

Statement of Investment Principles: Securing and Funding the Promise of Washington University

Washington University's endowment plays a fundamental and strategic role in supporting and advancing the university's mission to be a leading educational, research, and patient care institution. Endowed gifts and programs from generous alumni and donors support scholarships and tuition assistance (increasing affordability, access, and inclusion); endowed professorships and fellowships (providing the ability to attract and retain top faculty and researchers); and critical research programs (addressing cancer, degenerative brain diseases, climate/carbon, and many other issues). The endowment also serves as a key pillar of financial strength and stability.

The Washington University Investment Management Company (WUIMC) board of directors is responsible for overseeing the university's endowment and other financial assets. The WUIMC board developed a broad set of governance principles and processes to ensure the highest professional standards of investment management and oversight — establishing the endowment's strategic asset allocation, risk posture, performance metrics, and ethical values and expectations. These policies, guidelines, and frameworks are delegated to WUIMC's chief investment officer, WUIMC's dedicated investment professionals, and external investment managers that manage the portfolio on a day-to-day basis.

The first and most important objective of the endowment's investment program is to generate the returns required to fund the annual payout, maintain the portfolio's purchasing power (inflation protection), and honor the commitments to donors of endowed gifts and programs. The inter-generational and perpetual lifespan of the university creates a time horizon and mindset that can be a significant competitive advantage. WUIMC carefully constructs a portfolio of external managers, across multiple asset classes and geographies, with this long-term intergenerational

time horizon and performance target in mind. The selection of external managers is based on finding outstanding talent, superior investment abilities, rigorous work ethics, repeatable processes (persistence), intellectual honesty, and the highest ethical standards and integrity.

The second important objective of the endowment's investment program is to invest the university's assets with external managers who pursue investments in companies and strategies that have direct positive impact on the broad constituencies and communities they serve (shareholders, customers, employees, supply chain, and local municipalities, among others). This investment framework and mindset — known as socially responsible investing (SRI), impact investing, or ESG (environmental, social, and governance) investing — encourages investors to focus on businesses with compelling contributions to society at large and avoid businesses with negative impacts.

Although the board's primary focus is on portfolio strategy, performance results, financial stability, risk management, and oversight/governance, it believes it can both achieve strong financial returns and build a portfolio of high quality, socially responsible businesses. Practicing responsible stewardship does not have to come at the expense of higher investment returns. The endowment portfolio has been actively investing for years with venture capital managers who are backing new, emerging businesses that are taking on great challenges and creating new opportunities — ranging from advancing research in cancer and life sciences, expanding health care accessibility and affordability, developing alternative and renewable energy sources, finding solutions to carbon accumulation and the impact on climate, funding affordable housing programs, and generating innovations in sustainable agriculture and food production.



The following principles outline the values that the WUIMC board embraces and the practices and behaviors that it expects from its members, the investment team, and external investment managers.

Be Effective Fiduciaries. WUIMC serves the university's mission by building and managing a perpetual endowment. This requires a thorough understanding of fiduciary responsibilities, the university's mission, and the importance of prudently investing the university's assets. Fiduciary responsibilities include the duty of care (making decisions that are financially, ethically, and legally sound) and loyalty (avoiding conflicts of interests and acting in the best interests of the university).

Be Ethical Stewards. WUIMC follows the highest business ethics standards and expects the same from its external investment managers and the management of companies in which they invest. Ethical considerations must be a part of all due diligence, research, and investment decisions. WUIMC does not seek to profit from the violation of basic human rights and dignity, abusive or oppressive labor practices, gross pollution or environmental destruction, or any form of bribery and corruption.

Be Accountable. Well-articulated governance and decision-making processes foster disciplined portfolio management and transparency. Success must be defined by observable metrics and failures must facilitate reflection and learning.

Make Intelligent and Insightful Risk Decisions. WUIMC believes partnering with specialized external investment managers is the most effective implementation strategy to meet investment and diversification objectives. Investing should strike a balance between adequate diversification and concentrated exposure in high-conviction ideas with vigilant risk management harmonizing both goals. A holistic approach to risk management requires a fundamental understanding of the characteristics and behavior of all underlying investments.

Take a Long-Term View. The university's long-term orientation and perpetual life is the bedrock of a competitive investment advantage and affords greater tolerance for near-term volatility, higher levels of illiquidity, and opportunistic investments. WUIMC is willing to take calculated risks and innovate in the long-term best interests of the university.

Learn Continuously and Adapt to Changing Conditions.

A strong investment culture focused on collaboration, exploration, and innovation facilitates a rigorous and repeatable process. It is important to always pursue best practices and stay informed of current trends regarding endowment fund management.

WUIMC shares these guiding principles with the endowment's external managers and asks that they both acknowledge these values and make their best efforts to meet them. The WUIMC board takes its guiding principles seriously and will continue to actively discuss and evaluate its investment approach around these principles.