Florida A&M University Foundation, Inc.

STATEMENT OF INVESTMENT POLICY, OBJECTIVES & GUIDELINES

Final
November 5, 1999

Revised
May 6, 2004
November 18, 2006
June 25, 2009
November 19, 2011
November 17, 2012
August 14, 2014
November 18, 2016
May 26, 2017
June 2, 2023

1. GENERAL INVESTMENT PHILOSOPHY

The Investment Committee of Florida A&M University Foundation, Inc. ("Foundation") recognizes the perpetuity of Florida A&M University ("FAMU") and therefore adopts a long term, total return investment philosophy designed to accomplish the primary goal of the Foundation to provide significant funding support to the University, its students and faculty over its perpetual time horizon. The Investment Committee believes that a well-diversified, high-quality, professionally managed investment program will attain the investment goal of growing the Foundation assets at an annualized rate that when added to annual gifts/contributions will equal or exceed the Foundation's annualized rates of spending and inflation.

2. SCOPE OF THIS INVESTMENT POLICY

This statement of investment policy reflects the Investment Policy, Objectives, and Guidelines of the Florida A&M University Foundation, Inc. as approved and adopted by the Board of Directors and the governing Investment Committee.

3. PURPOSE OF THIS INVESTMENT POLICY STATEMENT

3.1. This statement of investment policy is set forth by the Investment Committee of the Florida A&M University Foundation, Inc. in order to:

- 3.1.1. Define and assign the responsibilities of all involved parties.
- 3.1.2. Establish a clear understanding for all involved parties of the investment goals and objectives of Foundation assets.
- 3.1.3. Offer guidance and limitations to all Investment Managers regarding the investment of Foundation assets.
- 3.1.4. Establish a basis for evaluating investment results.
- 3.1.5. Manage Foundation assets according to prudent standards as established in common trust law.
- 3.1.6. Establish the relevant investment horizon for which the Foundation assets will be managed.

3.2. In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

4. DEFINITIONS

4.1. "Annual Foundation Spending" shall mean total expenses for scholarships and grants plus all administrative expenses and university support.

4.2. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition, or administration of Foundation assets.

4.3. "Fund" shall refer to the Foundation investment assets.

4.4. "Investment Committee" shall refer to the governing committee established by the Board of Directors to administer the investments of Florida A&M University Foundation, Inc. as specified by applicable ordinance.
4.5. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the Florida A&M University Foundation Fund is considered long-term defined as ten to fifteen years.
4.6. Investment Manager ("Manager") shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, Sub-Manager searches, and performance monitoring or to oversee the investments in all or part of Foundation assets.
4.7. "Sub-Manager" shall mean any individual, or group of individuals retained to manage the investments that adhere to a stated investment strategy or style.
4.8. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.

5. DELEGATION OF AUTHORITY

5.1. The Investment Committee of the Foundation as a fiduciary is responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

5.1.1. Custodian. The custodian will physically maintain possession of marketable securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian will also provide regular, detailed reporting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation accounts.
5.1.2. Investment Manager ("Manager"). The Manager may assist the Investment Committee in: establishing investment policy, objectives, and guidelines; has discretion in selecting and terminating investment managers in accordance with the Investment Management Agreement ("IMA"); reviewing such managers over time; measuring and evaluating investment performance; attaining investment objectives set forth in this investment policy and other tasks as deemed appropriate.
5.1.3. Sub-Managers. The Sub-Managers have discretion to purchase, sell, or hold the specific securities that adhere to a stated investment management strategy or style.
5.1.4. Additional specialists such as attorneys, auditors, actuaries, and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer Foundation assets prudently.

5.2. All expenses for such experts must be customary and reasonable and will be borne by the Foundation as deemed appropriate and necessary.

6. ROLES AND RESPONSIBILITIES

6.1. The Board, Investment Committee and Foundation staff are responsible for:
- 6.1.1. Establishing and maintaining the Statement of Investment Objectives, Policy, and Guidelines, and Target Allocation
- 6.1.2. Monitoring the performance and risk profile of the Fund as a whole
- 6.1.3. Reviewing the Manager's implementation of the investment program
- 6.1.4. Hiring, terminating, reviewing, or replacing the Manager, others, or Custodian Bank.
- 6.1.5. Reviewing and addressing all potential conflicts of interest

6.2. The Manager is responsible for:
- 6.2.1. Recommending the Target Allocation to the Investment Committee
- 6.2.2. Hiring the sub-managers
- 6.2.3. Monitoring, rebalancing, and making tactical shifts between Asset Classes sub-managers
- 6.2.4. Monitoring the appropriateness of each sub-manager's strategy in light of the organization's overall investment strategy, philosophy, objectives, and mission
- 6.2.5. Monitoring and reporting on investment performance for each sub-manager compared to a benchmark
- 6.2.6. Terminating sub-managers when necessary
- 6.2.7. Overseeing the organization's investment assets and regularly reporting on the status of the investments to the Investment Committee and Board
- 6.2.8. Providing necessary information and cooperating with the Foundation's accounting staff and external auditors in preparing reports and audits as and when required to do so.
- 6.2.9. As soon as it becomes aware, reporting to the Foundation in writing any violations of this investment policy, any material lawsuits, and any material findings against any manager or its principals, either by a court, the SEC, or any other regulatory authority.

6.3. Responsibility of the Sub-Manager(s). Each sub-manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction. Specific responsibilities of the sub-manager(s) include:
- 6.3.1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation.
- 6.3.2. Communicating to the Manager any major changes to investment strategy, or any other factors which affect implementation of the investment process.
- 6.3.3. Promptly informing the Manager regarding any qualitative change to the sub-manager's organization; examples include changes in portfolio management personnel, ownership structure, investment philosophy and process, etc.
- 6.3.4. Voting proxies on behalf of the Foundation.

7. GENERAL INVESTMENT PRINCIPLES

7.1. Investments shall be made solely in the interest of the beneficiaries of the Foundation.

7.2. 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.

7.3. The Fund shall be managed on a Total Return (appreciation plus income) basis.

7.4. Investment of the Fund shall be diversified as to minimize the risk of relatively large, sustained losses substantially in excess of similarly situated foundations of comparable size.

7.5. The Fund assets shall be managed to minimize cash holdings, which are to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

8. INVESTMENT MANAGEMENT POLICY

8.1. Preservation of Capital. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital over the Foundation's investment horizon, understanding that losses may occur in individual securities or in aggregate over shorter periods of time.

8.2. Risk Aversion. Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's primary objective of achieving consistent real (inflation and expenditures adjusted) growth of total assets. The risk of any individual investment component will always be viewed and considered within the risk level of the Fund total investment structure. However, the Manager and sub-managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

8.3. Adherence to Investment Discipline. Sub-managers are expected to adhere to the investment management styles for which they were hired. Sub-managers will be evaluated regularly for adherence to investment discipline.

9. THE GOAL OF FLORIDA A&M UNIVERSITY FOUNDATION, INC.

The Foundation Board of Directors believes that spending support for scholarships and grants to be made in the future are as important as scholarships and grants made today. This is consistent with the philosophy that FAMU and the Foundation will exist in perpetuity. Consequently, the Foundation's goal is to annually provide FAMU with funding for scholarships and grant making in perpetuity. To attain this goal, the overriding objective of the Foundation is to maintain spending purchasing power. The Fund's spending policy is outlined in Appendix B.

10. INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Foundation is to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income. Specifically, the objectives in the investment management of Foundation assets shall be:

10.1. Preservation of Purchasing Power. After giving consideration to minimum annual gifts/contributions, to achieve annual total returns in excess of CPI +1% plus spending over the investment horizon in order to preserve purchasing power of

Fund assets. The Fund's spending policy is outlined in Appendix B.

10.2. Absolute Return Target. The Fund will seek to achieve a long-term absolute return target of 7%.

10.3. Long-Term Growth of Capital. To emphasize long-term growth of principal while controlling excessive risk. Short-term (one year or less) volatility of Total Fund values will be tolerated in as much as it is consistent with the volatility of a comparable market index. Over the investment horizon established in this statement, it is the goal of the Foundation to grow total assets at a rate that will equal or exceed on an average compounded annual basis:

10.3.1. The return of the custom blended composite market index, agreed upon by the Investment Committee that most closely corresponds to the style of investment management, on a trailing three- and five-year basis.

10.3.2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by standard deviation of returns and other generally accepted metrics like Market Beta and Factor Sensitivities.

10.4. Liquidity. The Manager will provide the Investment Committee with metrics to monitor overall liquidity which includes illiquid investments such as private market assets and hedge funds. The Foundation Asset Allocation targets are reflected in Appendix A. Efforts will be made to report and ensure adequate liquidity is available to meet expected and unanticipated cash flow requirements. This will entail specific limits on alternative investments (hedge funds and private markets) as noted in Appendix A. Furthermore, all hedge fund investments will seek to be limited to share classes with average lock ups of one year or less. To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will allow a short-term credit facility that ranges from 50bps to 100bps of the overall Fund to be established, collateralized by the Foundation's assets.

11. SPENDING FORMULA

The Fund considers smoothing, caps and floors that are consistent with industry standards and best practices. The spending policy is outlined in Appendix B.

12. DEFINITION OF RISK

12.1. The Investment Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Foundation assets, understands how it defines risk so that the assets are managed in a manner consistent with the Foundation's objectives and investment strategy as designed in this statement of investment policy.

12.2. The Investment Committee defines risk as the probability of not meeting the Florida A&M University Foundation's goals and objectives as defined in this policy statement.

12.3. Risk or volatility is measured by standard deviation. The Fund will target standard deviation that ranges between 10% - 13% over a full market cycle of three to five years.

13. MARKETABILITY OF ASSETS

Foundation assets may be invested in a mix of liquid (marketable) and illiquid (non-marketable) assets. It is expected that marketable assets are held with the Custodial Bank, are priced daily, and can be traded on a public exchange, while non-marketable assets are priced infrequently, and may be held with a third-party administrator. The Foundation has adopted an asset allocation that considers an appropriate mix of marketable and non-marketable investments that allows for purchasing power preservation, long-term growth of capital, and liquidity. The asset allocation can be found in Appendix A.

14. ASSET ALLOCATION GUIDELINES, ASSET CLASS ROLES AND DEFINITIONS

14.1. Asset Allocation Guidelines

14.1.1. Investment management of the assets of the Foundation shall be in accordance with the following asset allocation guidelines:

14.1.1.1. Aggregate Florida A&M University Foundation, Inc. Asset Allocation Guidelines (at market value) is shown in Appendix A.

14.1.1.2. Concurrently, the Foundation is committed to maintaining asset allocations with minority- and women-owned sub-managers with a minimum of 20%. Diverse manager firms are defined as having diverse ownership of greater than 50%.

14.2. Asset Class Roles and Definitions

Each asset class is included in the portfolio with the intention that it serve the purpose of 1) providing a stream of real returns that are positive over the long-term; 2) providing a stream of returns that are not perfectly correlated with returns to the other segments comprising the overall Assets.

The objective of every asset class (except for Cash Equivalents) is to outperform, net of fees, its benchmark over three to five-year periods. Asset class groupings are listed below within underlying strategies and investment objective: Diversifiers, Inflation Protection, and Growth Assets.

14.2.1. **DIVERSIFIERS: This includes fixed income and liquid alternative investment strategies with minimal exposure to global equity markets. These segments are designed to enhance overall portfolio returns in environments of poor equity market performance.**

14.2.1.1. **Fixed-Income:** Includes credit quality, liquidity and preservation of capital are the core emphasis for this asset class. Therefore, the asset class will primarily invest in domestic high-quality government, corporate, municipal, mortgage and asset backed bonds, and cash equivalents. The segment may hold mutual funds, exchange traded funds, separately managed accounts with individual securities, and/or non-listed commingled equity funds. Holdings may be diversified across maturity and fixed income sectors. Each non-listed commingled fund or separately managed account will have its own specific investment objective and guidelines, which are agreed to contractually at the time of initial investment. Fixed income investment managers may employ an active investment style quite different than the exact composition of the respective index.

Objective: Earn an average annual return from income and capital appreciation that exceeds the benchmark index net of management fees over a full market cycle of five years. The investment performance of fixed income investment managers shall be measured against the investment performance of indices and other fixed income investment managers with similar bond investment styles (e.g., core against core, active duration against active duration.

14.2.1.2. **Hedge Funds**: Included in this category are strategies often pursued by hedge funds, including long/short equity and credit, event-driven and special situations investing, merger and capital structure arbitrage, and distressed securities. This category also encompasses strategies focused on corporate and structured bonds, including those rated below investment grade. The roles of this segment are to provide portfolio diversification and access to unique strategies and manager skills. This encompasses investments that are typically available for liquidation within less than 365 days.

Objective: Earn an average annual return from a diverse group of strategies that exceeds the benchmark index net of management fees over a full market cycle of five years. Positive, generally equity-like returns are expected over time with less volatility and smaller interim declines than that of the public equity markets.

14.2.2. **INFLATION PROTECTION ASSETS: This includes liquid alternatives that historically provide a partial hedge during periods of inflation such as marketable real estate and natural resource-based investments.**

14.2.2.1. **Marketable Real Estate:** This segment includes public real estate such as REITs and REOCs listed on global equity exchanges.

Objective: Earn an average annual return from income and capital appreciation that exceeds the benchmark index net of management fees over a full market cycle of five years.

14.2.2.2. **Natural Resources:** This category includes energy, natural resources equities, diversified commodities, inflation-linked bonds, and other inflation-sensitive investments. The segment may hold mutual funds, exchange traded funds, separately managed accounts, and/or non-listed commingled funds.

Objective: Earn an average annual return that exceeds the benchmark index net of management fees over a full market cycle of five years.

14.2.3. **GROWTH ASSETS: These investments are generally expected to perform well during periods of economic growth.**

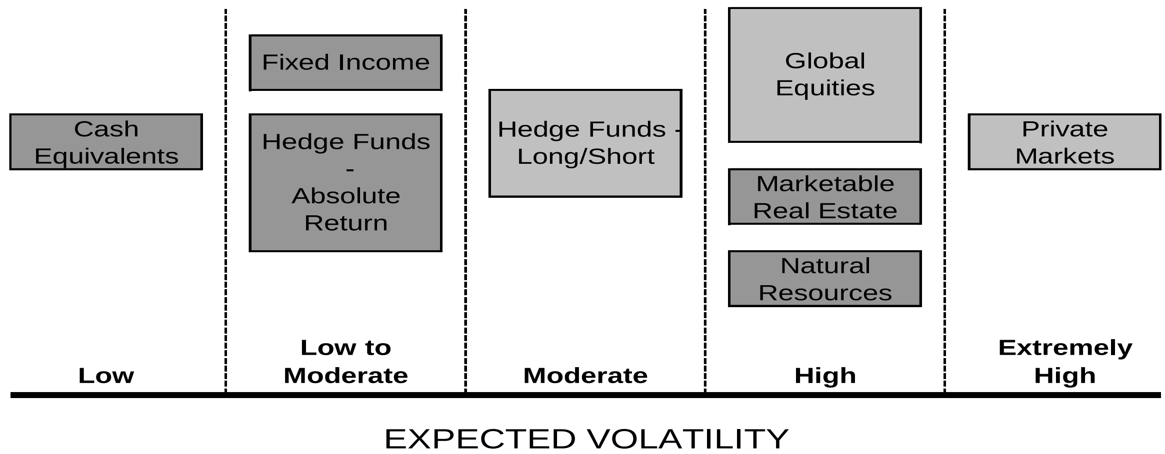
14.2.3.1. **Global Equities:** Long-term capital appreciation is the core emphasis for this asset class. Therefore, the asset class will primarily invest in publicly traded global equities on a long-only basis. Underlying securities may include developed, emerging and frontier market equities. The segment may hold mutual funds, exchange traded funds, separately managed accounts with individual equities, and/or non-listed commingled equity funds. Holdings may be diversified across global, regional, country, style, and sector-based strategies. Each non-listed commingled fund or separately managed account will have its own specific investment objective and guidelines, which are agreed to contractually at the time of initial investment. The Foundation recognizes that the equity investment manager may employ an active investment style quite different than the exact composition of the economic sectors that comprise their respective index. It is understood that active investment styles will come in and out of favor versus the broad market indices. The Manager will monitor and update the Investment Committee when a sub-manager's investment style has fallen out of favor with the broad markets.

Objective: Earn an average annual return that exceeds the benchmark index net of management fees over a full market cycle of five years. The investment performance of equity investment managers shall be measured against the investment performance of indices and other equity investment managers with similar equity investment styles (e.g., growth against growth, value against value, international against international.)

14.2.3.2. **Private Markets:** This will include investments in underlying venture, buyout, growth equity, and private equity partnership funds, both domestic and international, via a manager of managers strategy. Fund vehicles will have their own specific investment objective and guidelines, which are agreed to contractually at the time of initial investment.

Objective: Earn an average annual return that exceeds the benchmark index net of management fees over a full market cycle of five to ten years with the understanding of that negative returns at the inception will ideally be followed by sharp positive returns as these investments mature through increased sales and profitability. This asset class is expected to deliver premium returns due to long term nature and inaccessibility of capital for many years.

CHARACTERIZATION OF EXPECTED VOLATILITY BY ASSET CLASS



15. INVESTMENT POLICY REVIEW

To assure continued relevance of the policies, objectives, guidelines, financial status, and capital markets expectations as established in this statement of investment policy, the Investment Committee plans to review investment policy at least biennially.

16. APPROVAL AND ADOPTION

As evidenced by the signatures below, the latest revisions to this Statement of Investment Policy, Objectives, and Guidelines were approved and adopted on **June 2, 2023**, by the Board of Directors and Investment Committee of the Florida A&M University Foundation, Inc.

Marcelia Freeman	Chair, Investment Committee
Lisa LaBoo	Chair, Board of Directors

APPENDIX A – ASSET ALLOCATION

FOUNDATION ASSET ALLOCATION TARGET (Long-Term Investments)

In order to have a reasonable probability of earning the current rate of return target over a market cycle, the Florida A&M University Foundation Board and Investment Committee has adopted the long-term asset allocation policy detailed below.

Asset Class	Target	Minimum	Maximum	Policy Benchmarks
Fixed Income	10%	5%	15%	Bloomberg US Aggregate, Bloomberg Long Term Treasury Index
Global Equities	40%	35%	45%	MSCI ACWI
Private Markets	20%	10%	30%	Cambridge Associates Private Equity Index
Hedge Funds	20%	15%	25%	HFRI Fund of Funds Index
Real Estate	5%	0%	10%	MSCI US REIT Index
Natural Resources	5%	0%	10%	Bloomberg Commodity Index
Cash Equivalents	0%	0%	5%	ICE BofA ML US 3-Month T-Bill

APPENDIX B – SPENDING POLICY

FLORIDA A&M UNIVERSITY FOUNDATION, INC.

POLICY ON EXPENDITURES FROM ENDOWED FUNDS
(Spending Policy)

Adopted: April 25, 2014

I. Purpose of Policy

This is the *Policy on Expenditures from Endowed Funds* of the Florida A&M University Foundation, Inc. The purpose of this policy is to establish the procedure by which the Foundation will decide to annually allocate for expenditure amounts from endowed funds for the purposes for which the funds were established and for administrative costs related to investment and administration of the endowed funds.

II. Policy

The Foundation is committed to administering and investing endowed funds in compliance with all relevant Foundation by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA). No policy will supersede any provision of federal or state law or regulation.

The Foundation shall periodically review the application to endowed funds of its spending allocation and administrative fee described below and shall make a determination that such application is prudent. In making a determination to expend such amounts from endowed funds, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider the following factors:

a) The duration and preservation of endowed funds;

b) The purposes of the Foundation and endowed funds;

c) General economic conditions;

d) The possible effect of inflation or deflation;

e) The expected total return from income and the appreciation of investments;

f) Other resources of the Foundation; and

g) The investment policy of the Foundation.

The Foundation has a duty under UPMIFA to maintain the long-term purchasing power of each endowed fund and, in accordance with that duty, will record the historic dollar value of each endowed fund as a benchmark by which to measure each fund's performance relative to preservation of long-term purchasing power. The Foundation shall also institute such procedures as are reasonably calculated to identify any individual endowed fund, the long-term purchasing power of which has the potential to be significantly impaired by continued application of this policy and present a strategy for remedying such impairment to the Finance Committee of the Board of Directors of the Foundation.

APPENDIX B - SPENDING POLICY

The Foundation is aware that despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its Board members there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event a fund falls underwater by 10%, the Foundation will reinvest the spending allocation back to net return and the fund will not receive a spending distribution or be charged any fess.

III. Calculation Method

Transfers from endowed funds for the spending allocation and the administrative fee shall be calculated as described below. Such transfers may be made regardless of whether an endowed fund has sufficient current period and/or accumulated net investment returns to support such allocation unless a determination has been made pursuant to Section II above to limit or withhold such payments with respect to a particular fund.

a) Spending Allocation

The amount allocated for spending will equal 3.0% of the rolling prior 12-quarter average market value of the pooled investment portfolio. The average market value calculation will commence with December 31st of the year immediately prior to the fiscal year in which spending will occur. To assist budget planning, endowed fund beneficiaries will be informed of their spending allocation for the upcoming fiscal year by the end of March directly preceding the fiscal year in which spending will occur. The spending allocation will be recorded in the endowed fund spending account in full at the start of each fiscal year.

b) Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses will equal one and one-half percent (1.5%) of average market value calculated as described in III. (a) above. The full endowment administrative fee will be recorded in the Foundation's operating fund in full at the start of each fiscal year.

Description	Rate
Spending Allocation	3.0%
Administrative Fee	1.5%
Total	**4.5%**

IV. Exceptions

The spending allocation and administrative fee will not be calculated as set forth above for endowed funds underwater by 10% or established pursuant to a gift instrument that specifies a different spending method or does not permit the assessment of such fees.

All other exceptions to this policy must be approved by the Finance Committee of the Board of Directors upon the recommendation of the Foundation Executive Director where there is substantial potential for developing a long-term funding relationship with the donor and the gift's designated use is compatible with the Foundation's priorities.

V. Applicability

This Policy applies to all endowed funds administered, held, and invested at or by the Foundation.

VI. Enforcement and Interpretation

It is the responsibility of all employees to uphold this policy. Any violation of this policy may result in disciplinary action up to, and including, termination of employment.
Questions regarding interpretation of this policy should be directed to the Foundation's Executive Director or Managing Director/CFO.

VII. Effective Date

This policy is effective for expenditures from endowed funds commencing with the fiscal year beginning July 1, 2016, and replaces and supersedes any preceding policy concerning this subject matter. This policy and its application shall be monitored by the Finance and Investment Committees of the Foundation Board of Directors, which shall make to the Board of Directors any necessary recommendations with respect to amendments to this policy.

VIII. Approval Date

This policy was approved by the FAMU Foundation, Inc. on April 25, 2014.

IX. Amendments

Amended on May 10, 2023.
Amended on November 19, 2016.
Amended on August 28, 2014.