

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES

FOR

UNIVERSITY OF THE INCARNATE WORD ENDOWMENT

June 1, 2023

Introduction

The purpose of this Investment Policy Statement (IPS) is to assist the Board of Trustees and Finance Committee of the University of the Incarnate Word (UIW) in effectively planning, overseeing, monitoring, and evaluating the management of the endowment assets. The UIW Endowment (UIWE) investment program is defined in the various sections of the IPS by:

- Review of mission of objectives of the UIWE.
- Identifying the duties and responsibilities for effective management of the endowment.
- Stating the UIWE's investment goals and expectations.
- Setting forth an investment structure for managing assets. This structure includes various asset classes, asset allocation policies, and investment approaches. In total, the structure is expected to produce adequate diversification and total investment return over a long-term horizon for meeting the required annual distribution requirements outlined in this document and capital preservation for future years.
- Providing guidelines for each investment portfolio so that all assets are managed in accordance with stated objectives.
- Identifying the duties and responsibilities of investment managers.
- Establish formalized criteria to monitor and evaluate investment management results on a regular basis.
- Encouraging effective communications between the Finance Committee and the investment manager(s) / investment advisor.
- Complying with all applicable laws, rules and regulations and fiduciary, prudence, and due diligence requirements.

Review of Mission and Objectives

The UIW is a 501(c) (3) institution that has established the UIWE investment program to secure, invest, and disburse funds to supplement the University of the Incarnate Word's operational budget for its many academic programs not covered by student tuition. The investment pool of funds in the UIWE is expected to exist in perpetuity, and therefore, providing a long-term rate of return at or above 6 percent within an acceptable level of risk is the primary objective. Through investment in a diversified portfolio, the investment manager(s) and selected asset class managers should employ a total return approach while managing risk and consistency of investment performance. Program funds are typically used within a few months to a few years with capital preservation as the primary objective. Program funds must be invested in short term fixed income instruments of a length of duration to be established by the Finance Committee of the UIW, as described in the section "Program, Project & Operational Portfolio Guidelines".

The Finance Committee will guide the management of UIWE assets in a manner consistent with the provisions of this IPS and applicable laws and regulations. The Finance Committee will establish strategic allocation targets for the assets, as well as minimum and maximum commitments that may be made in equities, fixed income, and other appropriate investments in consultation with the investment advisor on a quarterly basis. The Finance Committee will approve the selection of asset class managers and investment vehicles to secure professional management of each component of the investment mix.

The investment objectives have been established in conjunction with a comprehensive review of the UIW's current and projected financial requirements. The objectives are:

- To comply with applicable laws, rules, and regulations and to meet fiduciary, prudence, and due diligence requirements.
- To follow a stated disbursement policy.

- To strive to expand the purchasing power of future disbursements.
- To preserve program funding capital.

Sound investment results are a critical component in achieving the University of the Incarnate Word Endowment's funding and financial objectives.

Duties and Responsibilities

FINANCE COMMITTEE

The Finance Committee shall review the total investment program. The Finance Committee shall approve the IPS and provide overall direction to the staff in the execution of the UIWE.

INVESTMENT CONSULTANT

An external Investment Consultant shall be retained to:

- Assist Staff in developing and modifying IPS objectives and guidelines, including the development of asset allocation strategies, recommendations on long term asset allocation, and the appropriate mix of investment manager styles and strategies of the UIWE.
- Assistance in manager searches, selection, and engagement, and in investment performance calculation, evaluation, and analysis.
- Shall provide timely information, written and/or oral, on investment strategies, instruments, managers, risk analytics, and other related issues, as requested by the Staff.

INTERNAL UIW STAFF

- Manage the investment consultant engagement
- Coordinate Committee agenda and materials with Committee Chair and Corporate Secretary
- Conduct investment manager due diligence prior and after investment
- Advise short term investment managers on income and UIWE requirements over a long planning horizon and provide updates on unexpected cash flow changes.
- Negotiate investment manager and custodial agreements, if applicable.
- Gather and review research on appropriate investment opportunities.
- Monitor portfolio and rebalance as necessary within approved allocation
- Rebalance portfolio once approval has been attained by Committee
- Oversee the securities lending and commission recapture program, if applicable, and report out at least annually.

INVESTOR MANAGERS

The duties and responsibilities of each of the investment advisors retained by the Committee include:

- Managing the endowment fund's assets in accordance with the IPS and objectives of the UIWE.
- Meeting with the Committee and staff at their request.
- Quarterly reports should be submitted in writing within 45 days at the end of a quarter.
- Working with the custodian bank to verify monthly accounting reports.
- Provide to Staff and Custodian investment outlook, investment strategy and portfolio structure.

- Acknowledging in writing to the Staff and Investment Consultant the investment manager's intention to comply with this IPS as it currently exists or as modified in the future.
- Provide timely updates of any material changes to the firm or product.

CUSTODIAN BANK

The custodian bank(s) will be responsible for performing the following functions:

- Accept daily instructions from designated staff.
- Notify investment managers of proxies, tenders, rights, fractional shares, or other dispositions of holdings.
- Resolve any problems that designated staff may have relating to the custodial account.
- Safekeeping of securities and management of securities lending program.
- Collection of interest and dividends.
- Daily cash sweep of idle principal and income cash balances to funds prior approve by Staff and Committee.
- Processing of all investment manager transactions.
- Collection of proceeds from maturing securities.
- Disbursement of all income or principal cash balances as directed.
- Providing monthly statements by investment account and a consolidated statement of all assets.
- Working with the investment consultant, staff, and the fund accountant to ensure accuracy in reporting.
- Provide written statements revealing monthly reconciliation of custody and investment managers' accounting statements.

Investment Goals and Objectives

TIME HORIZON

The investment guidelines for the investment pool are based on an investment horizon of over 10 years. Interim fluctuations in the financial position of investment pool related assets are to be expected and should be in the context of the long-term objectives and strategies for their growth. The strategic allocation for the investment pool of funds is based on this long-term perspective.

RISK TOLERANCE

The Finance Committee acknowledges that some risk to the value of the investment pool must be accepted to achieve the long-term investment objectives for these funds. In addition, the Finance Committee recognizes the difficulty of achieving these investment objectives considering the uncertainties and complexities of investment markets.

The Finance Committee has and will periodically continue to assess the financial health and future growth prospects for the UIWE in determining the acceptability of risk in investment returns. The Finance Committee has determined that the totality of the factors suggest that interim fluctuations in market value and rates of return to achieve long-term objectives can be tolerated.

The Finance Committee has identified the following risks in descending order of importance:

- Erosion of purchasing power
- Market risk

- Risk of adverse public relations
- Concentration risk
- Credit risk

PERFORMANCE EXPECTATIONS

The primary objective for the investment pool of assets is to generate an expected return of approximately 6% with an expected volatility that is commensurate with the stated return objective. Managers are expected to outperform their respective benchmarks and be above the median peer over the longer time periods.

SPENDING POLICY

The University will distribute 4% of the 12-quarter rolling average of the market value of the pooled endowment out of the Money Market Fund for all restricted and designated funds. The amount to be spent will be calculated as of November 30th of the prior year. All investment returns from unrestricted and undesignated funds will not be distributed and will be reinvested.

Endowments that are 'underwater' in that the market value is below the principal value will not be distributed until the market value exceeds the principal value.

Spending from a new endowment will be delayed until the start of the next fiscal year unless the donor specifies that spending should begin immediately. The delay will allow the fund to build a spending reserve to lessen the likelihood of placing the fund in an 'underwater' condition.

PORTFOLIO PERFORMANCE

The Finance Committee Members have identified the following factors to be included in the evaluation of the portfolio:

- Liquidity - Important for 10% of invested assets
- Satisfying annual distribution requirements - Essential
- Preserving purchasing power - Very Important
- Growth in size of portfolio - Important
- Avoid underperformance vs. benchmarks - Important
- Stability of returns from year to year - Insignificant
- Avoiding negative returns - Insignificant

The desired investment objective is a long-term rate of return-on-investment pool related assets that is approximately 4 percentage points greater than the anticipated rate of inflation as measured by the Consumer Price Index which is estimated at 2%. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS as adjusted for current valuation and future expectations.

SOCIALLY RESPONSIBLE INVESTING

UIWE embraces the values of the Catholic Church and believes that the Portfolio should be invested in accordance with the Catholic Values as outlined by the United States Conference of Catholic Bishops (USCCB - November 2021). As a Catholic organization, UIWE draws the values, directions and criteria which guide its financial choices from the Gospel, universal church teaching, and Conference Statements. In order to function effectively and to carry out its mission, UIWE depends on a reasonable return on its investments and is required to operate in a fiscally sound, responsible, and accountable manner. The combination of religious mandate and fiscal responsibilities suggests the need for a clear and comprehensive

set of policies to guide the investments.

- Companies should be avoided if they have material exposure to activities that do not support Catholic Values. While USCCB does not quantitatively define “material exposure,” UIWE will restrict investments in companies that have more than 10% of total revenue from activities that include abortion, contraceptives, stem cell/human cloning, weapons production, abusive labor practices, and pornography.
- Investments that support Catholic Values and corporate responsibility should be encouraged.
- These restrictions are to be considered across the entire Portfolio. Investments contrary to these Catholic Values as outlined by the USCCB guidelines are prohibited in the equity and fixed income asset classes when owning individual securities. Given the unique characteristics of investments in the “alternatives” asset classes, adherence to the USCCB guidelines is encouraged but not strictly required.
- In the event that reasonable USCCB compliant options are not available the Investment Manager may utilize index funds to implement the asset allocation of the Investment Policy. Index funds may also be used as placeholders as the asset classes which do not have reasonable USCCB options, the Investment Committee and/or the Investment Manager may utilize commingled funds or mutual funds to implement the asset allocation of this Investment Policy.

Asset Class Guidelines

ASSET ALLOCATION CONSTRAINTS

The Finance Committee believes that the objectives for investment pool related assets are most likely to be achieved if superior managers are used for each asset class of the portfolio. Since the total portfolio is expected to be broadly diversified, with respect to asset classes, asset class managers and individual securities, each asset class manager is allowed latitude in selecting individual investments and in construction of its component of the total portfolio. The following asset classes for investment pool related assets have been selected for inclusion in the asset mix since, as a group, they provide the opportunity to pursue desired return objectives while offering diversification benefits:

- | | |
|-----------------------------|--|
| • Domestic Large Cap Equity | Growth, Core, Value |
| • Domestic Mid Cap Equity | Growth, Core, Value |
| • Domestic Small Cap Equity | Growth, Core, Value |
| • International Equity | Developed & Emerging Markets |
| • Fixed Income | Investment Grade, High Yield |
| • Alternative Assets | Private Equity, Real Assets, Private Credit, & Commodities |

The Finance Committee has expressed the following preferences for equity investments within the above asset classes:

- | | |
|--------------------------|---------------|
| • Market capitalization: | No preference |
| • Style: | No preference |
| • Geography: | No preference |
| • Active management: | No preference |

An Executive Summary of the investment pool related asset class guidelines is shown in Exhibit 1.

REBALANCING OF STRATEGIC ALLOCATION

Rebalancing the pool of the investment pool within the strategic ranges for the various asset classes serves the purpose of maintaining the risk and expected return on the assets within parameters set by

UIWE. Reallocations among asset classes shall reflect the following considerations:

- Generally maintaining the strategic allocation targets established with the Finance Committee on a quarterly basis, and
- The investment manager will rebalance the portfolio within the asset allocation ranges stated in Exhibit 1 when the risk and expected reward potential is perceived to be such that an asset class weighting should be tilted toward the approved policy maximum or minimum.

DOMESTIC EQUITIES

Domestic equity managers will manage equity-oriented portfolios with exposure primarily to domestic securities. Performance will be evaluated against relevant style-oriented indices. It is expected that each active portfolio will achieve a return over a full market cycle in excess of the relevant index.

INTERNATIONAL EQUITIES

Investments will be in accordance with the following approved guidelines:

- The international equity manager will manage an equity-oriented portfolio. This is not intended to preclude the tactical use of non-U.S. dollar denominated and dollar or non-dollar short-term investments maturing in 12 months or less.
- The international equity portfolio will provide ex-U.S. exposure that meets the diversification objectives for international investments.
- Currency exposure may be hedged into U.S. dollars or into other currencies in an amount not to exceed total investment (including cash) in any currency being hedged.

Performance will be evaluated against a relevant style-oriented index. It is expected that each active portfolio will achieve a return over a full market cycle more than the index.

FIXED INCOME

Fixed-income investments will:

- Reduce volatility of the total fund, and
- Generate a relatively stable cash flow.

Performance will be evaluated against a relevant style-oriented index. It is expected that each active portfolio will achieve a return over a full market cycle in excess of the index.

ALTERNATIVE INVESTMENTS

Alternative investments can help reduce the overall volatility of a total portfolio. This is because many alternative assets have low correlation or no correlation to traditional markets. Additionally, these investments may help improve a portfolio's total return over time. Performance of each alternative investment asset class will be evaluated against a relevant style-oriented index. It is expected that each active portfolio will achieve a return over a full market cycle more than the index. Alternative investments can include making investment directly in new equity investments and within the endowments of other organizations.

CASH EQUIVALENTS

Under normal circumstances, liquidity needs will be minimal, and assets should remain invested for optimal investment returns. No minimum liquidity is to be maintained. All accumulated income should be reinvested. If additional liquidity is needed, the investment manager will use its discretion to provide funds for withdrawal, in keeping with pursuing the long-term objective for the assets.

Duties and Responsibilities of Investment Manager(s)

ONGOING ASSET MANAGEMENT ACTIVITY

The duties and responsibilities of the investment manager(s) retained by UIW include:

- Manage assets under its care, custody, and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements.
- Acknowledge and agree to the fiduciary responsibility of complying with the IPS set forth herein, and as modified in the future.
- Exercise investment discretion within the IPS objectives and guidelines set forth herein and expressed in separate written agreements.
- Promptly inform the Finance Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of assets, and the ownership and management of financial stability of the managers for each asset class.
- Promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of UIWE, including the responsibility to vote proxies related to the investment manager's proprietary investment funds held on behalf of UIWE, unless voting responsibility has been otherwise reserved in writing by the Finance Committee or their designee. The investment manager has the right hereunder to solicit proxy-voting recommendations from an independent qualified party, on matters that might involve potential conflicts of interest in the performance of its duties hereunder. The investment manager shall keep detailed records of its proxy and corporate actions voting activities and comply with all regulatory obligations.

MONITORING INVESTMENT PORTFOLIOS

In addition to ongoing and monthly reporting on all investment pool related assets, the investment manager shall present a formal quarterly performance evaluation and analysis to the Finance Committee assessing progress toward attainment of UIWE's long term objectives. The Finance Committee understands that there are likely to be short-term periods during which investment performance results deviate from market and relevant style-oriented benchmarks. The Finance Committee's review of each portfolio will focus on:

- Adherence to IPS guidelines.
- Material changes in the investment manager's organization, and individual asset class manager's organization investment philosophy and/or personnel.
- Asset class manager performance comparisons with appropriate benchmarks and a representative universe of peer managers.

Ongoing underperformance of benchmarks and peer rankings that are deemed to be unacceptable may lead to an evaluation of the suitability of an asset class manager within the broad portfolio structure.

INVESTMENT MANAGER PERFORMANCE

The following factors will be used to evaluate the investment manager's overall performance, in order of importance from high to low

- Outperformance of benchmarks for each asset class and aggregate performance of total portfolio.
- Outperformance of peer managers.
- Providing consistent returns.

INVESTMENT POLICY STATEMENT MODIFICATIONS

The Finance Committee shall review specific investment objectives and guidelines stated herein at least

once annually. The Finance Committee may modify this Investment Policy Statement in whole or in part at any time. The Finance Committee shall communicate changes to this policy to the investment manager and shall obtain written acknowledgement of the changes from the manager. All changes to the IPS shall be in writing and signed by the Finance Committee chair. All modifications shall be ratified at subsequent meetings of the University of the Incarnate Word Finance Committee of the UIW Board of Trustees.

Delegation of Authority

In order to facilitate the efficient operation of the portfolio and ensure timely action, and in accordance with the objectives and allocations outlined herein, the Finance Committee delegates to the UIW Chief Financial Officer the authority to implement Operating Fund investments (including Non-Covered Assets) and other actions including the authority to open and close investment accounts, establish and terminate investment relationships, and to execute documents relative to the establishment and closure of each account provided that such accounts inure to UIW and adhere to the SRI Policy objectives and guidelines.

Program, Project, and Operational Portfolio Guidelines

The Finance Committee will monitor the cash flow requirements for planning, miscellaneous projects, and program funds to maintain sufficient liquidity to meet operational requirements. The general policy will be to invest these funds through banks and financial institutions (investment managers) that support UIW. The overriding objectives of these investments are preservation of capital and liquidity. The investment guidelines are based on the need to have these funds available in a time frame of a few months to a few years as determined on a continuous basis by the Finance Committee. The Finance Committee may use cash equivalents such as money market accounts or investments in liquid instruments or funds with the various investment managers. Any funds related to this objective will be managed separately from and not included in the allocation guidelines for the investment pool related assets.

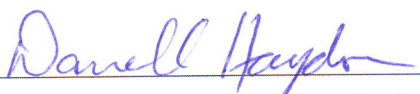
Signed:  Date: 6/9/23
On behalf of University of the Incarnate Word Endowment

Exhibit 1: Executive Summary – Investment Pool Related Assets

Name: University of the Incarnate Word Endowment
Type of Fund: Endowment / Non-Profit Corporation
Time Horizon: Greater than 10 years
Expected Return: 6.00% (Consumer Price Index plus 4.0% over time)
Risk Tolerance: Commensurate with expected return

Total Portfolio Allocation Real Estate

Asset Class/Allocation	Minimum	Representative	Maximum
Equities	45%	60%	75%
Large Cap Equity	0%	43%	60%
Mid Cap Equity	0%	4%	10%
Small Cap Equity	0%	3%	8%
EAFE	0%	7%	12%
Emerging Mkt Equity	0%	3%	14%
Fixed Income	5%	15%	45%
Core	3%	10%	20%
High Yield	0%	3%	8%
Inflation Protected	0%	2%	5%
Alternative Investments	10%	25%	40%
Private Equity/Endowment	0%	15%	20%
Real Estate	0%	7%	10%
Private Credit	0%	2%	5%
Commodities	0%	1%	4%
Cash	0%	0%	20%
TOTAL		100%	

Portfolio Benchmarks

The following indices shall be used as benchmarks for each asset class*. A composite weighted index benchmark shall also be computed based on the allocation at any given time within the various assetclasses. The beginning representative allocation is shown as an example for a composite weighting:

ASSET CLASS	BENCHMARK
Equity	MSCI AC World Index
Domestic	S&P 500 Index
US Large Cap	S&P 500 Index
US Mid Cap	Russell 2500 Index
US Small Cap	Russell 2000 Index
EAFE	MSCI EAFE Index
Emerging Markets	MSCI Emerging Markets Index
Fixed Income	Bloomberg US Aggregate Index
Core	Bloomberg US Aggregate Index
High Yield	Bloomberg US Corporate High Yield Index
Inflation Linked	Bloomberg US TIPS Index
Liquid Assets	
Real Assets	S&P US REIT Index
Commodities	Bloomberg Commodity Index