INVESTMENT POLICY STATEMENT

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SECTION I: LEGAL FRAMEWORK

ORC3345.05

The Ohio Revised Code ("ORC") defines an institutional fund as a fund that is held by an institution for its exclusive use, benefit, or purpose (ORC 1715.51). The University of Toledo is a state institution of higher education as defined in ORC 3345.011.

Fees, deposits, charges, receipts, income and revenue, as more fully defined in 3345.05(A) and to the extend required by resolutions, trust agreements, indentures, leases and agreements adopted, made, or entered into under Charter 154 or section 3345.07, 3345.11, or 3345.12 of the ORC shall be held, administered, transferred and applied in accordance therewith. These funds are to be held in trust and administered by the board and invested pursuant to an investment policy adopted by the board. The ORC also sets forth three requirements for investing these funds:

1. At least twenty-five per cent (25%) of the average amount of the investment portfolio over the course of the previous fiscal year must be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of the state of Ohio or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.
2. Eligible funds above those that meet the conditions of division (C)(1) of ORC 3345.05 may be pooled with other institutional funds and invested in accordance with ORC 1715.54.
3. The establishment of an investment committee that meets at least quarterly. The committee shall review and recommend revisions to the board's investment policy and shall advise the board on its investments made in order to assist it in meeting its obligations as a fiduciary in ORC 3345.05(C). The investment committee shall be authorized to retain the services of an investment advisor who meets both of the following qualifications:
    a. The advisor is either:
        i) Licensed by the division of securities under ORC 1707.141; or
        ii) Registered with the Securities and Exchange Commission.
    b. The advisor either:
        i) Has experience in the management of investments of public funds, especially in the investment of state-government investment portfolios; or
        ii) Is an eligible institution referenced in ORC 135.03.

ORC 1715.54

ORC 1715.54 provides that the governing board of an institution, subject to any specific limitations set forth in the applicable gift instrument or in an applicable law other than law relating to investments by a fiduciary, may do all of the following:

1. Invest and reinvest an institutional fund in any real or personal property considered advisable by the governing board, whether or not it produces a current return, including mortgages, stocks, bonds, debentures, and other securities of profit or nonprofit corporations, shares in or obligations of associations, partnerships, or individuals, and obligations of any government or political subdivision or instrumentality thereof;
2. Retain property contributed by a donor to an institutional fund for as long as the governing board considers advisable;
3. Include all or any part of an institutional fund in any pooled or common fund maintained by the institution;
4. Invest all or any part of an institutional fund in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts, or similar organizations in which funds are commingled and investment determinations are made by persons other than the governing board.

In addition, the University shall be audited by the auditor of the state.

ORC 3345.16

ORC 3345.16 addresses endowment investments. It permits the board of trustees of a state institution of higher education to receive and hold in trust any grant or devise of land, and donation or bequest of money or other personal property, to be applied to the general or special use of the university. It further states that the board of trustees may utilize trust funds to invest in property, real and personal, as a portion of the holdings in the endowment portfolio under the trust powers imparted to the board of trustees. Such property, real and personal, acquired for investment purposes shall be held in trust by and managed by the board of trustees in the same manner as are other investments in the university's endowment portfolio.

SECTION II: OVERVIEW

OVERSIGHT

The University of Toledo ("University") Policy 3364-01-03, Committees of the Board, creates the Finance and Audit Committee ("Committee") of the Board of Trustees ("Board") with the responsibility of proposing fiscal policies and regulations for adoption by the Board. Among the duties of this Committee is the responsibility to review with the Administrationand recommend for Board approval the investment policies of the University.

The Committee is responsible for the management of investments and the establishment of appropriate investment pools. The Committee fulfills this responsibility by establishing guidelines as set forth in this document and monitoring adherence to them. This Investment Policy Statement ("Policy") will be reviewed annually and the results will be reported to the Board. All changes to this Policy shall be approved by the Committee and submitted to the Board for final approval.

The University and The University of Toledo Foundation have established a Joint Investment Committee ("JIC"), comprised of representatives from the University and The University of Toledo Foundation ("Foundation"). The Board retains the authority to appoint additional members to the JIC at its discretion on behalf of the University.

The Board is obligated by law to discharge their duties with the care, skill, prudence, anddiligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Board expects the Committee, the JIC, Treasurer, Managers, and Consultants to remain within the guidelines set forth in this policy and do those things necessary in the best interest of the University and its investment strategy. It is the intention of the Board that actions taken pursuant to this Policy shall be in compliance with all applicable laws as they may be amended from time to time. No University representative, employee, or agent shall take any action prohibited by or fail to take any action required by all applicable laws in carrying out this Policy.

FUND TYPES

The University has established three separate categories of investment funds to provide for 1) working capital needs, 2) unexpected opportunities or contingencies, and 3) long-term financial support for a variety of educational, research, and community support activities.

Working Capital Cash & Cash Equivalents Funds - Used to support the daily operations of the University. As a result, these funds are to be invested in highly liquid high-quality securities. These funds shall be invested in securities of the United States government or of its agencies or instrumentalities, the Treasurer of State's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, or demand deposit accounts collateralized in accordance to ORC 135.181, as a reserve.

Institutional Reserves - Used to provide for unexpected opportunities or contingencies. These funds shall be invested in both fixed income and equity securities. The asset allocation shall be established based on the possible need to use the corpus of these funds on occasion to support the mission of the university. To the extent necessary to comply with the requirement to invest at least one-fourth of institutional funds in specific securities set forth in ORC 3345.05(C)(1), the fixed income portion shall be so invested.

Endowment and Board Designated Reserves Funds - A portion of the income and gains from these funds are used to support a variety of educational, research, and community support activities. Endowment funds may be invested in fixed income, equity securities, real estate, and other alternative investments. The asset allocation shall be established based on the need to provide income for distribution and growth incorpus to create generational equity.

MANAGEMENT OF FUNDS

Endowment and Board Designated Reserves Funds of the University will be co-managed with those of the Foundation. Institutional Reserves and Working Capital Cash & Cash Equivalents (Working Capital) shall be managed by the Treasurer's Office of the University.

INVESTMENT OF FUNDS

Investment of Endowment and Board Designated Reserves Funds shall be accomplished using managers selected by the JIC).The Treasurer's Office shall establish the necessary accounts to invest Institutional Reserves and Working Capital Cash & Cash Equivalents and, if required, a portion of Institutional Reserves, in specific securities set forth in ORC 3345.05(C)(1) if excess of transactional balances are required for compliance.

SPENDING POLICY

The purpose of a spending policy is to allow for cash distributions as approved by the Board in the annual budget process. The goal is to provide an appropriate level of support for the University while also providing for generational equity. In order to balance current and future needs, the University has adopted a spending policy of 3% to 5% of the average 3-year market value from the Board Designated Reserves calculated as of June 30 each year.

ASSET CLASS REBALANCING

To achieve its investment objectives, the University's Institutional Reserve investments are divided into two broad components: equity and fixed income.

Although the actual percentage of equities and fixed income investments will vary with market conditions, levels in excess of or falling below the range limit the month prior to quarter end will result in rebalancing that component of the fund. In order to reduce the cost of rebalancing, only those asset classes that exceed their range limit will be rebalanced. The rebalancing will result in moving the allocation of the asset class to at least the mid-point of its target and the outer limit for that asset class. Funds generated or required for the rebalancing will be used or obtained from those asset classes closestto their range limit. The Treasurer will review the allocation of the fund(s) on a quarterly basis and rebalance as required.

REPORTING

The Treasurer shall provide the Finance Committee with the approved minutes of the JIC when available and a dashboard report of all investment pools at each meeting.

SECTION III: JOINT INVESTMENT COMMITTEE

As specified by ORC 3345.05 an investment committee shall be established. The University and The University of Toledo Foundation have established the Joint Investment Committee ("JIC"), comprised of representatives from both the University and the Foundation; the Board retains the authority to appoint additional members to the JIC on behalf of the University. Endowment Funds and Board Designated Reserves Funds of the University shall be invested in accordance with the asset allocation of the Foundation provided the investment allocations are to allowable assets as defined by ORC. Working Capital Cash & Cash Equivalents and Institutional Reserves shall be invested by the Treasurer of the University. The Treasurer is responsible for the daily execution of this policy.

RESPONSIBILITIES

1. The Treasurer, per ORC 3345.05, shall invest at least twenty-five per cent (25%) of the average amount of the investment portfolio over the course of the previous fiscal year in fixed income securities listed in ORC 3345.05 (C)(1).

2. The JIC or its designee(s) shall allocate funds to investment managers ("Manager") and/or established investment funds. The JIC may withdraw funds or reallocate funds between funds or managers at its discretion. Each Manager will be provided a copy of this Policy.

3. The JIC will monitor the Treasurer's and each Managers' performance by comparison to appropriate capital market indices, with mutual funds having similar objectives, and/or with other funds managed by "peer group" managers.

4. The JIC shall select and appoint a qualified, independent investment consultant.

5. The JIC or its designee(s) and the Treasurer will determine custodialresponsibility for all securities they are responsible for investing.

6. The JIC will monitor and review on at least a quarterly basis the overall progress of the investment pools, and allocation decisions.

7. The JIC or its designee(s) will meet as necessary with each Manager. The frequency of these meetings will in part be determined by the performance evaluation results compared to predetermined objectives and characteristics.

8. The JIC will report the results of this Policy's implementation to the Finance and Audit Committee on a regular basis.

SECTION IV: INVESTMENT CONSULTANT

The Investment Consultant ("Consultant"), to be selected and appointed by the JIC, shall meet the requirements set forth in ORC 3345.05(0).

RESPONSIBILITIES

The Consultant is responsible for providing information and analysis to assist the University with the following:

1. Monitoring the performance of each Manager retained by the University to determine if the investment product is outperforming the appropriate benchmark over a rolling 3-year time period.

2. Monitoring the performance of the total portfolio of Assets to determine if the collective investment strategy is outperforming the appropriate benchmarks over a rolling 3-year time period.

3. Reviewing asset allocations and investment strategies on an annual basis to determine if current strategies meet the cash flow needs of the University and is maximizing the total return of the various pools.

4. Reviewing all accounts quarterly to ensure that the Treasurer and each Manager is adhering to this Policy.

5. Reviewing asset allocation on a quarterly basis to determine if the current levels are consistent with the asset allocation policy stated in this document.

6. Providing a quarterly performance evaluation report.

7. Providing a monthly flash report.

8. Communicating with the Treasurer and all investment management organizations on a quarterly basis to determine portfolio composition and ascertain information concerning organizational change. While reviewing portfolio composition, each portfolio will be examined through portfolio holdings and returns-based style analysis to verify there is no style drift. Additionally, each portfolio will be verified to contain no prohibited investments.

SECTION V: INVESTMENT POOLS

The University's investable assets are managed within four separate investment pools that operate with distinct strategies. Working Capital Cash & Cash Equivalents are managed with the goal of preserving capital and maintaining liquidity sufficient to meet and fund the immediate spending and cash flow needs of the University. Institutional Reserves are managed with the goal of meeting unexpected shortfalls in the University's liquidity position and with a target balance of approximately 3 months of the University's operating expenses. Board Designated Reserves will be focused on capital accumulation to support a spending rate disbursement to aid existing programs, growth in those programs, and the addition of new programs. Endowment funds are invested with the goal of providing income for distribution and growth in corpus to create generational equity.

The target thresholds for these pools are as follows:

1. Working Capital Cash & Cash Equivalents $50 million as of June 30

2. Institutional Reserves to be one-fourth of annual budgeted expenses (to be built up over time)

3. Board Designated Reserves - Existing Board Designated Reserves and any funds in excess of the targeted Working Capital Cash & Cash Equivalents and Institutional Reserves that are designated by the Board as Board Designated Reserves are managed by the Foundation, and as such shall be invested in accordance with the asset allocation of the Foundation (Appendix C), provided the investment allocations are to allowable assets as defined by ORC 3345.05 and ORC 1715.54.

4. Endowment funds are managed by the Foundation, and as such shall be invested in accordance with the asset allocation of the Foundation (Appendix C), provided the investment allocations are to allowable assets as defined by ORC 3345.05 and ORC 1715.54.

WORKING CAPITAL CASH & CASH EQUIVALENTS INVESTMENT GUIDELINES

It is the responsibility of the Treasurer to appropriately manage the cash and cash equivalents held by the University on a daily basis. These Working Capital Cash & Cash Equivalents shall maintain a high degree of liquidity, credit quality, and appropriate duration in order to meet the liquidity needs of the University.

Approved Cash Equivalent Securities

In maintaining compliance with ORC 3345.05(C) (1) a minimum of 25% of the average amount of the prior year's average investment portfolio must be invested in the below approved securities:

1. Obligations of the U.S. Treasury; obligations issued by U.S. agencies; and obligations guaranteed by the U.S. Government.

2. Taxable Municipal Notes/Bonds (state of Ohio or any of its political subdivisions).
3. Certificates of Deposits: A negotiable certificate issued by a bank in return for a term deposit of up to five years. Other timed deposits include deposits of money in an interest-bearing account for a specified period.
4. Money Market Funds and Privately Placed Funds: These funds will generally invest in a diversified portfolio of high-quality money market instruments and other securities denominated in US dollars to provide current income, preservation of capital and a high degree of liquidity.

A table of approved cash equivalent securities including investment credit quality, maturity limits, and concentration limits is attached as Appendix A.

INSTITUTIONAL RESERVES INVESTMENT GUIDELINES

It is the responsibility of the Treasurer to appropriately manage based on the possible need to use the corpus of these funds on occasion to support the mission of the university, and, to the extent necessary, to comply with the requirement to invest at least one-fourth of institutional funds in specific securities set forth in ORC 3345.05(C)(1).

Investment Objectives

1. Giving due consideration to an acceptable level of risk, and general conditions prevalent in the marketplace, the return objective is an average annual total real rate of return of 3% to 5%, as measured over a three to five year period. This objective will be periodically re-evaluated by the Finance and Audit Committee and the JICas appropriate in response to changes in the marketplace.
2. The asset mix of the pool should be maintained within the following approximate limits:

Institutional Reserves Investment Pool

Asset Class	Target	Range
Fixed Income Securities*	**50%**	**45-55%**
Common Stocks	**50%**	**45-55%**

*Includes cash and cash equivalents

The Institutional Reserve Funds shall utilize the asset managers selected by the Treasurer except those funds, if any, required to comply with ORC 3315.05(C)(1). The Universitymay invest or reinvest Institutional Reserve Funds per ORC 1715.54. The Board may direct the University to hold or transfer real property titled in the name of the Board andplaced in Institutional Reserves for investments.

Reporting - The Institutional Reserves performance will be reported on a monthly basis separately from the Long-term Board Designated Reserves and Long-term Endowment Pools.

ENDOWMENT AND BOARD DESIGNATED RESERVES INVESTMENT GUIDELINES

The University's Endowment assets are managed by the Foundation, and as such shall be invested in accordance with the asset allocation of the Foundation Investment Policy Statement (Appendix C), provided the investments allocations are to allowable assets as defined by ORC 3345.05 and ORC 1715.54.

SECTION VI: GUIDELINES FOR INVESTMENT MANAGERS

BROAD PHILOSOPHY

The Joint Investment Committee ("JIC") recognizes that risk and volatility are present to some degree with all types of investments. However, high levels of risk are to be avoided at the total asset level. This is to be accomplished through diversification by asset class, style of the Manager, and sector and industry limits.

The following statements are set forth in an effort to provide direction to each of the Managers that manages a separate account for the University. Managers are retained to manage separate pools of assets; and funds are allocated to such Managers in order to achieve an appropriate, diversified, and balanced asset mix. The JIC, from time to time, may shift assets from one Manager to another to maintain the appropriate mix. Additionally, the JIC recognizes that mutual or commingled funds used by the University may not adhere to this Policy. However, when selecting mutual or commingled fund products, the JIC shall refer to this Policy as a basis to select new funds.

Board Designated Reserves and Institutional Reserve Pools - The Board Designated Reserves and Institutional Reserves pools are permanent funds. As such, the investment objectives require disciplined and consistent management that accommodates all those events which are relevant, reasonable, and probable. Extreme positions or variations in management style are not consistent with these objectives.

The management of the pool should strive to earn a total return (income plus capital appreciation) sufficient to enhance in real terms the principal of the pool after providing the highest consistent flow of funds to support University operations.

Other Asset Pools - As necessitated by the operations of the University, other asset pools may be established. The philosophy underlying investment management shall be consistent with the time horizon and financial objectives of each asset pool.

All Asset Pools - Unless otherwise specifically directed by the JIC, all investment portfolios shall be highly diversified across approved securities and asset classes.

Unless otherwise indicated, individual Managers will have complete investment discretion based on the expectation that the assets of the pool will be invested with care, skill, prudence, and diligence in compliance with this Policy.

Equity Assets - The following investment directions are intended to apply to the investment of the <u>equity</u> portion of the portfolio.

1. *Market Timing-An* equity Manager may shift assets between equity and cash equivalent investments, as economic and market conditions influence the

managers' investment policies. However, the JIC must be consulted in the event that the manager chooses to increase its cash equivalent position beyond 10% of the assets under its supervision.

2. *Diversification-It* is expected that any Manager selected shall ensure adequate investment diversification. The Manager is required to seek JIC's approval if more than 7%, at market value, of the funds under a Manager's supervision are to be committed to the equities of any one company. Approval will also be required if a Manager has a sector allocation of more than double the market capitalization weighting to the equities of companies operating in the same economic sector as defined by Standard & Poor's. In the case of international securities, the diversification Policy is in respect to the Europe, Australia, and Far East (EAFE) Index. However, if the Manager is given a specific emerging market mandate, the Manager is not expected to comply with the EAFE Index.

3. *Marketability/Liquidity-Acceptable* levels of marketability/liquidity are frequently expressed as functions of quality, market capitalization, and location of trading of a given security. It is the University's expectation that the Manager will ensure adequate marketability of investments under its supervision.

4. Moreover, any Manager is not expected to invest in securities of companies with less than $500 million capitalization. However, if the Manager is given a specific small capitalization mandate, the Manager is not expected to invest in securities of companies with less than $25 million capitalization.

Fixed Income Assets - The objective of the fixed-income portion of the Assets shall be to provide a secure, diversified stream of income (i.e. income in excess of U.S. Treasury Bill rates) and to provide a relatively stable market value base. The following directions are intended to apply to all fixed-income Managers:

1. Fixed-income investments may include U.S. and Non-U.S. issues of Government and Agency obligations, corporate bonds, mortgage or asset backed bonds, collateralized mortgage obligations, Star Ohio, REIT debt, and preferred stocks with sinking funds as deemed prudent by the Managers.
2. Fixed-income portfolio maturity for long-term fixed income managers, as measured by portfolio duration, should not exceed 140%, nor should it be less than 60% of the Barclays Aggregate Bond Index for domestic portfolios.

3. Fixed-income investments shall be made primarily in those rated "BAA3" (investment grade) or better by Moody's and "BBB-" (investment grade) or better by Standard & Poor's with emphasis toward "A" or better issues. However, for long-term fixed-income managers, up to 10% of the fixed income investments can be made in below investment grade debt. If a security has more than one rating, the higher rating shall apply.

4. No more than 5% of the fixed income investments, at market, shall be invested in securities of any one issuer, except Government and Agency obligations that have the full faith and credit of the Government without the Committee's prior approval.

5. Cash equivalent investments (maturities less than one year) are permitted, up to 10% of the total market value of the account, when the Managers' investment policies discourage longer-term commitments. However, the JIC must be consulted in the event that the long-term fixed income Manager chooses to increase its cash equivalent position beyond 10% of the assets under its supervision.

Cash Equivalent Investments - Such investments should be prudently diversified.

INVESTMENT MANAGERS' OBJECTIVES

A chosen manager may take the form of either "Active" or "Passive" as listed below:

> ***Active managers*** - Investment performance of each managed portfolio will be expected to exceed an appropriately assigned benchmark index over a three to five year period.
>
> ***Passive managers*** - Passive managers will be expected to achieve an average total rate of return over a three to five year period which approximates the appropriate index.

In order to maintain the target asset mix for the total assets, each Manager that is managing a separate account is expected to remain virtually fully invested. However, the Manager(s) has the discretion to move away from a fully invested position, up to 10% cash. This deviation should be an expression of the Managers' outlook for the capital markets. The performance of each portfolio will be evaluated versus a relevant benchmark to determine the Manager's effectiveness.

GUIDELINES AND DUTIES OF INVESTMENT MANAGERS

1. The assets shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time to time that a prudent person acting in like capacity and skilled in such matters would use in the investment of a fund of like character and with like aims.

2. Managers are responsible for frequent and open communication with the University on all significant matters pertaining to the assets managed. These communications would generally be addressed to the Treasurer or Consultant. In this manner, the JIC expects to be advised of any major changes in investment outlook, investment strategy, asset allocation, portfolio structure, market value of the assets, and other substantive matters affecting the assets. The JIC also expects to be informed of any significant changes in ownership, organizational structure, financial condition, and/or senior personnel staffing of the investment management organizations.

3. The Managers shall exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy. Such discretion includes decisions to buy, hold, or sell equity or fixed-income securities (including cash equivalents) in amounts and proportions reflective of each Manager's current investment strategy.

4. All Managers will be required to meet with the JIC at the discretion of the JIC.

5. The JIC recognizes that the Policy requires periodic reexamination and, perhaps, revision if it is to continue to serve as a working document to encourage effective investment management. Whenever a Manager believes that the Policy should be altered, it is the responsibility of the Manager to initiate written communication with the JIC.

6. The following investment activities are permitted only with the prior approval of the JIC or its designee(s):

    a. Investments (as distinguished from gifts) in letter stock, unregistered or privately placed securities
    b. Real Estate investments - Emphasis should be placed on investments producing high current return combined with residual equity values.
    c. Options, financial futures and options on futures
    d. Warrants or other options
    e. The lending of securities (Securities Lending Program)
    f. Hedge funds
    g. Venture Capital investments

7. The following investment activities are permitted only with the prior approval of the Board:

    a. Short sales, margin purchases, or borrowing
    b. Commodities

8. Any investment or transactions, which would cause the portfolio to be leveragedin any way, are prohibited.

9. Transactions should be entered into on the basis of best execution which normally means best realized price. Commission may be designated for the payment of investment services rendered to the University on approval of theJIC's designee(s).

10. Managers of established funds are expected to provide the JIC current statements of the fund's investment guidelines and objectives and advise the JIC of any changes in such statements in a timely manner. Managers are expected to provide quarterly investment performance analysis reports that conform to established University reporting standards.

11. The JIC or its designee(s) may require that a particular Manager maintain, as a portion of their portfolio, investments which the University has received as gifts. The gift investments may be excluded from the measurement of the manager's performance.

INVESTMENT MANAGER EVALUATION AND REVIEW

The evaluation and review process will monitor the progress of the invested funds in achieving the overall investment objectives. Performance shall be measured and reviewed at least quarterly by the JIC and the Consultant. Particular attention will be directed toward:

1. determining whether the total fund is achieving its stated objectives;
2. determining whether the Managers are performing satisfactorily in relation to boththe objectives set forth in this Policy, as a primary consideration, and to other investment organizations managing similar pools of capital and the recognized market indices;
3. determining whether the Managers are adhering to the Policy set forth herein;
4. the relative total portfolio return and volatility versus appropriate establishedbenchmarks and peers;
5. any issue involving the management of the Fund's assets;
6. asset allocation structure in light of evolving markets, strategies and fund requirements;
7. reviewing benchmarks at least annually to determine appropriateness;
8. determining whether the Managers are adhering to their stated philosophy andstyle; and
9. determining whether the overall policies and objectives continue to be appropriate, reasonable, and achievable.

INVESTMENT MANAGER TERMINATION

The University will adopt an investment strategy to diversify assets over a broad range of potential investment vehicles consistent with the stated investment, volatility, and cash flow requirements. Additionally, the University will invest assets to diversify risk as appropriate among Managers and sub-sectors of the various markets within each general investment category (equity, fixed income, etc.) and diversify the equity portfolio among different investment styles (e.g., growth, value, etc.).

The University will employ Managers as appropriate to implement the investment strategy. Selection of Managers will take into consideration proven capabilities, investment philosophy, organizational stability, and other factors deemed relevant by the Treasurer, JIC and the Consultant.

The JIC will establish oversight criteria for Managers performance through review and evaluation of the Managers' results on a quarterly basis. Such evaluation will take into account the Manager's investment style and portfolio characteristics, comparative results of Managers taking similar levels of investment risk, and any indices which may be deemed appropriate.

All active Managers are expected to outperform relevant indices over rolling 3- and 5-year time periods. The active Managers are expected to add value over benchmarks that reflect similar style and/or investment risk levels. Passive investment vehicles are expected to generate similar performance to the targeted benchmarks.

If any of the following events take place in isolation or collectively, an investment manager will be placed on an internal "Watch List," which will be closely monitored by the JIC and the Consultant:

1. Investment management organization is involved with a merger or acquisition
2. Investment performance falls below the relevant benchmarks for the 1-year and 2-year time periods
3. Significant investment professional turnover
4. Change in investment philosophy
5. Investment style drift
6. Change in ownership structure; and
7. Change in key personnel

The Consultant will conduct the necessary analysis and report the findings to the JIC at which time a decision to retain or terminate the Manager will be finalized.

While all of the above listed issues will be monitored on a quarterly basis, the Consultant will be responsible for conducting a comprehensive due diligence report to the JIC on an annual basis. The due diligence report shall address the operations and performance of each investment manager used in the investment strategy for the University. The analysis will focus on organizational changes, investment performance, portfolio characteristics, and adherence to style, personnel changes, and any deviation from normal historical ranges.

APPENDIX A - CASH EQUIVALENT SECURITIES

Security	*Credit Minimum*	*Maturity Limit*	*Investment/ Concentration Limits*
A. ***US Government and Agencies***	AA/Aa or higher	One year	No Limit
B. ***Taxable Municipal Bonds***	Underlying Rating (without regard to credit enhancement) AA/Aa or higher	One Year	$5 million per issuer
C. ***Certificates of Deposit***	Bank rated A or better	One Year	$1 mm of any one bank, $3 mm total
D. ***Taxable Variable Rate Demand Bonds***	Long-Term rating AA/Aa or Higher; Short0term rating A1 + N MIG-1	Rate reset of no more than one year	Not to exceed $10 million per credit
E. ***Money Market Funds comprised of A-D above***	Refer to A-D above	Refer to A-D above	No greater than $10 million per fund unless collateralized to meet ORC 135.14 then up to $30 million

APPENDIX B - BENCHMARK EXAMPLES

Asset Class	Index
Domestic Equity	
Domestic Large Cap	S&P 500 Index
Domestic Mid-Cap	Russell Midcap
Domestic Small- Cap	Russell 2000
International Equity	MSCI EAFE Index
Fixed Income	
Intermediate Term	Barclays Aggregate
Short-term	1-3 year Corporate/Government
	1-3 year Government
Cash & Cash Equivalents	91 Day T-Bill
Total Fund	S& P 500 Index
	Russell Midcap
	Russell 2000
	MSCI EAFE Index
	Barclays Aggregate
	1-3 year Corporate/Government
	91 day T-Bill

APPENDIX C - UNIVERSITY OF TOLEDO FOUNDATION INVESTMENT POLICY

The University of Toledo

The University of Toledo Foundation

Investment Policy Statement

Last Revision: June 18, 2021
Approved, No changes: May 1, 2022

I. DEFINITIONS

A. Defined Terms

TERM	DEFINITION
ADV	*Need*
Assets	The University of Toledo Fund and The University of Toledo Foundation Fund
Boards of Trustees	The respective Boards of Trustees of UT and UTF
Capitalization	Cap
CLO	collateralized loan obligation
CMO	collateralized mortgage obligation
Committee	Joint Investment Committee
Consultant	The Committee's investment consultant
Foundation Fund	The University of Toledo Foundation Fund
Funds	The University of Toledo Fund and The University of Toledo Foundation Fund
Investment Portfolio	The University of Toledo Fund and The University of Toledo Foundation Fund
IO	Interest only
IRR	Internal rate of return
LPA	Limited Partnership Agreement
Manager(s)	The Committee's investment manager(s)
Policy	this Investment Policy Statement
PPA	Private Placement Agreement
TIMO	Timber Investment Management Orgs
UBTI	Unrelated Taxable Business Income
University Fund	The University of Toledo Fund
UPMIFA	Uniform Prudent Management of Institutional Funds Act
UT	The University of Toledo
UTF	The University of Toledo Foundation

B. Introduction

The purpose of this Investment Policy Statement (the "Policy") is to establish a clear understanding of the investment objectives and philosophy for The University of Toledo ("UT") Fund (hereinafter, "University Fund") and The University of Toledo Foundation ("UTF") Fund (hereinafter, "Foundation Fund"), collectively referred to as "Assets," "Funds," or "Investment Portfolio." **All aspects specific to the University Fund are addressed in Appendix B at the end of this document**.

This combined Investment Policy Statement will describe the standards utilized by the Joint Investment Committee (hereinafter, "Committee") in monitoring investment performance, as well as serve as a guideline for any investment manager retained.

The respective Boards of Trustees of UT and UTF (the "Boards of Trustees") maintain the authority to appoint the Committee. The Committee, comprised of representatives from UT and UTF, maintains oversight for investment assets. The Boards of Trustees also has authority to appoint additional members to the Committee. The University Fund will be co-managed and co-mingled with those of the Foundation Fund.

The purpose of the Policy is to assist in more effectively supervising and monitoring the investment activities by:

- Defining the responsibilities of the Committee, its investment managers ("Managers"), and its investment consultant ("Consultant");
- stating in writing guidelines within which the Committee, Managers, and Consultants will operate that include the attitudes, expectations, and goals for the investment of the Assets;
- providing a basis for reviewing investment management organizations in the selection process;
- encouraging effective communication between the Managers, the Consultant, and UT and UTF; and
- setting objectives, against which the performance results of the Managers, operating within the constraints imposed by the Policy, can be measured.

The purpose of UTF is to support the broad educational mission of UT by the release of a sustainable flow of funds. Developed over time through the generous gifts of UT supporters, UTF provides a reliable source of funds for current and future use.

This Policy will be reviewed annually by the Committee. All material changes to the Policy shall be approved by the Committee and submitted to the Boards of Trustees for final approval.

While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term distributions with preservation of the real, inflation-adjusted value of assets, is crucial to the long-term success of the Funds.

C. Scope

This document applies to assets that are a part of the University Fund and Foundation Fund for which the Committee and Managers have discretionary authority.

D. Description of Investment Pools

UTF has several distinct classes of assets under their control. They are as follows:

1. UTF Short Term Funds

This is an interest-bearing account with check-writing privileges, held at an institution chosen by the Finance Committee. This fund is set up solely to facilitate the cash flow activity of the Foundation. The assets in this account are to be kept at the minimum amount necessary to cover these cash flows.

As funds flow into the Foundation they will be initially deposited to this account for distribution to the Investment Portfolio (described below).

The accounting for this account will be the responsibility of the Foundation and all aspects of this fund will be reviewed regularly by the Finance Committee.

These assets will not be included in the total market value calculation used in determining the spending policy level or investment return.

2. Specially Restricted Assets

This category includes those assets which, either by the nature of the asset or by gift covenant, cannot be sold. At such time as the nature of the asset or covenant changes to make any of the assets liquid, they will be placed into the Investment Portfolio.

These assets will not be included as part of the total market value used in calculating the spending policy or investment return.

3. University Support Assets/Investments

This category includes those assets purchased by the UTF for UT for other than investment purposes. As these assets are liquidated, the funds shall be placed back into the Investment Portfolio. They are primarily for the support of UT and are purchased without regard to rate of return.

These assets will not be included as part of the total market value used in calculating the spending policy or investment return.

4. Assets in Trust

This category includes those assets held in charitable remainder trusts for which UTF serves as trustee.

5. **Investment Portfolio**

The Investment Portfolio comprises the bulk of assets, involving endowment and quasi-endowment assets as well as assets that do not have any near-term obligation encumbrances.

E. Investment Objective

The management of the Assets involves a tradeoff between two competing goals. On the one hand, the Funds should preserve capital and maintain liquidity sufficient to distribute cash to fund immediate spending needs and prior spending commitments. On the other hand, the Funds should accumulate capital sufficient to support nominal growth in expenses for existing programs and to establish new programs. The goal of the Funds is to accommodate these competing needs by providing adequate short-term liquidity along with long-term capital appreciation.

F. Fiduciary Duty

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) detailed below. All investment actions and decisions must be based solely on the interest of the Funds. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests. No UT or UTF representative, employee, or agent shall take any action prohibited by or fail to take any action required by all applicable laws in carrying out this Policy.

The Boards of Trustees are obligated by law to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Boards of Trustees expect the Committee, Managers, and Consultants to remain within the guidelines set within this policy and do those things necessary in the best interest of the University and its investment strategy.

It is the intention of the Boards of Trustees that actions taken pursuant to this Policy shall be in compliance with all applicable laws as they may be amended from time to time.

As summarized for the purposes of this Policy Statement, the UPMIFA states that the Committee is under a duty to manage the Funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the Investment Portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Funds. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Funds are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

G. Description of Roles

1. Committee

The Committee is responsible for all aspects of the investing of assets, as well as serving as fiduciaries for those assets of UT, UTF, and affiliated organizations placed under its stewardship. This includes structure, allocation, selection of asset classes, investment managers, investment consultant, and master custodian, the monitoring and evaluation of performance, as well as recommending revisions to the Policy to the Boards of Trustees. The Committee's responsibility is to prudently implement and oversee the investment process, and report its progress and results back to the Boards of Trustees.

The Committee will advise the Boards of Trustees regularly with perspective and input on the annual spending policy level. The issues involved in the disbursement of annual contributions are not considered by the Committee.

2. Consultant

The Consultant is responsible for providing information and analysis to assist the Committee with the following:

- reviewing asset allocation and investment strategy on an annual basis to determine if the current strategy can be reasonably expected to meet cash flow needs and is also maximizing the expected long-term total return of the Assets;

- reviewing all separately managed accounts quarterly to ensure that each Manager is adhering to the issued Policy;

- communicating with all Managers on a quarterly basis to determine portfolio composition and ascertain information concerning organizational change (each portfolio to be reviewed for style drift through portfolio holdings and returns-based style analysis - additionally, each portfolio to be reviewed for prohibited investments);

- providing a quarterly performance evaluation report and assessment of the assets;

- reviewing asset allocation on a quarterly basis to determine if the current levels are consistent with the asset allocation policy stated in this document;

- monitoring the performance of each Manager retained relative to standards documented in Section IV; and

- monitoring the performance of the total portfolio of Assets relative to the appropriate benchmarks documented in Section IV.

Additionally, the Consultant is the primary source of investment education and investment manager information. On an ongoing basis the Consultant will:

- Provide proactive recommendations;
- supply the Committee with reports (e.g. asset allocation studies, investment research and education, etc.) or information as reasonably requested; and
- review this Policy with the Committee.

H. Spending Policy

This concept calls for a specific dollar amount, based on a percentage of assets formula, to be contributed annually to UT regardless of interim market fluctuations, income and dividend levels or capital gains/losses.

The total return concept is applied to generate predictable, consistent contributions to UT, as well as the base for the spending and for policy decisions of UTF on the dual goals of current income and long-term real growth.

The spending policy percentage will be set by the UTF Board of Trustees. The spending policy percentage will be multiplied by the "adjusted asset base" to determine the dollar value of the annual UTF contribution.

The "adjusted asset base" figure will be a moving average of the previous twelve quarter market values of eligible assets. "Eligible assets" will be determined by the Committee.

II. INVESTMENT PHILOSOPHY

A. Strategy

Historical performance results suggest that common stocks should be expected to provide total investment returns higher than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term.

The Committee expresses within this document its need to ensure that the Assets will be invested to maximize long-term total return of assets and meet cash flow needs. It is widely recognized that the most significant decision to affect the ability to meet this goal is the asset allocation decision. As a result, the majority of assets may be invested in equity or equity-like securities, which may include real assets (real estate and natural resources). Real assets are expected to provide the added benefit of inflation protection.

Fixed income and absolute return strategies may be used to lower short-term volatility and are expected to provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Funds, but is a residual to the investment process and used to meet short-term liquidity needs.

B. Diversification

Risk and volatility are present to some degree with all types of investments. However, the Investment Portfolio should be constructed such that high levels of risk are avoided. This may be achievable through diversification by asset class, style of the manager, and sector and industry limits.

Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories should be based on the impact to the Investment Portfolio, rather than judging asset categories on a standalone basis.

The asset allocation should provide an expected total return equal to or greater than the primary objective of the Funds, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the Investment Portfolio level. To achieve these goals, the asset allocation will be set with the following target percentages to broad categories. Additional allocations may be made to the sub categories, within stated ranges, as it is prudent to do so.

Although many asset classes and strategies may provide diversification by simply exhibiting characteristics that are different than the Investment Portfolio, not all are suitable. For an asset class or investment strategy to be included in the Investment Portfolio, it must be worthy of inclusion due to its own merits. No asset class or strategy should be included in the Investment Portfolio simply to provide diversification if it does not also provide a clear risk-adjusted improvement and meet the standards of prudence in section I. F. titled "Fiduciary Duty."

Asset Allocation Targets and Ranges

ASSET CLASSES and Sub-Categories	Current LT Target	ACCEPTABLE RANGE
GLOBAL EQUITIES	**60.0%**	**40% - 75%**
U.S. Equities	**24.0%**	**15% - 50%**
Large/Mid Cap		10% - 40%
Small Cap		0% - 15%
International Equities	**24.0%**	**5% - 30%**
Developed Large/Small Cap		5% - 25%
Emerging Markets		0% - 15%
Private Equity	**12.0%**	**0% - 20%**
*(Venture Capital, Buyout, Special Situations)		
REAL ASSETS	**8.0%**	**0% - 15%**
Liquid (REIT, MLP, commodities, listed)		0% - 10%
*Illiquid (Real Estate, Nat Resources)		0% - 15%
FIXED INCOME	**18.0%**	**15% - 40%**
Core	9.0%	5% - 40%
Credit	9.0%	0% - 15%
Liquid (High Yield, Hedge, Loans)		0% - 12%
* Illiquid (Private Debt / Credit)		0% - 10%
DIVERSIFYING STRATEGIES	**12.0%**	**0% - 20%**
Hedge Funds / Liquid Alternatives (long/short, relative value, event, macro)	9.0%	0% - 20%
*Illiquid (low correlation, low volatility)	3.0%	0% - 8%
CASH / OTHER	**2.0%**	**0% - 5%**

** The total target allocation to illiquid private capital investments is 25%, consisting of 12% Private Equity, 5% Credit/Debt, 5% Real Assets, and 3% Diversifying Strategies. While sub-category allocations may vary within ranges due to timing, market movements, opportunities and risks, the overall target will be maintained.*

C. Active vs. Passive Management

The Investment Portfolio may utilize active and/or passive investment managers. Highly efficient areas of the capital markets may be managed using primarily index funds and enhanced index/portable alpha strategies due to the low probability of traditional active management outperforming an appropriate benchmark.

D. Tactical Allocations

The portfolio should not deviate materially from the strategic target allocations unless the expected return significantly outweighs any added risk. Strategies based on long-term fundamentals and valuations are preferred given the intergenerational horizon of the Fund. This long-term focus may justify an overweight to a particular style, sector or geography at times (tactical tilts).

E. Rebalancing

The Foundation President shall monitor the asset mix of the investment portfolio monthly in coordination with the investment consultant. If the overall weight of any asset class varies meaningfully from the target allocation set by the Investment Committee or moves outside of the approved ranges, the portfolio shall be re-balanced by staff in consultation with the investment consultant to achieve the target mix. Where possible, the additions of new money or withdrawals for spending will be used to rebalance in a cost-effective manner.

F. Liquidity

A goal of the Funds is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In many instances, however, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process. The following constraints are intended to limit risk and support liquidity needs:

Liquidity class	Redemption terms	% portfolio liquidity		
		Minimum	Target	Maximum
Liquid assets	available for sale (daily – monthly)	45%	60%	
Semi-liquid	periodic (Qtr - 3 Yr, HF/separate accts)		15%	25%
Private Capital	not readily available (3-10+ year fund life)		25%	35%

G. Extraordinary Events

In the instance of an unusual intra-quarter event that may impact an investment, such as a key personnel departure, the Investment Committee Chair and appropriate University and Foundation staff, in consultation with the investment advisor, will discuss the materiality and urgency of the event. The preference is to address the situation at the next scheduled committee meeting or to convene a special meeting; however, if the fiduciary standard of prudence warrants immediate action and a special meeting is not feasible, an investment may be sold. Any such action and rationale will be immediately communicated to the Investment Committee. Proceeds from such a sale may be held in cash; an index fund; or redeployed among existing managers. New managers may not be hired without the appropriate approval of the Investment Committee.

H. ESG Principles

In addition to normal financial analytical tools, the Committee will encourage the Managers to also incorporate environmental, social, and governance ("ESG") factors into their analysis when evaluating investment opportunities. The Consultant will highlight each new recommended Manager's ESG approach in the material presented to the Committee. The Consultant will also prepare and review Manager ESG metrics and policies on a regular basis.

III. Guidelines and Restrictions

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Fund's investments.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the Manager is able to construct a separate, discretionary account on behalf of the Funds. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Policy. All Managers (pooled/mutual and separate), however, are expected to achieve their performance objectives. Each traditional equity and fixed income Manager shall:

- Have full investment discretion with regard to security selection consistent with this Policy;
- immediately notify the Consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel;
- make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management, and
- be expected to make a presentation in person to the Committee once per year if requested.

A. Equity and Fixed Income Guidelines

The Committee has the responsibility of determining the asset allocation structure that offers the highest probability of achieving superior investment performance. Moreover, it must update and revise this structure as the Committee, the Funds, and markets evolve.

Each active equity and fixed income Manager shall adhere to the following guidelines and strive to meet the following objectives:

- Diversification of individual securities to protect against substantial loss from a single security. Excluding U.S. Government and Agency obligations, no fixed income security shall exceed 5% of the cost value of a Manager's total portfolio, excluding index strategies, and no equity security shall exceed 7% of the cost value of a manager's total portfolio, excluding index strategies.
- It is the intent of the Committee that the Managers not raise excessive cash. While not restricting a Manager from raising cash in the portfolio, the intent is to maintain fully invested portfolios over time.

- Although the Manager is permitted to hold cash, it is understood that the benchmark against which performance will be measured will not hold cash.

- No deviation from these guidelines is permitted without the written permission of the Committee.

- The intent of hiring active Managers is to receive incremental value over a passive index. Therefore, each Manager will have the goal of exceeding an assigned benchmark over a meaningful period of time (a full market cycle; for measurement purposes: 5 years).

- Managers and other service providers shall be compensated solely on fee arrangements disclosed to, and approved by, the Committee and shall receive no other compensation by reason of their position as service providers either directly or indirectly.

- Purely speculative investments or other similar strategies that invest in assets the value of which does not rely ultimately on underlying fundamental investment characteristics of operating or service businesses such as current or expected interest income, earnings, cash flow, or dividends are not permitted.

Additional equity and fixed income guidelines are included in Appendix A.

B. Illiquid and Semi-Liquid Investments

Illiquid investments include private equity, private real estate, and private natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

Each illiquid and semi-liquid investment will require a signed subscription agreement and Limited Partnership Agreement (LPA). The Committee may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Committee, however, can request side letters for revisions or addendums to the LPA. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement (PPA) and LPA.

UT and UTF are tax-exempt organizations, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Committee, potential tax ramifications must be considered during the investment analysis and selection process. The Committee shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial.

1. Private Capital

Private capital investments may include private equity, credit/debt, real estate, natural resources, infrastructure, and other unique strategies that require lock-up periods. The objective of a private capital allocation is to outperform, over the long-term, an equivalent public investment, or to access investment strategies that may not be available to public market participants. Performance of private capital investments are expected to exceed public equivalents by an amount sufficient to justify the added risks from complexity and illiquidity.

For the private capital allocation to achieve the expected objectives without unnecessary risk, the Committee should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall allocation should be diversified.

2. Hedge Funds

The objective of a hedge fund allocation is to diversify the Funds and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Committee should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified.

Additional guidelines and restrictions for illiquid and semi-liquid investments are included in the Appendix.

C. Derivative Security Guidelines

For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. More information on derivate security guidelines is available in the Appendix.

Additional guidelines and restrictions for derivative securities are included in Appendix A.

D. Manager Relations

In addition to the achievement of performance objectives and adherence to investment guidelines, the Committee expects to receive a high level of communication and service from its Managers. Specific requirements include:

1. **Communication**

   a. **Quarterly**

      Each Manager should provide a quarterly report containing at least the following:

      - Portfolio composition and structure;
      - individual security holdings and transactions;
      - investment performance along with a brief discussion of the key factors that contributed to investment results; and
      - a brief review of any changes in strategy during the quarter, current investment outlook, and expected changes in strategy.

   b. **As Requested**

      Upon request, each Manager should supply:

      - Documentation in support of any purchase or sale decision;
      - a copy of the organization's audited financial statements;
      - assurance that issues noted in the CPA's management letter are being addressed;
      - internal policies and procedures governing trading activity by employees and principals of the firm, as well as, the methods by which the firm monitors its employees' and principals' trading; and
      - statements of any fiduciary, liability or bonding insurance coverage.

   c. **As a Matter of Course**

      The Committee expects to be notified promptly of the following:

      - A significant change in investment strategy and portfolio structure;
      - a material change in the ownership, personnel, financial condition, or investment approach of the organization; and
      - any changes in the regulatory environment that would affect the Investment Pool or the organization's role in its management.

      In conjunction, each Manager should make available a copy of its most recent form ADV and other similarly required regulatory material.

2. **Proxies**

   The Committee designates its Managers to vote its proxies. However, the Committee retains the right to direct its managers to vote its proxy in a particular way. In the absence of Committee direction, each Manager firm shall always vote in a way that it believes will add greatest long-term value.

3. **Commission Designation**

   Unless otherwise designated by the Committee, Managers will allocate transactions so as to achieve best price and best execution.

IV. Evaluation & Performance Measurement

On a regular basis, but not less than once annually, the Committee will review actual progress of the Fund versus the investment environment. The regular review will include:

- absolute market and total Investment Portfolio returns;
- relative total portfolio return and volatility versus established benchmarks and peers;
- asset allocation structure in light of evolving markets, strategies and total Fund diversification;
- adherence to guidelines;
- individual Manager performance versus established benchmarks and peers; and
- possible modifications to this Policy.

A. Total Fund Benchmarks

The Committee seeks to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the Committee recognizes that over various time periods, the Fund may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

The primary objective of the Fund is to achieve a total return, net of fees, equal to or greater than spending, administrative fees, and inflation. The primary objective of the Fund is:

Total Return greater than
Consumer Price Index + Spending Policy + Administrative Fees

A second objective is to achieve a total return in excess of a **target weighted benchmark** that is comprised of specific indices representing each target asset class in the portfolio, weighted in proportion to the long-term strategic target allocations. This benchmark measures the aggregate contribution of strategic biases including size, geographic regions, credit quality, and sectors. Some asset class indices may be less robust than equity and fixed income indices and may not be investable (e.g. hedge fund, private capital indices). Current and historical index components are defined in the appendix of the performance report.

B. Manager Evaluation

1. Liquid and Semi-Liquid Managers

Each liquid and semi-liquid Manager will be reviewed by the Committee on an ongoing basis and evaluated upon the criteria listed below. The Committee expects the Managers to outperform the benchmarks over a full market cycle (for measurement purposes: 5 years). The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, Managers may significantly underperform their benchmarks. Each Manager will be reviewed on an ongoing basis and evaluated on the following criteria:

- stability of the organization;
- retention of key personnel;
- absence of regulatory actions against the firm, its principals, or employees;
- adherence to the guidelines and objectives of this Policy;
- consistency in the philosophy, style, capitalization and other portfolio characteristics defined as "normal" for the Manager;
- performance compared to the appropriate benchmark and, for equity Managers, produce positive alpha (risk-adjusted return) within appropriate volatility limits; and
- performance compared to a peer group of managers with similar styles of investing; the peer universe consists of other managers that report performance to a public database (e.g. Lipper, Morningstar) and that are classified by that database provider within the same asset class and strategy (for example: large-cap growth, international small-cap, core fixed income, etc.).

Although there are no strict guidelines that will be utilized in selecting or terminating Managers, the Committee will consider the criteria above, as well as, the length of time the Manager has been in existence, its track record, assets under management, and the amount of assets the Funds already have invested with the Manager.

2. Public Liquid Passive Managers

Passive (or index) Managers are expected to approximate the total return of its respective benchmark. The beta for passive equity managers should approximate 1.00.

3. Private Illiquid Managers

The majority of private equity, private real estate, and natural resource funds will be invested with private partnerships. These partnerships typically range from 7-15 years in life, during which time the Committee may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-5 years (depending on the strategy). New investments will create a drag on fund performance in the early years (3-5 years) until these investments begin to mature. This drag on performance is often referred to as the J-curve, due to the shape created by plotting a line graph with performance on the y-axis and time on the x-axis. Private, illiquid Manager performance will be measured utilizing internal rate of return (IRR) calculations and compared to an appropriate peer group. An IRR calculated from the inception of the partnership will be the primary performance measurement tool utilized for private equity, private real estate, and natural resource Managers. Private Capital managers will also be compared to the appropriate peer benchmark group.

V. ACKNOWLEDGEMENT

We recognize the importance of adhering to the philosophy and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this objective, and therefore, recognize that suggestions regarding appropriate adjustments to this Policy or the manner in which investment performance is reviewed are welcome.

Additional detail regarding investment restrictions and guidelines is included below:

1. Fixed Income Guidelines

The core fixed income portion of the Fund will be well diversified, with exposure to a range of maturities and duration characteristics consistent with the needs of UT and UTF.

a. Permissible Securities:

Managers may invest in the following types of debt securities:

- U.S. government and agency bonds
- U.S. domestic corporate bonds
- Other "dollar" denominated securities (Yankees, Eurodollars, etc.)
- Futures and options on fixed income securities
- Mortgages and Collateralized Mortgage Obligation (CMO's)
- Fixed income instruments issued outside the U.S.
- Other securities consistent with the mandate assigned by the Investment Committee.

b. Diversification:

Except for U.S. Treasury and agency obligations, no Manager should invest more than 5% of the Investment Portfolio's assets in a single issuer.

c. Quality:

Other than High Yield Managers, no more than 10% of the portfolio at market may be invested in securities rated below BBB- by a nationally recognized rating agency, with no securities rated below B. Should an issue receive a split rating, the lower rating will apply. In the event of a downgrading below B, the Manager shall look to prudently eliminate the holding from the portfolio at the most opportune time. Written notice of the downgrading and the corresponding action shall be sent to the Consultant immediately.

Where commingled vehicles are used to implement the desired strategy, the Manager is expected to manage the Investment Portfolio consistent with its governing documents (prospectus, operating agreement, etc.)

With regard to all mortgages, the rating at the time of purchase or during any quarterly holding period will not be less than A as rated by a nationally recognized credit rating agency. There shall be no use of leverage in CMO investments.

d. Marketability:

Fixed income Managers should not purchase private placements or other illiquid investments.

e. Investments that are categorized as Credit (vs. Core Fixed Income) may include: high yield, below investment grade securities, distressed debt, mezzanine finance, semi-liquid hedge funds, illiquid private credit/debt, and other instruments. Such investments will carefully consider the additional risks of default, credit and liquidity, etc. to avoid excessive risk, and shall be considered in context of the total (including core) fixed income portfolio.

f. Diversified funds that include both core and credit allocations may also be included in the portfolio. Core and credit allocations are subject to the respective core and credit guidelines and restrictions in this policy. In order to control excess risk-taking by these managers, exposures will be regularly monitored to ensure that managers stay within their investment mandates. Increases in the credit risk exposures of diversified managers will be considered in the context of the total fixed income allocation to ensure that total fixed income exposures also remain within desired investment policy guidelines. FEG shall separate the core and credit allocations of diversified funds under the asset allocation on the performance report, in order to more accurately track risk exposures and changes in allocations.

2. Public Equity Guidelines

a. Long-Only Equity:

Long-only equity includes equity securities that are publicly traded on organized exchanges. Short positions are not permitted. Eligible securities include domestic and international in all styles (e.g., value, growth, etc.) and capitalization ranges. Active Managers seek to add value through stock selection, sector rotation, etc. Passive Managers may also be employed to replicate selected indices.

b. Permissible Securities:

Domestic Equities –Equity Managers may invest in listed common stocks (including REITS), convertible and preferred securities, ADR's, and listed (NYSE, AMEX, NASDAQ) securities of foreign corporations.

International Equities - Publicly traded, listed common stocks and other equity.

3. Private Equity Guidelines

A prudent investment strategy in private equity will consider the following areas for diversification:

a. Sub-Category:
The target allocations to venture capital, buyout, and special situations (distressed, mezzanine, infrastructure etc.) will serve as a guideline for committing capital. As commitments to private equity are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year:
Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage year will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager:
Investments should be considered with several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. Stage:
Investments should be considered across the life cycle of businesses. Within venture capital, this includes early, mid, and late stage companies. Buyout investments consist of small, mid, and large market firms, and may be in the form of traditional buyouts, growth equity, recapitalizations, or restructuring.

e. Geography:
Investments should be considered across the U.S. and internationally (developed and emerging markets).

f. Sector:
The portfolio should be diversified by sector, as well as across industries within a sector.

g. University Sponsored Projects:

The Committee will endeavor to provide a limited amount of support for certain private investment opportunities stemming from UT research projects. Where prudent to do so, the Committee will:

i. Introduce UT researchers to venture capital investment managers who would consider making an investment in their technology, intellectual capital, etc.

ii. Invest up to 2% of Investment Portfolio assets in UT based private venture capital projects as long as a proven venture capital investment expert was actively engaged in the financial development of the project and had a significant financial incentive tied too the project(s) success. Additionally, neither the Committee, UT, nor UTF would have any direct responsibilities for the business development aspect of the investment.

4. Private Real Estate Guidelines

A prudent investment strategy in private real estate will consider the following areas for diversification:

a. Sub-Category:

Private real estate investments should be considered in either value-added or opportunistic funds, which are designed to generate excess return for the overall real estate allocation. These strategies typically require some lease-up, development or repositioning, as well as utilize more leverage than public REITs. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year:

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

By combining a public REIT allocation as a core holding (also provides liquidity) with investments in several private partnerships (or a fund of funds), manager specific, as well as property specific risk, within the real estate allocation can be diminished.

d. Geography

Investments should be considered across the U.S. and internationally.

e. Property Type

The portfolio should be diversified across property types (e.g. apartments, office, industrial, and retail).

5. Natural Resources (Energy and Timber) Guidelines

A prudent investment strategy in natural resources will consider the following areas for diversification.

a. Sub-Category

The target allocations to energy and timber investments will serve as a guideline for committing capital. As commitments to natural resources are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

Investments should be committed to several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. Geography

Investments should be spread across the U.S. and internationally.

e. Stage/Type

i. Energy

Investments in energy funds will focus primarily on the upstream end of the energy market with development and production, and to a lesser extent exploration. Exposure to the upstream markets will be gained through private equity investments, working interests, and royalty interests. Investment in downstream activities such as refining, transmission, and distribution may be considered opportunistically. Upstream markets offer two primary benefits:

1) Inefficiencies, which offer attractive investment opportunities, and

2) Exposure to the underlying commodity (oil and gas), which provides an inflation hedge.

ii. Timber

Investments with Timber Investment Management Organizations (TIMOs) should be diversified by wood type (hard and softwood, species, etc.). Investing in TIMOs exposes the portfolio to timber prices, providing inflation protection, with the potential to generate additional return through the underlying management of the timberland.

6. Hedge Funds

A prudent investment strategy in hedge funds will consider the following areas for diversification.

a. Strategy

The hedge fund universe can be divided into two broad categories: absolute return and directional. Below are the definitions and examples of these strategies.

i. Absolute Return

These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: equity market neutral, fixed income arbitrage, merger arbitrage, convertible arbitrage, and relative value arbitrage.

ii. Directional (Equity Hedge)

These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include equity hedge, event-driven, global macro, distressed securities, emerging markets, and short selling.

b. Manager Diversification

A "core-satellite" approach of combining a core allocation of fund of funds, with satellite investments in direct funds mitigates manager specific, as well as strategy specific risk.

7. Derivative Securities

Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:

- Manager's proven expertise;
- value added by utilizing derivatives;
- liquidity of instruments;
- amount of leverage;
- management of counterparty risk; and
- manager's internal risk controls and procedures.

The strategies in which derivatives can be used are:

- **Index Funds** – Derivatives (typically futures contracts) may be used to securitize cash in order to fully replicate the performance of the index being tracked.

- **Portable Alpha** – Derivatives (typically futures or swaps) may be used to generate "beta", while the notional exposure amount is actively managed to generate "alpha".

- **Fixed Income** – Derivatives may be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.

- **Overlay/Transition Management** – Derivatives (typically futures contracts) may be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.

- **Hedge Funds** – Derivatives may be used for a variety of purposes. These uses include hedging, risk management, leverage, and market exposure. Due to the wide variety of strategies that hedge funds employ, broad policies regarding prudent use of derivatives cannot be easily defined.