WASHBURN UNIVERSITY FOUNDATION
POOLED INVESTMENT FUND

INVESTMENT POLICY STATEMENT

Adopted October 28, 2016
Amended October 19, 2017
(Correcting frequency for reviewing IPS)
Amended February 7, 2020
(Updating Private Investments Benchmarks)
Amended October 28, 2020
(Shifting Policy Targets)
Amended February 4, 2022
(Shifting Policy Targets)
Amended April 29, 2022
(Incorporating ESG Statement and Updating Marketable Alternatives Benchmark)

I. INTRODUCTION

A. This Investment Policy Statement ("IPS") is issued by the Investment Committee (the "Committee") of the Washburn University Foundation (the "Foundation"), and is approved by the Board of Directors (the "Board").

B. The Board has delegated to the Committee the fiduciary responsibility for the investment of the Foundation's Investment Portfolio (the "Portfolio"), including the allocation of funds to various asset classes within Board-approved policy ranges, the engagement of professional investment managers, and the creation of sub-committees as necessary. See Exhibit 2 for details on the roles and responsibilities regarding Portfolio governance and oversight.

C. The purpose of this IPS is to foster a clear understanding of the Foundation's investment objectives, policies, and guidelines among the Board, the Committee, the Foundation's staff (the "Staff"), the investment consultant, and the Portfolio's investment managers. This investment policy statement supersedes all previous versions.

D. The Committee will review this investment policy statement no less often than biennially to ensure its continued appropriateness and will recommend any proposed changes to the Board. The Committee may change this investment policy statement at any time, subject to Board approval. It is the intent of this statement to be both sufficiently specific to be meaningful and yet flexible enough to be practical and enduring.

E. The Committee takes responsibility for the investment of the Portfolio and may delegate as needed to Staff. In addition, the Committee may choose an investment consultant and a custodian bank to provide services necessary to perform its obligations as set forth in the policy statement.

II. FIDUCIARY STANDARDS

A. The Board, the Committee, the Foundation staff, and any third-parties (e.g., investment consultant and investment managers) retained to advise on investment strategy and management (any and all of whom may be referred to as "Responsible Parties") shall exercise their responsibilities with respect to the Portfolio's assets in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), enacted in the state of Kansas in 2008. In accordance with UPMIFA, key facets of the Responsible Parties' roles include:

- Acting in good faith, with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;

- Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- Diversifying investments unless due to special circumstances, the purposes of the Fund are better served without diversification;
- Disposing of unsuitable assets;
- In general, developing an investment strategy appropriate for the Portfolio and the Foundation.

III. DUTIES AND RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

A. At its discretion the Committee may retain outside advisors to assist in overseeing the Portfolio and achieving the investment objectives set forth in this IPS. The duties and responsibilities of the investment consultant may include assistance or services in some or all of the following areas:

- Provide proactive advice and relevant materials to the Committee on investment goals and objectives, investment structure and underlying investment options;
- Assist in the selection of investment managers;
- Have primary responsibility for oversight of the investment managers concerning their compliance with the investment policy;
- Monitor the ongoing performance of the investment options and investment managers;
- Assist in the selection of new investment options and the termination of options;
- Provide quarterly performance evaluation reports, including absolute and relative performance of each of the investment options relative to appropriate market indices and universes;
- Meet as requested with the Committee to discuss investment strategy and review performance of the Portfolio.

IV. FINANCIAL AND INVESTMENT OBJECTIVES

A. The primary long-term financial objectives for the Portfolio are to maintain and grow the real value (purchasing power) of the fund in perpetuity, while providing a relatively stable level of spending in support of the University and the Foundation.

B. The primary long-term investment objective of the Portfolio is to earn an average annual *real* (i.e., after adjusting for inflation) total return, net of management fees, that is at least equal to the Portfolio's total spending rate over long time periods (i.e., rolling ten-year periods). A secondary investment objective is to outperform a custom benchmark of individual asset class benchmarks, weighted based on asset class policy targets, over rolling three-year time periods.

C. The Portfolio has a long-term time horizon (perpetual) for investment purposes. The importance of this is that it allows the Foundation to take a more patient view towards asset allocation and investing since shorter term objectives are achieved through long-term capital appreciation. Interim fluctuations should be viewed with appropriate perspective.

D. It is recognized that the desire to maintain the purchasing power of the Portfolio's principal and to produce a relatively stable and predictable spending stream involves trade-offs that must be balanced in establishing the investment and spending policies. It is also recognized that in order to achieve the primary investment objective over extended periods, portfolios have had to exceed the objective substantially during some periods, such as the 1980s and 1990s, in order to compensate for shortfalls during other periods, such as the 1970s. Hence, evaluation of progress toward this objective should be made with a long-term perspective.

E. The investment objective implies a high average allocation to equity securities and consequent market price volatility. The Committee recognizes that investment risk cannot be eliminated, but can be mitigated by diversification and other risk management methods.

V. SPENDING POLICY

A. The Foundation's spending policy, in addition to budgeted operating expenses, is initially calculated as a percentage of the twenty-one-quarter moving average of the Portfolio's market value. The final distribution amount is determined in accordance with the Foundation's separate more detailed spending policy and other relevant factors as approved by the Board each year.

VI. PORTFOLIO COMPOSITION AND ASSET ALLOCATION

A. The Portfolio will be diversified both by asset class (e.g., common stocks, bonds, and cash) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization). The purpose of diversification is to enhance prospective returns, lower the volatility of the overall pool of assets, and provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Portfolio. The Committee shall be mindful of the liquidity needs for the Foundation and consider these needs when selecting the mix of investments.

B. For purposes of investment policy, the Portfolio shall be considered as two parts: the **Equity Fund** and the **Fixed Income Fund**. The Committee will establish long-term policy target allocations and ranges for the Equity and Fixed Income Funds, as well as long-term target allocations and ranges for the primary asset classes within the Equity Fund. See Exhibit 1 for detailed asset allocation policy targets with corresponding ranges.

C. The primary purpose of the Equity Fund is to provide long-term capital appreciation in order to facilitate the real growth of the corpus and support a growing spending stream.

D. It is recognized that the equity investments will have greater return variability than the fixed income investments. To help mitigate this variability, the Committee shall ensure that equity investments are diversified across different types of assets with return patterns that are expected to have low/moderately positive or negative correlations to each other (i.e., the returns of which do not always move in tandem).

F. The Equity Fund should normally represent 90% of the total Portfolio assets at market value. Although the actual percentage of equities and equity reserves will fluctuate with market conditions, levels above 95% or below 80% should be closely monitored by the Committee and funds should be transferred as needed to ensure that the ratio does not fall outside of these parameters for extended periods.

F. The Fixed Income Fund serves multiple purposes: to serve as a deflation hedge; to generate income; and to diversify the Portfolio.

G. The Fixed Income Fund should normally represent 10% of Portfolio assets at market value. Although the actual percentage of fixed income securities will vary with market conditions, levels greater than 20% or below 5% should be closely monitored by the Committee and funds transferred as needed to ensure that the ratio does not fall outside of these parameters for extended periods.

H. Within the approved policy ranges, the Committee may, at its discretion, change the proportions of the Equity Fund, the Equity Fund components, and the Fixed Income Fund, but it is anticipated that such changes will be infrequent and within the allocation ranges set forth in Exhibit 1. However, the Board recognizes that the non-marketable investments in private equity/venture capital and real assets may move the allocations for these asset classes above their respective allocation ranges for extended periods in certain environments due to market movements and non-marketable managers' ability in these areas to draw down capital at their discretion.

I. It is recognized that it may take time to reach target allocations in some asset classes (e.g., private equity/venture capital). Until such time, the Committee may utilize an appropriate set of interim targets (within the long-term policy allocation ranges) for guidance.

VII. GUIDELINES FOR THE EQUITY FUND

A. The Equity Fund will generally be diversified among U.S. stocks, non-U.S. stocks, real assets (e.g., real estate, REITs, oil and gas, energy stocks, master limited partnerships, timber, commodities), marketable alternatives (e.g., long/short funds, absolute return strategies such as distressed securities and arbitrage), private equity/venture capital, and potentially other "opportunistic" investments (e.g., individual allocations to high-yield bonds, emerging markets debt, and other areas that can be expected to generate equity-like returns).

B. The overall long-term investment objective for the Equity Fund is to outperform, net of investment fees, an appropriate market benchmark or blended benchmark reflecting the Equity Fund's asset allocation policies.

C. Passive (or index) managers will be expected to perform consistently with their corresponding index benchmarks, less management fees.

D. Active common stock managers will be measured against market indices, net of all fees, and will be expected to outperform these benchmarks by varying degrees depending on the asset class and specific investment style employed by the manager. Managers may also be compared against peer benchmarks (e.g., manager medians), but it is recognized that such benchmarks typically contain significant "survivor" or "add-in" bias, and thus are less reliable than market benchmarks in assessing performance.

E. Performance will be monitored quarterly, and marketable equity managers will be evaluated over rolling three- to five-year periods. It is recognized that active managers will periodically underperform their benchmarks, but should outperform over a complete market cycle (five to ten years). The Committee acknowledges that the pursuit of long-term outperformance may increase the volatility of returns, and will increase the risk that the manager will underperform the benchmark in the short term.

F. Equity Fund common stock managers of separate accounts generally may not buy securities on margin, borrow money or pledge assets, or buy or sell uncovered options or commodities, or currencies without the advance approval of the Committee. A more detailed statement on the use of derivatives by investment managers is set forth in section IX.

G. The objectives for marketable alternative assets are to improve the diversification of the Equity Fund, reduce Equity Fund volatility, and outperform, net of fees, appropriate peer benchmarks and an appropriate volatility-adjusted equity benchmark (such as the MSCI All Country World Index) over rolling five- to ten-year periods or full market cycles. With regard to peer benchmarks, it is recognized that: (1) such benchmarks may have significant “survivor”/”add-in” bias, and (2) the risk/return and leverage profiles of peer benchmarks are likely to differ from those of the program and its underlying funds.

H. The objective for private equity / venture capital is to enhance the total return of the Equity Fund, earning superior returns, net of fees, over marketable securities (such as the S&P 500 or Russell 3000 Index) and/or over appropriate peer benchmarks over rolling five- to ten-year periods. In addition to the return enhancement objective, these investments provide a source of diversification for the Equity Fund.

I. Real assets, such as natural resources and real estate, have multiple objectives: (1) to help protect the Portfolio against unanticipated inflation, which can dramatically decrease the Portfolio’s purchasing power and its ability to sustain spending; (2) to improve the diversification of the Equity Fund; and (3) to exceed the return, net of fees, of appropriate benchmarks over full market cycles or rolling five- to ten-year periods. Assets in this broad category may include private real estate, public real estate (e.g., REITs), natural resources (e.g., oil & gas or timber partnerships, or marketable securities of energy or other natural resource stocks), master limited partnerships, commodities, and/or TIPS.[1]

J. Equity managers may, at their discretion, hold investment reserves of cash equivalents, precious metals, or bonds with the understanding that the performance of their total account will be measured against the appropriate equity indices.

H. In general, no more than 10% of investment assets will be invested with any single active equity manager. Investment Committee approval would be required to exceed this limit.

VIII. GUIDELINES FOR THE FIXED INCOME FUND

A. The performance objective for the Fixed Income Fund is to outperform an appropriate bond market index or blend of indices, net of fees, over rolling three- to five-year periods. Individual active fixed income managers may be expected to outperform other indices, or blended indices, which more closely parallel the manager’s investment style. In addition, active fixed income managers may also be compared to peer benchmarks (e.g., manager medians), but it is recognized that such benchmarks typically contain significant “survivor” or “add-in” bias, and thus are less reliable than market benchmarks in assessing performance. Index fund managers will be expected to match the return of the appropriate index, less fees.

B. Money market instruments as well as bonds (including hybrid type securities such as convertibles and preferreds) may be used in the Fixed Income Fund, but equities are excluded. Active managers are expected to employ active management techniques, but changes in weighted average duration should usually be moderate and incremental, with the exception of absolute-return oriented fixed income managers whose core strategy may include greater latitude with respect to duration.

C. The overall Fixed Income Fund should ordinarily maintain a high credit quality (i.e., a weighted average credit rating of “AA-/Aa3” or better) and an intermediate- to long-term duration (i.e., 2 to 8+ years). An allocation may be made to below investment grade (i.e., high-yield) bonds so long as the weighted average credit rating for the total fixed income portfolio meets the above credit quality standards. A maximum of 5% of total Portfolio assets may be held in unhedged non-dollar denominated fixed income securities. Note that not all of the characteristics for the overall Fixed

[1] TIPS (Treasury Inflation-Protected Securities) and other inflation-linked bonds, though fixed income, may be included in the real assets category because of their inflation-hedging characteristics.

Income Fund, as described in this paragraph VIII-C, relate to that portion dedicated to the "pure" deflation hedge strategy, as described below in paragraph VIII-E.

D. In general, the fixed income investments should be prudently diversified with respect to economic sector, financial sector, and issuer in order to minimize risk exposure. A maximum of 5% of the Fixed Income Fund may be invested in the securities of any single issuer, except that issues of the U.S. Government and its agencies may be held without limitation.

E. To ensure the Portfolio has a sufficient allocation to bonds with strong deflation-hedging properties, at least 5% of total Portfolio assets shall be invested in a relatively "pure" deflation hedge bond portfolio through the Fixed Income Fund. Such a portfolio shall generally have the following characteristics: a *minimum* duration of 3 years; highest quality (i.e., U.S. Treasuries and/or agencies and high quality corporate bonds); and relatively low exposure to call risk. It is recognized that: 1) a longer duration portfolio will likely provide greater protection during periods of deflation, but will exhibit greater volatility at the bond portfolio level; and 2) the deflation hedge portfolio is likely to underperform broad bond market indices (which include lower quality and callable bonds) over most periods, but can generally be expected to outperform when critically needed during a deflationary environment.

IX. USE OF DERIVATIVES[2]

A. The Investment Committee recognizes that the prudent use of derivative instruments by managers can be advantageous for controlling portfolio risk, increasing returns, implementing strategies quickly, and reducing costs. Accordingly, the use of derivative securities by the Fund's managers is permitted only in a manner consistent with the spirit and specifics of the investment objectives and policies described herein. Investment managers may use derivatives to the extent authorized in their investment guidelines or agreements and approved by the Investment Committee.

B. The Committee expects that its investment managers utilizing derivatives will have in place processes and procedures to control and measure risk.

C. Derivative instruments may not be used at the total Fund level as a form of leverage or hedging.

X. GUIDELINES FOR TRANSACTIONS

A. Except under unusual circumstances, all transactions should be entered into on the basis of best execution, which means best realized net price. Notwithstanding the above, directed brokerage service arrangements may be put in place for payment of services rendered to the Portfolio in connection with its management.

XI. MONITORING THE PORTFOLIO

A. The Committee will normally review the Portfolio's asset allocation, manager structure, and performance quarterly in order to evaluate diversification, adherence to policies, and progress toward long-term objectives. While short-term results will be monitored, it is understood that the objectives for the Portfolio are long-term in nature and that progress toward these objectives will be evaluated from a long-term perspective.

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[2] Derivatives include but are not limited to futures contracts, forwards contracts, options (OTC and exchange traded) and swaps.

B. Although marketable manager investment performance will generally be evaluated over rolling three- to five-year periods, the Committee will periodically evaluate each manager, as appropriate, to establish that the factors that led to initial performance expectations remain in place and that each manager's philosophy is appropriate for the Portfolio's overall objectives. The Committee will evaluate each manager's total return without regard to whether the return is in the form of income or capital appreciation.

C. It is expected that the Committee will provide each manager of a separate account with a set of mutually agreed-upon guidelines. Subject to such guidelines and the usual standards of fiduciary prudence, the managers will then have complete discretion over the funds.

D. The Committee acknowledges that, if it elects to invest in a commingled fund, the policies established for the commingled fund will govern and may not comply fully with policies established for the Portfolio. As appropriate, the Committee will periodically review the policies (i.e., investment parameters) of any commingled fund investment to determine if they remain appropriate for the Portfolio.

E. At its sole discretion, the Committee may terminate any manager at any time if it determines, for whatever reason, that the manager is no longer appropriate for the Portfolio, subject to manager terms and fees.

F. The Committee will periodically review the related services provided to the Portfolio, including custody services and investment consulting.

XII. REBALANCING

A. The Committee shall consider at least once each year, and usually more frequently, whether the amounts invested with managers should be rebalanced toward the policy allocation targets. However, if possible and practical, given asset class liquidity and investment characteristics, such amounts must be rebalanced toward targets if outside the approved target ranges. It is recognized that for certain asset classes such as private equity/venture capital and real assets, which have high exposure to non-marketable investments, the allocation to such asset classes may be outside the allocation range for extended periods without being subject to mandatory rebalancing (see paragraph VII-H).

B. As a general rule, new cash inflows and withdrawals should be used to rebalance the Portfolio in the direction of the policy portfolio targets, subject to any tactical or opportunistic shifts within policy ranges that have been previously approved by the Committee.

XIII. ENVIRONMENTAL, SOCIAL & GOVERNANCE ("ESG") GUIDELINES

A. The Foundation's assets are invested by carefully selected external managers. These managers are given discretion relative to the underlying investments they choose. This discretion includes making decisions with respect to economic sectors, geographies, companies, and executive leadership. As external managers select where to invest the capital entrusted to them, it is expected that ESG considerations may affect their estimation of both risk and return. For example, these managers may see the greatest investment promise in companies that recognize sustainable environmental practices and sound employment policies are in the best long-term interest of their companies and shareholders. Accordingly, the Foundation's investment consultant and the

Committee incorporate environmental, social, and governance issues into their due diligence, investment analysis, and recommendation-making processes, as applicable.

EXHIBIT 1

WASHBURN UNIVERSITY FOUNDATION POLICY TARGETS AND RANGES

Policy Asset Allocation

Asset Class	Long-Term Target Allocation	Range
U.S. Equity	18%	10% - 25%
Global ex U.S. Equity	17%	10% - 25%
Global Equity	12%	5% - 20%
Private Equity / Venture Capital	20%	5% - 30%
Marketable Alternatives	15%	5% - 25%
Public Real Assets	4%	0% - 15%
Private Real Assets	4%	0% - 10%
Fixed Income	10%	5% - 20%

Benchmarks

Primary Benchmark:

Consumer Price Index + 5%

Custom Policy Benchmark:

Asset Class	Benchmark Recommendation	Long-Term Target Allocation
U.S. Equity	Russell 3000 Index	18%
Global ex U.S. Equity	MSCI ACWI ex US Index (net)	17%
Global Equity	MSCI World Index with USA Gross (net)	12%
Private Equity / Venture Capital	MSCI ACWI Index with USA Gross (net)	20%
Marketable Alternatives	0.3 Beta MSCI ACWI Index with USA Gross (net)	15%
Public Real Assets	Custom Real Assets Benchmark[3]	4%
Private Real Assets	50% FTSE NAREIT Developed Index/ 50% S&P North America Natural Resources Index	4%
Fixed Income	Barclays Intermediate Government/Credit Bond Index	10%

[3] Custom Real Assets Benchmark consists of 20% Alerian Midstream Index / 50% FTSE EPRA/NAREIT Developed Real Estate Index Fund / 30% CPI-U + 5%

EXHIBIT 2

WASHBURN UNIVERSITY FOUNDATION GOVERNANCE MATRIX

	Setting Strategy	Implementing		Operating				Educating
	AA Policy	Rebalancing	Manager Selection, Structure & Benchmarks	Portfolio Holdings	Investment Operations	Administrative Operations	Performance Reports	IC Education
Board of Directors	**Adopts**	**Adopts** **Ranges**	**Reviews**					
Investments Committee	**Recommends** **& Oversees**	**Decides (rebalancing)** **Recommends (ranges)**	**Decides**		**Oversees**	**Oversees**	**Reviews**	**Receives**
Staff	**Implements & Monitors**	**Implements & Monitors (cash needs)**	**Oversees**		**Implements**	**Implements**	**Reviews**	**Receives**
Investment Consultant	**Recommends, Monitors, Prepares & Studies**	**Recommends**	**Recommends & Monitors**	**Monitors**	**Implements, Monitors & Recommends**		**Reviews & Provides**	**Provides**
Investment Manager				**Decides & Implements**			**Provides (specific)**	