

LOYOLA UNIVERSITY  
OF CHICAGO

# Investment Policy and Guidelines

---

9/8/2021

1

2

3



LOYOLA  
UNIVERSITY  
CHICAGO

4

*Preparing people to lead extraordinary lives*

5

		<u>PAGE</u>
1	<b>TABLE OF CONTENTS</b>	
2		
3	<b>Section 1 - General Terms</b>	
4	A.    Introduction	3
5	B.    Conflict of Interest	3
6	C.    Division of Responsibilities within the University	4
7	D.    Responsible and Sustainable Investing Principles	5
8		
9	<b>Section 2 - Long-Term Investment Pool</b>	
10	A.    Composition of Assets	6
11	B.    Fiduciary and Investment Standards	6
12	C.    Investment Objective	6
13	D.    Spending Policy for Endowment Funds	6
14	E.    Implementation Guidelines and Risk Management	7
15	F.    Measuring Investment Performance	10
16	G.    Other Administrative Matters	10
17		
18	<b>Section 3 - Charitable Assets</b>	
19	A.    Introduction	11
20	B.    Fiduciary and Investment Standards	11
21	C.    Investment Objective	11
22	D.    Asset Allocation and Implementation Guidelines	12
23		
24	<b>Section 4 - Operating and Short Term Reserve Funds</b>	
25	A.    Fiduciary and Investment Standards	13
26	B.    Investment Objective	13
27	C.    Implementation Guidelines	13
28		
29	<b>Exhibit A - Loyola University Chicago Sustainable Investment Policy</b>	16

1 **Section 1 - General Terms**

2 **A. Introduction**

- 3 • This statement of investment policy and guidelines for Loyola University of Chicago  
4 (the "University") is established by its Investment Policy Committee (the  
5 "Committee") under the power and authority delegated to the Committee by the  
6 Board of Trustees (the "Board").
- 7 • This statement governs the management of the investment portfolios of the University  
8 and guides the Committee, Investment Office, staff, and any consultants in the  
9 management of the University's invested assets.

10

11 **B. Conflict of Interest**

- 12 • Consistent with the Board of Trustees' Conflict of Interest Policy, the Committee and  
13 other fiduciaries will act in the best interests of the University and the invested funds  
14 and not for the benefit of the persons serving on the Committee or other third parties.
- 15 • Any conflict or potential conflict of interest on the part of any trustee or other  
16 Committee participant or a member of his or her family shall be disclosed to the  
17 Committee chair at or prior to the time the matter is under consideration by the  
18 Committee. The trustee or other Committee participant will disclose the nature and  
19 extent of any such conflict or potential conflict as the Committee Chair shall  
20 reasonably require.
- 21 • No trustee will vote on any matter under consideration in which such trustee has a  
22 conflict of interest, but the presence of such a trustee may be counted in determining  
23 whether a quorum is present.
- 24 • The Committee chair will report any conflicts to the Chair of the Board in accordance  
25 with the Board's Conflict of Interest Policy.

## C. Division of Responsibilities within the University

### 1. Under authority granted by the Board, the Investment Policy Committee:

- Establishes, reviews and updates, from time to time, the investment policy and guidelines for the University's invested assets. This includes, but is not limited to, defining portfolio objectives, including asset allocation targets, policy ranges, diversification guidelines, risk tolerance and liquidity objectives, and approval of a benchmark index (or benchmark indices) to be used to judge absolute and relative performance.
- Oversees implementation of the investment policy and guidelines and monitors the achievement of investment and performance objectives, including approval of the selection, hiring and termination of investment managers upon recommendation by the Investment Office.
- Has the power and authority to delegate to each of the Senior Vice President, Chief Financial Officer and Chief Business Officer, the Chief Investment Officer, the Treasurer, and the Assistant Treasurer of the University (the "Designated University Officers") the responsibility to implement and execute the investment policy and guidelines.
- Reports to the Board on a quarterly basis.

### 2. The Chief Investment Officer:

- Oversees the daily management of the University's invested assets.
- Implements and executes the investment policy approved by the Committee, including tactical asset allocation and sub-asset class exposures within the established policy ranges and guidelines, and recommends policy and guideline changes or updates to the Committee as necessary.
- Maintains internal controls and procedures for implementation of the policy.
- Retains investment advisors or consultants as needed to assist the University in managing the invested assets.
- Establishes and maintains such custodial and investment accounts and other agreements as are necessary to properly implement the policy and manage the invested assets.
- Monitors and evaluates investment managers' performance and organizations on an on-going basis and retains the discretion to make additional subscriptions and partial redemptions to existing managers.
- Conducts due diligence and makes recommendations to the Committee on the hiring and termination of investment managers.
- Reports investment performance to the Committee on a quarterly basis, which includes portfolio performance relative to the policy benchmark and manager performance relative to manager-specific benchmarks.

- 1           • Reports any irregularities or substantive deviations from policy.

2

3 **D. Responsible and Sustainable Investing Principles**

- 4           • Consistent with achieving the investment objectives set forth herein, the University's  
5 investment policy will be implemented within a framework consistent with the Loyola  
6 University Chicago Sustainable Investment Policy as described in Exhibit A.

## 1 **Section 2 – Long-Term Investment Pool**

### 2 **A. Composition of Assets**

- 3 • Endowment funds (also referred to as “true endowments”), which are institutional  
4 funds that are not wholly expendable on a current basis because of a donor restriction  
5 in the gift instrument governing the endowment fund.
- 6 • Quasi-endowments or board-designated endowments, which are established by the  
7 University using gift or other funds whose use may be restricted, or unrestricted funds  
8 that the University elects to treat like an endowment.
- 9 • Institutional reserves, representing other non-endowed funds set aside from time to  
10 time by the University.
- 11 • True endowments and quasi-endowments may be referred to in aggregate as  
12 “endowments.”

### 13

### 14 **B. Fiduciary and Investment Standards**

- 15 • The management and investment of endowments invested in the Long-Term  
16 Investment Pool is governed by the Illinois Uniform Prudent Management of  
17 Institutional Funds Act (“UPMIFA”), subject to certain exceptions, and unless there  
18 are specific instructions in a gift instrument that take precedence over UPMIFA.
- 19 • The fiduciary standard of UPMIFA requires that trustees, officers and other fiduciaries  
20 responsible for managing and investing funds shall act in good faith and with the care  
21 an ordinarily prudent person in a like position would exercise under similar  
22 circumstances.

### 23

### 24 **C. Investment Objectives**

- 25 • Preserve and enhance the real (i.e., inflation-adjusted) purchasing power of  
26 institutional funds and provide for a stable level of spending from endowments.
- 27 • Earn a real total rate of return (net of investment management fees) at least equal to  
28 the maximum endowment spending rate authorized by the Board of Trustees over  
29 rolling five-year periods.

### 30

### 31 **D. Spending Policy for Endowment Funds**

- 32 • Endowment spending policy is set by the Board and may change from time to time.
- 33 • Absent Board approval, annual budgeted spending from each eligible endowment  
34 fund for a given fiscal year will not exceed 5% of an endowment’s net asset value at  
35 the measurement date.

- Selection of a method of implementation of the spending policy is delegated to University officers to determine how to achieve the financial and investment objectives for endowments.

**E. Implementation and Risk Management Guidelines**

**Liquidity**

- The following liquidity classification thresholds will govern all investment allocations notwithstanding the asset allocation targets and ranges below.

Liquidity Classification	% of Portfolio Market Value
Available within zero to sixty (0-60) days	Minimum of 50%
Available within one (1) year	Minimum of 60%
Available beyond one (1) year	Maximum of 40%
Available beyond three (3) years	Maximum of 30%

- In the event that the one year liquidity classification threshold is breached due to market conditions, no additional investments in funds that restrict capital for more than one year will be made, until the portfolio returns to compliance, and only to the extent that the portfolio is in compliance after funding an investment.
- In the event that the three year liquidity classification threshold is breached due to market conditions, no new investments in or commitments to funds that restrict capital for more than three years will be made, until the portfolio returns to compliance, and only to the extent that the portfolio is in compliance after funding an investment.
- Unfunded commitments will be no more than 25% of the portfolio market value. If the unfunded commitment threshold is breached, unfunded commitments will not be increased until the portfolio returns to compliance, and only to the extent that the portfolio is in compliance after a new commitment.
- In the event that a liquidity classification threshold is breached due to market conditions, the Chief Investment Officer will evaluate whether it is possible to bring the portfolio into compliance (liquidity, future cash flows and market conditions will be considered).

# Investment Policy and Guidelines

1      **Asset Allocation**

	% of Portfolio Market Value			
Asset Class Guidelines	Target	Min	Max	Benchmark
Global Equity	45%	40%	50%	MSCI ACWI
Private Capital	20%	5%	30%	MSCI ACWI
Real Assets	2.5%	0%	5%	FTSE NAREIT
Opportunistic Credit	2.5%	0%	5%	BAML US High Yield
Marketable Alternatives	20%	10%	30%	HFRI Fund-Weighted Index
Fixed Income	10%	5%	15%	ICE/BAML 3-5 Yr US TSY
Cash	0%	0%	10%	3-Mo T-Bill
TOTAL	100%			
	% of Portfolio Market Value			
Hedge Fund Guidelines	Target	Min	Max	
Hedging strategies	--	0%	30%	
Hedged equity	--	0%	23%	
Multi-strategy absolute return	--	0%	23%	
Global macro	--	0%	8%	

- 2
- 3      • In the above table, Opportunistic Credit captures strategies that have more credit risk
- 4              and may be less liquid than the high-quality fixed income strategies in the Fixed
- 5              Income segment (which is intended to provide diversification protection that credit
- 6              strategies cannot fully provide).
- 7      • Asset allocation targets are at all times subject to the previously enumerated liquidity
- 8              guidelines.
- 9      • The Chief Investment Officer will review any asset class that falls outside its
- 10             permissible range and evaluate the need to rebalance (liquidity, anticipated cash flows
- 11             and market conditions will be considered in decisions to rebalance).



## Concentration

- An investment in an individual hedge fund will not exceed 5% of the portfolio market value at the time of investment.
- An allocation to any individual manager will not exceed 10% of the portfolio market value at the time of investment.
- A passively managed investment (e.g. an index fund or ETF) is not subject to the 10% maximum allocation in the previous statement.
- A hedge fund investment will not exceed 5% of its manager's assets under management at the time of investment.
- The Chief Investment Officer will review any investment that is in excess of any concentration guideline and evaluate the need to reduce the size of the investment (considering liquidity, anticipated cash flows and market conditions).

## Manager and Strategy Selection

- A manager and/or an investment fund must:
  - have the requisite experience and skills to manage the strategy under consideration,
  - have a sufficient complement of personnel with the necessary knowledge, experience and training,
  - adhere to the manager's stated investment style or strategy,
  - have a valuation policy based on GAAP fair value standards or other generally accepted valuation standard,
  - be managed with an appropriate match between invested assets and liabilities and commensurate liquidity terms,
  - be registered and in good standing with appropriate regulatory agencies,
  - be audited annually by a recognizable, reputable accounting firm,
  - have invested assets appropriately segregated and held by an independent custodian,
  - have independent, third party providers clear trades and provide client statements to the extent it is appropriate to separate these functions between a manager and a service provider,
  - undergo a legal review of applicable documents when deemed necessary by the Chief Investment Officer,
  - provide a current Form ADV Part II (as filed with the SEC) and explain adequately any irregularities.

1 **F. Measuring Investment Performance**

- 2 • Long-term performance will be evaluated based on comparison of portfolio return
- 3 with the rate of spending and inflation.
- 4 • A secondary measure of one or more market-weighted benchmarks may be used to
- 5 evaluate the asset allocation and individual managers and strategies selected for the
- 6 portfolio.
- 7 • Performance will be reported to the Committee at least on a quarterly basis.

8  
9 **G. Other Administrative Matters**

- 10 • Shareholder rights will be exercised solely in the best interests of the University, in
- 11 furtherance of the objectives enumerated above.
- 12 • Although the University is exempt from federal tax under Section 501(c)(3) of the
- 13 Internal Revenue Code, certain investment funds or strategies may generate tax
- 14 liabilities (e.g. unrelated business income tax) payable by the University and will be
- 15 evaluated by qualified professionals selected by management to assess the potential
- 16 tax liability, performance impact and any filing requirements.

1 **Section 3 – Charitable Assets**

2 **A. Introduction**

- 3 • The University is trustee of charitable remainder unitrusts (CRUTs), charitable lead  
4 unitrusts (CLUTs), charitable remainder annuity trusts (CRATs), and net income  
5 charitable remainder unitrusts (net income CRUTs, with or without a make-up  
6 provision) which together may be referred to as charitable trusts.
- 7 • The University is a party to charitable gift annuity (CGAs) agreements which are  
8 contractual agreements between the University and a donor.
- 9 • Due to legal, tax and/or administrative considerations, charitable trusts and gift  
10 annuities are invested separately from the University’s institutional funds.
- 11 • At the discretion of the University, certain services for charitable assets may be  
12 delegated to a third party provider.

13  
14 **B. Fiduciary and Investment Standards**

- 15 • Charitable trusts for which the University serves as trustee are governed by the Illinois  
16 Trust and Trustees Act, the Illinois Principal and Income Act, the trust instrument and  
17 common law applicable to trusts.
- 18 • Among other things, the University’s duty is to invest and manage trust assets as a  
19 “Prudent Investor” would, considering the purposes, terms, distribution  
20 requirements, and other circumstances of the trust and requiring the exercise of  
21 reasonable care, skill, and caution based on the facts and circumstances prevailing at  
22 the time of the decision, and in the context of the trust portfolio as a whole and as a  
23 part of an overall investment strategy that should incorporate risk and return  
24 objectives reasonably suitable to the trust.

25  
26 **C. Investment Objective**

- 27 • Charitable trusts will be invested individually taking into account the specific terms  
28 and circumstances of a trust and in a manner that is consistent with the trustee’s duty  
29 of impartiality to all beneficiaries.
- 30 • As trustee, the University must consider both the reasonable production of income  
31 and the preservation of capital available at maturity of the trust, unless the trust  
32 instrument provides otherwise.
- 33 • Charitable gift annuities may be pooled for investment purposes and invested to meet  
34 the contractual obligation to pay annuitants and preserve capital available at maturity.

**D. Asset Allocation and Implementation Guidelines**

- Charitable trusts and gift annuities will generally be invested in conformity with a model asset allocation selected from the categories listed below.
- The figures below represent the general allocation between equity and fixed income, respectively.

Loyola’s Model Asset Allocation	Model 1	Model 2	Model 3
Equity/Fixed	75%/25%	50%/50%	25%/75%

- The Chief Investment Officer will establish an investment strategy for each account after an evaluation of the factors relevant to the decision.
- The Chief Investment Officer will conduct a periodic review of each account to monitor the suitability of each investment strategy.
- The Chief Investment Officer will implement the model asset allocations and diversify the allocation strategy within the targets for equity and fixed income.
- Charitable assets will be invested primarily in stocks and bonds and diversified to the extent possible consistent with annual payout levels.
- The asset allocation for any individual charitable trust or pool of gift annuities will be determined based on consideration of the distribution requirement, the desired balance between growth and income, any other terms and factors deemed pertinent to the decision.
- Due to tax considerations with charitable trusts, investment strategies for charitable assets will generally be implemented without the use of less liquid or illiquid investment funds.
- At no time will any charitable trust or the gift annuity pool be invested in funds from which capital is not accessible within 90 days.

## Section 4 – Operating and Short Term Reserve Funds

### A. Fiduciary and Investment Standards

- Operating and short term reserve funds are program-related assets and held by the University primarily to accomplish its charitable purposes (an exception to UPMIFA rules applicable to other University funds).
- The “Prudent Investor” standard will be applied to the management of operating and short term reserve funds.

### B. Investment Objective

- The University invests its operating funds in cash equivalents and fixed income securities to meet the following objectives.
  - Safety of principal and liquidity are the foremost priorities.
  - Current yield is a secondary priority.
  - Total return is a tertiary priority.
- The University evaluates on an ongoing basis the balances held in Operating and Short Term Reserve Funds relative to its liquidity needs and determines an appropriate allocation between Short Term and Long Term Reserves.

### C. Implementation Guidelines

- The investment of operating funds will be implemented by using daily balances, overnight investments, money market funds, money market savings accounts, separately managed accounts, including accounts directed internally, and commingled funds.

**Aggregate Portfolio Guidelines (including daily balances, overnight investments, money market funds, money market savings accounts, separate accounts and commingled funds)**

Portfolio duration	Not to exceed 1.50 years
Portfolio average credit quality	AA or higher
Fixed income fund average credit quality	BBB/Baa3 or higher

# Investment Policy and Guidelines

1      **General Separate Account Guidelines**

Maximum maturity (Issue)	Not to exceed five (5) years and one (1) month
Average portfolio duration	Not to exceed 2.0 years
Liquidity	Trade date + 3 days
Average portfolio quality	No less than A
Opportunity set	Treasury securities and agency debentures Obligations of domestic and foreign corporations Asset-backed securities (ABS) Residential mortgage-backed securities (RMBS) Collateralized mortgage obligations (CMO) Commercial mortgage-backed securities (CMBS) Taxable municipal securities Money market instruments Commercial paper Bankers acceptances Time deposits Repurchase agreements
Prohibitions	Leverage Short-selling Convertibles and common stocks Mortgage-backed interest-only securities (IO) Mortgage-backed principal-only securities (PO) Inverse floaters Collateralized debt obligations (CDO) Collateralized loan obligations (CLO) Securities denominated in a currency other than the U.S. dollar

- 2
- 3      • The Chief Investment Officer will establish guidelines for a separate account that are
- 4      commensurate with the skill and expertise of the manager.

5

6      **Commingled Fund Guidelines**

- 7      • Commingled fund investments will be limited to money market funds and no-load
- 8      funds that are registered under the Investment Company Act of 1940.
- 9      • Money market funds must comply with Rule 2a-7 under the Investment Company Act
- 10     of 1940.
- 11     • Funds whose guidelines are substantially similar to the above requirements will be
- 12     eligible.

## 1           **Manager and Strategy Selection**

- 2           • A manager and/or an investment fund must:
  - 3           ○ have the requisite experience and skills to manage the strategy under
  - 4           consideration,
  - 5           ○ have a sufficient complement of personnel with the necessary knowledge,
  - 6           experience and training,
  - 7           ○ have the resources and expertise necessary to analyze the credit-worthiness of
  - 8           eligible securities,
  - 9           ○ adhere to the manager's stated investment style or strategy,
  - 10          ○ have a valuation policy based on GAAP fair value standards or other generally
  - 11          accepted valuation standard,
  - 12          ○ be registered and in good standing with the appropriate regulatory agencies,
  - 13          ○ be audited annually by a recognizable, reputable accounting firm,
  - 14          ○ have invested assets appropriately segregated and held at an independent
  - 15          custodian,
  - 16          ○ have independent, third party providers clear trades and provide client
  - 17          statements to the extent it is appropriate to separate these functions between a
  - 18          manager and a service provider,
  - 19          ○ undergo a legal review of applicable documents when deemed necessary by the
  - 20          Chief Investment Officer,
  - 21          ○ provide a current Form ADV Part II (as filed with the SEC) and explain
  - 22          adequately any irregularities.

23

### 1 **Exhibit A: Loyola University Chicago Sustainable Investment Policy**

2 The University's embodiment of the Jesuit and Catholic traditions of social justice, its  
3 commitment to sustainability, and the aspiration to contribute to a more just, humane and  
4 sustainable world require consideration in its investment policy and practices.

5 The University will be a responsible steward of its financial resources and will prudently exercise  
6 ethical and social stewardship in its investment policy and practices, consistent with its mission  
7 and strategic priorities and abiding by the fiduciary and investment standards applicable to  
8 institutional funds.

9 Consistent with achieving the University's investment objectives, and in acknowledgement of the  
10 Jesuit Universal Apostolic Preferences, the University's investment policy will be implemented  
11 within the sustainable investment framework outlined below:

- 12 ○ The University will not make direct investments in any security, strategy or fund whose  
13 primary mandate is the exploration or extraction of fossil fuels, and will divest from  
14 companies and strategies engaged in these activities.
  - 15 ▪ Directly held marketable and liquid securities and funds will be divested in a  
16 manner that is financially responsible, yet expeditious.
  - 17 ▪ Private and illiquid investments in fossil fuel-oriented funds will be allowed to  
18 wind down in accordance with the terms of the partnership agreement.
  - 19 ▪ The University will monitor indirect exposure to fossil fuel companies in  
20 commingled investment funds and will prudently evaluate these funds on a  
21 case-by-case basis.
  - 22 ▪ The University understands the transition of the global economy from fossil  
23 fuels to sustainable energy to be long-term in nature and retains the ability to  
24 maintain exposure on a case-by-case basis in companies with fossil fuel exposure  
25 but which are transitioning their business models to address climate solutions.
- 26 ○ The University will proactively seek opportunities to invest in funds or companies that  
27 reduce carbon emissions and greenhouse gases, promote social responsibility, and seek  
28 solutions for climate change.
- 29 ○ The University will integrate Environmental, Social and Governance ("ESG")  
30 considerations into manager evaluation and analysis of underlying portfolio holdings  
31 to better understand risk and complement traditional investment decision making.
- 32 ○ The University will communicate to investment managers its commitment to  
33 sustainable investing and encourage them to engage with corporate management to  
34 promote corporate responsibility.
- 35 ○ The IPC will regularly review the ESG characteristics of its investment portfolios and  
36 underlying funds and consider sustainability among factors for material consideration.