

ORAL ROBERTS UNIVERSITY

Cash Management & Investment Policy

- I. **Purpose of this policy:** The purpose of this policy is to assist the Board of Trustees in overseeing the cash management and investment activities of Oral Roberts University. The university's administration and any assigned investment managers will implement the Board's directives and report activity at the regularly scheduled Board meetings. The policy will be approved by the full Board while target asset allocation changes will be reviewed and altered by the Finance Committee. The policy will be reviewed annually by the Finance Committee.
- II. **Execution of this policy:** The administration is authorized to manage all financial transactions within the guidelines of this policy and to rebalance funds between Board meetings within the prescribed asset allocation ranges. The administration is authorized to select qualified investment managers to aid in the investment management process and to report such relationships to the Finance Committee. The voting of proxies will be delegated to the investment manager responsible for securities held within its portfolio.

Overall the investment management process at the university will seek to minimize the complexity of financial instruments used. To this end, we will mainly utilize funds instead of individual stocks or bonds. This approach means that our investment performance will be more tied to systemic risk and return (broad market or asset sector performance) than to specific risk and return (company-specific securities). Additionally, investment concentrations will be set by targeting asset allocation ranges that represent the appropriate level of risk for each fund. This approach leads to investment performance that is primarily driven by asset allocation (investment plan) than by security selection (picking individual securities that we believe will "outperform" a sector or the broad market).

- III. **Management of Funds:** Integrity in the management and investment of restricted funds, including endowments, is essential to assure donors that Oral Roberts University maintains the highest standards of stewardship and accountability and that funds will be used for their intended purpose. Therefore, restricted funds will be set aside in separate and distinct accounts and investments and in no case co-mingled with or available for general operating funds of the University. Unless otherwise provided specifically in a Fund or Endowment Charter, funds will be maintained and released for their intended purpose only and no loans from the funds will be permitted. Any exceptions to this policy will require a recommendation by the Finance Committee of the Board of Trustees and approval of a majority of the Executive Committee of the Board.

IV. **Scope of this policy:** This policy defines the investment management process for all assets reflected under “Cash and cash equivalents” or Investments held for long-term purposes” in the consolidated statement of financial position. The following classes of financial assets or accounts are reflected in these balance sheet accounts and will be addressed individually in this policy.

- A. Operating cash and reserves (operating funds with and without restrictions)
- B. Capital projects funds (unrestricted/temporarily restricted/permanently restricted)
- C. Trust funds (temporarily restricted, trust funds in settlement, life income agreements)
- D. Gift annuity reserves
- E. Endowment funds (restricted and unrestricted balances)

V. **Specific Fund Investment Management Requirements:**

A. *Operating cash and reserves*

1. Fund purpose: Working capital funds for university activities or operations.
2. Investment goals, risk tolerance, and investment plan: Investment goals are very simple and conservative. Since these funds are vital to the Institution’s financial health, only investment Instruments with minimal credit and price variability risk are allowed. Interest earned benefits The institution, but the preservation of principal is the primary goal. Funds that will be required to support operating cash flow needs will always be invested in liquid investments. However, funds identified as not needed to support near-term operations (over three months) may be invested in instruments with maturities up to one year.
3. Asset allocation ranges and approved investment instruments: Asset allocation ranges will show extreme conservatism. Approved instruments are as follows:
 - Liquid Investments- bank accounts with conservative account balances in financially strong banking institution, Collateralized sweep accounts, government money market mutual funds.
 - Short Term Investments with Maturities up To One Year- government bond funds, bond funds, certificates of deposit.

B. *Capital projects funds* (unrestricted/temporarily restricted/permanently restricted)

1. Fund purpose: These fund represent either loan or gift proceeds that are earmarked for capital projects (building, equipment, furnishings)
2. Investment goals, risk tolerance, and investment plan: Interest earned benefits the institution, but the preservation of principal for the acquisition of capital goods or services is the primary goal. Capital Project Funds will be invested in Liquid Investments or short-term Investments with Maturities up To One Year based on capital project cash flow needs.
3. Asset allocation ranges and approved investment instruments: Asset allocation ranges will show extreme conservatism. Approved instruments are as follows:
Liquid Investments- bank accounts with conservative account balances in financially strong banking institution, collateralized sweep accounts, government money market mutual funds.
Short-Term Investments with Maturities Up To One Year- government bond funds, bond funds, and certificates of deposit.

C. Trust funds

1. Fund purpose: Each trust fund will have a separate purpose statement and investment plan based upon its unique characteristics. However, in general trust funds that the university manages are intended to provide current income to grantor or beneficiaries while preserving capital for future needs.
2. Investment goals, risk tolerance, and investment plan: An investment plan will be developed for each trust account in partnership with the designated investment manager.
3. Asset allocation ranges and approved investment instruments: Asset allocation ranges will be set individually for each trust. Approved investment instruments are as follows:
All cash and short-term investment instruments listed in section V. A. below, government bond funds, bond funds, individual equities, equity funds, and real estate funds (REITS). Closely held stocks are only allowed if they are part of the original trust assets or are added subsequently by the grantor. These will be liquidated and reinvested in exchange-traded securities if grantor agrees and a buyer is available.

D. Gift annuity reserves

1. Fund purpose: This fund exists to provide sufficient funds to pay gift annuity liabilities, which consist of lifetime annuity payments based on a principal value and an interest rate.
2. Investment goals, risk tolerance, and investment plan: Invested assets need to provide adequate cash flow to meet annuity payment obligations while preserving principal. Since annuity time horizons tend to be long (10-25 years), slightly higher levels of volatility may be more acceptable for these investments. However, realized and unrealized gains and losses do directly impact the consolidated net revenue and thereby the capitalization and measured liquidity of the university.
3. Asset allocation ranges and approved investment instruments: Asset allocation ranges will reflect a moderately aggressive approach to income and growth and an acceptance of greater volatility of return. Approved investment instruments are as follows: short-term investments, government bond funds, bond funds, individual equities (excluding closely held stocks), and equity funds.

E. Endowment Funds

1. Fund purpose: The Endowment Fund's purpose is to support the university's mission by building a solid investment portfolio through interest, dividends, and capital appreciation so that a portion may be used annually to support designated university scholarships or programs.
2. Investment goals, risk tolerance, and investment plan: As a perpetual portfolio, the investment horizon is continuous. Consequently, greater volatility in returns is acceptable. However, since realized and unrealized gains and losses directly impact the consolidated net revenue and thereby the capitalization and measured liquidity of the university, asset allocation ranges will be monitored closely and designed so that even significant deterioration in an asset class will not permanently impair the university's net asset or liquidity position.
3. Asset allocation ranges and approved investment instruments: Asset allocation ranges will reflect a moderately aggressive approach to income and growth and an acceptance of greater variability of return. Asset allocation parameters are reflected in Schedule A (see

attached) as approved by the Investment Committee. Approved investment instruments are as follows: short-term investments including money market funds, government bond funds, bond funds, individual equities (excluding closely held stocks), equity funds, including real estate investment trust funds (“REITS”) and master limited partnerships held in mutual funds No more than 5% of the total market value of the Endowment may be invested in any single company or issuer other than securities issued by the U.S. Treasury and its agencies. In addition, no more than 20% of the total market value of the Endowment may be invested in any single investment manager.

VI. Investment Instrument Standards

A. Cash & Short-Term Investments

1. Bank Accounts: operating accounts at FDIC insured banks.
2. Sweep Accounts: overnight bank investment accounts that are within the SEC guidelines for money market sweep accounts. No dollar limit.
3. Certificates of Deposit: CD's with maturities up to 12 months that are placed with FDIC insured institutions.

B. Money Market Funds:

Funds that invest in short-term investment grade securities must be SEC registered and operate under SEC Rule 2a-7 and by adherence to these requirements seeks to maintain a constant \$1 net asset value per share by minimizing the fund's exposure to interest rate and credit risk. Funds must have a minimum of \$100,000,000 in assets

C. Bond Funds:

Mutual funds that invest in U.S. Treasury, U.S. Agency and Corporate securities, High Yield, and Global Bonds. Minimum allowable fund credit rating is BBB, except for High Yield bond funds. Maximum allowable duration is ten years. Funds must be SEC registered and have a minimum of \$100,000,000 in assets.

D. Individual Equities

1. **Common Stocks**: Stocks must be SEC registered, traded on the NYSE, NASDAQ, or AMEX and have a minimum capitalization of \$100,000,000.
Concentration limit: no single stock can represent more than 5% of the invested assets of any university fund (individual trust fund, Gift annuity reserve, or endowment fund).

2. ***Preferred Stocks:*** Stocks must be SEC registered, traded on the NYSE, NASDAQ, or AMEX and have a minimum capitalization of \$100,000,000. Concentration limit: no single preferred stock can represent more than 5% of the invested assets of any university fund (individual trust fund, gift annuity reserve, or endowment fund.)
3. ***Closely Held Stocks:*** The purchase of closely held stocks or placement of direct cash investment into a company (limited partnership, privately issued debt, etc.) is prohibited. If such assets are given to the university or added to a trust, they will be liquidated as opportunities arise and the cash proceeds will be reinvested in exchange-traded securities.

E. Equity Funds:

Funds must be SEC registered, traded on the NYSE, NASDAQ, or AMEX and must have a minimum of \$100,000,000 in assets. **Real Estate: (REITS)**

Real Estate Investment Trust funds (REITS) must be SEC registered, traded on the NYSE, NASDAQ, and AMEX and have a minimum of \$100,000,000 in assets.

F. Other

1. Non-Standard Transferred Assets:

Other assets that are given to the university (land, vehicles, ownership interests, private property, etc.) will be liquidated as soon as possible and the proceeds invested in the above approved instruments. The university will refuse to accept title of deed for any asset that the administration deems will present excessive liability or trouble in managing.

2. Equity Hedging Instruments:

Since severe equity losses have the potential to materially impair the university's capital and liquidity resources, equity hedging instruments could be used in order to limit that potential loss. No strategies are being presented at this time for approval. However, prudent hedging strategies utilizing exchange-traded puts, calls, or futures contracts may subsequently be presented for approval by the board.

3. Other Non-Standard Assets:

As a means to further diversify the investments held by the university, commodities or other non-standard investments may be considered. Any such funds must be SEC registered and provide at least quarterly liquidity. However, liquidity and

registration exceptions up to 15% of the endowment asset portfolio are permitted subject to Investment Committee approval.

4. The Alternative Investments allocation will consist of a basket of mutual funds selected by the manager which have a low correlation to stocks and bonds. The funds selected by the manager may invest in asset classes and securities and/or employ strategies which are not common among more traditional equity and bond funds including, but not limited to, Real Estate Investment Trusts (REIT's), commodities and commodity derivatives, long/short equity strategies, covered call option writing, stocks of highly leveraged companies, and stocks of companies involved in pending corporate actions. The Alternative Investments allocation will be benchmarked to a blended benchmark which consists of 60% S&P 500 Index, and 40% Barclays Aggregate Bond Index.

VII. Social Responsibility

As a means to meet the needs of Oral Roberts University and to benefit society generally, the Investment Committee has placed restrictions on the portfolio. Specifically, investment in companies that manufacture or market alcoholic beverages, tobacco products, gaming products and/or facilities, pornographic, lewd, or obscene materials is prohibited.

VIII. Investment Objectives

The investment objective of Oral Roberts University emphasizes total return; that is, aggregate return from capital appreciation and interest and dividends. Specifically, the primary objective of management of the total portfolio is the attainment of an average annual real return such as core inflation plus 5 % or a comparable measurement over the trailing five-year period. Short-term volatility will be tolerated in as much as it is consistent with the volatility of comparable market index, such as the S&P 500.

This investment objective applies to the aggregate assets excluding cash set aside for specific purposes, and is not meant to be imposed on each investment account (if more than one account is used). A specified goal of each investment manager, over the investment horizon, shall be to: Meet or exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the style of investment management.

Display an overall level of risk in the portfolio that is consistent with the risk associated in the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

Gift Policy:

It is anticipated that from time to time ORU will receive gifts in the form of marketable securities. In such event, Administration will liquidate the securities as soon as possible. In the event that the securities are restricted from sale for a designated period of time due to regulatory or donor restrictions, ORU will hold said securities until the restricted period has elapsed and then liquidate the securities as soon as possible. ORU will make no attempt to add value to the total fund by holding gifted securities.

- IX. Investment Consultant:** The Committee may retain the services of an independent investment consultant for the purpose of assisting administration and the Committee in developing and attaining fund objectives. The consultant will assist in establishing objectives, offer alternative models of asset allocation, select appropriate managers or funds, and produce timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the funds against objectives and appropriate indices.

The retained investment consultant will be evaluated both qualitatively and quantitatively. Quantitative evaluation criteria shall include risk adjusted performance comparisons including value-added from asset allocation decisions and investment manager implementation. Qualitative evaluation criteria shall include effective reporting (timeliness, accuracy, etc.) and communications, along with the overall effectiveness of the “external staff” function.

The investment consultant must acknowledge, in writing, its acceptance of responsibility as a fiduciary. The investment consultant will manage endowment funds in a discretionary manner within the guidelines established by this policy and by the asset allocation parameters established by the Investment Committee found on Schedule A (see attached). The investment consultant will inform Investment Committee of any recommended changes to the established guidelines. Any changes to the asset allocation guidelines must be approved by the Investment Committee.

- X. Conflict of Interest:** It is the policy of ORU to avoid conflicts of interest in its operations and in the selection of investment managers or funds. Therefore, administrative officers and members of the Investment Committee shall disclose any material financial relationship with any manager being considered. Regardless of whether a conflict of interest is real or perceived, the issue must be brought to the attention of the Chair of the Committee, or the Chair of the Finance Committee, in writing by the person concerned. Similarly the independent consultant shall have no financial relationship with any manger or fund serving the Fund.

XI. Investment Committee: The Oral Roberts University Investment Committee is responsible for managing all of the university's investments. The Committee shall have full power to manage and control fund assets establish asset allocation guidelines and parameters (see attached Schedule A), monitor appointment of investment advisors and establish fund investment objectives. The Committee reports to the Finance Committee of the Board of Trustees.

XII. Reporting on Investments: The Chief Financial Officer shall be required to provide reports to the Investment Committee, on at least a quarterly basis, showing the details of the investments, and the return on investments. The investment committee shall provide the Board of Trustees with investment reports on at least an annual basis. The reports should be presented in graphic manner, must include detailed information and data supplied by the Chief Financial Officer on:

1. Performances of the investment portfolio;
2. Comparisons of the performances of individual professional investment manager/advisors utilized by ORU.
3. Summations of major events that influenced the market during the reporting period.

The Investment Committee may meet as often as it is deemed necessary to fulfill its responsibilities, such meetings shall occur no less frequently than on a quarterly basis.

XIII. Exceptions to the Investment Policy: There could be a time when administration would act outside this policy, but in no way jeopardize the safety and soundness of the institution. The Investment Committee reserves the right to modify or override this policy statement. Any such cases must be promptly reported to the Board of Trustees with a full explanation as to why any deviation from the investment policy was needed.

This statement of investment policy is formally adopted by vote of the Board of Trustees on April 17, 2008, as amended June 16, 2010, as amended April 18, 2012 and amended on the 10th day of September, 2013.

Schedule A

Endowment Asset Allocation Guidelines:

Asset Class	Target (%)	Range (%)
Growth Assets Global Equities	45%	20% - 70%
Risk Reduction Assets Cash US/Global Fixed Income Low Volatility Strategies	35%	15% - 70%
Inflation Protection Assets Inflation Protected Fixed Income Real Return Assets REITs Commodity Strategies	15%	0% - 30%
Yield Oriented Assets Master Limited Partnerships	5%	0% - 20%
Total	100%	

Schedule B

Gift Annuity Asset Allocation Guidelines

Asset Class	Target (%)	Range (%)
Growth Assets	50%	20 - 70%
Global Equities		
Risk Reduction Assets	35%	15 - 70%
Cash		
US/Global Fixed Income		
Low Volatility Strategies		
Hi Yield		0 - 10%
Alternatives	15%	0 - 25%
Diversified Strategies		
Hedged Equity		
Low Correlation		
Real Assets		
Master Limited Partnerships		
Private Equity		
	100%	

Schedule C

Trust Fund Asset Allocation Guidelines

Asset Class	Target (%)	Range (%)
Growth Assets	10%	10 - 30%
Global Equities		
Risk Reduction Assets	80%	70 - 90%
Cash		
US/Global Fixed Income		
Low Volatility Strategies		
Hi Yield		0 - 10%
Alternatives	10%	0 - 15%
Diversified Strategies		
Hedged Equity		
Low Correlation		
Real Assets		
Master Limited Partnerships		
Private Equity		
	100%	