



CLAYTON STATE UNIVERSITY FOUNDATION INVESTMENT POLICY STATEMENT

I. INTRODUCTION

Clayton State University Foundation (“the Foundation”) is a nonprofit organization established and maintained as a 501(c)(3) organization in accordance with the Internal Revenue Code.

II. PURPOSE

The purpose of this Investment Policy Statement (“IPS”) is to establish a clear understanding of the investment objectives and policies applicable to the Foundation’s endowment, quasi-endowment and operating reserve investments (the “Assets”). This IPS is not a contract but is intended to be a summary of an investment philosophy that provides guidance for the Foundation and appointed investment manager or managers (“Investment Manager”).

This IPS will:

- Outline the Foundation’s goals and provide the framework for a disciplined approach to investing;
- Establish reasonable expectations, objectives and guidelines for the investment of the Assets;
- Set forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
- Create a well-diversified asset mix that can be expected to generate acceptable long-term returns consistent with the Foundation’s risk tolerance and time horizon;
- Establish the criteria for monitoring performance of the Assets; and
- Establish policy for effective communication between the Foundation’s Board, Investment Committee and Investment Manager(s).

This IPS will also provide a set of general guidelines that will define the roles and responsibilities of the Foundation, the Investment Committee and the Investment Manager. The guidelines and objectives contained herein are broad in scope; more detailed information may be required for designated accounts with specific operational needs.

It is the Foundation’s intent to create an IPS that promotes sound and prudent management of the Assets in accordance with the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and any other such laws and regulations that may apply now or in the future to the prudent investment of assets and the application of an appropriate spending policy for the Foundation.

The Foundation may accept funds with certain donor restrictions that do not conform to UPMIFA requirements. Such funds shall be invested in accordance with donor specifications.

III. ROLES AND RESPONSIBILITIES

A. THE INVESTMENT COMMITTEE

The Foundation, through its by-laws, has created an Investment Committee (the “Committee”) which is charged with, among other duties, the responsibility of overseeing and monitoring the investment of all Assets under its stewardship. In addition, the Committee shall monitor adherence of the Investment Manager to UPMIFA and other such laws and regulations that may apply now or in the future to the prudent investment of assets and the application of an appropriate spending policy. The Committee shall be composed of not less than three of the Board of Trustees of the Foundation, in addition to the Chair of the Board and President of the University.

The Committee will meet quarterly prior to the Foundation’s Board meeting. An annual meeting will also be set prior to the new fiscal year beginning July 1, and other meetings may be called as necessary.

The Committee will review this IPS at least annually with representatives of the Investment Manager to ensure that it still reflects the needs and circumstances of the Foundation. The IPS may be amended from time to time by the Foundation after consideration of the advice and recommendations of the Committee and Investment Manager. Any modifications of this IPS, including changes to spending policies, shall be promptly communicated to the Board and the Investment Manager.

B. THE INVESTMENT MANAGER

The Foundation, upon the recommendation of the Committee, may delegate some or all of its responsibility for investing the Foundation’s Assets to one or more Investment Managers, duly appointed by the Board and selected with due care in accordance with the Foundation’s by-laws and all applicable laws. The Investment Manager must be either (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing acquiring or disposing of the Foundation’s assets, or (4) such other person or organization authorized by applicable law or regulation to function as an investment manager.

The Investment Manager shall have full discretion in investing the Assets in accordance with this IPS, as may be amended periodically. The Investment Manager shall be specifically responsible for:

- Assisting the Foundation in developing an appropriate investment policy based on the Foundation’s needs, objectives, and risk tolerance, and making appropriate recommendations to the Committee for modifying any provisions of this IPS;
- Advising on the selection of and allocation to appropriate asset categories, investments and managers for the Assets;
- Identifying and selecting specific investments and managers within each asset class;
- Managing and rebalancing asset allocations to specific target allocations set forth in this IPS;
- Monitoring and reporting on the performance of the total portfolio, all asset classes and managers;
- Periodically reviewing the appropriateness of the investments and managers for the Assets;
- Preparing and presenting appropriate reports quarterly, or as required;
- Meeting with the Committee at least once each year, and at other times deemed necessary at the Foundation’s request; and
- Recommending and implementing changes to any of the above.

IV. INVESTMENT OBJECTIVES - ENDOWMENT

The primary investment objective of the endowment is to provide long term growth of capital sufficient to meet the Foundation's current and future spending obligations to the University and to protect the endowment from the long term effects of inflation. To achieve its investment objectives, the Foundation acknowledges that risk tolerance and diversification are overriding guiding principles of this IPS and that the primary objectives of diversification across uncorrelated asset classes are to enhance long term total return and reduce portfolio volatility.

A. TIME HORIZON

The Foundation's expected time horizon for these funds is in excess of ten years. The Foundation recognizes the possibility of principal loss due to the fluctuation of asset values over shorter periods of time. However, historical asset class return data suggests that the risk of principal loss over a holding period of at least ten years can be minimized with the long-term investment strategy employed under this IPS.

B. RISK TOLERANCE

The Foundation recognizes that higher returns require an acceptance of the potential for higher volatility. The Foundation has indicated a willingness to accept a moderate level of volatility, based on the target allocation of the Assets, in order to optimize total return within an acceptable risk tolerance. In order to reduce volatility, the Assets will be fully diversified across a broad range of approved asset classes, including asset classes with low correlation to traditional asset classes.

V. INVESTMENT OBJECTIVES – OPERATING RESERVE FUNDS

From time to time, the Foundation will also have a need to invest temporarily restricted quasi-endowment funds and longer term operating reserves. The primary investment objective for these assets is preservation of principal with sufficient income to meet current operating needs.

A. TIME HORIZON

The Foundation's expected time horizon for these funds is one to three years. It is anticipated that liquidity needs will generally be met through maturities and investment income.

B. RISK TOLERANCE

The Assets will be invested with the objective of achieving a stable net asset value with limited principal volatility consistent with permitted investments. The portfolio will typically have an average duration of one year or less and shall be limited to short term domestic fixed income investments with a maximum maturity of 3 years. All investments will be highly liquid with readily determinable valuations. Investments shall further be limited to fixed income securities permitted for investment under Georgia Code Sections 50-17-59 and 50-17-63.

VI. ASSET ALLOCATION - ENDOWMENT

Research suggests that the decision to allocate assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the asset classes shown below were selected to achieve the objectives of the Fund. No guarantees can be given about future performance, and this IPS shall not be construed as offering such a guarantee.

The asset class targets and ranges shown below are the currently approved investment levels consistent with the Foundation's investment objectives. Within each of the major asset classes, sub asset classes and strategies will be deployed to achieve full diversification. The portion of the Assets invested in each asset class and sub-asset class will change periodically to reflect the Investment Manager's tactical asset allocation strategy so long as it is within the acceptable ranges listed. Any proposed investment changes outside these ranges must be approved by the Investment Committee in writing prior to being implemented.

The Foundation may utilize certain alternative asset classes to gain further diversification. The primary purpose for investing in these asset classes is to gain exposure to asset classes that have lower correlation to traditional equity and fixed income asset classes.

- A. The portfolio's equity allocation shall typically range between 40%-75%, with a target of 65%, and have the following characteristics:
 - 1. Broadly diversified among large, mid and small cap domestic, international, emerging market, and REIT equities.
 - 2. Exposure to both growth and value equity styles.

- B. The portfolio's fixed income allocation shall typically range between 10%-40%, with a target of 20%, and have the following characteristics:
 - 1. Allowable investments include investment grade domestic, high yield, dollar and non-dollar denominated global debt instruments.
 - 2. The portfolio will be well diversified as to issuer and maturity;
 - 3. No more than 10% of the portfolio will be held explicitly in non-investment grade bonds rated BB or lower;
 - 4. Maturities should generally be intermediate to longer term but may periodically emphasize shorter or longer maturities depending on yield curve differentials;
 - 5. The maximum duration of any individual issue shall not exceed thirty years at the time of purchase;
 - 6. The average duration of the portfolio shall not exceed ten years.

- C. The portfolio's alternative investment allocation shall typically range between 0%-35%, with a target of 15%. The following alternative asset classes are permitted investments:
 - 1. Hedge Funds – the Foundation's investment approach to this asset class is to use multi-strategy, multi-manager fund of hedge funds, which will provide the best access to a highly diversified pool of hedge fund strategies and managers.
 - 2. Commodities –The return characteristics of this asset class are largely uncorrelated with stock and bond returns. Therefore, adding broad commodity exposure can improve diversification, lower the portfolio's risk profile and potentially boost return. Achieving this diversification has been made easier with the development of registered mutual funds that passively track a broad range of commodities. No more than 25% of this allocation will come from any one commodity category.

- D. Reserves for contingencies and stock and bond purchases are expected to comprise the balance of the fund:
1. Cash reserves should be invested at all times in appropriate overnight investment vehicles.
 2. Overnight investments shall be limited to high quality institutional money market mutual funds rated A1, P1 or other high quality short term debt instruments rated at least AA+.

VII. APPROVED INVESTMENTS

The following onshore and offshore investments and investment vehicles may be utilized for the investment of the Assets: registered mutual funds, exchange traded funds, collective trust funds, unit trusts, separately managed accounts, limited partnerships, publicly traded partnerships, master/feeder funds, registered investment companies, investment trusts, and individual securities including but not limited to money market instruments, stocks, bonds, option contracts and futures contracts. The actual weightings of these investments can and will vary.

VIII. ADJUSTMENT TO THE TARGET ALLOCATION

From time to time, market conditions may cause the portfolio's investments to vary from the established allocations. To remain consistent with the asset allocation guidelines established by this IPS, each broad asset class in which the Foundation invests shall be periodically reviewed by Investment Manager for potential rebalancing back to target allocations. The Investment Manager and/or the Foundation shall have the flexibility to periodically rebalance the portfolio based on market conditions, economic events or account activity.

IX. BENCHMARKS

The objective of the total endowment portfolio is to achieve a total return, net of fees, exceeding a blended benchmark comprising the following indices:

- 60% Standard & Poor's 500 Index
- 20% Barclays Capital U.S. Aggregate Bond Index
- 10% HFRI Fund of Funds Index
- 5% NAREIT REIT Index
- 5% DJ UBS Commodity Index

The objective of the total fixed income portfolio is to achieve a total rate of return, net of fees, exceeding that of the Barclays Capital U.S. Aggregate Bond Index.

The objective of the total equity portfolio is to achieve a total return, net of fees, exceeding that of the Standard & Poor's 500 Index.

The objective of the alternatives portfolio is for each of the strategies to achieve a total return, net of fees, that exceeds their respective benchmarks.

X. RESTRICTIONS ON PERMITTED INVESTMENTS

Under normal circumstances, the Foundation will not invest in illiquid assets, defined for this purpose as assets that cannot be liquidated for cash within one year. The Foundation will also not engage in borrowing for purposes of enhancing returns.

XI. EVALUATION AND REVIEW

The objective of the evaluation and review process is to monitor the progress of the Foundation's Assets. Performance will be reviewed by the Foundation quarterly. With a view toward a three to five year performance horizon:

- A. The Investment Manager will review and report to the Foundation, no less often than annually, that:
 - The total portfolio of the Fund is achieving its stated objectives;
 - The Investment Manager is performing satisfactorily in relation to both objectives set forth herein and other investment organizations managing similar pools of capital and the recognized market indices;
 - The Investment Manager is adhering to the IPS and its stated objectives; and
 - The overall policies and objectives continue to be appropriate, reasonable and achievable.
- B. The Investment Manager is subject to external audit (with reasonable notice) at the discretion of the Foundation.

XII. COMMUNICATIONS AND CLIENT SERVICE

Investment Manager shall provide to the Foundation quarterly the following information:

- C. Portfolio performance results over the most recent quarter and year-to-date basis, and rolling one, three, five and ten year periods (if applicable);
- D. Performance results of each individual investment or manager for the same periods;
- E. Performance results of comparative benchmarks and blended benchmarks for the same time periods;
- F. Performance results calculated on a time-weighted rate of return basis; and
- G. An overview of the current market environment and the investment manager's current investment strategy.

XIII. COORDINATION WITH THE FOUNDATION'S DOCUMENTS

Notwithstanding any of the foregoing, if any term or condition of this IPS conflicts with any term or condition of the Foundation's by-laws or other governing documents, the terms and conditions of the Foundation's by-laws and governing documents shall control.

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