POOLED ENDOWMENT FUND OF THE NEW JERSEY INSTITUTE OF TECHNOLOGY AND THE FOUNDATION AT NEW JERSEY INSTITUTE OF TECHNOLOGY

STATEMENT OF INVESTMENT POLICY

Contents

I. Introduction and Purpose ... 2
II. Investment Objectives ... 2
III. Roles and Responsibilities ... 2
IV. Spending Policy ... 5
V. Investment Policies ... 6
VI. Review and Evaluation ... 8
Appendix A: Investment Guidelines and Restrictions ... 9

I. INTRODUCTION AND PURPOSE

This statement of investment policy is set forth by the Board of Trustees of New Jersey Institute of Technology and the Board of Overseers of the Foundation at New Jersey Institute of Technology (collectively "the Boards" or "Boards") in order to:

1. Define the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the goals and objectives of Pooled Endowment Fund assets.

3. Define guidelines and restrictions regarding the investment of Pooled Endowment Fund assets.

4. Establish a basis for monitoring the investments and evaluating the investment results.

5. Establish the relevant time horizon for which the Pooled Endowment Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

II. OBJECTIVES OF THE POOLED ENDOWMENT FUND

The overall **financial objectives** of the long-term Pooled Endowment Fund of New Jersey Institute of Technology and the Foundation at New Jersey Institute of Technology is to (1) provide funds for annual support of student scholarships and other donor designated purposes, and (2) to maintain the purchasing power of the Pooled Endowment Fund Assets.

The Boards believe that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that the Pooled Endowment Fund is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. The Boards seek to continue to grow the Pooled Endowment Fund through gifts and capital appreciation in order to fulfill its goal. The Boards recognize that the timing of future contributions is expected to vary based on fundraising efforts and economic conditions.

To meet the overall financial objectives, the **primary investment objective** of the Pooled Endowment Fund is to achieve a long-term return of inflation plus the spending policy rate in order to maintain purchasing power. It is recognized that the real return objective may be difficult to attain in every ten-year period, but the Pooled Endowment Fund will see to achieve the objective over a series of ten-year periods. Accordingly, future giving will serve to increase purchasing power. The **secondary investment objective** of the Pooled Endowment Fund is to outperform the custom Policy Benchmark (as described in Appendix A) over rolling three- to five-year periods.

III. ROLES AND RESPONSIBILITIES

Effective and cohesive relationships among the Boards, the Joint Investment Committee, the Investment Consultant(s), and University Staff are important to fulfilling the purposes of this Policy and of the Pooled Endowment Fund. The major duties and responsibilities of the parties are summarized as follows:

RESPONSIBILITIES OF THE BOARDS

Established in 2002 by the NJIT Board of Trustees and the Board of Overseers, the Joint Investment Committee is charged with making recommendations to the Board of Overseers regarding the investment objectives of the Pooled Endowment Fund.

The Boards delegate the responsibilities for directing and monitoring the investment management of Pooled Endowment Fund assets to the Joint Investment Committee.

The Boards and the Joint Investment Committee will not reserve any control over day to day security level investment decisions made by Investment Managers or the Investment Consultant(s), with the exception of specific limitations described in these statements.

RESPONSIBILITIES OF THE JOINT INVESTMENT COMMITTEE

The Joint Investment Committee is assigned by the Boards to provide general oversight of the funds and act on behalf of the Boards within the guidelines of this policy.

The Joint Investment Committee is charged with the responsibility for the oversight of the management of the assets of the Pooled Endowment Fund. In accordance with the Uniform Prudent Management of Institutional Funds Act, adopted by the State of New Jersey (NJSA 15:18-29), the Joint Investment Committee shall discharge its duties solely in the interest of the Pooled Endowment Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. Specific responsibilities of the Joint Investment Committee include:

1. Recommending to the Boards reasonable and consistent investment objectives, risk tolerance, asset allocation, and guidelines, which will direct the investment of the Pooled Endowment Fund's assets.

2. Reviewing at least annually the statement of investment policy and asset allocation policy to assure the continued relevance of the objectives, guidelines, and restrictions. Monitoring asset allocation relative to peers.

3. Selecting qualified investment professionals, including Investment Consultant(s), Investment Manager(s) when applicable, and Custodian(s). Ensuring the selection of Investment Manager(s) is based on prudent due diligence procedures.

4. Regularly evaluating the performance of the Investment Consultant(s) and Investment Manager(s) to assure adherence to this statement of investment policy and to monitor progress against investment objectives.

5. Periodically evaluating the performance and services of the Investment Consultant(s), Custodian, and other service providers.

6. Submitting an annual report to the Board of Overseers.

7. Delegating certain responsibilities to professional experts such as attorneys, auditors, and others may be employed by the Joint Investment Committee to assist in meeting its responsibilities and

obligations to administer Pooled Endowment Fund assets prudently. All expenses for such experts must be customary and reasonable, and will be borne by the Pooled Endowment Fund as deemed appropriate and necessary.

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT(S)

The Investment Consultant's role is that of a discretionary advisor to the Pooled Investment Fund for all non-Private Investments. Investment management and/or advice concerning the investment management of Pooled Endowment Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and restrictions as established in this statement. The Investment Consultants will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper the Investment Consultant(s), each party should request modifications which they deem appropriate. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policies, objectives, and guidelines.

2. Preparing asset allocation analyses as necessary and recommending asset allocation strategies with respect to the Pooled Endowment Fund’s objectives.

3. Providing discretionary portfolio management including hiring and/or terminating investment managers for non-Private Investments. Conducting investment manager searches on an on-going basis and making recommendations to the Joint Investment Committee for Private Investments.

   Private Investments include investment vehicles and accounts that typically invest primarily in securities acquired through private transactions. They may include, but are not limited to, the following strategies: venture capital, US and non-US private equity (including leveraged buyouts, mezzanine and restructuring funds), emerging markets (private equity or direct investments), oil and gas private equity, timber and natural resources private equity, and real estate (private equity or direct investments).

   The selection of Investment Manager(s) must be based on prudent due diligence procedures.

4. Rebalancing the asset allocation within approved Investment Policy ranges.

5. Monitoring and reporting the performance of each Investment Manager(s), asset class, and the Pooled Endowment Fund on a regular basis to provide the Joint Investment Committee with the ability to determine the progress toward the investment objectives.

6. Communicating to the Joint Investment Committee any significant portfolio issues that might arise.

7. Provide educational opportunities and orientation to members of the Joint Investment Committee and other members of the University, as requested.

8. Administer certain day-to-day investment activities including the movement of funds within the Pooled Endowment Fund and the facilitation of inflows and outflows.

RESPONSIBILITIES OF UNIVERSITY STAFF

Staff shall assist in the oversight of the Pooled Endowment Fund as needed. Specific responsibilities of the University Staff include:

1. Projecting the Pooled Endowment Fund's financial needs and communicating such needs to the Joint Investment Committee and the Investment Consultant(s) on a timely basis.

2. Maintaining documentation and records of all the investments.

3. Preparing minutes of Joint Investment Committee meetings.

4. Managing relationships with financial, legal, tax, and audit service providers.

5. Preparing quarterly and annual reports for the Committee on the investment program, with the assistance of the Investment Consultant, including:

   - The achievement of overall performance objectives
   - The type and amount of risk taken to achieve those objectives
   - Attribution of returns to various investment decisions and risks
   - Compliance with policy guidelines, particularly asset allocation policy
   - The costs of managing the portfolio assets
   - Review alternative investment managers' valuation process every two years, and
   - Information for the Boards.

RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

Each Investment Manager make investment decisions for the assets placed under its jurisdiction, while observing and operating within the governing documents of their investment strategy. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

2. Formal reporting, on at least a quarterly basis of investment performance results.

3. The goal of each investment manager, over rolling 3- and 5-year periods, shall be to exceed an appropriate market index, or blended market index, selected by the Investment Consultant(s), net of fees, while displaying an overall level of risk consistent with the benchmark specified above. Risk will be measured by the standard deviation of monthly/quarterly returns.

IV. SPENDING POLICY

Distributions, generally not to exceed 5%, from the Pooled Endowment Fund, are calculated annually by University Staff and consists of a percentage of assets multiplied by a rolling average of the quarterly market values for the preceding three fiscal years. The rolling average methodology is utilized to smooth spending throughout different market environments.

The spending rate is recommended by the University Staff and approved by the Boards as part of the annual budget.

V. INVESTMENT POLICIES

The investment philosophy of the Joint Investment Committee is to create a management process with sufficient flexibility to capture investment opportunities, yet maintain reasonable parameters to ensure prudence and care in the execution of the investment program.

The Pooled Endowment Fund seeks a return on investment consistent with levels of investment risk that are prudent and reasonable given medium- to long-term capital market conditions and the investment objectives.

Time Horizon: The Fund's investment objectives are based on a long-term investment horizon of ten years or longer. Interim fluctuations should be viewed with appropriate perspective. The Joint Investment Committee has adopted a long-term investment horizon such that the risks and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Risk: While the Joint Investment Committee recognizes the importance of the preservation of capital, it also recognizes that to achieve the investment objectives requires prudent risk-taking, and that risk is the prerequisite for generating excess investment returns. The Joint Investment Committee is responsible for understanding the risks in the portfolio. Investment risk is defined in two ways: (1) the possibility of investments declining in value, and (2) the expected performance volatility of the investments in the portfolio. The Pooled Endowment Fund aims to achieve the stated return objective with a targeted annualized standard deviation similar to a simple blend of 70% global stocks (MSCI All Country World Index, Net) and 30% bonds (Bloomberg Aggregate Bond Index).

Asset Allocation: Investment of the Pooled Endowment Fund shall be diversified to minimize the risk of large losses. The Pooled Endowment Fund shall be diversified among various asset classes in order to achieve the desired return while managing risk.

To achieve the greatest likelihood of meeting the Fund's investment objectives, assets will be invested in accordance with the targets for each asset class as outlined in Appendix A. The role of each asset class in the Pooled Endowment Fund's investment framework is described below:

1. Capital Appreciation: This allocation is intended to provide capital appreciation while maintaining the corpus over the long term, with the understanding that the objective of return generation assumes willingness to take on a greater level of market variability and risk.

    - Global Public Equity: These assets include global publicly-traded securities, typically in the form of liquid common stocks. Prudent diversification standards across securities, industries, sectors, market capitalization, styles, and geography should be developed and maintained by the Investment Consultant(s) and Investment Manager(s).
    - Private Equity: The private equity portfolio may include venture capital, growth equity, buyout, distressed, and special situations funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid. Due to their higher risk, private equity investments are expected to provide higher returns than publicly traded equity securities.

2. **Diversifiers:** Diversifying assets serve to provide attractive long-term, stable returns, with low correlations to equity markets and the broader economic cycle. The return profile of Diversifiers

thereby lowers the probability for the portfolio to have large market value variations over shorter time horizons.

- **Liquid Diversifiers:** These assets may differ from traditional public market asset classes due to the use of short-selling, leverage, and derivatives in order to meet the role of diversifiers with liquidity characteristics that allow them to be a source of rebalancing, especially during periods of market stress. Such strategies include, but are not limited to: long/short equity, long/short credit, relative value, event-driven, global macro, and multi-strategy funds.
- Private Diversifiers: These assets include investments that meet the role of diversifiers and have the expectation to achieve an internal rate of return in excess of public diversifiers in exchange for illiquidity. Such strategies include, but are not limited to: direct lending, royalties, specialty finance, infrastructure, core real estate, and private credit.

3. **Liquidity Reserve:** This allocation is intended to provide capital preservation and to serve as a ready source of liquidity. As such, investments held in this allocation should be expected to provide stable value or appreciation and should be liquid.
    - Fixed Income: These assets include high-quality domestic and global fixed income securities.
    - Cash: Cash is to be employed productively at all times by investment in short term cash equivalents to provide safety, liquidity, and return.

The Pooled Endowment may employ one or more investment managers of varying styles and philosophies to attain the Pooled Endowment Fund's objectives. The number of managers will reflect the size of the Pooled Endowment Fund, the asset allocation, and the cost-benefit of fees versus expected return.

Liquidity: Liquidity may be required to fund withdrawals. These draws are generally anticipated at the end of each fiscal year, but additional funds may be required at any time during the year. Withdrawals are generally expected to be modest relative to the size of the Pooled Endowment Fund. Portfolio liquidity will vary based on the strategies and manager-specific vehicles in which the Pooled Endowment Fund is invested. The Joint Investment Committee and Investment Consultant(s) will align portfolio liquidity with university needs and monitor portfolio liquidity as a matter of routine.

Rebalancing: The Investment Consultant will rebalance Pooled Endowment Fund within the specified ranges, based on market conditions.

Environmental, Social, and Governance Policy: Having carefully examined Environmental, Social, and Governance ("ESG") investing principles, the Joint Investment Committee has determined that it is consistent with its fiduciary duty and the objectives of the Pooled Endowment Fund to adopt such principles in the investment of portfolio assets. The Investment Consultant is expected to select Investment Managers on a "best efforts" basis who will integrate the three ESG factors into their investment analysis and decision-making process to the extent that they are material to investment performance. Additionally, the Investment Consultant is permitted to utilize Investment Managers that only partially integrate ESG factors, or in some instances do not integrate ESG factors, if the investment is determined to be the best available option. As with other matters relating to the Pooled Endowment Fund, while incorporating ESG investing principles into the portfolio construction process, the management and investment decisions about an individual asset shall not be made in isolation, but rather in the context of the portfolio's investments as a whole and as part of the overall investment strategy.

Portfolio Hedging: Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Pooled Endowment Fund assets.

VI. MONITORING OF OBJECTIVES AND RESULTS

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Investment Committee for review. The investment performance of the Pooled Endowment Fund, as well as asset class components, will be measured against commonly accepted performance benchmarks and evaluated for consistency relative to the investment objectives.

Consistent with the Investment Objectives above, the results of the Pooled Endowment Fund, net of investment management fees, will be compared with the following:

Long-Term Financial Objective: This static benchmark reflects the Endowment's long-term performance objective of total portfolio returns exceeding the sum of its Spending Policy rate and inflation. Given that this benchmark is not directly related to market performance, success or failure in achieving this goal should be evaluated over a full market cycle (generally considered to be rolling ten-year periods).

Simple Benchmark (Risk Equivalent): This simple benchmark is the stock and bond blend with an expected long-term risk profile approximately equal to the Institution's volatility tolerance. The simple benchmark for the Endowment is 70% MSCI All Country World Index, Net and 30% Barclays Intermediate Government/Credit Bond Index. Success or failure in outperforming this goal should be evaluated over a full market cycle (generally considered to be rolling ten-year periods).

Policy Benchmark: This benchmark represents a passive investment in the Long-Term Policy Asset Allocation. Appendix A defines the asset class indices which are weighted by the Long-Term Policy Target allocations at the beginning of each month. Success or failure in evaluating this goal should be evaluated over rolling three- to five-year periods.

The Investment Consultant(s) and Investment Managers will also be evaluated against their peers on the performance of the total funds under their direct management.

Approved June 21, 2023
Revised October 23, 2024

APPENDIX A: INVESTMENT GUIDELINES & RESTRICTIONS

1. INVESTMENT STRATEGY ALLOCATION AND POLICY BENCHMARK

INVESTMENT CATEGORY	TARGET	RANGE	BENCHMARK
Capital Appreciation Global Equity Private Investments	65%	50-80%	MSCI All Country World Index (Net), adjusted for private investments
Diversifiers Liquid Diversifiers Private Diversifiers	25%	5-35%	HFRI Fund of Funds Conservative Index, adjusted for private investments
Liquidity Reserve Fixed Income Cash	10%	5-35%	Bloomberg Intermediate-Term Government/Credit Bond Index
Total	100%		

2. FUND AND FIRM CONCENTRATION

CATEGORY	LIMIT
Single Active Fund (with the exception of strategies that invest exclusively in U.S. government and investment grade bonds)	10%

3. ALLOWABLE INVESTMENTS

CATEGORY	APPLICABLE
Direct Investment	Yes
Secondary purchases and sales	Yes
Derivatives via service	Yes

4. LIQUIDITY

LIMITS BASED ON TIMEFRAME	% OF TOTAL PORTFOLIO
Within 30 days	30%
Within 1 year	60%
LIMITS BASED ON INVESTMENT CATEGORY	**% AT TIME OF INVESTMENT**
Private Investment limits based on 40% current NAV and 60% NAV + Unfunded Commitments	

5. RISK TARGET – SIMPLE BENCHMARK

BENCHMARK	PERCENTAGE
MSCI All Country World Index, Net	70%
Bloomberg Intermediate-Term Government/Credit Bond Index	30%

6. GRACE AND TRANSITION PERIOD(S)

CATEGORY	INITIAL/ SUBSEQUENT	START DATE	TRANSITION PERIOD	END DATE
Grace Period	Evergreen			
IG&R	Initial	11/1/2024	8 months	6/30/2025
Performance	Initial	11/1/2024	8 months	6/30/2025

7. ADDITIONAL CONSIDERATIONS

CATEGORY	APPLICABLE
UBTI Sensitivity	Yes
Consent Provisions	Yes

Investment Strategy Allocation and Policy Benchmark

<u>Policy Benchmark</u>

Market indices will be used for track record measurement purposes. Any Private Investment allocation will receive a 0% return in the benchmark until such time as the Portfolio's Private Investment returns have been reported - generally on a one-quarter lag.

The Policy Benchmark is calculated by taking an average return of the indices, weighted by the Policy Targets described under the Investment Strategy Allocation section.

<u>Asset Class Benchmarking</u>

Individual asset class performance shall be measured against the asset class benchmarks.

<u>Manager Benchmarking</u>

Individual manager benchmarks will be identified at the time of hiring each individual manager.

Allowable Investments

If permissible, a direct investment can be in a public or private company, including through a co-investment with or from a third-party manager, in each case as determined in CA's reasonable discretion. If permissible, derivatives usage can be executed via a service provider to rebalance, to extend duration, to equitize/bondize cash, and to manage exposures. There are no additional limits on individual investment managers' own usage of derivatives within the fund structures they manage.

Liquidity

Calculations will be exclusive of manager notice requirements and inclusive of investor-level gates.

Risk Target - Simple Benchmark

The simple benchmark reflects the expected long-term volatility of the policy.

Grace and Transition Period(s)

<u>Grace Period</u>

Owing to the nature of the investments in the Portfolio, the Portfolio may temporarily move above or below the ranges, thresholds, or targets herein to facilitate efficient movement between paired transactions. Similarly, where permitted, the Manager (as defined in the IMA) may use third-party managers to implement the Portfolio's derivative program for the purposes of maintaining asset class or currency exposure, and temporary, incidental leverage may also occur for a variety of reasons including the timing of reporting used by those third-party managers to implement exposure changes. Such deviations shall not constitute breaches of leverage limits or cash collateralization requirements in these Investment Guidelines and Restrictions provided that such deviations are cured within three (3) business days after the occurrence of such deviation.

<u>Transition Period(s)</u>

During the transition period(s), the Manager will manage the Portfolio prudently and in the spirit of these Investment Guidelines and Restrictions while it shifts the Portfolio assets toward the policy guidelines set forth herein. Notwithstanding anything to the contrary, the Client (as defined in the IMA) agrees to waive the guidelines and investment restrictions enumerated herein until the completion of the transition period(s).