



Makerere University Endowment Fund (MakEF) Investment Policy

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Introduction

1. This Policy is designed to guide the investments under the MakEF and shall be known as Makerere University Endowment Fund Investment Policy. The Makerere University Endowment Fund is a perpetual unincorporated exempt Fund established by a Trust Deed.
2. MakEF aims to further the mandate of Makerere University by providing perpetual financial support. The purpose of this Policy is to provide guidelines to the Trustees who act in a fiduciary capacity in managing the Fund's resources. It provides a framework for making investment decisions, good governance and effective management of the Fund's resources including monitoring and evaluating the performance or contributions of the Manager(s) hired on behalf of the Fund and its beneficiaries.
3. The Endowment Fund shall be invested perpetually aiming to balance the needs of current and future beneficiaries. The principal shall remain invested to provide for future beneficiaries and a percentage of the income will be spent on current beneficiaries.
4. All investments made shall be consistent with the laws of Uganda.

Sources of Investment Funds

5. The funds to be used for investment among others shall include:
 - a. Donations and/or endowment gifts;
 - b. Funds set aside from University resources;
 - c. Pooled resources from Colleges;
 - d. Makerere University Alumni Fund (Annual small contributions);
 - e. Private Investors' contributions/ donations;
 - f. Makerere University and her affiliated institutions annual students' contributions; and
 - g. Any other source as may be determined by Council.

Investment Objectives

5. The Endowment Fund shall be invested:
- a) To produce the best financial return within an acceptable level of risk;
 - b) To generate investment return from income (investment income e.g. dividends and proceeds from the sale of investments e.g. share premium) and capital gains (i.e. use total return approach to investment); and
 - c) To preserve the long-term real capital value of the Endowment, whilst generating a sustainable level of investment income to support the current Fund activities. This shall be quantified as inflation; Real Price Index or Consumer Price Index plus (3-5) % starting yield or spending rate per annum.

Risk

Attitude to risk

6. The Endowment Fund relies on the investment income to fund its' activities. The stability of income is therefore important to the Fund. Therefore:
- a) Attitude to risk shall depend on income, or total return of the investments;
 - b) Assets shall be invested to mitigate inflation which is the key risk to the long term sustainability of the Endowment;
 - c) The Trustees shall be accountable for the performance of the Fund and shall ensure that all possible risks are taken into consideration; and
 - d) The Trustees will tolerate volatility of the capital value of the Endowment, as long as the Endowment is able to meet current expenditure from investment income.

Assets

7. Investment asset classes, their diversification and restrictions:
- a) The Endowment's assets shall be invested widely and diversified by asset class and security to avoid undue risk of large losses over long term periods. Asset classes may include cash, bonds, equities, property, hedge funds, private equity, commodities and any other asset that is deemed suitable for the Endowment;
 - b) Strategic asset allocation across asset classes with varying degrees of risk, return and return correlation shall be targeted as indicated below to achieve the desired long term investment return.

Asset class	Long Term Policy Weights	Rebalancing Ranges
Equities	20%	15%-50%
Fixed Income Securities (Bonds/T-Bills)	55%	30%-70%
Property/Real Estate	15%	0%-30%
Alternative Investments	10%	5%-10%

- c) Equity investments shall maximize the long-term real growth of portfolio assets, while fixed income investments shall generate current income, provide for more stable periodic returns, and provide protection against a prolonged decline in the market value of the portfolio equity investments;
- d) The Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset classes, as such, formal rebalancing of the portfolio asset allocation shall occur on an annual basis, unless the Trustees believe it is prudent not to do so.

Currency

8. Base currency and restrictions to other currencies:
- a) The base currency of the investment portfolio shall be Uganda Shillings;
 - b) Investments may be made in foreign currency assets, but shall not exceed 60% of the total investment portfolio value; and
 - c) Foreign exchange risk shall be hedged.

Cash Balances

9. The Endowment's cash balances shall be deposited with a bank duly registered under the Laws of Uganda.

Liquidity Requirements

10. Anticipated cash flow needs from the investments:
 - a) Since the Trustees of the Endowment Fund are unable to draw down capital, there is no requirement for short term capital liquidity within the investment portfolio. Cash investments will only be considered as temporary portfolio holdings under normal circumstances to be used for the Fund liquidity needs.
 - b) The Endowment Fund aims to balance the needs of current and future beneficiaries. The Board of Trustees shall therefore set a sustainable income target. The current income target for the Endowment Fund shall be inflation (RPI or CPI) plus (3-5) % spending rate per annum.

Time Horizon

11. The Endowment Fund shall exist in perpetuity and investments shall be managed to meet this investment objective and ensure its sustainability.

Ethical Investment

12. Ethical standards:
 - a) The Trustees of the Endowment Fund shall maintain the highest standards of professional excellence and integrity as well as observing fair and ethical business practices in considering potential investments to achieve the aims of the MakeEF.
 - b) The Fund's assets shall be invested in line with its aims.

Management, Reporting and Monitoring

13. Investment management, reporting requirements and performance monitoring.

The Endowment Fund Board of Trustees shall identify, appoint and monitor suitable Investment Managers. Managers shall produce a quarterly valuation and performance report based on agreed targets. The report shall be submitted to the Fund Administrator, for onward submission to the Board of Trustees

- a) The Board of Trustees shall report to Council through the Investment Committee of Council on a bi-annual basis.
- b) The Trustees shall nominate a list of authorized signatories, two of which are required to sign instructions to the Investment Manager.
- c) The Board of Trustees has responsibility for agreeing strategy, selecting investment vehicles to implement the agreed asset allocation strategy and monitoring the investment assets. The Trustee Board shall meet bi annually to review the portfolio, including an analysis of return, risk and asset allocation. Performance shall be monitored against agreed market indices and at an overall level against a composite benchmark and the investment objective outlined in section 3 of this policy.
- d) The performance and valuation report shall include a review of asset allocation strategy, risk profile and consistency with the long term investment objective, investment valuation, strategies and rationale underlying the investment decisions made, cash forecast, outlook for the coming period, major insights into the investment environment, securities markets, and any need for policy intervention to fulfill the required mission and objectives more appropriately.

Approval and Review

14. Frequency of policy review and approval dates:

- a) This MakEF Investment Policy Statement provides the framework for the management of Makerere University Endowment Fund investments.

- b) The Policy shall be reviewed every three years or as Council may deem necessary.
- c) The Policy shall commence on approval of Council

Signed

Chair Dated

Date for Next Review