VCU FOUNDATION
INVESTMENT/SPENDING POLICY

I. INTRODUCTION

Statement of Purpose and Objectives

This policy is issued by the Board of Trustees of the Virginia Commonwealth University Foundation (the "Foundation"). Its purpose is to establish policies and formally document the goals, objectives, risk framework, and guidelines of the investment program for the Foundation assets (the "Fund"). This Policy should be formally reviewed on an annual basis.

The primary objective of the investment program is to protect and grow the investment assets. This objective should simultaneously focus on meeting the current cash flow requirements of the Foundation, while preserving the purchasing power of the Fund. Currently, a long term net real total return of 5.25% is required to offset the Foundation's spending rate plus administrative fee, with any incremental return serving to grow the principal.

Standard of Care

The Board maintains statutory responsibilities for the Foundation assets. The Board may delegate investment management and oversight responsibility to a designated investment advisor or investment committee. In doing so, the entity shall become a fiduciary in the management of the Fund.

Investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Fund shall be invested in a strategic mix of diversified asset classes that is expected to produce the highest risk-adjusted investment return for its level of risk over time. Special consideration shall be given to the overall liquidity of the Fund in regard to the institution's financial assets, liabilities (long-term debt and/or contingent liabilities), operating expenses, spending policy, and future spending/gifting expectations.

Spending Policy

The Foundation's endowment spending policy seeks to provide a stable flow of funds for current year spending, while maintaining the future purchasing power of the endowment. The Foundation's spending policy covers distributions from the donor restricted endowment funds and the administrative fee to support the Foundation's operating budget. This policy does not cover quasi endowment funds or other non-endowed funds, except as noted below.

Calculation of Maximum Spendable Distributions

The maximum spendable distribution from donor restricted endowment funds, calculated on an individual fund basis, shall be four and a quarter percent (4.25%) of the twelve-quarter average market value of the individual endowment fund. This calculation will be made using June 30th of the most recent fiscal year ("Calculation Date") as the final quarter in the calculation period. Distributions shall be made in July of the fiscal year following the Investment Committee's approval of the distribution amount. Total return in excess of the actual distribution shall be considered principal for all future distribution computations. At the Calculation Date, should a distribution or market value decline result in a balance below the donor's original principal, a distribution will not be made. Distributions will be reactivated when the account grows sufficiently to allow for a distribution while maintaining the donor's original principal balance.

Initial Distributions from New Endowments

Funds must be invested for a minimum of 4 quarters before becoming eligible for a distribution. The distribution for funds that have been invested for less than 12 quarters will still be based on a twelve-quarter average. This is intended to prorate the distribution based on the number of zero balance quarters that are in the calculation.

Distribution Procedures

Once the maximum spendable distribution has been determined in accordance with this policy, those amounts will be provided to the various divisions, units, and departments of the University. The University is responsible for requesting the amount needed, at or under the maximum amount and confirming those amounts will be expended in accordance with the donor's intent for the fund.

Administrative Fee

In order to support the Foundation's operations, it shall charge an administrative fee. The fee will be calculated using the twelve-quarter average market value of the endowment investment pool. The rate charged is not to exceed 100 bps. The actual amount shall be determined when the operating budget is set and shall be approved by the Board.

Effective Combined Spending Limit

The Foundation's combined endowment spending, which includes both the endowment distribution and the administrative fee, will target an amount not to exceed 4.25% of the market value of the portfolio, calculated as of the Calculation Date (see Calculation of Maximum Spendable Distributions above). This calculation will be referred to as the Effective Combined Spending Rate.

Although the spending rate used to calculate distributions from donor restricted endowment funds is 4.25% and the rate used to calculate the administrative fee is an additional 1% (totaling 5.25%), by utilizing a 12-quarter average market value as the basis for those calculations, the Effective Combined Spending Rate will generally be lower than the Spending Rate itself. This approach works in times of sustained growth, but not in times of sustained losses.

In cases where the Effective Combined Spending Rate exceeds 4.25%, the Foundation will supplement the distribution by using its Endowment Distribution Reserve (see below), Operating Reserve, or other funds such that the actual draw from the investment portfolio is 4.25% or less, or if needed, decrease the distribution amount. When this situation occurs, the Investment Committee will have the authority to determine the appropriate course of action. Any actions taken by the Investment Committee, as well as the calculations and analysis related to the spending limit, will be reported to the Board of Trustees.

Endowment Distribution Reserve

The Foundation shall establish a Board-designated Endowment Distribution Reserve. This reserve shall be used to supplement the endowment distribution at the Investment Committee's discretion. Generally, the Investment Committee intends to use this fund to supplement endowment funds that are underwater and therefore not eligible for a distribution, funds that are experiencing a declining distribution, or when the Effective Combined Spending Rate exceeds 4.25% (see Effective Combined Spending Limit above). The maximum amount that can be drawn from the endowment reserve without replenishment is 25% per year.

The Endowment Distribution Reserve shall be invested in a low-risk money market fund outside of the endowed investment pool. It will be funded at the Board's discretion, generally, through the operating budget process. The financial activities of the Endowment Spending Reserve will be reported to the Board as a part of the internal financial reports provided at each Board meeting.

II. GOVERNANCE

Fiduciary Responsibilities and Delegation of Authority

The Board is responsible for establishing the Investment Policy Statement and the creation of an Investment Committee ("Committee"), which will be comprised of Board members and may include individuals external to the Foundation.

The Board may delegate responsibility for management of the portfolio or any portion thereof to an investment advisor ("Advisor"). The Advisor would be responsible for the selection, hiring, monitoring and termination of investment managers, funds and strategies. Should it be decided that investment management and fiduciary responsibilities are to be delegated to a designated investment advisor, the designated investment advisor shall have discretion over the day-to-day decision-making on behalf of the investment portfolio as well as the duty to report to the Board within the guidelines in this document.

The Committee has the standing responsibility to monitor investment performance, asset allocation, and Advisor selection. The Committee is expected to meet at least quarterly and update the Board on recent activity at each full Board meeting.

The Committee, acting between announced meetings of the Foundation, shall have the power to employ or discharge investment advisors for the Foundation's portfolio.

Chart 1 sets forth the responsibilities of the various entities involved in the management of the Fund.

Chart 1: Governance Structure for the Management of the Investment Funds
(Structure applies when the Investment Advisor has Discretion)

	Asset Allocation Policy	**Asset Allocation Implementation**	**Manager Selection and Monitoring**	**Investment Operations**	**Administrative Operations**	**Performance Reports**
Investment Committee	Approves	Approves Investment Advisor	Approves Investment Advisor			Reviews Quarterly
Investment Advisor	Advises and recommends	Implements within guidelines	Researches and implements investment managers	Implements and monitors	Implements some	Provides in line with guidelines in Appendix I
Internal Financial Staff				Oversees	Implements	

Fund Monitoring & Benchmarks

The Advisor shall continuously monitor the total fund and the individually managed portfolios for consistency in each manager's investment philosophy and return relative to objectives.

Appendix I provides a list of minimal suggested reporting that the Investment Committee should review. Investment managers are expected to use state-of-the-art tools and industry best practices to manage risks in their portfolio(s). Some primary risks that should be evaluated include—asset concentration, exposure to extreme economic conditions, currency exposures, and absolute and relative volatility.

Overall investment performance is measured using a mutually agreed upon Investment Policy Benchmark. The Investment Policy Benchmark helps measure the value of manager selection combined with asset allocation strategy. It is a blend of publicly available market indices whose underlying exposures align with the Fund's risk exposure as measured by the Fund's annual standard deviation of returns. . The current blended benchmark is included in the asset allocation in **Appendix II**.

Leverage and Derivatives

The Advisor may employ leverage and derivatives within funds only to the extent that the aggregate risk of the Fund is not increased beyond that which would be allowed within the ranges of the Policy Portfolio without using leverage or derivatives. Within the context of this policy, leverage is a strategy that increases expected return by raising exposure to and risk of a given investment. The most direct form of leverage is borrowing but many other strategies, structures, funds, and derivative securities produce similar results and therefore imply leverage. The use of leverage should be monitored and controlled as it can affect the Fund's volatility and liquidity.

III. POLICY PORTFOLIO

Asset Allocation Policy

The asset allocation policy provides a strategic mix of asset classes with ranges that are expected to produce the highest return within an acceptable risk framework—i.e., maximize the risk-adjusted return. The asset allocation policy considers asset classes in the context of a diversified portfolio, where diversification benefits can increase expected returns and/or reduce overall portfolio risk. Within this context, interaction and correlation among asset classes is integral to the overall asset allocation policy.

The Fund may contain both passive and active strategies. Active strategies will seek to generate additional excess return relative to market indices through asset allocation and individual security selection net of fees. Active investment strategies will encompass direct manager relationships and may include a diverse mix of mandates.

The Board has approved a broad asset allocation framework (**Appendix II**) for the Fund including acceptable minimum and maximum ranges. Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, the process by which investment decisions are developed, analyzed, adopted, and executed must satisfy relevant standards of care.

Liquidity Considerations

'Liquidity' will be analyzed on several levels and will be considered in construction of asset allocation targets.

Cash on hand (Cash)

Typically defined as ‘operating cash’, this is the cash held out of investment pools to provide working capital for day-to-day operations. Analysis of historical operations provides data that can approximate with a margin of safety how much operating cash should be prudently held, with the remainder invested to earn a return to aid the Foundation in the future. These analyses should be conducted on an ongoing basis to note any material changes so the Foundation can adjust operating cash needs accordingly.

Liquid Assets (Cash available within 90 days)

The intent of the investment pool is to maximize return for a given level of risk and to provide funds to satisfy the spending needs of the institution. The investment pool should provide sufficient quarterly liquidity to meet the entity’s spending policy.

Global Liquidity

Global liquidity ([Cash + Liquid Assets] – Obligations) is the overall ability of an organization to meet its obligations or goals over a longer period of time. It is integral for strategic asset allocation purposes or to properly assess the prudent amount of illiquid asset classes to include in a portfolio to understand the matching of liquid financial assets with current and future liabilities, contingent liabilities, capital spending, or gifting. Staff should monitor global liquidity on an ongoing basis to ensure cash plus available liquid assets exceed the Foundation’s obligations, coordinating with the Investment Advisor should Cash on Hand need to be increased.

Illiquid Assets

Defined as drawdown private vehicles with a fixed fund life of typically greater than 7 years, illiquid assets are an important component of long-term endowment style investment strategies. Allocations to illiquid assets such as private equity are expected to generate enhanced returns relative to public equities through managers who can exploit the inefficiencies in the private markets to create value. Illiquid assets will typically be comprised of investments in strategies such as venture capital, control oriented private equity, private real estate, and private credit. The Fund’s target to illiquid assets is specified in **Appendix II**.

Reviewed and Approved at VCU Foundation Full Board Meeting

January 14, 1999
January 15, 2004
October 19, 2006
February 19, 2009
February 17, 2011
May 2, 2013
October 29, 2015
May 4, 2017
May 2, 2019
November 17, 2022
March 28, 2024

Appendix I
Recommended Reporting

The following list provides minimal suggested reporting to the Investment Committee. The reports listed may be modified by the Foundation Staff, Investment Committee, or Board to eliminate unnecessary reporting or to add reports deemed helpful in monitoring the Fund's performance.

Monthly

- NAV for Ram Fund
- Estimated Ram Fund Performance versus the Investment Policy Benchmark

Quarterly

- NAV for Ram Private Asset Fund (RPAF)
- Investment Performance (net of fees) versus the appropriate benchmark
- Actual allocations versus the Asset Allocation Risk Control Targets and Ranges in **Appendix II**

Annually

- A report showing compliance with the Investment Policy Statement, specifically the Asset Allocation Risk Control Targets and Ranges

Appendix II
Investment Policy Benchmark & Asset Allocation Risk Control Targets and Ranges

The Investment Policy Benchmark is a weighted average of publicly available benchmarks whose underlying exposures align with the Fund's risk exposure as measured by the overall Fund's expected annual standard deviation of returns.

The Asset Allocation Risk Control Targets and Ranges help to ensure adequate diversification, define acceptable degrees of tactical tilts, and constrain absolute risk. Extraordinary market conditions may lead to deviations outside the specified ranges, which will be reported to the Investment Committee with a plan to return to the specified ranges. For the avoidance of doubt, the Advisor approximates Net Exposures based on the underlying look-through reporting of any investment managers within the portfolio. Such classification may deviate from the strategy classification of each manager given the unique and broad nature of an individual manager's investment mandate.

Investment Policy Benchmark:

Asset Class	Weight (%)	Index
Equity	70	MSCI All Country World Equity
Fixed Income & Cash	30	Bloomberg Aggregate Bond Index
TOTAL	100%	Blended Policy Benchmark

Asset Allocation Risk Control Targets and Ranges:

Net Exposure (%)	Range	Target
Equity	40-80	65
Real Assets	0-20	10
Credit	5-45	10
Government Bonds	0-25	5
Cash/Residual	0-25	10
Total Equity Beta	0.6 – 0.8	n/a

Regional Exposures (%)	North America	Europe	Asia	Rest of World
Regional Ranges	25-75	0-50	0-40	0-20
Cash & Currency Ranges	50-100	0-30	0-30	0-20

	Target
Illiquid Assets	25%