University at Albany Foundation

*Investment Policy Statement*

March 2021

This Investment Policy Statement (“IPS”) details the oversight and management of the Investment Portfolio of the University at Albany Foundation (the “Foundation”). For clarity, this IPS applies only to those assets within the Foundation’s investment portfolio and excludes those assets within the Foundation’s the Gift Annuity Portfolio, which operate under its own IPS.

1. Purpose

The purpose of this IPS is to establish a clear understanding of the philosophy and the investment objectives for The Foundation. This document will further describe the standards that will be utilized by the Foundation’s Investment Sub-Committee (the “Sub-Committee” a sub-committee of the Finance Committee) in monitoring investment performance, as well as, serve as a guideline for any investment manager retained.

While shorter-term investment results will be monitored, adherence to a sound long-term investment policy that balances short-term distributions plus the administrative expenses of the Foundation with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the Fund.

The Investment Sub-Committee seeks to achieve the investment objectives over a full market cycle, but does not expect that all investment objectives will be attained each year. Furthermore, the Investment Sub-Committee recognizes that over various time periods, the Fund may produce over or under performance relative to the broad markets. For this reason, long-term investment returns will be evaluated over a full market cycle (for measurement purposes, at least five to ten years).

2. Governance

The Board of Directors has the ultimate fiduciary responsibility for the Foundation's investment portfolio. The Board must ensure that appropriate policies governing the management of the
investment portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the IPS and delegates responsibility to the Investment Sub-Committee for ongoing monitoring.

Section 5.4.1 of the Foundation by-laws, created the Investment Sub-Committee as a standing sub-committee of the Finance Committee. The Investment Sub-Committee is responsible for adopting the provisions of this Investment Policy. This responsibility includes approving investment strategy; hiring of investment managers, custodians, and investment consultants; monitoring performance of the Fund on a regular basis (at least quarterly); and maintaining sufficient knowledge about the Fund and its managers to be reasonably assured of their compliance with the IPS.

Chief Financial Officer (“CFO”):

The CFO has daily responsibility for administration of the investment portfolio and will consult with the Investment Sub-Committee and the investment consultant on matters relating to the investment within the portfolio. The CFO (or his/her designee) will serve as primary contact for the Fund’s investment managers, investment consultant, and custodians. The CFO will have authority to invest incoming cash (up to 2% of the Fund’s value) with existing liquid Fund managers or to sell liquid investments to rebalance the Investment Portfolio or to fund capital calls. Such transactions will be disclosed to the Sub-Committee no later than the next quarterly meeting.

Investment Consultant:

The Investment Consultant is responsible for assisting the Investment Sub-Committee and CFO in all aspects of managing and overseeing the investment Fund. The consultant is the primary source of investment education and investment manager information. The investment consultant does not have discretionary authority over portfolio decisions. On an ongoing basis the consultant will:

- Provide the Investment Sub-Committee with quarterly performance reports, with more frequent intra-quarter communication as needed;
- Monitor activity of each investment manager or investment fund;
- Supply the Investment Sub-Committee with other reports (e.g., asset allocation studies, investment research and education, private capital modeling) or information as reasonably requested;
- Provide proactive recommendations; and
- Review this Investment Policy Statement with the Investment Sub-Committee.

The Foundation reserves the right to select investment managers or investments outside of the recommendations of the investment consultant and will be represented by one of the asset classes outlined in this Investment Policy Statement. The Sub-Committee will discuss the performance of the Investment Consultant annually.
Custodian:

The custodian’s primary function will be to hold in custody the assets of the Fund, including individual securities and shares or other interests invested in commingled vehicles. The custodian will also reconcile account positions and activity with the investment managers, account for the collection of interest and dividends, account for security transactions, and prepare periodic (e.g., monthly) account statements.

3. Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, the Investment Sub-Committee and its members, the investment consultant, and investment managers shall exercise prudence and appropriate care in accordance with the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA governs the management and investment of funds held by not-for-profit corporations.

NYPMIFA provides (i) a standard of conduct for managing and delegating authority with respect to "institutional funds," (ii) rules of construction for appropriating from an "endowment fund," and (iii) rules for release or modification of restrictions on institutional funds. NYPMIFA requires that those responsible for managing an institutional fund act "in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

Prudence Standard:

NYPMIFA requires consideration of the following factors in managing and investing an institutional fund:

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the Fund
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The needs of the Foundation and the Fund to make distributions and to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

In addition, the Foundation may incur only those costs that are appropriate and reasonable in relation to the assets, the purposes of the Foundation, and the skills available to the Foundation, and must make a reasonable effort to verify facts relevant to the management and investment of the Foundation’s Fund.
**Diversification:**

Except as otherwise provided in a gift instrument, NYPMIFA provides that the Foundation must diversify the investments of Foundation Funds unless the Foundation prudently determines that, because of special circumstances, the purposes of the funds are better served without diversification. In addition, the Foundation must review a decision not to diversify a fund as frequently as circumstances require and at least annually.

**Investment Policy:**

NYPMIFA requires the Foundation to adopt a written investment policy that reflects the requirements of the Act (i.e., this IPS). The policy must be taken into consideration when appropriating funds for expenditure from an endowment fund.

**Conflict of Interest:**

All investment actions and decisions must be based solely in the interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Board/Executive Committee of all material facts regarding any potential conflicts of interests. No University or Foundation representative, employee, or agent shall knowingly take any action prohibited by or fail to take any action required by all applicable laws in carrying out this IPS. If a circumstance arises where the appearance of a conflict of interest may exist, the individual shall report said potential conflict to the President of the Board and Chairman of the Audit Committee in a timely manner.

**4. Investment Objective**

The principal objective of the Foundation’s investment program is to preserve real purchasing power with an acceptable level of risk and provide a growing stream of income on Foundation endowments. Therefore, over time, the Foundation’s goal is to achieve an average annual total rate of return (actual income plus appreciation) equal to actual spending plus administrative expenses plus inflation. The assets are to be managed in a manner that will attempt to meet the long-term investment objective, while at the same time attempting to limit the volatility of returns.

The Investment Sub-Committee understands the long-term nature of the Fund and believes that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate, natural resources, and infrastructure). Real assets also are expected to provide the added benefit of inflation protection. Fixed income securities and Flexible Capital (e.g. absolute return hedge funds, long/short equity hedge funds) will be used to lower the short-term volatility of the Fund and to provide stability, especially during periods of negative equity markets. Cash is not a strategic asset of the Fund, but is a residual to the investment process and used to meet short-term liquidity needs.
5. Asset Allocation

Asset allocation will likely be the key determinant of the Fund’s returns over the long-term. Therefore, to achieve its investment objectives, the Investment Portfolio will be allocated among various asset classes with a bias toward equity and equity-like investments due to their associated higher long-term return expectations. Other asset classes will be added to the Fund to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Fund, rather than judging asset categories on a stand-alone basis.

The long-term, strategic asset allocation for the Investment Portfolio is presented in Appendix A. The Investment Sub-Committee may revise these targets periodically. If at any point the allocations fall outside of the allowable ranges defined in Appendix A, the Sub-Committee may rebalance the portfolio to the degree necessary to bring all categories back within stated ranges; however, rebalancing is not mandatory and the Investment Sub-Committee does not necessarily need to rebalance fully back to target allocations if conditions warrant. The target asset allocation attempts to provide an expected total return equal to or greater than the primary investment objective of the Fund, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall Fund level.

Investments will generally fall into one of four asset categories. Each category serves a specific role. An allocation to all four categories can provide diversification to major market risk factors while establishing a simple framework to review the exposures within the Fund. Cash levels are not specifically targeted, but are a function of cash flows, which are monitored and invested in a timely manner.

Asset Categories:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>Intended to be the primary source of long-term capital appreciation for the Fund. While having higher expected returns than fixed income, they also have higher expected volatilities. Sub-categories include both public and private equities, as well as hedged equity mandates.</td>
</tr>
<tr>
<td>Global Fixed Income/Credit</td>
<td>Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities, and can be categorized as interest rate sensitive and credit sensitive. Sub-categories include both public and private debt.</td>
</tr>
<tr>
<td>Real Assets</td>
<td>Intended to insulate the Fund from inflation shocks and to provide a source of non-correlating returns with other asset categories. Includes both public and private investments in real estate, natural resources (e.g., energy, agriculture, timber, commodities), and infrastructure (e.g., power generation, mid-stream energy Master Limited Partnerships “MLPs”).</td>
</tr>
</tbody>
</table>
Flexible Capital

Intended to provide diversification from systematic market risk, with the primary determinant of returns typically derived from manager skill (alpha) rather than the market (beta). Sub-categories include both liquid and semi-liquid non-directional strategies that seek low correlations to the public equity and fixed income markets.

Active and Passive Investment Managers:

The asset allocation will be implemented using both active and passive investment managers. Highly efficient areas of the capital markets will be managed using index funds and other structured strategies (e.g., smart beta, enhanced index, portable alpha).

6. Portfolio Liquidity

The Investment Portfolio generally maintain a long-term investment horizon with relatively low liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In some instances, the most appropriate investment option may be an illiquid investment.

For these reasons, the portfolio can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed the investment objective. To ensure adequate liquidity for distributions and to facilitate rebalancing, the Sub-Committee will conduct a periodic review of total fund liquidity as a component of the reporting process.

Illiquid investments include private equity, private debt, and private real assets, and are difficult and costly to sell. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Example</th>
<th>Time to Redeem</th>
<th>Allocation Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid</td>
<td>Mutual Fund</td>
<td>Less than one month</td>
<td>No less than 40% of the Fund</td>
</tr>
<tr>
<td>Semi-Liquid</td>
<td>Hedge Fund</td>
<td>1 month to 1-2 years</td>
<td>No more than 35% of the Fund</td>
</tr>
<tr>
<td>Illiquid</td>
<td>Private Capital</td>
<td>Greater than 1-2 years</td>
<td>No more than 35% of the Fund</td>
</tr>
</tbody>
</table>
7. Portfolio Monitoring

The Investment Sub-Committee, with assistance as needed, will periodically (quarterly at a minimum and monthly if necessary and available) review the performance of the portfolio and each of its underlying investment managers. All performance measurements are to be viewed after the deduction of investment management fees (i.e., “Net of Fees”). Benchmarking will be reviewed by the Investment Sub-Committee, with assistance as needed, at the total fund level as well as at the individual manager level. To the extent that performance does not meet or exceed that of the benchmark, the Investment Sub-Committee will determine whether or not corrective action is warranted. Corrective action may include, but is not limited to, a reduction in portfolio allocation or outright termination of the manager.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Purpose</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute Return</strong></td>
<td>Are we meeting our long-term spending needs and preserving the asset base?</td>
<td>CPI + 5%</td>
</tr>
<tr>
<td><strong>Policy Index</strong></td>
<td>Are tilts away from target allocation and active management adding value?</td>
<td>45% Equity / 15% Private Equity / 15% Hedge Fund Index / 10% Real Assets / 15% Fixed Income</td>
</tr>
<tr>
<td><strong>Actual Index</strong></td>
<td>Has our active manager selections been additive to the portfolio overall?</td>
<td>Composite of each segment benchmark return weighted to actual</td>
</tr>
<tr>
<td><strong>Peer Comparison</strong></td>
<td>How is our performance vs. peers?</td>
<td>A universe of similarly-sized peers at similar organizations</td>
</tr>
<tr>
<td><strong>Simple Benchmark</strong></td>
<td>Is our diversified portfolio outperforming a passive alternative?</td>
<td>70% Equity / 30% Fixed Income</td>
</tr>
</tbody>
</table>

Note: Other representative benchmarks are presented in Appendix A.
8. Spending and Distribution Policy

The spending formula governs the portion of total return made available each year for use by endowment accounts with the objective of maintaining purchasing power relative to inflation. Under current policy, which is set by the Board (annually within a range of 3.5% and 4.5%), spending of 3.75% of the 5-year average market value of the principal is calculated and transferred to the spending account for each endowment. The annual administrative fee, currently at 1%, is also established by the Board.

For endowment funds, the Foundation may not appropriate more than the fund’s historic dollar value unless the donor expressed the intent to allow expenditures greater than the historic value in the gift instrument.

NYPMIFA provides the following eight factors that must be considered, if relevant, when making decisions as to expenditure or accumulation of endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Foundation and the endowment fund;
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation
- The investment policy of the Foundation

9. Conflict of Interest

If any member of the Sub-Committee, staff or outside advisor shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective member’s ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion. All parties must also comply with any other conflicts of interest policies adopted by the Foundation.

10. Periodic Review

In order to keep the IPS current, this information is subject to review no less than annually.
11. Guidelines and Restrictions

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be made. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care, and prudence has been met for the Fund’s investments.

Were the Investment Sub-Committee to enter into an arrangement where an investment manager was to construct a separately-managed, discretionary account, the Investment Sub-Committee would establish defined investment criteria and restrictions for operations of the separate account. These criteria and guidelines will be shared with the Finance Committee and incorporated into this Investment Policy Statement prior to hiring the manager.

Derivative Security Guidelines:

Derivatives shall not be used for leverage at the Fund level. At the Total Fund level, derivatives may be used to maintain the program’s strategic asset allocation, including securitizing excess cash, and to provide Fund hedging.

Investment managers may be permitted to utilize derivatives to implement their strategies. Under no circumstances may derivatives or leverage be used to circumvent the intent or limits otherwise prescribed by this policy.

Gifts of Securities:

It is the Foundation’s policy to liquidate gifts of marketable securities when received. The Committee may use its discretion as to the timing of such liquidations based on general market conditions, donor instructions / requests and specific security liquidity issues.

12. Unrelated Business Taxable Income

Some investments may incur "Unrelated Business Taxable Income", which the Investment Sub-Committee would generally seek to avoid by investing in offshore vehicles, but each investment will be considered in its entirety to arrive at the best overall solution for the Fund.
APPENDIX A

ASSET ALLOCATION POLICY TARGETS AND RANGES
March 2021

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Lower bound (%)</th>
<th>Target (%)</th>
<th>Upper bound (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Public Equity</td>
<td>20</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td>Non-US Developed Equity</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>0</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Global Private Equity</td>
<td>5</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Flexible Capital</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Real Assets</td>
<td>5</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

BENCHMARKS

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Public Equity</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td>Non-US Developed Equity</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>MSCI Emerging Markets Index</td>
</tr>
<tr>
<td>Private Equity</td>
<td>All Private Equity Benchmark</td>
</tr>
<tr>
<td>Flexible Capital</td>
<td>HFRI Fund Weighted Composite Index</td>
</tr>
<tr>
<td>Real Assets*</td>
<td>Composite Index</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>Bloomberg Barclays Aggregate Bond Index</td>
</tr>
<tr>
<td>Cash</td>
<td>FTSE 3-Month T-Bill</td>
</tr>
</tbody>
</table>

*Calculated Using Manager Allocations and Index Returns

Revised Date: March 11, 2021