

Texas Southern University Endowment Fund



Statement of Endowment Fund Investment Policy

June 15, 2023

I. OVERVIEW

This statement is made in accordance with the fiduciary requirements under the Uniform Prudent Management of Institutional Funds (“UPMIFA”) as codified in Texas Property Code Chapter 163. Its purpose is to establish a clear understanding between the trustees of Texas Southern University, investment manager(s), consultant(s), and service provider(s) regarding the investment policies, goals, and objectives of Texas Southern University (the University).

Texas Southern University was established on March 3, 1947. Its legal address is 3100 Cleburne Street, Houston, Texas 77004. The Texas Southern University Endowment will be referred to as the “Endowment Fund” throughout this policy.

The Endowment Fund was established to provide financial aid and support for philanthropy, to promote social welfare or education, or otherwise to further the Fund in the manner described within the Texas Southern University mission statement, as revised from time to time by the appropriate committee.

The Endowment Fund's assets will be managed by one or more investment manager with full discretion within the boundaries of the investment policy for the portion of the allocation that they manage across Equity, Fixed Income, and Alternative asset classes. The investment manager(s) will be selected by the Board of Regents of Texas Southern University with the assistance of the investment consultant. These investment managers will invest the assigned assets in accordance with this investment policy, objectives, and guidelines, and with oversight from the investment consultant.

This statement of objectives and guidelines is intended to provide meaningful guidance in the management of the Endowment Fund's assets and yet not be overly restrictive, given changing economic, business, and investment market conditions.

II. STATEMENT OF RESPONSIBILITIES

The Board of Regents directs the investment activities of Texas Southern University. They recognize this responsibility is best performed by directing professional investment manager(s) and consultant(s), rather than by acting as investment manager(s) themselves.

Therefore, this task will be accomplished by appointing a Chief Investment Officer (CIO) and Investment Officer (IO) to monitor the performance of the investment consultant(s) and manager(s), to ensure that the investment objectives are being met, and to take appropriate action if objectives are not being met over a reasonable period of time. The Board of Regents shall designate the CIO and/or IO.

The University may contract with external investment managers or consultants to assist the CIO/IO in the execution of duties. Such contracts must be approved by the Board of Regents and may not remain in force for a period greater than two years. Renewal or extension of the contract must also be approved by the Board of Regents.

The CIO/IO, acting in accordance with the written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate actions are taken to control potential adverse developments.

All investment managers and consultants must sign the Investment Policy certification form, acknowledging that the business organization has received and reviewed the Endowment Fund Investment Policy and has implemented reasonable procedures and controls.

A. The Board of Regents, on behalf of Texas Southern University, is responsible for:

1. Approving the investment policy, goals, and objectives;
2. Approving qualified investment manager(s) and investment consultant(s);
3. Receiving and reviewing reports about the status and performance of the Endowment Fund's assets;
4. Approving a uniform and appropriate basis for selecting and evaluating the investment manager(s);
5. Appointing a Chief Investment Officer and Investment Officer to monitor the performance of the investment consultant(s) and manager(s), to ensure that the investment objectives are being met, taking appropriate action if objectives are not being met over a reasonable period of time, and ensuring that the investment consultant(s) and manager(s) are in compliance with the investment policy. The CIO and IO may make recommendations based on underperformance over a reasonable period of time and/or failure to comply with the investment policy, including recommendations to replace the investment consultant(s) and manager(s). The CIO and IO are also responsible for ensuring that this investment policy statement is updated when appropriate and for communicating these changes to the appropriate parties.

B. Conflict of Interest

All TSU Investment Officials having a direct or indirect role in the investment of TSU funds shall act as custodians of the public trust, avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity that might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program or impair the ability to make impartial investment decisions. TSU Investment Officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment

Officials shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of TSU. The purpose of this Conflict of Interest Policy Statement is to provide procedures for dealing with such conflicts. The philosophy behind the procedures is to promote disclosure and transparency, rather than to impose categorical prohibitions, and to provide for a flexible approach to deal with actual or perceived conflicts.

C. Policies with Respect to Members

A CIO and/or IO and Regents must disclose to the Administration and Finance Committee Chair any employment or financial interest that the CIO and/or IO and Regents, or a person in the CIO and/or IO and Regents' household, has in an investment or other transaction being considered by the CIO and/or IO and Regents. To avoid doubt, the following relationships do not require disclosure:

- (1) Small ownership interests (defined as less than 5%) in investment management companies whose investment services and products are being considered by the program;
- (2) Professional and business relationships with investment management companies unless the CIO and/or IO and Regents owns more than five percent (5%) of the entity providing services to, or having a relationship with, such investment management company, or provides such services personally; and
- (3) Any portfolio position of other investment entities, where the CIO and/or IO and Regents are serving as a fiduciary or employee; provided, however, that a CIO and/or IO and Regents must disclose an investment or transaction as a fiduciary or employee if:
 - (a) Such investment or transaction would be impacted by TSU's investment or transaction; or
 - (b) TSU's investment or transaction would be impacted by the other entity's investment or transaction.

A CIO and/or IO and Regents must recuse himself/herself from the vote and discussion on any matter with respect to an entity in which the CIO and/or IO and Regents, or a person in the CIO and/or IO and Regents' household, has an employment or financial interest; however, a CIO and/or IO and Regents may respond to any questions of the Administration and Finance Committee prior to recusal. Any such matter may only be approved upon a finding, by the disinterested CIO and/or IO and Regents, that the investment or other transaction is in TSU's best interest and is fair and reasonable to TSU. To avoid doubt, the following relationships do not require recusal:

(1) Small ownership interests (defined as less than 5%) in investment management companies whose investment services and products are being considered by the program;

(2) Professional and business relationships with investment management companies unless the CIO and/or IO and Regents owns more than five percent (5%) of the entity providing services to, or having a relationship with, such investment management company, or provides such services personally; and

(3) Any portfolio position of other investment entities, where the CIO and/or IO and Regents is serving as a fiduciary or employee; provided, however, that a CIO and/or IO and Regents must disclose an investment or transaction as a fiduciary or employee if:

(a) Such investment or transaction would be impacted by TSU's investment or transaction; or

(b) TSU's investment or transaction would be impacted by the other entity's investment or transaction.

It is presumed that TSU will not invest in any Investment Fund of which a CIO and/or IO and the Board of Regents is the general or managing partner, director, manager, a management-level employee, majority owner, or sponsor. TSU may invest in such an Investment Fund if a five-person special committee, consisting of three disinterested Members appointed by the Chair of the Administration and Finance Committee, as well as the Chair of the Administration and Finance Committee and the Chair of the Board of Regents, determines that the investment is in TSU's best interest and is fair and reasonable to TSU.

A CIO and/or IO and Regents must disclose to the Administration and Finance Committee Chair an intent by the CIO and/or IO and Regents, or a person in the CIO and/or IO and Regents' household, to invest in any investment opportunity learned about through such CIO and/or IO and Regents' position on the Administration and Finance Committee, except for investment opportunities in publicly traded securities purchased on an established market, including mutual funds. No member or person in a CIO and/or IO and Regents' household may invest in an investment opportunity learned about through such CIO and/or IO and Regents' position on the Administration and Finance Committee if the investment would adversely affect TSU's opportunity. This provision also applies to CIO and/or IO and Regents serving as fiduciaries or employees of other investment entities.

D. Policies with Respect to Staff

A staff member must disclose to the Administration and Finance Committee any employment or financial interest that the staff member or a person in the staff member's household has in an investment or other transaction being considered by the Investment Office. Any such investment or other transaction must be

approved by the Administration and Finance Committee. To avoid doubt, the following relationships do not require disclosure:

- (1) Small ownership interests (defined as less than 5%) in investment management companies whose investment services and products are being considered by the program;
- (2) Professional and business relationships with investment management companies unless the staff member owns more than five percent (5%) of the entity providing services to, or having a relationship with, such investment management company, or provides such services personally; and
- (3) Roles serving as fiduciaries of other investment entities.

A staff member must disclose to the Administration and Finance Committee an intent by the staff member, or a person in the staff member's household, to invest in any investment opportunity learned about through such staff member's position in the Investment Office, except for investment opportunities in publicly traded securities purchased on an established market, including mutual funds. No staff member or person in a staff member's household may invest in an investment opportunity learned about through such staff member's position in the Investment Office if the investment would adversely affect TSU's opportunity.

A staff member who chooses to make a private investment in a company, fund, or other similar opportunity where a CIO and/or IO and Regents serves as an executive officer, partner, or other similar role must disclose the proposed investment to the CIO and/or IO and Regents, who will maintain a record of such investment. In the event that the majority of the CIO and/or IO and Regents decide there is a conflict of interest, the staff member will be notified and will not be permitted to make the investment creating the conflict.

E. Policies with Respect to Members and Staff

Whenever the Administration and Finance Committee holds a meeting at which an interest or investment is disclosed, the CIO and/or IO and Regents is recused, a special committee is constituted, or an investment or transaction with respect to which the CIO and/or IO and Regents or a staff member has a conflict of interest is considered, the Administration and Finance Committee's consideration of such issues will be reflected in the minutes of the meeting.

No policy can specifically address every conceivable situation that may entail a conflict or potential conflict of interest. As a general matter, CIO and/or IO and Regents and staff should avoid any actions or situations that might result in or create the appearance of using their association with TSU for private gain, according to unwarranted preferential treatment to any individual or organization, losing impartiality, or adversely affecting TSU's reputation. Further, the Chair of the Administration and Finance Committee may appoint a special committee,

consisting of three disinterested members, the Chair of the Administration and Finance Committee and the Chair of the Board of Regents to address any actual or perceived conflict of interest that is not specifically addressed in this policy.

In addition, any investment manager or investment consultant who has a personal business relationship with an organization seeking to sell investments to the University or has a relationship within the third degree of affinity or consanguinity to individuals seeking to sell an investment to the University, shall file a statement disclosing that relationship.

The Endowment Fund corpus and/or income may not be invested in instruments or securities issued by an organization in which an investment manager or consultant is a controlling stakeholder or director.

F. The Custodian(s) of the Endowment Fund's assets is/are responsible for:

1. Safekeeping of Endowment Fund assets;
2. Accounting for the financial positions of the Endowment Fund, presenting income and expenses, and identifying the specific assets in the Endowment Fund and their relative proportion to total assets;
3. Ensuring that the Endowment Fund collects income due from investments held and that disbursements are properly authorized;
4. Preparing reports and accountings as requested by the Board of Regents regarding Endowment Funds.

G. The Investment Manager(s) is/are responsible for the following (if applicable to the asset class):

1. Managing the Endowment Fund's assets in accordance with this investment policy statement;
2. Complying with the provisions of Texas Property Code Chapter 163 as they pertain to the duties, functions, and fiduciary responsibilities of the manager and the manager's employees assigned to the Endowment Fund's account;
3. Conforming to the standards and responsibilities as established under Texas Property Code Chapter 163 and/or appropriate state regulatory bodies;
4. Acting as the Registered Investment Advisor and serving as the Endowment Fund's Investment Fiduciary (if applicable), as described under Texas Property Code Chapter 163;
5. Investing the Endowment Fund's assets solely in the best interest of the Endowment Fund with the exclusive purpose of:
 - a. Providing benefits to further the stated mission of the Endowment Fund

- b. Defraying reasonable expenses of administering the Endowment Fund
6. Managing the Endowment Fund's assets within the assigned asset class and according to the investment strategy, as originally presented to the Board of Regents of Texas Southern University.

H. The Investment Consultant will be responsible for:

1. Endowment Investment Policy Review
2. Asset Allocation Analysis
3. Investment Manager Due Diligence and Oversight
4. Performance Reporting
5. Other investment matters (fee negotiations, board education, market updates, Socially Responsible Investing / Environmental Social Governance, etc.)

I. Ethics Disclosure

The prospective fund manager(s) and consultant(s) shall have the Form ADV on file with the Securities and Exchange Commission prior to selling investments to, or managing investments for, Texas Southern University. The Form ADV is required to be filed annually with the Securities and Exchange Commission. A copy of the most recent Form ADV must be on file with Texas Southern University. In addition, a statement of any other personal business relationship with Texas Southern University shall be filed disclosing that personal business interest and will be kept on file by Texas Southern University.

III. INVESTMENT OBJECTIVES

- A. Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs - not for speculation, but for investment -considering the probable safety of capital and the probable income to be derived.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

1. The investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
2. Whether the investment decision was consistent with the written investment policy of the entity.

Investment of funds shall be governed by the following investment objectives, in order of priority:

1. Understanding of the suitability of the investment to the financial requirements of the entity;
 2. Preservation and safety of principal;
 3. Liquidity;
 4. Marketability of the investment if the need arises to liquidate the investment before maturity;
 5. Diversification of the investment portfolio; and
 6. Yield.
- B. The Endowment Fund's assets are to be invested in a balanced portfolio composed of equity, fixed income, alternatives, cash equivalent securities, and other investments as determined by the Board of Regents.
- C. These objectives recognize the nature of Texas Southern University, its purpose, and source of funds. Since the Endowment Fund exists for the purpose of providing benefits to philanthropic causes or for otherwise furthering institutional goals as outlined in the mission statement, the assets must be invested in the sole interest and benefit of Texas Southern University in a prudent manner consistent with the provisions of Texas Property Code Chapter 163. Within this framework, the principal investment objectives are:
1. The overall investment objective is to achieve a reasonably consistent rate of return on total Endowment Fund assets, with a concern for stability and preservation of principal.
 2. When selecting securities, the investment manager(s) without discretion is/are expected to prudently diversify the investments of the Endowment Fund consistent with the Endowment Fund's guidelines, thus minimizing the risk of large losses.
- D. In order to meet the Endowment Fund's objectives stated above, the primary long term investment objective of the Endowment is to earn a total real (i.e., inflation adjusted) rate of return that equals or exceeds 4.5% to 5% over the long term (5 to 10 years). It is also understood that due to market conditions, there may be periods where this objective is exceeded and purchasing power is enhanced, as well as periods where the objective is not met and purchasing power is diminished. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the NACUBO Annual Comparative Performance Survey of all educational endowments over rolling five-year time periods. Thus, the CIO and IO are responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the Endowment Fund's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to asset allocation targets.

IV. INVESTMENT POLICY

A. GENERAL

1. The assets must be invested in compliance with:
 - Texas Property Code Chapter 163 as amended
 - The Endowment Fund's written investment policy
2. The investment manager(s) is/are granted full investment discretion regarding the purchase and sale of individual securities, which is consistent with the described objectives and directives of the Endowment Fund CIO and IO.
3. The investment manager(s), as the Endowment Fund's investment fiduciary, is/are responsible for the purchase and sale of such securities as they are entrusted.
4. The investment manager(s) is/are not permitted to deviate from specifically announced investment strategies without prior written approval of the Board of Regents (e.g., fixed income only managers are not to purchase equity or convertible securities, and domestic equity only managers are not to purchase international stocks or U.S. Government bonds).
5. The assets of the Endowment Fund shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibilities. The safeguards which guide a prudent investor shall be observed.
6. All equity, fixed income, and cash equivalent assets must have readily ascertainable market values from commonly accepted market sources and be readily marketable. We recognize alternative investments, by their nature, will not be readily marketable.
7. Preservation of capital is the primary long-term investment objective for the portfolio. Therefore, capital gains are to be protected once earned. As an example, during periods of protracted market declines, cash may be raised up to the maximum permissible level so that the potential for capital losses is reduced.

In order to preserve purchasing power parity, the Endowment's spending policy shall not exceed 5%. The calculation of the 5% spending rate will be based upon a three-year moving average of the Endowment Fund earnings with the most recent year removed. The 5% annual spending rate is required to be applied to each individual endowment. The University will calculate the average market value based upon the time period that these endowments are in existence.

8. The asset value of the portfolio, exclusive of contributions or withdrawals, is expected to increase in value over a period of years.
9. Realization of gains or losses should be reviewed solely in terms of investment merits and long-term expectations.
10. Texas Southern University has determined that lending and/or hypothecation of Endowment Fund assets by its custodian(s) is not permissible.

B. PORTFOLIO LIQUIDITY

1. Investments in cash and cash equivalents should be in the range of zero to five percent (0-5%).

C. FIXED INCOME INVESTMENTS

1. Acceptable fixed income investments
 - a. Fixed income securities are securities that pay and/or accrue interest and/or dividends. Examples of fixed income securities would be U.S. Treasury obligations, obligations of government sponsored enterprises, federal agency obligations, domestic corporate debentures, notes, and preferred stock (unless otherwise specified below and within the minimum quality rating as stated in #3 of this section), commercial paper, commercial bank certificates of deposit, money market funds, and investment company funds which invest in the above. Fixed income securities allowed may include the following:
 - U.S. Government Treasury Obligations
 - U.S. Government Agency Obligations
 - Corporate Bonds, both Investment Grade and High Yield (below Investment Grade). The total investment in High Yield securities is limited to 15% of the total Endowment portfolio's market value
 - Guaranteed Interest Contracts (GICs)
 - Foreign Government Bonds
 - Foreign Corporate Bonds
 - Cash Management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. 501(f))
 - Negotiable Certificates of Deposit issued by a bank that has a certificate of deposit rating of at least one or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P1, or the equivalent by a nationally recognized credit rating agency
 - b. Prohibited fixed income investments shall include, but not be limited to:
 - Fixed Income Annuities
 - Yield Enhancement Techniques (options and futures)

- c. Fixed income securities are to be selected and managed to ensure an appropriate balance of quality, maturity, and coupon. This balance should be consistent with current market and economic conditions, as well as this document.
- d. The minimum rating for investments in interest-bearing obligations shall be “Baa” and Commercial Paper “A1/P1”.
- e. Convertible securities shall be considered equity derivatives, and as such, shall not be an acceptable investment in the fixed income allocation.

D. EQUITY INVESTMENTS

- 1. Equity securities investments are to be selected and consistently applied on the basis of the criteria and declared strategy of the investment manager (i.e., growth managers buy growth equities and value managers buy value equities). The investment manager(s) is/are directly responsible for the purchases and sales of such investments, under the discretion granted within the investment manager contract.
- 2. Equity securities are defined to include convertible issues as well as common stocks and shall be acceptable investments within the equity securities category. Equity securities may include common or convertible preferred stock, convertible debentures, or investment company funds which invest in the above. Receipt of stock rights or warrants from existing equity holdings may be held or sold solely at the discretion of the investment manager(s).
- 3. Funds available for investment in equity securities may be temporarily invested in short-term U.S. Treasury obligations, short-term obligations of government-sponsored enterprises, federal agencies, commercial paper, commercial bank certificates of deposit, money market funds, and other generally accepted money market instruments.
- 4. The list of acceptable equity-related investments and prohibited equity securities are:
 - a. Acceptable equity-related investments include only the following:
 - Domestic Equities (benchmarks include S&P 500, Russell 3000, Russell 1000, Russell Mid Cap, Russell 2000)
 - Equity Mutual Funds/Co-Mingled Funds
 - Equity Rights and Warrants
 - Global Equity Funds
 - International Equities
 - Emerging Market Funds
 - Index Funds/Exchange Traded Funds (ETFs)
 - Stock/Index Options (Hedging)

b. Prohibited equity securities shall include, but not be limited to:

- Variable Annuities
- Stock/Index Options (Speculation)
- Margin Trading
- Short Selling
- Cryptocurrency
- Other speculative derivatives

5. The Board of Regents has determined that the investment manager(s) are to vote the shareholders' proxies. Such voting is to be solely in the best interest of Texas Southern University within the given stated policy, goals, and objectives. It is further expected that each of the investment manager(s) will report back to the Board of Regents, on an annual basis, regarding the results of these proxy votes.

E. ALTERNATIVE INVESTMENTS

1. Acceptable alternative investments may also include:

- Real Estate (REITs) and/or other Real Asset Strategies
- Venture Capital Investment Funds
- Private Markets (Equity, Credit, Real Estate)
- Hedge Funds and/or Funds of Funds
- Convertible Bond Strategy Funds

Due to the unique nature of alternative investments and the increased importance of operational due diligence in this asset class, TSU will restrict investments in this category to investment managers who are recommended and have gone through due diligence by their consultant. In the event that TSU should desire to allocate to a strategy outside of the consultant's platform of recommended managers, TSU, with assistance from their consultant, will employ a third-party alternatives due diligence firm to review the investment manager before any potential investment.

F. ALLOWABLE INVESTMENT VEHICLES ACROSS THE EQUITY, FIXED INCOME, AND ALTERNATIVES ASSET CLASSES

1. Separately Managed Accounts
2. Mutual Funds*
3. Commingled Funds*
4. Exchange Traded Funds (ETFs)
5. Limited Partnerships or other similar structures
6. Fund of Funds

The Board foresees the possibility of using mutual funds/commingled funds/limited partnerships or offshore corporate structures in the form of Hedge Fund of Funds and understands that they would not have any control over the management of such funds with regard to guidelines and restrictions. However, whenever possible, they intend to utilize funds that generally comply with the investment guidelines stated in this Investment Policy Statement.

G. PORTFOLIO DIVERSIFICATION

1. General
 - a. The strategic asset mix (minimum and maximum allocations) of fixed income, equities, alternative investments, and cash equivalents shall be at the discretion of the Texas Southern University Board of Regents and shall be reflected within this investment policy statement.
 - b. The total portfolio allocation ranges are:

Asset Class	Sub Asset Class	Allocation Range	Target Allocation
Equity	Domestic Equity	25 - 75%	40.0%
	International Equity	0 - 25%	15.0%
Fixed Income	Domestic Fixed Income	15 - 75%	25.0%
	Global / Intl. Fixed Income	0 - 25%	5.0%
Alternative Investments	Alternative Investments	0 - 25%	12.0%
Cash Equivalents	Cash Equivalents	0 - 5%	3.0%

- c. On an annual basis (or more frequently if determined necessary), the Board of Regents may re-assess and re-balance, in accordance with this statement, Endowment Fund assets as deemed necessary.
 - d. No more than ten percent (10%) of the total Endowment Fund assets shall be invested in the securities (equities, debentures, preferred stock) of one issuing corporation at the time of purchasing (excluding U.S. Government and U.S. Government Agency debt).

- e. No more than twenty percent (20%) of the market value of total Endowment Fund assets should be invested in any one industry (excluding U.S. Government and U.S. Government Agency debt).

2. Equity Investments

a. Rebalancing

- It is generally expected that no more than five percent (5%) of a manager's assigned assets shall be invested in one issuing company at the time of purchase without disclosure from the investment consultant. Any one industry that becomes more than twenty percent (20%) of an equity portfolio, due to its price appreciation, shall have shares sold to reduce it back to the policy guidelines.
- It is generally expected that the investment manager(s) will not exceed individual industry weighting by more than twenty percent (20%) compared to the relevant Benchmark Index. If industry holdings exceed the 20% threshold, then the investment manager shall sell shares to reduce it back to the policy guidelines.

3. Fixed Income Investments

- a. The fixed income portfolio manager(s) is/are expected to diversify corporate debt investments, or to purchase those investments which themselves are diversified, across a prudently constructed portfolio.
- b. Excluding U.S. Government and U.S. Government Agency securities, fixed income securities exceeding one year in maturity are not to exceed twenty percent (20%) of an individual portfolio's assets in one corporation.

4. Alternative Investments

- a. The alternative investments portfolio manager(s) is/are expected to diversify their investments, or to purchase those investments which themselves are diversified, across a prudently constructed portfolio.
- b. No single alternative investment manager should be more than 5% of the overall Endowment allocation.

V. INVESTMENT PERFORMANCE EXPECTATIONS

A. TOTAL PORTFOLIO

In order to meet the Endowment Fund's objectives stated above, the primary long-term investment objective of the endowment is to earn a total real (i.e. inflation-adjusted) rate of return that equals or exceeds 4.5% to 5% over the long-term (5 to 10 years). It is also understood that due to market conditions, there may be

periods where this objective is exceeded and purchasing power is enhanced, as well as periods where the objective is not met and purchasing power is diminished. In addition, the performance of the overall endowment is expected to be consistently in at least the second quartile of the NACUBO Annual Comparative Performance Survey of all educational endowments over rolling five-year time periods. Thus, the Chief Investment Officer is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with both managers of other educational endowments and with capital markets generally.

Finally, the total return of the University's investment portfolio should be evaluated against the return of a composite index consisting of appropriate benchmarks weighted according to the University asset allocation targets.

At least 2 of the 3 investment goals, as described below, are to be achieved over a period of ten years or more.

1. The annualized total returns of the Endowment Fund's assets are to equal or exceed a real rate of return of 4.5% to 5% over a period of ten years or more. One, three, and five-year rolling returns shall be used as interim measures to determine appropriate returns for different investment horizons.
2. Investment returns shall be above the median return of similarly balanced portfolios (equities, bonds, and cash). This performance criterion is to be achieved over a period of one, three, and five years, rather than the ranking in any one year.
3. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled portfolios.

B. FIXED INCOME INVESTMENTS

At least 2 of the 3 investment goals, as described below, are to be achieved over a period of ten years or more.

1. The total fixed income component is to equal or exceed the return of whichever is the most appropriate index(es) as determined by the portfolio allocations, net of management fees, over a period of ten years or more. One, three, and five-year rolling returns shall be used as interim measures to determine appropriate returns for different investment horizons.
2. The risk-adjusted returns of the fixed income manager(s) should be above the median returns of similarly styled fixed income manager(s) on an annual basis.
3. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled fixed income portfolios.

C. EQUITY INVESTMENTS

At least 2 of the 3 investment goals, as described below, are to be achieved over a period of ten years or more.

1. The total rate of return of the equity component is to equal or exceed whichever is the most appropriate index over a period of ten years or more. One, three, and five-year rolling returns shall be used as interim measures to determine appropriate returns for different investment horizons.
2. The risk-adjusted returns of the equity manager(s) should be above the median returns of similarly styled equity manager(s) on a rolling 3 to 5-year basis, net of all fees.
3. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled equity portfolios.

D. ALTERNATIVE INVESTMENTS

At least 2 of the 3 investment goals, as described below, **are** to be achieved over a period of ten years or more.

1. The total rate of return of the alternatives component is to equal or exceed whichever is the most appropriate index over a period of ten years or more. One, three, and five-year rolling returns shall be used as interim measures to determine appropriate returns for different investment horizons.
2. The risk-adjusted returns of the alternative investment manager(s) should be above the median returns of similarly styled alternative investment manager(s) on a rolling 3 to 5-year basis, net of all fees.
3. Volatility, as measured by standard deviation, shall be kept within the historical range of similarly styled alternative investment portfolios.

E. PERFORMANCE BENCHMARKS

Asset class performance benchmarks include the following:

Investment Type	Benchmark*
Domestic Equity	S&P 500 Russell 3000 Russell 2000 Russell 1000 Russell Mid Cap
International Equity	MSCI ACWI ex-USMSCI EAFE MSCI Emerging Markets
Domestic Fixed Income	Bloomberg Aggregate Bloomberg 1-3 Yr. Government Bloomberg High Yield Bloomberg Government/Corporate Bond Index
Global/International Fixed Income	FTSE World Government Bond Index, Bloomberg Global Aggregate
Alternatives	HFRI Indexes, Cliffwater Direct Lending Index, Preqin Private Equity Index, NACREIF, or other appropriate indexes
Cash	90-Day US Treasury Bills

**Additional appropriate benchmarks may be employed beyond those listed, including blends.*

An Investment Manager will be rated in a "Favorable Status" if they are delivering favorable performance and there are no outstanding organizational issues. An Investment Manager will be in a "Caution Status" if:

For Equities:

- Investment Manager's three-year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark, or
- Investment Manager's five-plus year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark.

For Fixed Income:

- Investment Manager's three-year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark, or
- Investment Manager's five-plus year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark.

For Alternatives:

- Investment Manager's three-year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark, or

- Investment Manager's five-plus year performance is below the 50th percentile of their peer universe, and they are trailing the style benchmark.

The Investment Manager will also be considered on "Caution Status" if there is a material change in the ownership structure of the Investment Manager's organization, or if there is a departure of key investment professionals.

Caution Status Procedures:

If deemed necessary, the Consultant is authorized to place a manager on caution status without first informing, or having agreement from, the Investment Committee. In this case, the Consultant must immediately inform the Chairman of the Investment Committee of their action and recommend a course of action. An Investment Manager that falls into "Caution Status" will undergo a thorough review by the Investment Consultant. This review will address how the Investment Manager will move back to "Favorable Status" or be considered for termination. The Investment Manager will be monitored on a monthly basis during this cautionary period. Investment Managers on "Caution Status" may be required to present to the Investment Committee. The Investment Committee will review the Investment Manager's situation based upon the following priorities. Highest priority will be given to those failing to meet the five-year target and next priority will be those failing to meet the three-year target. An Investment Manager can move back to "Favorable Status" by improving its "since inception" performance above the "five-year plus" criteria.

In addition to the above, immediate termination of Investment Managers should be considered:

- When they deviate from the CIO or IO's instructions.
- When they deviate substantially from their investment disciplines and process.
- When the CIO or IO has any material problem or concern regarding the Investment Manager.

VI. REPORTING

A. The CIO or IO is required to report to the Board of Regents on a quarterly basis the current investment position of the university, using the university's fiscal year end date of August 31, prepared in accordance with GAAP. The report will include the following defined criteria:

1. The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow the University to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Board of Regents. Additionally, this report will comply with any requirements mandated by the laws of the State of Texas. The report will include, but not be limited to, the following:

- A listing of individual securities held at the end of the reporting period.
 - Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period.
 - Additions to the Endowment and changes to the market value during the period.
 - Account, fund, or pooled group fund.
 - Average weighted yield to maturity of the portfolio as compared to the applicable benchmark.
 - Listing of investments by maturity date.
 - Fully accrued interest for the reporting period.
 - The percentage of the total portfolio which each type of investment represents.
 - Statement of compliance of the University's investment portfolio with state law and the investment strategy and policy approved by the Board of Regents.
- B. The investment manager(s) is/are required to submit any information necessary to prepare quarterly reports or reports in addition to the requirements stated in Section VI (A). Quarterly report information will be required to be submitted within forty-five days after a current fiscal quarter has ended.

VII. COMMUNICATIONS

- A. The investment manager(s) is/are required to be available to meet with Texas Southern University at least semiannually, unless otherwise directed.
- B. Any significant change in investment strategy by the investment manager(s) should be communicated to Texas Southern University in writing, for approval, prior to the enactment of the strategy.
- C. Any significant changes in investment professionals within the investment management firm or those assigned to this account should be communicated to Texas Southern University within thirty days for their approval.
- D. Performance results, portfolio listings, valuations, and transaction summaries consistent with CFA Institute guidelines should be provided promptly on a quarterly basis.

VIII. PERFORMANCE REVIEW

The Board of Regents of Texas Southern University may request that performance reports be prepared by an independent agency on a quarterly basis, to ascertain current and long-term absolute levels of achievement toward the stated goals. Further comparisons will be made on a relative basis to general market indices and other managed fund results.

IX. REVISIONS

This statement will be reviewed annually by the Board of Regents of Texas Southern University, and any appropriate modifications will be made. It is the responsibility of the Board of Regents to communicate such revisions, in writing, to the investment manager(s) and consultant(s) within thirty days. Texas Southern University investment policy statement of investment goals and objectives is hereby approved on June 15, 2023, and the Chair of the Texas Southern University Board of Regents affirms that a majority of the Board of Regents has approved this policy.



Signature

Mr. Albert H. Myers
Chair, Texas Southern University
Board of Regents

FOR THE ENDOWMENT FUND INVESTMENT MANAGERS

I hereby acknowledge and accept receipt of Texas Southern University's investment goals and objectives policy statement dated August 18, 2022 (date of approval by the Board of Regents). I have read, understood, and will comply with all approved sections. Furthermore, it is understood by all parties that I, as a representative of my firm, will exercise the care, skill, prudence, and diligence under prevailing circumstances that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims.

The aforementioned firm that I represent is a registered investment advisor under the Securities Act of 1940 and will serve as an investment fiduciary for the Endowment Fund under the Uniform Prudent Management of Institutional Funds Act of 2012 (UPMIFA).

Signature of Principal of Investment Firm

Date

Printed Name & Title

Firm Name

Firm Address

Phone Number

FOR THE ENDOWMENT FUND SERVICE PROVIDERS

I hereby acknowledge and accept receipt of Texas Southern University's investment goals and objectives policy statement dated August 18, 2022 (date of approval by the Board of Regents).

Signature

Date

Printed Name & Title

Firm Name

Firm Address

Phone Number

RECOMMENDATION FOR THE IMPLEMENTATION OF OUR INVESTMENT POLICY STATEMENT

In order to implement the investment policy statement, the following steps are recommended:

1. Each member of the Board of Regents of Texas Southern University should independently review this statement.
2. This investment policy statement should then be discussed amongst the trustees concerning any necessary changes.
3. This investment policy statement should be voted upon and, when approved, the vote should be noted in the Endowment Fund sponsor's minutes or written consent.
4. The investment policy statement should then be dated and signed by all Endowment Fund Board of Regents members and included within the Endowment Fund sponsor's minutes or written consents.
5. Each service provider to the Endowment Fund (custodian, portfolio manager, investment advisor, investment consultant, broker, and actuary) should sign the receipt of and the acknowledgment of this investment policy statement. These acknowledgments should be included within the Endowment Fund sponsor's minutes or written consents.

EXHIBIT A



In accordance with GAAP and Section 2256.023 of the Public Funds Investment Act, it is hereby certified that this Quarterly Investment Report for the quarter ended **[Date]**, was jointly prepared by all Investment Officers for Texas Southern University, in accordance with the University's Endowment and Investment Policies.

INVESTMENT OFFICER:

Anita Lockridge, Interim Vice President for Administration and Finance/CFO