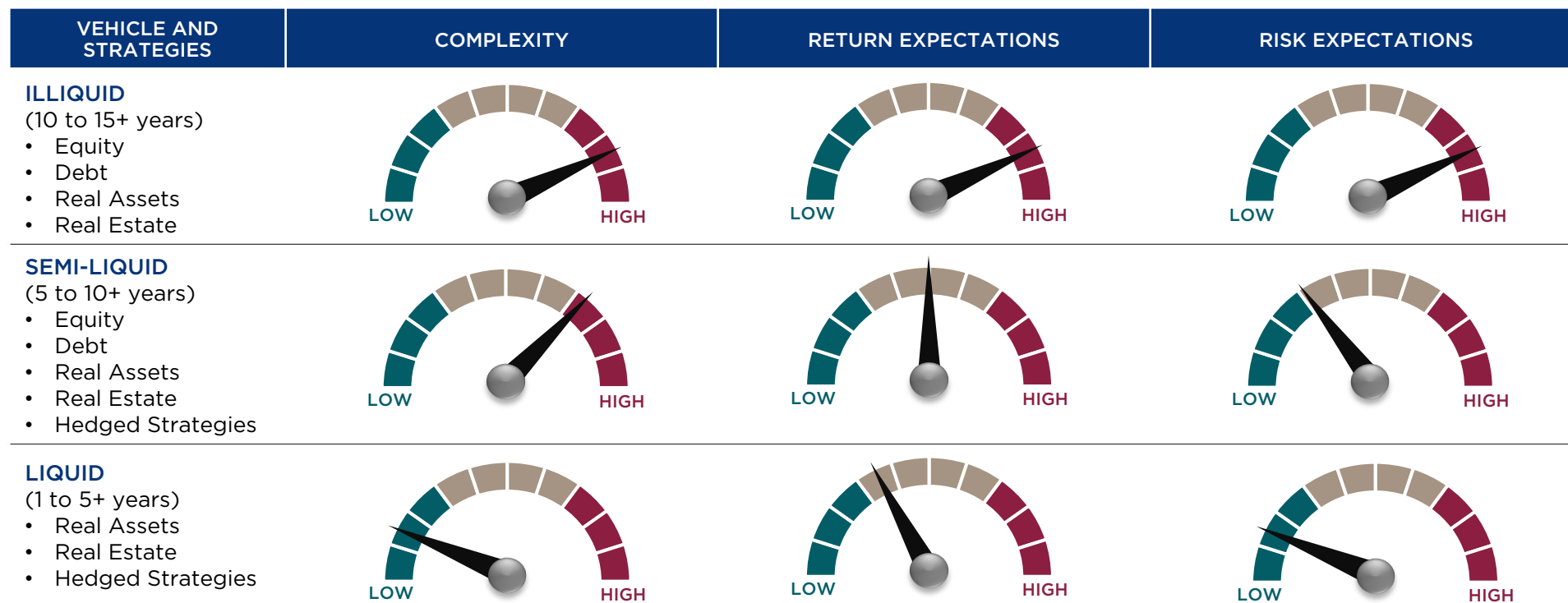


## DEMYSTIFYING ALTERNATIVES

Alternative investments can offer valuable benefits for institutional investors, although they may be more complex and challenging to access than traditional investments. Alternative investments can help mitigate portfolio volatility through diversification, attractive risk and return profiles, access to unique investment opportunities, and the potential for alpha generation. By incorporating alternative investments, institutional investors can optimize returns while managing risks and improving portfolio stability, potentially even in challenging market conditions.

### COMPARISON OF ALTERNATIVE INVESTMENT VEHICLES



When considering alternative investment vehicles, institutional investors should assess several factors, including risk and return profiles, time horizon, liquidity needs, fee tolerance, investment minimums, administrative requirements, transparency provisions, and potential tax considerations.

## CATCHING UP WITH UPMIFA

In 1969, two studies, “The Law and Lore of Endowment Funds” and “Managing Educational Endowments,” spurred a series of discussions that eventually led to the passage of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 1972. UPMIFA provides guidelines for managing and investing charitable endowment funds. Its primary goal is to offer nonprofit organizations clear direction on endowment asset administration and investment. While variations of rules exist across different states, UPMIFA consists of five key pillars.



### STANDARDS OF CARE

UPMIFA’s standards of care establish clear guidelines of skill, prudence, and diligence in investment decision-making.



### PRESERVATION OF VALUE

Nonprofits are expected to consider the impact of inflation and other economic factors on the purchasing power of the fund and take measures to ensure that its value is not eroded.



### SPENDING AND REINVESTMENT

UPMIFA’s spending guidelines support mission-aligned annual endowment fund spending while preserving long-term value. They encourage reinvestment of returns to enhance purchasing power.



### DIVERSIFICATION

UPMIFA encourages nonprofit organizations to spread their investments across different asset classes to minimize the impact of market fluctuations on the overall fund value.



### COMPLIANCE AND REPORTING

Nonprofits are generally obligated to prioritize transparency and accountability in the management of their endowment funds.

It’s important to note that while these pillars provide a general overview of UPMIFA, specific requirements and provisions may vary depending on the state in which the nonprofit operates. It is advisable for organizations to consult the specific UPMIFA-related regulations in their state to ensure legal compliance.

Source: Kochard, Lawrence E., “Foundation and Endowment Investing,” Council on Foundations, 2007