alternative investments may include managed funds, limited partnerships, and similar vehicles investing in domestic and international securities (both long and short positions). Eligible asset classes include private real estate, equity, debt, venture capital and marketable alternatives.

The Finance Committee acknowledges that mutual funds may use futures and options for risk management. Marketable alternative managers may also employ these instruments within approved guidelines. The generation of Unrelated Business Taxable Income (UBIT) is not permitted.

**INVESTMENT GUIDELINES****Allowable Assets**

**Cash Equivalents**

- Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

**Fixed Income Securities**

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage-Backed Securities
- Preferred Stock
- Direct loans to the University
- Fixed Income Securities of Foreign Governments and Corporations
- Planned Amortization Class Collateralized Mortgage
- Obligations (PAC CMOs) or other "early tranche" CMOs
- Asset-Backed Securities
- Treasury Inflation Protected Securities (TIPS)

**Equity Securities**

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depositary Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)
- REIT – Real Estate Investment Trusts that are publicly traded.

**Commingled Funds**

- Mutual Funds invested in securities as allowed in this statement.
- Commingled funds maintained under a bank.
- Exchange Traded Funds (ETFs).

**Prohibited Assets for Separate Account Investment Managers**

Prohibited investments for traditional investment managers include the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. Direct Real Estate Properties (non-securitized and illiquid)
7. Exchange Traded Notes
8. Guaranteed Investment Contracts (GICs)
- 9.

**Prohibited Transactions**

Prohibited transactions for include the following:

1. Short Selling
2. Margin Transactions

**INVESTMENT PERFORMANCE REVIEW**

The consultant will generate performance reports at least quarterly and communicate the findings to the Committee.

Investment performance will be evaluated against appropriate benchmarks to ensure alignment with the Fund's objectives, goals, and guidelines. The Committee will assess performance trends over at least a three-year period, considering whether investment results meet expectations.

**Investment Manager Watch List**

1. The Finance Committee may place an investment manager on a watch list at any time. Reasons for inclusion may include:
  - Change of ownership
  - Change in senior staff and/or management for any reason
  - Investment style change
  - Negative performance against assigned benchmarks over 3 – 5 years
  - Dramatic change in level of assets managed by the investment firm
  - Any breach of fiduciary or ethical duties to the Fund
2. Placement on the watch list triggers heightened due diligence by the consultant and Finance Committee. Potential actions may include:
  - Phone contact
  - Written correspondence
  - On-site visit
  - Other measures deemed appropriate or necessary.

### **MANAGEMENT COST, FEES, AND PROFESSIONAL COMPENSATION**

One of the fiduciary responsibilities of Committee is to understand and account for all costs associated with managing Fund assets. These costs must be reasonable, solely benefiting the Fund, and free from conflicts of interest. The consultant will assist the Committee in determining, evaluating, negotiating, and ensuring accountability for all investment related expenses. The following asset management costs must be reviewed and considered:

- Investment managers fees for both active and passive management
- Commingled pooled fund internal expenses
- Audit, administrative and sub-accounting fees
- Custodial and consulting fees

The consultant will provide a fee schedule detailing asset management and consulting expenses. If changes occur in the asset allocation model, investment managers, or investment vehicles, a revised schedule will be provided.

### **INVESTMENT POLICY REVIEW**

To ensure continued alignment with the Fund's objectives, financial status, and market conditions, the Finance Committee will review this policy at least annually.

Any amendments to the policy must be approved by the Finance Committee and subsequently submitted to the Board of Directors for final approval. All information and advice exchanged under this agreement will be treated as confidential and will not be disclosed to third parties unless required by law.

This statement of investment policy is adopted as of \_\_\_\_\_ by the Board of Directors of the North Carolina Central University Foundation, Inc.

For and on behalf of the North Carolina Central University Foundation, Inc.

**Equities:** Investments in equities are subject to the risks of fluctuating stock prices, which can generate investment losses. Equities have historically been more volatile than alternatives such as fixed income securities. International investments are subject to additional risks such as currency fluctuation, political instability, and the potential for illiquid markets. Emerging markets bear similar but accentuated risks.

**Large Cap Stocks:** This asset class is comprised of companies domiciled in the United States and generally viewed as having market capitalizations more than \$10 billion. Representative indices include the S&P 500, Russell 1000, and Russell Top 200.

**Small/Mid Cap:** Stocks of small and mid-cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of large, more established companies. Representative indices include the S&P Midcap 400, Russell Midcap, S&P Small Cap 600, and the Russell 2000.

**International:** International investing involves special risk including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Representative indices include the MSCI EAFE and MSCI World ex US.

**Emerging Markets:** Investing in emerging markets may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Representative indices include MSCI Emerging Markets.

**Fixed Income:** Fixed income investments fluctuate in value in response to changes in interest rates and credit risk. Callable and Mortgage-backed securities are also subject to risk of call or prepayment, so that portfolio management may be faced with replenishing the portfolio in a possibly disadvantageous interest rate environment. Representative indices include Bloomberg Barclays U.S. Aggregate Bond Index and Bloomberg Barclays Government/Corporate.

**High Yield:** Investments in high-yield bonds (sometimes referred to as "junk bonds") offer the potential for high current income and attractive total return but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Representative indices include Bloomberg Barclays Global High Yield, Merrill Lynch High Yield, and Bloomberg Barclays High Yield Municipal.

**Alternative investments** such as derivatives, hedge funds, private equity funds and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you must invest, your need for liquidity and your tolerance for risk.

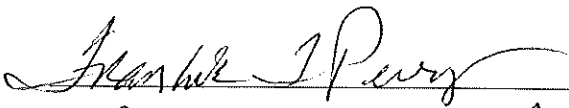
**Hedge Funds:** An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage, and short sales which can magnify potential for losses or gains. Restrictions exist on the ability to redeem units in a hedge fund. Hedge funds are speculative and involve a high degree of risk. Representative indices include Dow Jones Credit Suisse Hedge Fund and various HFRI indices.

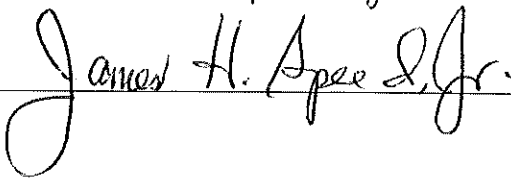
**Private Equity:** An investment in private equity involves risks that differ from traditional equity investments including illiquidity, leverage, and lack of transparency. Private equity investments generally require long time commitments. Representative indices include Cambridge Associates US Private Equity and Venture Economics Private Equity.

**Private Debt:** Includes any debt held by or extended to privately held companies. The lenders manage investment strategies that include direct lending, distressed debt, mezzanine, real estate, infrastructure, and special situations, among others. In addition to paying back the full sum of the loan in the future, the company must also pay interest to the lending institution.

**Real Estate:** Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of the economic conditions on real estate values, changes in interest rates, and risks related to renting properties, such as rental defaults. Representative indices include FTSE NAREIT and NAREIF.

**Commodities:** Commodities investments are highly volatile and are speculative. Commodities prices may be affected by overall market movements, changes in interest rates and other factors such as weather, disease, embargoes, and international political and economic developments. Representative indices include the Bloomberg Commodity TR and the S&P GSCI.

\_\_\_\_\_, President, North Carolina Central University Foundation, Inc.

\_\_\_\_\_, Chairperson, Finance Committee