

FUND INVESTMENT VEHICLES AND FEES

Funds managed by the USM Foundation are invested according to the investment policy approved by the USM Foundation Investment Committee.

*** OPERATING FUNDS**

Investment Policy:

Operating funds are invested in a pool designed to meet the following criteria: liquidity, preservation of capital and total return. Currently, the asset allocation is comprised of 50% fixed income, 30% in absolute return strategies, and 0% – 20 % in the endowment portfolio.

Administration Fee and Earnings:

The USM Foundation distributes earnings at the end of a fiscal year. Effective in FY06, the USM Foundation reinstated its administrative fee of 40 basis points.

Of the amount distributed to the account holders, the central development office at each institution receives a portion and the account holders receive the balance except at UMCP where the development office receives all the earnings.

*** ENDOWMENT, QUASI-ENDOWMENT AND AGENCY FUNDS**

Investment Policy:

Funds in this category are invested for the long-term in a diversified portfolio managed by investment firms selected by the USM Foundation Investment Committee for their expertise and experience. The Committee selects an asset mix with the objective of earning a total return which will be sufficient to cover both spending and inflation. The current objectives and guidelines for investing are detailed in the USM Foundation Investment Policy. The Policy is reviewed annually and revised as deemed appropriate by the Investment Committee.

The current asset allocation is as shown below:

Style	Policy Target Range
Fixed Income and Cash	0% – 10%
Public Markets	60% – 80%
Private Capital	5% – 15%
Real Assets	15% – 25%

Administration Fee and Earnings:

- ☞ The USM Foundation assesses a 0.04% administrative fee annually using the 03/31 market value. The fee is charged to accounts in October.
- ☞ An additional 1.6% fee is computed using the 03/31 market value of the endowment accounts specific to each institution. This is distributed to the Development Offices of those institutions, to be used for their fundraising programs. The distribution is made in October.
- ☞ Each fund receives a quarterly distribution of net earnings (*interest, dividends and realized gains, less investment manager fees*) based on the units owned.