

**Southern University System Foundation  
Request for Proposal  
Investment Advisory Services**

**Organization Background**

**Scope of Services**

Southern University System Foundation (“Foundation”) is seeking proposals from qualified firms to provide investment advisory and consulting services for its investment portfolio, and to assist in the management of its investment portfolio valued at approximately \$8 million as of 12/31/2015. A portion of the Foundation’s investments fall under the Louisiana Board of Regents Endowed Chair and Professorship Program (policy enclosed as Addendum A). Foundation is a 501(c)(3) created to support the teaching, research and public service missions, and programs of the Board of Supervisors of Southern University and Agricultural and Mechanical College, and the institutions under its supervision and management. The services requested are as follows:

- ❑ Advising the Board of Directors (“Board”) and Investment Committee (“Committee”) on various performance, risk, and compliance issues relating to its investment policies
- ❑ Advising the Board and the Committee on appropriate investment philosophy and capital market trends
- ❑ Preparing/presenting asset allocation strategy and studies, and proposals for investment manager searches
- ❑ Proposing recommendations to the Board and Committee for investment policies, asset allocation, and investment managers
- ❑ Periodic review and performance evaluation of policies, investments, and investment managers
- ❑ Provide regular investment performance reports
- ❑ Provide compliance monitoring and education
- ❑ Attending approximately four Committee and/or Board meetings per year
- ❑ Working alongside staff

**Minimum eligibility requirements:**

- ❑ The investment advisory firm must be a registered investment advisor under the Investment Company Act of 1940, and be an active CIMA (Certified Investment Management Analyst) licensee in good standing as of January 1, 2016.
- ❑ The investment advisory firm must have been in business for a minimum of five years.

- ❑ The individual assigned as lead consultant must have a minimum of ten years professional experience in the investment consulting/advisory field.
- ❑ The investment advisory firm must have provided investment consulting services to other 501(c) (3) foundations and endowments of comparable size or larger in the higher education sector.
- ❑ The investment advisory firm must be willing to accept co-fiduciary responsibility for the Foundation's account on behalf of your firm.

### **Timetable:**

The Committee, along with the Executive Director and/or his designee, are responsible for managing the RFP process. At the conclusion of the process, the Committee will recommend an investment advisory firm to the full Board for final approval. The following schedule has been set by the Committee and Board and may be changed if necessary. If the schedule changes, firms receiving the RFP will be notified by mail. In no event will the dates listed below be changed to earlier dates.

RFP Issuance.....	Week of February 15, 2016
RFP Questions Due.....	February 26, 2016
Answers to Questions .....	March 15, 2016
Proposals Due .....	March 31, 2016
Finalist(s) Notification.....	No later than May 20, 2016
Finalist(s) Presentations/Interviews.....	Week of June 27, 2016
Announce Board Selection and Begin Contract Negotiation .....	Week of July 25, 2016
Conclude Contract Negotiations and Execute Contract.....	August 31, 2016

### **Contact Person:**

Mr. Alfred E. Harrell, III  
 Executive Director  
 Southern University System Foundation  
 J.S. Clark Administration Building  
 Baton Rouge, Louisiana 70813

### **Proposals:**

All interested firms should submit eight bound copies in addition to one electronic copy (PDF) sent via email of their proposals to the Contact Person no later than 3:00 p.m. (CST) on April 8, 2016. Proposals received after the due date will not be considered.

The respondent shall be responsible for actual delivery of the proposal to the proper address on or before the deadline. Faxed proposals will not be accepted. All proposals become the sole property of the Foundation. Proposals are to address all questions in the order in which they appear in this RFP. Answers are to be concise and succinct and page limit maximums are to be followed. An appendix is to be presented as back-up information and not directly in response to questions.



Questions regarding this RFP are to be sent to the Contact Person listed above and are due according to the outlined schedule. All questions are to be in writing.

**Rules regarding proposal process:**

The Foundation reserves the right to request additional information from any or all respondents to assist in its evaluation process. However, no respondent may contact any Board, Committee or Foundation staff member, other than the Contact Person listed above, during the proposal period.

The Foundation reserves the right to amend the RFP at any time. If the amendment occurs after the proposal due date, the Committee may, in its sole discretion, allow respondents to amend their bid proposals, to respond to the amendment.

Respondents may amend their proposals. The amendment must be in writing, signed by the respondent, and received by the proposal due date unless an extension is granted by the Committee. E-mailed and faxed amendments will not be accepted.

The Foundation reserves the right to waive or permit cure of nonmaterial variances in a proposal, if in the Committee's judgment, it is in the Foundation's interest to do so. No such waiver or permission to cure shall modify the RFP requirements or excuse the respondent from full compliance with the RFP specifications or other contract requirements if the respondent is awarded the contract.

Information and/or factors gathered during interviews, negotiations and any reference checks, in addition to the evaluation criteria ranking, shall be the sole and exclusive property of Foundation.

Foundation shall not be responsible or liable in any manner for the risks, costs, or expenses incurred by any respondent in the preparation of its response to this RFP or for travel expenses incurred as the result of any interviews or presentations required by the Committee or the Board.

**Evaluation of proposals:**

Proposals will be evaluated by the Committee. During the evaluation process the Committee may, at its sole discretion, request any or all firms to make oral presentations.

**Finalists' presentations/interviews:**

At the Committee's sole discretion, the Committee will conduct interviews with one or more of the finalists. Each finalist will have a scheduled time to meet with the Committee, at which time the respondents may present additional information. It is highly recommended that the lead consultant be present at a finalist's presentation.

**Evaluation criteria:**

Evaluation criteria and point value will include:

1. Qualification and experience (20 points)

Organization

Quality of existing client relationships and references and recommendations from other clients

Investment, consulting and management capabilities

Financial strength

2. Investment Management Team (10 points)

Credentials, experience and reputation of the consulting team that will be working with Foundation, including relevant investment consulting and advisory experience of the firm and the individual consultants proposed

3. Methodology and approach (20 points)

Quality of the investment research provided and methodology utilized

Performance reporting capabilities

Proposed work plan, soundness of approach and understanding of Foundation's needs

4. Women and minority representation (15 points)

Commitment to inclusion of women and minorities on consulting team

5. Alumni representation (15 points)

Commitment to inclusion of Southern University Alumni on consulting team

6. Fees (20 points)

Competitiveness of management and advisory fees to be paid by Foundation

**Confidentiality**

All information presented in this RFP, including information disclosed by Foundation during the selection process, is to be considered strictly confidential. Information must not be released to external parties without the express written consent of Foundation.

All responses and other materials submitted in response to this RFP will become the property of Foundation. Foundation assumes no obligation and shall incur no liability regarding confidentiality of all or any portion of a response or any other material submitted in response to this RFP, unless expressly agreed in writing to protect specifically identified information.



## **Addendum B – Investment Policy**

Please refer to Addendum B — Foundation's current Investment Policy.

### **Contract negotiation:**

A written contract with the firm selected will be required. The Foundation reserves the right to negotiate the terms and conditions of the contract with the selected consultant. The contract awarded pursuant to this RFP shall include the RFP and any amendments thereto, the successful firm's proposal and any amendments thereto, and the specific terms and conditions of the negotiated contract.

### **Contract award:**

The Foundation reserves the right to award all, part, or none of this contract and may award contracts to more than one investment advisor if deemed appropriate and desirable. The Foundation reserves the right to reject all proposers.

### **Choice of law and forum:**

This RFP and the resulting contract shall be governed by the laws of the State of Louisiana, and venues for any actions shall lie exclusively in Louisiana. Firms are responsible for ascertaining the pertinent legal requirements and restrictions. Any and all litigation or other action commenced regarding this RFP shall be brought in the appropriate Louisiana forum.

### **Proposal Points to be Addressed:**

Please provide the requested information below as concisely as possible and do not include information that is not specifically requested.

#### ***A. Background of the consulting firm (4 page maximum)***

1. Please provide the full name of your organization, address, telephone and facsimile number, firm website, mailing address of your main or corporate office and the name and CIMA license # of the team member who holds an active CIMA license. Include a description of your firm's background and history, and an organizational overview including a description of the corporate structure of the firm, ownership details, year of founding in present form, including the legal form of the organization, the parent company (if applicable), and any affiliated companies. Also describe the relationship between each component of your firm and your consulting group. If any change to the firm's corporate structure is anticipated, please also note this.
2. Describe the services your firm provides and give the percentage of revenue derived from investment consulting.
3. Please indicate the number of years your firm has been performing investment services similar to those that you seek to provide to Foundation.

4. Within the last three years, have there been any significant developments in your organization such as changes in ownership, restructuring, personnel reorganization, terminations or investigations? Do you anticipate future significant changes in your organization?
5. Please describe your client base, including types of clients served, the number of non-profits for which your organization currently provides services, and how many of such non-profits are higher education related, the length of time of services and the range of asset values among your non-profit clients. Please provide a representative list of the current clients including the size and type of each such representative client and the number of years that services were provided by your firm to each.
6. Please disclose any and all conflicts of interest your organization has in serving as the Foundation's investment consultant. Disclose whether your firm has any financial or other affiliation with other brokerage firms, banks, insurance companies, investment banking firms, or money management firms. If any such affiliations exist, how does your firm protect against conflict of interest and protect confidentiality?
7. Is the firm willing to disclose upon client request, the dollar amount and nature of all material beneficial relationships that the firm or any affiliate of the firm, engages in with investment manager clients? If not, please explain.
8. Describe any material litigation, regulatory, or legal proceedings in which your firm or any of the principals are or have been involved over the past five years. Specifically highlight this information for the consultant(s) proposed for the Foundation's account.
9. Describe the levels of insurance coverage, including the amounts of errors and omission insurance and any other fiduciary professional liability insurance your firm currently has in force. Provide copies of all the relevant state and/or national licenses required to act as investment advisor/consultant/manager as appendices to your proposal packet.
10. What do you believe sets your organization's services apart from the competition, and allows your firm to generate superior performance and service levels?
11. Describe your firm's experience and capability for providing education to Foundation staff and Investment Committee and Board members

***B. Consultants (1 page maximum)***

1. How many investment consultants does your firm have? Do you plan to add additional investment consultants if you are the successful proposer?



2. Discuss the ways you manage growth including any limits to the client/consultant ratio. Please also provide your current client/consultant ratio.

***C. Standards of conduct (2 page maximum)***

1. Does your firm have a written code of conduct or set of standards for professional behavior? If so, how are they monitored and enforced?
2. Has your firm adopted the CFA Code of Ethics and Standards of Profession Conduct? If so, how is employee compliance monitored?
3. Within the last five years, has your organization or an officer or principal been involved in actual or threatened litigation, administrative or regulatory, or similar investigation proceedings relating to your investment consulting assignments? If so, provide an explanation and indicate the current status or disposition. Under disposition, include any censures or reprimands received from the regulatory bodies.
4. Has your firm ever been required to pay damages or penalties or trade or relinquish something of value under any of its existing or past contracts as it relates to services similar to those contemplated by this RFP? If so, describe the situation.

***D. Conflicts of Interest (2 page maximum)***

1. Are there any potential conflict of interest issues that your firm may have in servicing the Foundation? If so, describe them.
2. How does your firm identify and manage conflicts of interest?
3. Are there any circumstances under which your firm, or any other individual in your firm, receives compensation, finder's fees or any other benefit from investment managers or third parties? If yes, describe in detail.

***E. Consulting team (3 page maximum)***

1. Provide contact information for each consultant who will be assigned to the Foundation in the following format:
  - i. Name
  - ii. Business Address
  - iii. Business Phone
  - iv. Business Fax
  - v. E-Mail Address
2. Describe the role of each consultant for this assignment.

3. Describe the assigned consultant's experience with similar work performed for other foundations/endowments of higher education institutions.
4. State whether the individuals assigned to the work have any responsibilities other than providing consulting services, and if so, specify such responsibilities.

***F. Investment Process (5 page maximum)***

1. Comment on your "investment philosophy" and process for analyzing a client's portfolio structure and for recommending modifications and how it would pertain to the Foundation. How active will your management approach be towards the Foundation's portfolio?
2. Describe your manager due diligence/research process. How often does your staff visit with money managers in-house and onsite?
3. Describe the capabilities and differentiating features of your firm's manager research database. Is the database proprietary or purchased? Do you maintain an in-house database? Are managers charged fees for inclusion? How many managers are tracked? How is your database verified, updated and maintained?
4. Describe the firm's manager search process. How are the managers initially screened? What criteria are emphasized in the latter stages of a search? Is there a minimum number of years of live performance required or a minimum amount of assets in the strategy to be included in the search? What is your firm's process for evaluation, selection and recommendation of investment managers?
5. How many analysts are employed by your organization that are responsible solely for investment manager research? How many analysts are responsible for performance evaluation, performance attribution analysis, manager evaluation and due diligence, etc.?
6. Describe your firm's experience in researching, selecting and monitoring managers in alternative asset classes, such as hedge funds, private equity, real estate, portable alpha, and commodities.
7. Discuss the theory and methodology of your asset allocation modeling process. Is your asset allocation software developed in-house or externally?
8. How are your capital market projections derived? How is that information used to develop investment strategy for clients?
9. How would you assist Foundation's Board and Investment Committee in meeting their fiduciary responsibilities?



10. Describe the process you will use to assist the Foundation in the maintenance of its investment policy, spending policy, objectives and guidelines for its fund. Appendix A of this document contains Foundation's current Investment Policy. Please provide us with 3-4 key insights you wish for the Investment Committee to review as it relates to the Foundation's Investment Policy.
11. Address how you would structure the custody of Foundation's investment assets. Would an internal, external or blended approach be used?
12. Please provide four client references applicable to this RFP that the Foundation can contact. Include the contact name, title, address, telephone, e-mail, the length of time providing services and the level of assets under management

***G. Asset Allocation and Related Issues (4 page maximum)***

1. Is your firm capable of performing asset allocation modeling studies?
2. Discuss the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions?
3. Describe your policy of recommending changes to an academic foundation's asset allocation in response to changes in market environment.
4. Explain your firm's position/approach on the use of active versus passive management in major asset classes.
5. Describe your firm's capabilities and experience in the alternative investment arena. List the factors you would consider in recommending alternative investment options. Describe elements of a due diligence process for assessing the risk control and performance characteristics of such investments.
6. Describe your firm's methodology for identifying and evaluating investment opportunities.
7. What distinguishes your firm in the investment consultant industry?

***H. Investment policies (2 page maximum)***

1. Describe your approach to the development or modification of an investment policy statement, specifically as it would pertain to endowed assets under the Louisiana Board of Regents Endowed Chair and Endowed Professorship Program, as well as the Foundation's non-endowed portfolio.
2. Detail your process for the development of asset class structures, investment objectives, and risk control policies.

3. Describe your process for maintaining a continuous review and ongoing compliance with investment policies.

***I. Custodian Bank Database (2 page maximum):***

1. Does your firm maintain an in-house database of custodian banks? If not, from what vendor do you purchase the database? Do you utilize both? How many banks/products are contained in the database(s) you use?
2. For firms that have an in-house database:
  - i. Do you charge custodian banks direct or indirect fees to be included in your firm's database? If so, describe the fees.
  - ii. Do you sell the database to third parties? How do you receive compensation for selling it?
  - iii. Describe any advantages that you perceive your in-house custodian bank database has over your competitors.
  - iv. How often are custodian banks in your database reviewed? Under what circumstances are banks added to your database? Deleted?
  - v. Describe how your firm gathers, verifies, updates, and maintains the data collected on custodian banks for the database. Do you use surveys or meetings with custodian banks?

***J. Performance evaluation and reporting (3 page maximum):***

1. Can your firm provide custom benchmarks, including investment style benchmarks and universe rankings? Are the returns in your universe rankings actual client returns or composite returns as reported by managers?
2. What amount of input does the client have in the content and format of an investment performance evaluation report?
3. Discuss the portfolio analytics your firm is capable of providing, including those related to international and alternative asset classes.
4. Describe your firm's capabilities in the development of risk/return characteristics of the asset mix as a whole and of each asset category and manager style.
5. Do you have the ability to customize reports for your clients?
6. Describe the standard reporting package that you will provide on an ongoing basis and the frequency with which these reports would be provided.
7. What period of time is required to prepare reports after the end of each month?
8. Please provide one sample of your standard reporting package.



***K. Research (2 page maximum):***

1. Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.
2. Describe the manner in which external resources and sources of information are used in the research process.
3. Describe the subject matter and frequency of research provided to clients, and the media customarily used to distribute such research to clients.
4. Describe your ability to provide customized computer-based analytical tools to your clients. Describe specific features.
5. Describe your firm's process for monitoring industry and market trends affecting investment funds.

***L. Service Structure & Accessibility (5 page maximum)***

1. Please provide a full list of consulting services offered by your firm.
2. Provide the location of the office that will serve Foundation and biographies of the key consulting personnel to be assigned to Foundation's account. Please identify who would be the Foundation's main representative, who would perform the analytical work on the relationship and who would serve as the back-up consultant in situations when the proposed lead consultant could not attend a meeting. What is the average number of client relationships per consultant?
3. Discuss the support professionals who would be responsible for this account. Explain how the team dedicated to the Foundation's account would function. Indicate any special endowment management expertise. List any senior staff departures in the past two years and explain the reason for the departure.
4. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? Can your firm provide fiduciary services to its clients?
5. Does your firm, its employees, or any affiliated or related entities derive any economic benefit from any investment entities, intermediaries or service providers that are or will be involved in the Foundation's account?
6. Will you or your representatives be available to meet regularly to review the account? Foundation's Investment Committee meetings occur approximately four (4) times per year. In-person attendance typically would be expected at each Investment Committee meeting and at the January Board meeting each year at locations in Baton Rouge.
7. What is your quality standard for returning telephone calls and/or emails?

***M. Performance Reporting (2 page maximum)***

1. Comment on your process for providing performance measurement reports to suit the needs of the Investment Committee.
2. How frequently do you plan to provide investment performance measurement reports to the committee? When are reports available after the end of each month/quarter? Can the Foundation access performance reporting on a secure website?
3. Describe the performance measurement software your firm uses. Is the software proprietary, or does your firm utilize the software of an outside vendor? If your firm uses non-proprietary software, do you have the ability to influence changes to the software to customize reports for the Foundation's needs?
4. What types of performance reports would you use?
5. Describe the performance attribution analysis services you could provide.
6. Provide, as an appendix, sample copies of portfolio reports that would be provided to Foundation.

***N. References: (1 page maximum)***

1. Provide three client references for whom work similar to that requested in this RFP has been performed.
2. References must be from current clients in the higher education foundation/endowment sector.
3. Please indicate the current consultants assigned to these references.

***O. Insurance and liability (1 page maximum):***

1. What limitation on liability, if any, do you impose through your contract? Describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers.
2. Describe your disaster recovery plan and facilities.

***P. Fee Proposal (2 page maximum)***

1. Please describe the fees proposed by your organization for providing investment management services to Foundation. Fully itemize all fees, if any, for the following:



Advisory — percentage of assets or hard dollar  
Investment manager fees, investment manager revenue share, directed  
brokerage, soft dollar fees  
Conversion fee  
Transferring assets from one fund/manager to another  
Other transaction fees  
Travel  
Training  
Other administrative

2. If there are additional fees to be charged as a result of performing services related to preparing or modifying Foundation's Investment Policy, asset allocation analysis, or conducting manager searches, please describe those fees in detail.
3. Do you receive any compensation or revenue share from any investments that are or will be contained in our account and, if so, are they used to reduce our costs?
4. Does your firm's proposed fee arrangement consist of any incentive or contingent payments? If so, describe the manner of calculation in detail.

***Q. Appendices***

Please provide the following documents as a part of your proposal packet:

1. Appendix A. Biographies

Include biographies for all consultants listed in your proposal. Indicate what year each consultant joined your firm and describe his or her position, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and relevant publications and presentations.

2. Appendix B. Form ADV Parts I and II

Attach your firm's current Form ADV Part I and II (Uniform form for registration with Securities Exchange Commission and Louisiana securities authorities)

3. Appendix C. Annual Financial Report

Attach your firm's current audited Annual Financial Report

4. Appendix D. Sample Portfolio Report

Attach a sample copy of a portfolio report that would be provided to Foundation for the Foundation account(s).

5. Appendix E. Sample Contract or Agreement

Attach a sample contract or agreement your firm uses for investment terms and conditions for consulting services.

6. Appendix F. State and National Licenses

Attach copies of all relevant state and/or national licenses required in order for your firm to act as investment advisor/consultant and manager for the Foundation.

Thank you for taking the time to respond to Foundation's request for proposal for consulting services for our assets! Your effort is deeply appreciated and we will respond shortly.

**Confidentiality:**

All information included in this RFP should be treated as confidential.



## **LOUISIANA BOARD OF REGENTS**

### **ENDOWED CHAIR, ENDOWED PROFESSORSHIP, AND ENDOWED SCHOLARSHIP PROGRAMS**

#### **Statement of Investment Policy and Objectives**

The constitutional amendment which created the Louisiana Education Quality Trust Fund (LEQTF) and the Louisiana Education Quality Support Fund (LEQSF) charged the Louisiana Board of Regents ("Regents") with allocating revenues available from the LEQSF to four broad program categories. The Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs are funded within those categories. This Statement of Investment Policy and Objectives ("Statement") governs the management of the Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs' (collectively, "Program") assets, including the funds contributed by the Regents and the funds contributed by educational institutions ("Participants") participating in the Program (collectively, "Program Assets"). An Endowed Chair provides a permanent endowment beginning with \$1 million, an Endowed Professorship provides a permanent endowment beginning with \$100,000, and an Endowed Scholarship provides a permanent endowment beginning with \$100,000 for 4 year institutions and \$50,000 for 2 year institutions. These endowments are generally created by non-state contributions to the university that equal 60% of the endowment and are matched with funds from the Regents that equal 40% of the endowment. Endowed Chairs may be established in multiples of \$1 million, Endowed Professorships may be established in multiples of \$100,000, and Endowed Scholarships may be established in multiples of \$100,000 or \$50,000 as applicable.

In accordance with prudent management principles for endowed funds, the investment and expenditure of Program Assets shall comply with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as well as any additional restrictions contained herein. UPMIFA provides robust guidance through a set of standards and criteria that unifies both investment and expenditure decisions. UPMIFA became effective in Louisiana as of July 1, 2010, as defined in Louisiana Revised Statute 9:2337.1-10.

It is recognized that Participants with relatively small amounts of these endowments and with limited staff resources may be challenged by the administrative and investment-related issues involved in managing a diversified portfolio. Accordingly, such Participants may choose to seek collaboration with another Participant for the purpose of pooling investments. Nothing in this Statement of Investment Policy and Objectives shall limit the fiduciary responsibility of Participants.

The responsibility for the implementation of the policy and guidelines set forth in this Statement rests with the Finance Committee ("Committee") of the Regents. Specific guidelines for individual accounts managed by investment advisors and other Program documentation may be attached as appendices to this Statement by Participants, provided they do not conflict with this Statement.

#### **A. FINANCIAL AND INVESTMENT OBJECTIVES**

1. The primary financial objective of the Program Assets is to be a source of funds provided through return on the invested capital for the current and future support of the Program. Implicit in this objective is the financial goal of preserving purchasing power of the Program Assets.
2. More specifically, the long-term objective of the investment of the Program Assets is to attain an average annual real total return at or above the level of spending and fees. Real total return is investment return (gains and losses, realized and unrealized, as well as earnings) minus inflation. Inflation is measured by the change in the Consumer Price Index - Urban (CPI-U).

#### **B. SPENDING POLICY**



1. Annual spending must be determined by each Participant in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made. When the current market value of each endowment is below the original corpus of that endowment, no spending is allowed. The amount of annual spending allowed above for the Endowed Scholarship may be divided among multiple recipients, provided that each student receives at least \$1,000 per year at 4 year institutions or at least \$500 per year at 2 year institutions.
2. Also in accordance with UPMIFA, Participants may assess an appropriate usual and customary fee on Program Assets.

### **C. PORTFOLIO COMPOSITION AND ASSET ALLOCATION**

1. To achieve the long-term investment objective, the Program Assets shall be invested in accordance with UPMIFA and appropriately diversified across such categories as asset class, geography, and market capitalization.
2. Permissible Investments
  - a. Publicly traded debt securities
  - b. Publicly traded equity securities
  - c. Alternative Investments managed by an external investment manager
    - i. Real Estate Investment Trusts (REITs)
    - ii. Hedge Funds
    - iii. Private Equity and Private Debt
3. Restrictions
  - a. In accordance with Article VII, Section 14 (B) of the Constitution of Louisiana, no more than 74% of the Program Assets may be invested in equity. For the purpose of this limitation, publicly traded equity and alternative investments shall be considered equity.
  - b. A minimum of 26% of the Program Assets will be held in Fixed Income investments.
  - c. No more than 50% of publicly traded equity may be foreign equity
  - d. No more than 50% of publicly traded debt may be foreign debt
  - e. Publicly traded debt must maintain an average credit quality of at least "A" as determined by Moody's, S&P, or Fitch.
  - f. No more than 5% of publicly traded debt may be invested in any single issuer with the exception of securities issued by the U.S. Government or its agencies
  - g. No more than 25% of Program Assets may be invested in Alternative Investments
    - i. No more than 10% of Program Assets may be invested in REITs
    - ii. No more than 15% of Program Assets may be invested in Hedge Funds
    - m. No more than a 10% of Program Assets may be invested in Private Equity and Private Debt combined based on committed capital.
  - h. Leverage and the speculative use of derivatives are prohibited at the Participant level, yet are permissible for external alternative investment managers.

### **D. INVESTMENT MANAGEMENT STRUCTURE**

The Participants may choose and monitor the investment manager(s) for their respective portions of the Program Assets. Each investment manager has discretion to manage the assets in each particular portfolio to achieve the investment objectives within the guidelines set forth in this policy and in any separate manager guidelines not contrary to this Statement adopted by the Participants.



## **E. PERFORMANCE AND MONITORING OBJECTIVES**

1. The investment performance of the Program Assets is to be measured against benchmarks constructed to reflect the asset classes contained in each Participant's portfolio.
2. Each investment manager's portion of the Program Assets will be monitored by the Participant for consistency with that manager's investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. The Participants will review portfolios on an annual basis, but investment results will be evaluated in accordance with Section A and E.I.

## **F. GUIDELINES FOR TRANSACTIONS**

1. The Participants will be responsible for communicating the guidelines set forth in this Statement and the individual Participant's investment plans and financial needs to the investment managers.
2. As a general rule that applies to all assets managed, transactions should be entered into on the basis of best execution.

## **G. STATEMENT REVIEW**

This policy should be reviewed biennially for its continued appropriateness. The Investment Policy Advisory Committee (IPAC), which shall consist of two representatives from each public higher education system and two representatives from the Louisiana Association of Independent Colleges and Universities (LAICU), shall be responsible for making recommendations for revision of this policy to the Regents, the Committee, and the Commissioner of Higher Education on behalf of the postsecondary education community.

## **H. REPORTING REQUIREMENTS**

1. Annual reporting forms developed by the Regents must be submitted no later than October 1st of each year or the end of the third month following the end of the fiscal trust fund year. The reports will reflect the activities of each Endowed Chair, Endowed Professorship, and Endowed Scholarship. These reports will be reviewed by the Regents' staff.
2. The Participant shall contract annually with an independent auditor or the Legislative Auditor to make the following representations and certifications regarding the Program. The auditor should certify that:
  - a. The Program Assets have been managed in compliance with the provisions in this Statement.
  - b. The annual financial reports for the Program submitted to the Regents were accurate and agreed to the accounting records of the foundation and/or institution.
  - c. The proceeds of the endowed chairs were used in accordance with the provisions as set forth in the Board of Regents Endowed Chair Program Policy, the proceeds of the endowed professorships were used in accordance with the provisions as set forth in the Board of Regents Endowed Professorship Program Policy and the proceeds of the endowed scholarships were used in accordance with the provisions as set forth in the Board of Regents Endowed Scholarship Program Policy. The foundation, if applicable, is operating under and has complied with all provisions of a funds management agreement with its respective university. Investment earnings generated from pooled assets involving Endowed Chairs, Endowed Professorships, or Endowed Scholarships have been properly allocated to the chairs, professorships or scholarships in accordance with this Statement.
  - d. The value of the state funds held by the foundation, if applicable, as reported in its financial statements is equal to the amount recorded in the university's books.

3. A copy of the above report along with a plan to address any findings shall be sent to the Finance and Administration Division of the Regents with a copy also sent to the appropriate management board by October 31st of each year or the end of the fourth month following the end of the fiscal trust fund year. In addition, if Program Assets are held by a foundation associated with a public institution of higher education, the report shall also be forwarded to the Legislative Auditor's office

#### **I. EFFECTIVE DATE**

This revised Statement was adopted on January 26, 2012.  
The effective date of this Statement is January 26, 2012.

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# **Southern University SYSTEM FOUNDATION**

## **INVESTMENT POLICY**



### **Procedures for Endowed Funds**

**Revised and Approved by  
Southern University System Foundation, Inc  
Board of Directors – Investment Committee  
December 2013**

## INVESTMENT COMMITTEE

The Southern University System Foundation coordinates gift agreements, helps determine how gifts will be used and invests and manages the gifts.

### INVESTMENT COMMITTEE RESPONSIBILITIES

For the endowment and treasury pools, the committee shall recommend acceptable asset allocation ranges to the full board. (See the current, established ranges below) Within these ranges, the investment committee shall establish further asset allocation targets.

1. The Committee or its designee(s) shall allocate funds to an investment manager and/or established investment funds with demonstrated superior performance in a specific investment area. From time to time, the Committee or its designee(s) may withdraw funds or reallocate funds between funds or the manager.
2. The Committee will monitor the manager's performance by comparison to appropriate equity and fixed income market indices, and/or with mutual funds/investment managers having similar objectives, and with other endowment funds.
3. The Committee shall select and appoint a qualified, independent investment consultant.
4. The Committee shall monitor and review, on at least a quarterly basis, the overall investment performance and asset class targets.
5. The Committee or its designee(s) will meet as necessary with the investment manager. Substantive meetings with the investment manager will be conducted at least annually, in person or by phone.
6. The Committee or its designee(s) will provide quarterly investment reports to the full board; these reports should depict the absolute and relative performance of the investment and treasury pools.

## INVESTMENTS — OVERSIGHT

Responsibility for oversight of the foundation investments is placed with the Southern University System Foundation Board of Directors. The Board of Directors then delegates the direct authority for investment oversight to the foundation Executive Committee. Because of the complexity of the investment portfolio and decisions, the Executive Committee has formed a special committee, the Budget and Finance Committee, to advise the Executive Committee.

		Planning			Implementation and Review		
Fiduciary Level	Endowment Distribution Policy	Investment Policies	Asset Allocation	Asset Strategy Class	Management of Portfolio	Security Selection	Monitoring
Executive Committee	Decides						Reviews Committee Decisions
Budget and Finance Committee	Recommends	Decides	Decides	Oversees	Oversees		Reviews Decisions
Consultant/ Investment Manager	Recommends	Recommends	Recommends	Recommends	Recommends	Reviews/ Decides	Compliance vs. Guidelines



## **BUDGET AND FINANCE COMMITTEE**

The Budget and Finance Committee is made up of seven to seven foundation trustees who are also members of the Foundation Executive Committee, plus individuals who have knowledge regarding investments. The committee meets quarterly in February, May, August and October.

The Budget and Finance Committee makes investment policy recommendations to the Executive Committee, directs Consultant/Investment Manager to implement approved policies. All actions of the Budget and Finance Committee are reported at each foundation Executive Committee meeting with verbal or written reports.

## **INVESTMENT PHILOSOPHY**

The Foundation is responsible for the investment of both non-endowed and endowed funds. When appropriate, non-endowed funds will be invested in a manner consistent with their objectives. Endowed funds, on the other hand, will be prudently invested as permanently invested funds, in a manner consistent with earning superior long-term income with capital appreciation, while minimizing both short and long-term volatility.

1. As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all events that are relevant, reasonable, and probable. Extreme positions or frequent variations in management style are not consistent with these objectives.
2. The investments of the endowment shall be appropriately diversified so as to minimize risk and volatility while maximizing expected returns.
3. Unless otherwise indicated, the Consultant/Investment Manager shall have complete investment discretion based on the expectation that the assets of the Fund will be invested with care, skill, prudence and diligence.
4. The return objective for the Endowed Chair and Professorships pool is an average rate of return of 4% to 6% annualized after fees, as measured over a three to five year market period.
5. The return objective for the Endowed Scholarships pool is an average rate of return of 4% to 6% annualized after fees, as measured over a three to five year market period.

## **SPENDING POLICY**

The spending rate is 4 percent; the amount to be spent in each coming year is calculated each December 31st by multiplying the spending rate (4 percent) by the lesser of: 1) a rolling 24-month average of unit values, or 2) the unit value at December 31. The Budget and Finance Committee will review this rate annually. Though changes to the spending rate are expected to be infrequent, the Budget and Finance Committee is authorized to change the spending rate when it is deemed appropriate to do so.

## **PRIMARY GOAL**

The purpose of the Foundation's investment portfolio is to preserve and enhance the real (inflation-adjusted) purchasing power of portfolio assets, while providing reasonable annual support to the Southern University System.

## **RESPONSIBILITIES**

The Board of Directors of the Foundation, the Southern University System Board of Supervisors, and the Southern University System Foundation are aware of their responsibility to provide for prudent management of funds given to the Foundation for the benefit of Southern University. The Board of Directors hereby charges its Budget and Finance Committee with the responsibility of proposing fiscal policies and regulations for adoption by the Board, including investment policies and the employment of a Consultant/Investment Manager.

It is the responsibility of the Budget and Finance committee to monitor compliance with the asset targets and, in conjunction with the Foundation's Consultant/Investment Manager, recommend adjustments as necessary. The actual asset allocation may vary from the target allocation by up to 5 percentage points within any asset class or subclass.

## **PERFORMANCE GOALS, MEASUREMENT AND EVALUATION**

### **Total Portfolio**

The total portfolio's return will be reported at the end of each calendar quarter and measured versus an appropriate benchmark index. The benchmark index will be constructed based on the target asset allocation structure. The benchmark will be balanced within the necessary asset classes to reflect the actual structure of the portfolio.

### **Individual Manager and Mutual Funds**

Total portfolio return for the manager will be reported at the end of each calendar quarter and compared to an appropriate benchmark.

### **Guidelines and Duties of the Consultant/Investment Manager**

The assets shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in like capacity and skilled in such matters would use in the investment of a fund of like character and with like aims.

The following investments and activities are permitted only with the prior approval of the Budget and Finance Committee:

- ☐ Options, financial futures and options in futures.
- ☐ Warrants.
- ☐ The lending of securities.
- ☐ Short sales, margin purchases, or borrowing.



- ☐ Investing in commodities.
- ☐ Use of leverage.

Transactions should be entered into on the basis of best execution, which normally means best realized price. The Consultant/Investment Manager is responsible for frequent and open communication with the Foundation's Budget and Finance Committee or its designee(s) on all significant matters pertaining to the assets managed.

## **PORTFOLIO COMPOSITION AND ASSET ALLOCATION**

To achieve the investment objective, the Program Assets will consist of two major components: an "Equity Fund" and a "Fixed Income Fund." The purpose of dividing the Program Assets in this manner is to ensure that the overall asset allocation between these two asset classes remains under the regular scrutiny of the Budget and Finance Committee, and is not allowed to become the result of the investment manager decisions. It is acknowledged that over the long run, the allocation between the Equity Fund and the Fixed Income Fund will be a major factor in determining the Program Assets' investment performance. No more than 74% of total Program Assets can be invested in equity investments and at least 26% must be invested in fixed income investments.

The Program Assets should be diversified both by asset class and within asset classes (e.g., within equities by economic sector, industry, quality, and size). The purpose of such diversification is to provide reasonable assurance that no single security, class of securities, or specific investment style will have a disproportionate impact on the Program Assets' aggregate results.

The purpose of the Equity Fund is to provide a total investment return that will provide for growth in principal and current income to support desired spending requirements while increasing the real value of the Program Assets. It is recognized that the pursuit of these long-term objectives entails the assumption of market variability and risk. The overall average credit quality rating of the Fixed Income Fund must be at least "A" by either of the two major rating agencies (Moody's and Standard & Poors). With the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5% of the Fixed Income Fund to be invested in the debt instruments of any one issuer.

## **ENDOWED CHAIR AND PROFESSORSHIPS FUND ASSET ALLOCATION**

The following will serve as policy regarding the allocation of assets within the investment account. This investment strategy utilizes an actively managed "Balanced" model incorporating a diversified portfolio of both fixed income and equity investments. This investment approach is designed to provide long term growth in conjunction with moderate levels of portfolio income. The investment manager is permitted to adjust the asset allocation within the stated ranges in order to maximize performance given expected market conditions.



<b><u>ASSET CLASS</u></b>	<b><u>MINIMUM</u></b>	<b><u>TARGET</u></b>	<b><u>MAXIMUM</u></b>
<b>Cash Money Market</b>	<b>0</b>	<b>1</b>	<b>5</b>
<b>Fixed Income</b>	<b>35</b>	<b>44</b>	<b>55</b>
<b>Equities – Overall</b>	<b>45</b>	<b>55</b>	<b>65</b>
<b>Large/Mid Value</b>	<b>22</b>	<b>23</b>	<b>32</b>
<b>Large/Mid Growth</b>	<b>13</b>	<b>18</b>	<b>23</b>
<b>HH Burkenroad Small Cap Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH Diversified International Fund</b>	<b>0</b>	<b>5</b>	<b>10</b>
<b>HH Diversified Income Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH Quantitative Long / Short Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH= Hancock Horizon Mutual Funds</b>			

Total equities may represent up to 65% of the market value with a minimum requirement of 45%. Individual domestic equity holdings shall be restricted to issues of corporations that are actively traded on the major U.S. exchanges and NASDAQ. Foreign equities are permissible as ADR securities and foreign equity mutual funds.

Fixed Income and Cash Equivalents will represent a maximum of 55% and a minimum of 35% of market value. Fixed income investments may include all securities issued by the U.S. Treasury or other federal agencies. Investments may also be made without limitation in investment grade corporate bonds rated at least A from either Moody's or Standard & Poor's rating systems. Up to 15% of the fixed income portfolio may be invested in bonds rated Baa by Moody's or BBB by Standard and Poor's at the time of purchase. "High Yield Bond" mutual funds (bonds rated below investment grade Baa/BBB) are permissible up to 10% of the overall fixed income portfolio. The overall average quality rating of the Fixed Income Fund will be no less than "A" rated by Moody's or Standard & Poors.

The asset allocation ranges established by this Investment Policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of short-term nature.

The Consultant/Investment Manager may not invest Program Assets in the following investment types: venture capital, private equity and private debt, hedge funds, direct real estate, commodities, or oil and gas ventures. Leverage and speculative use of derivatives is prohibited.

#### **ENDOWED SCHOLARSHIPS FUND ASSET ALLOCATION**

The Endowed Scholarships Fund will be invested in a similar "Balanced" asset allocation strategy as the Endowed Chair and Professorships Fund except that this Fund will utilize the Hancock Horizon Family of Mutual Funds for all asset classes. Given the smaller Fund asset size it is necessary to utilize the Hancock Horizon Mutual Funds in order to achieve proper diversification. This investment strategy is actively managed as regards to both fixed income and equity investments. This investment approach is designed to provide long term growth in conjunction with moderate levels of portfolio income. The investment manager is permitted to adjust the asset allocation within the stated ranges in order to maximize performance given expected market conditions.

<b><u>ASSET CLASS</u></b>	<b><u>MINIMUM</u></b>	<b><u>TARGET</u></b>	<b><u>MAXIMUM</u></b>
<b>Cash Money Market</b>	<b>0</b>	<b>1</b>	<b>5</b>
<b>Fixed Income - HH Core Bond Fund</b>	<b>35</b>	<b>44</b>	<b>55</b>
<b>Equities – Overall</b>	<b>45</b>	<b>55</b>	<b>65</b>
<b>HH Value Equity Fund</b>	<b>22</b>	<b>23</b>	<b>32</b>
<b>HH Growth Equity Fund</b>	<b>13</b>	<b>18</b>	<b>23</b>
<b>HH Burkenroad Small Cap Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH Diversified International Fund</b>	<b>0</b>	<b>5</b>	<b>10</b>
<b>HH Diversified Income Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH Quantitative Long / Short Fund</b>	<b>0</b>	<b>3</b>	<b>10</b>
<b>HH= Hancock Horizon Mutual Funds</b>			

Total equities may represent up to 65% of the market value with a minimum requirement of 45%

Fixed Income and Cash Equivalents will represent a maximum of 55% and a minimum of 35% of market value. The overall average quality rating of the Fixed Income Fund will be no less than “A” rated by Moody’s or Standard & Poors.

The asset allocation ranges established by this Investment Policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of short-term nature.

Signed this \_\_\_\_\_ day of December, 2013

**Southern University System  
Inc. Foundation**

**Whitney Bank**

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**Patricia Matherne**

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**Jeffery Tanguis**