

Will be proposed 9-20-2024

Aztec Shops, Ltd.

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

Introduction and Purpose

This Statement of Investment Policy and Objectives ("Policy") is set forth so that there is a clear understanding of the investment policy, guidelines and objectives for Aztec Shops, Ltd.

Scope

This Policy governs the following:

- Operating Funds
- Reserve Funds
- Real and other Assets

Operating Fund

Purpose:	The purpose of the operating fund is to hold liquid assets to cover the daily operating needs of the Aztec Shops. Fiduciary responsibility of the operating fund rests with staff at the direction of the board.
Type of Fund:	Operating
Strategy:	Income
Time Horizon:	1-12 months
Investment Horizon(s):	Short-Term: 1-12 months
Investment Objectives:	Preservation of capital
Real Return Target:	CPI
Spending Policy:	None
Risk Benchmark:	N/A
Illiquidity	Maximum of 0% illiquid.

Allowable Assets: Investments will include but not be limited to, Money Markets, U.S. Government securities, bank obligations, and certain debt obligations and instruments secured thereby, commercial paper and certain debt obligations rated A-1, prime 1, AA, Aa, and other obligations that are guaranteed by a bank or corporations whose certificates of deposit or commercial paper may otherwise be purchased by the corporation. Investment vehicles may include the "Local Agency Investment Fund" (LAIF).

Investment Reserve Fund

Type of Fund:	Reserve. <u>The Reserve Fund includes both: (i) the three Designated Reserve Funds established under the Reserve Funds Policy (i.e., Working Capital & Current Operations; Real Estate Acquisition; and Capital Expenditures), and (ii) the Investment Reserve Fund established under that policy to which revenues are allocated after the three Designated Reserves have been funded to the required levels.</u>
Strategy:	Total Return
Time Horizon:	7+ Years
Investment Horizon(s):	Long Term: 7+ years and/or a full economic business cycle Mid-Term: 1-3 years
Investment Objectives:	Primary: Preservation of purchasing power (achieve a total return sufficient to grow at least as rapidly as inflation). Secondary: Long Term Growth & Income
Real Return Target:	CPI + 3%
Spending Policy:	None
Risk Benchmark:	50% MSCI All Country World Index, 50% Barclays Aggregate Total portfolio target risk band is maximum of +20% of the risk associated with the risk benchmark listed above. Total risk will be measured by the volatility (standard deviation) of expected and/or actual investment returns.
Illiquidity	Maximum of 5% illiquid. (In the event that illiquidity exceeds 10%, best efforts will be made to bring the portfolio within guidelines as long as it is practical and justifiable given current market conditions)

Reserve Fund Asset Allocation Guidelines: The diversification of the investment assets shall be in accordance with the long-term strategic asset allocation parameters set below. The mid-term tactical adjustments and sub-asset class targets will be managed by an Investment Management Consultant. This allows for short to intermediate-term adjustments to the long-term strategic target allocations in light of the current market environment.

Long-Term Strategic Target: (7+ years) is the optimal balance between expected risk and return for a long-term investment horizon. Allocation changes outside of the long-term strategic guidelines will require approval by the Board.

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Asset Class	Long-Term Target	Maximum	Benchmark(s)
Public Equity	45%	55%	MSCI All Country World Index
Private Equity	0%	0%	Cambridge Private Equity Index
Real Assets	5%	10%	CPI + 5%, & blend of representative sub-asset classes
Hedge Funds	10%	15%	HFRI FOF Composite,
Fixed Income	40%	50%	Barclays Capital Aggregate Bond Index

Mid-Term asset allocation: The mid-term asset allocation encompasses the shorter-term (1 to 3 years) asset class, sub-asset class and manager targets, which may differ from the Long-Term Strategic targets, and are included in the quarterly report supplied by the Investment Management Consultant.

Reserve Fund Allowable Assets: All investment assets and strategies are allowed in the reserve fund unless specifically restricted by these policies.

Reserve Fund Fiduciary Considerations: It is the intent of the Board to apply the investment standards of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in the management of the fund’s investment assets. In managing and investing an institutional fund, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The expected tax consequences.
- The role that each investment or course of action plays within the overall investment fund.
- The expected total return from income and the appreciation of investments.
- Other resources of the Institution.
- An asset’s special relationship or special value, if any, to the charitable purposes of the institution
- The needs of the institution and the funds to make distributions and to preserve capital.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional funds’ portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.
- The institution may invest in any kind of property or type of investment consistent with the investment policy.
- The institution shall diversify the investments of the reserve fund.
- In reserve fund, if applicable, and within a reasonable time after receiving property, the institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance the portfolio.
- A person that has special skills or expertise has a duty to use those skills or that expertise in managing and investing institutional funds.
- The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person, acting in like capacity and familiar with such matters, would use in the investment of a fund of like character and with like aims.

Fiduciary responsibility for decisions regarding investment of Reserve Fund assets rests jointly with the Board, Staff, the Investment Management Consultant and the investment managers hired by The Institution.

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Reserve Fund Delegation of Authority: The governing body of The Institution is the Board. Board members are fiduciaries and have overall responsibility for Policy. As such, the Board is authorized to delegate certain responsibilities to others.

Reserve Fund Responsibility of the Board

As it relates to the investment of fund assets, the Board is responsible for:

- Approving investment policies
- Determining appropriate expenditures from funds
- Selection and retention of:
 - Investment Management Consultant
 - Custodian
 - Additional specialists

Duties include but are not limited to the following:

- Formulating investment policies for fund.
- Determine if the overall policies and objectives continue to be appropriate and reasonable and make adjustments if necessary.
- Review performance of the fund to stated objectives. Review and monitor performance of Investment Management Consultant for Reserve fund.
- Control and account for all investment expenses.

Reserve Fund Responsibility of the Staff

Aztec Shops Controller and Accounting Staff in conjunction with the Chief Executive Officer will be responsible for carrying out the letter and intent of this policy.

For purposes of banking and investment the Board designates the Chief Executive Officer as the Assistant Secretary-Treasurer and authorizes the specifications of this authority under separate Board banking and investment resolution.

Reserve Fund Responsibility of the Investment Management Consultant(s)

The Investment Management Consultant's role is that of a discretionary advisor to Aztec Shops.

Specific responsibilities of the Investment Management Consultant include:

- Reviewing the capital markets in light of the Fund's investment objectives.
- Assisting in the development and periodic review of investment policy.
- Implementing strategic and tactical asset allocation changes within the guidelines of the policy.
- Implementing portfolio rebalancing within the guidelines of the policy.
- Conducting investment manager searches and due diligence.
- Selection and implementation of investment managers.
- Communicating matters of policy and investment direction to the investment managers when necessary.
- Monitoring performance of the total fund and investment managers.
- Calculating spending distributions based on policy guidelines.
- Assisting the institution in the determination, understanding, negotiation and accountability of all fund investment costs.
- Managing the fund assets in compliance with all fiduciary standards according to UPMIFA.

Reserve Fund Responsibility of Custodian

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular

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accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of Fund accounts.

Reserve Fund Risk: Many types of risk exist that may impact the fund investments, including but not limited to: volatility, inflation, liquidity, economic conditions and investment managers underperforming relative benchmarks. The most relevant and comprehensive definition of risk is failing to achieve the policy objectives. Anything that increases the likelihood of failing to achieve these objectives can be defined as risky. Therefore, all actions, strategies, and asset classes should be considered or reviewed in the context of whether they will likely enhance or erode the chances of achieving policy objectives, which may vary by investment fund. Those that increase the probability of attaining goals should not be considered risky.

The target risk volatility band is + 20% of the risk associated with the risk benchmark. The "Total Risk" of each fund will be measured by the volatility (standard deviation) of expected and/or actual investment returns.

Reserve Fund Liquidity: The Board requires that liquidity is considered within the context of future liabilities when making asset allocation and manager changes

- Liquid: Defined as strategies that can be liquidated immediately
- Semi-Illiquid: Defined as strategies that can be liquidated within 365 days.
- Illiquid: Defined as strategies that cannot be liquidated within 365 days.

Reserve Fund Rebalancing: The investment funds will be rebalanced toward mid-term targets when any asset class is outside the maximum policy allocation or when capital markets conditions dictate. Rebalancing to and from Alternative Asset Classes will take into consideration the liquidity of those investment programs. Rebalancing is executed by the Investment Management Consultant on a discretionary basis.

Reserve Fund Investment Manager Selection: The Board requires that investment managers comply with all applicable laws, rules and regulations.

Prior to considering hiring a new investment manager, the Investment Management Consultant shall carefully define the niche to be filled and the performance quality, and characteristics which are required. At a minimum, managers under consideration should demonstrate they have met those performance and risk characteristics criteria under live, not modeled, conditions over an appropriate time period.

Reserve Fund Investment Manager Termination: Generally, all investment managers are expected to perform as well as or better than their prescribed performance standards, net of fees. In any case, the Board and the Staff reserve the right to terminate investment manager relationships for any reason.

Reserve fund Performance Monitoring: Each quarter the Staff will review with the Investment Management Consultant the progress in meeting the Fund's investment benchmarks. The Board expects investment managers to meet or exceed their predetermined benchmark index, net of fees over a complete market cycle. Evaluation of performance relative to same style peers will be conducted at set intervals. An account summary performance measurement will be calculated from a weighted average of each asset class benchmark based on mid-term target allocations.

RealCapital Assets

The Board reserves the right to use company funds from time to time for the purchase of realcapital assets such as physical real estate, equipment, or other capital items. Purchase of such assets needs board approval either through specific vote (such as real estate purchase/sale) or capital budget vote (such as equipment).

Environment, Social and Governance (ESG) Investing

It is a core value of the Aztec Shops to invest the Foundation's assets in a socially responsible way. As such, the Board will continually strive to strike an appropriate balance between its social responsibility and its fiduciary duty to create financial returns that will help fund the corporation. The Board also recognizes that, in many cases, their ability to directly enforce customized investment guidelines may be limited. Aztec Shops invests mainly in commingled vehicles such as mutual funds, which limit the ability of any individual investor to enforce customized investment parameters. Aztec Shops will direct its Investment Advisor and investment managers to invest in businesses that are as consistent as possible with its social values, while balancing the financial return to the company, advancing its long-term interests and supporting the University's mission.

Compliance with Reserve Funds Policy

~~Before~~ As noted in the description above of the Reserve Fund, before revenues or other funds ~~can~~ be allocated to the Investment Reserve Fund, as described herein, ~~the corporation must be~~ all Designated Reserve shall have been funded to the levels specified in ~~compliance its~~ the Reserve ~~Fund~~ Funds Policy or as otherwise established by the Board.

Adopted 07/99
Amended 05/01
Amended 06/04
Amended 02/09
Amended 08/14
Amended 06/19
Proposed Amended 09/24

