

- E. The Investment Committee shall in writing direct the President of the Foundation to make approved changes in the Portfolio within the parameters of these guidelines.

IV. Investment Objective and Spending Policy

3. Foundation assets will be managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of Foundation equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments. The Board of Trustees will determine the appropriate *mix* between equities and fixed income. The Board of Trustees may choose to invest up to 70%, or more, of available funds in equities. However, the Board of Trustees may also reduce equity exposure to as low as 40%, or less, when they deem it appropriate. The remainder will be invested in fixed income securities, including cash reserves, which the Board of Trustees may retain, separate from the managers from time to time.
4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for the Foundation's liquidity

is included below in “Investment Guidelines for Fixed Income Managers.”

3. The Joint Investments Committee authorizes the Investment Committee to make investments of excess cash not being invested through the investment managers as follows:
 - a. Cash funds available for investments shall, whenever possible, be pooled into amounts of \$100,000 or more.
 - b. Cash funds shall be invested for short-term periods in non-speculative, liquid assets such as Treasury Securities, Certificates of Deposit, Money Market Funds, or other Government backed securities. It may be necessary to use collateralization vehicles such as a letter of credit to fully secure short-term, liquid investments.
 - c. A maximum investment of \$250,000 shall be held in any institution at a given time. (Exception: A locally negotiated, fully secured arrangement for the investment of checking account funds, as permitted by cash flow requirements.)
 - d. No investment shall be placed with any institution on the basis of political favor, friendship, or influence by any officials, alumnus or friend of the University. Competitive, safe, and best bids shall be sought for all funds invested by Foundation officials.
 - e. Funds in checking accounts will be invested in negotiated short-term certificates of deposit, prime accounts, money market accounts or other insured, interest bearing accounts.
 4. The purchase of real estate shall be authorized by the Investment Committee or Joint Investment Committee.
 5. Pooled investment earnings, including realized and unrealized gains and losses, shall be pro-rated to the individual investment accounts in accordance with the amount of funds invested. This allocation will be made based on the market value of each fund's principal balance at the beginning of the quarter.
- E. Investment Guidelines for Fixed Income Managers
1. Investments will be mostly limited to marketable debt securities rated at the time of purchase within the four highest investment grade ratings (BBB, Baa or better) assigned by Moody's Investors Service, Inc. or Standard & Poor's Corporation or which, although not rated by either agency, are deemed as being of investment quality equivalent.
 2. Fixed income securities return expectations are to exceed the Bloomberg US Aggregate Bond Index or other similar index, as deemed acceptable to the Joint Investments Committee over one, three and five years.

1. Purchasing securities on margin, or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized within the mutual fund investment.
3. Purchasing or selling derivative securities for speculation or leverage.
4. Purchasing corporate bonds that are convertible to equity.
5. Purchasing highly levered mortgage securities, which for the purpose of this policy, are defined as inverse floating rate securities, interest or principal only strips, or any combination thereof.
6. Purchases of real estate, oil & gas properties, or other natural resource related properties with the exception of REITs or marketable real estate securities.
7. Investments in limited partnerships.
8. Purchasing Repurchase Agreements, Senior Loans, Collateralized Debt Obligations, Collateralized Bond Obligations, Collateralized Loan Obligations, Structured Investment Vehicles, Special Purpose Entity Obligations, swaps or other derivative contracts.
9. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios.

VI. Monitoring Portfolio Investments and Performance

The Investment Committee and Joint Investment Committee will monitor the

- c) Investment Grade Fixed Income: Bloomberg US Aggregate Bond Index.
 - d) Real Estate Investment Trusts: MSCI US REIT Index.
 - e) Cash: Citigroup 3-Month T-Bill Index.
- B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:
- 1. A market-based index appropriately selec