

UNCW Board of Trustees Investment Policy for Institutional Trust Funds July 27, 2023



UNIVERSITY *of* NORTH CAROLINA WILMINGTON

Investment Policy for Institutional Trust Funds

Action Item: The University requests Board of Trustees approval of the proposed Investment Policy for Institutional Trust Funds as provided in your board materials.

Institutional Trust Fund Management

Background

- Most state agency cash is invested in the NC Short-Term Investment Fund (STIF) managed by the State Treasurer
- 2012: Universities became eligible for delegated authority to manage institutional trust funds
- 2013: NCSU and UNC Chapel Hill received delegated authority
- 2022: UNCG received delegated authority

Institutional Trust Funds 6/30/23: \$191.5 million	Other Funds 6/30/23: \$44.9 million
<ul style="list-style-type: none">• Fee supported areas• Auxiliary operations• Overhead funds	<ul style="list-style-type: none">• Appropriations• Tuition• Capital funds• Restricted funds such as endowments & scholarships

Institutional Trust Fund Management

Opportunity

- **Timing:** Match cash investment term to university cash needs
- **Rate:** Achieve a higher return relative to STIF (while maintaining a similar risk profile)

	Sample STIF*	Sample Ladder	Difference
Investment Amount	\$50,000,000	\$50,000,000	
Effective Annual Interest Rate	3.52%	5.34%	1.82%
Total Interest Earned	\$1,763,000	\$2,672,000	\$909,000
*STIF rate scenario predicated on June 2023 STIF rate of 3.47% continuing through next 12 months with returns reinvested each month.			
Investment Proposal 1 – Investments (Treasury Ladder)			

#	CUSIP	Type	Description	Moody	S&P	Fitch	Maturity	Investment Size (\$000)	Cpn	Mkt Price	Yield	Eff Dur	12M Book Income (\$000)*
1	912797HD2	Treasury	TREASURY BILL	N.A.	N.A.	N.A.	10/31/23	8,333	0.00	98.39	5.40	0.3	450
2	912797FW2	Treasury	TREASURY BILL	N.A.	N.A.	N.A.	01/04/24	8,333	0.00	97.43	5.49	0.5	457
3	912796CX5	Treasury	TREASURY BILL	N.A.	N.A.	F1+u	04/18/24	8,333	0.00	96.02	5.35	0.8	446
4	9128282N9	Treasury	US TREASURY N/B	Aaa	N.A.	AAAu	07/31/24	8,333	2.13	96.69	5.40	1.0	450
5	91282CFQ9	Treasury	US TREASURY N/B	Aaa	N.A.	AAAu	10/31/24	8,333	4.38	98.88	5.27	1.2	439
6	9128283V0	Treasury	US TREASURY N/B	Aaa	N.A.	AAAu	01/31/25	8,333	2.50	96.09	5.15	1.5	429
Totals								50,000	1.51	97.25	5.34	0.9	2,672

Type	Investment Size (\$000)	Cpn	Mkt Price	Yield	Eff Dur	12M Book Income (\$000)*
Treasury	50,000	1.51	97.25	5.34	0.9	2,672
Total	50,000	1.51	97.25	5.34	0.9	2,672

*Assumes cash flows are reinvested at the same rate
Sources: Bloomberg & Wells Fargo Securities
Prices are indications as of 07/10/2023. Please contact trading desk for live pricing.

WELLS FARGO

Disclaimer: This is a sample portfolio based on 7/10/2023 Treasury Bill prices and yields. Rates of return will vary and are not guaranteed to be the same as those provided here for illustrative purposes.

Institutional Trust Fund Management

Strategy

- **Conservative Investment Approach**
 - Treasuries, Bank Certificates of Deposit, and STIF
 - Limits CD investments to FDIC insurable threshold
 - Monthly reviews between UNCW Investment Team & Wells Fargo

Investment Type	Individual Investment Limit	Exposure Threshold	Quality	Maximum Limit / Reset Period
U.S. Treasury Bills, Notes, and Bonds	Must not exceed overall sector exposure threshold	Combined may not exceed 50% of Institutional Trust Funds balance*	Full Faith & Credit of the United States	Up to 24 months
Bank Certificates of Deposit	Under FDIC insurance limit		FDIC Insured	Up to 24 months
	None	None	NA	NA
*Percentage calculated on the total balance of all Institutional Trust Funds as of June 30 of the prior year.				

Institutional Trust Fund Management – Next Steps

1. BOT Investment Policy Approval
2. Chancellor requests delegated authority from the President of the UNC System
3. Once approved, begin investment program in FY24
4. This policy will be reviewed on a regular basis and a report will be prepared for the Board of Trustees annually that provides investment results and recommendations for any potential updates to the policy

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Questions?