



MAKERERE UNIVERSITY ENDOWMENT FUND

RULES

March 2014

PART I - PRERIMINARY

1.0 Name of the Fund

The name of the Fund shall be Makerere University Endowment Fund (hereinafter referred to as “the fund”)

2.0 Registered Office

The registered office of the fund shall be situated in Kampala.

3.0 Date of Commencement of the Fund

These Rules shall come into force on the day of approval by the University Council.

4.0 Definitions

In these Rules, where the context so admits, the words importing the singular number shall be deemed to include the plural number. All words and expressions with particular meanings wherever they appear in these Rules and the words and expressions listed below shall have the following meanings unless the context otherwise requires:

“**Auditor**” means a person recognised as such by the Institute of Certified Public Accounts of Uganda.

“**Administrator**” means a person appointed under an instrument to manage the administrative affairs of the Endowment Fund;

“**Board**” means the Board of Trustees of the Endowment Fund established under Rule 6;

“**Council**” means Makerere University Council;

“**Council Committee**” means Makerere University Council Committee responsible for Investments

“**Custodian**” means a Company whose business includes taking responsibility for the custody of the funds, securities, financial instruments and documents of title of the assets of Endowment Fund and appointed by the Endowment Fund under Rule 9;

“**Financial Year**” means the financial year of the Endowment Fund being the period from 1st July to 30th June of the following year;

“**Fund Manager**” means a Company appointed by the Endowment Fund whose business includes:

- i) undertaking, pursuant to a contract or other arrangement, the management of assets of the Endowment Fund for purposes of investment;
- ii) providing consultancy services on the investment of Endowment Fund assets;
or

- iii) reporting or disseminating information concerning assets available for investment of Endowment Fund assets;

“Endowment Fund” means the Makerere University Endowment Fund;

“ Trustees” means the trustees for the time being of the Endowment Fund and the expression “Board of trustees” shall mean the trustees or some of them acting collectively as a Board;

5.0 Objectives Of The Endowment Fund

The objectives of the Endowment Fund shall be:

- a) to receive and or mobilize funds for the benefit of University operations
- b) to invest the funds held by the Endowment Fund in such manner as may from time to time in a manner determined by the Investment Policy and guidelines provided by the University Council and these Rules.
- c) To fund scholarships, research, infrastructure, teaching and learning materials, staff remuneration, and activities that are aimed at attaining the objectives for which the University was established.

PART II – ADMINISTRATION

6.0 Trustees

- 6.1 There is hereby established a Board of Trustees for the administration of the Endowment Fund.
- 6.2 The Board of Trustees shall consist of seven (7) members with the following representation;
 - i. Makerere University;
 - ii. Prominent Alumni;
 - iii. Private Sector;
 - iv. Ugandan Legal Fraternity;
 - v. Financial Services professional.
- 6.3
 - i) The Board of Trustees shall serve for a term of four (4) years unless earlier removed from office in accordance with these Rules, but shall be eligible for re-appointment for another one term only. In filling vacancies, the Board of Trustees shall ensure that at least one third of its members remain in office.
 - ii) Where any Trustee ceases to be a member of the Board under these Rules the Makerere University Council shall be required to fill the vacancy within three months from the date of cessation.
 - iii) In the case referred to in (ii) above, the Board of Trustees, in consultation with the relevant committee of Makerere University Council shall, within twenty one (21) days cause the vacant position on the Board to be filled.

6.4 Manner of Appointment

- i. The one member representing Makerere University shall be identified by Council.
- ii. The one member representing the Alumni shall be identified by Council.
- iii. Private Sector Representative shall be identified by Council.
- iv. A Ugandan Legal Fraternity Representative shall be identified by Council.
- v. A Financial Services Professional with investment management expertise and a member to any of the institutions below will be identified by council:
 - 1. Institute of Certified Public Accountants
 - 2. Uganda Insurance Institute
 - 3. Uganda Institute of Banking and Financial Services
 - 4. Uganda Society of Investment Professionals
 - 5. Investment Managers Association of Uganda

6.4.1 Notwithstanding the above provisions, members shall not be eligible for election as Trustees of the Fund unless they are of high moral character and proven integrity.

6.5.1 No person shall be eligible for election as a Trustee of the Endowment Fund if such a person:

- i) is adjudged bankrupt;
- ii) was previously involved in the management or administration of any Trust which was de-registered for any failure on the part of the management or the administration thereof;
- iii) is disqualified under any other written law, or his holding office as such is deemed by the Council as being, in any way, detrimental to the Endowment Fund.

6.5.2 Notwithstanding the above provisions, a Trustee shall cease to be a Trustee upon:

- i) Resignation by giving one month's notice to the Chairperson or Secretary of the Board of Trustees;
- ii) Natural waste;
- iii) being adjudged bankrupt;
- iv) being disqualified under any other written law, or if his holding office as such is deemed by the Committee as being in any way detrimental to the Endowment Fund;
- v) being shown that the member was previously involved in the management or administration of any Trust which was

deregistered for any failure on the part of management or the administration thereof;

- vi) being absent for three consecutive meetings of the Board without permission in writing from the Chairman and without reasonable excuse;
- vii) being convicted of an offence involving dishonesty, fraud or moral turpitude; or
- viii) being incapacitated by mental or prolonged physical illness or being otherwise unable or unfit to discharge his functions.

6.5.3 The Council may for justifiable reasons recall a trustee representing it on the Board. In such a case, the trustee shall be given at least 21 days' notice and a fair hearing.

6.5.4 A Trustee who resigns or is, removed from office shall execute all documents and all things necessary to give effect to his resignation in the other trustees but need not execute a deed for this purpose.

6.6 The members of the Board of Trustees shall elect a Chairperson amongst themselves at their first meeting.

6.7 Duties of the Board

The Duties of the Board shall include the following;

- i) appointment of the Fund Administrator, the Fund Manager, the Custodian and any other staff or committee as may be necessary for the efficient management of the Endowment Fund on such terms and conditions as they may deem necessary;
- ii) administering the Endowment Fund in accordance with the provisions of these Rules;
- iii) Establishing and reviewing the Annual Spending Rate;
- iv) keeping all proper books and records of accounts in respect of income, expenditure, assets and liabilities of the Endowment Fund
- v) reviewing rules relating to the Endowment Fund with a view to improving performance.
- vi) liaising with the Council, Fund Manager, Custodian and any other professionals engaged by the Endowment Fund;
- vii) appraising the Council at least quarterly during the financial year on all matters regarding the Endowment Fund;
- viii) ensuring that all documents intended to bind the Endowment Fund are professionally prepared and executing all such documents for and in the name of the Endowment Fund; and

- ix) performing such other functions as are conferred on them by these Rules, the Council or any other written law for the better management and administration of the Endowment Fund.

6.8 Conduct of Meetings

- i) The Board of Trustees shall meet at least quarterly unless there is special business to be transacted or on request by a member supported by at least another two (2) members in which case the Administrator shall convene a special meeting.
- ii) The quorum for the conduct of the Board meetings shall be five (5) members.
- iii) The Chairman shall preside at all meetings of the Board at which he is present, but in his absence the members shall elect one of their number to preside at that meeting and the business transacted at the meeting shall have the same validity and the person elected shall have all the powers of the Chairman.
- iv) Unless a unanimous decision is reached, a decision on the matter before the Board shall be by a majority vote of the members present and in the case of an equality of votes, the Chairman shall have a casting vote.

6.9 Notices for Board Meetings

Unless three quarters of the total members of the Board otherwise agree, at least fourteen (14) days written notice of every ordinary meeting and three (3) days written notice of every special meeting of the Board shall be given to every member of the Board.

6.10 Allowances and Honoraria for Endowment trustees

The Board of Trustees shall receive such allowances and honoraria as shall be determined by themselves with reference to prevailing industrial standards.

7.0 7.0 Endowment Fund Administrator

7.1 Appointment of Endowment Fund Administrator

The Board of Trustees shall appoint an Endowment Fund Administrator on such terms and conditions as it may determine for the purposes of administering the Endowment Fund.

7.2 Duties of Endowment Fund Administrator

- i) The Endowment Fund Administrator shall be the Secretary to the Board of Endowment trustees of the Endowment Fund and in that capacity shall attend all meetings of the Board of Endowment trustees

and keep proper and accurate minutes of such meetings, but shall not have any voting rights on any matters discussed thereat.

- ii) The Administrator shall be responsible for the general administration of the Endowment Fund and in that regard shall:
 - a) in consultation with the Fund Manager and the Custodian, prepare administrative reports and financial statements of the Endowment Fund;
 - b) periodically review the existing administrative structure and make recommendations for improvements to the Board of Endowment trustees;
 - c) produce periodic status reports including new entries, retirees, withdrawals and other similar changes
 - d) prepare the annual budget for the Endowment Fund for approval by the Endowment trustees;
 - e) carry out such other duties or functions as may be assigned from time to time by the Board of Endowment trustees.

7.3 If for any reason the Endowment Fund Administrator is unable to discharge any duties or functions as assigned to her under this Rule, the Board of Endowment trustees shall appoint an Acting Administrator who will discharge such duties or functions for such period as may be necessary.

8.0 8.0 Fund Manager

8.1 Appointment of Fund Manager

The Board of Trustees may appoint Fund Managers on such terms and conditions as it may determine for the purposes of managing the assets of the Endowment Fund.

8.2 Duties of Fund Manager

The duties of the Fund Manager shall be:

- i) to assist the Board to formulate a prudent investment policy on the investment of Endowment Fund funds;
- ii) to advise the Board on the asset classes which are available for investment;
- iii) to invest the fund subject to the investment policy;
- iv) to draw up proposals for the investment of the funds of the Endowment Fund in consultation with the Board of Trustees and other professionals as may be necessary, subject to any general or specific directives of the Board of Endowment trustees regarding investments;
- v) in consultation with the Custodian, to prepare quarterly reports on major

- investment options available showing current rates of return, an evaluation of assorted investment risks and capital requirements and giving the extent of their liquidity implications;
- vi) to prepare forecast of cash flows.
 - vii) to ensure that the investment of funds and re-investment of income therefrom are carried out with due care and prudence and in accordance with the Endowment Fund's investment policy;
 - viii) to submit to the Board at least quarterly from the date of commencement of the financial year of the Endowment Fund:
 - a) a valuation of the Endowment Fund assets and of all the investments representing the same including details of the cost of such investments and their estimated yields;
 - b) a report reviewing the investment activity and performance of the investment portfolios comprising the Fund assets since the last report date and containing the Manager's proposals for the investment during the following period;
 - c) a record of all investment transactions during the previous period;
 - ix) In consultation with and on behalf of the Board, to issue instructions to the Custodian to transfer, exchange, deliver in the required form and manner Endowment Fund assets held by the Custodian;
 - x) In consultation with and on behalf of the Board, to issue instructions to the Custodian to effect payment in respect of purchased securities or any other assets;
 - xi) To keep or cause to be kept such books, records and statements as may be necessary to give a complete record of:
 - a) the fund's investment portfolio held by the Custodian;
 - b) the investment transactions carried out by the Custodian as instructed by the Manager, and to permit the trustees, officers of the Endowment fund or duly authorised persons to inspect such books, records and statements at any time during business hours;
 - xii) to ensure that minutes, statements and resolutions in respect of the Endowment Fund or investment portfolio are properly filed;
 - xiii) to submit to the Board within ninety (90) days from the date of appointment and subsequently at the end of every quarter:
 - a) a statement of the assets and investment portfolio including details of the cost of such investments;
 - b) a statement detailing the investment transactions carried out within the quarter of reporting;

- c) a report reviewing the investment activity and performance of the investment portfolio and proposed investments during the following quarter;
- xiv) to liaise with the Board, the Custodian, the Actuary and any professionals appointed by the Board in all matters relating to the management of the assets; and
- xv) to carry out such other duties or functions as may be assigned from time to time by the Board.

9.0 9.0 Custodian

9.1 Appointment of Custodian

The Board of Trustees shall appoint a Custodian on such terms and conditions as it may determine.

9.2 Duties of Custodian

The duties of the Custodian shall be:

- i) in consultation with the Manager and the Board, to keep or cause to be kept such books, records and statements as may be necessary to give a complete record of:
 - a) the entire investment portfolio held by the Custodian;
 - b) the transactions carried out by the Custodian on behalf of the Endowment Fund; and
 - c) submit to the Board summaries of such books, records and statements on a monthly basis;
- ii) to receive and keep in safe custody at all times all the funds, title deeds, securities and income accruing therefrom;
- iii) to hold and maintain in safe custody any insurance policies of the Endowment Fund;
- iv) to open a bank account(s) with a bank duly registered under the Laws of Uganda on behalf of and for the exclusive benefit of the Endowment Fund, subject to the approval of the Board;
- v) to acknowledge receipt of all contributions and other payments made to the Endowment Fund;
- vi) to deposit such receivables and payments in the Endowment Fund's bank account(s);
- vii) to transfer, exchange or deliver in the prescribed form securities held on behalf of the Endowment Fund upon receipt of proper instructions from the Fund Manager;
- viii) to deliver to the Endowment Fund, or to such other persons as the Endowment Fund may authorize, copies of all notices, proxies, proxy

soliciting materials received in relation to any of the securities held in the Endowment Fund account, all public information financial reports and stockholder communications as may be received from issuers of securities and all information received from an offer relating to exchange or tender offers or other rights or offerings as may be agreed upon from time to time;

- ix) to submit to the Endowment Fund:
 - a) a written report on a quarterly basis listing all assets of the Endowment Fund together with a full account of all receipts and payments made and other actions taken;
 - b) advice or notification of any transfers of property or securities to or from the Endowment Fund account indicating securities acquired for the account and the identity of the party in possession of such securities;
 - c) a copy of the most recent audited financial statements of the Custodian prepared together with such information regarding the policies and procedures of the Custodian as the Endowment Fund may request in connection with the agreement between it and the Custodian or the duties of the Custodian under that agreement;
- x) on receipt of proper instruction from the Fund Manager, to exercise subscription, purchase or other similar rights represented by the securities;
- xi) to exercise a high standard of care in holding, maintaining, servicing and disposing of property and in fulfilling any other obligations in the agreement, PROVIDED that the Custodian shall exercise the degree of care expected of a prudent professional Custodian for hire;
- xii) on receipt of instructions from the Board to pay any statutory payments to be made by the Endowment Fund;
- xiii) to liaise with the Administrator, the Fund Manager, the Board and any professionals appointed by the Board in matters relating to custody of the Endowment Fund assets; and
- xiv) to carry out such other related duties and discharge such other functions as may be assigned from time to time by the Board.

10.0 Appointment and Remuneration of Auditor

- i) The Board of Trustees, shall from the date of registration of the Endowment Fund, appoint and fix the remuneration of an auditor who shall be a member of the Institute of Certified Public Accountants of Uganda.
- ii) On appointment, such auditor or firm of auditors shall serve for one financial year, but may be eligible for re-appointment.

11.0 Annual Accounts

- i) The Endowment Fund shall keep and maintain or cause to be kept and maintained such books of accounts and other records for the purpose of accounting for its assets and liabilities.
- ii) The income and expenditure account and the statement of assets and liabilities of the Endowment Fund shall be prepared on accrual basis in the prescribed form and the income and expenditure account and the statement of assets and liabilities and notes thereto shall be accompanied by a report signed by the auditor of the Endowment Fund and where the auditor is unable to sign the report without qualification, the report shall disclose for such qualification.
- iii) The Board of Trustees shall submit audited annual accounts to the Council Committee.

12.0 PART III - SPENDING RULES

- i) The Board of Trustees shall ensure that “ring fenced” funds are treated as such. The Board may also “ring fence” funds which are put in the Endowment Fund for named beneficiary units or projects of the University.
- ii) The Board of Trustees shall put in place spending rules that promote discipline in budgeting, financial management and expenditure control.
- iii) The Board of Trustees shall endeavor to protect the Principal value of the fund’s Assets from loss of purchasing power due to inflation and time value of money. The Principal amount shall remain invested in accordance with the Investment Policy Statement.
- iv) The Board of Trustees shall endeavor to maintain the assets over the long term so that the Endowment Fund is able to provide financial support in perpetuity. This principle will guide the Board in determining the annual spending rate.
- v) The Board of Trustees shall have powers to apportion levels of expenditure on the following areas;
 - a. Scholarships
 - b. Infrastructure
 - c. Equipment
 - d. Books and Library
 - e. Research
 - f. Staff related expenses
 - g. Miscellaneous

PART IV - INVESTMENT POLICY AND GUIDELINES

13.0 Investment Guidelines

- 13.1 The Board shall prepare and maintain written statement of principles governing investments for the purposes of the Endowment Fund provided that these may be revised from time to time.

13.2 The Statement shall cover, among other things:-

the investment policy of the Endowment Fund, on the following matters:-

- (i) General Investment Principles
- (ii) the kinds of investments to be held;
- (iii) Guidelines for Outsourced Service providers
- (iv) risk management;
- (v) Performance Evaluation

(iii) the realization of investments; and

(vi) such other matters as may be prescribed by the Council from time to time.

13.3 The Investment Policy shall be approved by the Council on the recommendation of the Board of Trustees.

13.4 The Board's powers on investment shall not in any way contravene the approved

Investment Policy Statement and Guidelines.

13.5 Before the preparation or revision of the Investment Policy the Board may obtain

and consider written advice of a professional Investment Advisor.

14.0 Risk Management

The Investment Policy of the Endowment Fund shall be guided by the need to maintain and enhance the capital funds of the Fund and to secure market rates of return of the investment of such funds provided that:

- i) the risks involved in such investment are acceptable to the Trustees and the Fund Manager;
- ii) the Trustees shall reserve the right to receive and consider advice from other professional investment advisors;
- iii) the Fund Manager shall submit to the Board of Trustees at the end of every three (3) months a detailed statement of all investments of the Fund;

15.0 Realization of Investments

- i) On realization of investments of the Endowment Fund the Board of Trustees and the Fund Manager shall be guided by, inter alia, the nature of the investment, the expected income stream of the investment, the current and expected future market trends.

16.0 Ethical and Professional Practices

The Board and the Fund Manager shall, in carrying out their functions and in discharging their duties with respect to investment of the Endowment Fund's and the realization thereof, adhere to the principles of probity, transparency and accountability, and ethical and professional practices and refrain from any practices that may in any way be detrimental to the Endowment Fund.

PART V - DISSOLUTION OF THE ENDOWMENT FUND

17.0 Manner of Dissolution

- 17.1 i) The Endowment Fund shall be dissolved upon a recommendation of the Trustees and resolution of the Council.
- ii) A resolution to dissolve the Endowment Fund shall only be adopted if:
- a) it is unable to meet its liabilities as and when they fall due;
 - b) arrangements by the Trustees to improve the Endowment Fund's condition have proved ineffective, impracticable or unsatisfactory;
- ii) The Board of Trustees may, by a resolution adopted by at least $\frac{3}{4}$ of the Trustees and on prior notification to do so, and the reasons therefore, voluntarily determine to dissolve or wind up the Endowment Fund.
- iii) Notwithstanding the above provisions, in the event of a proposal to dissolve the Endowment Fund, the proposer shall allow a minimum period of one calendar year for mutual consultation among all the stakeholders.
- iv) During the period of consultation referred to above, the Endowment Fund shall continue to operate normally.
- v) Any dispute, among the stakeholders relating to the proposal or determination to dissolve the Endowment Fund shall be resolved as provided herein.

18.0 Appointment and Remuneration of a Liquidator

- 18.1.1 i) After adoption of the resolution to dissolve or wind up the Endowment Fund voluntarily, the Council shall appoint a liquidator.
- ii) The liquidation or dissolution of the Endowment Fund shall be deemed to commence from the day of appointment of the liquidator by the Council.
- iii) During the liquidation of the Endowment Fund the provisions of the Companies Act, CAP 10 and these Rules shall apply to the Endowment Fund as if the liquidator were the sole Trustee of the Endowment Fund.
- iv) The liquidator shall within thirty (30) days from the date of appointment deposit with the Council preliminary accounts signed and certified by him as a correct record reflecting the financial status of the Endowment Fund at the commencement of the liquidation process and the manner in which he proposes to realize the assets and to discharge the liabilities of the Fund.
- v) The liquidator shall, when directed by the Council furnish a report on the preliminary accounts drawn up by an independent auditor or any other

person approved by the Council and such preliminary accounts and report shall be availed for inspection by interested persons at the registered office of the Endowment Fund for a period of thirty (30) days, and any interested person who has an objection to the said preliminary accounts and report may lodge their objections in writing with the Council and serve a copy thereof on the liquidator within the said period.

- vi) Where no objections to such preliminary accounts and reports are lodged in writing with the Council and communicated to the liquidator within fourteen (14) days from the last day of inspection the liquidator shall proceed to complete the liquidation process.
- vii) Where objections are lodged with the Council, the Council may, after considering the said objections, direct the liquidator to amend the preliminary accounts or give such other directions as are not inconsistent with these Rules, and such directions shall be binding upon the liquidator.
- viii) The liquidator shall, within fourteen (14) days of receipt of any directions from the Council provide a copy thereof to every creditor of the Endowment Fund, and the liquidator or any person aggrieved by such directions may apply to the High Court within thirty (30) days after such directions have been communicated to the liquidator, for an order to set aside the decision of the Council.
- ix) Where the Council's directions have not been varied or set aside by the High Court, it shall direct the liquidator to complete the liquidation process.
- x) The liquidator shall, within thirty (30) days after the completion of the liquidation process, lodge with the Council the final accounts signed and certified by him as a correct record showing the financial status of the Endowment Fund at the commencement of the liquidation process and the manner in which all the assets have been realized and all the liabilities discharged.
- xi) The provisions of the Companies Act shall apply *mutatis mutandis* to the dissolution of the Endowment Fund in so far as they relate to voluntary dissolution and winding up and are applicable and not inconsistent with these Rules.
- xii) Where the Council is satisfied that the final accounts are corrected and the liquidation has been completed, it shall de-register the Endowment Fund and thereupon the Endowment Fund shall be deemed to be dissolved.
- xiii) Any surplus of the Endowment Fund assets available after the dissolution of the Endowment Fund may be refunded to the Council.

18.2 On the dissolution of the Endowment Fund:

The fees payable to the liquidator shall be borne by the Endowment Fund at such rates as shall be determined by the Council.

PART VIII - MISCELLANEOUS

19.0 Transfer and Amalgamation

Subject to the provisions of these Rules, the Endowment Fund may with the approval of the Council either transfer the whole or part of its funds to another Endowment Fund or be amalgamated with other similar Endowment Funds.

20.0 Limits on Amendment of Rules

- i) The Board of Trustees may by a resolution adopted by at least three quarters ($\frac{3}{4}$) of the members present and voting at a special meeting of the Board convened for the purpose and with the approval of the Council, amend these Rules.
- ii) Any amendment to these Rules shall be deemed to take effect on the date of approval by the Council.

21.0 Law Applicable

21.1 These Rules shall be interpreted and applied by the Board in accordance with the Laws of Uganda.

22.0 Dispute Resolution

Any dispute arising out of these rules shall be resolved amicably. If this is not possible, the disputes shall be referred to the Centre for Arbitration and Dispute Resolution (CADR)