The Pennsylvania State University

Long Term Investment Pool

Investment Policy Statement

PSU BOT Resolution updates incorporated July 18, 2025

PSIC Approved Updates as of July 1, 2026

Contents

Introduction

Purpose of Investment Policy Statement

Roles and Responsibilities

Long Term Investment Pool Objectives

Appendix A: Spending Policy

Appendix B: Strategic Allocation Plan

Appendix C: Benchmark Descriptions

INTRODUCTION

The Office of Investment Management is charged with the investment of various pools of assets through external investment managers and internally managed portfolios. The University's Board of Trustees ("BOT") has delegated various responsibilities to the Penn State Investment Council ("PSIC") and the University's Office of Investment Management ("OIM") through its Spending Policy and the Investment Policies for LTIP and Non-Endowed Funds ("BOT Resolution").

The OIM, through its management of the investment funds sources new investment opportunities and monitors existing investment mandates through the investment and operational due diligence process

PURPOSE OF INVESTMENT POLICY STATEMENT

This Investment Policy Statement ("IPS") serves as the "institutional memory" of the rationale behind the investment strategies that are in place. The IPS establishes the overall Investment Policies, Objectives and Guidelines, and provides an overview of the investment strategies utilized in the University's LTIP investment program.

Although this document is foundational, it is intended to be flexible. The investment policies, objectives, and guidelines may be amended to reflect material or sustained changes in the financial condition of LTIP and the University, the economic environment, and prevailing investment opportunities. Suggested changes to this document will be recommended by OIM and subject to PSIC approval. Review and approval of this document will occur at least annually or more frequently as needed.

ROLES & RESPONSIBILITIES

Good governance enhances long-term value for LTIP and its participants. Clearly defined roles and responsibilities are essential to good governance. All participants involved in the oversight and management of the investment process for LTIP shall be considered fiduciaries and are required to act with the duty of loyalty and duty of care. All investment decisions shall be made in the best interest of LTIP, while adhering to all applicable laws, regulations, and University policies.

BOARD OF TRUSTEES

The Board of Trustees maintains the ultimate oversight of the University's investment assets. To improve the efficient use of its resources, the BOT has delegated some responsibilities to The Penn State Investment Council, who may assign appropriate functions to properly designated University officers and other University personnel.

With respect to the management of LTIP, the BOT shall:

- Act as a Fiduciary for LTIP.
- Establish appropriate objectives and policies for exercising its fiduciary responsibilities and prudence in the management of the University's investments.
- Approve appointments to PSIC.
- Endorse and approve changes to the LTIP Spending Rate recommended by PSIC.
- Review periodic reports of LTIP performance.

THE PENN STATE INVESTMENT COUNCIL

PSIC is authorized to administer the spending and LTIP investment policies by the BOT. PSIC shall consist of four ex-officio members and eight to ten at-large members. The *ex-officio* members shall be the Senior Vice President for Finance and Business/Treasurer, as Chairperson of PSIC, the Chief Investment Officer, Office of Investment Management, and either the Chair or Vice Chair of the Finance and Investment Committee, as appointed by the Chair of the Board of Trustees. In addition, the BOT shall appoint eight to ten at-large members who shall not be employees of the University, three of whom shall be voting or emeritus members of the BOT. At-large members of PSIC shall serve for three-year staggered terms and shall be limited to a maximum of three (3) three-year terms. At-large members of PSIC first appointed after the date of this resolution shall serve for one-, two- or three-year terms as set forth in a separate resolution of the Board of Trustees. Thereafter, any such member may serve for a maximum of two additional three-year terms. At-large members of PSIC as of the date of this resolution may be reappointed by the Board of Trustees for a maximum of two additional three-year terms.

PSIC Meeting Standards

- There shall be at least one regular PSIC meeting per year. However, PSIC will make every effort to meet four times per year either virtually or in person.
- Special meetings will be held as deemed necessary.
- Quorum will be defined as the presence of at least a majority of the voting members of PSIC.
- Actions or approvals of recommendations shall be valid and effective with the affirmative vote of a majority of the PSIC members present at the meeting at which a quorum is present or via email or electronic communication when the majority of all PSIC members approve.
- PSIC meetings are not subject to Open Meeting Laws and are only open to PSIC members and invited guests.
- Formation of subcommittees and selection of subcommittee members shall be at the discretion of the Chairperson of PSIC
- Subcommittees may be utilized to facilitate the business of PSIC. No official action or votes will take place within the subcommittees.

PSIC has primary responsibility for directing and overseeing the OIM in investment and management of LTIP. With respect to the management of LTIP, PSIC shall:

- Act as a Fiduciary for LTIP.
- Annually review a Spending Policy for LTIP and recommend changes if needed to the BOT.
- Approve investment policy, objectives, and guidelines as set forth in this IPS.
- Approve the hiring of new external investment managers.
- Monitor and evaluate LTIP's asset allocation ranges, exposures, risk, liquidity, and performance.
- Provide advice and counsel to OIM on an ongoing basis including within more focused sub-committees.
- Sign, adhere to, and abide by, a Conflict-of-Interest Policy.

<u>THE OFFICE OF INVESTMENT MANAGEMENT</u>

OIM is the administrative office within the University that is charged with overseeing the investment

process for LTIP and Non-Endowed funds, reporting directly to the Senior Vice President for Finance & Business.

OIM Mission: The Office of Investment Management leads the stewardship of the university's investments to preserve and grow these assets for current and future generations creating opportunity for all students, faculty, and staff to realize their full potential.

PSIC has delegated to OIM certain responsibilities for the day-to-day management of the LTIP investment program. With respect to the management of LTIP, OIM shall:

- Act as a Fiduciary for LTIP.
- Recommend to PSIC appropriate spending policies to meet the university's financial objectives.
- Annually review and recommend IPS changes for PSIC approval.
- Take appropriate actions to ensure adherence to LTIP investment policies, objectives and guidelines as stated in this IPS.
- Remain informed about economic and regulatory developments. Monitor trends in the global financial markets. Be knowledgeable of existing and newly introduced investment strategies and techniques. Advise PSIC on these matters if it is deemed that they may impact or add value to the LTIP investment program.
- Identify third-party investment managers best suited to execute investment strategies approved by PSIC and perform appropriate due diligence. Provide written recommendations to PSIC for the hiring of investment managers and partnerships.
- Manage liquidity through direct investments in U.S. Government Treasuries.
- Manage ETF investments based on guidelines and approved ETFs stated in Appendix D.
- Purchase and sell investments in secondary markets subject to guidelines in Appendix E.
- Invest in co-investments subject to guidelines in Appendix F.
- Terminate and rebalance managers as deemed appropriate.
- Provide periodic summary reports to PSIC and BOT as requested.

- Select and oversee the activities of investment consultants, custodian bank, technology service providers, legal advisors and other third-party service providers ensuring timely and competent services.
- Manage day-to-day operations and delegate work to external resources as appropriate.
- Assist the Office of the Finance and Budget in meeting the requirements specific to LTIP.
- Monitor and take appropriate action to exercise LTIP's shareholder rights including, proxy voting and class action litigation participation.

ROLES & RESPONSIBILITIES MATRIX

Following is a summary of the primary roles and responsibilities of the BOT, PSIC and OIM listed in the preceding paragraphs.

Activities	**BOT**	**BOT Committee on Finance & Investment**	**PSIC**	**OIM**
PSIC member appointments	Approves	--	Informed	Informed
Spending Rate	Approves	Approves	Recommends	Recommends
IPS and Changes		Informed	Approves	Recommends
Reporting	Informed	Informed	Informed	Implements
Manager/mandate selection	--	--	Approves	Recommends
Manager rebalancing/termination			Informed	Implements
IPS adherence	--	--	Informed	Implements

LTIP INVESTMENT OBJECTIVES

The Board of Trustees has established an investment program for the investment of LTIP designed to achieve maximum return with an acceptable degree of risk. The time horizon of LTIP is perpetual.

Return Objective – LTIP will be invested to achieve maximum return with an acceptable degree of risk. Within the context of its fiduciary responsibilities PSIC may continue to take social and environmental considerations into account in the administration of the University's investments. The achievement of

this objective will be monitored and evaluated as detailed in Appendix C.

Spending policy - In order to preserve the purchasing power of LTIP, spending over time should be limited to a percentage of the market value of LTIP, set at a level anticipated to preserve LTIP's real (inflation-adjusted) value after consideration of investment returns as outlined specifically in Appendix A.

Risk Management – Investment risk is multi-dimensional and often defined in two ways: (i) the possibility of permanent capital impairment, and (ii) the volatility (degree of uncertainty) of the expected performance of the investments in the portfolio. LTIP will be diversified while taking a prudent level of risk to better preserve capital and to reduce overall portfolio volatility to a minimum level consistent with achieving its return objectives. Investment risk will be assessed via both quantitative and qualitative measures. In addition, exposures by economic risk factors, geography, sector, manager, and liquidity terms will be closely monitored.

Liquidity – The need for short-term liquidity is typically comprised of the level of liquidity adequate to fund the annual effective spending, capital calls for private capital investments, and other short-term liquidity needs without necessitating unfavorable trading activity. Exposures to cash and cash equivalent securities will be held to appropriate levels at the portfolio level to meet these demands.

Asset Allocation – Asset allocation is widely recognized as a significant source of return and risk for the investment program. Asset allocation targets and ranges for sub-strategies will vary through time, as outlined in the Strategic Allocation Plan (Appendix B).

Appendix A: Spending Policy

The purpose of this appendix is to provide additional specific policy language around what the spending rate of LTIP is currently and how it is created and calculated.

In order to preserve the purchasing power of LTIP, the Spending Rate should be limited to a percentage of the market value of LTIP, set at a level anticipated to preserve over time LTIP's real (inflation-adjusted) value after consideration of investment returns, inflation, and administrative costs.

LTIP will make available for distribution an amount determined by multiplying the BOT approved annual Spending Rate percentage by the average market value for the periods comprising the 20 quarters of the five fiscal years ending one year prior to the beginning of the fiscal year in which the spending is expected to occur. The aggregate available for LTIP distribution will be converted and approved as a dollar per unit based on the number of units at the time of the calculation.

On September 17, 2021, the Penn State Board of Trustees resolved that the University adopt an LTIP annual spending rate of 5% calculated using a 5-year (20 quarter) average market value beginning with fiscal 2022-2023 year.

Appendix B: Strategic Allocation Plan

The purpose of this appendix is to provide additional specific details to the information contained in the main section of the LTIP IPS to assist in defining what prudent levels of allocation diversification and concentration are allowable.

Grouping	Strategic Target	Allocation Range
Equity	**57%**	**40% - 70%**
Fixed Income	**16%**	**10% - 30%**
Real Assets	**15%**	**5% - 20%**
Opportunistic	**12%**	**0% - 20%**

A maximum of 45% of LTIP will be invested in illiquid investments with a liquidity term of more than five (5) years.

Equity

Long-only, long-short equity, and other strategies that are traded in public markets. Equity includes common stocks, preferred stocks, exchange traded funds (ETF's) and other securities based on common stocks or equity indices.

Public Equity - Global, US, Developed Non-US, Emerging, and other publicly traded equity strategies.
Private Equity - Corporate Finance (Buy Out, Growth Equity, Distressed, etc.) and Venture Capital.

Fixed Income

Cash, cash equivalents, long-only or long-short fixed income, and other strategies that are expected to have meaningful exposures to changes in sovereign interest rates and/or yield spreads. These Fixed Income strategies may be considered "investment-grade" or "below investment grade / high-yield".

Public Fixed Income - Sovereigns/treasuries, municipal bonds, corporate bonds, securitized

instruments, and cash.

Private Fixed Income - Private fund structure targeting higher yielding corporate or asset-based financial investments including direct lending, mezzanine, distressed, and specific asset-based strategies.

Real Assets

Public and Private, Equity and Debt, strategies focused on hard assets and strategies that are expected to generate attractive returns with income and appreciation, provide protection during an inflationary environment, and be less sensitive to movements in more broad equity markets. Strategies in this group would include Real Estate, Infrastructure, Natural Resources, Commodities, inflation-linked fixed income securities, investments in alternative and renewable energy, and other investments that meet this description.

Opportunistic

Public and Private, Equity and Debt, strategies that are expected to achieve absolute returns over longer periods of time, but do not classify well according to the risk exposures of the other three groupings. Strategies in this group include multi-asset class strategies as well specific hedge fund and private strategies that exhibit little market sensitivity (beta) to the other asset groupings.

Appendix C: Benchmark Descriptions

The purpose of this appendix is to provide additional specific details to the information contained in the main section of the LTIP IPS to assist in monitoring performance and risk.

Performance results will be monitored and evaluated quarterly. However, the success in achieving the objective will be measured on a ten-year annualized basis as well as longer annualized time periods.

Grouping	Benchmark
Absolute Return Objective	Spending + Inflation + Administrative Costs
Passive Benchmark (70/30)	70% MSCI All Country World Investable Markets Index (ACWI IMI); 30% Bloomberg US Aggregate Bond Index (Bloomberg US Agg)
Strategic Allocation Benchmark (SAB)	57% MSCI ACWI IMI 28% Bloomberg US Agg 15% Real Assets Blended Benchmark
Equity	MSCI ACWI IMI
Fixed Income	Bloomberg US Agg
Real Assets	**Real Assets Blended Benchmark** 33.3% MSCI World Commodity Producers Index 33.3% US Real Estate Investment Trust Index 33.3% MSCI USA Infrastructure Index
Opportunistic	Bloomberg US Agg

Appendix D: ETF Framework and Guidelines

Approval Process

Specific ETFs targeted for investment will be recommended by OIM and subject to approval by PSIC. Approval does not imply an immediate purchase; rather, it adds the ETF to a pre-approved list that OIM may use when appropriate for portfolio management purposes.

Limits and Guidelines

1. An ETF shall not exceed 2% of a Pool's market value; and
2. The total of all ETFs held in a Pool shall not exceed 10%

Approved ETFs (as of March 2026)

Ticker	Provider	Index
AGG	Blackrock iShares	Bloomberg US Aggregate Bond
BSV	Vanguard	Bloomberg US 1-5 Gov/Credit
IEMG	Blackrock iShares	MSCI Emerging Markets IMI
SPMD	State Street Global Advisors	S&P MidCap 400
SPSM	State Street Global Advisors	S&P SmallCap 600
BBJP	JP Morgan	Morningstar Japan Target Market

Appendix E: Secondaries Guidelines

Sale Guardrails	Limit / Standard
Eligible to sell	All existing Fund positions in LTIP
Process integrity	Minimum two independent bids required on any LP-led sale above $10mm NAV

Purchase Guardrail	Limit / Standard
Aggregate purchase cap	≤ 2% of LTIP AUM in aggregate at cost
Single-transaction cap	≤ 1% of LTIP AUM in any single LP-led portfolio purchase

Transaction Size (NAV)	LP-led Sale (Existing)	LP-led Purchase (Existing)	LP-led Purchase (New)
Up to 2% of LTIP	CIO approval	CIO approval	PSIC approval
Above 2% of LTIP	PSIC approval	PSIC approval	PSIC approval

Appendix F: Co-Investment Guidelines

Guardrail	Limit / Standard
Aggregate program cap	≤ 2% of LTIP AUM at cost
Single-deal cap	Aggregate co-invest exposure to any one deal ≤ 15% of LTIP's primary fund commitment(s) to that fund (or to that manager relationship in aggregate in case co-investment deal is across multiple funds)
Per-manager cap	Aggregate co-invest exposure to any one manager ≤ 30% of LTIP's primary fund commitment(s) to that manager relationship in aggregate
Sponsor scope	Co-invests only alongside companies invested in by Core managers with an active LTIP fund commitment
Conflicts log	Any potential conflict (parallel public position, prior board role, etc.) recorded in the per-deal memo and the program register

Transaction	Approval Authority
Co-Investment with an Existing Manager	CIO approval
Co-Investment with a New / Prospective Manager (likely in conjunction with Fund recommendation)	PSIC approval