Investment Committee Charter

Mission Statement
The Investment Committee (the “Committee”) of the Northern Arizona University Foundation (the “Foundation”) will assist the Board of Directors in fulfilling their oversight responsibility for the investment assets of the Foundation. The Committee is responsible for formulating the overall investment policies and establishing investment guidelines in furtherance of those policies, subject to approval by the Board of Directors. The Committee monitors the management of the Foundation's investments for compliance with the investment policies and guidelines and for meeting performance objectives over time.

Organization
A. The Investment Committee shall consist of at least one director and a minimum of four additional qualified persons who shall be approved by the executive committee of the Board of Directors.

B. The Committee shall meet at least four times per year. Members can join the meeting electronically. Minutes will be maintained and the Chair of the Committee will report at least twice a year to the Board of Directors.

C. A majority of the Committee shall constitute a quorum for the transaction of business at any meeting, and the act of the majority of the members present shall be the act of the Committee.

D. The Committee may collectively review, take action or meet between regularly scheduled quarterly meetings to address time-sensitive issues. These actions can take place by conference call, electronic communication and review or in person. Minutes of these interim activities shall be recorded, reviewed and approved at the next regularly scheduled quarterly meeting.

E. The Investment Committee members shall adhere to the conflict of interest policies of the Foundation.

F. Investment Committee members shall serve at the sole discretion of the Executive Committee of the Board of Directors for terms of three years, subject to reappointment.

Roles and Responsibilities
The primary responsibilities of the Investment Committee are to advise the Board of Directors and oversee the investments of the Foundation. The specific roles and responsibilities of each of the four entities are outlined as follows:
Board of Directors
• Approves investment policies and guidelines and asset allocation policy
• Appoints external advisor
• Maintains investment authority, except where delegated, principally to the external advisor

Investment Committee
• Reviews and approves investment policies and guidelines for submission to Board of Directors
• Reviews and approves asset allocation policy for submission to Board of Directors
• Reviews and approves manager and investment selection
• Reviews and approves benchmarks and performance objectives
• Reviews and monitors investment performance vs. goals for all assets in the portfolio
• Reports to the Board of Directors, through the Chair, on the investment program
• Reviews and advises Board of Directors on selection and performance of the external advisor with input from staff
• Reviews and assesses periodically the adequacy of this charter and makes recommended changes to the Board of Directors

Staff
• Makes recommendations to the Investment Committee regarding investment policy and guidelines, asset allocation, manager and investment selection and termination, benchmarks and performance objectives
• Makes recommendations to the Investment Committee, especially in those areas that are outside of the scope of the external advisor’s contract and mandate, and in other areas of the investment program where either the advisor cannot provide the Foundation access to the Investment Program
• Makes recommendations where there is a disagreement between staff and the External advisor that is then taken to the investment committee for resolution
• Implements recommendations approved by the Investment Committee
• Provides risk management and compliance
• Monitors and reports on investment program
• Supports investment committee
• Works collaboratively with external advisor
• Acts as a check and balance to the external advisor
• Performs other duties as specified in job descriptions for each position

External Advisor
• Retained by, and therefore, works for Board of Directors, but works primarily with staff and investment committee
• Provides advice and recommendations on investment policies and guidelines
• Has authority to act with respect to asset allocation within Director-approved policies and guidelines
• Works with staff to bring major changes to the committee (defined as a move of greater than 3% of assets) to/from existing managers or investments
• Has authority to act with respect to manager and investment selection, benchmarks and performance objectives, and can execute contracts, but works with staff to bring recommendations to the Investment committee
• Provides investment monitoring and reporting, risk management and compliance on assets where authority is delegated to the advisor
• Provides resources to leverage the staff and its initiatives
• Provides a check and balance to staff
• Provides educational services to the Investment Committee and the Board of Directors.
• Presents to the Board of Directors annually, regarding performance and outlook.
Investment Policies and Guidelines Northern Arizona University Foundation

Governance
Investments of the Northern Arizona University Foundation (the “Foundation”) will be governed by the Board of Directors as advised by the Investment Committee (the “Committee”). The Charter of the Investment Committee sets forth the mission, organization and roles and responsibilities of the Investment Committee and should be considered as part of this Policy Statement.

Goals and Objectives
The primary investment objective is to maintain the real purchasing power of the Foundation over the long term (two economic cycles), as the Foundation has as its objective to remain in perpetuity. While the funds will be managed on a total return basis, the Foundation must take into consideration the ability to fulfill its payout requirement and pay expenses on an annual basis. The asset allocation process should recognize this possible need for annual liquidity. Performance of the portfolio will be compared over the long term to the primary goal of achieving a 5.5 percent annualized real rate of return. Performance will be compared to a benchmark or policy portfolio that captures a similar risk level of the Foundation and to other funds with similar objectives.

The Foundation Investment Committee considers the portfolio to be infinitely lived. The Foundation forecasts continued growth in new net assets, so it is unusual for the corpus of the fund to be liquidated for short term cash flow needs. As a result, long term risk and performance is more important than short term volatility. Considerations of performance, liquidity, and short term volatility will be ranked in descending order of importance in guiding decisions on choice of asset classes or selection of investment advisors. Risk will be evaluated by a Sharpe Index over one, five, and ten year horizons. This will be compared to benchmark portfolios. One special risk faced by the Foundation is that of transparency. Donors often want information about how their funds would be invested, so transparency will be considered in choice of asset class and investment advisor.

Asset Allocation
Asset allocation is the primary determinant of returns over the long term and should reflect the desired level of risk tolerance and liquidity needs of the Board of Directors. In order to achieve the objective of maintaining the real value of the assets, the primary asset category that delivers such a total rate of return is equities. However, equities also have higher volatility and can produce negative returns during market cycles. Balancing the large equity allocations are fixed income securities, which generally have lower volatility but also lower real returns. While fixed income securities produce higher income than equities, they rarely will produce a 5.5 percent real rate of return. Alternative assets, a broad category that includes private equity, venture capital, hedge funds, and commodities and real assets, can further enhance the risk/return trade-off of the investment program, yet may lack liquidity. Therefore, asset allocation ranges need to take these characteristics into account. The asset allocation of the Foundation shall be managed such that the Foundation’s ability to meet its pay-out requirements and operational expenses, either through investments in liquid, high quality, short-maturity instruments or a combination of such instruments and other marketable securities, is not compromised. Finally, the strategic asset allocation policy, set forth in Exhibit I, should be examined every year, unless
there has been a significant change in asset levels or for the inclusion or elimination of a
category of investment that would warrant a more frequent review.
Exhibit I shows the allowed asset allocation ranges. It is anticipated that the Foundation portfolio
will be rebalanced as new funds are added to the portfolio, but no less often than on a quarterly
basis, to comply with the asset allocation ranges. Should the Investment Committee, after
consultation with and approval of the Board of Directors, feel that in an unusual situation, the
Foundation should deviate from the ranges outlined in Exhibit I, it will be permitted to do so.

Asset Categories
A. Publicly-traded Equity Securities
The purpose of equity investments, both domestic and international, is to provide capital
appreciation, current income, and growth of income. This asset class carries the
assumption of greater market volatility and increased risk of loss but also provides the ability
to meet portfolio total return goals over the long term. This component of the portfolio may
include domestic and international common stocks, ADR’s, and convertible and preferred
stocks. It may also include stocks in emerging markets. Investments may include stocks in
large, mid-size, and small capitalization companies, and that are either actively or passively-
managed. It is the role of the Investment Committee to oversee the actions of the Advisor,
determine performance benchmarks, evaluate performance relative to market indices and
maintain a diversified portfolio such that the risk level of the equity portfolio in aggregate
does not exceed prudent levels.

B. Fixed Income
Domestic and international fixed income investments provide diversification and a
dependable source of current income. Diversification within fixed income investments will
be flexibly allocated among sectors, maturities and issuer, and may be used to provide a
deflation or inflation hedge, where appropriate. Fixed Income may include U.S. and non
U.S. bonds. This category may include government/agency issued securities (including
inflation linked), mortgages, investment grade corporate debt, asset-backed instruments and
traditional money market instruments. Investments in high yield corporate bonds and
emerging market debt may be used, when compensated for the inherent higher risk. Other
fixed income securities such as municipal bonds and leveraged loans may also be
permitted.

C. Alternative Assets
1. Direct Investments in Northern Arizona University
This includes investments in real estate projects to benefit the University. These
investments will be fixed rate, lease-to-own arrangements that benefit both the
University and the Foundation.

2. Private Capital
This category includes venture capital and private equity (leveraged buyout funds,
growth capital, and mezzanine debt) and may be included in the Foundation portfolio.
These funds are long term in nature and are expected to add to total returns above
public market equities because of manager skill in selecting investments and due to the
premium for illiquidity. Manager selection is the key factor in this asset class, as
superior managers may add value. Fees are high and return of capital is uncertain in its
timing; these funds generally have durations of seven to ten years. If the Foundation
invests in Private Capital, it may be through individual partnerships, fund of funds, or
purchases of partnerships in the secondary market.
3. **Real Assets**
Real assets may include energy and commodity funds. This may be in the form of private equity partnerships, publicly traded specialist managers, hedge funds, structured investments, ETF’s or other derivatives. In general, real assets are designed to hedge against inflation over the long term; however, there may not be a direct relationship between performance of the funds in this category and reported inflation.

4. ** Marketable Alternatives**
Investments may include equity-oriented funds such as long/short funds and other strategies such as merger arbitrage, convertible arbitrage, fixed income arbitrage, distressed securities, market neutral equity funds, event driven funds, macro hedge funds and multi-strategy funds. The Foundation may invest in these funds directly or via a fund of funds. However, because of the lack of full transparency, there shall be a high standard of due diligence required in manager selection. This will include investigation of the principals of the firm, their auditors, custodians, accountants, legal counsel, prime brokerage relationships, risk controls, compliance departments available transparency, potential conflicts of interest and other such factors.

D. **Derivatives**
1. **Foundation Level**
   a. Derivatives are permitted in the Foundation’s investment program provided they are used to facilitate investment implementation on a substitution or hedging basis in prudent and reasonable amounts. They are not to be used for speculative purposes.

   b. Any derivative used for the Foundation must have sufficient size, market acceptance and liquidity so there is more than one market-maker or counter-party for competitive pricing. Trading in derivative instruments shall not impede the overall goals of the investment program’s implementation due to lack of liquidity.

   c. Derivatives must be exchange–traded or thoroughly analyzed for counter-party and any other risks and be of high quality.

   d. The use of derivatives shall not result in a leveraged position for the Foundation or the creation of a liability greater than the underlying corresponding asset.

   e. Derivatives include futures, forwards, swaps, options, exchange-traded funds and asset-backed securities.

2. **Manager Level**
   a. Managers are permitted to use derivatives provided that doing so is in the normal course of their investment process and that they have demonstrated the appropriate knowledge and skill.

   b. The use of derivatives shall not expose the Foundation to risks for which there is no reasonable expectation of compensation in terms of return or savings.

   c. The manager’s use of derivatives shall be documented in a set of investment guidelines that govern the manager’s account for the Foundation or in the documentation for a commingled account.
Portfolio Implementation and Monitoring

A. Asset Allocation Monitoring and Risk Assessment
The asset allocation shall be regularly reviewed and monitored for compliance with approved ranges and that its implementation occurs within approved risk and liquidity parameters, based on an asset allocation plan or study, which is to be completed.

B. Manager and Investment Selection and Termination
The Foundation’s external advisor shall make recommendations regarding the selection or termination of managers or investments for review and approval by the Investment Committee, in accordance with the roles and responsibilities outlined in the Investment Committee Charter. In the event it becomes necessary to terminate a manager or investment in a time-critical manner to protect the Foundation, the Staff and the Advisor must be in agreement that such a termination is necessary. Such termination is permissible in the absence of Investment Committee approval provided the Chairperson of the Investment Committee is notified as soon as practical. All recommended managers and investments shall be subject to due diligence before being retained by the Foundation. In performing due diligence on any given manager, the Foundation will observe the following guidelines:

1. The Foundation will not make an investment or retain a manager unless and until the Foundation’s staff and External Adviser have had the opportunity to perform sufficient due diligence on the manager’s investment strategy, reputation and business practices and present their findings to the Investment Committee for approval.

2. The Foundation’s staff and External Advisor will present the Investment Committee with a written proposal describing each manager under consideration together with a recommendation on how the Foundation should proceed.

3. In no event will the Foundation make an investment or retain a manager who does not provide audited financial statements for at least three fiscal years (or the entire period the manager has been in operation, if such period is shorter than three years). Such financial statements should also be accompanied by an unqualified auditor opinion prepared by an accounting firm of nationally recognized standing.

C. Manager and Investment Monitoring
In monitoring the Foundation’s investment program, the Investment Committee shall ensure the following: The review and evaluation of investment results of managers and investments in the Foundation portfolio relative to predetermined performance standards on a regular basis. The performance of each manager and investment will be measured against relevant indices and the performance of an appropriate peer group. Each active manager is expected to outperform its specified index and achieve better than median performance against its peer managers over a reasonable period of time (generally three to five years or a complete market cycle).

1. Review each manager and investment in the portfolio regularly to monitor performance results and to ascertain whether the manager is operating in a manner consistent with stated investment style and risk profile and whether there has been any material change or development that warrants further diligence or action by the Foundation. The Investment Committee will take corrective action they deem necessary as a result of such reviews, and, where required, for submission to the
Board of Directors.

**Other Implementation Activities**
The Investment Committee shall review, approve and monitor other investment implementation activities as they may be undertaken by the Foundation, subject to appropriate due diligence, evaluation and measurement criteria and guidelines and procedures, including, but not limited to: securities lending, commission recapture/directed commissions, transition management and currency transactions.

**Exhibit I**
Asset Allocation and Parameters
November 2014

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Sub-Asset Class</th>
<th>Target Allocation</th>
<th>Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
<td>70%</td>
<td>60 -80%</td>
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<tr>
<td></td>
<td>U.S.</td>
<td>35%</td>
<td>25 –45 %</td>
</tr>
<tr>
<td></td>
<td>Non-U.S.</td>
<td>35%</td>
<td>25 – 45%</td>
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<tr>
<td>Fixed Income</td>
<td>Investment Grade</td>
<td>20%</td>
<td>10 – 30%</td>
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<tr>
<td></td>
<td>Below-Investment Grade</td>
<td>0%</td>
<td>10 – 30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0 – 10%</td>
</tr>
<tr>
<td>Alternatives/</td>
<td>Investments in</td>
<td>10%</td>
<td>0 – 10%</td>
</tr>
<tr>
<td>University Projects</td>
<td>University Projects</td>
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</tr>
<tr>
<td>Cash</td>
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<td>0%</td>
<td></td>
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</tbody>
</table>

**Addendum**

**Calculation of Investment in University Projects**
June 30, 2015:
  Market Value of Investment Pool $147,059,033
  Amount available for University Projects $14,705,903
  Current project balance $6,241,626