

## NOTICE OF PUBLIC MEETING

The Executive and Audit Committee of the Board of Trustees of the University of Oregon will hold the following public meeting. The meeting will be held remotely with a livestream available for members of the public and the media.

Meeting materials are available at: <https://trustees.uoregon.edu/upcoming-meetings>. The livestream link will be available at the time of the meeting, if not sooner, at <https://trustees.uoregon.edu/meetings>.

Sign language for the deaf or hard of hearing should be requested at least 18 hours in advance of the posted meeting time by contacting Jennifer LaBelle at (541) 346-3166 or emailing [trustees@uoregon.edu](mailto:trustees@uoregon.edu). Please specify the sign language preference.

## MEETING AGENDA

**Board of Trustees of the University of Oregon  
Executive and Audit Committee | Public Meeting  
8:00 AM PT | September 14, 2021**

### Convene

- Call to order, roll call, verification of a quorum

- 1. Tier 3 Portfolio Management (Action):** Jamie Moffitt, Vice President for Finance and Administration and CFO; Paul Weinhold, President and CEO, University of Oregon Foundation

### Meeting Adjourns

The University of Oregon (UO or University) has a three-tier system for allocating institutional funds within the overall Cash and Investment Pool, which is outlined in the UO's Treasury Management Policy ([link](#)<sup>1</sup>). That policy states that the UO's Tier 3 portfolio "represents cash balances that are not expected to be required to support operations, near term liquidity needs, or fund intermediate term projects, and therefore may be invested for an indefinite period of time much like a quasi-endowment. The primary objective of [these funds] is to maximize long-term real return commensurate with the risk tolerance of the University." (Section II.D.iii.)

The Treasury Management Policy further stipulates that the Board "must approve the University's use of investment hedging instruments and other derivatives." (Section II.K.)

In September 2014, the Board authorized the University to select the University of Oregon Foundation (Foundation) as a vendor for depository and investment management services related to the Tier 3 Portfolio. In December 2016, the Board authorized the Foundation, or any fund managers hired by the Foundation, to use derivatives "provided such contracts are used to hedge or mitigate existing risk exposure for the assets." The full text of that 2016 authorization is attached to the proposed resolution as Exhibit A.

Effective October 1, 2021, management of the Tier 3 Portfolio will transfer to Jasper Ridge Partners, a third party fund manager hired by the Foundation. The Board is asked to authorize hedging instruments and other derivatives more broadly as it relates to the Tier 3 Portfolio. Such tools are advantageous to the overall management of this portfolio, which is meant to sustain longer term investment strategies. The administration believes it will be in the long-term interest of the institution to allow the Foundation, and by extension fund managers hired by the Foundation, greater flexibility with regard to hedging instruments and other derivatives.

This item should be addressed prior to the transfer of funds. A scheduling conflict precludes consideration at the September 20-21 full board meeting and so the Executive and Audit Committee is being asked to consider the matter on behalf of the full board.

Enclosed materials:

- Resolution with Exhibit A (2016 authorization)
- Slide deck for the meeting's discussion
- UO's Treasury Management Procedures with proposed redlines relative to this authorization (sections without proposed changes are redacted, but the full procedures are available at <https://ba.uoregon.edu/content/treasury-operations>); incorporated into this as Exhibit E to the procedures is the UO Foundation's Statement of Investment Policy

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<sup>1</sup> <https://policies.uoregon.edu/vol-4-finance-administration-infrastructure/ch-3-treasury-investments/treasury-management-0>

**Executive and Audit Committee  
Board of Trustees of the University of Oregon**

**Resolution: Tier 3 Portfolio Management – Investments in Derivatives**

Whereas, the University of Oregon (“University”) has hired the University of Oregon Foundation (“Foundation”) to manage certain University funds;

Whereas, the Board of Trustees (“Board”) wishes to allow the University, the Foundation, and hired fund managers flexibility to use instruments aimed at maximizing returns while mitigating risk exposure for assets held under management for and in the name of the University;

Whereas, the Board previously authorized the use of derivative contracts by the Foundation and fund managers hired by the Foundation for purposes of hedging risk exposure (see Exhibit A, attached hereto), but wishes to provide additional flexibility for the use of such contracts;

Whereas, derivative contracts and other hedge positions are sophisticated instruments which can be used to modify risk exposure, mitigate emerging market issues, or leverage certain investment positions to the benefit of an investment portfolio; and,

Whereas, the Executive and Audit Committee is authorized to act on behalf of the Board.

Now, THEREFORE the Board of Trustees hereby authorizes the Foundation, and by extension fund managers hired by the Foundation, to employ hedging instruments and other derivatives on behalf of the University. This resolution supersedes the December 16, 2016, resolution regarding derivative contracts.

Moved: \_\_\_\_\_ Seconded: \_\_\_\_\_

Trustee	Vote	Trustee	Vote
Aaron		Kari	
Holwerda		Lillis	
Hornecker		Ralph	

Record here if a voice vote without dissent: \_\_\_\_\_

Dated: \_\_\_\_\_ Initials: \_\_\_\_\_

## EXHIBIT A

### Board of Trustees of the University of Oregon

#### Resolution: Authorization for Certain Use of Derivative Contracts

Whereas, the University of Oregon (University) is authorized to engage the University of Oregon Foundation (Foundation) for purposes of managing and investing certain University assets, including its “Tier 3” portfolio of cash and investments;

Whereas, the Board wishes to allow the University and its fund managers flexibility to use instruments aimed at maximizing returns while mitigating risk exposure for assets held under management for and in the name of the University;

Whereas, the University’s current Treasury Management Policy (IV.03.01) stipulates that Board of Trustees (Board) approval is required for “the University’s use of investment hedging instruments and other derivatives;”

Whereas, derivative contracts and other hedge positions are sophisticated techniques used to modify risk exposure or mitigate emerging market issues and requiring Board approval for each individual transaction is inefficient and may cause timing issues that negate possible benefits of the techniques; and,

Whereas, the Finance and Facilities Committee has referred this matter to the full Board as a seconded motion, recommending passage.

Now, THEREFORE The Board of Trustees hereby authorizes the Foundation, and by extension fund managers hired by the Foundation, to enter into derivative contracts on behalf of the University provided such contracts are used to hedge or mitigate existing risk exposure for the assets held under management by the Foundation for and in the name of the University. Notwithstanding the above, speculation is prohibited.

VOTE: Voice Vote Recorded – Ayes carried (no dissention)

DATE: December 2, 2016

Recorded by the University Secretary: 



# **Tier 3 Portfolio Management Action Related to Investment in Derivatives**

September 2021

Jamie Moffitt, VPFA/CFO/Treasurer

Paul Weinhold, President/CEO, University of Oregon Foundation

Executive and Audit Committee  
Board of Trustees of the University of Oregon

# Jasper Ridge Partners

- Jasper Ridge Partners was hired to manage the Foundation's cash and assets effective July 1, 2021
- JRP manages approximately \$30 billion in assets
- A team of more than 100 investment and operations professionals
- Manages multiasset class and diversified portfolios, as well as tailored, asset-class-specific mandates
- JRP brings a team with deep knowledge of capital markets and the investment universe combined with a strong understanding of foundation and university legal and compliance issues.

# Benefits of Investing T3 Portfolio with Foundation Endowment

- Gain access to Jasper Ridge investment infrastructure and expertise
- Facilitate greater diversification of portfolio into markets not typically achievable with a small fund
- Gain additional fund management oversight through team at Jasper Ridge and Foundation's Investment Committee

# Resolution Summary

Authorize the UOF, and by extension fund managers hired by the UOF, to employ derivative contracts, on behalf of the University

This resolution supersedes the December 16, 2016 resolution regarding derivative contracts



## CENTRAL BANK PROCEDURES [Section redacted-no changes]

### CASH & INVESTMENT OPERATIONAL PROCEDURES

#### Selection of Broker/Dealers, Investment Managers and Depository Banks

##### *Selection of Broker/Dealers* [Section redacted-no changes]

##### *Engagement of Investment Managers*

The Treasurer may engage one or more qualified firms to provide investment management services for the university. All investment management firms who desire to provide investment management services to the university shall be provided with current copies of these investment procedures. Before an organization can provide investment management services to the university, it must confirm in writing that it has received and reviewed these investment procedures and the Treasury Management Policy and is able to comply with both.

Only firms meeting the following requirements will be eligible to serve as investment managers for the university:

- a) Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940;
- b) Must have provided to the university an annual updated copy of Form ADV, Part II, if applicable; and
- c) Must be registered to conduct business in the State of Oregon.

Any firm engaged by the university to provide investment services shall:

- a) Select security brokers/dealers who meet the requirements defined under these procedures;
- b) Provide performance reports at least quarterly;
- c) Report on performance in comparison to the university's investment benchmarks; and
- ~~d) Not collect any soft dollar commissions or credits, from mutual funds or others, in exchange for services directly provided to a customer.~~

The Board may authorize other investment managers that do not meet the above requirements.

- At its regular meeting in June 2014, the Board authorized the use of Oregon State Treasury for investment management.
- At its regular meeting in September 2014, the Board authorized the University of Oregon Foundation (UOF) to manage portions of the Cash & Investment pool subject to the funds being in a segregated account, managed according to University

of Oregon (UO) policy and procedures, and provide routine performance reports to the university.

### ***Selection of Depository Institutions***

[Section redacted-no changes]

### **Custody/Trust and Administration**

[Section redacted-no changes]

### **General Roles and Responsibilities Related to Investment Management**

[Section redacted-no changes]

### **Permitted investments – Tier 1**

[Section redacted-no changes]

### **Permitted Investments – Tier 2**

[Section redacted-no changes]

### **Permitted Investments – Tier 3**

***At its regular meeting in September 2014, the Board authorized the UOF to manage portions of the Cash & Investment pool subject to the funds being in a segregated account, managed according to UO policy and procedures, and provide routine performance reports to the university. Permitted investments in Tier 3 shall consist of any investment permitted to be held under the UOF Statement of Investment Policy (Exhibit E) Any investment eligible to be held in Tier 1 or Tier 2***

***~~Other investments including, but not limited to: foreign currency, domestic and global equity, global and emerging market securities, real estate, private loans, private equity, and hedge funds.~~***

***~~No restriction to credit ratings. Unrated securities are permitted~~***

### **Portfolio Risk Management**

[Section redacted-no changes]

### **Portfolio Benchmarks**

The returns earned by the university's Cash & Investment Pool will be compared on a quarterly basis to a benchmark with similar risk/return characteristics. The applicable benchmarks for each of the university's three Portfolio Tiers are listed below:

- Tier 1 - A benchmark will be established that reflects the risk tolerances of the portfolio as it develops.
- Tier 2 - A benchmark will be established that reflects the risk tolerances of the portfolio as it develops.
- Tier 3 - A custom benchmark as defined in the UOF Statement of Investment Policy (Exhibit E) will be developed reflecting the return objectives and risk tolerances as the portfolio develops. In addition, the portfolio's performance will be compared to other higher-ed endowment portfolios of comparable size using the annual NACUBO Commonfund Study of Endowments. UO and the UOF intend the T3 portfolio investments to outperform the benchmarks identified in the UOF guidelines, net of fees. Currently, the benchmark is defined as follows:

A liquid global market benchmark initially comprised of 70% MSCI All Country World Index ETF (Ticker: ACWI), 25% Barclays U.S. Aggregate Index ETF (Ticker: AGG), and 5% Cash (Ticker: LD12TRUU).

A composite benchmark comprised of individual asset class benchmarks, including illiquid assets, aggregated at actual portfolio weights. The performance benchmarks for the asset classes comprising the portfolio are attached as Exhibit 1 within the UOF Statement of Investment Policy (Exhibit E).

These performance benchmarks are subject to any guideline changes.

### Portfolio Diversification

The Cash & Investment Pool's investments shall be diversified by security type and institution. Concentrations in individual securities, industries, geographies, and economic sectors should not be so high as to subject the Cash & Investment Pool to undue risk. The maximum percentage of the asset allocation and issuer limit permitted in each eligible security shall be as follows:

<i>Sector limit / Issuer Limit</i>	<b>Tier 1 Portfolio*</b>	<b>Tier 2 Portfolio*</b>	<b>Tier 3 Portfolio*</b>
U.S. Treasury Obligations	100% / 100%	100% / 100%	<del>100% / 100%</del>
Oregon State Treasury	100% / 100%	100% / 100%	<del>100% / 100%</del>
Collateralized Bank Deposits	100% / 100%	10% / 10%	<del>10% / 10%</del>
Negotiable Certificates of Deposit and Bank Deposit Notes	100% / 100%	20% / 5%	<del>20% / 5%</del>
Commercial Paper	100% / 100%	20% / 5%	<del>20% / 5%</del>
Money Market Mutual Funds	100% / 100%	50% / 25%	<del>50% / 25%</del>
Repurchase Agreements	50% / 25%	50% / 25%	<del>50% / 25%</del>
Bankers' Acceptances	35% / 5%	35% / 5%	<del>35% / 5%</del>

Provided for informational purposes only; sections without changes are redacted (as noted).  
 Full version available at <https://ba.uoregon.edu/content/treasury-operations>

UO Treasury Management Procedures

<i>Sector limit / Issuer Limit</i>	<i>Tier 1 Portfolio*</i>	<i>Tier 2 Portfolio*</i>	<i>Tier 3 Portfolio*</i>
Non-Negotiable Certificates of Deposit / Time Deposits	10% / 3%	20% / 3%	<del>20% / 3%</del>
Federal Agency Obligations	0%	100% / 40%	<del>100% / 40%</del>
Corporate Debt Obligations	0%	65% / 5%	<del>65% / 5%</del>
Asset-Backed Securities	0%	25% / 3%	<del>25% / 3%</del>
Municipal Obligations	0%	20% / 5%	<del>20% / 5%</del>
Other Investments	0%	0%	<del>100% / 5%</del>

\*These assets may be managed by third party investment management firms and subject to specific guidelines developed at the time the manager is engaged. If the State of Oregon is the manager for any of the portfolios, its policies govern and supersede any limits set forth in these investment procedures.

The sector and issuer limits shall be applied to each Portfolio at the date of acquisition. For all pooled investments, with the exception of pools managed by the Foundation or the Oregon State Treasury, the university’s holdings must represent no more than 10 percent of the net assets of the pool.

Asset allocation and issuer limits for the Tier 3 portfolio shall be as defined in the UOF Statement of Investment Policy (Exhibit E).

**Subsequent Events** - The limitations established by this Investment Policy will apply at the time a security is purchased (settlement date) and will be based on the then-current book value. Should a subsequent event cause a security or the investment portfolio to no longer meet the specifications of the Investment Procedures, the Treasurer will determine the appropriate course of action and report this activity to the Finance & Facilities Committee. There is no requirement that a security be sold prior to maturity if it no longer meets the criteria set forth in these Investment Procedures. Further, any security held by the university at the time these Investment Procedures was adopted may be held to its maturity.

**Prohibited Investments and Investment Practices**

[Section redacted-no changes]

**Board Statement on Investment Philosophy**

[Section redacted-no changes]

**Special Note on Derivative Activity**

Treasury Management policy statement 2.11 states that “The Board must approve the University’s use of investment hedging instruments and other derivatives.”

- At its meeting June 2014, the Board authorized the university to enter into forward foreign currency contracts in an aggregate amount not to exceed \$7.5 million (USD) at any time.

*UO Treasury Management Procedures*

- ~~• At its meeting December 2016, the Board authorized the UO Foundation and any fund managers it engages to enter into derivative contracts for the purpose of hedging risk exposures for assets under management held in the name of the University of Oregon. The resolution forbids the use of derivative contracts for speculative purposes.~~
- (Will be added subject to approval.) At its meeting September 2021, the Board authorized the UOF and its endowment manager, Jasper Ridge Partners, to enter into derivative contracts for any purpose in the course of managing Tier 3 funds, for assets under management held in the name of the University of Oregon.

**Investment Parameter Examples**

[Section redacted-no changes]

**Investment Income Distributions**

[Section redacted-no changes]

**Other Operational Matters**

[Section redacted-no changes]

**LIABILITY MANAGEMENT PROCEDURES**

[Section redacted-no changes]

**EXHIBIT A**

**FORM OF POST-ISSUANCE COMPLIANCE POLICIES**

[Exhibit redacted-no changes]

**EXHIBIT B**

**BOARD STATEMENT ON INVESTMENT PHILOSOPHY**

[Exhibit redacted-no changes]

**EXHIBIT C**

**BASIC UO INVESTMENT PARAMETERS  
SEPARATELY MANAGED TIER 2 FUNDS**

[Exhibit redacted-no changes]

## Exhibit D

### Basic UO Investment Parameters Quasi-Endowment Tier 3 Funds

#### T<sub>3</sub> GUIDING PRINCIPLES AND OBJECTIVES

- T<sub>3</sub> contains monies that are not permanently restricted and represent deep core assets of the University. T<sub>3</sub> is expected to operate in perpetuity as a quasi-endowment for the general benefit of the university, but, as noted in the contract, the university reserves the right to liquidate its position in T<sub>3</sub> by giving proper notice to UOF and in such a situation, would work with UOF to ensure orderly liquidation of T<sub>3</sub>, which would be expected to take time.
- In making investment strategy decisions for T<sub>3</sub>, the focus shall be on the long-term investment horizon and encompass complete business cycles which are often five- to seven-year cycles. Due to the long-term nature of the investment pool it is understood that a large portion of the pool may be illiquid. It is further understood that the pool will be subject to short-term market volatility and risk of loss.
- The primary investment objective of T<sub>3</sub> is to generate the maximum rate of return given a prudent level of risk with an emphasis on capital appreciation over long periods of time since the T<sub>3</sub> will operate in perpetuity. Achievement of this objective shall be done in a manner that provides investment returns that, over a long-term planning horizon, will meet the spending rate established in this document and maintains the purchasing power of the principal.
- The long-term objective, measured over rolling five-year periods is to generate at least 4% real net return in order to protect the purchasing power of the distribution policy. Real net return is defined as the sum of dividends, interest and capital appreciation (loss), less all manager fees and investment expenses, less inflation as measured by CPI-U plus 1%.
- The UO Board has fiduciary responsibility over these funds and has delegated to the university's Treasurer all authority necessary to oversee the management of the university's funds. The UO Board may adopt future policies that will be applied to these funds.

#### ASSET ALLOCATION GUIDELINES

- ~~The fund shall be diversified among investment options in varying proportions depending on market conditions and valuations with an underlying strong commitment to an actively managed equity-like portfolio. Opportunities may be sought in alternative investments that provide additional portfolio diversification, reduce the volatility of investment returns, and hedge against inflation and deflation.~~
- ~~The UO Treasurer will periodically review relevant capital market information and make appropriate modifications to long term allocation targets within the long term allocation ranges. Medium or short term allocation targets may deviate from the long term targets based on asset class valuations and risk/return opportunities.~~
- ~~Asset Allocation – Ranges and Targets~~

<del>Asset Class</del>	<del>Low Range</del>	<del>Target</del>	<del>High Range</del>
<del>Growth Assets</del>	<del>50%</del>	<del>70%</del>	<del>80%</del>
<del>US Equity</del>			
<del>International Equity</del>			
<del>Private Equity</del>			
<del>Diversifying Assets</del>	<del>20%</del>	<del>30%</del>	<del>50%</del>
<del>Fixed Income Cash</del>			
<del>Inflation Hedging</del>	<del>0%</del>	<del>0%</del>	<del>15%</del>
<del>Real Assets</del>			

- ~~Management of UO's T<sub>3</sub> portfolio, including asset allocation, rebalancing guidelines, and risk management, will follow the policies and guidelines established by UOF for endowment management. See Exhibit E. To rebalance the portfolio, it is expected that UOF may need to liquidate or transfer assets among managers. Prior to liquidating assets, UOF may, at its discretion, ask if UO has capacity to add cash to the pool.~~
- ~~In addition, UO will consult with UOF to ensure that UO's guidelines for cash and investment management described in the University's Treasury Management Policy are considered in the performance of this Agreement. Furthermore, UO will provide UOF with interpretive guidance regarding the implementation of investment management practices compliant with the Statement of Investment Principles adopted by the Executive and Audit Committee of the University of Oregon Board of Trustees at its June 2017 meeting, which~~

*UO Treasury Management Procedures*

states in part that “The primary principle guiding the University’s investments is the consideration of financial impact(s) on current and future elements of the university. This manifests itself through investment practices that generate the greatest possible return, subject to an appropriate amount of risk, to support the institution’s mission of teaching, research and service.”

REBALANCING GUIDELINES

- ~~• UOF is authorized to allocate/rebalance among existing investments toward investment targets as deemed appropriate. Liquidity issues and asset valuations will always be considered.~~
- ~~• To rebalance the portfolio or meet distribution requirements, it is expected that assets may need to be liquidated or transferred among managers. Prior to liquidating assets, UOF may, at its discretion, ask if the university has capacity to add cash to the pool.~~

RISK GUIDELINES

- ~~• This portfolio is expected to be a long-term portfolio seeking high real rates of return with limited liquidity. The most important risk to be mitigated is the permanent loss of capital. Managers should be identified who employ a margin of safety in their investment activities and preference will be given to managers who have their own capital at risk. In addition, cash flows and liquidity will be monitored to provide adequate liquidity to fund the distribution plan and minimize the risk of having to sell assets at depressed values to meet liquidity needs.~~
- ~~• T3 is expected to be diversified with respect to industry, geography, and other typical risks.~~
- ~~• On a cost basis, not more than 20% of the pool may be allocated to a single manager.~~
- ~~• In the event of severe market dislocations that cause liquidity or valuation concerns, UOF may temporarily suspend asset allocation targets and ranges and other guidelines to preserve capital while providing sufficient time to understand the changing circumstances and modify the targets as appropriate.~~

PERFORMANCE BENCHMARKS

- ~~• The primary objective is to maintain and grow long-term real purchasing power as measured over five-year rolling periods at the distribution rate plus inflation (CPI-U core plus 1%).~~
- ~~• Actual performance will also be compared to a passive policy benchmark that is weighted 60% MSCI ACWI Equity Index and 40% Barclays Aggregate Bond Index to measure added value versus a passively managed portfolio over five-year rolling periods.~~
- ~~• A custom benchmark as defined in the UOF Statement of Investment Policy (Exhibit E). UO and the UOF intend the T3 portfolio investments to outperform the benchmarks identified in the UOF guidelines, net of fees.~~
- ~~• Currently, the benchmark is defined as follows:
  - ~~○ A liquid global market benchmark initially comprised of 70% MSCI All Country World Index ETF (Ticker: ACWI), 25% Barclays U.S. Aggregate Index ETF (Ticker: AGG), and 5% Cash (Ticker: LD12TRUU).~~
  - ~~○ A composite benchmark comprised of individual asset class benchmarks, including illiquid assets, aggregated at actual portfolio weights. The performance benchmarks for the asset classes comprising the portfolio are attached as Exhibit 1 within the UOF Statement of Investment Policy (Exhibit E).~~~~
- ~~• These performance benchmarks are subject to any guideline changes.~~

PROHIBITED ACTIVITIES AND OTHER LIMITATIONS

- ~~• May not collect any soft dollar commissions or credits, from mutual funds or others, in exchange for services provided~~
- ~~• Not more than \$10 million of the market value of any investment fund will be invested in any single issuer or security other than the U.S. Government or its agencies.~~
- ~~• No direct ownership of real property~~
- ~~• No artwork or other collectibles~~
- ~~• No borrowing of funds in the name of the University of Oregon~~



**STATEMENT OF INVESTMENT POLICY  
UNIVERSITY OF OREGON  
INVESTMENT OBJECTIVES AND POLICIES FOR THE ENDOWMENT FUND**

## Introduction

- I. The University of Oregon Foundation (the “Foundation”) was organized in 1922 and is governed by a Board of Trustees (the “Board”) comprised of approximately 26 civic and business leaders. The Foundation is a 501(c)(3) whose mission is to receive, record, invest and distribute funds resulting from gifts for the benefit of the University of Oregon. The Board has fiduciary responsibility for investment of the Foundation’s assets, including the allocation of funds to various asset classes and the engagement of professional investment managers. The Board has appointed an Investment Committee to administer these assets.
- II. The purpose of this statement is to provide the Board, the Investment Committee, and the discretionary investment manager of each Foundation Fund (as defined below) with a clear understanding of the Foundation’s investment objectives, policies, and guidelines that govern each of its investment pools (collectively, the “Foundation Funds”). These funds include Endowment Fund, the General Investment Program and the Intermediate Term Pool. The Board may change these guidelines at any time.
- III. The Investment Committee shall review the investment status and performance of the Endowment Fund quarterly based on materials produced by the manager of the Endowment Fund and shall meet with the Manager at least thrice annually. A quorum of the Investment Committee shall be achieved when one-half of its voting members are in attendance. The Investment Committee may take action by affirmative vote of a majority of the quorum. Minutes of each Investment Committee meeting shall be provided promptly to the Board by the secretary of the meeting.
- IV. At least once each year, the Foundation’s staff and the Chair of the Investment Committee shall submit a report to the Board summarizing the Foundation Funds’ asset allocation and investment performance.
- V. The Investment Committee shall review these Investment Objectives and Policies periodically to ensure their continued appropriateness, and recommend changes to the Board, as needed.

## A. Endowment Fund

### I. General.

- A. The Endowment Fund shall be held within UOF Investments, L. P., a Delaware partnership. The manager of the Endowment Fund shall be Jasper Ridge Partners, L. P., a registered investment adviser regulated by the United States Securities and Exchange Commission (the “Endowment Fund Manager”).



## II. Investment Objectives:

- A. The Investment Committee's long-term financial objectives for the Endowment Fund are to produce a relatively predictable and stable payout stream (measured on a per unit basis) that increases over time at least as fast as the general rate of inflation, while achieving growth of corpus (also measured on a per unit basis) that increases over time at least as fast as the general rate of inflation. Thus, the Endowment Fund aims to support the Foundation's current programs, and also increase support for future programs as its corpus grows.
- B. The Investment Committee intends the Endowment Fund to outperform the following benchmarks (net of fees):
  - i. A liquid global market benchmark initially comprised of 70% MSCI All Country World Index ETF (Ticker: ACWI), 25% Barclays U.S. Aggregate Index ETF (Ticker: AGG), and 5% Cash (Ticker: LD12TRUU).
  - ii. A composite benchmark comprised of individual asset class benchmarks, including illiquid assets, aggregated at actual portfolio weights. The performance benchmarks for the asset classes comprising the Fund are attached as Exhibit 1.
- C. The Investment Committee intends that the Endowment Fund shall seek to achieve the long-term investment objective of an annual 5% real return, net of investment-related expenses. For the purposes of adjusting nominal returns to real returns, a broad measure of U.S. consumer inflation (e.g., the Consumer Price Index – All Urban Consumers ("CPI-U")) shall be used.
- D. The Investment Committee shall evaluate progress towards this investment objective over the long term and recognizes that the Endowment Fund must exceed targeted returns substantially during some periods in order to compensate for shortfalls during other periods. Its use of multiple benchmarks will enable the measurement of overall fund performance, as well as the attribution of performance across investment decisions. These decisions shall include, but shall not be limited to, long-term target asset allocation, tactical deviations from the target and manager selection.

## III. Spending Policy

- A. The Board intends to authorize annual distributions on Endowment Fund assets equal to the sum of:
  - i. 60% (prior year distribution) x (1 + CPI-U); plus
  - ii. 40% (3-year average of December 31st market values) x (stated payout rate)

- iii. The stated payout rate is currently set at 4% (plus recurring operational costs incurred by the Foundation of approximately 75 bps)
- B. As a matter of course, the Endowment Fund shall first use new gifts and then current cash holdings to satisfy annual distribution obligations, prior to using any funds from its investment portfolio for this purpose.
- C. The Endowment Fund's actual payout rate may vary modestly from the target rate, depending upon program needs and changes in the Fund's average market value, but rarely by more than 100 basis points.
- D. Further, the Board expects distributions on quasi-endowment assets invested in the Endowment Fund to be no greater than 7-10% annually.

#### IV. Asset Allocation Targets and Risk Management

- A. The Investment Committee shall establish long-term policy target allocations and ranges for the Endowment Fund. In particular, the Endowment Fund Manager shall manage its portfolio with the following exposures to Global Equities (as measured by MSCI All Country World Equities), Interest Rate Duration (as measured by Barclays US Treasury Bonds), and Credit Spreads (as measured by Barclays US High Yield excess returns).

Market Factor	Target	Long Term Range
Global Equity	0.65 - 0.75	0.60 - 0.80
Interest Rate Duration	0.17 - 0.22	0.15 - 0.35
Credit Spread	0.05 - 0.10	0.00 - 0.20

- B. The Investment Committee shall require the Endowment Fund Manager maintain sufficient liquidity within the Endowment Fund such that it can satisfy its liabilities (including distributions referenced in the Spending Policy), by establishing long-term asset allocation targets that limit its exposure to semi-liquid and illiquid investments. In particular, the Endowment Fund shall be managed with the following asset allocation targets (measured on a manager look-through basis):

Asset Type	Target	Long Term Range
Liquid Assets	35% - 40%	25% - 55%
Semi-Liquid Assets	15% - 20%	15% - 25%
Illiquid Assets	40% - 45%	35% - 50%

- C. The Investment Committee may request a discussion with the Endowment Fund Manager at any time and, at its discretion, change the risk targets and asset allocation targets upon a qualifying vote of the Investment Committee. Additionally, the Investment Committee shall review the Endowment Fund's risk and asset allocation targets at least annually, in order to evaluate diversification and progress toward long-term objectives.

## **V. Guidelines for the Endowment Fund**

- A. The Investment Committee shall ensure that the Endowment Fund's investment exposures are generally diversified (i) among U.S. and non-U.S. public equities, private assets (including private equity, venture capital, real estate, natural resources, and distressed investment opportunities), various hedge fund strategies (including event-driven, equity long-short, relative value and macro strategies), U.S. and non-U.S. fixed income, and cash; and (ii) across underlying managers (concentration risk), sectors, risk factors and liquidity characteristics. The purpose of such diversification is to minimize risk for any given level of expected return and earn incremental expected return by committing prudently to illiquid assets.
- B. The Investment Committee shall ensure that performance for all liquid investments is measured relative to liquid benchmarks of corresponding levels of market risk. Hedge funds and private assets shall also be evaluated relative to relevant hedge fund and private asset benchmarks, respectively.
- C. The Investment Committee shall monitor performance of the Endowment Fund portfolio quarterly, and evaluate underlying managers over rolling three-to-five-year periods. The Investment Committee acknowledges that that active managers may underperform their benchmarks for prolonged periods during market or style cycles, although it expects them to outperform over a complete market cycle.
- D. The Investment Committee acknowledges that the pursuit of long-term outperformance may increase the volatility of returns. This posture reflects the trade-off between emphasizing managers and strategies expected to outperform their respective benchmarks and sacrificing an element of diversification as a result.

## **VI. Guidelines for Donated Securities**

- A. As a general matter of policy, the Foundation shall sell donated securities and other assets promptly after receipt. The cash proceeds of any such sale shall first be used to satisfy any current payout requirement. Any net remainder amount shall be invested in the Endowment Portfolio in accordance with applicable policy guidelines.

- B. Upon decision of the President of the University of Oregon Foundation and in consultation with the Investment Committee, the Foundation may choose in certain circumstances to accept large donations of a single security that are subject to investment restrictions. In this case, the securities shall be held separately from the asset allocation guidelines listed for the Endowment Fund.

## **VII. Use of Derivatives**

- A. The Investment Committee recognizes that the Endowment Fund Manager may use various derivative instruments and that the prudent use of such instruments can be helpful in controlling portfolio risk exposures (hedging), accessing greater market liquidity, and reducing transaction and other costs as compared to cash market transactions. Accordingly, the Investment Committee shall permit the use of derivative securities in the Endowment Fund portfolio, provided they are utilized in a manner consistent with the overall Investment Objectives and Policies described herein. For purposes of this section, the term “Derivatives” refers to both exchange-traded derivatives and over-the-counter derivatives that are bilateral, negotiated transactions with a derivative counterparty.
- B. Derivatives may be used by the Endowment Fund Manager and its selected investment managers to hedge existing portfolio exposures (e.g., to hedge the currency risk of a foreign stock or bond position), to manage portfolio risks to their targeted levels (e.g., by adding to or subtracting from risks that arise elsewhere in the portfolio), or to create exposures with lower transaction costs than would otherwise be made in the cash market (e.g., purchasing and selling Treasury bond futures contracts typically incurs lower transactions costs than does purchasing and selling individual bonds). The risk of derivative positions shall be evaluated in conjunction with other investments in the portfolio.
- C. The Endowment Fund Manager shall evaluate the experience and skill in the use of derivatives of any external manager to whom it may allocate capital. Without prejudice to the foregoing, the Investment Committee acknowledges and agrees that any given external manager’s proprietary derivatives policies will govern its investment activities and, further, that such policies may not comply (fully or in part) with the provisions set forth herein.

## **VIII. Social Responsibility**

- A. The Endowment Fund Manager shall take into account relevant environmental, social and governance considerations in the portfolio investment and construction activities that are the subject of these Investment Objectives and Policies.

## **IX. Monitoring and other issues**

- A. The Investment Committee shall review the Endowment Fund’s risk targets, asset allocation targets, and performance periodically and no less frequently than annually, in order to evaluate diversification and progress toward long-term objectives.
- B. While the Investment Committee will monitor short-term results, it acknowledges and agrees that the objectives for the Endowment Fund are long-term in nature and that progress toward these goals should be evaluated from a long-term perspective.
- C. The Investment Committee may terminate the Endowment Fund Manager in accordance with the Amended and Restated Limited Partnership Agreement of UOF Investments, LP dated \_\_\_\_.
- D. The Endowment Fund Manager shall inform the Investment Committee promptly of any material change in investment philosophy, change of control thereof, any material change in organizational structure or professional personnel, or any material change in status of the Endowment Fund Manager’s regulatory licenses.

## **B. General Investment Program**

### **I. Investment Objectives:**

- A. The General Investment Program (“GIP”) consists of funds that (i) are donor-designated non-endowment gifts intended to be used within a relatively short period of time; or (ii) reflect gift agreements that allow for unrestricted use of all earnings.
- B. The manager of the GIP shall be the Foundation (“GIP Manager”).
- C. The Investment Committee shall require that the GIP Manager invest the GIP funds with the goal of (i) generating a prudent amount of income from a diversified portfolio of securities, while (ii) maintaining stability of principal and sufficient liquidity to meet the needs of the University of Oregon.

### **II. Asset Allocation Guidelines**

- A. The Investment Committee shall require the GIP Manager to diversify the GIP pool to realize two objectives: (i) sufficient liquidity, which objective shall be achieved through investments in marketable securities with a maximum maturity of three (3) years; and (ii) high current income, which objective shall be achieved through inclusion in the GIP portfolio of investment exposures that (x) deliver superior returns relative to applicable benchmarks and (y) which carry an extremely low associated risk of permanent impairment of invested capital.

- B. In its sole and absolute discretion and subject to its prior approval, the Investment Committee may direct the GIP Manager to invest up to 40% of GIP funds in the Endowment Fund.

### III. Performance Objectives

- A. The Investment Committee shall evaluate the total performance of this pool, relative to a benchmark consisting of 6-month US Treasury Bill returns, plus 25 bps.

### IV. Risk Guidelines

#### A. Liquidity:

- i. A minimum of 40% of GIP assets must be maintained in liquid assets.
- ii. Up to 60% of GIP assets may be committed to return-enhancing investments,
- iii. UP to 25% of GIP assets may be committed for intermediate term advances to the University of Oregon.

#### B. Investment Criteria:

- i. The risk profile of GIP portfolio investments must have a high degree of certainty of returning *pro forma* income, with very constrained mark-to-market volatility.
- ii. Potential for permanent loss of capital shall be *de minimis*.
- iii. The GIP Manager shall use commercially reasonable best efforts to pay distributions only in cash (not in kind).
- iv. The GIP Manager shall ensure that that the GIP portfolio incurs minimal risk of generating unrelated business taxable income (UBTI), unless the incremental expected return on the investment that yields UBTI fully compensates for the expected tax cost of the UBTI generated.

### C. Intermediate-Term Pool

#### I. Investment Objective

- A. The Intermediate-Term Pool (ITP) consists of assets to be invested in a manner that aims to protect the safety of principal and also generate current income. Funds designated for expenditure within a five-year timeframe and whose interest earnings must accrue to the restricted equity shall be considered prime candidates for inclusion in the ITP.
- B. The manager of the ITP shall be the Foundation (“ITP Manager”).
- C. Because preservation of capital is of utmost importance to the effective management of this pool, investments therein shall be limited to marketable fixed income securities with a maximum maturity equal to or less than three-years. A minimum of 80% of assets in this pool shall be invested in investment grade fixed income securities.
- D. Up to 20% of assets in this pool may be committed by the ITP Manager to marketable fund managers whose liquidity provisions are no more restrictive than semi-annually.

**EXHIBIT 1**  
**COMPOSITE BENCHMARKS**

<b>Asset Class</b>	<b>Asset Class Benchmark</b>
Traditional Public Equity	MSCI All Country World Equity ETF (Ticker: ACWI)
Traditional Fixed Income	Barclays US Aggregate Bond ETF (Ticker: AGG)
Hedge Funds	HFRI Fund Weighted Composite (Bberg ID: HFRIFWI)
Private Equity	PrivateIQ Pooled Buyout
Venture Capital	PrivateIQ Pooled Venture Capital
Real Estate	Private IQ Pooled Value Add and Opportunistic Real Estate
Natural Resource	PrivateIQ Pooled Natural Resources
Cash	Barclays U.S. 1-3mo Treasury Bills (Bberg ID: LD12TRUU)