ENDOWMENT INVESTMENT POLICY AND GUIDELINES

Preamble – The goal of the investment program for the Endowment is to provide a real total return from assets invested that will preserve the purchasing power of endowed capital, while generating an income stream to support the activities of the funds held for the Endowments of the University. Achievement of the real total return will be sought from a continuation of investment strategies, which provide an opportunity for superior returns within acceptable levels of risk and volatility.

A. INVESTMENT OBJECTIVE

For the long term, the primary investment objective for the Endowment Fund is to earn a total return, net of investment and custodial fees, within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Endowment.

On an annualized, net-of-fee basis, the total return of the portfolio will be expected to equal or exceed the spending rate of 4 percent, plus 1.25 percent for administrative fees, plus inflation (Higher Education Price Index “HEPI”).

B. ASSET ALLOCATION

1. To achieve its investment objective, the Endowment Fund shall be allocated among three asset classes. These asset classes are domestic equity, fixed income, and international equity. The purpose of allocating assets to these asset classes is to ensure the proper level of diversification within the Endowment Fund.

The current strategic asset allocation adopted by the Board is outlined below:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large/Mid Cap Domestic Equity</td>
<td>55%</td>
<td>50 – 65%</td>
</tr>
<tr>
<td>Small Cap Domestic Equity</td>
<td>5%</td>
<td>0 – 10%</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>10%</td>
<td>5 – 15%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>70%</td>
<td>60 – 75%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30%</td>
<td>25 – 40%</td>
</tr>
</tbody>
</table>
2. The purpose of equity investments, both domestic and international, in the Endowment Fund is to provide current income, growth of income, and appreciation of principal with the recognition that this class of investment carries with it the assumption of greater market volatility and risk of loss.

3. The purpose of fixed income investments is to provide diversification and a highly predictable, dependable source of income. It is expected that fixed income investments will not be totally dedicated to the long-term bond market, but will be flexibly allocated among maturities of different lengths according to interest rate prospects. Fixed instruments should reduce the overall volatility of the Endowment Fund’s assets and provide a deflation hedge.

4. The Endowment Fund will be diversified both by asset class and within asset classes. Within each asset class, securities for example, will be diversified among economic sector, industry, quality and size. The purpose of diversification is to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

C. ASSET ALLOCATION REVIEW AND BALANCING PROCEDURE

1. The Investment Committee will review the strategic asset allocation and manager structure policies at least annually.

2. As there are cash flows into and out of the investment portfolio, i.e., new gifts and spending, the staff shall allocate the cash to the investment manager(s) in a manner, which will rebalance to maintain the target asset and style allocation policies. In addition, the Investment Committee shall review the actual allocations at each meeting in order to ensure conformity with the adopted strategic allocation.

D. DOMESTIC EQUITY INVESTMENTS

1. Equity investment managers are engaged to provide growth of income and appreciation of principal. The objective of the Large Cap Equity Portfolio is to outperform the S & P 500, net of fees.

2. The objective of the Small Cap Equity Portfolio is to outperform the Russell 2000 Index, net of fees.

3. Performance is calculated and monitored on a quarterly basis and results are reported to the Investment Committee.

4. Unless otherwise stated in this document, decisions as to individual domestic security selection, security size and quality, number of industries
and holdings, current income levels, turnover, and the other tools employed by active managers are left to the manager’s discretion, subject to the usual standards of fiduciary prudence. American Depository Receipts are considered to be domestic securities. Small cap managers are prohibited from holding any stock that exceeds $1.2 billion in market capitalization if that stock exceeds 2.5% of its portfolio. The small cap manager would be expected to either sell such a stock outright or pare back its percentage of the overall portfolio to meet this guideline.

5. Each equity manager may hold some investment reserves of cash but with the understanding that performance will be measured against the benchmarks identified above. It is expected that each manager will remain essentially fully invested all times. It shall be the responsibility of each manager, however, to give reasonable notice to the Committee of its intention to raise its allocation to cash should it believe that market conditions warrant such action. For purposes of this Policy Statement, the term “essentially fully invested” means no more than 10% of the portfolio should be invested in cash equivalents.

6. Equity transactions should be entered into by the equity manager on the basis of best execution, which is interpreted normally to mean best-realized price.

E. NON-U.S. EQUITY INVESTMENTS

1. The Non-U.S. Equity investment manager is engaged to provide growth of income, appreciation of principal, and further diversification of the equity portfolio. The objective of the Non-U.S. Equity manager is to outperform the Morgan Stanley Capital International (MSCI) EAFE Index, net of fees.

2. Performance is calculated and monitored on a quarterly basis and results are reported to the Investment Committee.

3. Because the Non-U.S. Equity portfolio is expected to be invested in a commingled vehicle, the investment manager sets the investment constraints and policies. However, as a general understanding, the Non-U.S. Equity manager may invest in common and preferred stock issues of major non-U.S. domiciled companies, as well as in ADR’s, which may be traded in U.S. and non-U.S. markets.

F. FIXED INCOME INVESTMENTS

Fixed income managers are engaged to reduce the overall volatility of the Endowment’s assets, provide a deflation hedge, and a highly predictable and dependable source of income. It is expected that investments made by the fixed income manager will be flexibly allocated among maturities of different lengths according to interest rate prospects.
1. The objective of the fixed income portfolio is to outperform the Barclays Index, net of fees.

2. Performance is calculated and monitored on a quarterly basis and results are reported to the Investment Committee.

3. The fixed income manager may use money market instruments, as well as domestic bonds. However, equities are excluded. The fixed income managers are expected to employ active management techniques, but changes in average maturity should be moderate and incremental for fixed income investments of the Endowment Fund as a whole. The average grade of securities in the overall fixed income portfolio should be investment grade or higher (AA/AAA) as rated by Moody’s and Standard and Poor’s. Tax-exempt securities shall not be purchased except in unusual circumstances. No high yield or global debt may be purchased.

4. Unless otherwise stated in this document, decisions as to individual domestic security selection, turnover, number of industries and holdings, and other tools employed by active managers are left to the manager’s discretion, subject to the usual standards of fiduciary prudence. However, obligations of the U.S. Government and federal agencies may be held without limitation.

5. The fixed income manager may at its discretion hold investment reserves of cash, but with the understanding the performance will be measured against the benchmarks outlined above. It is expected that the manager will remain essentially fully invested at all times. It shall be the responsibility of the manager, however, to give reasonable notice to the Committee of its intention to raise its allocation to cash should it believe that market conditions warrant such action. For purposes of this Policy Statement, the term “essentially fully invested” means no more than 10% of the portfolio should be invested in cash equivalents.

6. Fixed income transactions should be entered into by the fixed income manager on the basis of best execution, which is interpreted normally to mean best-realized price.

G. GUIDELINES FOR CORRECTIVE ACTION

1. Corrective action should be taken in a timely manner if deemed necessary as a result of the on-going review process for investment managers. While there may be unusual occurrences at any time, the following are instances where corrective action or termination may be in order.

   a. Major organizational changes in a firm may require a new contract or interview process. Failure on the part of the Investment Manger
to notify the Committee of such changes is grounds for termination. At all times communication with the managers should be easy and informative. Each investment manager should be available to meet at least annually with the Investment Committee.

b. Violation of terms of contract without prior approval of the Committee constitutes grounds for termination.

c. Diversification Strategy: As part of its overall asset allocation strategy, the Committee will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee at the time they are engaged. Should the Investment Committee ascertain that significant changes in investment approach have occurred, this may be grounds for termination.

d. The Committee will not as a rule terminate a manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its style and approach, the Committee will allow a sufficient interval of time over which to evaluate performance.

e. The manager’s performance will be viewed in light of the firm’s particular style and approach, keeping in mind at all times the Fund’s diversification strategy as well as the overall quality of the relationship.

f. Managers may be replaced at any time as part of the overall restructuring of the Fund.

6/21/06 Approved by Investment Committee
6/21/06 Approved by the SCSU Fdn Board of Directors
9/20/06 Revised and approved by Investment Committee
9/20/06 Approved by SCSU Fdn Board of Directors
1/23/08 Approved by SCSU Fdn Board of Directors
5/11/11 Policy change approved by SCSU Fdn Executive Committee
6/13/11 Section F1 benchmark name revised and approved by SCSU Fdn Investment Committee
10/24/11 Section B1 allowable range for small cap was revised. Section E1 benchmark name was revised. Both revisions approved by SCSU Fdn Investment Committee
6/25/12 Approved by SCSU Fdn Board of Directors