

**UNIVERSITY OF KENTUCKY
ALUMNI ASSOCIATION, INC.
INVESTMENT POLICY
SEPTEMBER 30, 2023**

UNIVERSITY OF KENTUCKY ALUMNI ASSOCIATION INVESTMENT POLICY for INVESTMENT FUNDS

This document defines the investment policy for the University of Kentucky Alumni Association, Inc. hereinafter referred to as University of Kentucky Alumni Association, controlled funds. There are three categories of the University of Kentucky Alumni Association funds.

1. Scholarship funds that have been created by the Association and local alumni clubs.
 - These funds are managed through the University and fall under University investment policies and thus outside the scope of this investment policy statement.
2. Life Member Fund
 - This fund has been established and is funded by dues from life memberships for the express purpose to generate enough earnings to fund annual dues requirements for life members in perpetuity.
3. Investment Fund (formerly known as the Credit Card Investment Fund)
 - This fund was initially funded through an affinity program. This fund is used to support ongoing operation support of the Association as required.

This policy is intended to address the management of the second and third categories of funds (Life Member Fund and Investment Fund). The University of Kentucky Alumni Association has a fiduciary responsibility to manage its funds prudently. These funds are distinctly different and may require different investment strategies. The intent of the policy is to clearly define general goals and objectives of the performance for each of these funds. The Finance and Investments Committee is responsible for the review and oversight of the investments of the Association. The IPS will be reviewed and updated, if needed, every five years.

STATEMENT OF FINANCIAL AND INVESTMENT OBJECTIVES

The Finance and Investments Committee has established financial and investment objectives for the funds intended to accomplish the primary goal to preserve or increase the purchasing power of principal and income by maximizing real total return, subject to risk constraints.

The financial and investment objectives for the Life Member Fund are:

- To preserve the purchasing power of the assets and the related revenue stream over time.
- To ensure sufficient liquidity for an annual distribution. It is anticipated that the fund will disburse up to 4 percent of the value of its assets annually, therefore, at least 4

percent of the value of the fund should be invested in instruments that can be quickly converted to cash with no significant adverse change in value as a result of the liquidation.

- To preserve the real or inflation adjusted value of assets
- To monitor and review management fees annually.
- To manage risk/volatility by diversifying the portfolio among multiple non-correlated asset classes.
- To earn an average annual real return, after inflation, consistent with the blended performance of the selected comparative indices.
- To establish a long-range asset allocation consistent with the target asset allocation. It is acknowledged that the Investment Managers have been given tactical control over the investments in the Funds.

The financial and investment objectives for the Investment Fund are:

- To preserve the purchasing power of the assets.
- To preserve the real or inflation adjusted value of assets
- To monitor and review management fees annually.
- To manage risk/volatility by diversifying the portfolio among multiple non-correlated asset classes.
- To earn an average annual real return, after inflation, consistent with the blended performance of the selected comparative indices.
- To establish a long-range asset allocation consistent with the target asset allocation. It is acknowledged that the Investment Managers have been given tactical control over the investments in the Funds.

LONG-TERM ASSET ALLOCATION POLICY

Allocating funds among asset classes is the most important policy decision for achieving the long-term financial and investment objectives of the funds. The Finance and

Investments Committee has established a long-term asset allocation range for each fund:

Life Member Fund

| Asset Class | Range | Target |
|-------------------------|--------------|---------------|
| Equity | 30-80% | 65% |
| Fixed Income | 20-60% | 30% |
| Real Assets | 0-20% | 0% |
| Diversifying Strategies | 0-20% | 0% |
| Cash Equivalents | 0-10% | 5% |

Investment Fund

| Asset Class | Range | Target |
|-------------------------|--------------|---------------|
| Equity | 30-80% | 63% |
| Fixed Income | 20-60% | 24% |
| Real Assets | 0-20% | 5% |
| Diversifying Strategies | 0-20% | 5% |
| Cash Equivalents | 0-10% | 3% |

These asset allocations are intended to produce an average annual real return, after inflation, consistent with the blended performance of the selected comparative indices. The Finance and Investments Committee will modify the long-term asset allocation from time to time as market conditions warrant. The Investment Managers will review the long-term asset allocation range with the Finance and Investment Committee quarterly, or review proposed changes on an as needed basis.

Equity investments are intended to provide long-term capital appreciation and a growing stream of income. Equity investments are broadly defined as domestic large, medium, and small capitalization stocks, as well as international and emerging market stocks. Fixed income and other investments are intended to provide current income, serve as a hedge against deflation, and to reduce overall volatility of investment returns. Fixed income and other investments are broadly defined to include U.S. government bonds, US agency bonds, domestic corporate bonds, high yield bonds and international bonds. Real assets and diversifying strategies are intended to further diversify the investments lowering the overall correlation of the investments within the portfolio. Real assets are broadly defined to include real estate and commodities. Diversifying strategies include hedge funds and managed futures.

INVESTMENT MANAGER STRUCTURE

The University of Kentucky Alumni Association, by way of the Finance and Investments Committee, will establish a suitable Investment Manager of the Investment Funds. The committee shall consider a Request for Proposal every five (5) years. The Investment Manager is granted the ability to manage the Investment Funds through a variety of investment vehicles including: individual securities, exchange traded funds (ETFs), mutual funds, and separately managed accounts.

The target asset allocation will be reviewed with the Finance and Investments Committee at least annually, but can be reviewed more frequently at the Investment Manager's discretion.

INVESTMENT MANAGER GUIDELINES

The Investment Manager has complete discretion and authority in selecting the most appropriate investment vehicles, subject to the restrictions established by the Finance and Investments Committee and all applicable laws of the United States and Commonwealth of Kentucky. In selecting the investment vehicles for the account, the Investment Manager will undergo a due diligence process to identify the most appropriate selections. The evaluation process will include, but not be limited to, investment objective, investment process, performance, longevity, active versus passive management and expense.

Equity Management Guidelines

The investment objective for the equity management of the account is to meet or exceed the appropriate blend of market indices, net of commissions and fees.

Performance Benchmark (Life Member Fund):

| Asset Class | Weighting | Index |
|--------------------|------------------|---|
| Equity | 65% | MSCI All World |
| Fixed Income | 30% | Barclays Aggregate Bond Index |
| Cash Equivalents | 5% | Lipper U.S. Government Money Market Funds Average |

Performance Benchmark (Investment Fund):

| Asset Class | Weighting | Index |
|--------------------|------------------|--|
| Equity | 63% | MSCI All World |
| Real Assets | 5% | 50% Bloomberg Barclays U.S. TIPS Index; 50% NAREIT Index |

| | | |
|-------------------------|-----|---|
| Diversifying Strategies | 5% | HFRI Fund of Funds Composite |
| Fixed Income | 24% | Barclays Aggregate Bond Index |
| Cash Equivalents | 3% | Lipper U.S. Government Money Market Funds Average |

Performance against this objective will be measured over running three and five-year periods but monitored more frequently.

Stocks of each separately managed portfolio or mutual fund are selected by the equity managers based on their specific investment mandate. Equity ETFs will be based on the underlying index the ETF is designed to track.

Because the equity assets are allocated to multiple equity vehicles with different investment approaches, it is expected that the combined equity portfolio will be well diversified by asset class, economic sector and geography. At least six economic sectors will normally be represented in the combined portfolio, and an individual sector will not normally represent more than 40% of the total portfolio. Additionally, no more than 5% of the combined portfolio will be invested in the securities of a single issuer.

Equity managers may not lend securities, sell securities short, buy securities on margin, borrow money or pledge assets, or buy or sell uncovered options, or currencies without the advance approval of the Finance and Investments Committee.

Cash equivalent investments may also be used in the equity portfolios in accordance with the Guidelines for Cash Equivalent Investments set forth below. Cash equivalent investments are expected to be less than 10% at all times and will typically average 5% or less of the portfolio market value. Equity portfolios should remain as fully invested in equity securities as reasonably possible to avoid market-timing decisions. Cash equivalent investments of co-mingled portfolios are permitted as provided for in the individual fund's prospectus.

Fixed Income Investment Management Guidelines

The investment objective for the fixed income management of the account is to meet or exceed the appropriate blend of market indices, net of fees and commissions. Performance against these objectives will be measured over running three and five-year periods but monitored more frequently.

The fixed income allocation will be invested primarily in individual bonds comprised of US government, agencies and investment grade US corporate bonds and additional

asset classes such as high yield bonds and international bonds. The investment manager may use mutual funds and ETFs as needed for tactical or other reasons.

The fixed income investment managers are allowed to invest in various types of fixed income securities, including: U.S. government/agencies and domestic and foreign corporate bonds. The overall credit quality of the fixed income portfolios may not be lower than A-. Additionally, no more than 5% of the portfolios will be invested in the securities of a single issuer, excluding U.S. treasuries and agencies. In order to limit the account's risk relative to increases and decreases in interest rates, the duration of the fixed income managers' portfolios must stay within +/- 25% of the duration of the appropriate market index.

Cash equivalent investments may also be used in the fixed income portfolios in accordance with the Guidelines for Cash Equivalent Investments set forth below. Cash equivalent investments are expected to be less than 10% at all times and will typically average 5% or less of the portfolio market value. Fixed income portfolios should remain as fully invested in fixed income securities as reasonably possible to avoid market-timing decisions.

Guidelines for Real Assets and Diversifying Strategies

The investment objective for real assets and diversifying strategies of the account is to meet or exceed the appropriate blend of market indices, net of commissions and fees. Performance against this objective will be measured over running three and five-year periods but monitored more frequently.

The investment manager will select managers of real assets or diversifying strategies based on their specific investment mandate. Investments in these asset classes will be made in vehicles with daily liquidity. If the investment manager feels it is prudent to invest in vehicles that lack daily liquidity, the investment manager must receive written approval of the investment by the Finance and Investments Committee.

Additionally, no more than 5% of the combined portfolio will be initially invested in any real asset manager or diversifying strategies manager. If, following the investment in the vehicle, the value of the investment grows to exceed 5%, the investment manager may retain the real asset manager or diversifying manager provided the investment does not exceed 10% of the combined portfolio.

Guidelines for Cash Equivalent Investments

"Cash equivalent investments" are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less.

Permissible cash equivalent instruments are:

- Direct obligations of the United States.
- Obligations of any agency or instrumentality of the United States.
- Obligations unconditionally guaranteed (as to both principal and interest) by the United States Government.
- Negotiable certificates of deposit, bankers' acceptances, and floating rate notes issued by, or time deposits placed with, banks meeting the following criteria: U.S. chartered banks having a debt rating of "A" or higher, ready access to world capital markets, a demonstrated record of profitability (including the avoidance of recent, unanticipated major loan losses), and a sizable ongoing certificate of deposit issuance or deposit collection program.
- Commercial paper rated A1 by Standard & Poor's or P1 by Moody's issued by large companies.
- Repurchase agreements secured by U.S. Government and federal agency obligations.
- Money market funds of commercial banks and other major investment advisors are allowable so long as the fund assets meet the above restrictions.

ACCOUNT MASTER CUSTODIAN

The master custodian for the Association's investment securities will be the Investment Manager. The master custodian is responsible for:

- Establishment and maintenance of direct account relationships with each investment manager.
- Standard custodial functions, including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, distribution of income, and daily investment of cash.

- Account statements and reports as requested by the Association.
- Rate of return calculations and performance measurement services are performed each calendar quarter. The selection of each performance index for each class of investment will comprise the blended index for overall performance tracking. It is understood that the percentage of the class of investment to the total account will be the percentage of its performance index to the total blended indices. The initial performance indices and any subsequent changes of the performance indices will be approved by the Finance and Investment Committee.