

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the University of Louisiana at Monroe Foundation Board of Trustees ("the Board") and the Committee assigned by the Finance and Administration Committee ("the Committee") in effectively supervising, monitoring and evaluating the investment of the Foundation's investment assets.

(For the purpose of this Investment Policy Statement, "assets" or "investment assets" refers primarily to marketable securities and not to "real" property except where real estate is held as a normal investment by a mutual fund or other investment product).

The Investment Policy Statement serves the following objectives:

- Incorporating in a written document the principles, expectations, objectives and guidelines for the management and oversight of the Foundation's investment assets.
- Setting forth an investment structure for managing the Foundation's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable allocation ranges that, in total, are expected to produce a desirable level of overall diversification and total investment return over the long-term (greater than five years).
- Providing an effective framework for communications among the Board members, the Executive Director, custodian(s), money managers, investment consultant and other service providers.
- Establishing criteria to monitor, evaluate and compare the performance results achieved by money managers on a regular basis.
- Complying with all applicable trust, fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations.

TYPES OF INVESTMENT PORTFOLIOS

There are three major types of investment portfolios that fall under the supervision of the Board. These include the "Louisiana Educational Quality Support Funds ("LEQSF")", the "Endowment Funds" and the "Short Term" funds. A description of each of these portfolios along with its specific policies and guidelines is described in detail in the associated Appendices I, II, and III. . .

The primary objectives of the LEQSF and the Endowment funds are to preserve the value of their principal in real terms as well as provide for an applicable spending policy. Real investment returns shall be defined as the nominal investment return less the appropriate inflation index and all fees. The Consumer Price Index (CPI) shall measure the discount.

MANAGEMENT AND RESPONSIBILITIES

Board of Trustees and Finance and Administration Committee

With respect to investment management issues, the Board, through the Committee, is responsible for:

- Reviewing, at least annually, the investment policies of the Foundation to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.
- Approving any changes or amendments made to the Foundation's investment policies.
- Developing investment policies, including specific investment objectives and portfolio management and supervisory guidelines.
- Retaining and monitoring an investment consultant, and other financial service providers.
- Reviewing the performance of each portfolio.

Executive Director

With respect to investment management issues, the Foundation's Executive Director, or other designate of the Board, shall be responsible for the day-to-day tasks associated with the management and oversight of the Foundation's investment funds. Duties include working with the Investment Consultant in reviewing portfolio and manager performance, analyzing out-of-balance conditions with respect to stated asset allocation guidelines, monitoring cash flow projections to identify the need for fund withdrawals, and making recommendations to the Board accordingly.

Investment Consultant

The Investment Consultant will be selected by and serve at the pleasure of the Board. It is the Consultant's duty to work with the Committee to help serve the investment management process. The Board is authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Investment Manager. This delegation of authority allows for sufficient flexibility in the management process to capture investment opportunities as they arise.

The Investment Consultant is responsible for:

1. Selecting, rebalancing, terminating, and making tactical shifts between Investment Managers within the acceptable ranges in the policy.
2. Monitoring the appropriateness of each investment Manager's strategy given the Foundation's overall investment strategies, philosophies, and objectives.

3. Monitoring the investment performance of each Investment Manager compared to the benchmark established for that Investment Manager.
4. Overseeing the Foundation's investment assets and reporting on the status of the investments to the Finance and Administration Committee.
5. Sourcing and managing the liquidity needs of the Plan as it relates to both periodic withdrawals and contributions.

The investment consultant will attend regular meetings with the Committee to provide an independent perspective on the issues facing overall management and oversight of the Foundation's investment funds as outlined above.

Investment Managers

The Board recognizes that due to the size and/or flexibility of the Foundation's investment portfolio, it may be advantageous to employ mutual funds and/or other commingled investment vehicles. The Board also recognizes that the policies outlined under certain sections more aptly apply to "separately managed account (SMA)" money managers, that is, to those managers who would develop a separate portfolio of securities specifically for the Foundation. However, to the extent that is reasonable, the Board intends to abide by the policies as outlined.

Investment Managers will be selected by the Investment Consultant.

The duties and responsibilities of each investment manager will include the following:

- Managing the Foundation's investment assets in accordance with this Investment Policy Statement and any other policies or directives that might be in force.
- Promptly informing the Board or its designee regarding all significant matters and changes affecting the investment of the Foundation's assets, including, but not limited to:
 - Ownership of the firm
 - Organizational structure
 - Professional staff
 - Investment strategy
 - Portfolio structure
 - All material legal, SEC and other regulatory agency proceedings affecting the firm
 - Significant or substantial changes in the overall portfolio market valuation
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Foundation. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations.

- Complying with all applicable laws, rules and regulations from local, state, federal, and international political entities as it pertains to the management and oversight of the Foundation's investment assets.
- The Board, with the assistance of their Consultant, will establish performance measurement criteria for the purpose of evaluating SMA and mutual fund money managers.

Custodian

Custodians may be responsible for any or all of the following:

- Holding directly, through its agents, its sub-custodians, or designated clearing systems, assets as designated by the Board or its designee.
- Registration of those designated assets in good delivery form, collection of income generated by those assets, and any corporate action notification.
- Delivery and receipt of securities and cash when notified by the Board or its designee, and tracking and reporting of the aforementioned transactions.
- Effecting transactions at the direction of money managers or the Foundation's management.
- Investing any excess cash in a high-grade money market mutual fund with a competitive yield and appropriate quality parameters.

The Board may opt to designate other duties to the Custodian(s).

ASSET ALLOCATION

Diversification across asset classes is a core principle of prudent portfolio management. Academic research suggests that the decision to allocate assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance.

The asset class targets and ranges herein show the approved investment levels associated with the Endowment's investment objectives. Within each of these asset categories, sub asset classes and strategies, which are expected to act and react in combination, will be used. The portion of the Endowment invested in each sub-class and strategy will change periodically to reflect the Investment Manager's and or Investment Consultant's tactical investment policy so long as it is within the acceptable ranges listed. Any proposed investment changes outside these ranges must be approved by the Finance and Administration Committee prior to being implemented. Asset allocation targets and ranges should be reviewed by the Finance and Administration Committee annually.

The consultant will use portfolio optimization techniques during the portfolio design process. The purpose of portfolio optimization is to design a portfolio structure that has a reasonable probability of achieving the Foundation's rate-of-return objective(s) over long periods (typically five years or more) while avoiding *unnecessary* risk.

Also, critical to the asset allocation process is the portfolio's rate-of-return target, commonly referred to as a portfolio's "required rate-of-return" or "liability target". The Foundation's asset allocation structures, rate-of-return target and other relevant information are described more completely in the Portfolio Description Appendices.

SELECTION OF MONEY MANAGERS

SMA and mutual fund money managers must meet the following minimum criteria:

1. Provide historical performance information calculated on an industry-accepted basis.
2. Provide detailed information on the history of the firm, key personnel and fees.
3. Clearly articulate the investment strategy to be followed and be able to document that the strategy has been adhered to consistently over time.
4. Selected firms shall have no outstanding legal judgments or recent past judgments that have had a material adverse effect upon the firm.
5. Selected firms will inform the consultant of any significant or material changes as soon as possible.
6. Allocations to any one active Domestic and/or International Equity money manager will be limited to no more than 15% of the overall portfolio. This restriction does not apply to passive strategies.

IMPLEMENTATION ISSUES

Policy Compliance

It is the intent of this IPS that all deviations from this document require explicit written permission from the Board through the Committee.

Performance Evaluation and Reporting

The Finance and Administration Committee is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. The performance of the Foundation's investment managers will be monitored on an ongoing basis and it is at the Consultant's discretion to take corrective action by replacing a manager at any time deemed appropriate.

On a consistent basis and not less than two times a year, the Committee will meet to discuss each manager's performance relative to managers of like investment style or strategy, relative to appropriate indices and/or other benchmarks, and relative to the manager's overall contribution to the Foundation's portfolio.

In addition to regular performance evaluations, an additional review and analysis of any specific money manager will be conducted should any of the following conditions be identified:

- 1) A manager exhibits excess risk without a corresponding increase in performance above its appropriate benchmark over a three-year period.
- 2) A manager experiences major organizational changes including:
 - a. Significant changes in professional staff
 - b. Significant account losses
 - c. Significant growth in new business
 - d. Change in firm ownership or structure of the firm
- 3) A manager's deviation from their professed management style or investment strategy.
- 4) Legal or regulatory actions against the manager or related party

APPENDIX I - PORTFOLIO DESCRIPTION

Louisiana Educational Quality Support Funds

The Louisiana Educational Quality Support Fund (LEQSF) is an endowed fund created by a constitutional amendment and provides for three programs –the Eminent Scholars Program, the Endowed Professorship Program, and Endowed Scholarship Program. The Eminent Scholars Program provides a permanent endowment beginning with \$1million. The Endowed Professorship Program and Endowed Scholarship Program provides for a similar endowment beginning with \$100,000. These endowments are created by private contributions to the university that equals 60% of the endowment matched by 40% from the Louisiana Board of Regents ("the BOR").

The BOR has been charged with developing and implementing certain investment policies that will apply to all LEQSF funds. The BOR policies specifically apply to contributed funds and matching funds. The investment policies outlined below are provided to clarify and/or amplify policies that have been established by the BOR. With respect to the LEQSF program, no policy set forth below can supersede a BOR policy.

(For a more complete treatment of the Louisiana Board of Regents investment policies, readers should refer to the Louisiana Board of Regents Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs- Statement of Investment Policy and Objectives (referred to as "Louisiana BOR Investment Policies").

The spending rate in use for the University of Louisiana at Monroe Foundation is 4%.

Additionally, the Board of Regents Investment Policy, in accordance with UPMIFA, allows participants to assess an "appropriate, usual and customary fee" on program assets. Since investment markets can be volatile from year to year, the Board has determined to use a five-year trailing average of the endowment market value or the actual number of quarters, if less than five years, as the base for determining the dollars to be spent in the current year.

When the current market value of the Foundation/Endowment Assets is below the original corpus or the inflation adjusted baseline of the Foundation/Endowment, then no spending is allowed.

Investment of "unmatched" funds (LEQSF program)

The Board recognizes that donor contributions for the purpose of establishing either an endowed professorship, an endowed chair, or an endowed scholarship are not always made in a single lump sum, that is, a single \$60,000 or \$600,000 amount. The Board also recognizes that there will often be a time lag between the time that the dollar threshold is reached and the time that the BOR approves the new endowed entity.

The time lag before entity approval may reach a period of years in some cases. Additionally, certain funds that already support important existing annual expenditures may be submitted for match. It is important that such funds stay invested in such a manner to generate real returns consistent with the applicable spending policy. Therefore, any unmatched funds shall be invested in accordance with the Endowment Investment Policy found in Appendix II.

Unmatched funds will be monitored monthly and made whole during times of market losses through a reserve account funded by the Foundation, until the BOR makes matching funds available.

Upon BOR matching, these funds will be moved to the LEQSF fund to be invested in accordance with the investment guidelines of that portfolio.

Treatment of "new" Accounts

New BOR accounts, that is, those accounts that have been in existence for less than one full year will not be allowed a spending allocation until one year after the state matching funds have been received.

Where the creation of the endowment is a multi-year donation that will request a matching donation, no spending allocation may be calculated until the matching funds are received.

Liquidity Guidelines

The Executive Director, or other designate of the Board, shall prepare anticipated grant requirements for each disbursement period and communicate these disbursement requirements to custodial banks and money managers with as much notice as possible.

Investment Rate-of-Return Objectives

The long-term average annual real (net of inflation and fees) and nominal (total) rate-of- return for the Endowment's investment portfolio has been established as follows.

Rate-of-Return Assumptions

| | |
|------------------------------|-------------------------------|
| Spending Rate | 4.00% |
| Estimated Expenses | 1.25% |
| Real ROR Estimate | 5.25% |
| Current Inflation Assumption | 2.50% |
| Nominal ROR Estimate | 7.75% (Target Rate-of-Return) |

The Board has determined the following strategic asset allocation guidelines for the Foundation's LEQSF portfolio.

| | Strategic Allocation | Lower Limit | Upper Limit |
|------------------------------------|----------------------|-------------|-------------|
| Global Equity | 53% | 44% | 75% |
| Large Cap US Equity | 26% | 14% | 54% |
| Small/Mid Cap US Equity | 13% | 5% | 32% |
| Non-U.S. Equity – Developed | 10% | 3% | 26% |
| Non-U.S. Equity – Emerging Markets | 3% | 0% | 10% |
| | | | |
| Global Fixed Income | 29% | 20% | 45% |
| Core Fixed Income | 29% | 12% | 45% |
| Global Bonds | 0% | 0% | 5% |
| High Yield | 0% | 0% | 5% |
| Tips | 0% | 0% | 5% |
| Real Assets/Alternatives | 18% | 0% | 25% |
| | | | |
| Cash | 0% | 0% | 5% |

(1) Strategic Target Allocation - These allocations represent the Foundation's current strategic target allocation to each asset class. These strategic target allocations are developed through portfolio optimization techniques that incorporate forward-looking expected-return, risk and correlation assumptions for the allowable asset classes. At a minimum, the Foundation's asset allocation strategy should be formally reviewed annually to incorporate dynamic return expectations (tactical allocation strategies).

The Board recognizes that deviations away from these targets may exist from time to time, especially where certain market imbalances or events occur that provide unique opportunities or concerns that would recommend taking a shorter term tactical approach to the investment process.

(2) Rebalancing Limits - Points or variance around the Foundation's strategic target allocations. These ranges have been established to accommodate fluctuations due to normal market movements or tactical investment strategies that occur in between scheduled Committee meetings that would require further review concerning the variance from strategic target positions.

Asset Class Definitions

The above asset classes are defined as follows and are considered at the manager level for purposes of calculating asset allocation percentages.

Global Equities

- Large Cap US Equity: US stocks with market capitalization of \$10 billion or greater
- Small/Mid US Equity: US stocks with market capitalization of less than \$10 billion
- Non US Equity Developed: Equity investments in foreign countries with developed economies, generally as defined by FTSE, MSCI, S&P or other recognized source(s)
- Non US Equity Emerging: Equity investments in foreign countries that are experiencing above-average growth and rapid industrialization. Generally defined by FTSE, MSCI, S&P or other recognized source(s)

Global Fixed Income

- Core Fixed Income: US Government securities and investment grade corporate fixed income securities
- Global Bonds: Fixed income investments in countries other than the United States
- High Yield: Fixed income investments in below investment grade or other securities offering higher yield than Core Fixed
- Tips: Treasury Inflation Protected Securities

Real Assets/Alternatives: Any strategy not defined above that may be added to the portfolio with a goal of improving the overall risk/ reward profile. The focus shall be on liquid strategies as opposed to illiquid partnerships. Such investments may include (but are not limited to): Long/Short equity or fixed income, MLP's, Managed Futures, REIT funds, Preferred Securities, Global Macro Funds

Cash: Money Market or other short-term strategies intended to provide liquidity.

Asset Class Guidelines

The Board realizes that any desired rate-of-return and the risk associated with the pursuit of that return should be considered primarily at the total portfolio level. While money managers and investment strategies may be evaluated in isolation, it is their contribution to the overall portfolio that is critical to the achievement of the Foundation's investment objectives. With this in mind, the following guidelines apply at the portfolio level unless otherwise stated.

The Board has chosen to allow the following asset classes to be used within the portfolio:

- Global Equities
- Alternatives (Hedge Fund "Fund of Funds"; REITs, and mutual funds or ETF's that may be expected to exhibit similar risk/return characteristic yet provide better liquidity than private investments)
- Fixed Income
- Cash and Equivalents

In addition to the asset classes described above, the Board may choose to employ various "sub-asset classes" and investment management styles.

Global Equities

Global equity investments will be limited to those meeting the following criteria:

- Stocks must be listed on the New York Stock Exchange or other established domestic or international stock exchange or traded via NASDAQ. All stocks must be of companies registered with the Securities and Exchange Commission or an equivalent securities registration process for international stocks.
- Equity holdings in any one company should not exceed ten percent (10%) of the market value of the Foundation's equity portfolio nor shall the fund hold more than five percent (5%) of the total equity outstanding of any one issuer.
- Not more than twenty-five percent (25%) of the market value of the equity portfolio should be invested in any one economic sector.
- The manager(s) shall have the discretion to invest a portion of the assets in cash reserves when they deem it appropriate. However, the manager's performance will be evaluated against their peers based on the market value of total assets under their direct management.

Generally, publicly-traded equity securities acquired through donation or as an equity participation in the commercial development of a funded research project are sold upon receipt and the proceeds are invested in accordance with the strategic asset allocation. If such securities are closely held and are not readily marketable, then such securities are to be exempted from the above guidelines and are to be held until an orderly liquidation at fair value can be realized.

Mutual and Commingled Funds containing the above referenced securities are permitted.

Investment in international equities will be limited to no more than 25% of the total portfolio.

The total allocation to international equity securities should be broadly diversified among regions, countries, sectors, currencies and securities. Specific attention should be given with respect to each of these factors in the case where there is substantial deviation from the weightings of a broad-based international equity benchmark. In addition, security concentrations should be monitored to ensure that company-specific risk is kept to a tolerable level. Permissible investments include:

- Non-U.S. Common Stocks and Preferred Stocks
- American Depositary Receipts (ADRs)
- Stock Warrants
- Stock Index Futures
- Mutual and Commingled Funds containing the above securities

Real Assets/Alternatives

The Board recognizes that "alternative" asset classes and investment strategies can have positive risk mitigating and total return characteristics on the Foundation investment assets when used in conjunction with more traditional asset classes.

The Louisiana BOR Investment Policies allows for Hedge Fund "Fund of Funds" and publicly traded Real Estate Investment Trusts ("REITs") as permitted alternative asset class investments.

The Hedge Fund "Fund of Funds" offers a diversified investment approach by investing in a number of different managers and asset classes. While this strategy facilitates diversification, the Board and Committee recognize that they do not control the underlying investment positions and strategies of these Hedge Funds.

Since Hedge Funds often have more limited liquidity (these Funds are typically set up as limited partnership structures), it is important to evaluate the future cash needs of the Foundation/Endowment before a particular Hedge Fund investment is made.

Fixed-Income

The Fixed Income allocation will constitute at least 26% of total Portfolio Assets at market value. In general, the Fixed Income allocation will be diversified among different sectors of the fixed income market. This fixed income allocation may include up to a 50% (of fixed income) investment in Foreign Fixed Income per the Board of Regents Investment Policy Statement. The overall average credit quality rating of the Fixed Income Fund must be at least "A" as determined by Moody's, S&P or Fitch.

When fixed-income management extends beyond issues of the U.S. Government and its agencies, the portfolio should be diversified across sectors (U.S. Government, corporate, mortgage-backed) and issuers, with special attention given to the weightings of corporate issuers to minimize company-specific risk. Particular attention should be given to these factors when there is a substantial deviation from the weightings and/or characteristics of a common fixed-income benchmark. Consideration should also be given to the overall duration of the portfolio with respect to that of the index to ensure no *unintended* bias is evident at the portfolio level. Permissible investments include:

- Securities of the U.S. Government, its Agencies and Instrumentalities
- Corporate Bonds and Notes
- Bank Certificates of Deposit
- Asset-Backed Securities
- Mortgage-Backed Securities
- Convertible Bonds
- Yankee Bonds (issued in US, denominated in US \$, issued by foreign corporations)

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- Foreign Fixed Income Securities (Sovereign and Corporate)
- Mutual and Commingled Funds containing the above securities

With the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5% of the fixed-income portion of the portfolio to be invested in the securities of any one issuer.

Cash

Investment in cash and cash equivalents shall consist of high-quality, readily liquid securities with short-term maturities. Investments of this nature will be used to fund the Foundation's cash flow needs. Typical cash and cash equivalent investments include but are not limited to:

- U.S. Treasury obligations having maturities of one year or less.
- Certificates of deposit having maturities of one year or less. CDs must be fully-insured by the FDIC or fully-collateralized by acceptable US government securities.
- Commercial paper rated A-1 or P-1 by Moody's or Standard and Poor's.
- Repurchase agreements involving US government securities.
- Investment grade money market mutual funds.

The Louisiana BOR Investment Policies does not allow the following investment types:

- Leverage or speculative use of derivatives at the participant level. (such is permissible for external alternative investment managers.

Rebalancing Limits and Tactical Shifts

The Board will expect timely execution of recommended tactical shifts by our consultant as it pertains to the advice of their asset allocation committee. These tactical shifts may occur periodically and must be in compliance with the rebalancing limits or ranges set forth by the strategic target allocation stated within this IPS. If an asset class exceeds the limits set forth by this IPS, the consultant will rebalance the portfolio to the most recent tactical recommendations made by the consultant's asset allocation committee. The consultant will be sensitive to more frequent rebalancing to minimize transactions costs and to let market forces prevail. Whenever possible, rebalancing will be effected using new cash contributions.

Performance Evaluation and Benchmarks

The committee will meet quarterly to monitor the investment performance. As such, the portfolio will be evaluated on a total return basis relative to the required return as stated by the Targeted Rate of Return. Furthermore, the portfolio will be evaluated at the asset class and investment level relative to appropriate benchmarks and at an aggregate level.

For the aggregate level comparison, a blended benchmark will be created to mimic the percentage allocation of each investment vehicles to offer a true and fair comparison of the total portfolio.

APPENDIXII-PORTFOLIODESCRIPTION

Endowment Funds

Endowment funds are permanent funds which are not part of the LEQSF program. The Finance and Administration Committee has chosen to establish investment policies that differ from those set forth by the BOR for LEQSF funds.

Total Return Spending Philosophy

The Finance and Administration Committee has determined that endowment spending must be calculated using a "total return" spending philosophy.

The concept of "total return" refers to the combination of (1) income as defined by interest, dividends, rental income, and other similar income, and (2) capital value change (realized and unrealized). Distributions governed by this spending policy from the Foundation's investment portfolio rely on this total return, concept and therefore may be the result of income and/or capital appreciation.

Spending Rate

The spending rate in use for the University of Louisiana at Monroe Foundation is 4%. Since investment markets can be volatile from year to year, the Finance and Administration Committee has determined to use a five-year trailing average of the endowment market value or the actual number of quarters, if less than five years, as the base for determining the dollars to be spent in the current year.

Liquidity Guidelines

The Executive Director, or other designate of the Finance and Administration Committee, shall prepare anticipated grant requirements for each disbursement period and communicate these disbursement requirements to custodial banks and money managers with as much notice as possible.

Investment Rate-of-Return Objectives

The long-term average annual real (net of inflation and fees) and nominal (total) rate-of- return for the Endowment's investment portfolio has been established as follows:

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Rate-of-Return Assumptions

| | |
|-------------------------------------|-------------------------------------|
| Spending Rate | 4.00% |
| Estimated Expenses | 150% |
| Real ROR Estimate | 5.50% |
| Current Inflation Assumption | 2.50% |
| Nominal ROR Estimate | 8.00%(Target Rate-of-Return) |

Asset Allocation

The Finance and Administration Committee has determined the following strategic asset allocation guidelines for the Foundation's Endowment portfolio.

| | Strategic Allocation | Lower Limit | Upper Limit |
|------------------------------------|-----------------------------|--------------------|--------------------|
| Global Equity | 52% | 44% | 75% |
| Large Cap US Equity | 26% | 14% | 54% |
| Small/Mid Cap US Equity | 13% | 5% | 32% |
| Non-U.S. Equity – Developed | 10% | 3% | 26% |
| Non-U.S. Equity – Emerging Markets | 3% | 0% | 10% |
| | | | |
| Global Fixed Income | 29% | 20% | 45% |
| Core Fixed Income | 29% | 12% | 45% |
| Global Bonds | 0% | 0% | 9% |
| High Yield | 0% | 0% | 9% |
| Tips | 0% | 0% | 5% |
| Real Assets/Alternatives | 18% | 0% | 25% |
| | | | |
| Cash | 0% | 0% | 5% |

(1)**Strategic Target Allocation** - These allocations represent the Foundation's current target allocation to each asset class. These strategic target allocations are developed through portfolio optimization techniques that incorporate forward-looking expected-return, risk and correlation assumptions for the allowable asset classes. At a minimum, the Foundation's asset allocation strategy should be formally reviewed every three years to incorporate dynamic return expectations.

The Finance and Administration Committee recognizes that deviations away from these targets may exist from time to time, especially where certain market imbalances or events occur that provide unique opportunities or concerns that would recommend taking a shorter term tactical approach to the investment process.

(2)Rebalancing Limits – Points or variance around the Foundation's strategic target allocations. These ranges have been established to accommodate fluctuations due to normal market movements or tactical investment strategies that occur in between scheduled Committee meetings that would require further review concerning the variance from strategic target positions.

Asset Class Definitions

The above asset classes are defined as follows and are considered at the manager level for purposes of calculating asset allocation percentages.

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- Large Cap US Equity: US stocks with market capitalization of \$10 billion or greater
- Small/Mid US Equity: US stocks with market capitalization of less than \$10 billion
- Non US Equity Developed: Equity investments in foreign countries with developed economies, generally as defined by FTSE, MSCI, S&P or other recognized source(s)
- Non US Equity Emerging: Equity investments in foreign countries that are experiencing above-average growth and rapid industrialization. Generally defined by FTSE, MSCI, S&P or other recognized source(s)

Global Fixed Income

- Core Fixed Income: US Government securities and investment grade corporate fixed income securities
- Global Bonds: Fixed income investments in countries other than the United States
- High Yield: Fixed income investments in below investment grade or other securities offering higher yield than Core Fixed
- Tips: Treasury Inflation Protected Securities

Real Assets/Alternatives: Any strategy not defined above that may be added to the portfolio with a goal of improving the overall risk/reward profile. The focus shall be on liquid strategies as opposed to illiquid partnerships. Such investments may include (but are not limited to): Long/Short equity or fixed income, MLP's, Managed Futures, REIT funds, Preferred Securities, Global Macro Funds

Cash: Money Market or other short-term strategies intended to provide liquidity.

Asset Class Guidelines

The Finance and Administration Committee realizes that any desired rate-of-return and the risk associated with the pursuit of that return should be considered primarily at the total portfolio level. While money managers and investment strategies may be evaluated in isolation, it is their contribution to the overall portfolio that is critical to the achievement of the Foundation's

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investment objectives. With this in mind, the following guidelines apply at the portfolio level unless otherwise stated.

The Finance and Administration Committee has chosen to allow the following asset classes to be used within the endowment portfolio:

- Global Equities
- Alternative Investments
- Fixed Income
- Cash

In addition to the asset classes described above, the Finance and Administration Committee may choose to employ various "sub-asset classes" and investment management styles.

Global Equities

Domestic equity investments will be limited to those meeting the following criteria:

- Stocks must be listed on the New York Stock Exchange or other established domestic or international stock exchange or traded via NASDAQ. All stocks must be of companies registered with the Securities and Exchange Commission or an equivalent securities registration process for international stocks.
- Equity holdings in any one company should not exceed ten percent (10%) of the market value of the Foundation's equity portfolio nor shall the fund hold more than five percent (5%) of the total equity outstanding of any one issuer.
- Not more than twenty-five percent (25%) of the market value of the equity portfolio should be invested in any one economic sector.
- The manager(s) shall have the discretion to invest a portion of the assets in cash reserves when they deem it appropriate. However, the manager's performance will be evaluated against their peers based on the market value of total assets under their direct management.

Generally, publicly-traded equity securities acquired through donation or as an equity participation in the commercial development of a funded research project are sold upon receipt, and the proceeds are invested in accordance with the strategic asset allocation. If such securities are closely held and are not readily marketable, then such securities are to be exempted from the above guidelines and are to be held until an orderly liquidation at fair value can be realized.

Mutual and Commingled Funds containing the above securities.

The total allocation to international equity securities should be broadly diversified among regions, countries, sectors, currencies and securities. Specific attention should be given with respect to each of these factors in the case where there is substantial deviation from the weightings of a broad-

based

international equity benchmark. In addition, security concentrations should be monitored to ensure that company-specific risk is kept to a tolerable level. Permissible investments include:

- Non-U.S. Common Stocks and Preferred Stocks
- American Depositary Receipts (ADRs)
- Stock Warrants
- Stock Index Futures

Mutual and Commingled Funds containing the above securities

Real Assets/Alternatives

The Finance and Administration Committee recognizes that "alternative" asset classes and investment strategies can have positive risk mitigating and total return characteristics on the Foundation investment assets when used in conjunction with more traditional asset classes.

Hedge Funds, Hedge Fund "Fund of Funds", private placements, and investment trusts are common or typical investment strategies/vehicles utilized in the alternative asset class allocation. The Hedge Fund "Fund of Funds" offers a diversified investment approach by investing in a number of different managers and asset classes. While this strategy facilitates diversification, the Finance and Administration Committee and Committee recognize that they do not control the underlying investment positions and strategies of this particular investment vehicle.

Since alternative asset investments often have more limited liquidity (these investments are often set up under limited partnership structures), it is important to evaluate the future cash needs of the Foundation/Endowment before a particular alternative asset investment is made.

Fixed-Income

The total allocation to domestic core fixed-income securities should have a weighted average Standard & Poor's credit rating of BBB or better. Up to 40% of the fixed-income portfolio may be invested in below investment grade securities. Investment grade securities are defined as those that are not rated lower than "Baa" by Moody's or "BBB" by Standard and Poor's.

When fixed-income management extends beyond issues of the U.S. Government and its agencies, the portfolio should be diversified across sectors (U.S. Government, corporate, mortgage-backed) and issuers, with special attention given to the weightings of corporate issuers to minimize company-specific risk. Particular attention should be given to these factors when there is a substantial deviation from the weightings and/or characteristics of a common fixed-income benchmark. Consideration should also be given to the overall duration of the portfolio with respect to that of the index to ensure no *unintended* bias is evident at the portfolio level. Permissible investments include:

- Securities of the U.S. Government, its Agencies and Instrumentalities
- Corporate Bonds and Notes
- Bank Certificates of Deposit
- Asset-Backed Securities
- Mortgage-Backed Securities
- Convertible Bonds
- Yankee Bonds (issued in US, denominated in US \$, issued by foreign corporations)
- Foreign Fixed Income Securities (Sovereign and Corporate)
- Mutual and Commingled Funds containing the above securities

With the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5% of the fixed-income portion of the portfolio to be invested in the securities of any one issuer.

High Yield Securities

Investment objective must be focused on a high level of current income by investing primarily in a diversified portfolio of debt securities rated below investment grade or unrated. Capital appreciation is of ten a secondary objective.

These investments may also include convertible securities, preferred stock, and loan participations. Again the investments generally will be rated below investment grade or unrated. Such securities are also known as junk bonds.

These funds or managers must monitor investments on an ongoing basis by staying abreast of positive and negative credit developments and having regular discussions with senior management of issuers of the underlying investments.

Cash & Cash Equivalents

Investment in cash and cash equivalents shall consist of high-quality, readily liquid securities with short-term maturities. Investments of this nature will be used to fund the Foundation's cash flow needs. Typical cash and cash equivalent investments include but are not limited to:

- U.S. Treasury obligations having maturities of one year or less.
- Certificates of deposit having maturities of one year or less. CDs must be fully- insured by the FDIC or fully-collateralized by acceptable US government securities.
- Commercial paper rated A-1 or P-1 by Moody's or Standard and Poor's.
- Repurchase agreements involving US government securities.
- Investment grade money market mutual funds.

Rebalancing Limits and Tactical Shifts

The Finance and Administration Committee will expect timely execution of recommended tactical shifts by our consultant as it pertains to the advice of their asset allocation committee. These tactical shifts may occur periodically and must be in compliance with the rebalancing limits or ranges set forth by the strategic target allocation stated within this IPS. If an asset class exceeds the limits set forth by this IPS, the consultant will rebalance the portfolio to the most recent tactical recommendations made by the consultant's asset allocation committee. Finance and Administration Committee. The consultant's will be sensitive to more frequent rebalancing to minimize transactions costs and to let market forces prevail. Whenever possible, rebalancing will be effected using new cash contributions.

Performance Evaluation and Benchmarks

The Committee will meet quarterly to monitor the investment performance. As such, the portfolio will be evaluated on a total return basis relative to the required return as stated by the Targeted Rate of Return. Furthermore, the portfolio will be evaluated at the asset class and investment level relative to appropriate benchmarks and at an aggregate level.

For the aggregate level comparison, a blended benchmark will be created to mimic the percentage allocation of each investment vehicles to offer a true and fair comparison of the total portfolio.

University of Louisiana at Monroe Foundation
Investment Policy Statement

Approved by the Finance and Administration Committee on September 3, 2015.



Susan Chappell
Executive Director
ULM Foundation



Jerry Allen
Chair, Finance & Administration Committee
ULM Foundation