The University of Puget Sound
Investment Policy Statement
For Pooled Endowment Investments

Effective: December 1, 2013
Last Revised: May 13, 2022
Last Reviewed: May 13, 2022
I. Purpose and Overview

Purpose of the Investment Policy Statement

This Investment Policy Statement ("Policy") reflects the investment policy, guidelines, constraints, and investment objectives of The University of Puget Sound’s (the "University") pooled endowment investments (the “Endowment”). These policies are designed to guide the prudent management of the Endowment funds, conform to all governing codes, and ensure the availability of operating and capital funds when needed. This document outlines the selection of a suitable combination of investment alternatives, levels of investment risk, and expected rates of return, which will satisfy the University’s investment objectives for the Endowment.

Endowment Overview

The purpose of the Endowment is to support the educational mission of the University by providing a substantial, sustainable flow of funds for operations. Developed over time through the generous gifts of the University’s supporters, the Endowment provides a reliable source of funds for current and future use. The Endowment is the property of the University and held for its exclusive use, benefit, and purpose.

II. Scope of the Investment Policy

The Endowment includes three categories of endowments:

1. True endowments, which are funds received from a donor with the restriction that the principal is not expendable;
2. Term endowments, which are funds for which the donor stipulates that the principal may be expended after a stated period of time or the occurrence of a certain event; and
3. Quasi-endowments, which are funds that have been established by the Board of Trustees ("Board") to function like an endowment, but which may be expended at the discretion of the Board.

Except as noted otherwise in this Policy, to the fullest extent possible, individual endowments are pooled for investment purposes to enable broad diversification and economies of scale. In the rare cases when a donor has prohibited a gift from being pooled for investment purposes, such endowments (referred to as non-pooled endowments) are separately invested and managed. The general guidelines within this Policy apply to the pooled endowment only, including the Fossil Fuel Free Portfolio described later in this Policy.

III. Delegation of Authority

The Board is responsible for the prudent management of the Endowment. In carrying out its responsibilities, the Board has delegated responsibility for the oversight of the Endowment and the approval of this Policy to the Finance and Facilities Committee (the “Committee”). The Investment Subcommittee of the Finance and Facilities Committee (the “Subcommittee”) will recommend Policy changes and is responsible, along with the Executive Vice President and Chief Financial
Officer, for implementing this Policy. The Board, Committee, Subcommittee, and their agents, will act in accordance with this Policy and all applicable laws and regulations.

The Subcommittee will review this Policy on an annual basis and make recommendations for changes, as needed, to the Committee. It is expected that members of the Board, Committee, Subcommittee, and the External Investment Manager will propose revisions to this Policy, as needed, to support the Endowment’s investment objectives.

All participants in the investment process shall act responsibly and in a manner that is consistent with their roles as fiduciaries of the University.

IV. Responsibilities of the Finance and Facilities Committee

The Finance and Facilities Committee's duties and responsibilities are to review and approve this Policy, which addresses the following:

- Asset allocation targets;
- Investment guidelines relating to eligible investments, diversification and concentration restrictions, and performance objectives for the Endowment;
- Acceptable risk levels;
- Total return objectives; and
- Endowment spending policy.

V. Responsibilities of the Investment Subcommittee of the Finance and Facilities Committee

The Investment Subcommittee will make recommendations regarding this Policy and will execute the requirements of this Policy. Specific responsibilities of the Subcommittee include the following:

- Hire an External Investment Manager, consultants, bank custodian(s), and/or other experts, as needed, to manage the Endowment in accordance with this Policy;
- Monitor the External Investment Manager’s and other experts’ adherence to this Policy and evaluate the performance of the portfolio using the objectives and guidelines stated herein;
- Evaluate the performance of the External Investment Manager and other experts, and make changes, as needed;
- Evaluate and recommend changes to the asset allocation targets and ranges, as necessary, to achieve the long-term performance goals for the Endowment;
- Recommend a spending policy that supports current operations of the University while also providing for real growth of the Endowment over the long-term;
- Comply with the provisions of all pertinent federal and state laws and regulations;
• With respect to any proprietary commingled fund managed or advised by the External Investment Manager (the “Fund”), determine whether to invest the Endowment via the Fund’s pass-through or blocker vehicle with respect to unrelated business taxable income (“UBTI”), considering anticipated performance on an after-fee and after-tax basis; and
• Perform other activities consistent with this charge that the Committee and Board may deem appropriate.

VI. Responsibilities of the Executive Vice President and Chief Financial Officer and Other Financial Officers of the University

The Executive Vice President and Chief Financial Officer’s duties and responsibilities are to:

• Support the Committee and Subcommittee in their oversight and execution of this Policy in collaboration with the External Investment Manager;
• Provide the Subcommittee with timely Endowment reports in collaboration with the External Investment Manager;
• Monitor and coordinate the activities of the External Investment Manager;
• Make decisions in consultation with the External Investment Manager to invest the Endowment via pass-through or blocker vehicles with respect to UBTI, considering anticipated performance on an after-fee and after-tax basis, for investment funds other than the Fund;¹
• Ensure the maintenance of detailed records on individual funds within the Endowment and applicable accounting and tax reporting for the Endowment investments;
• Approve governing documents and execution procedures for Endowment funds stipulated by donors to be managed by students of the University as an experiential learning opportunity; and
• Delegate the above responsibilities to other elected financial officers of the University as appropriate.

VII. External Investment Manager Responsibilities

The Committee may retain an External Investment Manager to advise the Committee, Subcommittee, and the Executive Vice President and Chief Financial Officer on the development and implementation of this Policy and to provide day-to-day management of the Endowment on a discretionary basis within the confines of this Policy.

The External Investment Manager’s primary responsibilities are to:

¹ It is understood that External Investment Manager is not responsible for and does not provide tax advice to the Committee with respect to any investment. Any information about anticipated performance is provided for informational purposes only and actual performance may differ, including significantly. The ultimate responsibility for selecting the appropriate vehicle resides with the Executive Vice President and Chief Financial Officer.
• Conduct its activities in accordance with the standards applicable to the Board, Committee and Subcommittee, including for the avoidance of doubt the Investment Prudence requirements of Article VIII of this Policy;

• Utilize discretion in managing the assets of the Endowment in accordance with this Policy;

• Notify the Subcommittee proactively if it believes that the Policy and/or investment strategy should be modified to achieve the objectives stated herein;

• Seek to outperform, on an after-fee and after-tax basis, the Policy Benchmark (as defined herein) over a full market cycle, which would generally be viewed as a period of five to seven years;

• Conduct thorough investment, operational, and legal due diligence on potential investments according to its established processes and attempt to identify and invest with a diversified group of managers that meet the External Investment Manager’s due diligence standard;

• Provide ongoing education and insights into the capital markets to the Subcommittee;

• Conduct asset allocation reviews upon request of the Subcommittee or as deemed necessary by the External Investment Manager;

• Conduct Endowment spending analyses to inform the Endowment spending policy;

• Conduct fee analyses;

• Provide performance reporting within 30 business days of the end of each month to the Subcommittee;

• Attend meetings and participate in conference calls of the Subcommittee, as requested;

• Assist with Policy recommendations and revisions;

• Upon request and based upon information available to the External Investment Manager, the External Investment Manager will provide periodic reports to the Subcommittee on the status of its efforts to foster diversity, equity and inclusion within its firm and across managers in the university’s endowment portfolio;

• Provide an investment mandate for student-managed Endowment funds and review periodic investment reports related to such funds, consistent with applicable governing documents for such funds and the overall investment objectives for the Endowment;

• Upon request, provide information reasonably available from external managers to assist the Executive Vice President and Chief Financial Officer or other elected financial officers of the University in determining whether to invest via a pass-through or blocker vehicle offered by the external manager with respect to UBTI, considering anticipated performance on an after-fee and after-tax basis; and

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2 It is understood that External Investment Manager is not responsible for and does not provide tax advice to the Committee with respect to any investment. Any information about anticipated performance is provided for informational purposes only and actual performance may differ, including significantly. The ultimate responsibility for selecting the appropriate vehicle resides with the Executive Vice President and Chief Financial Officer.
• Assist the Executive Vice President and Chief Financial Officer and finance staff in the execution of their responsibilities, as mutually agreed.

VIII. Investment Objectives

The primary investment objective of the Endowment is to provide a sustainable maximum level of return that is consistent with prudent risk levels. The specific investment objectives of the Endowment and the Fossil Fuel Free Portfolio (described later in this Policy) are to attain annual total real returns of at least 5% and 3.5%, respectively, over the long term. It is recognized that support for current operations must be consistent with the long-term growth of the Endowment. While the Subcommittee, Executive Vice President and Chief Financial Officer, and the External Investment Manager will monitor shorter-term investment results, this Policy dictates that adherence to a sound long-term investment program, which balances short-term spending needs with the preservation of the real (inflation-adjusted) value of assets, is crucial to the long-term success of the Endowment.

To meet the objectives stated above, the Endowment should also be managed in reasonable accordance with the principles outlined below.

• Total Return Objective: The Endowment’s assets are to be managed for total return, defined as dividend and interest income plus or minus capital gains and losses.

• Time Horizon: The Endowment funds shall be invested in a manner that is consistent with the long-term nature of the Endowment.

• Investment Prudence: The decision process of the Board, Committee and Subcommittee are governed by the Prudent Investor Rule, the Washington State Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and the Washington Nonprofit Corporation Act. The Board, Committee and Subcommittee must make decisions in good faith, in a prudent manner and in the best interests of the Endowment, taking into consideration long-term and short-term needs, present and anticipated financial requirements, the expected total return and risk of certain investments, and general economic conditions. The Board, Committee and Subcommittee have the discretion to delegate the responsibility to manage and invest the Endowment funds to other parties such as bank custodians, an External Investment Manager, and investment consultants who work in a fiduciary capacity for the Endowment. In considering delegation to external agents the Board must act with such standard in: (i) selecting the agent; (ii) establishing the scope and terms of the delegation, including such agent’s standard of care; and (iii) reviewing and monitoring the agent’s performance. The Board and Committee shall document their decisions. The standard imposed upon the agent under the scope and terms of the delegation should be consistent with UPMIFA, including (i) the requirement to exercise reasonable care in complying with the scope and terms of the delegation and (ii) the requirement that a person who has special skills or expertise or is selected in reliance on such person’s representations of such special skills or expertise has a duty to use these skills or expertise.
• **Diversification:** The External Investment Manager shall invest the Endowment funds in a diversified manner across asset classes, recognizing that asset classes with low correlations to each other may perform differently in certain economic environments.

• **Transparency:** The External Investment Manager is authorized to select investments with limited transparency as to the underlying holdings, but it is expected that external fund managers shall provide periodic updates with regard to account performance, general strategy, and investment themes. It is also expected that the External Investment Manager will maintain sufficient visibility to underlying holdings to assist the University in meeting its financial accounting and audit requirements.

• **Liquidity:** There must be sufficient liquidity in the Endowment portfolio to ensure that the Endowment can meet its distribution/spending policy and operational needs, maintain the University’s desired credit ratings, and maintain compliance with any debt agreements to which the University is a party. The External Investment Manager is authorized to select investments with restricted liquidity, provided that the liquidity needs of the University and the liquidity of the overall Endowment portfolio have been carefully considered in advance of such investment and will continue to be met after the investments are added to the portfolio.

• **Investment Vehicles:** The investment structures to be used in managing the Endowment portfolio may include, but are not limited to, separate account managers, mutual funds, exchange traded funds and notes, and other pooled investment vehicles, including private placements.

• **Taxes:** The University is generally exempt from Federal income tax under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3). Some investments, including those that employ leverage, may generate UBTI. The use of investment strategies that generate UBTI is allowed in the Endowment without restriction, as the primary goal in managing the Endowment is to seek to maximize the investment return, net of all fees and expenses, including taxes. The Subcommittee and/or finance staff of the University will promptly advise the External Investment Manager if the Endowment’s tolerance of UBTI changes and the External Investment Manager shall have a reasonable period of time after notification to implement such change with respect to new investments.

• **Endowment Expenses:** Endowment expenses, including investment management fees, legal fees, consulting fees, custodial fees, taxes, and other Endowment-related expenditures may be paid from Endowment earnings.

• **Cash:** Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity, and return.

### IX. Risk Objective

In light of the uncertainties and complexities of investment markets, the Subcommittee recognizes and acknowledges that a reasonable level of risk must be assumed to provide an opportunity to achieve the long-term investment objectives of this Policy.
The Endowment should be managed to attain a risk level (as measured by standard deviation over a full market cycle) that is equal to or less than that of the Policy Benchmark. The Subcommittee recognizes that, in some periods, the risk level of the portfolio may exceed that of the Policy Benchmark.

X. Policy Benchmark

Over a full market cycle (typically five to seven years), the Subcommittee and the External Investment Manager shall seek to attain an average annual return on the Endowment portfolio, net of fees, that exceeds the average annual return of the Policy Benchmark, which is comprised of a blend of two broad-based indices:

- 70% weight to the MSCI All Country World Total Return Net Index from Morgan Stanley Capital International (the “MSCI ACWI”); and
- 30% weight to the Bloomberg Global Aggregate Bond Index (the “Bloomberg Global Agg.”).

The Subcommittee has selected the Policy Benchmark based on several criteria. First, the Policy Benchmark is comprised of stable, widely referenced, and readily available indices. Second, the Policy Benchmark might be expected, over the long-term, to exhibit a similar level of volatility, or standard deviation, as the Endowment portfolio, assuming (i) the Endowment’s investments in certain asset classes are consistent with the long-term targets for each asset class, and (ii) future long-term returns and correlations are consistent with historical returns and correlations. Accordingly, the Policy Benchmark should provide the Subcommittee with a fair representation of a proxy from which it can evaluate the Endowment’s performance.

The Subcommittee recognizes that the Endowment’s return may vary significantly from that of the Policy Benchmark in certain market environments, particularly over short time periods.

XI. Acceptable Investments

The Endowment may invest in a broad mix of traditional and alternative asset classes to achieve the return and risk objectives of this Policy.

The Endowment shall consider the inclusion of alternative investments for the purpose of diversification and risk management, and not solely for the purpose of seeking outsized returns. Thus, the potential impact on overall portfolio risk of specific alternative investments should be considered before those investments are added to the portfolio.

Alternative investments may exhibit low correlations to traditional equity and/or fixed income markets. Examples of these investments include: hedge funds, commodities and natural resources, real estate, and private equity. Such investments may be accessed through a variety of structures, including private placements, mutual funds, exchange traded funds, structured notes, and other issuers.
It is recognized that the structures and asset classes outlined in this Policy can encompass a wide range of investment strategies that have significantly different risk profiles and cost structures.

Acceptable assets may include:

- **Global Equities**: Equity investments in U.S. and international companies are typically among the most liquid and well-researched opportunities. This class will typically be diversified in terms of style and capitalization and may include both active and passive investment strategies. Smaller capitalization, concentrated, and style-specific strategies may all be used to diversify the portfolio. Excluding any exposures that may be obtained through broad market index funds or other combed funds that are externally managed, the Endowment will make no direct investments in publicly-traded companies that own fossil fuel reserves, as defined by the MSCI Fossil Fuel Reserves list.

- **Private Capital**: This asset class represents one of the most illiquid investment classes. However, private capital investments offer potentially attractive returns because they may take advantage of market inefficiencies and may benefit from active management strategies. Investments that may be included in this asset class are (i) equity or equity-like investments in companies that have undeveloped products or revenues and are not able or interested in accessing public capital markets ("Venture Capital"), (ii) equity investments in private or public companies that result in the purchase of a significant portion or majority control of the company ("Leveraged Buyouts"), and (iii) mezzanine investments in the subordinated debt and/or equity of privately owned companies.

- **Hedge Funds/Absolute Return**: Hedge funds are intended to supplement traditional equity portfolios. Hedge funds generally combine long positions with short positions to reduce overall equity market exposure. Hedge funds may be considered “return enhancers” but should exhibit lower volatility and lower statistical correlations to traditional investments. Long/short hedge funds, however, are generally sensitive to the same market factors as the traditional investment markets. Absolute return strategies may produce close to "equity-like" returns but exhibit "bond-like" volatility over extended periods. Absolute return investments include those that attempt to identify or exploit pricing inefficiencies between related securities or involve transaction-based strategies that tend to have lower statistical correlations to traditional equity and fixed income markets. Examples of absolute return strategies include convertible arbitrage, event-driven arbitrage, fixed income arbitrage, distressed securities, and equity market-neutral. These strategies are usually offered through partnership structures. These investments are intended to provide less volatile returns in both normal and extreme market conditions for traditional equity and fixed income investments.

- **Real Assets**: Investments included in the real assets class include those assets for which the primary purpose is to provide a potential hedge against inflationary pressures and to achieve overall portfolio diversification. Real assets include, but are not limited to, the following: real estate, infrastructure, renewable energy, commodities and Treasury Inflation Protected Securities ("TIPS"). Real assets investments may have low correlations to the traditional equity and fixed income markets and may offer attractive long-term risk-adjusted returns for investors. Excluding any exposures that may be obtained through broad market index funds or other externally managed commingled funds, the Endowment will
not make any new commitments to commingled private funds whose primary strategy is to make investments focused on hydrocarbon extraction, processing, and/or transportation.

- **Fixed Income and Cash:** The returns of fixed income investments are expected to be lower than those of equity investments. The goal for the fixed income assets is to provide diversification for the total portfolio, reduce the overall volatility of the portfolio, and generate periodic predictable cash flows that can be used in support of annual spending requirements. The fixed income portfolio will typically be diversified across various subclasses and by investment style and strategy (such as duration, sector, and quality). Cash and cash equivalent reserves may be invested in short-term fixed income investments and shall be used to fund necessary financial obligations at times when it is not desirable or practical to liquidate stock or bond investments. Since cash and cash equivalent reserves may earn a return lower than the rate of inflation, there could be a loss of real purchasing power associated with the holding of cash assets.

- **Funds stipulated by donors to be student-managed** will be invested in accordance with applicable governing documents for such funds and may not be invested in: non-US-dollar-denominated securities; non-marketable securities; securities that are sold short or purchased on margin; securities purchased with borrowed funds or pledged assets; uncovered options; commodities; or currencies.

In accordance with the Board’s commitment to reducing fossil fuel exposure (see Section XIV on Socially Responsible Investing for more information), the Endowment may not be invested directly in any publicly-traded companies that own fossil fuel reserves, as defined by the MSCI Fossil Fuel Reserves list. In addition, new commitments may not be made from the Endowment to commingled private funds where the primary strategy is to make investments focused on hydrocarbon extraction, processing, and/or transportation. These policies apply to investments across all asset classes in the Endowment.

**XII. Asset Allocation**

**Targets and Ranges**

One of the most important components of an investment strategy is the portfolio asset mix, or the allocation among the various classes of securities and investment strategies available to the Endowment for investment purposes. Long-term asset allocation targets and ranges are determined by this Policy. Actual asset allocations will be reported to the Subcommittee at least quarterly.

To implement this strategy, the Subcommittee and the External Investment Manager will diversify investments across asset classes to enhance the expected Total Return of the portfolio while avoiding undue risk concentration. Decisions regarding the allocation targets or the inclusion of new asset classes will be made when such action is expected to increase the expected return, reduce the risk of the portfolio, or when deemed appropriate by the Subcommittee. Expected returns, risks and correlations, and these characteristics’ overall impact on the portfolio will be analyzed before such asset class can be included. As both the targets and ranges are long-term in nature, it is expected that they will change infrequently.
The asset allocation should allow for (i) a diverse portfolio without undue concentration in any single asset class and (ii) enough flexibility to adapt to various market environments. For these reasons, the asset allocation policy calls for “target” allocations as well as ranges around those targets. The approved targets and ranges are shown below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Long Term Targets and Ranges (%)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Low End</td>
</tr>
<tr>
<td>Global Equity</td>
<td>25</td>
</tr>
<tr>
<td>Real Assets</td>
<td>5</td>
</tr>
<tr>
<td>Private Capital</td>
<td>10</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>5</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>0</td>
</tr>
</tbody>
</table>

**Rebalancing**

An asset class is considered to be within an acceptable range if the actual allocation is within the lower and upper bands shown above. Actual allocation will be reviewed quarterly but may be changed at any time (as long as the proposed allocations are within the acceptable ranges) based on judgment of the External Investment Manager.

If the Endowment’s holdings in an asset class should move outside of that class’ acceptable range, or might be reasonably expected to do so in the future, the External Investment Manager should notify the Subcommittee promptly. The Subcommittee should work with the External Investment Manager to understand the reason for the breach and agree to a reasonable plan to restore the allocation back within the acceptable range.

**XIII. Spending Policy**

The Endowment spending rate(s) will be established annually for the subsequent year at the fall Board meeting and will be a Committee-approved percentage of the trailing 36-month average Endowment market value (ending with the most recently closed fiscal year at the time the rate is set).

In establishing the payout percentage, the following factors, among others, will be considered: (1) duration and preservation of the Endowment; (2) the purposes of the University and the Endowment; (3) general economic conditions; (4) the possible effect of inflation or deflation on the Endowment; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) this Policy.

Endowment spending may be made from interest, dividends, capital appreciation, or prior years’ accumulations of the same.

Notwithstanding the above, individual true endowments with a fair value at the reporting date that is less than either the original gift or the amount required to be maintained by the donor or by law
that extends donor restrictions will only distribute the current year’s income from interest and dividends. If such endowments support financial aid, the spending shortfall may be covered by quasi-endowments for financial aid to achieve the approved and committed total tuition discount rate.

XIV. Socially Responsible Investing

Socially Responsible Investing (“SRI”) is a method of investing that is geared toward accomplishing a social goal or promoting a particular mission. Such an investment strategy is executed either through owning a company’s shares as an activist means of making change or by refusing to own shares of a company because of a disagreement with that company’s business practices.

The Subcommittee may consider investment opportunities with managers that take an SRI approach when the Subcommittee determines that the manager’s targeted values align with the mission of the University and when the manager meets the evaluation criteria set forth in this Policy, including the expectation that the manager will be able to improve the risk-adjusted returns of the Endowment.

The Board recognizes that climate change is unique among concerns in society in that it is global in its reach and existential in its threat. The Board has made specific commitments identified in Section XI on Acceptable Investments that have reduced and will continue to reduce fossil fuel investments significantly in the Endowment over time without adverse impact on investment returns that provide annual funding for student financial aid, faculty support, and University operations. The Board aspires to have an Endowment that eventually includes no fossil fuel investments. The Investment Subcommittee monitors and reports on the Endowment’s fossil fuel exposure annually, and the Board reviews its divestment commitment every three years. The University also monitors its investments that have a beneficial environmental and social impact.

XV. Fossil Fuel Free Investment Pool

To provide donors with the option of making gifts to a pool that avoids exposure to companies deemed to contribute to climate change, a separate investment portfolio is available within the Endowment that has similar goals and objectives as the overall Endowment (as described herein), but explicitly excludes investments in companies that own fossil fuel reserves, as defined by a credible third party index provider (“Fossil Fuel Free Portfolio”).

The Fossil Fuel Free Portfolio has a more simplified asset allocation (as defined below) than the overall Endowment, with a goal of diversifying as more investment options in fossil fuel free strategies that meet the requirements of this Policy become available.
### Long Term Targets and Ranges (%)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Low End</th>
<th>Target</th>
<th>High End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>50</td>
<td>70</td>
<td>90</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10</td>
<td>30</td>
<td>50</td>
</tr>
</tbody>
</table>

The External Investment Manager will utilize its discretion in managing the assets of the Fossil Fuel Free Portfolio, subject to the targets and ranges highlighted above.

The Fossil Fuel Free Portfolio spending policy will be the same as the Endowment spending policy described in this Policy except that, until sufficient time passes to establish the trailing 36-month average market value described herein, the Committee-approved spending rate may be applied to the Fossil Fuel Free Portfolio’s inception-to-date or trailing average market value of less than thirty-six months. Although the spending policy will be the same, the rates applied to the policy might differ. Given the asset allocation of the Fossil Fuel Free Portfolio, returns may differ from those earned on the overall Endowment and as a result, may warrant a different Committee-approved spending rate.