

Policy 2.90

Monitoring Alternative Investments

Responsible Official: VP for Finance
Administering Division/Department: Controller's Office
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I. Overview

The University strives to maintain a diversity of investments in order to safeguard its overall financial health. Alternative investments (i.e. investments which are not publicly traded on an active market) support a sound financial strategy, and it is the responsibility of the University Investment Management Office to perform due diligence, monitor the investment strategies and returns, and document fund information. It is the responsibility of the Controller's Office to monitor the accounting and reported valuation of those investments.

II. Applicability

This policy applies to all alternative investments managed by the University.

III. Policy Details

The Controller's Office shall:

1. Be responsible for understanding the nature of the University's various investments – including alternative investments and their valuation methods.
2. Maintain a list of current alternative investments and coordinate monitoring activities with the Investment Office.
3. Perform periodic reviews of the financial statements from the various partnerships using a consistent, detailed checklist and checking for timeliness of receipt.
4. Monitor partnerships' public securities and report significant changes in valuations from June 30th to August 31st to management.
5. Obtain partnership K-1's and review any tax liabilities including UBTI.
6. Review and reconcile partnership contributions and distributions with Investment Office and State Street reports.
7. Reconcile reported University market values from the partnership statements and confirmations to the custodian bank's market value reports.

8. Review interest, dividends, and unrealized and realized gains and losses for each partnership.
9. Review quarterly partnership statements and report the results and variances of the periodic reviews to the VP for Finance and the Executive VP for Finance & Administration.
10. Request underlying holdings as of June 30th from partnership managers as a part of the fiscal year end financial statement audit and confirmation process.
11. Include the value of alternative investments in the annual financial statements ensuring any necessary or significant adjustments during June 30th to August 31st have been made to the general ledger.

IV. Definitions

Alternative Investments: Investments which do not have a readily determinable fair value.

- **Oil and Gas** – Investments in the oil and gas (energy) sector which may include exploration, production, and transportation.
- **Long Short** – Type of hedging or futures investment in which investment managers aim to produce returns on buying/holding long or selling short securities expected to have rising or falling prices respectively. Short selling entails selling a security not currently owned (borrowed) when the manager believes the security price will fall. Later the manager actually purchases the security at the lower price. Managers who own securities with a long position will receive a return if the security price increases.
- **Timber** – Investments in the timber industry including forestland.
- **Non-Marketable Real Estate** – Investments in real estate for which there is no readily available market; may include the following: mortgages (sub-performing or non-performing), debt obligations, distressed real estate, lines of credit.
- **Absolute Return Investment** – Investment aiming to maintain high returns regardless of its asset class or how traditional markets perform (include hedge funds).
- **Private Equity** – Investments in private companies with the intent to receive a return based on an initial public offering, sale or merger of the company, or recapitalization.
- **Venture Capital** – A type of private equity investment in start-up, or new, growth companies which are typically more risky and provide higher returns.
- **Portable Alpha** – Term to describe a type of investment management in which managers aim to eliminate market risk (beta) and maintain high levels of alpha (return) independent of the traditional market (type of hedge).

V. Related Links and Resources

- Current Version of this policy: <http://policies.emory.edu/2.90>
- Controller's Office: <https://www.finance.emory.edu/external/deptpages/ctrl/index.cfm>

VI. Contact Information

Subject	Contact	Phone	Email
Monitoring Alternative Investments	Controller's Office	404.727.6080	ctrl@emory.edu

VII. Revision History

No previous versions of this policy were found.

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