Universidad Simon Bolivar Alumni Association of America, Inc.
Investment Policy
Date of Board Resolution: December 19th, 2024

Purpose

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by Universidad Simon Bolivar Alumni Association of America, Inc. (hereafter AlumnUSB), and/or any of our subsidiary corporations, primarily for investment purposes. (‘institutional funds”) In doing so the policy:

- Clarifies the delegation of duties and responsibilities concerning the management of institutional funds.
- Identifies the criteria against which the investment performance of the organization’s investments will be measured.
- Communicates the objectives to the Board, staff, investment managers, brokers, donors and funding sources that may have involvement.
- Confirms policies and procedures relative to the expenditure of institutional funds. · serves as a review document to guide the ongoing oversight of the management of the organizations’ investments.

Delegation of Responsibilities

The Board of Directors has a direct oversight role regarding all decisions that impact AlumnUSB’s institutional funds. The Board has delegated supervisory responsibility for the management of our institutional funds to AlumnUSB’s Endowment Oversight Committee (hereafter EOC). Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of AlumnUSB’s institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the EOC, the Board shall:

- Select, appoint and remove members of the Endowment Oversight Committee (EOC) and the Endowment Steering Committee (ESC).
- Approve investment policies and objectives that reflect the long-term investment-risk orientation of the endowment.
- Contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals. · ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of Universidad Simon Bolivar Alumni Association of America, Inc..; and, performance monitoring systems are sufficient to provide the EOC with timely, accurate and useful information.

Responsibilities of the EOC

Members of the EOC are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. The EOC as a whole or appointees within it, shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the EOC concerning the management of institutional funds. The EOC shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation and maintenance of all policies relative to AlumnUSB's institutional funds and shall:

- Develop and/or propose policy recommendations to the Board with regard to the management of all institutional funds.
- Recommend long-term and short-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Determine that institutional funds are prudently and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all those responsible for the management of institutional funds.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from investment consultants and/or other outside professionals, if any.
- Periodically meet with management, investment consultants and/or other outside professionals management, investment consultants and/or other outside professionals.
- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of institutional funds.
- Oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Board and/or the EOC.
- Regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor

asset allocation and rebalance assets, as directed by the EOC and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence with respect to prudent management of institutional funds.

- Comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board.

Investment Considerations

In accordance with AlumnUSB's understanding of Chapter 180A: UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS (UPMIF), of the Commonwealth of Massachusetts , the EOC must consider the purposes of both AlumnUSB's and our assets in managing and investing institutional funds. All individuals responsible for managing and investing AlumnUSB's institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the expenditure of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

1. General economic conditions;
2. Possible effect of inflation or deflation;
3. Expected tax consequences, if any, of investment decisions or strategies;
4. The role that each investment or course of action plays within the overall investment portfolio of the fund;
5. Expected total return from the income and appreciation of investments;
6. Other resources of the organization;
7. The needs of the organization and the fund to make distributions and preserve capital; and,
8. An asset's special relationship or special value, if any, to the organization's purposes.

Guidelines for Investing

The investment goal of the total return fund is to achieve a total return (income and appreciation) of 7% after inflation, over a full market cycle (3-5 years). The following guidelines apply to the three main investment asset classes:

Money Market Funds: Allowable range: Minimum 5%; Maximum 50% of total assets A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments with remaining maturities of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

<u>Equities:</u> Allowable Range- Minimum 25%; Maximum 100% of total assets

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges. The securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer. As well, not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) adhering to the investment characteristics identified above, as long as it is a no-load fund, without 12(b)(1) charges, which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services.

Prohibited equity investments include: initial public offerings (IPOs), restricted securities, private placements, derivatives, options, futures and margined transactions.

Equities pre-IPO could be received as a charitable donation from individuals but not purchased.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

<u>Fixed Income:</u> Allowable Range- Minimum 20%; Maximum 75% of total assets

Bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (BBB or higher by Standard & Poor's and Baa or higher by Moody's) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, then use the lower of the two as a guideline.

No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

The maximum **average maturity** of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

Prohibited securities include: private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds.

Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Performance Measurements Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- **Equities:** *S&P 500 Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years)

- **Fixed Income:** *Lehman Brothers Government/Corporate Index*- Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the EOC of the Board of Directors to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

Expenditure Considerations

The Board of Directors and the EOC are responsible for the establishment of a balanced reserve fund spending policy to:

1. Ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority;
2. To provide funds for the annual operating budget in accordance with the Endowment Steering Committee recommendations and the Board ratifications.

Expenditure of Institutional Funds

Responsibilities of the Endowment Steering Committee

Members of the Endowment Steering Committee (hereafter ESC) will assess and recommend to the Board how and when the endowment assets should be used considering the following factors:

1. The duration and preservation of the institutional fund;
2. Purposes of AlumnUSB and the fund;
3. General economic conditions;
4. Possible effect of inflation or deflation;
5. Expected total return from income and appreciation of investments;
6. Other organizational resources;
7. All applicable investment policies; and
8. Where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

The ESC shall define the method to select how and when the funds will be used, which shall be ratified by the Board. For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.

Donor Restrictions

In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, AlumnUSB shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

Reserve Fund Expenditures

Each year, the nonprofit is authorized to withdraw **up to 2%** of the total market value of the investment account (market value to be determined as of the last business day of the preceding year) for the organization's operating purposes. That spending percentage is applied to the three year average of the December market value. Using a three-year market value average will help to even out any fluctuations that may occur in the value of the account. The dollar amount and timing of any distribution(s) from the investment account will be left up to the discretion of the Board after notifying and taking advice from the EOC and the ESC.