Loyola University Maryland

— 1852 —

ENDOWMENT INVESTMENT POLICY STATEMENT

OFFICE WITH PRIMARY RESPONSIBILITY: Business and Finance
OFFICE FOR ENSURING COMPLIANCE: Financial Services, Investment and Treasury Services
CONTACT OFFICE: Investment and Treasury Services
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POLICY SUMMARY

This Investment Policy Statement ("the Policy") sets forth the principles and guidelines for the prudent management of Loyola University Maryland's ("the University's") endowment assets ("the endowment").

REASON FOR POLICY

The primary financial objective of the endowment is to provide funds for the current and future support of the operations of the University and for its programs. Implicit in this objective is the financial goal of preserving and enhancing the endowment's inflation-adjusted purchasing power, while providing a relatively predictable, stable and constant stream of income for current use consistent with this objective.

STATEMENT OF POLICY

I. DEFINITIONS

A. Purpose

This Investment Policy Statement ("the Policy") sets forth the principles and guidelines for the prudent management of Loyola University Maryland's ("the University") endowment assets ("the endowment"). This Policy shall remain in effect until modified as conditions warrant by the Investment Committee of the Board of Trustees.

B. Scope

This Policy applies to endowment assets for which the Investment Committee has discretionary authority.

C. Investment Objective

1. The primary financial objective of the endowment is to provide funds for the current and future support of the operations of the University and for its programs. Implicit in this objective is the financial goal of preserving and enhancing the endowment's inflation-adjusted purchasing power, while providing a relatively predictable, stable and constant stream of income for current use consistent with this objective.
2. The long-term investment objective of the endowment, is to achieve an annualized total

return (net of fees and expenses) of at least 5% over the rate of inflation (as measured by the Consumer Price Index ("CPI")). This objective should be achievable within risk levels defined by the Committee.

3. Investment performance directly impacts the balance sheet of the University and the ability to meet its bond covenant obligations. A financial objective of the endowment is to support the University by providing financial stability.

D. Management and Investment Guidelines

These guidelines are consistent with prudent investor standards as well as the standards in accordance with Maryland Law and the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by Maryland on April 14, 2009.

Subject to the intent of a donor expressed in a gift instrument, the University, in managing and investing the endowment, shall consider the charitable purposes of the University and the purposes of the endowment.

In addition to complying with the duty of loyalty imposed by law, each person responsible for managing and investing of the University's endowment shall manage and invest the fund exercising ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision.

In managing and investing the endowment, the University may incur only costs that are appropriate and reasonable in relation to the assets, the mission of the University, and the skills available to the University and shall make a reasonable effort to verify the facts relevant to the management and investment of the portfolio.

The following factors, if relevant, must be considered when making endowment investment management decisions:

a. General economic conditions;
b. The possible effect of inflation or deflation;
c. The expected tax consequences, if any, of investment decisions or strategies;
d. The role that each investment or course of action plays within the overall endowment portfolio;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the University;
g. The needs of the University and the funds to make distributions and to preserve capital; and,
h. The special relationship or special value of the asset, if any, to the mission of the University.

Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the endowment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment and to the University.

The University shall diversify the investments of the endowment unless the University prudently determines that, because of special circumstances, the purposes of the endowment are better served without diversification. A decision not to diversify must be reviewed as frequently as circumstances require, but not less than annually.

Within a reasonable time after receiving real property designated for the endowment, the University shall make and carry out decisions concerning the retention or disposition of the property or to rebalance the portfolio, in order to bring the portfolio into compliance with the purposes, terms and distribution requirements of the University, as necessary, to meet other circumstances of the University and the requirements of UPMIFA.

A person that has special skills or expertise, or is selected in reliance on the representation by the person that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the University's endowment portfolio.

E. Investment Policy Statement Review

The Investment Policy Statement may be altered or amended at any time by the Investment Committee, but shall be formally reviewed at least annually by the Committee to determine whether modifications are necessary.

F. Description of Roles

1. Board of Trustees

   The University is managed by its Board of Trustees which has ultimate responsibility for all aspects of the University's operations and existence. The members of the Board are fiduciaries charged with the oversight of the management of the assets of the endowment. As such, the Board is authorized to delegate certain responsibilities to committees as well as certain professional experts in various fields. The Board discharges its endowment investment duties by the establishment of the Investment Committee. The Investment Committee consists of persons in whose skills and expertise it has confidence, vesting in them the responsibility for the overall fiscal management of the endowment.

2. Investment Committee

   The Investment Committee ("the Committee") is charged with the responsibility for directing the investment of the endowment assets according to this Policy. Committee members shall discharge their duties solely in the interests of the University, in good faith, and with the care an ordinary prudent person in a like position would exercise under similar circumstances. In addition, Committee members agree to refuse any remuneration, commission, gift, favor, service or benefit that might tend to influence them in the discharge of their duties or shall recuse themselves from voting when such a conflict arises. This policy is in addition to the overall University Conflict of Interest Policy by which each Committee member has agreed to operate.

   The Committee shall:

   a. Establish investment objectives for the endowment portfolio;
   b. Establish ranges for asset allocations including security types, capitalization sizes and manager styles;
   c. Select investment advisor, custodian and other third-party service providers as necessary to assist the Committee in carrying out its responsibilities; monitor performance and terminate, as appropriate;

d. Review any relevant reports from the investment advisor in connection with the selection of investment managers which have been selected by the investment advisor;
e. Select, and as appropriate, terminate investment managers;
f. Review the performance of each investment manager and the overall portfolio on at least a quarterly basis, or as necessary, to assure adherence to policy guidelines and stated investment objectives; and,
g. Review, as needed, the performance of the investment advisor.

3. Office of the Vice President for Finance and Treasurer
The Office of the Vice President for Finance and Treasurer will perform a variety of portfolio infrastructure functions, including, but not limited to, investment manager review, custody oversight, accounting and portfolio administration to support the Committee in its assessment of portfolio performance, strategy and compliance. The Vice President for Finance and Treasurer has daily responsibility for administration of the endowment and will consult with the Committee and the investment advisor on all material matters relating to the endowment portfolio.

4. Investment Advisor
The investment advisor ("the advisor") is responsible for assisting the Committee and the Office of the Vice President for Finance and Treasurer in all aspects of managing and overseeing the endowment portfolio. On an ongoing basis the advisor will:

a. Recommend asset allocations for review and approval;
b. Research, evaluate and recommend investment managers to oversee investments within pre-established allocation ranges;
c. Review all communications from managers, including but not limited to, investment reports, SEC filings, audited financial statements and agreements and amendments thereto.
d. Analyze and/or monitor portfolio holdings, style attribution, operational and risk management procedures, redemption request deadlines and alternative investment valuations;
e. Prepare regular reporting including market valuation, performance and portfolio structure information regarding the University's endowment, together with comparisons to relevant benchmarks and objectives;
f. Contact investment managers periodically to review performance and to confirm that the investment approach remains consistent with that for which the firm was retained;
g. Provide a formal evaluation of investment results and investment policy compliance on a quarterly basis;
h. Develop and maintain appropriate benchmark indices of performance;
i. Share relevant research and provide the Committee with reports (e.g., asset allocation studies, investment research and education, etc.) or information as reasonably requested; and,
j. Review this Policy with the Committee on an annual basis.

5. Investment Custodian
The investment custodian ("the custodian") has the daily responsibility for the accurate and timely

reporting of manager transaction and valuations. The custodian will provide monthly statements to the Office of the Vice President for Finance and Treasurer and the investment advisor.

6. Investment Responsibilities
   Appendix A summarizes the major responsibilities of the Committee, investment advisor, investment custodian, and Office of the Vice President for Finance and Treasurer.

G. Annual Distribution

The University has a policy of appropriating for distribution each year up to 5% of its endowment funds' average fair value using the prior three years through the fiscal year-end two years prior to the fiscal year in which the distribution is planned. In establishing these policies, the University considered the expected return on its endowment. The University expects the current spending policy to allow the endowment to grow at a rate exceeding expected inflation, consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The spending policy is reviewed on a regular basis and may be modified as required.

In accordance with UPMIFA, subject to the intent of a donor expressed in the gift instrument, the University may appropriate for expenditure or accumulate so much of the endowment as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in the endowment are donor-restricted assets until appropriated for expenditure by the University. In making a determination to appropriate or accumulate, the University shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

a. The duration and preservation of the endowment;
b. The mission of the University and the endowment;
c. General economic conditions;
d. The possible effects of inflation or deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the University; and,
g. The investment policy of the University.

II. INVESTMENT PHILOSOPHY

A. Strategy

The Committee understands the long-term nature of the endowment and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities (public and private), including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection.

Fixed income and flexible capital strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the endowment, but is a residual to the investment process and used to meet short-term liquidity needs.

B. Asset Allocation

Asset allocation will likely be the key determinant of the endowment's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total endowment, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the endowment, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. The targeted allocation is set forth in Appendix C.

C. Asset Class Objectives

Each asset class plays a certain role in the portfolio as described below:

Global Equity	
Public Equity	These assets are liquid ownership claims on the growth opportunities provided by U.S. public corporations and are included in the portfolio for capital appreciation. Equities are expected to provide a long-term hedge against inflation, and have historically outperformed fixed income over long periods of time. However, this risk premium over fixed income is needed to compensate investors for the greater risk or volatility of these assets over short- to intermediate-periods of time.
Private Equity	Private equity broadly refers to non-public investments in companies that are less liquid and are expected to outperform the public equity market. Generally these investments are made as equity but may also include mezzanine or sub-debt structures. These strategies are commonly segmented into three categories: venture capital investing, buyout investing, and special situations (distressed). Investments in private equity should be diversified by strategy and vintage year.
Flexible Capital (Hedge Funds)	
Hedged Equity	Hedged equity strategies opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, may use leverage, and actively manage market exposure.
Absolute Return Hedge Funds	Absolute return hedge fund strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: equity market neutral, fixed income arbitrage, merger arbitrage, convertible arbitrage, and relative value arbitrage. Investments may require liquidity constraints (annual in many cases).
Fixed Income	

Interest Rate Sensitive (Global)	The goal of the interest rate sensitive portion of fixed income is to provide income and stability for overall performance and as a diversifier to equities and other investments. Interest rate sensitive investments often include "core" fixed income holdings such as high-quality bonds. The interest rate sensitive portion of the fixed income pool is also expected to provide a hedge against deflation. Foreign fixed income holdings are subject to impacts of currency movements and changes in interest rates.
Credit	Credit investments include fixed income opportunities where the yield (and expected total return) is generally higher than "core" strategies that may be included in the interest rate sensitive category. Credit investments will generally exhibit greater risk than core fixed income.
Real Assets	
Real Estate	Real estate is expected to provide an inflation hedge as well as diversification relative to other investments. Real estate investments include private real estate as well as public real estate through REITs. REITs are liquid, but performance may be affected by movements in the stock market. Private real estate is a purer allocation to real estate and may benefit from specialized manager knowledge but requires liquidity constraints (10-year commitment in many cases).
Natural Resources /Commodities	Natural resources include private energy/renewables/energy transition, infrastructure, timber, and commodities. Commodity investments made through the futures market are usually liquid, but may be affected by supply/demand issues potentially diluting the desired allocation. Private investments provide a purer natural resource exposure and may benefit from specialized manager knowledge but require liquidity constraints (10-year commitment in many cases).
Treasury Inflation-Protected Securities (TIPS)	Investments in fixed income securities that are structured in an effort to provide inflation protection through principal adjustments that are directly linked to changes in CPI. Although the coupon rate is constant, actual dollar interest changes as the coupon rate is multiplied by the adjusted principal.
Cash	
Cash	Cash has underperformed stocks and bonds, and has barely outperformed inflation over long periods of time. Given the opportunity cost of holding cash, it should not be used as a strategic investment.

D. Risk

The endowment should experience risk as measured by volatility or variability of return not materially higher than that of its composite benchmark.

E. Restricted Investments

Certain funds are obtained by the University through donations wherein the donor has placed restrictions on the form of investment to which these amounts may be applied, whether directly, by specifying qualifying investment vehicles, or indirectly, by stipulating a higher-than-normal spending rate. Such funds will be invested in accordance with the donor's requirement to the extent such requirement is a condition of the gift, and will be segregated from the total pool of available funds subject to the present investment guidelines with respect to asset allocation.

F. Rebalancing

The portfolio will be constructed to be at the targeted allocation set forth in Appendix C. The Committee has set forth acceptable ranges of each asset class' targeted allocation. The investment advisor will monitor the portfolio allocations on a quarterly basis to determine whether any rebalancing actions are necessary to bring asset allocation in line with prescribed policy ranges. If the portfolio moves outside of the ranges, the investment advisor will develop a recommendation for the Committee of actions needed to rebalance. The additions of new money or withdrawals for spending may be used to rebalance.

G. Liquidity

Liquidity is necessary to meet the annual distribution requirements and any extraordinary events. The Committee understands that in many instances, the most appropriate investment option is one that comes with liquidity constraints. This tradeoff will be considered throughout the portfolio construction process.

Although some degree of portfolio illiquidity is permissible, it is expected that the majority of the endowment will be invested in publicly traded securities through vehicles which will provide monthly, if not daily, liquidity. The recommended guidelines for liquidity are as follows:

- No less than 35% of the assets of the endowment should be liquid within thirty days (e.g., publicly traded equities, bonds, cash, TIPS, etc.)
- No less than 60% of the assets of the endowment should be liquid within one year

H. Transaction Execution

Except under unusual circumstances, all security trades should be entered into on the basis of best execution or best net realized price. Commissions may be designated for the payment of investment-related products and services, provided that such directed trades do not significantly compromise the overall goal of best execution.

I. Illiquid and Semi-Liquid Investments

Illiquid investments include private equity and private assets. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

J. Socially Responsible Investing

Although its primary objective is to maximize return, the Committee acknowledges there are compelling moral and social considerations in the administration of the endowment funds. Subject to the Committee's determination, such considerations may preclude investment in certain companies, industries or countries regardless of apparent investment attributes.

As a Jesuit, Catholic institution of higher education, one that cares for our common home, the planet and its people, we are committed to responsible investing. Consideration of environmental, social and governance practices of the companies/managers the Portfolio invests in is consistent with the Committee's fiduciary duties given that such practices can have a material impact on the investments. Business practices that include safe and supportive work environments, products that build economic strength, and activities that benefit the disadvantaged, including charitable giving, enhance the financial security and long-term sustainability of companies in which the Portfolio invests. Poor business practices related to human rights, the workplace and the environment can pose reputational, financial, *operational and legal risks. Consistent with the University's mission, core values, and strategic priorities, the Committee consider investments that are consistent with the transition toward a low-carbon economy, equity and social justice and our high standards for investment rigor and diligence.*

The Portfolio will seek to avoid direct investments in any fossil fuel companies; however, it is understood there may be some indirect fossil fuel exposure through commingled funds.

In addition, the Investment Committee and Investment Consultant will consider investment opportunities in 1) managers with a demonstrated record in fostering environmental sustainability and 2) strategies that facilitate the energy transition to cleaner sources of energy.

The Investment Advisor shall monitor and assess the ESG (environmental, social, and governance) policies and efforts of existing and prospective managers within the portfolio. The Committee expects annual impact reports from all current managers that include a carbon footprint. Managers will be engaged and given a numerical score based on the extent to which they have ESG policies in place, and whether or not those policies are being followed. The Fund will be scored in aggregate, and progress tracked over time.

III. EVALUATION AND PERFORMANCE MEASUREMENT

The advisor is responsible for monitoring the performance of current managers and proactively providing the Committee with recommendations for new managers.

The identification, selection, and management of managers in specific market segments is essential to achieving the target asset allocation. As part of the due diligence process, the investment advisor will carefully review both quantitative and qualitative factors for each organization. Specific requirements are contained in Appendix B.

IV. GUIDELINES AND RESTRICTIONS

A. Overview

In today's rapidly changing and complex financial environment, no list or types of categories of investments can provide continuous adequate guidance for achieving the investment objectives set forth in this Policy. As such, any list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the investment of the University's endowment assets.

B. Manager Diversification

The University will invest a portion of its portfolio in active managers to generate superior, relative risk-adjusted performance, net of all expenses. Passive mandates may be used in more efficient (occasionally in less efficient) segments of the capital markets, and also to gain temporary market exposure until active management can be retained. The allocation to an active direct manager mandate may not exceed 10% of the market value of the endowment without Investment Committee approval.

DEFINITIONS: See Statement of Policy, Section I

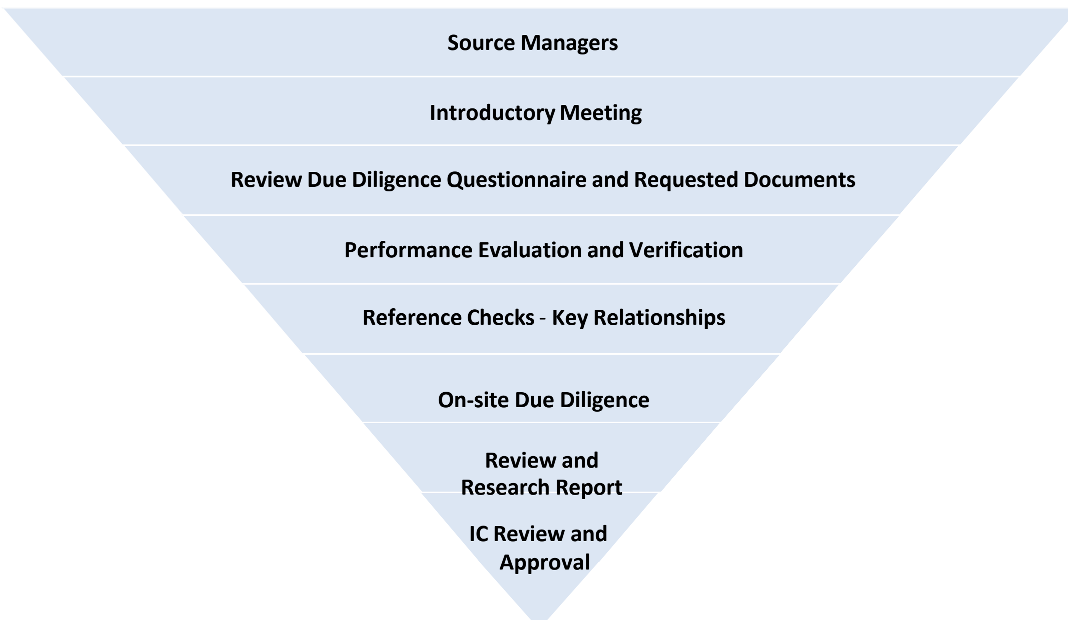
CROSS-REFERENCED POLICIES: None

Appendix A: Allocation of Investment Responsibilities

Responsibility	Investment Advisor(s)	Investment Committee	Investment Custodian	Office of VP Finance & Treasurer
Investment Policy Statement		Determines		Develops and Recommends
Investment Advisor(s) Performance		Determines		Monitors
Rebalancing and Tactical Allocation within Ranges	Develops and Recommends	Determines		
Asset Class Manager Selection	Develops and Recommends	Determines		
Performance Measurement and Evaluation	Monitors and Reports	Monitors	Reports	Reconciles
Regulatory Changes	Monitors			Monitors

Appendix B: Conducting Research on Recommended Managers

The manager evaluation and selection process narrows the manager candidates from idea generation to formal recommendation. All managers that proceed through the manager selection process are evaluated according to the criteria outlined below. Only those that meet all of the criteria proceed to the formal research report. The steps that follow encompass the entire research process. These detailed due diligence steps may vary between liquid and illiquid investments to address risks specific to the investment vehicle and mandate.



Appendix C: Asset Allocation

Asset Class		Target (%)		Range (%)
Global Public Equity		**42.5**		**30-55**
Domestic				
International Developed				
Emerging Markets				
Global Private Equity		**25**		**5-35**
Flexible Capital		**15**		**10-20**
Hedged Equity				
Absolute Return				
Real Assets		**7.5**		**0-12.5**
Real Estate				
Natural Resources and Commodities				
TIPS				
Fixed Income		**10**		**5-15**
Interest Rate Sensitive (Global)				
Credit				
Cash		**0**		**0-5**
Total Assets		**100**		