INVESTMENT POLICY

Policy Approved by	Board of Directors – Investment Committee
Last Revision Date	1/31/17
Revisions Made	Adjusted underwater spending, strategy changes per planned gift assets
Next Review Date	7/1/2018

Introduction
This policy statement provides a framework for the management of the assets of the UND Alumni Association and Foundation (the "Organization") as well as assets held on behalf of the University and its affiliates. Its purpose is to assist the Board of Directors in effectively supervising and monitoring the investments of the Organization. A subcommittee of the Board of Directors, or Investment Committee, has been established to focus on implementing and monitoring the Organization assets (the "Fund") in accordance with the guidelines outlined in this policy statement. The guidelines are designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The management of the Organization is expected to adhere to the following basic fiduciary responsibilities:

- Oversight will occur with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- Investments of the Organization will be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.
- The document below addresses the following issues:
- The objectives of the Organization and the Fund.
- The investment strategy including specific asset allocations, spending policies, rebalancing procedures and investment guidelines.
- The policies and procedures for the management of the investments.

Description of Organization Endowment Funds
The Organization is organized under section 501(c)(3) of the Internal Revenue Code.

Donors have established designated named endowments whose assets are pooled as part of the Fund. The payout for purpose from endowment and the management fee are reviewed and approved annually by the Organization's Board of Directors.

Roles and Responsibilities

Duties of the Investment Committee

The Board of Directors of the Organization acknowledges its fiduciary responsibility for the Funds and assigns these responsibilities to the Investment Committee for review.

In the management of the Organization's assets, the Board of Directors will approve the Investment Policy developed by the Investment Committee for the investment program.

The Board of Directors in its sole discretion can delegate its decision-making authority to the Investment Committee regarding the investment program within the guidelines established by this policy statement. The following are the duties and responsibilities delegated by the Board of Directors to the Investment Committee:

- Comply with the provisions of pertinent regulations and rulings.
- Develop investment objectives, guidelines, and performance measurement standards which are consistent with the guidelines established by the Board of Directors of the Organization.
- Review, with assistance from Management and the Investment Manager, at least quarterly the portfolio's investment structure and financial performance. The review will include recommended adjustments to the long-term, strategic asset allocation policy, if adjustments are warranted.
- Select, retain, and terminate Investment Manager, and investment advisors as necessary to conduct performance review, asset allocation, manager review and selection, and topical research. The comments and recommendations of the advisors will be considered in conjunction with other available information to aid Management and the Investment Committee in making informed, prudent decisions.
- Establish and recommend the institution's spending policy to be approved by the Board of Directors.

The Investment Committee will report at least semiannually to the Board on the financial performance of the portfolio and significant committee decisions related to the management of the portfolio.

Duties of Management and its Staff

In the management of the Organization's assets, Management defined as the Chief Financial Officer will:

- Implement the investment policy as directed by the Investment Committee.
- Execute any documents necessary to facilitate implementation of this policy, including but not limited to contracts with consultants and investment managers for providing services. The Chief Financial Officer is authorized, singly, in this capacity.
- Review the Organization's investments at least monthly to ensure that policy guidelines continue to be met. Management or its staff shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks. The information for these reviews shall come from outside advisors, the custodian, and the Organization's investment managers.
- Raise timely concerns with the Investment Committee and take appropriate action under the direction of the Investment Committee if investment objectives are not being met or if policies and guidelines are not being followed.
- Administer the investments in a cost-effective manner. These costs include, but are not limited to: management, consulting and custodial fees, transaction costs and other administrative costs chargeable to the investment pool.

- Provide overall monitoring of Investment Manager, and ensure that they conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide Management with timely, accurate and useful information.

Duties of Investment Manager

- The investment manager will provide advisory services as defined by a written investment agreement. In the advisory capacity, they may assist in establishing investment policies, objectives, and guidelines; selecting investment funds; periodically reviewing such funds; implementing tactical rebalancing shifts within the ranges approved by the Investment Committee and in accordance to the guidelines established in the rebalancing policy of this document; measuring and evaluating investment performance and informing the Investment Committee regarding any qualitative change to investment management or strategies, and maintaining a quarterly summary of investment activity.

- The Investment Manager will select, retain and terminate fund managers ("subadvisors") as necessary to execute the strategies of its investment programs. They will have discretion to develop and execute the investment program within the constraints of the guidelines for each program. They will be responsible for the timely implementation and administration of these decisions.

- The Investment Manager will, at a minimum:
    - Comply with "prudent expert" standards.
    - Know and comply with the policies as outlined in this document. It is Investment Manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Management or its staff toward possible improvement of those policies.
    - Maintain thorough and appropriate written risk control policies and procedures. Oversight of compliance with these policies must be ongoing and independent of line investment activity.
    - Reconcile every month accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
    - Maintain frequent and open communication with Management and its staff, as well as the Investment Committee, on all significant matters pertaining to the investment policy, including, but not limited to, the following:
        - Major changes in the Investment Manager's investment outlook, investment strategy, investment process, subadvisors or portfolio structure;
        - Significant changes in ownership, organizational structure, financial condition or senior personnel;
        - All pertinent issues which the Investment Manager deems to be of significant interest or material importance;
    - Meet with Management or its designees on an as-needed basis.
    - Be responsible for selecting a qualified custodian as defined by the ability to handle investments, transactions, and strategies authorized by this policy statement. For mutual and other commingled funds, responsibility for selecting a qualified custodian resides with the investment manager of that mutual or commingled fund.

Goals and Objectives

Objective of the Fund

The objective of the Fund is to ensure that the future growth is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the fund. This will be accomplished through a carefully planned and executed long-term investment program. The objective of the investment program is to enhance the Organization's long-term viability by maximizing the value of the Fund with a prudent level of risk.

Performance Goals

On an annualized, net-of-fees basis, the return on the total Fund over the long term (at least a full market cycle) will be expected to:

- Equal or exceed 8% (the spending rate plus inflation over a market cycle); and,
- Equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages (as defined in the section "Investment Program Strategy") over rolling five-year periods.

Performance Expectations

The most important performance expectation is the achievement of long-term investment results that are consistent with the Fund's Investment Policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Board recognizes that this real return objective may not be meaningful during some time periods. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, comparative performance statistics (including benchmark indices) will be used to evaluate investment results.

Investment Philosophy

The Organization has a long-term investment horizon, and allocates its assets accordingly. It is recognized that a strategic asset allocation plan that is implemented in a consistent and disciplined manner will be the major determinant of the Organization's investment performance.

The assets will be managed on a total return basis. While the Organization recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Organization's best interest on a risk-adjusted basis.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the Organization is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the Organization is willing to accept.

Fund Policies and Procedures

Investment Policy

It is the policy of the Organization to invest according to an asset allocation strategy that is designed to meet its goals and objectives. The strategy will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments;
- Historical and expected long-term capital market risk and return behaviors;
- The relationship between current and projected assets of the Organization and its spending requirements.

This policy provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Organization consistent with market conditions. Asset allocation modeling identifies asset classes the Organization will use and the percentage each class represents in the total Fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur.

Spending Policy

The Investment Committee will set the spending rate each fiscal year. For endowments with donor-imposed limitations, the spendable amount will conform to the donor's expressed wishes. UPMIFA requires the Organization to consider seven factors when deciding the yearly expenditure decision:

1. The duration and preservation of the endowment fund;
2. The purposes of the organization and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the organization; and
7. The investment policy of the organization.

The payout is established based on the assumption that over the long-term the overall portfolio total return net of investment manager's management fees would be approximately 8%. Assuming a spending rate payout of 4% and inflation of 2 % the purchasing power of the Fund will be maintained. In addition, a management fee has been retained by the Organization in order to assist it in funding the organization's operating budget. The Board of Directors will review the spending rate annually. Distributions for spending from Endowment each fiscal year will be calculated once annually with the quarter ended December 31 unitized market value and is based on a set spending rate applied to the average market value for the preceding quarters. All endowments in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to all Colleges for planning purposes by February 1, and these distribution amounts will be available for spending in the upcoming fiscal year.

Spending Policy for Underwater Endowments

Endowment funds with an original gift value (historic dollar value) greater than the current fair market value will be considered "underwater."

A "stop-loss threshold" has been established for spending from underwater funds. Spending would cease if the fair market value of the fund, evaluated at the beginning of each budget period, falls below 70 percent of the original gift value. This is a mechanism to provide the balance between supporting the institution and the commitment to prudent management.

It is recommended through this policy that annually there would be reporting of the overall progress of the aggregate underwater amount to the Board. This should include the breakdown by tier. For example: the 2014 overall average was 3% underwater, down from 7% and 6 out of 1,000 endowments were less than 60%. Underwater amounts and tiers should be compared to standards and to peers.

Fund Value as a Percent of Original Gift	Spend Rate
90-100%	Normal spending rate
80-90%	75% of normal spending rate
70-80%	50% of normal spending rate
<70%	Suspend spending

Endowment Buy-In and Timing

The actual mechanics of endowment investment and management are very similar to that of a mutual fund. An endowment is accounted for using a unitized investment pool. Each individual endowment owns a share or percentage in the pool, revalued at each quarter-end. Valuation and allocation of income is done only at quarter end. Only at quarter-end periods may new endowments enter the pool. Intergenerational equity is the return (net of all fees) beyond the spending rate that is added to the endowment principal to enable growth and provide a hedge against inflation.

Endowments buy into the long term pool at the end of the quarter in which the gifts were received. Endowments then participate in market activity. Gifts that are liquid and investable and are received in the first 10 days of any quarter will participate in that current quarter's income, gains and losses.

Asset Allocation Targets and Ranges

Target Asset Mix Table 1

ASSET CLASS	MIN	Target	MAX	INDEX
Equity Strategies	**45%**	**50%**	**60%**	**MSCI ACWI**
Domestic Large Cap Equity	10%	22%	35%	Russell 1000
Domestic Small Cap Equity	0%	3%	10%	Russell 2000
World Equity ex-US	0%	10%	20%	MSCI ACWI ex US
Emerging Markets Equity	0%	3%	5%	MSCI Emerging Mkts (Net)
Private Capital	0%	7%	17%	Russell 3000 +4%
Distressed Debt	0%	5%	15%	ML High Yield Master +4%
Dynamic Asset Allocation Fund	**0%**	**4%**	**10%**	**S&P500**
Fixed Income Strategies	**5%**	**20%**	**30%**	**Barclays US Aggregate**
Core Bonds	5%	9%	25%	Barclays US Aggregate
Emerging Markets Debt	0%	3%	6%	50/50 JPM EMBI Global Div & JPM GBI EM Global Div
High Yield Bonds	0%	4%	8%	ML High Yield Master II
Opportunistic Income Fund	0%	2%	5%	BofA ML 3-Month LIBOR
Ultra Short Bond	0%	2%	5%	Barclays US Treas. 9-12 Mnth
Hedge Fund Strategies	**5%**	**10%**	**20%**	**LIBOR +4%**
Hedge Fund of Funds	0%	4%	9%	T-Bills + 3%
Special Situations	0%	6%	11%	T-Bills + 5%
Absolute Return Strategy	**0%**	**3%**	**8%**	**T-Bills**
Structured Credit Fund	0%	3%	8%	T-Bills
Real Assets	**5%**	**13%**	**30%**	**CPI +4%**
Multi-Assets Real Return	0%	5%	10%	Barclays 1-5 YR US TIPS
Natural Resources	0%	3%	13%	GS Commodities +4%
Private Real Estate	0%	5%	15%	NCREIF

Management will implement the asset allocation policy through the use of qualified external professional investment managers. The external investment managers will have full discretion and authority for determining investment strategy, security selection and timing subject to Policy guidelines and any other guidelines specific to their portfolio.

The asset allocation of the Organization will be reviewed by the Management at least quarterly or when significant cash flows occur.

Rebalancing Policy

The asset allocation established by this Investment Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature.

To ensure divergence from the target policy is within acceptable limits, rebalancing of assets may be necessary. Rebalancing procedures are authorized in accordance with the Investment Management Agreement and are implemented by the Investment Manager.

Generally, rebalancing among funds may occur on a quarterly basis for the registered investment companies (i.e., mutual funds) and quarterly or semi-annually for alternative assets and real estate (as applicable,) to ensure that the target asset allocation specified in this Investment Policy is maintained within acceptable ranges as determined by the Investment Manager. The Investment Manager will identify the amount of assets that must be reallocated in order to bring the Fund back into compliance with this Investment Policy and will issue the necessary instructions for the transfer of funds.

Notwithstanding the foregoing, under certain circumstances, the Investment Manager may (i) make active investment decisions for the Fund in accordance with the terms of the target variance noted above, (ii) modify the target variance(s) applicable to the strategy, (iii) modify its standard rebalancing operating procedures, and/or (iv) suspend some or all of the rebalancing procedures affecting the strategy. Investment Manager shall only modify or suspend its rebalancing procedures as outlined in this paragraph if it has prudently determined that such suspension is in the best interest of the Fund in its reasonable sole discretion. If the Investment Manager has suspended it rebalancing procedures applicable to the Fund, the Investment Manager shall seek to notify Organization as promptly as possible of such decision.

Investment Securities, Strategies and Diversification

As described in the Investment Management Agreement, the Investment Manager implements this Investment Policy through investments in mutual funds and other pooled asset portfolios. It is the responsibility of the Investment Manager to provide a prospectus for each investment and the responsibility of the Committee to read and understand the information contained in the prospectus.

Mutual funds may utilize shorting strategies as outlined in the prospectus. Further, certain mutual funds may participate in securities lending as determined by the prospectus. Such investments are acceptable investments provided they conform to the diversification restrictions set forth by the Investment Company Act of 1940, as amended (the “1940 Act”) below.

Additionally, the funds may invest in derivative instruments within a portion of their portfolios. Portfolios may purchase derivatives, generally using only a fraction of the assets that would be needed to purchase equity or fixed income securities directly. As a result the derivatives could be backed by a wide range of asset classes including but not limited to: U.S, and foreign equities, U.S. and foreign fixed income securities of different types and maturities, mortgage-backed or other asset-backed securities, securities rated below investment grade, non-U.S. equities, limited partnerships, currencies, commodities, and repurchase or reverse repurchase agreements. The investment goal of such a strategy would be to add diversifying alpha sources within that fund, while maintaining the beta exposure to the asset class.

Investments will be diversified within asset classes with the intent to minimize the risk of large losses to the Fund. The portfolio is comprised of mutual funds that are managed in accordance with the diversification and industry concentration restrictions set forth in the Investment Company Act of 1940, as amended (the “1940 Act”). Pursuant to the provisions of the 1940 Act, a mutual fund may not, with respect to 75% of its assets, (i) purchase securities of any issuer (except securities issued or guaranteed by the United States Government, its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer; or (ii) acquire more than 10% of the outstanding voting securities of any one issuer. This restriction does not apply to the International Fixed Income Fund or the Emerging Markets Debt Fund.

No mutual fund may purchase any securities which would cause more than 25% of its total assets to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that this limitation does not apply to investments in securities issued or guaranteed by the United States Government, its agencies or instrumentalities.

Guidelines for Portfolio Holdings

Equity

Domestic Equity - The Domestic Equity portion of the portfolio will consist primarily of equity securities of companies that are listed on registered exchanges or actively traded in the over the counter market. The equity portion may also be invested in securities that are not readily marketable (illiquid and restricted securities), receipts, securities issued by investment companies, warrants, repurchase agreements, convertible securities and US dollar denominated securities of foreign issuers that are traded on registered exchanges or listed on NASDAQ. A portion of the equity portfolio may also be invested in fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by a nationally recognized statistical rating organization ("NRSRO"), or, if not rated, determined to be of comparable quality by the Investment Manager or a mutual fund sub-Investment Manager. The Investment Manager will equitize cash to remain as fully invested as possible.

Non-U.S. Equity - The non-U.S. equity portion of the portfolio will consist primarily of equity securities (common stocks, securities that are convertible into common stocks, preferred stocks, warrants and rights to subscribe to common stocks, American Depository Receipts, European Depository Receipts and investment company securities including securities issued by foreign investment companies) of non-U.S. issuers purchased in foreign markets, on U.S. or foreign registered exchanges, or the over-the-counter markets. The issuers of the securities are located in countries other than the United States, including emerging market countries. Additionally, the portfolio may seek to enhance returns by active management of currency exposure. This strategy may involve taking long and short positions using futures, foreign currency forward contracts, foreign currencies and other derivatives. The portfolio may also engage in currency transactions in an attempt to take advantage of certain inefficiencies in the currency exchange market, to increase the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. Any remaining assets may be invested in fixed income securities of emerging market governments and companies. Certain securities issued by governments of emerging market countries are, or may be, eligible for conversion into investments in emerging market companies under debt conversion programs sponsored by such governments.

Managed Volatility - The managed volatility portion of the portfolio will typically consist of securities of U.S. and global companies of all capitalization ranges. These securities may include common stocks, preferred stocks, warrants, ETFs, depositary receipts and equity options. The portfolio will invest primarily in companies located in developed countries, but may also invest in companies located in emerging markets. The portfolio seeks to achieve lower volatility by constructing a portfolio of securities that are expected to produce a less volatile return stream to the market. The securities are weighed based on their total expected risk and return, without regard to market capitalization and industry.

Private Capital Partnerships - Investments may also include venture capital and private equity investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers.
Distressed Debt - Investments may also include distressed debt investments (both liquid trading opportunities as well as illiquid control strategies), held in the form of professionally managed pooled limited partnership investments.

Fixed Income

Domestic Fixed Income - The investment grade portion of the domestic fixed income portfolio will consist primarily of fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by an NRSRO at the time of purchase, or, if not rated are determined to be of comparable quality by the Investment Manager or a mutual fund sub-Investment Manager. The portfolio may invest in traditional fixed income securities, such as bonds and debentures, issued by domestic and foreign private and governmental issuers, including mortgage-backed and asset-backed securities. In addition, the portfolio may also contain structured securities that make interest and principal payments based upon the performance of specified assets or indices. Structured securities include mortgage-backed securities such as pass-through certificates, collateralized mortgage obligations and interest and principal only components of mortgage-backed securities. Other investments include mortgage dollar roll transactions, Yankee obligations and obligations of supranational entities.

The high yield portion of the domestic fixed income portfolio will consist primarily of fixed income securities that are rated below investment grade, i.e., rated below the top four rating categories by a NRSRO at the time of purchase, or, if not rated, determined to be of comparable quality by the Investment Manager or a mutual fund sub-Investment Manager. There is no bottom limit on the ratings of high yield securities that may be purchased and held in the portfolio. Any remaining assets may be invested in equity, investment grade fixed income and money market securities.

Ultra Short Duration Fixed Income - The Ultra Short Duration Fixed Income strategy invests in investment grade U.S. dollar-denominated debt instruments, including: (i) commercial paper and other corporate obligations; (ii) certificates of deposit, time deposits, bankers' acceptances, bank notes and other obligations of U.S. savings and loan and thrift institutions, U.S. commercial banks (including foreign branches of such banks), and foreign banks, that meet certain asset requirements; (iii) U.S. Treasury obligations and obligations issued or guaranteed as to principal and interest by agencies or instrumentalities of the U.S. Government; (iv) mortgage-backed securities; (v) asset-backed securities; (vi) fully-collateralized repurchase agreements involving any of the foregoing obligations; and (vii) U.S. dollar-denominated instruments of foreign issuers. In addition, the Fund may invest in futures contracts, options, swaps and other similar instruments. The portfolio will maintain portfolio duration of 18 months or less under normal market conditions.

Short Duration Government - The Short-Duration Government strategy invests substantially all of its net assets in U.S. Treasury obligations and obligations issued or guaranteed as to principal and interest by agencies or instrumentalities of the U.S. Government, including mortgage-backed securities, and repurchase agreements collateralized by such obligations. The Fund may invest in securities issued by various entities sponsored by the U.S. government, such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. While the Fund may invest in securities with any maturity or duration, the strategy will strive to maintain a portfolio duration of up to three years under normal market conditions.

Opportunistic Income - Strategy invests primarily in a diversified portfolio of investment grade and non-investment grade fixed-income securities, including: (i) securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities and obligations of U.S. and foreign commercial banks, such as certificates of deposit, time deposits, bankers' acceptances and bank notes; (ii) obligations of foreign governments; (iii) U.S. and foreign corporate debt securities, including commercial paper, and fully-collateralized repurchase agreements with counterparties; and (iv) securitized issues such as mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and collateralized debt obligations. These securities may be fixed-, variable- or floating-rate obligations and will be rated CCC- or higher at the time of purchase by at least one ratings agency. There are no restrictions on the maturity of any individual securities or on the average portfolio maturity, although the average portfolio duration will typically vary between zero and two years.

Investments may be made through long and short positions in foreign currencies in excess of the value of the assets denominated in a particular currency or when a position does not already exist in that currency.

A portion of assets may also be invested in bank loans, which are, generally, non-investment grade floating rate instruments. Investments in bank loans may be in the form of participations in the loans (participations) and assignments of all or a portion of the loans from third parties (assignments).

<u>Real Return -</u> This portion of the portfolio will typically invest in fixed income securities, primarily inflation-indexed bonds of varying maturities issued by the U.S. Treasury, by other U.S. government Agencies and instrumentalities, and by other, non-U.S. government entities such as corporations. The strategy may also invest assets in traditional U.S. Treasury, U.S. government agency or other non-U.S. government securities that is not inflation-indexed.

<u>Non U.S. Fixed Income</u> - The non-U.S. investment grade portion of the fixed income portfolio will consist primarily of securities of non-U.S. issuers located in at least three countries other than the United States. Any remaining assets may be invested in obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and preferred stocks. The non-U.S. investment grade portion will concentrate its investments in developed countries.

Non-U.S. investment grade fixed income securities will be traditional fixed income securities, such as bonds and debentures, and will be issued by foreign private and governmental issuers and may include mortgage-backed and asset-backed securities. The portfolio may also contain structured securities that derive interest and principal payments from specified assets or indices. The portfolio will be comprised primarily of investment grade securities denominated in various currencies, including the European Currency Unit. Investment grade securities are rated in one of the highest four rating categories by an NRSRO, or, if not rated, determined to be of comparable quality as determined by the Investment Manager or a mutual fund sub-Investment Manager.

<u>Dynamic Asset Allocation Strategy -</u> The goal of this strategy is to serve as an active overlay to a broader strategic portfolio allocation. The strategy seeks to maintain an asset allocation among global asset classes. The allocation among asset classes will be active, based on the views of current market conditions and outlook for each asset class. The strategy may obtain its exposures to a particular asset class by investing directly (e.g., in equity and fixed income securities and other instruments) or indirectly (e.g., through the use of other pooled investment vehicles and derivative instruments, principally futures contracts, forward contracts, options and swaps). The proportional investments in each asset class may change from time to time as risk-adjusted return expectations shift.

<u>Hedge Fund -</u> The investment objective of the Hedge fund of funds is to invest primarily in underlying hedge funds, while also opportunistically making other investments. Individual hedge funds may engage in investment strategies that include temporary or dedicated directional market exposures; and will also choose and combine hedge funds in order to target the fund's return objectives.

A fund's portfolio may be allocated across several hedge fund styles and strategies. For example, the hedge fund portion of the portfolio may consist of various index-listed as well as over-the-counter securities including but not limited to: common or preferred stock issued by U.S. and non-U.S. corporations, debt securities issued by U.S. and non-U.S. corporations, governments, or government-sponsored agencies, asset-backed securities, convertible bonds, warrants, and exchange-traded funds. The hedge fund portion of the portfolio may also consist of various index-listed or over-the-counter derivative instruments including but not limited to: forward contracts, futures contracts, options, swaps, and swap options. Derivatives may be valued based on the price of underlying debt or equity securities or the level of particular economic variables such as interest rates, inflation rates, currency exchange rates, or commodity prices. In addition to purchasing securities outright, hedge funds may employ specialized investment techniques, such as short-selling and using leverage.

Certain funds may also invest in less liquid, private investment funds. These investments are illiquid, non-publicly traded assets and securities, such as shares in private operating companies. These investments can include strategies such as leveraged buyout funds, venture capital funds, real estate funds and distressed debt funds. The fund will select and manage these portfolios in accordance with its liquidity policy.

Absolute Return Strategies

Structured Credit

The portfolio pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations ("CDOs") and other structured credit investments. The portfolio will primarily invest in the equity and mezzanine debt securities of CDOs. CDOs involve special purpose investment vehicles formed to acquire and manage a pool of loans, bonds and/or other fixed income assets of various types.

In addition to CDOs, the Plan's investments may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps (collectively with CDOs, "Structured Credit Investments").

Real Assets - The purpose of real asset investments is to provide diversification and a potential hedge against the risk of inflation. These investments may include commodities, natural resources and/or private real estate.

Multi Asset Real Return Strategy - This portfolio will pursue its investment goal by selecting investments from a broad range of asset classes, including fixed income and equity securities, and commodity linked instruments. The portfolio seeks "real return" (i.e., total returns that exceed the rate of inflation over a full market cycle). Fixed income securities will include: (i) securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities and obligations of U.S. and foreign commercial banks, (ii) obligations of foreign governments; (iii) Treasury Inflation Protected Securities ("TIPS") and other inflation-linked debt securities; (iv) U.S. and foreign corporate debt securities, including commercial paper, and fully-collateralized repurchase agreements with highly rated counterparties (those rated A or better); and (v) securitized issues such as mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and collateralized debt obligations. The portfolio may invest in debt securities of any credit quality and with a broad range of maturities. Equity securities may include common or preferred stocks, warrants, rights, depositary receipts, equity-linked securities and other equity interests. In addition to direct investment in securities and other instruments, the portfolio may invest in other funds, including exchange traded funds ("ETFs"), other pooled investment vehicles, and real estate investment trusts ("REITs") and U.S. and non-U.S. real estate companies. A portion of the portfolio assets may also be invested in commodity-linked securities to provide exposure to the investment returns of the commodities markets, without investing directly in physical commodities. The portfolio may also invest in equity securities of issuers in commodity-related industries. Further the portfolio will have the ability to invest in commodity-linked swap agreements and other commodity-linked derivative instruments, futures contracts on individual commodities and options on them. The portfolio may also invest in futures contracts, options, forward contracts and swaps and credit default swaps for return enhancement or hedging purposes.

Real Estate - Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investment may be made only through professionally managed pooled real estate investment funds, as offered by leading real estate managers with proven records of superior performance over time.

Natural Resources – Investments may also include oil, gas, and timber investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers.

Cash Equivalent Reserves - The investments selected by the Investment Manager in accordance with this Investment Policy Statement may include a small portion of total assets in cash reserves when deemed appropriate.

Cash equivalent reserves will consist of money market securities such as high quality, short-term debt instruments. They include: (i) bankers' acceptances, certificates of deposits, notes and time deposits of highly-rated U.S. and foreign banks; (ii) U.S. Treasury obligations and obligations issued or guaranteed by the agencies and instrumentalities of the U.S. Government; (iii) high-quality commercial paper issued by U.S. and foreign corporations; (iv) debt obligations with a maturity of one year or less issued by corporations with outstanding high-quality commercial paper; (v) repurchase agreements involving any of the foregoing obligations entered into with highly-rated banks and broker-dealers; and (vi) foreign government obligations.

Derivatives and Derivative Securities - Certain of the Fund's managers may be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. All derivatives positions must be fully collateralized. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Restrictions

The Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and the investment strategy involved.

For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Committee understands that such funds have their own stated guidelines which cannot be changed for individual investors, in principle and spirit those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Volatility
Consistent with the desire for adequate diversification, the investment policy is based on the assumption that the volatility of the combined equity investment will be similar to that of the market opportunity available to institutional investors with similar return objectives. The volatility of fixed income portfolios may be greater than the market during periods when the portfolio duration exceeds that of the market.

Proxy Statements
Proxies, tender offers and the like will be voted in accordance with the terms of the Investment Management Agreement.

Execution of Security Trades
The Fund expects the purchase and sale of its securities to be made in a manner designed to receive the combination of best price and execution. The Board recognizes that mutual fund shares are purchased and sold at the net asset value next determined after receipt of the order and that accordingly, best price and execution may not be applicable to such transactions.

Manager(s) Reporting and Evaluation
It is expected that the Investment Manager(s) responsible for the investment of the Organization assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their respective benchmarks; also included will be a complete accounting of all transactions involving the Organization during the quarter, together with a statement of beginning market value, fees, capital appreciation, income and ending market value, for each account. In addition, Managers should meet with the Investment Committee at least annually; and will be supplemented by other meetings as necessary for proper review.

The Organization recognizes that market conditions may greatly influence the ability of a manager to meet year to year investment goals and objectives. Further, the Organization realizes that significant cash flow may also affect the ability of a manager to meet a specific short term objective. Accordingly, the Organization expects to monitor performance through absolute, relative, and comparative terms over an annualized time periods. Absolute results will determine the rate of fund growth, while relative results will provide the Organization with a view of investment performance compared to the securities markets and comparative results will present performance as compared to other Investment Managers.

Total Investment Pool
Review of Organization results in absolute terms shall be made with consideration towards meeting and/or exceeding the expressed minimum real rate of return over a one, three and five year time period.

Review of Organization results in relative terms shall be accomplished primarily by comparing results, over moving annualized one, three and five year time period, to assigned weighted market indices.

Fund (Asset Class) Level
Review of the underlying fund results in relative terms shall be accomplished primarily by comparing results, over moving annualized one, three and five year time period, to assigned market indices.

Planned Giving Assets

These Guidelines provide a framework for the management of charitable life income funds. The following policies will broadly define investment objectives and the duties and responsibilities.

The current Investment Policy for the Foundation life income funds is attached as "Exhibit C"

Reporting
. Presentations to the Committee: Planned Giving asset manager will make an annual presentation to the Committee. Such presentation must address how their performance compared to their benchmark, why their performance differed from the benchmark, and fees. The Committee has the discretion to request a meeting with or presentation from any manager at any time.

Current Operating Funds

Definition of Current Operating Funds
Current operating funds are donations and spendable endowment distribution monies directed and restricted for the benefit and use of University Colleges and Departments. Expenditures of these University College and department gift monies does not occur concurrently with the receipt of funds and full use of the idle cash through an effective investment program that will produce maximum returns consistent with safety and liquidity goals is desired. The Organization's fee policy allows earnings on these funds to provide budgetary support for the organization's operations.

General Strategy and Objective
In investing its current funds, the overall strategy of the Organization is to emphasize the safety of principal, while ensuring quality of holdings, liquidity, and meeting cash flow requirements of current fund holders. The objective of the Organization's current fund investment portfolio is to maximize available yield, while assuming an appropriate level of risk to ensure the safety of the principal.

Investment Components

Short-Term
The short-term component of the current fund portfolio should be maintained at an amount sufficient to meet the anticipated minimum of 90 days cash flow needs of the fund holders and the operating expenses of the Organization. The amount invested short term may be either a percentage of the total

fund, an amount determined by cash flow cycles incorporating knowledge of major ongoing projects. The short-term component will generally be maintained or replenished by incoming cash receipts. The short-term component is to be invested in money market equivalents, Treasuries, Agencies, short term fixed income/bond mutual funds, commercial paper, CD’s, etc., with a target duration of approximately 6 months.

Mid-Term Component
The purpose of mid-term component is to provide a secondary source of liquidity and additional return in the event the short term pool is insufficient to meet cash flow needs. This component will consist of holdings and maturities of up to 36 months. This component will be invested in fixed income securities, CD’s, short or intermediate term bonds/ bond funds with duration up to 3 years.

Mid and Long-Term Component
The long term component constitutes the balance of the current fund not anticipated to be expended in the short or midterm.

Internal Loans
A portion of the operating funds portfolio can consist of loans to the University or components.

Reporting
The status, investments and amounts of the operating cash should be reported annually to the Investment committee.