To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will periodically provide investment counsel with an estimate of expected net cash flow. The Investment Committee will notify the investment consultant of cash needs sufficiently in advance to allow liquid reserves to be developed.

VI. INVESTMENT GUIDELINES

A. ALLOWABLE ASSETS

1. Cash Equivalents
    - Treasury Bills, Commercial Paper, CD's, Bankers' Acceptance Notes
    - Money Market Funds
    - Repurchase Agreements

2. Fixed Income Securities
    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stock
    - Fixed Income Securities of Foreign Governments and Corporations

3. Equity Securities
    - Common Stocks
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks
    - American Depository Receipts (ADRs) of Non-U.S. Companies
    - Stocks of Non-U.S. Companies (Ordinary Shares)
    - Stocks of Non-U.S. Companies in emerging markets
    - Listed Real Estate Investment Trust Securities

4. Mutual Funds
    - Mutual Funds which invest in securities as allowed in this statement

5. The University may accept real estate (REITs) into the Fund if acquired as a gift.

6. Alternative Investments:
   Hedge Funds – Fund of Funds (see below)

B. ALTERNATIVE INVESTMENTS: HEDGE FUNDS

Hedge funds are private investments, generally structured as limited partnerships or investment companies. Hedge Fund Investment Managers are allowed to operate with greater flexibility than most traditional investment managers and their compensation usually includes substantial performance incentives. When investing in Fund-of-Funds or individual hedge funds, offering memorandums must be reviewed to ensure that such investments would not constitute any violations with the Endowment's Investment Policy.

The Trustees may consider investments in hedge fund strategies within the context of an overall investment plan. The objective of such strategies will be to diversify the Endowment's portfolio, complementing traditional equity and fixed-income investments and improve the overall performance consistency of the Endowment. Of course, there is no guarantee that this objective will be realized.

The University may invest in Hedge Fund Fund-of-Funds. A Fund-of-Funds is managed by an Investment Manager, who subsequently invests in the hedge funds of multiple underlying Investment Advisors. Therefore, Fund-of-Funds are also referred to as Multi-Advisor Funds. Because they are diversified, Fund-of-Funds help to reduce the individual fund-specific risk.

The Committee understands that hedge fund investments are less transparent than traditional investments, but will expect reasonable levels of transparency in order to monitor the investments appropriately. In addition, the Committee understands that liquidity in such investments may be limited. Liquidity constraints, including lock-up provisions will be taken into consideration when making allocations to such investments.

Allowable Hedge Fund Strategies: Hedge funds are expected to provide diversification by investing in strategies that do not correlate directly with traditional equity and/or fixed-income investments. Such strategies may include, but are not limited to the following:

- Long/Short Equity
- Convertible Arbitrage
- Merger/Risk Arbitrage
- Fixed-Income Arbitrage
- Distressed Securities

Allowable Hedge Fund Investments: The above-referenced strategies may include investments in the following: common and preferred stocks, options, warrants, convertible securities, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage-backed and mortgage-related securities, real estate, bonds (both investment-grade and non-investment-grade, including high-yield debt, distressed or other securities) and other assets. Strategies may utilize short-selling and leverage.

B. Stock Exchanges

To ensure marketability and liquidity, investment advisors will execute equity transactions through the following exchanges: New York Stock Exchange, American Stock Exchange, NASDAQ over-the-counter market, and foreign exchange markets. In the event that an Investment Manager determines that there is a benefit or a need to execute transactions in exchanges other than those listed in this statement, written approval is required from the Investment Committee.

C. Prohibited Assets

Prohibited investments for traditional equity, fixed income, and mutual fund managers include, but are not limited to, the following:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments

D. Prohibited Transactions

Prohibited transactions for traditional equity, fixed income, and mutual fund managers include, but are not limited to, the following:

1. Short Selling
2. Margin Transactions
3. Securities Lending

E. Derivative Investments

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMO's (PAC bonds, IO's, PO's, residual bonds, etc.) and interest rate swaps among others. The Fiduciary feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Fiduciary will take a conservative posture on derivative securities in order to maintain its risk-adverse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited; rather it will serve as a general policy on derivatives. Unless otherwise specifically allowed in this document, the Investment Manager(s) must seek written permission from the Investment Committee to include such investments in the Fund's portfolio. The Investment Manager(s) must present detailed information as to the expected return and risk characteristics of such investment vehicles.

1. Aggregate Fund Asset Allocation Guidelines (at market value)

Asset Class	Minimum	Maximum	Preferred
Total Equities	**50%**	**75%**	60 ~~65~~%
International Equities	5%	15%	10%
Emerging Markets	0%	5%	2.5%
Fixed Income	**25%**	**50%**	**30%**
Cash and Equivalents	**0%**	**20%**	**5%**
ALTERNATIVE INVESTMENTS	0	10%	5%

2. The Investment Committee may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Investment Committee regarding specific objectives and guidelines.

3. No more than 30% of the total Fund should be invested with any one equity manager and no more than 50% of the total Fund should be invested with any one fixed income manager.

B. Diversification for Investment Managers

The Investment Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent 50% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of the Fund's aggregate bond position.

C. Guidelines for Fixed Income Managers

1. Fund assets may be invested only in investment grade bonds rated BBB (or equivalent) or better.

2. Fund assets may be invested only in commercial paper rated A1P1 (or equivalent) or better.

3. Fixed income duration restrictions are as follows:
   - Maximum duration for any single security is 16 years.
   - Weighted average portfolio duration may not exceed 8 years.

4. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poors, and/or Moody's.

IX. SELECTION OF INVESTMENT MANAGERS