Investment Policy Statement

I. INTRODUCTION

II. OBJECTIVES

III. STRATEGIC ASSET ALLOCATION FRAMEWORK

IV. REBALANCING AND SPENDING

V. MONITORING AND REVIEW

VI. ACCEPTANCE AND AUTHORIZATION

VII. APPENDICIES
I. INTRODUCTION

PREAMBLE

Concordia University, Nebraska and Concordia Foundation Nebraska (the “University”) desires to increase its Endowment fund (the “Endowment”) through additions to the principal of the fund and through prudent and effective investment management of the fund. At the same time, the University seeks to distribute earnings from the Endowment that will provide inter-generational equity for current and future students in their preparation for lives of learning, service and leadership in the church and world. To that end, the Board of Regents (“Board”) of Concordia University, Nebraska has approved this Investment Policy Statement (“Policy”) and has done so upon the recommendation of the Investment Committee (the “Committee”).

The Board is ultimately responsible for the management and investment of institutional funds as defined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Nebraska and, thus is obligated to “manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.” This Policy is intended to comply with that Act and shall be all times interpreted in a manner consistent with the Act.

The Board has charged the Committee and the Chief Financial Officer (CFO) of the University with specific duties and responsibilities as defined and detailed herein. The Endowment’s management is given direction and oversight by the Committee. The Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

PURPOSE

This Policy has been established to facilitate a clear understanding of the investment policy and objectives between the Committee and the Endowment’s Outsourced Chief Investment Officer (“OCIO”). This Policy also sets forth the guidelines and restrictions to be followed by the OCIO. It is the intention of this Policy to be sufficiently specific to be meaningful and flexible enough to be practical.

The University recognizes the need for the Endowment to support current operations, faculty growth and scholarships of the University and to focus on the long-term growth of assets. Long-term asset growth enables the Endowment's continued existence for the benefit of future generations of students, staff and faculty. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with capital preservation and "real" (inflation-adjusted) growth of assets, is crucial to the long-term success of the Endowment. Preservation of capital is of primary importance within the stated objectives of the Endowment. The overall investment philosophy shall be to manage the Endowment assets in a prudent, conservative, yet productive manner.
SCOPE

The Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. This Policy applies to all assets that are included in the Endowment's investment portfolio for which the Committee has been given discretionary investment authority. The Committee will review all policies, objectives and guidelines on a regular basis. This Policy shall be used by the Board, the Committee and the CFO in fulfilling their duty to oversee (in supervising, monitoring and evaluating) the Endowment’s investment portfolio.

DEFINITION OF DUTIES

BOARD OF REGENTS

The Board has the ultimate fiduciary responsibility for the Endowment. The Board must ensure that appropriate policies governing the management of the Endowment are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board approves the Investment Policy Statement and delegates responsibilities to the Investment Committee and CFO for implementation and ongoing monitoring. The Board will receive quarterly performance reports and a periodic review of the Investment Policy Statement from the Committee.

INVESTMENT COMMITTEE

The Committee is a committee of the Board. Its primary function is to assist the Board in (1) fulfilling its fiduciary responsibilities regarding the effective stewardship of the Endowment; (2) ensuring that the policies of the Endowment connect to the University’s mission, vision and long-term strategic plan. Responsibilities include:

- Implementing this Policy as adopted by the Board and reviewing it on a regular basis; recommending amendments to the Board as necessary.
- Engaging a firm to provide OCIO services.
- Leading the development of strategic goals for the Endowment, acting as a liaison between the Board, Finance Committee, OCIO and staff.
- Establishing investment strategy and strategic asset allocation that is in accordance with the strategic goals of the Endowment.
- Educating the Board on topics relevant to its fiduciary responsibility for the Endowment, including policy decision implications for investment performance.

Members of the Committee are appointed by the Chair of the Board. The Chair of the Committee shall be a member of the Board and is appointed by the Chair of the Board.

CHIEF FINANCIAL OFFICER

The CFO is an executive officer of the University. In relation to the Endowment’s investment portfolio, the CFO’s primary function is to assist the Committee in fulfilling its fiduciary responsibilities. The CFO has oversight responsibility for the administration of the Endowment and will consult with the Committee on all material matters relating to the administration of the Endowment. The CFO will serve as primary contact for the OCIO, Custodian and Endowment Fund Administrator. The CFO will report quarterly to the Committee.
ENDOWMENT FUND ADMINISTRATOR

The Endowment Fund Administrator under the direction of the CFO will provide the necessary administrative services for the Endowment. Such services include:

- Daily administration of the Endowment.
- Recording and accounting of endowment fund receipts, income, gains/losses, and disbursements.
- Disbursing endowment funds according to the approved spending policy and in support of each endowment’s purpose.
- Assisting the University in reporting individual endowment results to our generous donors.

OUTSOURCED CHIEF INVESTMENT OFFICER (“OCIO”)

The OCIO, as selected and retained by the Committee, will have discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within the guidelines, constraints and philosophies as outlined in this Policy. The OCIO will have the discretion for the selection and ongoing management of underlying advisors as well as the execution of portfolio management at the total fund level. Investment strategy and implementation choices should be reported to the Investment Committee at periodic review meetings. The OCIO will also have the responsibility of providing advice in areas such as asset allocation, policy revision, spending, and portfolio rebalancing.

A matrix describing decision-making responsibilities for all involved parties is attached as Appendix A.

II. OBJECTIVES

The primary investment objective of the Endowment is to achieve an annualized total return (net of fees and expenses) over a full market cycle which equals or exceeds the assumed spending rate plus the rate of inflation. The overall rate of return objective is a reasonable “real” (inflation-adjusted) rate, consistent with the risk levels established by the Committee. It is expected that the portfolio will outperform on a risk-adjusted basis, net of fees, the custom benchmark index identified in Appendix B.

III. STRATEGIC ASSET ALLOCATION FRAMEWORK

ASSET ALLOCATION AND LIQUIDITY

The strategic asset allocation is determined by the Committee to facilitate the achievement of the long-term investment objectives within the established risk parameters. Due to the fact that the allocation of funds between asset classes may be the single most important determinant of the investment performance over the long run, assets shall be invested in a diversified portfolio, consisting primarily of common stocks, bonds, and other investments, which may reflect varying rates of return.

The portfolio may include what the general investment community considers alternative and non-standard assets for investment purposes. The Committee recognizes that the alternative
investments strategies may provide added benefits in the form of increased return and/or reduced volatility through greater diversification. These investments are typically in real estate, energy production, private equity, venture capital, hedge funds, managed futures, leasing and others. These investments are often formed through limited partnerships and limited liability companies as vehicles. The potential for unrelated business taxable income (UBTI) should be evaluated when making investment decisions.

Assets managed under the specified allocation shall retain a majority percentage of the total assets as liquid, which shall be defined as readily able to become cash within seven (7) business days. The Committee may invest a portion of the portfolio in alternative investments. It is understood that liquidity in such investments may be limited and may have long-term time horizons. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments. The Committee will not invest more than thirty percent (30%) of the total assets of the portfolio into investments that are illiquid.

The strategic asset allocation as determined by the Committee is attached as Appendix B. The strategic asset allocation shall be reviewed by the Committee at least annually. Interim review may occur if significant changes occur affecting the Endowment, or the Endowment’s financial position, or if the Committee otherwise so directs. Modification of the strategic asset allocation shall not require amendment of this Policy.

The OCIO shall provide regular reports regarding the Endowment. In addition, if significant changes occur to the Endowment, including its financial position, or to the financial markets, the OCIO shall provide a prompt update to the Committee along with any appropriate recommendations.

RISK GUIDELINES

The Committee recognizes the difficulty of consistently achieving investment objectives in light of the uncertainties and complexities of investment markets. The Committee also recognizes that some risk (i.e. volatility) must be assumed in order to achieve long-term investment objectives.

Risks that should be considered and avoided include the constant changing of policy or strategy based on recent market conditions; an extremely aggressive investment posture that could restrict liquidity and limit flexibility; or an extremely conservative posture that could, over time, reduce the real contribution made by the Portfolio to funding needs.

The Portfolio allocation is expected to provide sufficient portfolio diversification in order to achieve an aggregate risk (volatility) for the Portfolio that is similar or lower than that of a policy benchmark weighted to match the asset mix of the Portfolio.

GIFTS

Any gifts received in the form of readily marketable securities shall be liquidated as soon as administratively possible and reinvested according to the target asset allocation. All transactions shall be entered into on the basis of best execution. At times, in response to donor direction or other needs of the University, certain gifts, particularly non-cash gifts, may be managed as a separate investment and not comingled with the Endowment’s investment portfolio.
IV. REBALANCING AND SPENDING

CASH FLOWS/REBALANCING

New net cash flows (contributions less distributions) into the Endowment will be allocated to the OCIO and will first be used to rebalance the Endowment in accordance with the target asset allocation.

Periodic rebalancing is necessary to keep the Portfolio allocation from shifting too far from policy guidelines. The allocation found in Appendix B represents a long-term perspective. As such, the Committee recognizes that rapid unanticipated market shifts or changes in economic conditions may lead to wide deviations from the allocation targets and range. Generally, these divergences should be of a short-term or tactical nature in response to fluctuating market environments. It is recognized that short-term deviations can also occur from periodic short-term impediments imposed by illiquidity of private market investments.

The decision making and initiation of trades to fulfill rebalancing needs is delegated by the Committee to the OCIO as outlined in Appendix B.

SPENDING

The expenditure of funds out of the Endowment is determined by using a “hybrid” spending rule that takes into account the prior year’s spending as well as the current market value. The Board believes that this spending rule is the best option to stabilizing year-to-year spending for budgeting purposes while maintaining the Endowment’s purchasing power over time. The spending rule calculation is in Appendix C.

V. MONITORING AND REVIEW

PERFORMANCE

The performance of the Total Portfolio will be measured quarterly on both an absolute and relative basis.

1) Absolute Performance: As stated previously, the desired financial objective is to earn an annualized long-term rate of return, net of fees, equal to or exceeding annual spending plus inflation. The Committee recognizes that market performance varies widely in the short-term and that any specified rate of return likely will not be attained during all periods.

2) Relative Performance: The Portfolio’s composite benchmark will equal the sum of each underlying investment / fund benchmark weighted by its target allocation. Performance comparisons will be made over various time periods, with particular attention paid to rolling full market cycles. The performance of total portfolio may also be compared to an appropriate peer group universe.
All official performance calculations are to meet the guidelines established by the CFA Institute and the Global Investment Performance Standards (GIPS).

OUTSOURCED CHIEF INVESTMENT OFFICER (OCIO)

Periodically the Committee will undertake a detailed review and assessment of the OCIO.

ENDOWMENT FEES

The Committee has the authority to engage various parties to assist it in fulfilling its duties. This includes the engagement of the OCIO and Endowment Fund Administrator. The various fees assessed for these services are charged against the Endowment and are periodically reviewed by the Committee.

POLICY REVIEW

The Board will establish, approve, and revise as necessary appropriate investment policies objectives and strategies for all Portfolio assets. The Committee will regularly review the implementation of the Policy and monitor the attainment of financial and investment objectives. Any change to the main body of the Policy requires the approval of the Board.

VI. ACCEPTANCE AND AUTHORIZATION

This Investment Policy Statement is adopted on the date specified below by the Board of Regents of Concordia University, Nebraska. This acceptance is certified by:

Name:

Title:

Date:
## APPENDIX A  
### Governance Structure

<table>
<thead>
<tr>
<th>Fiduciary level</th>
<th>Policy and Strategy</th>
<th>Portfolio Management</th>
<th>Review and Control</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board</strong></td>
<td>Policy: Define fund objectives, spending, risk and liquidity</td>
<td>Strategy: Asset allocation, assetclass strategies and structure</td>
<td>Review IC decisions</td>
</tr>
<tr>
<td><strong>Investment committee</strong></td>
<td>Recommends to Board</td>
<td>Decides</td>
<td>Reviews quarterly</td>
</tr>
<tr>
<td><strong>Russell working with client</strong></td>
<td>Recommends</td>
<td>Recommends</td>
<td>Review Russell’s decisions</td>
</tr>
<tr>
<td><strong>Third party investment managers</strong></td>
<td>Recommends</td>
<td>Decides</td>
<td>Review mgrs/ control portfolio exposures</td>
</tr>
</tbody>
</table>

- **Policy**: Policy decision-making and oversight activities.
- **Strategy**: Strategy development and execution.
- **Portfolio Management**: Overseeing and reviewing portfolio management activities.
- **Dynamic Asset Allocation**: Actively managing risk and return objectives in real time.
- **Review and Control**: Review for compliance vs. objectives.

**Policy**
- Define fund objectives, spending, risk and liquidity

**Strategy**
- Asset allocation, assetclass strategies and structure

**Portfolio Management**
- Overviews
- Oversees
- Oversees
- Oversees
- Recommends
- Recommends
- Recommends
- Decides
- Decides
- Decides

**Review and Control**
- Reviews quarterly
- Review IC decisions
- Review Russell’s decisions
- Review mgrs/ control portfolio exposures
- Security selection Execution
- Compliance vs. guidelines
APPENDIX B
Strategic Asset Allocation & Rebalancing

<table>
<thead>
<tr>
<th>Asset Role/Strategy</th>
<th>Strategic Allocation</th>
<th>Evaluation Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth</strong></td>
<td>62.0%</td>
<td></td>
</tr>
<tr>
<td>RIFL Multi-Asset Core Plus Fund</td>
<td>62.0%</td>
<td>Multi-Asset Core Plus Composite Index*</td>
</tr>
<tr>
<td><strong>Return Enhancement/Diversifying</strong></td>
<td>23.0%</td>
<td></td>
</tr>
<tr>
<td>RIFL Absolute Return Fixed Income Fund</td>
<td>5.0%</td>
<td>Barclays 3-Month USD LIBOR Cash Index</td>
</tr>
<tr>
<td>CTF Real Estate Equity Fund</td>
<td>5.0%</td>
<td>NCREIF Fund Index Open-End Diversified Core Equity – Equal Weight Endowment &amp; Foundation Eligible</td>
</tr>
<tr>
<td>Russell Total Return Fund (Quarterly), Ltd</td>
<td>13.0%</td>
<td>HFRI Fund of Funds Diversified Index</td>
</tr>
<tr>
<td><strong>Risk Reducing</strong></td>
<td>15.0%</td>
<td></td>
</tr>
<tr>
<td>RIFL Core Bond Fund</td>
<td>15.0%</td>
<td>Barclays U.S. Aggregate Bond Index</td>
</tr>
</tbody>
</table>

*The Multi-Asset Core Plus Composite Index, used to measure the impact of manager and strategy selection, tactical tilts and portfolio structure decisions, and is appropriate over 3-5 year time periods, consists of:

- 75.0% Russell Global 50% Hedged Net Index
- 4.0% Bloomberg Commodity Index Total Return (USD)
- 4.0% FTSE EPRA/NAREIT Developed Real Estate Index (Net)
- 4.0% S&P Global Infrastructure Index Net (USD)
- 5.0% BofAML Global High Yield 2% Constrained Index Total Return (USDH)
- 5.0% JP Morgan EMBI Global Diversified Index
- 3.0% Barclays US 1-3 Month Treasury Bill Index

The University’s policy is to invest the Endowment’s portfolio according to the above allocation. The asset classes and investment strategies that fall within each of the three portfolio roles are detailed in Appendices D through F.

The OCIO will periodically report to the Committee, no less than at quarterly intervals, specific allocations to underlying investment strategies and funds that fall within the roles-based allocation ranges above.

The University has signed an Asset Allocation Certificate and Rebalance Authorization (“Certificate”) with Russell Trust Company (“Russell”) that sets forth the allocation of the assets held by Russell for the University and the process for maintaining said allocation. The Certificate specifies the investments and rebalancing policy in place, which may be amended over time as agreed upon by the Committee and Russell. Russell will be entitled to rely on this Certificate until such time as a replacement Certificate is received by Russell.
APPENDIX C
Spending Rule

The “hybrid” spending rule used to determine the expenditure of funds out of the Endowment is as follows:

\[ 70\% \times \text{prior year’s spend} \times (1 + \text{inflation}) + 30\% \times \text{(current portfolio value}\times 4-5\%) \]

* as of December 31st prior to the fiscal year in question
^ the Board sets the percentage used for each fiscal year within this range

The above methodology is designed to moderate spending during times of rising markets in order to preserve the ability to sustain mission support during times when markets are falling.
APPENDIX D
Portfolio Investment Role Strategy Statement - Growth

The purpose of this Statement is to further define asset classes and investment strategies that serve the “Growth” role within the University’s Policy and to set forth the respective investment objectives and strategic guidelines.

STRATEGIC ROLE

• Invest in a diversified portfolio that may include, but not limited to: Global Equities including Domestic, International Developed, Emerging Markets, liquid real assets such as listed infrastructure and Real Estate Investment Trusts (REITs), return-seeking fixed income such as high yield, and long/short equity strategies.

• Achieve returns in excess of passive indexes through the selective use of active investment strategies and investment managers, where active management is deemed appropriate by the OCIO.

STRATEGIES

• Opportunistic approach to investing “Growth” assets, which are dominated by equity market beta, by combining funds and separate accounts invested in a dynamic mix of asset classes and strategies for long-term asset growth, which may include making frequent or minor adjustments to the portfolio as relative investment opportunities arise in light of current and projected investment environments.

• Retain active management for the purpose of achieving added value, with diversification provided through multiple investment managers/strategies; emphasize active management in areas where the market is deemed less efficient and passive management in areas where the market is deemed more efficient.

INVESTMENT OBJECTIVES

• The investment objective is to provide a total return greater than the designated Growth composite benchmark.

• Peer-relative performance comparisons with managers employing similar styles may also be considered, especially when performance deviates meaningfully from market indices.

• These investment objectives are expected to be achieved over the long term and are measured over a full market cycle.

MONITORING AND CONTROL

• The returns and portfolio characteristics for the strategy are reported quarterly to monitor progress towards longer-term investment objectives.

• Due diligence meetings with investment managers may be held at least annually by the OCIO to review portfolio results, as well as to discuss guidelines and expectations.

• Consistent inability to meet investment objectives or significant organizational events will trigger a review of an investment manager/strategy by the OCIO.
APPENDIX E
Portfolio Investment Role Strategy Statement – Return Enhancement/Diversifying

The purpose of this Statement is to further define asset classes and investment strategies that serve the “Return Enhancement/Diversifying” role within the University’s Policy and to set forth the respective investment objectives and strategic guidelines.

STRATEGIC ROLE

- Invest in a portfolio, on an as-needed basis as opportunities arise in the market where otherwise excluded or limited in the Growth portfolio. These may include, but are not limited to: absolute return fixed income, private real estate, hedge fund strategies, and other opportunistic investment strategies that aim to further diversify the portfolio while or both improve the total return potential and/or decrease risk when combined with the “Growth” and “Risk Reducing” portfolios.
- Access to global opportunities and investments with idiosyncratic risk/return profiles, leverage market dislocations and compensation for illiquidity through the use of active investment strategies and investment vehicles, as deemed appropriate by the OCIO.

STRATEGIES

- Opportunistic approach to investing “Return Enhancement/Diversifying” assets, based on market dislocations, which have the potential to significantly increase total return potential of the overall Portfolio primarily via alpha or manager skill.
- Emphasize active management with diversification provided through utilization of strategies where alpha opportunity is market-sensitive, less liquid than “Growth” strategies and predominantly idiosyncratic

INVESTMENT OBJECTIVES

- The investment objective is to provide a total return greater than the designated benchmark(s).
- Peer-relative performance comparisons with managers employing similar styles may also be considered, especially when performance deviates meaningfully from market indices.
- These investment objectives are expected to be achieved over the long term and are measured over a full market cycle.

MONITORING AND CONTROL

- The returns and portfolio characteristics for the strategy are reported quarterly to monitor progress towards longer-term investment objectives.
- Due diligence meetings with investment managers may be held at least annually by the OCIO to review portfolio results, as well as to discuss guidelines and expectations.
- Consistent inability to meet investment objectives or significant organizational events will trigger a review of an investment manager/strategy by the OCIO.
APPENDIX F
Portfolio Investment Role Strategy Statement – Risk Reducing

The purpose of this Statement is to further define asset classes and investment strategies that serve the “Risk Reducing” role within the University’s Policy and to set forth the respective investment objectives and strategic guidelines.

STRATEGIC ROLE

- Invest in a core (plus) fixed income portfolio that may include, but not limited to: domestic fixed income of various durations, global fixed income, and, absolute return bond strategies. Select strategies held in the “Growth” and “Return Enhancement/Diversifying” portfolios also have risk reducing characteristics (e.g. Commodities, core private real estate, low volatility hedge fund strategies such as Relative Value and tail risk hedging strategies.
- Diversify the Organization’s “Growth” and “Return Enhancement” portfolios by investing in investment strategies and securities that exhibit a lower correlation to equity market beta, lower volatility and/or greater downside protection in periods of stress environments.
- Enhance the total portfolio’s risk/return profile through responding to changing market conditions and macro environments.
- Maintain a diversified exposure within the “Risk Reducing” portfolio and achieve returns in excess of passive indexes through the use of active investment managers and strategies.

STRATEGIES

- Diversify the portfolio across investment strategies and securities that ensure broad participation in consistent yield and total return generation at lower absolute volatility than other segments of the total portfolio.

INVESTMENT OBJECTIVES

- The investment objective is to provide a total return greater than the designated Risk Reducing/Diversifying composite benchmark. It should also provide effective diversification against market beta risk and a stable level of cash flow.
- These investment objectives are expected to be achieved over the long term and are measured over a full market cycle.

MONITORING AND CONTROL

- The returns and portfolio characteristics for the strategy are reported quarterly to monitor progress towards longer-term investment objectives.
- Due diligence meetings with investment managers may be held at least annually by the OCIO to review portfolio results, as well as to discuss guidelines and expectations.
- Consistent inability to meet investment objectives or significant organizational events will trigger a review of an investment manager/strategy by the OCIO.