

**WEST VIRGINIA UNIVERSITY
BOARD OF GOVERNORS
POLICY 43**

**INVESTMENT POLICY
West Virginia University**

I. GENERAL

1. Scope: Policy regarding investment of West Virginia University funds with the West Virginia University Foundation
2. Authority: W. Va. Code § 12-1-12d
3. Effective Date: September 9, 2011

II. PURPOSE, PHILOSOPHY AND DEFINITION OF TERMS

A. Purpose

1. As per West Virginia Code § 12-1-12d, the West Virginia University (the “University” or “WVU”) Board of Governors (the “Board”) may invest certain funds with the West Virginia University Foundation, Incorporated (“WVU Foundation”, “its nonprofit foundation” or “Investment Agent”). The University has therefore set up the Unrestricted Investment Pool (“Unrestricted Investment Pool”) comprised of the moneys of the University that are collected under an act of the Legislature for specific purposes. The moneys invested in the Unrestricted Investment Pool may not be more than the amount set forth in W. Va. Code § 12-1-12d (2011) or as later amended. The Board is charged with the responsibility of establishing an Investment Policy in accordance with the Uniform Prudent Investor Act for those moneys invested in the Unrestricted Investment Pool. The Unrestricted Investment Pool was created to facilitate prudent asset management in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as article six-, chapter forty-four of the West Virginia Code. In light of this, due regard should be given to the importance of preservation of capital; diversification; risk tolerance; rate of return; and liquidity within the Investment Pool. The provisions, terms and conditions of this Investment Policy govern the WVU Unrestricted Investment Pool.
2. This document provides the framework for the investment, maintenance, and enhancement of the Unrestricted Investment Pool.
3. It is expected that the guidelines, policies, and other specifications delineated herein will be reviewed annually and updated or modified as necessary to reflect changes in the needs of WVU as it relates to the Unrestricted Investment Pool.

B. Investment Philosophy

The Board believes that its Unrestricted Investment Pool should be managed in a manner that is consistent with the philosophy of the Board and in accordance with the cited W. Va. Code. The Board recognizes that in any economy, over an appreciable time period, unsupervised assets will be subjected to an inflationary loss of purchasing power as well as market risk. The Board also recognizes that over the long term, the risk of owning equity, and equity-equivalent, investments has been, and may continue to be, rewarded with a somewhat greater return than that available from fixed income investments. The role of fixed income, and fixed income-equivalent, investments is to reduce risk in the overall Unrestricted Investment Pool.

III. RESPONSIBILITIES

A. General Responsibility of the West Virginia University Board of Governors

The Board has general responsibility for the management of University business affairs. In a Resolution dated February 8, 2002, the Board delegated certain responsibilities to the President of West Virginia University (the “ President”) as it was “prudent for the Board to delegate certain power and control over the University’s affairs to the President of the University. Also, in making this delegation of authority, this Board authorizes the President, in turn, to make such further delegations of authority to others as the President may deem necessary and appropriate for the day to day management of the business affairs of the University.”

As such, the President has delegated certain responsibilities to the Unrestricted Investment Pool Investment Committee (“the Investment Committee”), made up of members of the University Planning Committee and chaired by the Provost.

In accordance with W. Va. Code § 12-1-12d(e), the Investment Committee shall take into consideration the following:

- Preservation of capital;
- Diversification;
- Risk tolerance;
- Rate of return;
- Stability;
- Turnover;
- Liquidity; and
- Reasonableness of fees.

B. Specific Responsibilities of the Investment Committee

1. Develop and promulgate a sound and consistent portfolio strategy, addressing items such as financial and investment objectives, asset allocation, and general maintenance guidelines; e.g. diversification and quality guidelines;
 - a. Reviewing the written portfolio strategy at least annually.
2. Communicating clearly the major duties and responsibilities of those qualified Agents accountable for achieving investment results and to whom specific responsibilities have been delegated;
3. Monitoring and evaluating results to ensure that the portfolio strategy is being adhered to and that policy objectives are being met.
4. Supervising the Investment Agent and / or taking action directly, under appropriate circumstances, to discharge an investment manager or advisor for failing to perform in terms of stated expectations or to abide by this Statement of Investment Policy (the “Investment Policy”);
5. Undertaking such work and studies as may be necessary to keep the Board adequately informed as to the status of the Unrestricted Investment Pool; and
6. Communicating with the Board on an annual basis about the portfolio strategy and investment activity.

IV. OBJECTIVES

A. Financial Objective

WVU has established an Unrestricted Investment Pool for the purpose of facilitating prudent asset management to provide a source of investment income, from the unrestricted funds subject to the administrative control of the University that are collected under an act of the Legislature for specific purposes and do not include any funds made available to the University from the state general revenue fund or the funds established in sections eighteen or eighteen-a, article twenty-two, chapter twenty-nine of the West Virginia Code. Implicit in this objective is the financial goal of preserving capital, while enhancing the fund’s inflation-adjusted purchasing power through investment performance, measured on a total return basis over a market cycle vis-a-vis a Blended Benchmark.

B. Investment Objective

In meeting the financial objective of the Investment Pool, the Board seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk. As such, the investment objective of the Investment Pool is to attain an average annual real total return (net of investment management fees) of at least 4.0% as measured over rolling five-

year periods. It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods. This objective should be attainable within risk levels defined by this policy.