MACHAKOS UNIVERSITY

ENDOWMENT POLICY

SEPTEMBER, 2023

APPROVAL

Policy Title: Endowment Policy

Policy Contact: Deputy Vice Chancellor (Research, Innovation and Linkages)

Approval Authority: The University Council

Category: Division of Research, Innovation and Linkages

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Effective Date: Date of signing

Approved by the University Council:

Sign: .... Date: ....

PROF. JOYCE J. AGALO, PhD
VICE-CHANCELLOR & SECRETARY TO THE COUNCIL

Sign: .... Date: 15/09/2023

DR. CHRISTOPHER G. GAKAHU, PhD
CHAIRMAN OF COUNCIL

FOREWORD

Machakos University endeavours to achieve sustainably, industrial and socio-economic transformation of our communities. This aspiration requires prudent resource mobilization and management which is the intent of this Endowment Policy. The Policy seeks to support Machakos University, especially on themes that are strategically beneficial to the institution, the neighbouring communities and to the entire country. It provides a framework for steady flow of funds to Machakos University, thus focusing on stability and certainty in support of students, teaching, institutional research and innovation projects.

Broadly, this policy is intended to facilitate consistent investment approach that cultivates perpetual long-term returns. This permits access to high-quality investment vehicles and provides a broader set of investment possibilities while fostering intergenerational equity. The principle of intergenerational equity, as anchored in Sustainable Development Goals (SDGs), will ensure that future generations of students and schools receive at least the same level of support from Machakos University's endowment fund just as the current generation enjoys. It is therefore in my trust that this policy lays infrastructural support necessary for endowment fund best practices.

PROF. JOYCE J. AGALO, PhD

VICE-CHANCELLOR & SECRETARY TO THE COUNCIL

ACRONYMS/ABBREVIATIONS

BoT:	Board of Trustees
DVC:	Deputy Vice Chancellor
EFMT:	Endowment Fund Management Team
IPR:	Intellectual Property Rights
M & E:	Monitoring and Evaluation
MksU:	Machakos University
MoU:	Memorandum of Understanding
UMB:	University Management Board
VC:	Vice Chancellor

DEFINITION OF TERMS

For purposes of this Policy the following definitions will apply:

Council: Machakos University Council

Endowment: the act of donating funds where the principle is held for investment and interest on the principal is available as directed by the donor, or by the source of the original funds.

Endowment Fund: It a donation which is held on trust for the benefit the University.

Investor: It is a company, organization, association, or individual entrusted to invest endowment fund by the BoT

Donors: Refer to individuals or entities that provide a financial contribution to the endowment fund.

Trustees: A group of persons or legal entity responsible for oversight of the endowment fund.

Endower: A person or entity that makes contribution/donation to the endowment fund

Policy: Refers to Endowment Policy.

University: Refers to Machakos University.

TABLE OF CONTENTS

1.0 INTRODUCTION

1.1 Preamble

Machakos University actively seeks and welcomes donations in support of the activities of the institution. The Machakos University Endowment Fund is potentially a perpetual source of support for the University in its broad mission of teaching, research and innovation. Machakos University Statutes of 2019 gives the University Council the power to receive (on behalf of the University) among other monies, grants and endowments and make disbursements therefrom to the University, to other bodies, or persons.

The Policy provides the framework for development of strategic directions for resource mobilization and growth of the Endowment Fund to finance enhancement of current programmes and future development initiatives. The Policy provide guidelines on the types of endowments including training, research, community service or any activity that supports the growth and development of the University. To ensure the endowed money will be utilized in the right manner, there will be established a Board of Trustees (BoT) that will manage the fund. Endowment funds are restricted funds which must be used in accordance with the purposes specified by donors or by the University Council and are not available for use in support of general operations. Details of how the endowed money will be utilized and the continuity of endowment are provided in this policy.

1.2 Rationale/Justification of the Policy

The endowment policy is necessary for the university as it provides the framework for development of strategic directions for resource mobilization and growth of the Endowment Fund to finance enhancement of current programmes and future development initiatives. The policy also provides guidelines to ensure prudent use of the finances to meet the purpose for the fund was set

1.3 Scope and Purpose of the policy

This policy is anticipated to lay the framework for endowing financial resources for teaching, research, capital development, support for needy students, technology and innovations.

The purpose of this policy is to provide guidelines by which the University's endowment funds are established, maintained and administered to support the mission and mandate of the University.

1.4 Objectives of the Policy

The objectives of this Policy are;

a) To provide a framework for identification of potential contributors or donors to the Machakos University Endowment Fund,
a) To give guidance on prudent utilization of the Endowment Fund.
b) To provide financial support to implementation of some University goals including infrastructure projects, scholarship, research, innovation, community service and entrepreneurship.

1.5 Guiding Principles

a) The University is committed to using the Endowments to advance the specified educational purposes of the University such as student aid, research and innovation support, teaching programmes and library acquisitions.
b) The BoT and the endowing entity will enter into agreement that specifies the terms of endowment including the period.
c) Donors will give any amount of funds without limiting the University as long it is within the intended use.
d) The University will identify amount of its internally generated funds to endow with approval of Council.
e) The assets of each individual Endowment will be combined into an Endowment Pool for the purpose of investments unless otherwise specified.

f) Costs related to the investment, fund management and administration should be covered by the endowment income.

g) To maximize the endowment benefits for the advancement of University activities, the endowments will be reviewed on an ongoing basis.

1.6 Legislative Framework

The Policy envisions that the Endowment Fund will be established and managed by trustees within the framework for endowments anchored in Kenyan laws. The Policy derives its mandate from the following;

a) Constitution of Kenya, 2010

b) Leadership and Integrity Act, 2012

c) Public Finance Management Act, 2012

d) Trustee Act, 1982

e) Universities Act, 2012

f) Machakos University statutes, 2019 together with Service Charter

g) Machakos University Strategic plan (2020-2024)

h) Any other applicable Kenyan law governing endowment fund management.

2.0 ADMINISTRATION OF THE POLICY

i. Endowment Fund

There shall be set up the Machakos University Endowment Fund. The Endowment Fund shall comprise money donated to Machakos University or any of its functional units with the understanding that funds or income earned from its investment shall be used to support the achievement of the university mandate to teach, train, conduct research, innovate, collaborate, generate new knowledge and Community Service

ii. Endowment Fund Board of Trustees

There shall be a Board of Trustees (BoT) to oversee governance of the Endowment Fund. The board of trustees shall be answerable to the University Council. The composition of the BoT shall be operationalized in the guidelines to the Endowment Policy

iii. Functions of the Board of Trustees

The functions of the BoT shall be:

a) Oversee the management of the University Endowment Fund.
b) Solicit donations to the Fund.
c) Receive donations on basis of contractual agreements.
d) Establish investment plan of the Endowment Fund.
e) Monitor investment performance against investment objectives.

iv. Source of Endowments

The BoT will mobilize resources and engage in fund-raising to support the Endowment Fund. The donors to the Fund shall include, among others:

a) Machakos University,
b) Machakos University alumni,
c) Members of Machakos University,
d) Private citizens,
e) Community organizations,
f) Corporate bodies,

g) International donors/partners,

v. Types of Endowments

There are four different types of endowments: Unrestricted, Term, Quasi and Restricted.

a) Unrestricted endowments are assets that can be spent, saved, invested and distributed at the discretion of the institution receiving the gift.
b) Term endowments usually stipulate that only after a specified period of time or a certain event can the principal be expended.
c) A quasi-endowment is a donation by an individual or institution, given with the intent of having that fund serve a specific purpose. The principal is typically retained while the earnings are expended or distributed per specifications of the donor. These endowments are usually started by the institutions that benefit from them via internal transfers or by using unrestricted endowments already given to the institution.
d) Restricted endowments have their principal held in perpetuity, while the earnings from the invested assets are expended per the donor's specification.

Machakos University Endowment Fund shall be flexible and take any of the four types as guided by the source of funding, and shall include:

a) Seed capital to be mobilized through MksU initiatives
b) Money gifts made in the donor's lifetime.
c) Bequests in wills.
d) Charitable Remainder trusts.
e) Contributions in kind, including space, staff and movable property.

The donations shall be made up to a value agreed in the contract. The relevant laws of Kenya shall apply when making such donations and contracts. In the case of foreign citizens and corporate bodies, the laws of Kenya, the laws of the nationality of the donor and international laws shall apply in the contractual agreements.

3.0 POLICY IMPLEMENTATION

The BoT shall invest the funds in accordance with the existing university practices and strategies to best meet the funds objectives and to maximize benefits available from the endowed resources. The purpose of the Endowment Fund shall be to supplement the funding for University programmes, generally or specifically, as each contractual agreement shall dictate. The amount of this funding each financial year will be in accordance with donor designated guidelines or by the BoT of the Fund as stipulated in this Policy. All the endowment fund accounts shall be audited under the guidance of University Internal Auditor and be subjected to External Audit as appropriate, and report prepared and reported to the university council.

4.0 FOCUS AREAS/ IMPLEMENTATION STRATEGIES

The programmes to be supported by the Endowment policy shall include, but not limited to;

a) Student scholarships;
b) Research and innovation projects;
c) Grants for workshops, conferences and such learned gatherings; and
d) Building/construction projects.

5.0 POLICY REVIEW

This policy shall be reviewed every five (5) years or as need arises.

GUIDELINES TO ENDOWMENT POLICY

SEPTEMBER, 2023

UNIVERSITY FUNDAMENTAL STATEMENTS

Vision

A preferred University of Excellence in Scholarship and Service Delivery

Mission

Provide scholarly education through Training, Research and Innovation for Industrial and Socio-Economic Transformation of our Communities.

Machakos University Identity Statement

Machakos University is an Academic Institution Committed in Generating and Transmitting Knowledge, Skills and Attitude through Science, Technology, Research and Innovation for the Benefit of Humanity.

Machakos University Philosophy Statement

The Philosophy of Machakos University is to provide transformative leadership in Teaching, Training, Research, Innovation, Industrial and Technology transfer for wealth creation.

Core Values

Integrity:	To honestly deliver on our promises to our stakeholders
Accountability:	To always be accountable in the assigned duties
Professionalism:	To be committed to high standards of training and service delivery
Inclusivity:	Respect for diversity
Creativity:	Determination to continually improve
Teamwork:	To actively work together to achieve common goals
Equity:	To strive to be an equal university where meritocracy is practiced in all areas

ACRONYMNS AND ABBREVIATIONS

BoT	Board of Trustees
EFMT	Endowment Fund Management Team
IPR:	Intellectual Property Rights
LBO	Leverage Buyouts
M & E	Monitoring and Evaluation
MksU	Machakos University
UMB	University Management Board
VC	Vice Chancellor

DEFINITION OF TERMS

Board:	means the Board of Trustees in charge of managing the endowment fund
Consolidated Fund:	all endowed money received by the University and expenses made from it,
Council:	means the Machakos University Council
Endowment:	means the act of donating funds that will be put into investment-by-investment manager on behalf of the University Endowment
Fund:	means a fund put under the Unrestricted Endowments, Term Endowments; Quasi Endowment and Restricted Endowments
Investor:	means a company, organization, association, or individual entrusted to invest endowment fund by the BoT
Manager:	means an Investment Manager that can be a company, organization, association, or individual, who are contracted by the BoT to provide specific services with respect to the administration of an Endowment Fund
Management Board:	means the Machakos University Management Board
Policy:	means Endowment policy
University:	means Machakos University

TABLE OF CONTENTS

Appendix 1: Guideline to areas of investments opportunities 30

CHAPTER 1: INTRODUCTION

Machakos University has formulated an Endowment Policy. In order to operationalize the endowment policy, the University has developed some guidelines to the policy. These policy guidelines provide the framework for development of strategic directions on endowment. The guidelines provide details on the types of endowments and how to endow thus giving an opportunity for every willing and eligible endower to donate towards promoting scholarly excellence at the University. These policy guidelines will enable individuals and organizations to endow in a coordinated manner that enable the University to realize its core mandate of teaching, research and community outreach. All the activities that the university engages in the pursuit of its mandate are eligible for endowing. This implies that research, training and community outreach activities are eligible for endowing. These guidelines also provide an opportunity for potential donors to identify an area of their interest for which he/she can donate for. This implies that donors can identify and donate towards teaching and learning related activities such as teaching, research and innovations, games and sports, and capacity building among others. The donors can also donate towards university infrastructure such as the construction of tuition block, libraries, libraries and workshops etc.

A Board of Trustees (BoT) will be responsible for the management of the donated funds. The guidelines for the eligibility to the membership of the board will be provided as a way of regulating the caliber of individuals who can be appointed members of the board. The functions of the BoT will be clearly outlined and their relationship with the University Management and the University Council clearly stipulated to minimize any form of conflicts. The guidelines also provide a framework on how the endowed money will be utilized and its sustainability. There are also procedures that are provided in the guidelines aimed at safeguarding every donation and creating confidence among the donors by ensuring prudence in the use of the donated money. This will also familiarize the university community with endowing as a resource mobilization strategy. It also provides clear responsibilities and accountabilities in the management of endowed funds. The guidelines will also ensure that the process of sourcing of endowment funds is open, transparent, participatory and that decisions are made in line with the existing policy framework and adheres to the national government and Machakos University core values

CHAPTER 2: ESTABLISHING ENDOWMENT FUNDS

2.1 Types of Endowments

There are four different types of endowments: the Unrestricted Endowments, Term Endowments; Quasi Endowment and Restricted Endowments

2.1.1 Unrestricted Endowments

Unrestricted endowments are assets that can be spent, saved, invested and distributed at the discretion of the institution receiving the gift.

a) Guidelines of endowing

Acceptance of endowment funds will be as outlined in the Machakos University Endowment Policy. Any amount provided it is within the Endowment Policy will be received, spent, invested and distributed at the discretion of the receiver, Machakos University.

b) Procedure of endowing

i. The endower (donor) will be identified to provide funds

ii. An agreement will be made between the donor and the BoT clearly defining the terms of the endowment

2.1.2 Term Endowment

Term endowments usually stipulate that only after a specified period of time or a certain event can the principal be expended.

a) Guidelines of endowing

The BoT and the endowing entity will enter into agreement that specifies the terms of endowment including the period

b) Procedure of endowing

Endowment in this category will be as follows;

iii. The endower will be identified to provide funds

iv. Period of endowment will be determined between the endower and BoT

v. The BoT will draw agreement to define the terms and conditions of investment

2.1.3 A Quasi-Endowment

Quasi Endowment is a donation by an individual or institution's own funds (the University), given with the intent of having that fund serve a specific purpose. If the fund is donor sourced, the fund is fully given to the university and does not revert back to the endower or the donor. The earnings from the principal are expended or even the principal may be expended but only for the purpose specified by the donor or the institution. These endowments are usually started by the institutions that benefit from them via internal transfers or by using unrestricted endowments already given to the institution.

a) Guidelines of endowing

i. Donors will give any amount of funds without limiting the University as long it is within the intended use. The University will decide if to endow or to expend as per source donor intent.

ii. University will identify amount of its internally generated funds to endow with approval of Council.

iii. Upon the end of endowment period the BoT and the University will agree how to expend the funds as per purpose and intent as specified by the donor or source of the original funds.

b) Procedure of endowing

i. Institution will identify donor(s) whose terms fall under this category or the institution will set aside some of its funds for endowment.

ii. The purpose and intent of source of funds will be specified as agreed between the donor and BoT.

i. Period of endowment before the funds are expended will be defined between the University or donor and BoT.

ii. Purposes of endowment will be spelled out by the endower.

2.1.4 Restricted Endowments

Restricted endowments bear the properties of quasi endowments only that their principal is held in perpetuity, while the earnings from the invested assets are expended per the donor's specification. The guidelines and the procedure for endowing are similar to that of Quasi Endowments.

CHAPTER 3: FUNDRAISING AND INVESTMENT FRAMEWORK

3.1 Source of funds

The Board of Trustees will mobilize resources and engage in fund-raising to support the Endowment Fund. The donors to the Fund shall include, among others:

i. Machakos University.
ii. Machakos University alumni.
iii. Members of Machakos University.
iv. Private citizens.
v. Community organizations.
vi. Corporate bodies.
vii. International donors/partners.

Machakos University Endowment Fund shall be flexible and take any of the four types as guided by the source of funding, and shall include:

i. Seed and annual contribution to be done by Machakos University as approved from time to time.
ii. Money gifts made in a donor's lifetime.
iii. Bequests in wills.
iv. Remainder trusts.
v. Contributions in kind, including space, staff and movable property.

3.2 Procedure for receiving donations

i. An account will be established for the Endowment Fund as per guidelines provided by the National Treasury into which all donations will be made.
ii. Whether internal or external donor(s) will indicate in writing to BoT its/their willingness to endow.
iii. The BoT and endower will prepare and sign an agreement defining the terms and conditions of the endowed funds.
iv. The funds will be deposited into the account to be endowed as per the terms of the agreement.

3.3 INVESTMENT OF THE FUNDS

There shall be an investment committee which will be a committee of the BoT, and an endowment account for the management of the Fund. The funds will be invested in accordance with the existing University practices and strategies to best meet the Fund's objectives and to maximise benefits available from the endowed resources. The investment must be in compliance with the existing laws and regulations pertaining to trust funds which include but not limited to the following:

i. Trustees Act
ii. Trustees (Perpectual Succession) Act
iii. Income Tax Act
iv. Tax Procedure Act
v. Public Benefits Organization Act
vi. Any other Kenyan law governing trust funds

CHAPTER 4: GOVERNANCE STRUCTURE OF THE ENDOWMENT FUND

The main players in the governance of the fund are summarized as follows:

4.1 Endowment Fund Board of Trustees

There shall be a Board of Trustees (BoT) to oversee governance of the Endowment Fund. The board of trustees shall be answerable to the University Council and shall comprise of the following:

i. Chairman of the Board appointed by the Council
ii. The Vice-Chancellor who is the Secretary to the Board of Trustees
iii. A member of the council nominated by the council
iv. Five (5) prominent Kenyans nominated by the council
v. The Machakos University Chancellor shall be an ex-official member of the Endowment Fund Board of Trustees.

4.2 Qualities of the Chairman of the BoT

The Chairman of shall be a prominent reputable, dignified and of good repute who has the ability to mobilize funds and adheres to Chapter 6 of the Constitution of Kenya.

4.3 Functions of the Board of Trustees

The functions of the BoT shall be:

i. Oversee the management of the University Endowment Fund.
ii. Solicit donations to the Fund.
iii. Receive donations on basis of contractual agreements.
iv. Establish investment plan of the Endowment Fund.
v. Monitor investment performance against investment objectives.
vi. Review and assess financial needs arising from the Endowment Policy and control procedures for safeguarding of the Endowment Funds in compliance with policies and regulatory requirements in Kenya.

4.4 Remuneration of Board members

The members of the BoT will be paid allowances as may be approved by the University Council from time to time.

4.5 Duration of Service of Board of Trustees

The BoT will serve for a term of three years that may be renewed once only for another three years depending on performance. The appointment of members of board will be staggered for purposes of continuity and will adhere to government regulations on affirmative action

4. 6 The BoT Secretariat

a) The secretariat will be appointed by the BoT

b) The Role of the Secretariat will be:

i. Provide accurate documentation of all activities of the Fund under the direction of the Board of Trustees

ii. Provide support services in organizing activities of the Board of Trustees

iii. Keep a record of all the documents of the fund

4.7 The Role of Machakos University Council

The Role of the Council will be advisory and will include but not limited to the following:

i. Provide advisory role in fund raising from endowers

ii. Recruit and determine terms and conditions for members of the Board of Trustees

iii. Provide oversight and ensure effective management of the fund

iv. Approve expenditure from the Fund

4.8 Role of Machakos University Management

i. Provide guidance and lead in identifying credible endowers

ii. Report to the BoT the progress of projects funded by the Endowment Fund

iii. Ensure the preservation of capital by preserving the real (inflation adjusted) purchasing power of endowment assets after accounting for endowment spending, inflation and costs of portfolio management.

CHAPTER 5: ENDOWMENT FUND MANAGEMENT, INVESTMENT AND AWARD

Machakos University Endowment Fund shall be flexible and take any of the four types as guided by the source of funding, and shall include:

i. Seed and annual contribution to be done by Machakos University as approved from time to time,
ii. Money gifts made in the donor's lifetime,
iii. Bequests in wills,
iv. Remainder trusts,
v. Contributions in kind, including space, staff and movable property.

The donations shall be made up to a value agreed in the contract. The relevant laws of Kenya shall apply when making such donations and contracts. In the case of foreign citizens and corporate bodies, the laws of Kenya, the laws of the nationality of the donor and international laws shall apply in the contractual agreements.

5.1 Appointment of Investment committee

There shall be an investment committee which will be a committee of the BoT. The investment committee shall be composed of the following:

i. A chairman appointed from among the BoT members by the BoT
ii. Other members who will be determined by BoT but, the number shall not exceed 5 including the Chairman,
iii. The fund secretariat will provide the Secretariat, however such a member will not have voting powers

5.1.2 Role of the Investment Committee

The roles and responsibilities of the Investment Committee shall include:

i. Advising the BoT on spending and capital preservation objectives of the funds and coordinating review and assessment of related policies and guidelines as required;
ii. Advising the BoT on reasonable investment objectives and drafting policies and guidelines which will direct consistent investment of the Endowment Funds;

iii. Implementing, executing and communicating to all appropriate parties all policies and decisions approved by the Board of Trustees;

iv. Reviewing and recommending qualified investment managers to the Board of Trustees, and drafting mandates and agreements for approved investment managers and agents;

v. Reviewing and evaluating the performance of the Investment Managers and agents to assure adherence to policy guidelines and monitor investment objectives progress.

vi. Designing, implementing and operating control procedures for safeguarding of the Endowment Funds' assets and for ensuring compliance with policies and regulatory requirements;

vii. Providing accounting statements on the assets of the Fund and of related transactions, and to execute transactions as directed by the Board;

viii. Reporting on a quarterly basis to the Board of Trustees on the performance and status of the Fund;

5.2 Investment Managers

The investment manager will be appointed to ensure that funds are invested in line with the University's mandate. It is also to ensure that continuous monitoring and evaluation is done on the performance of the investments. The appointment of the investment managers will be guided by among other Kenyan laws the Retirement Benefits Act and the Investment and Financial Analysts Act

5.2.1 Appointment and eligibility

The investment manager will be competitively appointed by the BoT. The Investment Manager will be required to provide written acceptance of the Statement of Investment Policy and Guidelines, and any subsequent changes thereto. In addition, the Investment Manager(s) will be organizations that have;

i. Experience in public fund investment for more than 10 years
ii. A clean record free from fraud
iii. A control of capital investment fund of at least three times the amount given to them.
iv. Adhere to Chapter Six of the Kenya Constitution

5.2.2 Roles and Responsibilities of the investment manager

The BoT will enter into written agreements with Investment Manager and establish their scope of services and the mandate. Among the responsibilities will include;

1. i. Make investment above bench market targets
2. ii. Report on a quarterly basis investment performance results to the BoT
3. iii. Provide monthly evaluation and returns of the investment portfolios
4. iv. Communicate any major changes to economic outlook, investment strategy or any other factors which affect implementation of the investment process or the progress towards the investment objectives of the Endowment Fund
5. v. Inform the BoT on any qualitative change in the investment management organization. Examples include changes in portfolio management personnel, ownership structure among others
6. vi. Inform the BoT of any non-compliance with guidelines immediately upon recognition detailing the nature of non-compliance and remedial action taken.

5.2.3 Conflict of Interest

i. This clause applies to members of the Council, Board of Trustees, the University Management and Investment Managers.

ii. A conflict of interest arises when personal interests, investment or future plans of any person or agent involved in the administration of the Endowment Fund conflict with his or her duties and powers in respect of the Endowment Fund, or impair his or her ability to make unbiased judgement in completing duties and powers in respect to the Endowment Fund. In particular, accepting or being direct or indirect beneficiary of any fee, brokerage, commission, gift (other than nominal value) or other consideration for an account of any investment, purchase, sale, payment or exchange made by or on behalf of the Endowment Fund shall constitute a conflict of interest.

iii. Where a conflict of interest exists or might exist for a University employee, the employee shall advise the University Management as soon as possible of any potential conflict of interest. The Management will handle the potential conflict as prescribed by the relevant policy of the University.

iv. Where a conflict of interest exists or might exist for an Investment Manager, the party shall advise the BoT as soon as possible of any potential conflict of interest. The BoT will assess the nature and materiality of the potential conflict and determine appropriate action which may range from limitations on recommendations or action relative to a specific issue to termination of the BoT's and the Endowment Funds' relationship with the Investment Manager.

v. The failure of a Trustee, University employee, Investment Manager, Consultant or a person employed in the administration of the Endowment Fund, to comply with the procedures described in this section shall not by itself invalidate any decision, contract or other matter.

vi. The BoT shall be satisfied that an appropriate policy regarding conflict of interest exists and is followed by every Investment Manager appointed by the Board.

vii. Every disclosure or conflict of interest shall be recorded in the minutes of the BoT Meeting.

5.3 Management Consultants

These may be appointed from time to time by the BoT to support in the management of the endowment fund

5.4 Application for and Award of Endowment Funds

Award from the Endowment Fund shall be made on merit, bearing in mind the contractual agreements entered between the donors and the Fund BoT. In the case of Research and Innovation, Machakos University Research Policy and Machakos University Intellectual Property Policy, among other policies shall govern award of funds.

Procedure

The BoT shall cause to be advertised, through the EFMT, the types of programmes that shall be supported for that year and invite applications as appropriate. The BoT will develop the criterion to be applied for the awards across the various categories of applications. The following are procedures for making various applications

a) In the Case of Scholarships

i. Applications for scholarships shall be submitted to the EFMT

ii. The EFMT shall cause each application to be evaluated and then submit all the evaluated applications with appropriate recommendations to the Endowment Fund BoT, who shall make the final decision on the actual award.

iii. All awardees shall give appropriate citation, as may be set by the Board of Trustees in acknowledgement of grants in all publications arising from awards from the Fund.

b) In the Case of Research and Innovation Grants

i. Application for research and innovation grants from the Fund shall be made to the EFMT.

ii. The EFMT shall consider and award the grants taking into consideration the recommendations from reviewers and guidelines specific to each award.

iii. Awardees shall be required to carry out their research and innovation in accordance with the Machakos University Research Policy, University Intellectual Property Policy and/or any other relevant national and international laws.

iv. All awardees shall give appropriate citation, as may be set by the Board of Trustees in acknowledgement of grants in all publications arising from awards from the Endowment Fund.

c) In the Case of Learned Gatherings

i. Applications for hosting workshops, conferences, symposia and such learned gatherings shall be made to the Fund BoT through the EFMT at least six months prior to the intended date of the gathering.

ii. The application shall be in form of a group or individual proposal that shall clearly show the applicants, the goals, publications, themes, probable list of participants, expected outcome, detailed cost and estimated sum of money required from the fund as part of the total cost.

iii. The Fund shall normally not provide all the funds required to hold a conference, workshop, symposium or such academic gathering, but rather a percentage determined by the board based on availability of funds.

iv. The Endowment Fund shall not support travelling to attend workshops, conferences or such gatherings out of Kenya, unless such travelling was initially provided for in a project financed by the Fund.

CHAPTER 6: INVESTMENT MONITORING AND EVALUATION

6.1 Monitoring

a) All the endowment fund accounts shall be audited under the guidance of University Internal Auditor and be subjected to External Audit as appropriate

b) Quarterly and annual reports will be prepared by the Investment Committee and presented to Council through the BoT.

6.1.1 Books of Accounts and Related Records

a) The Endowment Fund Board of Trustees shall cause to be prepared and kept proper books and records of accounts of endowed funds, interests generated in the year and expenditure.
b) The financial year for the purpose of the Fund shall be the financial year.
c) All books and records of accounts shall be audited as provided for in the Kenyan Law by an independent auditor.
d) Notwithstanding the provision of this policy and the Universities Act (2012), an endower, on powers of contract signed at the time of endowment, may contract a registered audit body or use their own recognized auditors to examine and prepare an audit report on the endowment specific to that endower.
e) Copies of such additional audit reports shall be made available to both the Council and the endower.

6.2 Evaluation

Quarterly and annual investment performance reports shall be compiled by the Fund Investment Committee and communicated to the BoT for review. The BoT will evaluate the portfolio(s) over one-year period, but may terminate an Investment Manager at any time for any reason including, but not limited to the following;

i. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification for poor results

ii. Failure to adhere to any aspects of its investment mandate, including communication and reporting requirements

iii. Investment Managers shall be reviewed at least quarterly regarding performance, personnel, strategy, research capabilities, organization and business matters and other qualitative factors that may impact their ability to achieve the desired investment results.

6.3 INVESTMENT FRAMEWORK REVIEW

To ensure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in the statement of investment policy, the BoT will review the investment framework at least biannual.

CHAPTER 7.0: REVIEW OF THE GUIDELINES

This guideline to Machakos University Endowment shall be reviewed every five (5) years or as need arises.

CHAPTER 8.0: EFFECTIVE DATE

This guideline shall take effect from the date of its approval by the university Council

APPENDIX 1: GUIDELINE TO AREAS OF INVESTMENTS OPPORTUNITIES

1) Investment in Asset Mix

i) Government issued debit securities

ii) Investment strategy will target government-issued debt securities

iii) Local private companies

iv) Endowment Funds will invest in a diversified local group of assets with minimal risks of volatility and capital loss as defined by the University council.

v) Foreign Companies

vi) Kenya equity market represents very small percent of total world equity market in terms of total capitalization. Thus Endowment Funds will be allowed to invest not more than 20% of the fund in foreign companies in order to add diversification and reduce volatility of returns. This will be guided by Machakos University Council from time to time.

2) Cash Equivalents

i. Treasury bonds

ii. Guaranteed Investment certificates (GICs)

iii. Banker's Acceptances iv. Commercial Paper

v. Corporate Bonds and Debentures

vi. Treasury bills and short term debt obligations of Foreign Governments

3) Fixed Income Securities

f) County government obligations and bonds Municipal

ii) Corporate Bonds and Debentures

iii) Asset Backed Securities

iv) Fixed Income Securities of Foreign Governments and Corporations

v) Private placements

vi) Mortgages

4) Equity Securities

i) Common Stock

ii) Preferred Stock

iii) Receipts

iv) Warrants

v) Rights issues

vi) Convertible Bonds and Debentures

vii) Exchange traded index participation units (e.g. Exchange traded funds (ETFs)

viii) Income trusts, Real Estate Investment Trusts (REITs), royalty trusts or other publicly listed trust securities registered in jurisdictions that possess limited liability legislation for the unit holders.

5) Derivatives

(a) Traditional Assets and Strategies

It will be necessarily for the Investment Manager to obtain a written permission from the University to include derivatives in the University's portfolio. The following derivatives will be considered subject to University Council approval;

i) Hedging and risk management.

ii) Portable alpha strategy or beta overlay

iii) Exposure to a recognized market index

(b) Non-Traditional Assets and Strategies

Investment manager can consider investing endowment fund in the following areas;

i) Infrastructure investment

ii) Real estate equity and debt

iii) Resource properties

iv) Managed futures

v) Private equity and venture capital

vi) Trading with commodities (hard and soft commodities)

vii) Distressed securities

viii) Leveraged buyouts (LBO)

ix) Mezzanine financing

x) Absolute return funds or hedge funds using strategies judged appropriate by the Investment Committee.

6) Securities Lending:

The Endowment Funds may engage in securities lending activities to generate incremental income. However, all lending guidelines and rules must be followed. It shall at all times receive from the borrower collateral equal to no less than 100% of the market value of the securities loaned.

7) Other Investments

These includes: unit trusts, mutual fund vehicles or limited partnerships that include any of the above categories.