SUBJECT: POOLED OPERATING CASH INVESTMENT POLICY

The Pooled Operating Cash Investment Policy, as amended and dated June 24, 2014, is adopted as follows:

PURPOSE

The purpose of this investment policy statement is to establish a clear understanding of the philosophy and the investment objectives for the university operating cash accounts. This document will further describe the standards that will be utilized by the university in monitoring investment performance, as well as, serve as a guideline for any investment manager retained.

SCOPE

The short-term investment pool guidelines are intended to cover the investment of university funds that are required for daily liquidity and normal operating needs. The intermediate-term investment pool guidelines are intended to cover funds that are earmarked for use in the next one to five years. The remaining portion of the portfolio determined to be in excess of operational needs and not expected to be needed as working capital funds may be designated as permanent-core and invested in long-term investments.

GENERAL OBJECTIVES

1. The primary investment objective for the short-term investment pool accounts will be to provide for preservation of capital with a secondary emphasis upon maximization of investment income without undue exposure to risk. Funds needed for normal operating expenditures within one year will be considered short-term.

2. The primary investment objectives for the intermediate-term investment pool accounts will be preservation of capital and maximization of income without undue exposure to risk within the parameters specified in this investment policy statement. Funds needed for expenditures within one to five years will be considered intermediate-term.

3. The primary investment objectives for the long-term investment pool accounts will be to provide for long-term growth of principal and income without undue exposure to risk. Funds not needed for expenditures within five years will be considered long-term.

Authority: BTM 06-24-2014.

History: BTM 5-12-99 at 3934; BTM 7-9-99 at 4006; BTM 12-8-00 at 4267; BTM 9-12-02 at 4538; BTM 12-2-10 at 5677.
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ASSET ALLOCATION

1. **Short-Term Investment Pool**

   The short-term investment pool shall be managed by one or more short-term investment managers, each maintaining a portfolio with an average weighted maturity between one day and one year.

2. **Intermediate-Term Investment Pool**

   The intermediate-term investment pool shall be managed by one or more intermediate-term investment managers, each maintaining a portfolio with an average weighted maturity between one year and five years.

3. **Long-Term Investment Pool**

   Disciplined management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The university's general policy shall be to diversify investments primarily within both equity and fixed income securities so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

   In making asset allocation judgments, the university is not expected to seek to time subtle changes in financial markets, or to make frequent or minor adjustments. Instead, the university is expected to develop and adopt expressed guidelines for broad allocations on a long-term basis, in light of current and projected investment environments.

   To ensure broad diversification in the long-term investment pool among the major categories of investments, asset allocation, as a percent of the total market value of the total long-term portfolio, will be set with the following target percentages and within the following ranges:
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<table>
<thead>
<tr>
<th>ASSET CATEGORY</th>
<th>TARGET</th>
<th>RANGE</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td>43%</td>
<td>30-55%</td>
<td></td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>18</td>
<td>10-40</td>
<td>Russell 3000</td>
</tr>
<tr>
<td>Large Cap</td>
<td>13</td>
<td>5-20</td>
<td>MSCI EAFE net</td>
</tr>
<tr>
<td>Small/Mid Cap</td>
<td>5</td>
<td>0-20</td>
<td>MSCI EME net</td>
</tr>
<tr>
<td>International Developed Equities</td>
<td>11</td>
<td>5-20</td>
<td>MSCI ACWI</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>6</td>
<td>0-10</td>
<td>HFRI L/S Equity</td>
</tr>
<tr>
<td>Global Equities</td>
<td>5</td>
<td>0-10</td>
<td></td>
</tr>
<tr>
<td>Long/Short Equity</td>
<td>3</td>
<td>0-8</td>
<td></td>
</tr>
</tbody>
</table>

| **Fixed Income** | 30%    | 0-45% |               |
| Core bonds       | 15     | 0-35  | Barclay's Aggregate |
| Emerging Market Debt | 5 | 0-10  | 50% EMBI/50% GBI-EM |
| Diversified Fixed Income | 10 | 0-15  | Barclays Global Aggregate Hedged |

| **Alternatives** | 12%    | 0-17% |               |
| Real Assets - Liquid | 5  | 0-10  | Based on Investment |
| Hedge Funds        | 7      | 0-12  | HFRI Fund of Funds |

| **Other**         | 15%    | 0-20% |               |
| Global Asset Allocation | 10 | 0-15  | * See footnote |
| Risk Parity       | 5      | 0-10  | * See footnote |

* 60% MSCI All Country World/40% Citi World Govt Bond
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REBALANCING ASSET ALLOCATION

The university representatives will monitor the asset allocation structure of the long-term investment pool and will attempt to stay within the ranges allowed for each asset class. If the portfolio becomes over-weighted or exceeds the range of percentage for that asset class, the university representatives will develop a plan of action, either for immediate rebalancing of the portfolio or a rebalancing that will occur over the subsequent few months.

TIME HORIZON

Due to the inevitability of short-term market fluctuations, the university intends that the following performance objectives will be achieved by the investment manager(s) over a 5-year moving period, net of investment management fees. Nonetheless, the university reserves the right to evaluate and make any necessary changes regarding the investment manager over a shorter term using the criteria established in the evaluation of investment managers section of this statement.
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PERFORMANCE OBJECTIVES

1. Market Benchmarks
   a. The total return for the short-term investment pool and for each short-term investment manager shall exceed the rate of return on 3-month U.S. Treasury bills.
   
   b. The total return for the intermediate-term investment pool and for each intermediate-term investment manager shall exceed the total return of the Merrill Lynch 1-3 Year Government Bond Index.
   
   c. The total return for the long-term investment pool shall exceed the Policy Benchmark, composed of the relevant indexes in the same proportion as the target asset mix. The target weights and benchmarks are summarized in Asset Allocation – Long Term Investment Pool. Each long-term investment pool manager shall exceed the total return of the appropriate benchmark.

2. Peer Group Ranking
   a. The total return for each intermediate-term investment manager shall rank in the top half of the Intermediate-Term Fixed Income Universe.
   
   b. The total return for each long-term investment manager shall rank in the top half of the appropriate universe
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EVALUATION OF INVESTMENT MANAGERS

The investment managers will be reviewed on an ongoing basis and evaluated based upon the following additional criteria:

1. Ability to exceed the performance objectives stated in this investment policy statement.
2. Adherence to the philosophy and style which were articulated to the university at, or subsequent to, the time the investment manager was retained.
3. Continuity of personnel and practices at the firm.

Each investment manager shall immediately notify the university representatives in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.

INVESTMENT MANAGER REQUIREMENTS

1. 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 made. 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 these investments.

2. Although there are no strict guidelines that will be utilized in selecting investment managers, the investment committee will consider the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the university already has invested with the firm.

3. The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the university. Although the university cannot dictate policy to pooled/mutual fund investment managers, the university’s intent is to select and retain only pooled/mutual funds with policies
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that are similar to this policy statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives.

a. Each investment manager must satisfy the performance objectives and asset allocation guidelines.

b. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with this investment policy statement.

c. The investment managers shall be evaluated on a quarterly basis and should be prepared to meet with the investment committee at least annually.

d. No more than 10% of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. government securities.

e. For the investment grade accounts, the weighted average credit quality is to be no less than AAA (or its equivalent rating by one of the national rating agencies) for the short-term investment pool accounts, AA for the intermediate-term investment pool accounts, and A for the investment grade long-term investment pool accounts. In addition, the minimum acceptable credit quality at the time of purchase for individual securities in the investment grade accounts shall be A for the short-term investment pool accounts, and BBB for the intermediate-term and investment grade long-term investment pool accounts. The weighted average credit quality is to be no less than B for any non-investment grade investment pool accounts. The diversified fixed income manager shall maintain an overall weighted average credit rating of B or better.

f. Portfolio holdings will be sufficiently liquid to ensure that 10% of the portfolio can be sold on a day’s notice with no material impact on market value.

g. Commercial paper must be, at the time of purchase, rated within the highest classification established by not less than two national rating services.

h. The average weighted maturity for each short-term investment manager shall be between one day and one year. The average weighted maturity for each intermediate-term investment manager shall be between one year and five years. The duration for each investment grade long-term fixed income investment manager shall be no greater than +20% that of the Barclays Capital Aggregate Bond Index.
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i. Each global asset allocation/risk parity investment manager shall have the flexibility to invest across fairly liquid traditional and non-traditional asset classes in order to further diversify the long term investment pool, control risk and enhance return potential. The majority of the assets will be invested in liquid and global equities, bonds, currencies, and commodities. These managers have the ability, from time to time, to make additional diversifying investments in other asset classes or securities such as hedge funds.

j. There shall be no investments in non-marketable securities with the exception of hedge funds in the long term investment pool.

   Each equity and fixed income investment manager must assure that no position of any one issuer shall exceed 8% of the manager's portfolio at market value, with the exception of securities issued by the U.S. government and its agencies.

k. The investment managers shall handle the voting of proxies and tendering of shares in a manner that is in the best interest of the university and consistent with the investment objectives contained herein.

l. The equity and fixed income investment managers shall not effect a purchase, which would cause a position in the portfolio to exceed 5% of the issue outstanding at market value.

m. The investment managers shall not utilize derivative securities to increase the actual or potential risk posture of the portfolio. Moreover, the investment managers are precluded from using derivatives to effect a leveraged portfolio structure unless an exemption is approved.
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CONSULTANT'S RESPONSIBILITIES

The investment consultant is responsible for assisting the university in all aspects of managing and overseeing the investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

1. Provide the university with quarterly performance reports within 30 days following the end of the quarter.

2. Be available to meet with university representatives at least quarterly, or more frequently as needed.

3. Supply the university with other reports or information as reasonably requested.

4. Notify the university’s chief financial officer when any financial instrument falls outside the guidelines contained within this statement.