

Loyola University New Orleans

INVESTMENT POLICY STATEMENT

March 24, 2023



CONTENTS

OVERVIEW

DEFINITION OF DUTIES

OBJECTIVES

ASSET ALLOCATION / INVESTMENT STRUCTURE

PERFORMANCE MEASUREMENT

MANAGER EVALUATION

GUIDELINES/RESTRICTIONS

ACKNOWLEDGEMENT

INVESTMENT POLICY STATEMENT

OVERVIEW

BACKGROUND

Loyola University New Orleans has an Endowment Fund consisting of four separate pools of money, or sub-funds. Three sub-funds are in the Restricted Endowment Funds and the fourth is the Unrestricted Strategic Reserve Fund. The Endowment Fund is governed by the policies set forth by the University's Board of Trustees ("the Board") through its Finance Committee, which established a sub-committee, the Endowment Sub-Committee ("Sub-Committee"), to oversee and monitor investment of the Endowment Fund.

The Endowment Fund's governing policies are set out in this Investment Policy Statement ("IPS"). The Endowment Fund is considered to be part of the University's assets for financial reporting and controls. As such, the Endowment Fund's fiscal year-end is July 31st. The Endowment Fund is designed to be a perpetual entity. Therefore, the Board will have a long-term perspective when evaluating decisions affecting the Endowment Fund; however, the Board will be mindful of shorter-term market opportunities and liquidity needs and concerns when making such decisions.

The Endowment Fund's four separate pools of money are:

The Restricted Endowment Funds – These are the Scholarship Endowment Fund, the Gillis Long Endowment Fund and the State Match Endowment Fund; however, the restrictions that are attached to the Scholarship Endowment Fund and the Gillis Long Endowment Fund do not concern how those funds are invested, so those two sub-funds are unrestricted in how they can be invested. Only the State Match Endowment Fund is subject to Louisiana Board of Regents investment restrictions.

The Scholarship Endowment Fund consists of contributions from donors towards individual scholarship funds. Those donations become the corpus of each scholarship fund. Each scholarship fund has a formation document that specifies how its corpus' earnings are to be used. A minimum of \$25,000 is required for a scholarship fund to be endowed. These scholarship funds provide financial resources each year to support scholarships and other needs the University has.

The Gillis Long Endowment Fund was established in 1985 when Congress provided the University with Federal funds to create the Poverty Law Center in the name of Congressman Gillis W. Long. This fund is to provide financial resources each year to support the operation of the Gillis Long Poverty Law Center.

The State Match Endowment Fund consists of contributions by the Louisiana Board of Regents. These contributions match certain donations by individual donors and are used to create endowed professorships and chairs for the faculty of the University. This fund provides financial resources each year to support and enhance the University's faculty. Restrictions for the State Match Endowment Fund assets are set forth by the Louisiana Board of Regents.

INVESTMENT POLICY STATEMENT

The Unrestricted Strategic Reserve Fund – Established by the Board in 1989 using proceeds from the sale of the University’s radio stations and subsequent sale of its television station. This fund provides financial resources each year to support the operation of the University.

PURPOSE

This Investment Policy Statement establishes a clear understanding of the investment philosophies and objectives for the Endowment Fund. The IPS also sets out the standards by which the Sub-Committee monitors and evaluates investment performance, as well as serves as a guideline for all investment managers who manage assets of the Endowment Fund. It is expected that this IPS will be reviewed no less frequently than annually.

The purpose of both the Unrestricted Strategic Reserve Fund and the Restricted Endowment Funds is to build assets through the earnings from those funds’ principal. Those earnings should be sufficient to support current and on-going needs, with the corresponding obligation to accumulate capital for future use. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of both the Unrestricted Strategic Reserve Fund and Restricted Endowment Funds.

SCOPE

The policies in this IPS apply to all assets that are part the Endowment Fund, which include, but are not limited to the Unrestricted Strategic Reserve Fund, the Scholarship Endowment Fund, the Gillis Long Endowment Fund, and the State Match Endowment Fund. The Sub-Committee has responsibility for oversight and monitoring of these policies.

FIDUCIARY DUTY

In seeking to attain the investment objectives set forth in the policy, the Sub-Committee, the Board’s investment consultant, and the Endowment Fund’s investment managers (where applicable) shall exercise prudence and appropriate care. All investment actions and decisions must be based solely on the interest of the Endowment Fund. Fiduciaries must provide timely full and fair disclosure to the Board, Finance Committee and/or Sub-Committee of all material facts regarding any potential conflict(s) of interests.

INVESTMENT POLICY STATEMENT

DEFINITION OF DUTIES

Position	General Responsibility	Specific Tasks
Board of Trustees	Oversees corporate policy and investment process	<ul style="list-style-type: none"> • Authorizes and approves changes to the Investment Policy Statement • Delegates management of the investment process to the Finance Committee and/or Sub-Committee • Reserves the right to approve the recommended action of the Finance or Sub-Committee to retain/dismiss any service provider
Finance Committee and Endowment Sub-Committee	Coordinates investment activities, direction and strategic initiatives	<ul style="list-style-type: none"> • Oversees management of the investment process • Coordinates periodic asset allocation review, approves strategic asset allocations • Reviews and recommends revisions to the Investment Policy Statement • Maintains any Investment Manager Guidelines ("Investment Guidelines") • Reviews performance and reports investment results to the Board • Keeps the Board apprised of new investment opportunities and directions taken by the Finance and/or Sub-Committee • Reviews and recommends retaining and dismissing investment consultants • Retains/replaces asset managers in those asset classes where discretion has not been delegated to an outside investment advisor or consultant
Authorized Loyola Staff (Vice President of Finance & Admin and his/her delegates)	Executes investment-related activities	<ul style="list-style-type: none"> • Complies with the IPS guidelines and restrictions • In conjunction with consultant, executes Board-, Finance Committee- or Sub-Committee-approved actions and rebalancing transactions • Approves the disbursement of cash • Reviews, negotiates and approves all agreements with all approved investment managers where discretion has not been delegated • Ensures all managers are within compliance of the IPS and provides written guidance to the investment managers when needed • Supports Finance Committee and Sub-Committee requests • Reviews, monitors and replaces (as necessary) custodian
Investment Management Firms	Invests assets per investment guidelines for externally managed assets	<ul style="list-style-type: none"> • Complies with the IPS guidelines, and restrictions • Produces desired return/level of risk • Generates desired performance reports • Provides capital markets/asset class information as needed • Supports Sub-Committee requests • Promptly vote proxies in the best interests of the institution/fund • Note: The IPS guidelines may be superseded by those of any mutual funds and/or ETFs Endowment Fund assets are invested in; however, in such event, they will not be more permissive
Custodian Bank(s)	Safeguards and accounts for specified financial assets	<ul style="list-style-type: none"> • Controls access to assets • Settles trades efficiently • Collects investment income and principal • Collects and disseminates investment portfolio information • Book of record for the Endowment Fund's assets

INVESTMENT POLICY STATEMENT

Investment Consultant	Supports the Board and Sub-Committee in the development and execution of investment strategy	<ul style="list-style-type: none">• Constructs and recommends revisions to the Investment Policy Statement• Complies with the IPS guidelines and restrictions• Assesses capital markets, recommends asset classes and asset allocation ranges/targets, recommends portfolio rebalancing transactions as appropriate• Prepares quarterly performance reports for the Sub-Committee• Evaluates investment management firms and custodian(s), and provides asset allocation and manager retention/replacement advice for such firms and custodian(s) where applicable• Where it has been delegated discretion by the Board, makes asset allocation and manager retention/replacement decisions in only those asset classes• Supports Sub-Committee requests
------------------------------	--	--

INVESTMENT POLICY STATEMENT

OBJECTIVES

The overall, long-term investment objective of the Endowment Fund is to achieve an annualized total return (net of investment management expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending and administrative expenses, thus protecting the purchasing power of its assets. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit short-term volatility.

The Sub-Committee recognizes that market returns are not steady or equal in magnitude and that some market environments offer more return potential than others.

The Endowment Fund is a tax-exempt entity and therefore will not be affected by the timing of capital gains or income classifications, but it will seek to avoid Unrelated Business Income Tax (UBIT). To attain the investment objectives in this IPS, the Board shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

STRATEGY

The Board, the Finance Committee, and the Sub-Committee understand the long-term nature of the Fund and believe that investing in assets 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 and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs.

SPENDING POLICY

Income available for spending is determined by a total return system. The Board established 5% as the annual spending rate for the Unrestricted Strategic Reserve Fund based on the average prior 12-quarter market value of the assets as of June 30th each year. All spending from the Unrestricted Strategic Reserve Fund is approved by the Board.

The annual disbursements from the Scholarship Fund and Gillis Long Endowment Fund are expected to be 5% of the prior 12-quarter average market value of the assets as of June 30th. The disbursements are made during August and any unexpended disbursements from prior years will carry forward into the next year. If the current market value of any endowment within a fund is below the original corpus of that endowment at the time of calculation, no spending from that endowment is allowed.

The annual disbursement from the State Match Endowment Fund is expected to be 5% of the average of the five-year market value of the assets as of June 30th of each year. The disbursement takes place during August and any unexpended disbursements from prior years will carry forward into the next

INVESTMENT POLICY STATEMENT

year. If the current market value of any endowment within the State Match Endowment Fund is below the original corpus of that endowment, no spending from that endowment is allowed.

ASSET ALLOCATION/INVESTMENT STRUCTURE

Asset allocation will likely be the key determinant of the Endowment Fund's returns over the long term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on their impact to the total Endowment Fund, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary investment objective of the Endowment Fund's portfolio, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of four asset categories. Each category serves a specific role within a portfolio. 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 portfolio. The categories are as follows:

GLOBAL EQUITY

Intended to be the primary source of long-term capital appreciation for the portfolio. While having higher expected returns than fixed income, equities also have higher expected volatilities. Sub-categories include both public and private equities, as well as hedged equity mandates.

GLOBAL FIXED INCOME/CREDIT

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.

REAL ASSETS

Intended to insulate the portfolio 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").

DIVERSIFYING STRATEGIES

INVESTMENT POLICY STATEMENT

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.

To achieve these goals, the asset allocation for the Unrestricted Strategic Reserve Fund's, the Gillis Long Fund's, and the Scholarship Fund's assets will be set within the following ranges:

ASSET CATEGORY	RANGE
GLOBAL EQUITY	40-75%
<i>Public Equities</i>	35-75
U.S.	10-50
International Developed	10-50
Emerging Markets	0-15
<i>Frontier Markets</i>	0-6
<i>Hedged Equity</i>	0-10
<i>Private Equity</i>	0-15
GLOBAL FIXED INCOME/CREDIT	10-40
<i>Interest Rate Sensitive</i>	5-40
Core (Investment Grade)	5-40
Inflation Protected (TIPS)	0-20
<i>Credit Sensitive</i>	0-20
Liquid	0-20
Private Debt	0-10
REAL ASSETS	5-30
<i>Real Estate</i>	0-15
REITs	0-10
Private Real Estate	0-7
<i>Natural Resources</i>	0-10
Nat. Res. Equity/ Commodities	0-10
Private Energy	0-7
<i>Infrastructure</i>	0-10
Infrastructure/ MLPs	0-10
Private Infrastructure	0-5
DIVERSIFYING STRATEGIES	0-20

INVESTMENT POLICY STATEMENT

To achieve these goals, given the more restrictive dictates of the Louisiana Board of Regents, the asset allocation for the State Match Endowment Fund's assets will be set within the following ranges:

<u>ASSET CATEGORY</u>	<u>RANGE</u>
GLOBAL EQUITY	40-74%
<i>Public Equities</i>	35-74
U.S.	10-50
International Developed	10-37
Emerging Markets	0-15
<i>Hedged Equity</i>	0-10
<i>Private Equity</i>	0-10
GLOBAL FIXED INCOME/CREDIT	26-40
<i>Interest Rate Sensitive</i>	15-40
Core (Investment Grade)	5-40
Inflation Protected (TIPS)	0-20
<i>Credit Sensitive</i>	0-20
Liquid	0-20
Private Debt	0-5
REAL ASSETS	0-30
<i>Real Estate</i>	0-15
REITs	0-10
<i>Natural Resources</i>	0-10
<i>Infrastructure</i>	0-10
DIVERSIFYING STRATEGIES	0-15

REBALANCING

The consultant and University's VP for Finance and Administration and/or his/her delegate will monitor the asset allocation structure of the Endowment Fund. If one or more allocations of the portfolio moves outside of the established ranges, the consultant and/or VP for Finance and Administration and/or delegate will discuss options with one another, and then develop and implement a plan to rebalance the portfolio back to within the established ranges. The additions of new money to the Endowment Fund or withdrawals from it for spending will be used to rebalance the portfolio in a cost-effective manner whenever possible.

INVESTMENT POLICY STATEMENT

More specifically, the University shall use a value based rebalancing approach. Portfolio values relative to their target allocations and ranges will be monitored by the consultant and University staff.

If, at the end of any month, the allocation to any asset class or sub-asset class deviates from its target by more than 20% of the allocation, but with a minimum deviation of 2%, the asset class or sub-asset class shall be rebalanced. For those asset classes and sub-asset classes with a target allocation of less than 10%, a deviation of 2% relative to the target is required to trigger rebalancing. For example, given an asset class with an allocation of 20%, a 4% move in the value of the asset class relative to its target would be required in order to trigger rebalancing; however, for an asset class with an allocation of 10% or less, a 2% move relative to its target would be required to trigger rebalancing. Ongoing contributions and spending distributions will be used to rebalance the portfolio wherever possible.

Asset allocation targets are reviewed and may be modified from time to time during meetings of the Endowment Sub-Committee. Current asset allocations target can be found in all Finance Committee and Endowment Sub-Committee meeting materials and/or by reaching out to Loyola staff or the investment consultant.

ACTIVE AND PASSIVE MANAGEMENT

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/factor investing, enhanced index, portable alpha).

LIQUIDITY

The Board will seek to maintain a balance between its investment goals and the University's liquidity needs. Liquidity is necessary to meet the Board's spending policy disbursements and any extraordinary needs of the University, as determined by the Board. However, the Board recognizes that many investment vehicles have liquidity constraints.

Illiquid investments include private equity, private debt, and private real assets. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. When considering an investment vehicle, the tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits for the Unrestricted Strategic Reserve Fund, Gillis Long Fund, and Scholarship Fund assets:

CLASSIFICATION OF ASSET	LIMITS
Liquid (\leq monthly)	At least 50% of the portfolio
Semi-Liquid (>monthly to annually)	No more than 30% of the portfolio
Illiquid* (greater than annually)	No more than 30% of the portfolio

* A private capital implementation plan (with target amounts and timing of capital commitments) will be used to manage the allocation prudently, strive to maintain the target allocation, and maintain vintage year diversification. Market movements could cause the allocation to move outside ranges, in which case, rebalancing will not be necessary, but future commitments may need to be adjusted.

INVESTMENT POLICY STATEMENT

The following limits will apply to State Match Endowment Fund assets only:

CLASSIFICATION OF ASSET	LIMITS
Liquid (\leq monthly)	At least 65% of the portfolio
Semi-Liquid ($>$ monthly to annually)	No more than 25% of the portfolio
Illiquid* (greater than annually)	No more than 10% of the portfolio

* A private capital implementation plan (with target amounts and timing of capital commitments) will be used to manage the allocation prudently, strive to maintain the target allocation, and maintain vintage year diversification. Market movements could cause the allocation to move outside ranges, in which case, rebalancing will not be necessary, but future commitments may need to be adjusted.

PERFORMANCE MEASUREMENT

TIME HORIZON

The Board 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 Board recognizes that over various time periods, a portfolio may produce over- or under-performance relative to the broad market. For this reason, long-term investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

PRIMARY BENCHMARK

The primary objective of the Endowment Fund is to achieve a total return, net of fees, in excess of spending, administrative fees, and inflation. The Board determined the Primary Benchmark below is the minimum return needed to achieve the Endowment Fund's long-term investment objective.

Primary Benchmark: *Total Return greater than Consumer Price Index + 5%*

BROAD POLICY BENCHMARK

A secondary objective is to achieve a total return in excess of the Broad Policy Benchmark, comprised of each broad asset class benchmark weighted by its long-term strategic allocation. The Broad Policy Benchmark is comprised of mutually exclusive broad market asset class indices to measure broad policy decisions.

INVESTMENT POLICY STATEMENT

WEIGHT	INDEX	ASSET CATEGORIES
65%	MSCI ACWI	Equity / Real Assets
35%	Barclays U.S. Aggregate	Fixed Income / Diversifying Strategies

TARGET WEIGHTED BENCHMARK

Another secondary investment objective is to achieve a total return in excess of the Target Weighted Benchmark, comprised of each asset category benchmark weighted by its target allocation.

MANAGER EVALUATION

QUALITATIVE MEASURES

Each investment manager will be reviewed by the Sub-Committee on an ongoing basis and evaluated upon the qualitative criteria listed below.

1. Maintaining a stable organization;
2. Retaining key personnel;
3. Avoiding significant deviations from the manager's stated investment philosophy;
4. Avoiding regulatory actions against the firm, its principals, or employees; and
5. Adhering to the guidelines and objectives of this Investment Policy Statement.

Although there are no strict guidelines that will be utilized in selecting managers, the Sub-Committee will consider the criteria above, as well as the unique role the manager may play in the portfolio, the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Endowment Fund already has invested with the firm.

SUMMARY OF QUANTITATIVE PERFORMANCE MEASUREMENT

Public Liquid and Semi-Liquid Active Managers

Liquid and semi-liquid (hedge fund) active managers will be measured against an appropriate market index and a peer universe of portfolios managed in a similar investment style. The Sub-Committee expects these managers to outperform their benchmarks over a full market cycle, but does not expect that all investment objectives will be attained each year. Furthermore, the Sub-Committee recognizes that over various time periods, a manager may produce significant over- or under-performance relative to its benchmarks. For this reason, long-term investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

Any managers failing to meet these criteria over a full market cycle will undergo extensive qualitative and quantitative analysis. This analysis will focus on the manager's personnel, philosophy, portfolio characteristics, and peer group performance to determine whether the manager is capable of

INVESTMENT POLICY STATEMENT

achieving their defined role of the overall portfolio structure going forward. If confidence in a manager is lost as a result of this analysis, a replacement manager will be sought.

Public Liquid Passive Managers

Passive (index) managers are expected to approximate the total return of their respective benchmark. Any passive managers failing to achieve the approximate total return of their respective benchmark will be subject to the same analysis as public liquid and semi-liquid active managers and may be similarly replaced.

Private Illiquid Managers

Private partnerships typically range from 7-15 years in life, during which time the Endowment Fund may not be able to sell the investment. Additionally, depending on its investment strategy, a partnership may not produce meaningful returns for 3-5 years. New investments in private partnerships will create a drag on performance (known as the J-curve) in the early years of a partnership (3-5 years) until these investments begin to mature.

Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) from the inception of the partnership, an investment multiple, and a comparison to an appropriate peer group and/or public market equivalent benchmark.

To aid the Sub-Committee in its review of managers' shorter-term performance, it is acknowledged that ongoing manager evaluations entail both a qualitative and quantitative lens and each manager, strategy and market environment are different such that there are no subsets of guidelines that will be complete and dictate perfectly appropriate actions in a given situation. Knowing this, the following general guidelines are set out to ensure the Sub-Committee will be aware of potential issues at managers within the portfolio so that the advisor and Sub-Committee may analyze, discuss and take action if determined appropriate.

From a qualitative perspective, monitoring and awareness of significant changes at the organization will be reported to the Sub-Committee by the advisor or Loyola staff. Among the changes that would cause concern include the following:

- meaningful changes in ownership, leadership, portfolio management or generally excessive employee turnover
- significant changes in AUM (up or down) of the product or firm broadly, product proliferation or elimination at the firm
- extreme performance on an absolute or relative basis that is inconsistent with the stated strategy
- any significant shift in strategy, risk controls or approach of the vehicle or the firm that is inconsistent with the initial rationale for retaining the firm/fund
- legal or regulatory issues with the product or at the firm

INVESTMENT POLICY STATEMENT

This list is by no means expected to be all encompassing. Circumstances not detailed herein can and likely will occur that will require Sub-Committee discussion. Similarly, not every situation that falls within one of the above categories will be significant enough to warrant Sub-Committee discussion or action.

GUIDELINES AND RESTRICTIONS

GENERAL

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 Endowment Fund's 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 Endowment Fund's investments.

The requirements stated below apply to investments where the investment manager is able to construct a separate, discretionary account on behalf of the Fund. Although the Board cannot dictate policy to pooled/mutual fund investment managers, the Board's intent is to select and retain only pooled/mutual funds with policies similar to this Investment Policy Statement. All managers, however, are expected to achieve the Board's performance objectives. Therefore, it is expected each long-only equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this IPS;
2. Immediately notify the VP for Finance and Administration and/or delegate and consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, senior personnel, or other material fact affecting the Endowment Fund's investment; and
3. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company, or invest with the intent of controlling management.

ETHICAL INVESTMENT

Loyola University New Orleans is a Catholic, Jesuit institution of higher education. In the management of its investments, Loyola University reflects the ethical, social, and moral principles inherent in its Jesuit heritage. In particular, the University is firmly committed to the promotion of the dignity of the individual, personal freedom, and social justice. The Board of Trustees desires that Endowment Fund investments be handled in accordance with these principles, so the Board will continually seek to apply these principles to the University's investment practices wherever possible. However, the Board understands that because of the structure of certain investment vehicles in various asset classes, adherence to socially responsible guidelines may not be possible for all of the Endowment Fund's assets. Even so, a best effort will be made to convey Jesuit guiding principles to all service providers. Investments held by the University will be examined periodically to ascertain

INVESTMENT POLICY STATEMENT

whether the firms making the investments engaged in practices or procedures opposed to the ethical, social, and moral principles derived from Loyola University's Jesuit heritage. It also means that the University will not undertake new investments in companies that affront these principles. Therefore, in judging the ethical merit of the Endowment Fund's investments, the Board will be aware of Loyola University's Jesuit heritage and commitment to the concept of Christian stewardship.

In the event that ethical breaches are found in companies in which the Endowment Fund is invested, the Board will ordinarily take an advocacy approach; that is, the University will attempt to sensitize appropriate stakeholders and administrators to these ethical breaches through such means as inquiries, letters of concern, proxy votes or ultimately divestiture. The Sub-Committee will be responsible for overseeing that the investments are made justly and prudently according to the policy stated herein, and initiating any advocacy approach deemed necessary.

PUBLIC EQUITY MANAGER GUIDELINES (INCLUDING REITS)

It is expected each active equity investment manager shall:

1. Assure that no position of any one company exceeds 10% of the manager's total portfolio as measured by market value;
2. Vote proxies and share tenders in a manner that is in the best interest of the Endowment Fund and consistent with the investment objectives contained herein;
3. Maintain a minimum of 25 positions in the portfolio to provide adequate diversification;
4. Construct a properly diversified portfolio across sectors and industries; and
5. If a U.S. equity manager, have no more than 20% of the total portfolio in foreign stocks or American Depository Receipts (ADRs).

Additional Louisiana Board of Regents restriction for the State Match Endowment Fund: no more than 74% of State Match Endowment Fund assets may be invested in equity, and no more than 50% of the state match portfolio's publicly traded equity may be foreign equity.

For the purposes of this limitation, publicly traded equity and alternatives (as defined by the Louisiana Board of Regents and listed in the Liquidity section earlier in this document) shall be considered equity.

INTEREST RATE SENSITIVE (CORE) FIXED INCOME MANAGER GUIDELINES

It is expected each investment grade fixed income investment manager shall:

1. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's;
2. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities;
3. Split rated securities will be governed by the lower rating;
4. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers); and

INVESTMENT POLICY STATEMENT

5. Assure that any one issuer does not exceed 7% (5% for state match assets) of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

CREDIT SENSITIVE (HIGH YIELD/BANK LOAN) MANAGER GUIDELINES

It is expected each high yield/bank loan investment manager shall:

1. Maintain a weighted average credit rating of B or better by Moody's and Standard & Poor's;
2. Hold no more than 20% of the portfolio in investments rated below B;
3. Split rated securities will be governed by the lower rating; and
4. Limit any one issuer to 7% (5% for state match assets) of the manager's portfolio, measured at market value.

Additional Louisiana Board of Regents restriction for the State Match Endowment Fund: collectively, the publicly traded debt must maintain an average credit quality of at least A as determined by Moody's, Fitch or S&P.

MASTER LIMITED PARTNERSHIPS (MLPs) MANAGER GUIDELINES

The objective of the MLP allocation is to provide liquid exposure to the mid-stream energy infrastructure industry, low correlation to the public equity and fixed income markets, and serve as an inflation hedge. The majority of MLPs own assets such as pipelines that transport crude oil, natural gas, and other refined petroleum products. It is expected each active MLP investment manager shall:

1. Assure that no MLP exceeds 15% of the manager's total portfolio as measured at market;
2. Maintain a fully invested portfolio, with no more than 10% allocated to cash equivalents; and
3. Maintain a minimum of 15 MLPs in the portfolio to provide adequate diversification.

DERIVATIVE SECURITY GUIDELINES

For the purposes of this policy, derivatives include, without limitation, futures contracts; options; options on futures contracts; forward contracts; swap agreements, including swap contracts with embedded options; any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling or holding investments; and any other instrument commonly used by institutional investors to manage institutional investment portfolios.

For Unrestricted Strategic Reserve Fund, Gillis Long Fund and Scholarship Fund assets, derivatives may be used to maintain their asset allocation, including to securitize excess cash and provide portfolio hedging, but derivatives shall not be used for leverage, except by investment managers whose strategies by design use such derivatives.

For State Match Endowment Fund assets, leverage and speculative use of derivatives are prohibited at the fund level. However, derivatives may be used by external alternative investment managers to maintain the State Match Endowment Fund's asset allocation, including securitizing excess cash, and

INVESTMENT POLICY STATEMENT

to provide portfolio hedging, but derivatives shall not be used for leverage, except by external alternative investment managers whose strategies by design use such derivatives.

Within the above limitations, investment managers may be permitted to utilize derivatives to implement their strategies, including the following:

1. Equity and Commodities Index Funds – Derivatives (typically futures contracts) may be used to securitize cash in order to fully replicate the performance of the index being tracked.
2. Portable Alpha – Derivatives (typically futures or swaps) may be used to generate “beta,” while the notional exposure amount is actively managed to generate “alpha.”
3. Fixed Income – Derivatives may be used as a cost-efficient means to control and/or hedge risks such as duration, credit, and currency.
4. International Investments – Derivatives may be used to hedge currencies.
5. Overlay/Transition Management – Derivatives (typically futures contracts) may be used to securitize cash to maintain the target allocation without buying and selling physical securities.
6. Hedge Funds – Derivatives may be used for many purposes. These uses include hedging, risk management, leverage, and market exposure.

Under no circumstances may derivatives or leverage be used to circumvent the intent or limits otherwise prescribed by this policy.

Regarding alternative investments (partnerships in a hedge fund structure and/or private drawdown vehicles), no more than 5% of the State Match Fund should be allocated to any one manager at the time of commitment, or 10% in the case of a fund of funds; and no more than 5% of the total assets of the other three sub-funds, the Unrestricted Strategic Reserve Fund, Gillis Long Fund, and Scholarship Fund; should be allocated to any one manager at the time of commitment, or 10% in the case of a fund of funds.

INVESTMENT POLICY STATEMENT

ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this Investment Policy Statement. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission, and therefore, recognize that suggestions regarding appropriate adjustments to this policy or the manner in which investment performance is reviewed are expected from time to time.

Loyola University New Orleans

Date

Investment Manager

Date

Fund Evaluation Group, LLC

Date