Investment Policy

for the

Southern Connecticut State University Foundation

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Statement of Purpose

This policy statement provides a framework for the management of the investable assets ("Endowment") of the Southern Connecticut State University Foundation ("Foundation"). This policy will assist the Board of the Foundation ("Board") in supervising and monitoring the investments of the Endowment. A subcommittee of the Board, or Investment Committee ("Committee"), has been established to implement and monitor the Endowment in accordance with this policy statement. The guidelines allow for flexibility and a process to capture investment opportunities, while prudently and carefully setting forth reasonable risk control parameters for the investment program.

The statement of investment policy is intended to address asset deployment, liquidity and diversification requirements, which should not be violated over the planning horizon. Policy issues relate directly to the return requirements and risk parameters of the Endowment and are to be considered the general principles governing the investment management of the Endowment. The management of the Endowment will follow basic fiduciary responsibilities. The investments of the Endowment will be diversified to help minimize the overall risk of the portfolio, unless, under the circumstances, it is clearly prudent not to do so.

This policy addresses the following issues:

- The oversight of the Endowment, goals and objectives of the Endowment and the investment program; and
- The investment strategy including asset allocations, rebalancing procedures and investment guidelines.

Goals and Objectives

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 funded by the Endowments for 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.

For the long term, the primary investment objective for the Endowment 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, while providing annual support to various University programs.

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 1.00 percent for administrative fees, plus inflation (Higher Education Price Index "HEPI").

Return Objectives

The following investment return objectives shall apply to the extent consistent with the above performance goals and asset allocation ranges:

- The total Endowment objectives shall be to seek to exceed the return of the portfolio benchmark defined in the table below:

S&P 500	59.5%
MSCI ACWI ex USA net	10.5%
Bloomberg Barclays US Aggregate Bond Index	30.0%

As the Foundation invests in additional diversifying strategies, the portfolio benchmark will be adjusted to reflect the appropriate benchmarks.

- The individual asset class objectives shall be to seek to exceed their specific benchmarks as defined in the asset allocation table.

- The importance of maintaining a long-term point of view toward performance, for both the total Endowment and individual asset class objectives, shall be reinforced by reviewing results over a rolling five-year period.

Investment Program Policies and Procedures

Investment Program Policy
The investment program shall invest according to an asset allocation plan that is designed to meet the goals of the Endowment. The plan will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments; and
- The return objectives and risk tolerances of the Endowment.

This asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Endowment consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance within the Policy.

Asset Allocation

Asset allocation of the total portfolio shall generally follow the guideline below, based upon market values.

Asset Category	Min Limit	Target	Max Limit	Benchmark
Global Equities	65%	70%	75%	S&P 500 Index and Weighted Composite: 85% S&P 500; 15% MSCI ACWI ex USA net
U.S. Equities		*60%*		*S&P 500 Index*
Non-U.S. Equities		*10%*		*MSCI ACWI ex USA net*
Global Fixed Income	25%	30%	35%	Bloomberg Barclays US Aggregate Bond Index
Core Fixed Income		*22%*		*Bloomberg Barclays US Aggregate Bond*
Opportunistic/Credit		*8%*		*CS Leveraged Loan Index, 3 Month Tbill*
Private Capital	0%	0%	10%	S&P 500 + 300 Basis Points
Cash & Equivalents	0%	0%	5%	90 Day T-Bills

Investment Management Policies, Guidelines and Restrictions

The investment policies, guidelines and restrictions in this policy statement are a framework to help the Endowment and its Investment Manager achieve the investment objectives at a level of risk deemed acceptable. The Endowment will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality, and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total Endowment. As a result, the risk level associated with the portfolio investment is reduced.

Equity Securities - The purpose of equity investments, both domestic and international, in the Endowment is to provide capital appreciation, growth of income, and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depository Receipts (ADRs), preferred stocks, REITs (real estate investment trusts), and convertible stocks traded on the world's stock exchanges or over-the-counter markets. Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major stock exchanges, including NASDAQ and have the potential for meeting return targets. Equity holdings must generally represent companies meeting a minimum market capitalization requirement of respective asset class profiles with reasonable market liquidity where customary. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence. However, no single major industry shall represent more than 20 percent of the Endowment's total market value, and no single security shall represent more than five percent of the Endowment's total market, unless approved by the Committee.

Hedge Funds - Investments may include equity-oriented or market-neutral hedge funds (i.e. Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies), which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

Commodities - Investments may include a broad range of commodity-oriented strategies. These strategies will include but may not be limited to futures, options on futures and forward contracts on exchange traded agricultural goods, metals, minerals, energy products and foreign currencies. The use of swap transactions will be permitted to access this market strategy. Investments may be held in the form of professionally managed pooled funds, segregated and limited liability or corporate investments.

Domestic and International Fixed Income - These investments provide diversification and a dependable source of current income. Diversification within fixed income investments will be flexibly allocated among maturities of different lengths according to interest rate prospects and the goals of the fund. Fixed income instruments should reduce the overall volatility of the Endowment's assets, and provide a deflation or inflation hedge, where appropriate. Fixed income includes both the domestic fixed income market and the markets of the world's other developed economies. It includes, but is not limited to, U.S. Treasury and government agency bonds, non-U.S. dollar denominated securities, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations. The Investment Manager must take into account credit quality, sector, duration and issuer concentrations in selecting an appropriate mix of Fixed Income securities. Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums.

Distressed Debt Partnerships – Investments may include debt of troubled companies that are either in bankruptcy or facing severe financial difficulty, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers.

Cash and Equivalents

The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Fund's principal value. No more than 5% of the Endowment's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Uninvested cash reserves shall be kept to a minimum since short term, cash equivalent securities are usually not considered an appropriate investment vehicle for long-term investments. However, such vehicles are appropriate as a depository for income distributions from longer-term investments, or as needed for temporary placement of funds directed for future investment to the longer-term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Note

Derivatives and Derivative Securities - Certain of the Endowment's managers will be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. Investment Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Restrictions
The Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the Investment Manager and the investment strategy involved. An addendum supporting such investments will be maintained as a permanent record of the Committee. All waivers and modifications will be reported to the Board at the meeting immediately following the granting of the waiver or modification.

Any investment that is made in a mutual funds and/or commingled funds will be reviewed and approved by the Committee on a case by case basis and if approved, may vary from this Policy. For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Committee understands that such funds have their own stated guidelines, which cannot be changed for individual investors, in principle and spirit, those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Committee must be aware of their possible use and be confident that the Investment Manager thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Asset Allocation Review and Rebalancing Procedure

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

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.

Guidelines for Corrective Action

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.

- 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 quarterly with the Committee.

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

- 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 Committee ascertain that significant changes in investment approach have occurred, this may be grounds for termination.

- 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. After five years with an investment manager, a thorough review of all aspects of the relationship should be completed.

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

- Managers may be replaced at any time as part of the overall restructuring of the Endowment.

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