Current Policy

Wright State University Non-Endowment Fund

Investment Policy Statement

Board of Trustee Approved: February 2013

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I. DEFINITIONS

A. Purpose

The Investment Policy Statement was adopted by the Wright State University Board of Trustees (hereinafter, the "**Board**") to direct the prudent investment of the University's Non-Endowment Fund (hereinafter, the "**Fund**") in a manner consistent with the investment objectives stated herein.

This Policy Statement outlines the objectives, guidelines and restrictions of the Fund and is set forth to provide a clear understanding of the roles and responsibilities of each party involved in the investment process.

B. Scope

This Policy applies to all assets that are included in the Fund's investment portfolio for which the Finance & Audit Committee has been given discretionary investment authority.

This Investment Policy Statement shall be used by the Committee in its duty to oversee (in managing, monitoring and reporting) the investment portfolio. Additionally, this Policy Statement shall be used as a guide by the Fund's Investment Consultant, Investment Managers and Master Trustee (or Custodian), if applicable.

C. General Investment Objectives

The primary objectives for the Wright State University Non-Endowment Fund's investment activities shall be:

1. **Safety**: Investments of the University shall be undertaken in a manner that ensures, over time, the preservation of capital in the overall portfolio.

2. **Liquidity**: The University's investment portfolio will remain sufficiently liquid to enable the University to meet all operating requirements. Portfolio liquidity is defined as the maturity or ability to sell a security on a short notice near the purchase price of the security. To help retain the desired liquidity, no security shall be purchased that is likely to have few market makers or poor market bids. Additionally, liquidity shall be assured by keeping an adequate amount of short-term investments to accommodate the cash needs of the University.

3. **Return on Investments**: The University's Non-Endowment portfolio shall be structured with the objective of attaining the highest possible "total return" for the investment portfolio while adhering to a prudent level of risk.

4. **Compliance with State of Ohio Guidelines**: The University's Non-Endowment Funds will be invested in accordance with the provisions outlined in O.R.C. 3345.05 and 1715.52. This includes ensuring that an amount equal to at least twenty-five percent (25%) of the average of the university's investment portfolio over the course of the previous fiscal year (July 1 - June 30) shall at all times be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system.

D. Fiduciary Duty

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence "to any investment in the context of the total portfolio, as part of an overall investment strategy." All investment actions and decisions must be based solely on the interest of the Fund. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Fund are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and in incurring costs where reasonable and appropriate.

E. Duties and Responsibilities

Board of Trustees

The Board of Trustees is vested by statute with responsibility for the oversight of the University. The Board has the ultimate fiduciary responsibility for the Fund. The Board must ensure that appropriate policies governing the management of the Fund are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates responsibility to the Finance & Audit Committee for implementation and ongoing monitoring. At least annually, the Board will receive a performance report and review of the Investment Policy Statement to determine if any changes are necessary.

Finance & Audit Committee

The Finance and Audit Committee is appointed the authority to act as and perform the functions of the Investment Committee and is responsible for adopting the provisions of this Investment Policy Statement. This responsibility includes oversight and review of management's implementation of approving investment strategy, hiring and firing of investment managers, monitoring performance of the investment portfolio and bringing those results to the Committee at each meeting, and maintaining sufficient knowledge about the portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement.

Treasurer

The Treasurer has daily responsibility for administration of the Fund and will consult with the Committee and Board on all material matters relating to the investment of the Fund's portfolio. Except as provided herein, the Treasurer shall be authorized to implement and administer this Policy on behalf of the Committee for the Board and manage the Fund in accordance with this Investment Policy Statement. The investment performance will be reviewed on an annual basis, aligned with the Board's meeting schedule, and the report will be provided by an independent third party.

Investment Consultant

The Board may authorize the University to retain the services of an Investment Consultant.

The Investment Consultant must meet the following qualifications:

(1) The advisor is either:
  - (a) Licensed by the division of securities under section 1707.141 of the Ohio Revised Code;
  - (b) Registered with the Securities and Exchange Commission.

(2) The advisor either:
  - (a) Has experience in the management of investments of public funds, especially in the investment of state-government investment portfolios;
  - (b) Is an eligible institution referenced in section 135.03 of the Ohio Revised Code.

The Consultant will assist the Committee in establishing this Investment Policy Statement. The Consultant will recommend an investment strategy and coordinate the asset allocation process through the investment managers. This strategy shall be within investment policy guidelines as set forth in this statement and as otherwise provided by the Committee.

The Consultant is responsible for assisting the Committee and Treasurer in all aspects of managing and overseeing the investment portfolio. The Consultant is the primary source of investment education and investment manager information. The Consultant will report in a timely manner, substantive developments that may affect the management of Fund assets.

On an ongoing basis the Consultant will:

1. Provide proactive recommendations on decisions related to the Investment Policy Statement, including asset allocation, investment manager structure, and investment manager selection/removal.

2. Recommend an appropriate asset allocation for each portfolio, which will seek to diversify the Fund so as to control the risk while enhancing the probability of achieving the return objectives of the Policy.

3. Provide quarterly reports on overall investment and individual manager performance.

4. On a continuous basis, evaluate the performance and compliance of managers to this Policy Statement, including performance against relevant benchmarks and peer groups on both an asset and investment manager basis.

Investment Managers

The Investment Managers will manage their portfolio(s) in accordance with the policies and guidelines presented in this Investment Policy Statement. The Investment Managers will supply the Board, Committee, Treasurer and/or the Consultant with information and performance results as requested.

1. Adherence to Policy

    a. The Managers are expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments or instructions.
    b. The Manager's acceptance of the responsibility to manage assets of the Fund will constitute a ratification of this Policy, affirming their belief that they are realistically capable of achieving the Fund's objectives within the guidelines and limitations stated herein.

2. Discretionary Authority

    The Managers will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Manager's current investment strategy and compatible with the Fund's investment guidelines.

3. Brokerage / Soft Dollar

Investment managers shall seek best price/execution when purchasing or selling securities at all times. As outlined by CFA Institute's Soft Dollar Standards (refer to website) each investment manager must recognize that brokerage is an asset of the University, not the investment manager.

On an annual basis, each investment manager must:

a. Verify to the Committee that it complies with the "Required" sections of CFA Institute's Soft Dollar Standards;

b. Document and disclose any soft dollar use and its impact on the Endowment's portfolio; and

c. Disclose any affiliated broker relationships and the materiality of that relationship to the investment management organization.

II. INVESTMENT PHILOSOPHY

A. Specific Investment Objectives

This Policy distinguishes the Fund's objectives, risk constraints and guidelines based on three separate investment portfolios:

1. **Cash Pool**: The objective of the Cash Pool shall be to meet the day-to-day obligations of the University. It shall be invested in highly liquid instruments with little or no risk of principal loss.

2. **Liquidity Pool**: The objective of the Liquidity Pool shall be to provide a liquid source of funds in the event the Cash Pool is insufficient to meet the University's cash needs. The investment strategy opportunity for this pool is that its time horizon and flexibility is such as to allow investment in permitted instruments that offer greater return than money market yields. The weighted average life of this pool shall be no longer than five years.

3. **Diversified Investment Pool**: The objectives of the Diversified Investment Pool shall be to provide an opportunity to earn a higher rate of return through investments in diversified equity or equity-like investments, including private capital, longer duration fixed income securities, real assets (real estate and natural resources), and diversifying strategies. Private capital provides the opportunity of return enhancement and real assets provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. The Diversified Investment Pool shall be a source of funds in the very unlikely event that the Cash Pool and Liquidity Pool are insufficient to meet the University's day-to-day obligations.

The Non-Endowment Fund Composite Portfolio is expected to outperform the weighted benchmark index over a full market cycle (generally defined as a five-year period). The benchmark index will be comprised of each asset class index weighted by its target allocation.

The specific performance objective and risk constraint for each of the three investment pools, over a full market cycle, are listed below:

1. **Cash Pool**

    a. **Performance Objective**: The total return for the Cash Pool and for each Cash Pool investment manager shall exceed the rate of return on U.S. 91-Day Treasury Bill Index.

    b. **Risk Constraint**: The duration of the Cash Pool shall not exceed 1 year.

2. **Liquidity Pool**

    a. Performance Objective: The total return for the Liquidity Pool and for each Liquidity Pool investment manager shall exceed the Barclays Capital 1-5 Year Government/Credit Bond Index.

    b. Risk Constraint: The duration for each Liquidity Pool investment manager shall be no greater than 20% ± that of the Barclays Capital 1-5 Year Government/Credit Bond Index.

3. **Diversified Investment Pool**

    a. Performance Objective: The total return for the Diversified Investment Pool shall exceed a target Balanced Index composed of: 55% Russell 3000 (U.S. Equity and Real Assets), 20% MSCI AC World Index ex-US (International), and 25% Barclays Capital Aggregate Bond Index (Fixed Income and Diversifying Strategies). Furthermore, the total return for each active Diversified Investment Pool investment manager shall exceed the relevant benchmark.

    b. Risk Constraint:

    i. Liquid and Semi-Liquid Active Managers
    The beta (volatility) for each active Diversified Investment Pool domestic equity (and REIT) manager shall not exceed 1.2 times that of the relevant benchmark. The beta for each active Diversified Investment Pool international equity manager shall not exceed 1.4 times that of the relevant benchmark. Furthermore, each active equity investment manager is expected to achieve a positive alpha (risk-adjusted return). The duration of the Diversified Investment Pool core fixed income investment manager shall be no greater than +/- 20% of the Barclays Capital Aggregate Bond Index.

ii. **Public Liquid Passive Managers**

Passive (or index) managers are expected to approximate the total return of its respective benchmark. The beta for passive equity managers should approximate 1.00.

iii. **Private Illiquid Managers**

The majority of private equity, private real estate, and natural resource funds will be invested with private partnerships. These partnerships typically range from 10-15 years in life, during which time the Fund may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-5 years (depending on the strategy). New investments will create a drag on fund performance in the early years (3-5 years) until these investments begin to mature. This drag on performance is often referred to as the J-curve, due to the shape created by plotting a line graph with performance on the y-axis and time on the x-axis. Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) calculations and compared to an appropriate peer group. An IRR calculated from the inception of the partnership will be the primary performance measurement tool utilized for all private equity, private real estate, and natural resource managers. Returns will be compared to the appropriate peer group in the universe of similar style (and vintage year, if applicable).

B. Asset Allocation

The following target percentages and ranges represent each Pool's allocation of the total portfolio:

Cash Pool **Target = 20%** **Expected Range = 15-25%**

The Cash Pool may be managed internally or by one or more short-term investment managers, each maintaining a portfolio with an average weighted maturity between one day and one year. No security shall exceed 1 year in maturity. Investments in STAR Ohio are permitted without regard to the qualification on average weighted maturity.

Liquidity Pool **Target = 15%** **Expected Range = 10-20%**

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

Diversified Investment Pool **Target = 65%** **Expected Range = 55-75%**

The University's general policy towards the Diversified Investment Pool shall be to diversify investments across multiple markets that are not similarly affected by economic, political, or social developments. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the Diversified Investment Pool, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. To achieve these goals, the asset allocation of the **Diversified Investment Pool** will be set with the following target percentages and within the following ranges:

ASSET CLASS	TARGET %	TARGET RANGE %
Global Equity	**60%**	**50% - 70%**
U.S. Large/Mid Cap	25%	15 - 35%
U.S. Small Cap	10%	5 - 15%
International Equities	20%	15 - 25%
Developed Large Cap	12%	7 - 17%
Developed Small Cap	3%	0 - 6%
Emerging Markets	5%	0 - 10%
Private Equity	5%	0 - 10%
Global Fixed Income	**20%**	**10 – 30%**
Core / Core Plus Fixed Income	17%	10 - 30%
TIPS	3%	0 - 10%
Real Assets	**15%**	**0 - 25%**
Natural Resources (Commodities / MLP's / Private Energy)	10%	0 - 20%
Real Estate (Public / Private)	5%	0 - 10%
Diversifying Strategies	**5%**	**0 - 10%**

C. Active and Passive Management

The Fund's asset allocation will be implemented using both active and passive investment managers. Passive investments may be utilized in highly efficient areas of the capital markets due to the low probability of active managers to outperform an appropriate benchmark.

D. Rebalancing

The University's Treasurer will review the asset allocation structure of the Fund's Investment Policy and will attempt to stay within the ranges permitted for each asset pool. If the portfolio falls outside the ranges established for each asset pool, the Treasurer, with advice from the Investment Consultant, will develop a plan for rebalancing of the portfolio.

E. Illiquid Investments (Diversified Investment Pool only)

A goal of the Diversified Investment Pool is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. The Board understands that in many instances, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered within the Diversified Investment Pool.

1. Private Equity

The objective of the private equity allocation is to outperform, over the long-term, the public equity markets by 3-5% points, net of fees. The return premium exists due to the higher risk, lack of liquidity, and the uneven distribution of information and access inherent in private markets.

For the private equity allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall private equity allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Category

The target allocations to venture capital, buyout, and special situations (distressed, mezzanine, infrastructure etc.) will serve as a guideline for committing capital. As commitments to private equity are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

Investments should be considered with several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. Stage

Investments should be considered across the life cycle of businesses. Within venture capital, this includes early, mid, and late stage companies. Buyout investments consist of small, mid, and large market firms, and may be in the form of traditional buyouts, growth equity, recapitalizations, or restructuring.

e. Geography

Investments should be considered across the U.S. and internationally (developed and emerging markets).

f. Sector

The portfolio should be diversified by sector, as well as across industries within a sector.

2. Real Estate (Public/Private)

The objective of the private real estate allocation is to provide low correlation to the public equity and fixed income markets and serve as an inflation hedge.

For the real estate allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular region or property type, but the overall real estate allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Category

Private real estate investments should be considered in either value-added or opportunistic funds, which are designed to generate excess return for the overall real estate allocation. These strategies typically require some lease-up, development or repositioning, as well as utilize more leverage than public REITs. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

By combining a public REIT allocation as a core holding (also provides liquidity) with investments in several private partnerships (or a fund of funds), manager specific, as well as property specific risk, within the real estate allocation can be diminished.

d. Geography

Investments should be considered across the U.S. and internationally.

e. Property Type

The portfolio should be diversified across property types (e.g., apartments, office, industrial, and retail).

3. **Natural Resources**

The objective of the natural resources allocation is provide low correlation to the public equity and fixed income markets and serve as an inflation hedge. These investments should be primarily in the private markets, which offer inefficiencies that can be exploited.

For the natural resource allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to top-quality managers and be diversified. Individual investments may be concentrated in a particular region, production stage, or commodity exposure, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. **Sub-Category**

The target allocations to energy and timber investments will serve as a guideline for committing capital. As commitments to natural resources are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. **Vintage Year**

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. **Manager**

Investments should be committed to several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. **Geography**

Investments should be spread across the U.S. and internationally.

e. **Stage/Type**

i. **Energy**

Investments in energy funds will focus primarily on the upstream end of the energy market with development and production, and to a lesser extent exploration. Exposure to the upstream markets will be gained through private equity investments, working interests, and royalty interests. Investment in downstream activities such as refining, transmission, and distribution may be considered opportunistically. Upstream markets offer two primary benefits:

1) Inefficiencies, which offer attractive investment opportunities, and

2) Exposure to the underlying commodity (oil and gas), which provides an inflation hedge.

ii. **Timber**

Investments with Timber Investment Management Organizations (TIMOs) should be diversified by wood type (hard and softwood, species, etc.). Investing in TIMOs exposes the portfolio to timber prices, providing inflation protection, with the potential to generate additional return through the underlying management of the timberland.

4. Hedge Funds

The objective of the hedge fund allocation is to diversify the Fund and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Strategy

The hedge fund universe can be divided into two broad categories: Equity Hedge and Absolute Return. Below are the definitions and examples of these strategies.

i. **Equity Hedge (Directional)**

These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling. These investments generally fall into the Global Equity category.

ii. **Absolute Return**

These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage. These investments generally fall into the Diversifying Strategies category.

b. **Manager Diversification**

A "core-satellite" approach of combining a core allocation of fund of funds, with satellite investments in direct funds mitigates manager specific, as well as strategy specific risk.

III. EVALUATION AND PERFORMANCE MEASUREMENT

A. Total Fund Benchmarks

The Committee seeks to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the Committee recognizes that over various time periods, the portfolio may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years). The Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter-term using the criteria establish under "Manager Evaluation" below.

B. Manager Evaluation

Each investment manager will be reviewed by the Committee on an ongoing basis and evaluated upon the following criteria:

1. Adherence to the guidelines and objectives of this Investment Policy Statement;

2. Maintain a stable organization and retention of key personnel;

3. Avoidance of regulatory actions against the firm, its principals or employees;

4. Adherence to the philosophy, style and capitalization characteristics, articulated to the Committee at, or subsequent to, the time an investment manager was retained by the University.

5. Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing.

Although there are no strict guidelines that will be utilized in selecting managers, the Committee will consider the criteria above, as well as, the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Fund already have invested with the firm (if applicable).

IV. GUIDELINES AND RESTRICTIONS

A. Overview

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 evaluated. 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 the Fund's investments.

The guidelines 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 Non-Endowment Fund. Although the Committee cannot dictate policy to pooled (commingled/mutual fund) investment managers, it is the Committee's intent is to select and retain only pooled funds with policies that are similar to this Investment Policy Statement. However, all managers (whether pooled or separate) are expected to achieve the performance objectives and other subjective criteria.

B. General Guidelines

Each of the following guidelines/restrictions must be adhered to unless written approval is received from the Committee.

Each "traditional" investment manager shall:

1. Immediately notify the Committee in writing of any material changes in the investment, strategy, portfolio structure, ownership or senior personnel, organizational structure, or financial condition;
2. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement and is expected to maintain a "fully invested" portfolio (defined as 5% or less in cash);
3. No more than 5% of each investment manager's portfolio, at cost, can be invested in any single issue, except the investments in U. S. Government Securities.
4. Not invest in non-marketable securities; 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.
5. With the exception of international managers, not invest in non-dollar denominated securities; and

6. In the case of international managers, maintain appropriate diversification with respect to currency and country exposure.

7. Securities transactions should be entered into on the basis of best execution, which normally means best price.

8. Not invest in a new asset classification without the prior approval of the Wright State University Board of Trustees.

These guidelines do not preclude the investment manager from making suggestions or recommendations for variances from these guidelines so long as the manager presents the appropriate rationale to the Finance & Audit Committee and receives prior Committee approval.

C. Global Equity Guidelines

1. The purpose of equity investments are to provide a total return that will provide for growth in principal and current income to support any desired spending requirements while increasing the purchasing power of the Fund's assets.

2. The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security. If more than one money manager is employed, these managers should have distinct and different investment philosophies. This is to assure that no single security, class of securities, or investment style will have a disproportionate impact on the program assets' aggregate results.

3. 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.

D. Global Fixed Income Guidelines

1. The purpose of fixed income investments is to contribute to overall return, to reduce the overall volatility of the Fund's assets returns, to provide a hedge against the effects of a prolonged economic contraction, and to provide cash flow to support operations.

2. Maintain an overall weighted average credit rating no less than **"AA"** (or its equivalent rating by two national rating agencies) for the **Cash Pool, "AA"** for the **Liquidity Pool** and **"A"** for the **Diversified Investment Pool**. In addition, the minimum acceptable credit quality at the time of purchase for individual securities shall be "AA" for the **Cash Pool** accounts and "BBB" for the **Liquidity Pool** accounts. Maximum exposure to high yield bonds cannot exceed 15% for the **Diversified Investment Pool** Fixed Income account.

3. Maintain a duration within +/-20% of the effective duration of the benchmark index;

4. With respect to the corporate sector of the portfolio, invest no more than 40% of the portfolio in any one economic sector;

5. No more than 15% of the diversified investment pool fixed income account shall be invested in non-dollar denominated bonds.

E. Cash Equivalents Guidelines

1. Cash Pool investment managers must invest at least 50% of the portfolio in U. S. Government securities and/or U. S. Government Agency issues.

2. Maintain a maximum weighted average maturity of less than one year.

3. Invest no more than 5% of the manager's portfolio in the commercial paper of any one issuer. Commercial paper must be, at the time of purchase, rated within the highest classification established by not less than two national rating services. All commercial paper must have a minimum rating of A1/P1 by Standard & Poor's and Moody's, respectively.

4. Invest no more than $100,000 in Bank Certificates of Deposit of any single issuer, unless the investments are fully collateralized by U.S. Treasury or agency securities.

5. Certificates of Deposit must be collateralized in conformity to Section 135.18 of the Ohio Revised Code for amounts not insured by the Federal Deposit Insurance Corporation. Investments are not to exceed 20% of each investment manager's portfolio in any one financial institution.

6. Bank Certificates of Deposit and Bankers' Acceptances must be issued by banks that are members of the Federal Deposit Insurance Corporation and eligible for purchase by the Federal Reserve System.

F. Derivative Securities

Given that derivatives are routinely used by investment managers (particularly pooled managers) to enhance a portfolio's return, the Board grants authority to utilize derivatives, if approved by the Treasurer, subject to the following:

1. The annual investment report, prepared by an independent third party, will include a discussion on the use of derivatives in the portfolio.

2. The Treasurer shall consider certain criteria including, but not limited to, the following in evaluation of a derivative strategy;

a. Manager's proven expertise in such category,
b. Value added by engaging in derivatives,
c. Liquidity of instruments,
d. Amount of leverage
e. Management of counterparty risk
f. Manager's internal risk controls and procedures

3. The strategies in which derivatives can be used are:
    a. Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
    b. Portable Alpha – Derivatives (typically futures or swaps) will be used to generate "beta", while the notional exposure amount is actively managed to generate "alpha".
    c. Fixed Income – Derivatives will be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.
    d. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure.

G. Illiquid and Semi-Liquid Investment Guidelines (Diversified Investment Pool only)

Each private equity, private energy, private real estate or hedge fund investment will require a signed Subscription Agreement and Limited Partnership Agreement. The University may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Board cannot dictate policy. The Board, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement and Limited Partnership Agreement.

The University is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Diversified Investment Pool, potential tax ramifications must be considered during the investment analysis and selection process. The University shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the University.

V. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategies detailed in this document and agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred through the University Treasurer or its Consultant.

____________________	3/6/13
Wright State University	(Date)
Ralph F. Doering	3/12/13
Fund Evaluation Group, LLC	(Date)
____________________	04/16/13
JPMorgan Chase Bank	(Date)
Keith McFarland VP	4-22-13
Fifth Third Bank	(Date)