WEST CHESTER UNIVERSITY FOUNDATION

STATEMENT OF INVESTMENT POLICIES
#1 LONG-TERM BALANCED STRATEGY
#2 LONG-TERM GROWTH SRATEGY

WEST CHESTER UNIVERSITY FOUNDATION
STATEMENT OF INVESTMENT POLICY

I. STATEMENT OF PURPOSE

The purpose of this Statement of Investment Policy is to provide policies and procedures for the Trustees of the West Chester University Foundation ("Trustees") to select, supervise, and monitor investment activities for monies maintained by the West Chester University Foundation. The Foundation largely manages monies for the long term growth of assets under two investment portfolios. The two portfolios are: 1. "The Long-Term Balanced Strategy Portfolio"; and 2. "The Long-Term Growth Portfolio". These two policies are also intended to provide guidance to investment managers employed by the Trustees to manage the long-term growth of assets on behalf of the Trustees. Both of these long term investment policies are intended for various asset types maintained and or invested by the Trustees. These asset types include endowments, quasi-endowments and split interest agreements. The Trustees delegate management responsibility of these long-term investment policies to the Investment Subcommittee of the Foundation ("Investment Subcommittee"). This Statement represents the current consensus (February, 2017) of the Trustees' philosophy and shall be reviewed every two years to ensure that it continues to reflect the appropriate expectations, goals, and objectives of the West Chester University Foundation ("the Foundation").

II. INVESTMENT OBJECTIVES

The management of the long-term investment strategy assets shall be directed towards achieving the following long-term investment objectives:

A. Provide investment earnings adequate to secure the benefits promised by and the financial obligations created by the 1. Long-term balanced strategy and the 2. Long term growth strategy.
B. Preserve and grow the inflation-adjusted value of the various portfolios for each strategy.
C. Avoid excessive short-term (3 years) volatility of portfolio returns.

III. STRATEGIC INVESTMENT GOALS

These objectives shall be accomplished by the execution of investment strategies, which endeavor to achieve the following long-term goals:

A. Achieve a total return, which meets the endowment's spending rate, plus the rate of inflation, plus the agreed growth rates over a five (5) year time horizon, with acceptable investment risk.
B. Invest in an appropriate variety of investment categories so that the diversity of portfolios will enhance portfolio returns while reducing the long term volatility of returns.
C. Meet and preferably exceed investment returns, net of fees, for both strategies relative to their agreed benchmarks.

IV. INVESTMENT POLICIES

In striving to achieve the investment objectives that have been set forth by the Foundation, certain investment policies must be followed:

A. PRUDENT INVESTOR RULE

The Trustees and Investment Subcommittee are under a duty to the beneficiaries to invest and manage the assets of the long-term investment strategies as a prudent investor would, to meet the purposes, terms, distribution requirements, and other goals of the long-term investment strategies.

1. This standard requires that reasonable and acceptable risk and return objectives be used for both long-term investment strategies.
2. In making and implementing investment decisions, the Trustees and Investment Subcommittee have a duty to appropriately diversify the investments of long-term investment strategies unless, under the circumstances, it is prudent not to do so.
3. In addition, the Trustees and Investment Subcommittee must:
   a. conform to fundamental fiduciary duties of loyalty and impartiality;
   b. act with prudence in deciding whether and how to delegate authority in the selection and supervision of agents; and
   c. only incur costs that are reasonable and appropriate to the investment responsibilities of the Trustees.

B. POLICY ASSET MIX AND BENCHMARKS

The long-term investment portfolios shall consist of a multi-year corpus which could have either or both a growth (Growth Portfolio) and balanced (Balanced Portfolio) orientation.

- The investment objective for long-term portfolios is to produce the highest Total Return with acceptable risk. Acceptable risk is different for each individual and each organization uses different mathematical models to set risk levels. For the purpose of this policy, we will assume 3X the annual Total Return to be a target for acceptable risk.
- For both funds with a growth orientation, the annual total rate of return should be measured against the Standard & Poor's 500, MSCI All Cap World Index or another comparable equity index and the Barclays Aggregate Bond Index.
- For the Long Term Balanced Portfolio the target ratio of Equities to Fixed income indices is 60:40.
- For the Long Term Growth Portfolio the target ratio of Equities to Fixed Income is 70:30.
- Alternate Investments can consist of either equity and/or fixed income investment assets.
- Total Return is defined as conventional income plus capital gain (loss) or appreciation (depreciation), whether realized or unrealized, net of fees.
- The policy asset allocation for the "long-term balanced portfolio "and the "long term growth portfolio" shall be allocated among the asset categories listed below by direction of the Trustees. Such allocations will include an acceptable percentage variance from the portfolio target allocation. These Targets and Variances are as follows:

STRATEGIC ASSET ALLOCATIONS
LONG TERM BALANCED PORTFOLIO STRATEGY 60/40

Asset Categories	Variance	Target
Equities (Intl/Dom)	+/-20%	60%
Fixed Income	+/-20%	40%
Alternate Investments*	+10%	0%

STRATEGIC ASSET ALLOCATIONS
LONG TERM GROWTH PORTFOLIO STRATEGY 70/30

Asset Categories	Variance	Target
Equities (Intl/Dom)	+/-20%	70%
Fixed Income	+-10%	20%
Alternate Investments*	+/-10%	10%

NOTE: Alternate Investments may include Real Assets, Inflation-Protection Assets and Private Equity. Additionally, alternate investments may generate unrelated business income tax (UBIT) if an underlying investment is debt-financed. The Foundation will pay any taxes resulting from UBIT from endowment income.

REBALANCING

The portfolio manager will initiate communication with the Investment Subcommittee or the Investment Subcommittee will initiate communications with the portfolio manager to discuss rebalancing the portfolio assets if the portfolio falls outside the suggested variances. Also, these variances can be temporarily suspended for periods of six (6) months by a vote of the Investment Subcommittee when appropriate, due to Macro Economic, Regulatory, or other unanticipated factors which can impact the future projected portfolio returns. These temporary changes will be approved by the Finance committee and reported to the Board of Trustees of the Foundation.

ANNUAL SPENDING RATE POLICY FOR ENDOWMENTS

The generally accepted purpose of an endowment is to provide scholarships and/or operating capital on an ongoing basis to meet the specific wishes of the donors. To ensure this intent is met, this policy seeks to provide a consistent flow of funds from the corpus of the endowment while assuring that the value of the corpus does not decline over the intended infinite life of the endowment. This policy uses a number of procedures in an attempt to meet these needs.

Degradation of Corpus – Annually, the endowment investment managers perform a Monte Carlo Simulation to determine the likely probabilities of forward investment returns based on the asset mix of the endowment and the "spend rate" of the endowment. Typically 3.5%, 4.0% and 4.5% spend rates are used and projections are made for possible returns for the forward 5, 10 and 20 years. Based on these analysis, the managers will recommend a spend rate to ensure a high probability the corpus will either grow slightly or remain unchanged on an inflated dollar basis. Historically the recommendations for the spend rate have been 3.5% per annum. The results of this analysis are reviewed by the Investment Subcommittee and a spend rate is recommended to the Finance Committee and Board in a resolution at the February Meeting. The money for this spend rate is typically withdrawn after the end of the fiscal year.

Ensuring Consistency of Monies to Scholarship Recipients and Specific Operating Needs – After the end of the fiscal year, endowment distributions are withdrawn, based on the agreed spend rate, from the corpus of the endowments and transferred to a separate Money Market account for distributions to scholarship recipients and/or specific operating expenses. In an attempt to reduce the variability in the amount of these distributions to both scholarship recipients and operating expenses, the spend rate calculation is based on the rolling three year average value of the endowments.

Underwater Endowments - The Foundation's Policy on Underwater Endowments governs the management of endowments that have fallen below their Historic Dollar Value ("HDV"). Historic Dollar Value is defined as the aggregate value of all contributions to an endowment fund at the time they were made. The Foundation strives to balance the donor's desire to fund program, faculty, and scholarship needs with the commitment to preserve the HDV of endowments.

In the event an endowment falls underwater by greater than 20% of its HDV, an analysis of the fund will be undertaken in order to make a determination on future spending distributions. In the event an endowment falls underwater by greater than 25% of its HDV, future spending distributions will be suspended until the fund again exceeds the 25% level. Exceptions to this requirement are intended to be extremely rare and can only be granted with the joint approval of the CEO and CFO. Exceptions must be re-evaluated on an annual basis.

The analysis of endowment funds below 20% of HDV will include the following factors:

- duration and preservation of the endowment fund;
- purposes of the institution and the endowment fund;
- general economic conditions;
- possible effect of inflation or deflation;
- expected total return from income and the appreciation of investments;
- other resources of the Foundation;
- investment policy of the Foundation;
- level of impairment of the fund
- discussions with the appropriate Dean or department head
- the need of the affected fund for continued support
- cash balance available for use by the affected fund
- consultation with the donor (if possible)
- identification of any temporary alternative funding sources

The intent of this policy is to appropriate for expenditure, or accumulate so much of an endowment fund, as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In doing so the Foundation will balance the need to make spending distributions to support the scholarships, programs, and faculty as designated by the donor, and in accordance with Pennsylvania laws, with its desire to preserve the long-term purchasing power of the endowment.

BENCHMARKS

The following are the comparative Benchmark indexes for each authorized asset class, which will serve as the base or blended performance standards against which each asset class and manager will be compared:

Asset Class	Benchmark Index
Domestic/International Equities	MSCI World All Cap Index
Domestic Equities	Standard & Poor's 500 Index
Fixed Income	Barclays Capital U.S. Aggregate Bond Index
International Equities	Europe, Australia & Far East Index (EAFE)
	Emerging Market Index (EEM)
Alternate Investments	Varies based on type of non-traditional investment strategy

The aggregate portfolio will be compared to an unmanaged composite of benchmark indices weighted in direct proportion to the respective portfolio's actual asset mix.

C. INVESTMENT MANAGERS

The long-term portfolio strategies shall employ investment managers whose investment philosophy and strategy are consistent with the long term investment objectives of the Foundation. These are:

1. to ensure that assets are invested for long term growth based on the managers macroeconomic or other acceptable market projections and use effective strategic and tactical portfolio asset over and under weightings.
2. to safeguard the long term corpus in the investments over a 5 year average period of time as indicated by Monte Carlo simulations or other suitable market projections.

INVESTMENT MANAGER SELECTION PROCESS

The Request for Proposals (RFP) procedures will be used every 3 to 6 years to validate the continued use of current investment managers and select new investment managers. The decision to begin a new RFP process will be made by a vote of the Investment Subcommittee and recommendation to the Finance committee. The Investment Subcommittee works through the multistage process and board members are invited to participate in and attend RFP meetings. A summary of the RFP process is given below and more details are given in Attachment B.

1. The Investment Subcommittee recommends a new RFP process and issues a resolution to the board for a vote.

2. An RFP timetable is published which includes RFP processes, procedures and requirement for proposals.
3. Current investment managers are notified of the RFP initiation and various investments managers are solicited to submit proposals. Typically 25 proposals are received for review in the RFP process.
4. Each Investment Subcommittee member as well as interested board members review each proposal and rank order the suitability of each manager. These ranking are based on past performance, investment methodology, and a number of other factors which focus on the likely consistency of returns and the likely ability of the chosen manager to outperform their peers.
5. A meeting is held to review and tabulate the ranking of each Subcommittee member and based on these rankings and further discussions, a shortened list of managers (typically 5 to 8) are selected to answer additional questions and present additional information requested in this two phase process.
6. The remaining Phase 2 applicants submit the requested information and the responses are reviewed by Subcommittee members and interested board members. A second meeting is held to identify the 3 to 5 finalists who will be asked to make presentations and answer further questions. After the presentations of the finalists, the Investment Subcommittee votes on the best manager for our endowments.
7. At the next Foundation board meeting, the future investment managers are named.

CRITERA FOR INVESTMENT MANAGER SELECTION

Investment Manager Candidates must be SEC registered and experienced investment professionals. Managers shall be charged to operate in accordance with Foundation and SEC established guidelines and procedures. Managers should normally demonstrate the following minimum standards of competence:

1. The manager has the capability of achieving the target objectives of the long-term portfolio strategies.
2. The manager is managing $500 million or more for a minimum of three years.
3. The assets managed by the manager have above-median portfolio performance, compared to a universe of similar managers over the past 1, 3, and 5 year period of time.
4. The manager's past portfolio management methodology demonstrates the ability to reasonably deliver above-median performance into the foreseeable future.
5. The manager has the ability to build and maintain confidence with timely, effective communication of strategic and tactical changes in the portfolio based on refined macroeconomic conditions.
6. The manager exhibits and employs a clear, concise, and effective decision-making process.
7. The manager demonstrates organizational depth and personnel to carry out its mission.
8. The manager shows a consistent top down and bottom up investment philosophy and methodology.
9. The manager has adequate reporting, administration & back office support.

QUARTERLY REVIEW AND COMMENTARY REQUIREMENTS

Managers shall submit quarterly investment progress reports of the long-term investment portfolios. At a minimum, these reports shall include written comments on the following:

1. Review of the investment objectives.
2. Provide commentary on past investment results, including calculations of performance.
3. Discuss key decisions made during the past quarter, rationale, and impact on future returns.
4. Discuss possible 3-9 month portfolio changes and the rationale for such changes.
5. Discuss possible longer term (1-3 year) changes in objectives, goals, or standards based upon capital markets.

ANNUAL PORTFOLIO REVIEW

Managers shall meet with the Investment Subcommittee at least annually; and will be supplemented by other meetings as necessary. Each manager will review as a minimum the following agenda items:

1. Past three month and year performance relative to the long-term balanced and long term growth portfolio strategies, goals, objectives and benchmarks.
2. Overview of market conditions and their impact on past and future performance.
3. Key decisions from the previous and for the upcoming year, the underlying rationale, and the likely impact on future results.
4. Any significant changes in portfolio characteristics related to the manager's strategy, process, and style.
5. Outlook for the market and the manager's investment strategy.

INVESTMENT MANAGER REMOVAL PROCESS

The Investment Subcommittee may withdraw assets from a manager at any time with or without cause. Some of the more likely causes where an investment manager can be terminated include:

1. Inferior (1-3 years) performance vs agreed benchmarks.
2. Inferior (1-3 years) performance vs competitive managers managing other Foundation monies.
3. If a current manager is acquired, merged, or in any other way combined with another investment organization, the manager will be subject to a review of the investment philosophy of the newly formed or combined organization. If the acquiring organization was an applicant in a recent RFP screening process and was rejected, the subcommittee will hold a vote to decide whether to maintain or sever the existing investment management contract.

V. INVESTMENT PERFORMANCE GOALS

A. LONG-TERM BALANCED STRATEGY ENDOWMENT (7%/Annum – HEPI)

Produce a total return from investments for the entire portfolio that:

1. exceeds the rate of inflation (assumed to be 3% HEPI)
2. grows an additional 3.5% (the same percentage as the five (5) year average spending rate of the long-term balanced and long term growth portfolio strategies)
3. grows an additional 0.5% to grow the portfolio beyond average actual inflation and the

average spending rate.

B. LONG-TERM GROWTH STRATEGY ENDOWMENT (8%/Annum –HEPI)

Produce a total return from investments for the entire portfolio that:

1. exceeds the rate of inflation (assumed to be 3% HEPI)
2. grows an additional 3.5% (the same percentage as the five (5) year average spending rate of the long-term balanced, and long term growth portfolio strategies)
3. grows an additional 1.5% to grow the portfolio beyond average inflation and anticipated spending

C. PERFORMANCE TO BE IN THE TOP THIRD OF NACUBO RANKINGS

Annually, Common Fund prepares a study of 832 US colleges and University endowments and affiliated foundations and publishes comparative performances. Our investment managers are expected to manage our endowments so that they perform in the top 33% of this NACUBO study over a three year period of time.

VI. INVESTMENT MANAGEMENT (PERFORMANCE) GUIDELINES

The managers of the long-term investment strategies should adhere to the following investment guidelines. Any changes in these guidelines will be communicated to the investment managers in writing. The long-term investment strategies and their duly authorized fiduciaries may invest in foreign and domestic investment through individual securities, separate accounts, mutual funds, exchange traded funds (ETFs), trusts, private placements, partnerships, commingled funds, pooled funds, contracts and other legally constituted means of buying and selling investable assets. Fixed income assets may be invested in foreign or domestic fixed income securities or private placements if such issues in the aggregate do not exceed the targets and acceptable variances of the long term growth and long term balanced strategies.

Further details of the investment guidelines for Equities, Fixed Income, and Alternate Investments are given in the Attachments: Attachment C - Equities, Attachment D - Fixed Income, and Attachment E - Alternate Investments.

A. MARKETABILITY AND EXCLUSIONS

Most securities in the portfolio shall have sufficient marketability to allow liquidation with reasonable notice and without extreme concession. Alternate investments could be more restrictive, and may have longer dated liquidity provisions.

All other types of investments not previously described in the section or attachments C, D and E are not permissible for inclusion in the portfolios without written approval of the Investment Subcommittee.

B. PORTFOLIO ACTIVITY

All transactions are to be governed by negotiation for execution on a best-realized price basis, including commissions and market impact. If investment performance results meet the objectives and standards set forth in this document, the rate of turnover will not be an evaluative factor.

VII. DELEGATION OF RESPONSIBILITIES

A. OFFICERS AND ADMINISTRATIVE STAFF

The Trustees, Investment Subcommittee, and administrative staff of the Foundation will be charged with the following specific responsibilities:

1. Understand the needs of the long-term endowment donors and beneficiaries and the roles of the long-term investment strategies in meeting those needs.
2. Recommend investment objectives and guidelines consistent with those financial needs.
3. Determine an asset allocation strategy and select, through the RFP process investment managers that will meet the investment objectives.
4. Determine appropriate benchmarks for measuring investment performance.
5. Apply appropriate performance standards to evaluate the investment managers.
6. Evaluate and select investment managers.
7. Direct how assets will be allocated and invested consistent with the investment policies adopted by the Foundation Trustees.
8. Review and evaluate investment results against performance standards.
9. Take necessary corrective action when managers fail to achieve expected results.
10. Comply with all pertinent legal requirements and inform the Trustees of changing legal requirements, practices at other Endowments, industry trends, etc.
11. Arrange long-term strategy review meetings and prepare materials.
12. Annually determine the endowment spending rate and communicate this rate to the Investment managers.
13. Perform other functions as directed by the Trustees.

VII. ATTACHMENTS

A. RFP Procedure Detail
B. Equities – Domestic and International Holdings Guidelines
C. Fixed Income – Domestic and International Holdings Guidelines
D. Alternate Investment Guidelines

ATTACHMENT A

A. Request for Proposal (RFP) Process

Overview

The RFP process will be used every 3 to 6 years to validate the continued use of current investment managers and select new investment managers. The decision to begin a new RFP process will be made by a vote of the Investment Subcommittee and recommendation to the Finance committee. The Investment Subcommittee works through the multistage process and board members are invited to participate in and attend RFP meetings.

The Committee initially evaluates approximately 10 RFPs. Each Committee member independently reviews the responses for quantitative and qualitative content. The managers should have a track record of investing in all classes of equity investments, fixed income investments, and alternate investments. Top managers in the past have used methodologies to identify, predict and over- or under-weight investments to maximize returns.
Each Committee member ranks the top candidates using a grading sheet provided by the Committee and assigns an overall rating:

- "Above Average" for a candidate who should be considered for Stage 2.
- "Average" for a candidate who is satisfactory but not recommended for Stage 2.
- "Below Average" for any candidates not meeting the qualifications.

The Committee then meets to evaluate the candidates and rankings. The top 5 to 7 candidates are determined from the Committee evaluations and those candidates are advanced to Stage 2 of the RFP Process. Commonfund is exempted from Stage 1 of the RFP Process and automatically advanced to Stage 2 due to their long relationship with the University.

Process Schedule

1. Investment Committee and Board Resolution to conduct search for investment manager.
2. Investment RFP document is updated for current search with update criteria and dates, and is distributed to the Investment Committee for review and approval. The Investment RFP contains two sets of information requests. Stage 1 is a preliminary review and requests less detail than Stage 2, the final review.
3. List of candidates is developed with input from Committee members.
4. Investment Committee and Board Resolution to approve the RFP document that will get distributed to the candidates.
5. RFP document with the Preliminary Proposal questionnaire and the Investment Policy are distributed to the candidates along with an invitation to a Pre-Proposal Conference. The Pre-Proposal Conference gives the candidates the opportunity to ask questions about the endowments and our policies.
6. Pre-Proposal Conference is held (approximately 2-3 weeks after invitation).
7. Preliminary proposals are submitted by the candidates (approximately 2-3 weeks after Pre-Proposal Conference).
8. The Committee evaluates preliminary proposals and meets to narrow the candidate pool for Stage 2.
9. Finalists are advised of their selection for Stage 2 and requested to completed full proposals (due in approximately 3 weeks).

10. The Committee evaluates the full proposals and selects candidates for in-person interviews (timing depends on availability).
11. The Committee meets to select the investment manager after the investment manager finalists have made their presentations to the Investment Committee and answered any questions.
12. Investment Committee and Board resolution to approve the selected investment manager.
13. Transfer of endowment assets to new manager.

Information Evaluated

1. Account managers.
2. Firm reputation and information including assets managed (must be greater than $500 million), years in business, types of services offered, investment philosophy, investment process, experience with non-profits, risk monitoring, registered advisor status, as well as other criteria.
3. Historical investment returns.
4. Fees.
5. Reporting availability and frequency.
6. Other information as determined by the Committee.

ATTACHMENT B

B. EQUITIES-DOMESTIC AND INTERNATIONAL HOLDINGS

Equity managers may invest in the following types of permissible equity securities:

1. Common stocks, preferred stocks and convertible securities.
2. Over-the-Counter (OTC) stocks provided they have at least a market capitalization of $50 million as of the time of the purchase.
3. ADR’s, ETFs, and mutual funds.
4. The equity portion of the long-term investment strategies, unless otherwise specified, shall be diversified across the 10 major market sectors as defined by the S&P sector listing. No manager shall invest more than five (5) percent of investment market value in the stock of a single issuer at cost. Moreover, no more than twenty-five (25) percent of and Equity holdings shall be invested in any single S&P sector at cost. If the overall equity portfolio becomes unduly concentrated, the Investment Subcommittee will defer to the rebalancing section of this policy.
5. Where it is deemed the most efficient or cost effective way to gain desired equity or currency exposures (or hedge), the manager shall be permitted to invest in options, hedges, swaps, forward contracts and futures contracts as part of a diversified investment strategy.
6. Country exposure should be representative of the MSCI All Cap World Index. Country overweight should not exceed 50% of their then current weighting in the MSCI All Cap World Index. However, it is recognized that Emerging Market Equity managers may have limited exposures to Frontier Market countries from time to time.

ATTACHMENT C

C. FIXED INCOME GUIDELINES – DOMESTIC AND INTERNATIONAL HOLDINGS

Fixed income managers may invest in the following types of permissible debt securities:

1. Bonds, notes, bills and pass-through securities and all other marketable debt obligations issued or guaranteed by the U.S. Government or its Agencies or instrumentalities. This includes municipal bonds as appropriate.
2. Bonds and all other marketable debt obligations of U.S. corporations which have a quality rating of "Baa" (considered investment grade) or better as rated by Moody's, or comparable by Standard and Poor's, except as provided in paragraph D (6) below.
3. Debt issued by foreign entities in the U.S. provided that both interest and principal are payable in U.S. dollars in the United States, and provided that such debt is rated "Baa" or better by Moody's, or comparable by Standard and Poor's, except as provide in paragraph D (9)(a) below.
4. Non-U.S. investment grade fixed income securities that concentrate on 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.
5. Non U.S. fixed income securities in developing countries denominated in U.S. dollars or the local currencies.
6. Below investment grade bonds (High Yield Bonds).
7. Securitized debt instruments which may include Commercial or Residential Mortgage Back Securities (Agency and Non-Agency), Asset Backed Securities and Collateralized Debt Obligations.
8. Preferred stocks and convertible bonds which are used as fixed-income securities.
9. Portfolio Restrictions:
    a. No more than forty (40) percent of the overall fixed income portfolio may be invested in securities rated below "Baa". If an issue receives a split rating, the lower rating will apply. It is recognized that these below investment grade fixed income securities may enhance returns and improve the diversification within the overall fixed income portion of the portfolio, as well as the total portfolio.
    b. The fixed income holdings shall be suitably diversified with regard to securities which any single issuer or class of issuers has issued, such that should adversity affect a particular sector or issuer, its impact would not affect a substantial portion of the portfolio. No more than ten (10) percent of the market value of funds under management should be invested in the securities of a single issuer, except for the U.S. Government and its legally constituted Agencies. The long-term balanced strategy assets' authorized representatives may issue additional diversification guidelines should the overall portfolio become unduly concentrated.
10. Mutual funds and exchange traded funds that follow the guidelines above.

Fixed income managers may invest in the following types of permissible cash instrument securities:

1. Direct obligations of the U.S. Government and those unconditionally guaranteed (principal & interest) by the U.S. Government.
2. Negotiable certificates of deposit, bankers' acceptances, and floating rate notes issued by or time deposits placed with major financial institutions... No more than five (5) percent of the long-term funds will be invested in the credit of any single bank or financial institution.
3. Commercial paper rated A-1/P-1 and issued by larger, well-capitalized companies domiciled in the U.S. or abroad. The government owner must guarantee instruments issued by state-owned companies.
4. Money market funds of major financial institutions.
5. Repurchase agreements collateralized by securities issued or guaranteed by the U.S. Government.
6. All securities should be U.S. dollar denominated.

ATTACHMENT D

D. ALTERNATE INVESTMENTS INCLUDING REAL ASSETS AND INFLATION PROTECTION ASSETS

1. Private Capital Partnerships – Investments may include venture capital and private equity investments held in the form of professionally managed pooled limited partnership investments. Additionally, Structured Credit funds (securitized credit), and Distressed Bond funds may be utilized.
2. Real Estate – Investments may include equity real estate held in the form of professionally managed, income-producing commercial and residential property. These may be Private Partnerships or publicly traded REITs.
3. Natural Resources and Commodities – Investments may include oil, gas, metals, and timber held in the form of professionally managed pooled limited partnership investments. Commodity Trading Advisors and managed futures accounts may be utilized.
4. Marketable Alternates – Investments may include equity-oriented or market-neutral hedge funds (i.e., Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies) which can be both domestic and international market-oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structure and exposures. Hedge Funds should be accessed via Fund of Funds vehicles to ensure adequate diversification.
5. Derivatives and Derivative Securities – Except as outlined in B. 5 above, the approval and use of derivative securities will not be allowed unless the Trustees and Investment Subcommittee are confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their use of such securities, and has guidelines in place for the use and monitoring of derivatives.