



Wright State University Investment Fund

# Quarterly Investment Review

Fourth Quarter 2016

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The background of the slide is a photograph of a modern building with a large glass wall. The glass reflects a row of trees and a parking lot. The building has a wooden facade. In the foreground, there is a wooden conference table with several black chairs.

**SEI** New ways.  
New answers.®

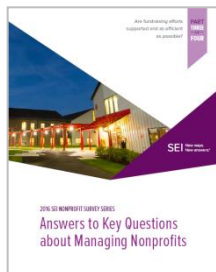
January 20, 2017

# Agenda

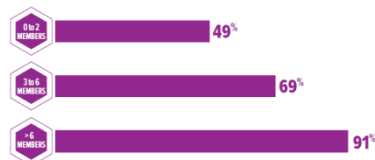
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- **SEI Business Update, Nonprofit Client Symposium & Executive Summary**
- **Global Market Review & SEI Point of View**
- **Wright State University Investment Fund Portfolio Performance Summary**
- **Appendix:**
  - ✓ **Disclosures**
  - ✓ **Investment Policy Statement**

# SEI's latest research and perspectives: December 2016



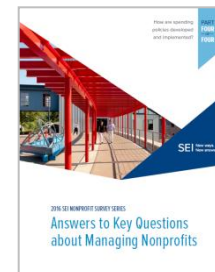
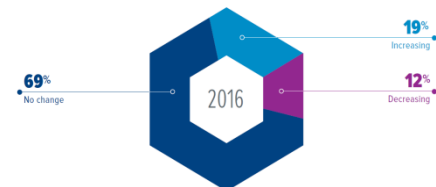
Number of full-time staff members dedicated to fundraising that experienced turnover within the last 0 to 12 months\*



## Featured

**2016 Nonprofit Poll**  
**Part 3: Fundraising**  
**Part 4: Spending Policy**  
 Watch our webinar replay as the papers are discussed in greater detail

Spending expectations



## Research / Papers

2016 Nonprofit Poll– 4 part series  
 More than 250 nonprofit executives surveyed on a range of questions about issues that nonprofit organizations face today  
 Part 1: *Committee Structure & Challenges*  
 Part 2: *Investments*  
 Part 3: *Fundraising*  
 Part 4: *Spending Policies*



## Webinars Replays

SEI's MJ Bobyock, CFA, Nonprofit Advisory Expert

Fundraising & Spending: *Strategies around spending policy and fundraising in the face of market uncertainty and baby boomer retirement*

Allocation Strategies & Governance Challenges: *How today's nonprofits are using asset allocation strategies to help meet return objectives*



## Events

Council on Foundations 2016 Endowments & Finance Summit – New York, NY, September 28-30, 2016 *MJ Bobyock, CFA, presented at a session about investment outsourcing*

Council of New Jersey Grantmakers – Somerset, NJ, October 19, 2016 *SEI presented on two panels: investment outsourcing and alternative investments*

NACUBO Endowment and Debt Management Forum – New York, NY, February 1-3, 2017 *SEI is exhibiting and MJ Bobyock, CFA, will be presenting*

JFNA Investment Institute 2017 – Palm Beach, FL, February 12-15, 2017 *SEI will exhibit*

6th Annual FRA OCIO and Investment Outsourcing Summit – New York, NY, March 2, 2017 *SEI will exhibit and present*



## SEI in the News

Outsourced CIO Adoption Expected to Grow Amongst Nonprofits, *The Nonprofit News*, September 29 *MJ Bobyock quoted*

Aging Donors, Staff Turnover Hurts Fundraising, *The Nonprofit News*, November 10 *SEI quoted on Nonprofit Survey Part 3*

## Q3 2016 Financials

**\$81.4 billion**  
 Institutional AUM

**\$281 billion**  
 Total worldwide AUM



\*Financial numbers as of September 30, 2016.

# Save the date: June 12 – 14, 2017

## 2017 SEI Nonprofit Client Symposium

**Join us at SEI oaks headquarters for this education and due diligence event featuring perspectives from industry experts and SEI clients:**

- Case studies of how creative clients leverage our leading OCIO program to maximize impact
- Interactive peer discussions covering investment trends, governance and risk management
- Exclusive education and training on innovative asset allocation strategy and investment product enhancements



**LOOK FOR YOUR INVITATION AND  
FULL PROGRAM AGENDA FEBRUARY 2017!**

### **WHAT HAVE PAST ATTENDEES SAID?**

*“Literally the best conference I’ve attended in all respects: networking, accommodations / food, and educational value.”*

*“This symposium is a great tool for Board members and Finance staff of all levels of knowledge and experience.”*

# The Growth Gathering: Symposium for foundations and educational institutions

## Monday, June 12<sup>th</sup>

**3:00 – 3:15 PM:** Welcome Remarks

**3:15 – 4:15 PM:** Boardroom Boot Camp  
- Best Practices for Effective Nonprofit Committees

**4:15 – 5:30 PM:** Break / Snack

**5:30 – 6:00 PM:** Cocktails, Collection and Conversation

**6:00 – 9:00 PM:** Welcome Reception

## Tuesday, June 13<sup>th</sup>

**8:00 – 8:15 AM:** Welcome Remarks and Business Update

**8:15 – 8:45 AM:** The Future of Nonprofit Investing and OCIO

**8:45 – 9:15 AM:** The Evolution of Asset Allocation and What's Next?

**9:15 – 10:00 AM:** Purpose and Progress: Maximizing Investments to Fulfill Missions

**10:00 – 10:15 AM:** Break / Snack

**10:15 – 11:15 AM:** Breakout Sessions

**11:15 – 12:00 PM:** Recognizing Opportunity in People, Markets and Impact

**12:00 PM:** Lunch and Activities

## Wednesday, June 14<sup>th</sup>

**8:30 – 8:40 AM:** Welcome Remarks

**8:40 – 9:10 AM:** Economic Outlook and Point of View

**9:10 – 9:45 AM:** Portfolio Manager Perspective: Where We See Growth

**9:45 – 10:00 AM:** Break / Snack

**10:00 – 10:30 AM:** Alternative Investments

**10:30 – 11:30 AM:** Keynote Speaker

**11:30 AM:** Lunch and Departures

# Wright State University

## Executive summary, 12/31/16

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### Summary

- Wright State University total market value at December 31, 2016: **\$ 40,570,941**
- Combined with PE: 1 Year return = **5.9%** net as of 12/31/16 ; FYTD return as of 12/31/16 = **4.3%** (net)

### Portfolio Highlights and Market Update

- Markets reacted all quarter to a variety of headlines including the US presidential election results, a Federal Reserve rate hike and a cut in oil production from OPEC.
- We believe that equities will generally do well versus fixed income, the US has stronger fundamentals relative to the rest of the world and that over time yields will increase as inflation creeps higher.
- Equity valuations in the US are higher vs. the rest of the world but earnings growth could continue to remain strong with tax and business reforms. In Europe, politics could play a major role in 2017 as well as ongoing details surrounding the Brexit with both leading to some bouts of volatility.

### Other Items

- We have initiated the process in liquidating two additional alternative strategies:
  - SEI Structured Credit Fund – 3/31/17, cash available end of April
  - SEI Special Situations Fund – 6/30/17, cash available end of July
- Distributions from Private Equity investments are being moved to the Liquidity Pool of the Portfolio

Please refer to the Portfolio Summary pages for additional information on portfolio performance.

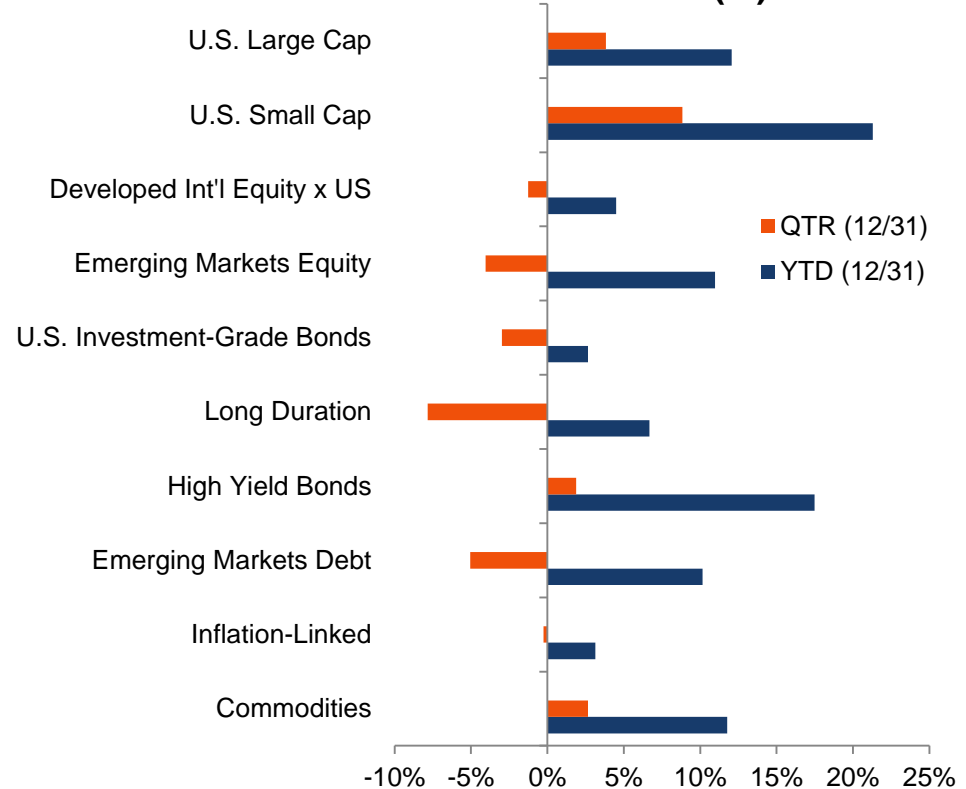


# Global Market Review and SEI Point of View

# Market and Performance Overview

- A surprising presidential election result provided tailwinds to the U.S. dollar and to riskier assets, especially U.S. equities.
- Sharply higher growth and inflation expectations in the wake of the election hurt high-quality bonds and other rate-sensitive assets.
- The stronger dollar and uncertainty around future U.S. trade policy acted as headwinds to dollar-based investors' holdings of international and emerging market stocks and bonds.
- Commodities performed well during the quarter and full year despite the strong move in the dollar.
- For the full year, most asset classes provided positive returns. Riskier assets did especially well, thanks to a strong rebound from an intense bout of China- and oil-related risk aversion early in the year.

## Financial Markets Review (%)



U.S. Large Cap = Russell 1000, U.S. Small Cap = Russell 2000, Developed International Equity x U.S. = MSCI ACWI ex-US, Emerging Markets Equity = MSCI EFM (Emerging+Frontier Markets), U.S. Investment Grade Bonds = Bloomberg-Barclays U.S. Aggregate, High Yield = BofA ML Master II HY Constrained, Emerging Markets Debt = 50% JPM EMBI GD / 50% GBI-EM GD Index, Long Duration = Bloomberg Barclays Long US Govt/Credit, Inflation Linked = Barclays 1-5 Year TIPS, Commodities = Bloomberg Commodity. Source: SEI. Past performance is no guarantee of future results. As of 12/31/16.



# Positioning highlights

## Higher inflation and interest rates in the U.S.

The surprise election of Donald Trump raised U.S. interest rate and inflation expectations, and the Federal Reserve finally restarted its rate-hiking cycle in December. This theme is reflected in the poor performance of investment-grade fixed income and other rate-sensitive assets since mid 2016.

## Implementations

### EQUITY

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N/A

### FIXED INCOME

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High Yield: underweight more rate-sensitive BB credits, overweight CCC and B; overweight floating-rate debt securities, i.e. bank loans.

### NON-TRADITIONAL

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Special Situations: rate hedges and short investment-grade bonds contributed; MARR: overall strategy should benefit; favorable view of credit within the TIPS sleeve.

### CATALYSTS

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- › Faster U.S., global growth
- › Realization of expansionary fiscal policies

### RISKS

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- › Growth and/or policy disappointments
- › Renewal of low-inflation or deflation expectations

# Positioning highlights

## Risk rally and “expensive defensives”

The risk rally continued in the fourth quarter. The disparity in valuations between more cyclical assets and stability-oriented assets continued to normalize. Recent conditions (including the impact of the U.S. presidential election and the Fed restarted its rate-hiking cycle) should continue to favor risk over safety and stability, although valuation disparities have narrowed.

## Implementations

### EQUITY

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N/A

### FIXED INCOME

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High Yield: overweight CCC-rated bonds (although managers tend to prefer higher-quality credits within CCC).

### NON-TRADITIONAL

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Structured Credit: significant allocation to equity and lower-rated BB tranches.

### CATALYSTS

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- › Continued mean reversion in relative valuations, narrowing of risk spreads
- › Continued rise in interest rates

### RISKS

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- › Renewed risk aversion, widening risk spreads
- › Economic policy disappointments

# Positioning highlights

## Thank you, OPEC.

Key oil-producing nations finally reached an agreement to curb production in the face of a massive supply overhang. While we are skeptical of how long production discipline can hold, it should keep a floor under oil for now. This is likely to favor energy companies and provide a tailwind to headline inflation.

## Implementations

### EQUITY

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N/A

### FIXED INCOME

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High Yield: rebound in energy prices fostered a massive rally in the sector in 2016; managers remain cautious of fundamentals but are evaluating opportunities in the space while selling positions that have reached price targets.

### NON-TRADITIONAL

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Special Situations: Energy credit and distressed debt contributed within Event Driven.  
MARR: significant structural exposure to energy/commodities; an overweight to oil during the quarter added value, oil position moved to neutral weight late in the quarter; we remain overweight the energy complex within commodities.

### CATALYSTS

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- Rising global demand
- Successful production curbs

### RISKS

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- “Cheating” on production agreements
- Falling global growth and demand

# Positioning highlights

## Financials rally, still attractive in some areas.

After a prolonged period of underperformance, the U.S. and global financial sectors staged strong recoveries toward the end of 2016. Financials continue to look attractive in some areas given strong balance sheets, a normalizing rate environment, and the possibility of lower regulatory burdens.

## Implementations

### EQUITY

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N/A

### FIXED INCOME

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High Yield: less attractive in this space, some issues tend to be overvalued while others face challenging business conditions; overweight collateralized loan obligations.

### NON-TRADITIONAL

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Special Situations: exposure to financials within event-driven contributed.

### CATALYSTS

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- › Acceleration of credit demand growth
- › Continued normalization of interest rates

### RISKS

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- › Undershooting growth or inflation expectations, falling rate expectations
- › Renewed regulatory scrutiny

# Fixed Income Outlook - The Trump Effect

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## **Volatility higher, but opportunities exists**

- The Fed increased its projection for the pace of rate hikes in 2017 from 2 to 3 and cited strengthening labor market conditions and firming inflation as the rationale for additional tightening. In 2016, the Fed forecasted 4 hikes and only raised rates once.
- Inflation pressures remain subdued in developed economies but continue rising in US
- Corporate valuations remain attractive however spreads at YTD tights, therefore security selection more important
- Alpha opportunities exist, but absolute return may be more modest going forward
- Fixed Income still an attractive source of income, stability and diversification
- Funds' reduced risk as spreads have reached YTD tights across the spread sectors

# WSU Investment Fund Performance Summary

**SEI** New ways.  
New answers.®

# Important information re: asset valuation and portfolio returns

Inception date 6/30/14. Historical Total Index can be provided upon request. Alternative, Property and Private Assets valuations and performance may be reported on a monthly or quarterly lag.

The Portfolio Return and fund performance numbers are calculated using Gross Fund Performance, using the Modified Dietz method of calculation, which considers the timing of cash flows during the periods. Gross Fund Performance reflects the effective performance of the underlying mutual funds that are selected or recommended by SIMC to implement an institutional client's investment strategy. Gross Fund Performance does not reflect the impact of fund level management fees, fund administration or shareholder servicing fees, all of which, if applicable are used to offset the account level investment management fees the client pays to SIMC. Gross Fund Performance does reflect certain operational expenses charged by the funds and the reinvestment of dividends and other earnings. The inclusion of the fund level expenses that the client incurs but that are offset against the client's account level investment management fees would reduce the Gross Fund Performance of the mutual funds. If applicable, alternative, property and private equity performance and valuations may be reported on a monthly or quarterly lag. If applicable, Alternative, Property and Private Assets performance is calculated gross of investment management fees and net of administrative expenses and underlying fund expenses. However: Structured Credit Fund performance is calculated gross of investment management fees and net of administrative expenses; SEI Offshore Opportunity Fund II Ltd. Class A performance is calculated net of investment management and administrative fees; and Energy Debt Fund performance is calculated net of management fees and operating expenses and is based on the July 2015 series. Clients implemented via collective investment trusts incur product-level fees, including trustee and administrative fees, which will affect performance.

Net Portfolio Returns since 1/1/2014 reflect the deduction of SIMC's investment management fee and the impact that fee had on the client's portfolio performance. Prior to 1/1/2014, Net Portfolio Returns deduct a proxy annual fee for all periods to demonstrate the impact that SIMC's investment management fee had on the portfolio performance. However, this is a hypothetical calculation, as it does not reflect the actual fees paid by the client during the period. Please see your client invoice for actual fees paid.

As of the close of business on 7/31/2016, the Total Index Composition is as follows:

- 24.0 % BofA ML 3 Month US T-Bill Index
- 20.0 % HFRI FOF Diversified Index 1 Month Lag
- 19.0 % S&P/LSTA Leveraged Loan Index 1 Month Lag
- 14.0 % BofA ML 1-3 Year Treasury Index
- 11.0 % Barclays GNMA Index (USD)
- 4.0 % S&P 500 Index
- 3.0 % Hist Blnd: SEI Emerg Mkt Debt Index
- 3.0 % Hist Blnd: SEI High Yield Bond Index
- 2.0 % Barclays 1-5 Year US TIPS Index

# WSU Investment Fund – Total Combined Portfolio

## Investment Returns and Asset Summary as of December 31, 2016

### Total including Private Equity

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
Total Portfolio Return	40,570,941	100	0.56	1.48	4.67	6.68	-	-	-	2.86
Total Portfolio Return Net			0.52	1.30	4.25	5.91	-	-	-	2.25

### Total ex-Private Equity

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
Total Portfolio Return	33,926,723	100	0.46	1.18	4.52	6.44	-	-	-	2.39
Total Portfolio Return Net			0.41	0.97	4.04	5.57	-	-	-	1.74
Total Portfolio Index			0.34	0.23	2.93	5.69	-	-	-	1.98

### Summary for periods ending 12/31/2016

	One Month	Three Month	Year To Date
Portfolio Value	\$41,200,401.31	\$64,844,428.06	\$83,710,783.21
Net Cash Flows	(\$841,748.00)	(\$24,985,470.29)	(\$47,078,838.92)
Realized Gains	(\$810.97)	(\$5,276.41)	\$1,559,792.31
Unrealized Gains	\$62,801.81	\$504,531.84	\$1,780,467.00
Interest	\$0.00	\$0.00	\$444.86
Dividends	\$150,296.67	\$212,727.63	\$597,573.52
Ending Portfolio Value	\$40,570,940.83	\$40,570,940.83	\$40,570,940.83

Alternative, Property and Private Assets values and performance may be reported on a monthly or quarterly lag.



# Important information re: asset valuation and portfolio returns

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## Diversified Pool

As of the close of business on 7/31/2016, the Total Index Composition is as follows:

- 35.0 % HFRI FOF Diversified Index 1 Month Lag
- 32.0 % S&P/LSTA Leveraged Loan Index 1 Month Lag
- 13.0 % Barclays GNMA Index (USD)
- 6.0 % Hist Blnd: SEI High Yield Bond Index
- 5.0 % S&P 500 Index
- 5.0 % Hist Blnd: SEI Emerg Mkt Debt Index
- 4.0 % Barclays 1-5 Year US TIPS Index

# Important information re: asset valuation and portfolio returns

Inception date 6/30/14. Historical Total Index can be provided upon request. Alternative, Property and Private Assets valuations and performance may be reported on a monthly or quarterly lag.

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## Liquidity Pool

As of the close of business on 12/31/2015, the Total Index Composition is as follows:

- 80.0 % BofA ML 1-3 Year Treasury Index
- 20.0 % Barclays GNMA Index (USD)

# WSU Investment Fund – Diversified, Cash & Liquidity

## Investment Returns as of December 31, 2016

### Diversified Pool

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
Total Portfolio Return	22,522,232	100	0.62	2.53	8.13	10.99	-	-	-	3.71
Total Portfolio Return Net			0.60	2.21	7.34	9.57	-	-	-	2.75
Total Portfolio Index			0.50	0.41	4.77	8.69	-	-	-	2.98

### Cash Pool

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
Total Portfolio Return	4,757,620	100	0.04	0.28	0.38	0.62	-	-	-	0.49
Total Portfolio Return Net			0.04	0.28	0.38	0.62	-	-	-	0.49
Total Portfolio Index			0.04	0.09	0.18	0.33	-	-	-	0.18

### Liquidity Pool

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
Total Portfolio Return	6,646,871	100	0.04	-0.86	-0.54	1.87	-	-	-	1.45
Total Portfolio Return Net			0.00	-1.00	-0.80	1.40	-	-	-	1.11
Total Portfolio Index			0.02	-0.69	-0.65	1.02	-	-	-	0.77

We removed the strategic indices for the Diversified and Liquidity Pools because SEI is no longer making asset allocation decisions/changes based on the opportunity and risk in the market but rather on the objectives and liquidity needs of the University.

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# WSU Investment Fund

## Total Combined Asset Allocation – Actual vs. IPS Targets

Asset Class	Actual Allocation (as of 12/31/16)	IPS Target Allocation (as of 12/31/16)
S&P 500 Index*	2.5	3.0
<b>Total Global Equity (0 – 55%)</b>	<b>2.5</b>	<b>3.0</b>
US High Yield	2.9	3.0
Emerging Markets Debt	2.9	3.0
Short Duration Government	13.1	12.0
GNMA Fixed Income	10.7	9.0
Cash**	11.7	20.0
<b>Total Global Fixed Income (25%-75%)</b>	<b>41.3</b>	<b>47.0</b>
Multi-Asset Real Return	3.1	2.0
<b>Total Inflation Hedge/Real Assets (0%-15%)</b>	<b>3.1</b>	<b>2.0</b>
Moderate Volatility Hedge	17.8	17.0
Private Real Estate***	0.9	0.0
Structured Credit	18.0	16.0
Private Equity	16.4	15.0
<b>Total Alternatives target (0%-65%)</b>	<b>53.1</b>	<b>48.0</b>

Pools	Actual Allocation (as of 12/31/16)	IPS Target Allocation
Diversified Pool <sup>1</sup>	71.9%	65.0%
Liquidity Pool	16.4%	15.0%
Cash Pool	11.7%	20.0%

<sup>1</sup> includes private equity and Raider Asset Management fund.

\* S&P 500 Index represents Raider Asset Management fund. \*\*Cash and private equity allocations include outside assets. \*\*\* Private Real Estate allocation represents escrow from Core Property liquidation. *Alternative, Property and Private Assets valuations and performance may be reported on a monthly or quarterly lag.*

# Fund Performance

Returns for periods ending 12/31/2016

	Total Assets (\$)	Actual Alloc (%)	Cumulative (%)			Annualized (%)				Inception
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	6/30/2014
<b>Alternatives</b>	21,187,126	52.2	0.66	3.92	8.90	8.51	-	-	-	5.11
SEI Structured Credit Fund	7,306,077	18.0	0.93	4.11	15.29	18.56	-	-	-	6.86
SEI Special Situations Fund - Class A	7,236,831	17.8	0.00	4.47	5.93	-0.15	-	-	-	-1.11
<i>BofA ML 3 Month US T-Bill Index</i>			0.04	0.09	0.18	0.33	-	-	-	0.19
Venture Investment Associates VII, LP	4,633,631	11.4	0.00	2.13	4.75	7.92	-	-	-	15.45
SEI Global Private Asset Fund III	2,010,587	5.0	3.73	5.17	6.97	16.09	-	-	-	11.40
<b>Total Fixed Income</b>	16,750,793	41.3	0.30	-0.35	0.41	2.54	-	-	-	0.80
SEI Short-Duration Government Fund	5,307,702	13.1	0.06	-0.63	-0.39	1.88	-	-	-	1.88
<i>BofA ML 1-3 Year Treasury Index</i>			0.03	-0.43	-0.54	0.89	-	-	-	0.88
SEI GNMA Bond Fund	4,331,780	10.7	-0.05	-1.77	-1.15	2.21	-	-	-	2.21
<i>Barclays GNMA Index (USD)</i>			-0.02	-1.70	-1.08	1.56	-	-	-	1.56
JPMorgan Chase Savings	2,182,794	5.4	0.02	0.05	0.08	0.10	-	-	-	0.06
Star Ohio	2,207,009	5.4	0.06	0.14	0.23	0.44	-	-	-	0.22
SEI High Yield Bond Fund	1,194,438	2.9	2.33	2.43	8.69	17.62	-	-	-	4.67
<i>Hist Blind: SEI High Yield Bond Index</i>			1.97	1.88	7.47	17.49	-	-	-	4.33
SEI Emerging Markets Debt Fund	1,159,253	2.9	1.95	-5.27	-1.73	10.88	-	-	-	-2.00
<i>Hist Blind: SEI Emerg Mkt Debt Index</i>			1.60	-5.05	-1.98	10.16	-	-	-	-1.63
Fifth Third Savings	367,816	0.9	0.06	0.17	0.31	0.53	-	-	-	0.26
<b>Other</b>	1,271,398	3.1	1.50	0.71	2.73	6.00	-	-	-	1.56
SEI Multi Asset Real Return Fund	1,271,398	3.1	1.50	0.71	-0.77	4.56	-	-	-	-2.53
<i>Barclays 1-5 Year US TIPS Index</i>			0.32	-0.26	0.02	3.14	-	-	-	-0.08
<b>Total Equity</b>	1,004,448	2.5	0.38	4.71	13.11	15.96	-	-	-	5.20
<b>US Equity</b>	1,004,448	2.5	0.38	4.71	12.63	16.87	-	-	-	8.62
Raider Asset Management	1,004,448	2.5	0.38	4.71	9.48	10.40	-	-	-	8.13
<i>S&amp;P 500 Index</i>			1.98	3.82	7.82	11.96	-	-	-	7.71
<b>Cash/Cash Equivalents</b>	357,175	0.9	-	-	-	-	-	-	-	-
SEI Core Property Fund LP Escrow	357,174	0.9	-	-	-	-	-	-	-	-
SEI Daily Income Government Fund	1	0.0	-	-	-	-	-	-	-	-

The SEI logo and tagline are positioned within a dark green triangular shape on the right side of the slide. The background of the slide is composed of a light gray triangle on the left and a white area on the right.

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# Appendix

# Important information

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Any presentation of gross mutual fund performance of underlying mutual fund investments or gross account level performance is only intended for one-on-one presentations with clients and may not be duplicated in any form by any means or redistributed without SIMC’s prior written consent.

Through June 30, 2012, annual performance is calculated based on monthly return streams, geometrically linked. From June 30, 2012 onward, annual performance is based upon daily return streams, geometrically linked as of the specific month end.

Performance results do not reflect the effect of certain account level advisory fees. The inclusion of such fees would reduce account level performance, particularly when compounded over a period of years. The following hypothetical illustration shows the compound effect fees have on investment return: For an account charged 1% with a stated annual return of 10%, the net total return before taxes would be reduced from 10% to 9%. A ten year investment of \$100,000 at 10% would grow to \$259,374, and at 9%, to \$236,736 before taxes. For a complete description of all fees and expenses, please refer to SIMC’s Form ADV Part 2A, the investment management agreement between SIMC and each client, and quarterly client invoices.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such sources are believed to be reliable, neither SEI nor its affiliates assumes any responsibility for the accuracy or completeness of such information and such information has not been independently verified by SEI.

Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs, or expenses, which would reduce returns. Indexes are unmanaged and one cannot invest directly in an index. Any presentation of gross mutual fund performance of underlying mutual fund investments or gross account level performance is only intended for one-on-one presentations with clients and may not be duplicated in any form by any means or redistributed without SIMC’s prior written consent.

**Investment Policy Statement for  
Wright State University Investment Fund**

*Approved  
October 7, 2016*



## TABLE OF CONTENTS

Introduction .....	1
Duties and Responsibilities.....	1
The Board of Trustees.....	1
The Finance Committee.....	2
WSU Management.....	2
The Fiduciary Manager.....	2
Statement of Objectives .....	2
Wright State University Investment Fund .....	2
Fund Financial Objectives .....	3
Statement of Investment Policy .....	3
Fund Asset Allocation Targets .....	4
Adherence to Policy Targets and Rebalancing .....	5
Risk and Volatility .....	5
Investment Securities, Strategies and Diversification.....	5
Guidelines for Portfolio Holdings.....	6
Proxy Statements .....	9
Execution of Security Trades.....	9
Control Procedures .....	9
Review of Investment Objectives .....	9
Review of Investment Manager and Investments .....	10
Performance Expectations .....	10
Exhibit A .....	
Exhibit B .....	12

## **INTRODUCTION**

This document establishes the Investment Policy Statement (“Investment Policy”) for the Wright State University Board of Trustees (“the Board”) to direct the prudent investment of the University’s Investment Fund (“the Fund”). The Board is responsible for managing the investment process of the Fund in a prudent manner while providing reasonable risk adjusted returns.

The Board has arrived at this Investment Policy through a careful study of the returns and risks associated with different investment strategies in relation to the current and projected liabilities of the Fund, after consulting with such outside Fiduciary Manager (as defined below) as is deemed appropriate. This Investment Policy has been chosen as the most appropriate policy for achieving the financial objectives of the Fund which are described in the “Statement of Objectives” section of this document.

The Board has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long term potential for appreciation of assets.

In addition to the Investment Policy defined herein, the management of the Fund will be in compliance with all applicable laws.

**Compliance with State of Ohio Guidelines:** The University’s Investment Fund 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.

## **DUTIES AND RESPONSIBILITIES**

The Board is responsible for managing the investment process in a prudent manner with regard to preserving principal while providing reasonable returns. In carrying out these duties, the Finance Committee (“Investment Committee”) will serve as the Investment Committee for the Board of Trustees. The Investment Committee has retained Fiduciary Manager, SEI Investments Management Corporation (the “Fiduciary Manager”), to assist in managing the assets of the Fund. The Fiduciary Manager’s role is to provide guidance to the Board on matters pertaining to the investment of Fund assets including Investment Policy, investment selection, asset allocation, monitoring the Fund’s performance and compliance with the Investment Policy. All decisions pertaining to the Investment Policy and guidelines for the Investment Policy’s implementation will be made by the Board. The Fiduciary Manager, in carrying out the Investment Policy defined in this document, has authority and responsibility to select appropriate investments in the specific asset classes mandated by this Investment Policy, in accordance with (and subject to) the terms of the Investment Management Agreement dated May 28<sup>th</sup> 2014 executed between the Fiduciary Manager and the Fund (the “Investment Management Agreement”).

Duties and responsibilities are described in detail below.

### **The Board of Trustees**

The Board of Trustees will retain a qualified Fiduciary Manager to assist in the development and implementation of the Investment Policy and guidelines.

The Board will establish the Investment Policy of the Fund. This includes, but is not limited to, allocation between equity, fixed income, and alternative investment assets, selection of acceptable asset classes and investment performance expectations. The Investment Committee will review the Investment Policy Statement periodically.

### **Finance Committee**

The Finance 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.

The Investment Committee on behalf of the Board will periodically review the investment performance of the Fund including the performance of the Fiduciary Manager to assure the Investment Policy is being followed and progress is being made toward achieving the portfolio objectives.

The Investment Committee shall have discretion to depart from this Investment Policy when it concludes that it is prudent and in the interest of the Fund to do so especially during times of market distress.

### **WSU Management**

The WSU Management has responsibility for administration of the Fund and will consult with the Investment Committee and Board on all material matters relating to the investment of the Fund's portfolio. The WSU Management will meet quarterly with the Fiduciary Manager to evaluate performance and asset allocation in accordance with this Investment Policy Statement. WSU Management will consist of the Wright State Treasurer and his or her appointees.

### **Fiduciary Manager**

The Fiduciary Manager retained by the Board will assist the Board in establishing the Investment Policy and guidelines contained in this Investment Policy.

In accordance with the terms of the Investment Management Agreement, the Fiduciary Manager will be responsible for managing the asset allocation, determining investment strategy and implementing security selection decisions through the investment sub-advisors for the mutual funds managed by the Fiduciary Manager, within the Investment Policy and as otherwise provided by the Board. The Fiduciary Manager will monitor asset allocation across and among asset classes.

The Fiduciary Manager will monitor investment performance of the Fund. Performance reports will be provided to the Board as needed. The Fiduciary Manager will report in a timely manner any substantive developments that may affect the management of the Fund's assets.

## **STATEMENT OF OBJECTIVES**

### **Wright State University Investment Fund**

The Wright State University Investment Fund will seek to maximize long-term total returns consistent with prudent levels of risk. In seeking to attain the investment objectives set forth, the Investment Committee shall exercise prudence and appropriate care in all investment actions and decisions must be based solely on what is in the best interest of the Fund.

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 within the Cash and Liquidity Pools (see next section). 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 Investment Fund 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.

### **Fund Financial Objectives**

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

- 1. Cash Pool: 20% Target (0 – 40% Range):** 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 and maintain an overall weighted average credit rating no less than "AA" (or its equivalent rating by two national rating agencies).
- 2. Liquidity Pool: 15% Target (0 – 50% Range):** 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 and maintain an overall weighted average credit rating no less than "AA" (or its equivalent rating by two national rating agencies).
- 3. Diversified Investment Pool: 65% Target (0 – 80%):** 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, 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 Investment Fund Composite Portfolio ("Total Portfolio") is expected to outperform the weighted benchmark index over a full market cycle (generally defined as a peak-to-peak cycle, typically close to five years). The benchmark index will be comprised of each asset class index weighted by its target allocation.

### **STATEMENT OF INVESTMENT POLICY**

The Fiduciary Manager develops forward-looking, long-term capital market assumptions for risk, return and correlations for a variety of global asset classes, interest rates and inflation. These assumptions are created using a combination of historical analysis and current market environment. The Fiduciary Manager believes this approach is less biased than using pure historical data, which is often biased by a particular time period or event.

The asset class assumptions are aggregated into a diversified portfolio, so that each portfolio can then be simulated through time using industry best practices. This approach enables the Fiduciary Manager to develop scenarios across a wide variety of market environments so that they can educate the Board/Investment Committee with regard to the potential impact of market variability over time. Ultimately, the value of these assumptions is not in their accuracy as point estimates, but in their ability to capture relevant relationships and changes in those relationships as a function of economic and market influences.

The following target percentages and ranges represent each Pool's allocation of the Total Portfolio and are designed to help manage the cash flow and budgeting needs of the University. The Liquidity Pool will be drawn down based on current budget needs and supplement Cash Pool for near term outflows, until inflows start again and can replenish the Liquidity Pool. The allocation for the Liquidity Pool is designed to be part of the risk management strategy of the Total Portfolio and minimize the impact of market volatility and will therefore be invested 100% in shorter duration fixed income securities, consistent with the 2-5 year time horizon of the investment strategy. Because the Liquidity Pool serves as a liquidity risk management anchor, the Diversified Pool is then primarily designed for long term growth with the risk management features of the Liquidity Pool in mind. The asset allocation of the Diversified Pool is therefore listed separately below and will be more diversified consistent with a longer time horizon for the investment strategy. The Total Portfolio will roll up all the underlying allocations of the three pools based on their respective weights. This is designed to help integrate and monitor the return expectations and risks at the total portfolio level as discussed in the investment policy statement.

Asset Class Target (Range)	Diversified Pool 65% (25 – 80%)	Liquidity Pool 15% (0 – 50%)	Cash Pool 20% (10 – 40%)	Total Combined Portfolio Targets	Total Combined Portfolio Range
US Managed Volatility	0.0	-	-	0.0	0 – 25%
S&P 500 Index	4.0	-	-	3.0	0 – 25%
US Small/Mid Cap Equity Index	0.0	-	-	0.0	0 – 15%
US Small Cap Equity	0.0	-	-	0.0	0 – 15%
World Equity Ex-US	0.0	-	-	0.0	0 – 25%
Emerging Markets Equity	0.0	-	-	0.0	0 – 10%
Dynamic Asset Allocation	0.0			0.0	0 – 10%
<b>Total Global Equity</b>	<b>4.0</b>	<b>-</b>	<b>-</b>	<b>3.0</b>	<b>0 – 55%</b>
US High Yield	4.0	-	-	3.0	0 – 15%
Emerging Markets Debt	4.0	-	-	3.0	0 – 15%
Core Fixed Income	0.0	-	-	0.0	0 – 25%
Limited Duration Fixed Income	-	0.0	-	0.0	0 – 15%
Short Term Corporate Fixed Income	-	0.0	-	0.0	0 – 15%
Short Duration Government Fund		80.0		12.0	0 – 30%
GMNA Bond Fund	10.0	20.0		9.0	0 – 30%
Short Term Bond			3.0	1.0	0 – 30%
Cash	-	-	97.0	19.0	0- 30%
<b>Total Global Fixed Income</b>	<b>18.0</b>	<b>100.0</b>	<b>100.0</b>	<b>47.0</b>	<b>25 – 75%</b>
Multi-Asset Real Return	3.0	-	-	2.0	0 – 15%
<b>Total Inflation Hedge/Real Assets</b>	<b>3.0</b>	<b>-</b>	<b>-</b>	<b>2.0</b>	<b>0 -15%</b>
Moderate Volatility Hedge	27.0	-	-	17.0	0 – 30%
Private Real Estate	0.0	-	-	0.0	0 – 15%
Structured Credit	25.0	-	-	16.0	0 – 30%
Private Equity	23.0	-	-	15.0	0 – 30%
<b>Total Alternatives</b>	<b>75.0</b>	<b>-</b>	<b>-</b>	<b>48.0</b>	<b>0 – 65%</b>

Within each asset class, assets will be invested in accordance with the Guidelines set out below.

In accordance with the terms of the Investment Management Agreement, the Fiduciary Manager will retain discretion with respect to the investment vehicles utilized by the Fiduciary Manager to implement the Strategy within the stated targets. Additionally, the Fiduciary Manager will retain discretion with respect to modifications required to the asset allocation as identified above. In the event the Fiduciary Manager exercises its discretion as noted in this paragraph,

the Fiduciary Manager shall notify the WSU Management after implementing any change to the asset allocation or the investment vehicles used to implement the asset allocation as soon as practicable.

#### **Adherence to Policy Targets and Rebalancing**

The asset allocation established by this Investment Policy Statement represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature.

To ensure divergence from the target policy is within acceptable limits, rebalancing of assets may be necessary. Rebalancing procedures are authorized in accordance with the Investment Management Agreement and are implemented by the Fiduciary Manager.

Rebalancing only occurs in the assets that the Fiduciary Manager manages.

Generally, rebalancing among funds may occur on a quarterly basis for the registered investment companies (i.e., mutual funds) and quarterly or semi-annually for alternative assets and real estate (as applicable, if required) to ensure that the target asset allocation specified in this Investment Policy is maintained within acceptable ranges as determined by the Fiduciary Manager. The Fiduciary Manager will identify the amount of assets that must be reallocated in order to bring the Fund back into compliance with this Investment Policy and will issue the necessary instructions for the transfer of funds. Portfolio rebalancing between funds will also be triggered when initiated through the SEI Active Asset Allocation program based upon changes in the tactical view of asset classes. Additionally, portfolio rebalancing between the Pools will occur when cash flows transpire.

Notwithstanding the foregoing, under certain circumstances, the Fiduciary Manager may (i) make active investment decisions for the Fund in accordance with the terms of the target variance noted above, (ii) modify the target variance(s) applicable to the strategy, (iii) modify its standard rebalancing operating procedures, and/or (iv) suspend some or all of the rebalancing procedures affecting the strategy. The Fiduciary Manager shall only modify or suspend its rebalancing procedures as outlined in this paragraph if it has prudently determined that such suspension is in the best interest of the Fund in its reasonable sole discretion. If the Fiduciary Manager has suspended rebalancing procedures applicable to the Fund, the Fiduciary Manager shall seek to notify the WSU Management of such a decision as promptly as possible.

#### **Risk and Volatility**

The Board, Investment Committee and WSU Management recognize that the Fund's portfolios are subject to various sources of risk. Risk is defined as volatility in asset values, liquidity and the impact of inflation upon purchasing power. Market or systemic risk cannot be circumvented or eliminated by portfolio diversification but some risks can be reduced through diversification at the asset class, investment manager and security level. Thoughtfully constructed portfolios can help minimize risk for a given level of expected return. The Board and Investment Committee has established the asset allocation bands and permissible asset classes after consideration of the various sources of risk and the probability of loss using portfolio modeling scenarios. The Fiduciary Manager will regularly review the portfolio's risk characteristics with the WSU Management.

#### **Investment Securities, Strategies and Diversification**

As described in the Investment Management Agreement, the Fiduciary Manager implements this Investment Policy through investments in mutual funds and other pooled asset portfolios. It is the responsibility of the Fiduciary Manager to provide a prospectus for each investment and the responsibility of the committee to read and understand the information contained in the prospectus.

Mutual funds may utilize shorting strategies as outlined in the prospectus. Further, certain mutual funds may participate in securities lending as determined by the prospectus. Such investments are acceptable investments provided they conform to the diversification restrictions set forth by the Investment Company Act of 1940, as amended (the "1940 Act") below.

Additionally, the funds may invest in derivative instruments within a portion of their portfolios. Portfolios may purchase derivatives, generally using only a fraction of the assets that would be needed to purchase equity or fixed income securities directly. As a result, the derivatives could be backed by a wide range of asset classes including but

not limited to: U.S. and foreign equities, U.S. and foreign fixed income securities of different types and maturities, mortgage-backed or other asset-backed securities, securities rated below investment grade, non-U.S. equities, limited partnerships, currencies, commodities, and repurchase or reverse repurchase agreements. The investment goal of such a strategy would be to add diversifying alpha sources within that fund, while efficiently maintaining the beta exposure to the asset class. Derivatives are not to be used for speculative purposes.

Investments will be diversified within asset classes with the intent to minimize the risk of large losses to the Fund. The portfolio is comprised of mutual funds that are managed in accordance with the diversification and industry concentration restrictions set forth in the Investment Company Act of 1940, as amended (the "1940 Act"). Pursuant to the provisions of the 1940 Act, a mutual fund may not, with respect to 75% of its assets, (i) purchase securities of any issuer (except securities issued or guaranteed by the United States Government, its agencies or instrumentalities) if, as a result, more than 5% of its total assets would be invested in the securities of such issuer; or (ii) acquire more than 10% of the outstanding voting securities of any one issuer. This restriction does not apply to the International Fixed Income Fund or the Emerging Markets Debt Fund.

No mutual fund may purchase any securities which would cause more than 25% of its total assets to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that this limitation does not apply to investments in securities issued or guaranteed by the United States Government, its agencies or instrumentalities.

### **Guidelines for Portfolio Holdings**

Any new asset classes considered for the Investment Fund will be vetted and subject to the Control Procedures described later in the document.

### **Global Equity: 3% Target (0 – 55% Range)**

#### **Domestic Equity (*S&P 500 Index, US Small/Mid Cap Equity Index, US Small Cap Equity*):**

The Domestic Equity portion of the portfolio will consist primarily of equity securities of companies that are listed on registered exchanges or actively traded in the over the counter market. The equity portion may also be invested in securities that are not readily marketable (illiquid and restricted securities), receipts, securities issued by investment companies, warrants, repurchase agreements, convertible securities and U.S. dollar denominated securities of foreign issuers that are traded on registered exchanges or listed on NASDAQ. A portion of the equity portfolio may also be invested in fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by a nationally recognized statistical rating organization ("NRSRO"), or, if not rated, determined to be of comparable quality by the Fiduciary Manager or a mutual fund sub-Investment Manager. The Fiduciary Manager will equitize cash to remain as fully invested as possible.

#### **Non-U.S. Equity (*World Equity ex-US, Emerging Markets Equity*):**

The non-U.S. equity portion of the portfolio will consist primarily of equity securities (common stocks, securities that are convertible into common stocks, preferred stocks, warrants and rights to subscribe to common stocks, American Depositary Receipts, European Depositary Receipts and investment company securities including securities issued by foreign investment companies) of non-U.S. issuers purchased in foreign markets, on U.S. or foreign registered exchanges, or the over-the-counter markets. The issuers of the securities are located in countries other than the United States, including emerging market countries. Additionally, the portfolio may seek to enhance returns by active management of currency exposure. This strategy may involve taking long and short positions using futures, foreign currency forward contracts, foreign currencies and other derivatives. The portfolio may also engage in currency transactions in an attempt to take advantage of certain inefficiencies in the currency exchange market, to increase the exposure to a foreign currency or to shift exposure to foreign currency fluctuations from one currency to another. Any remaining assets may be invested in fixed income securities of emerging market governments and companies. Certain securities issued by governments of emerging market countries are, or may be, eligible for conversion into investments in emerging market companies under debt conversion programs sponsored by such governments.

#### **Managed Volatility:**

The managed volatility portion of the portfolio will typically consist of securities of U.S. and global companies of all capitalization ranges. These securities may include common stocks, preferred stocks, warrants, ETFs, depositary

receipts and equity options. The portfolio will invest primarily in companies located in developed countries, but may also invest in companies located in emerging markets. The portfolio seeks to achieve lower volatility by constructing a portfolio of securities that are expected to produce a less volatile return stream to the market. The securities are weighed based on their total expected risk and return, without regard to market capitalization and industry.

**Dynamic Asset Allocation Strategy:**

The goal of this strategy is to serve as an active overlay to broader strategic allocations. The strategy seeks to maintain an asset allocation between the broad U.S. equity and U.S. fixed income markets primarily through the use of derivatives, and mainly index futures contracts. The allocation between U.S. equity and U.S. fixed income markets will be active based on the views of current market conditions and outlook for each asset class. The strategy may also opportunistically seek to add value to the portfolio by investing in other asset classes, such as global equities and bonds and derivatives thereon, currencies, and other asset classes. The proportional investments in each asset class may change from time to time as risk-adjusted return expectations shift.

**Global Fixed Income: 52% Target (25 – 75% Range)**

**Domestic Fixed Income (*Core Fixed Income, Limited Duration Fixed Income and High Yield Bonds*):**

The investment grade portion of the domestic fixed income portfolio will consist primarily of fixed income securities that are rated investment grade or better, i.e., rated in one of the four highest rating categories by an NRSRO at the time of purchase, or, if not rated are determined to be of comparable quality by the Fiduciary Manager or a mutual fund sub-Investment Manager. The portfolio may invest in traditional fixed income securities, such as bonds and debentures, including mortgage-backed and asset-backed securities. In addition, the portfolio may also contain structured securities that make interest and principal payments based upon the performance of specified assets or indices. Structured securities include mortgage-backed securities such as pass-through certificates, collateralized mortgage obligations and interest and principal only components of mortgage-backed securities. Other investments include mortgage dollar roll transactions, Yankee obligations and obligations of supranational entities.

The high yield strategy will consist primarily of fixed income securities that are rated below investment grade, i.e., rated below the top four rating categories by a NRSRO at the time of purchase, or, if not rated, determined to be of comparable quality by the Fiduciary Manager or a mutual fund sub-Investment Manager. There is no minimum rating requirement of the high yield securities that may be purchased and held in the high yield strategy. Any remaining assets may be invested in equity, investment grade fixed income and money market securities. The high yield allocation is targeted at 3% of the overall Investment Fund.

**Ultra Short Duration Fixed Income (*Short Term Corporate Fixed Income*):**

The Ultra Short Duration Fixed Income strategy invests in investment grade U.S. dollar-denominated debt instruments, including: (i) commercial paper and other corporate obligations; (ii) certificates of deposit, time deposits, bankers' acceptances, bank notes and other obligations of U.S. savings and loan and thrift institutions, U.S. commercial banks (including foreign branches of such banks), and foreign banks, that meet certain asset requirements; (iii) U.S. Treasury obligations and obligations issued or guaranteed as to principal and interest by agencies or instrumentalities of the U.S. Government; (iv) mortgage-backed securities; (v) asset-backed securities; (vi) fully-collateralized repurchase agreements involving any of the foregoing obligations; and (vii) U.S. dollar-denominated instruments of foreign issuers. In addition, the Fund may invest in futures contracts, options, swaps and other similar instruments. The portfolio will maintain portfolio duration of 18 months or less under normal market conditions.

**Non U.S. Fixed Income (*Emerging Markets Debt*):**

The non-U.S. investment grade portion of the fixed income portfolio will consist primarily of securities of non-U.S. issuers located in at least three countries other than the United States. Any remaining assets may be invested in obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and preferred stocks. The non-U.S. investment grade portion will concentrate its investments in developed countries.

Non-U.S. investment grade fixed income securities will be traditional fixed income securities, such as bonds and debentures, and will be issued by foreign private and governmental issuers and may include mortgage-backed and asset-backed securities. The portfolio may also contain structured securities that derive interest and principal payments from specified assets or indices. The portfolio will be comprised primarily of investment grade securities denominated in various currencies, including the European Currency Unit. Investment grade securities are rated in



one of the highest four rating categories by an NRSRO, or, if not rated, determined to be of comparable quality as determined by the Fiduciary Manager or a mutual fund sub-Investment Manager.

**Inflation Hedge Strategies: 2% Target (0-15% Range)**

**Multi Asset Real Return Strategy:**

This portfolio will pursue its investment goal by selecting investments from a broad range of asset classes, including fixed income and equity securities, and commodity linked instruments. The portfolio seeks “real return” (i.e., total returns that exceed the rate of inflation over a full market cycle). Fixed income securities will include: (i) securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities and obligations of U.S. and foreign commercial banks, (ii) obligations of foreign governments; (iii) Treasury Inflation Protected Securities (“TIPS”) and other inflation-linked debt securities; (iv) U.S. and foreign corporate debt securities, including commercial paper, and fully-collateralized repurchase agreements with highly rated counterparties (those rated A or better); and (v) securitized issues such as mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities and collateralized debt obligations. The portfolio may invest in debt securities of any credit quality and with a broad range of maturities. Equity securities may include common or preferred stocks, warrants, rights, depositary receipts, equity-linked securities and other equity interests. In addition to direct investment in securities and other instruments, the portfolio may invest in other funds, including exchange traded funds (“ETFs”), other pooled investment vehicles, and real estate investment trusts (“REITs”) and U.S. and non-U.S. real estate companies. A portion of the portfolio assets may also be invested in commodity-linked securities to provide exposure to the investment returns of the commodities markets, without investing directly in physical commodities. The portfolio may also invest in equity securities of issuers in commodity-related industries. Further the portfolio will have the ability to invest in commodity-linked swap agreements and other commodity-linked derivative instruments, futures contracts on individual commodities and options on them. The portfolio may also invest in futures contracts, options, forward contracts and swaps and credit default swaps for return enhancement or hedging purposes.

**Alternative Strategies: 48% Target (0 – 65% Range)**

**Hedge Fund:**

Hedge fund of funds will pursue its investment objective by investing primarily in underlying hedge funds, while also opportunistically making other investments. Individual hedge funds may engage in investment strategies that include temporary or dedicated directional market exposures; and will also choose and combine hedge funds in order to target the fund’s return objectives.

A fund’s portfolio may be allocated across several hedge fund styles and strategies. For example, the hedge fund portion of the portfolio may consist of various index-listed as well as over-the-counter securities including but not limited to: common or preferred stock issued by U.S. and non-U.S. corporations, debt securities issued by U.S. and non-U.S. corporations, governments, or government-sponsored agencies, asset-backed securities, convertible bonds, warrants, and exchange-traded funds. The hedge fund portion of the portfolio may also consist of various index-listed or over-the-counter derivative instruments including but not limited to: forward contracts, futures contracts, options, swaps, and swap options. Derivatives may be valued based on the price of underlying debt or equity securities or the level of particular economic variables such as interest rates, inflation rates, currency exchange rates, or commodity prices. In addition to purchasing securities outright, hedge funds may employ specialized investment techniques, such as short-selling and using leverage.

Certain funds may also invest in less liquid, private investment funds. These investments are illiquid, non-publicly traded assets and securities, such as shares in private operating companies. These investments can include strategies such as leveraged buyout funds, venture capital funds, real estate funds and distressed debt funds.

**Structured Credit:**

The portfolio pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations (“CDOs”) and other structured credit investments. The portfolio will primarily invest in the equity and mezzanine debt securities of CDOs. CDOs involve special purpose investment vehicles formed to acquire and manage a pool of loans, bonds and/or other fixed income assets of various types.

In addition to CDOs, the investments may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps (collectively with CDOs, “Structured Credit Investments”).

**Private Equity:**

Private equity investments will consist of primary limited partnership interests in corporate finance and venture capital funds. In addition, secondary partnership and co-investment deals are acceptable. Corporate finance investments may include leveraged buy-out, industry consolidation, growth or fundamental business change, acquisitions, refinancing and recapitalization, mezzanine investments and distressed and turnaround strategies. Venture capital investments include start-up companies and companies developing new business solutions and technologies. New technologies may include semi-conductors, telecommunications, software, biotechnology, computers and medical devices. Investments may be made to domestic and international partnerships.

**Core Property:**

The Property strategy will pursue its investment objective by utilizing a “fund of funds” approach, which includes investments in various investment funds that invest directly in commercial real estate properties, such as real estate investment trusts (“REITS”), hedge funds, private equity funds, hybrid funds and any other “alternative” investment funds (collectively, “Underlying Funds”). The primary investments will be in domestic, open-end funds focused on core real estate properties. Core real estate properties are high-quality, income-generating office and industrial properties, leased or pre-leased to creditworthy companies and governmental entities. The strategy is also permitted to invest in less liquid strategies and properties focused on value-added and opportunistic real estate opportunities. Value-added and opportunistic investment strategies offer the potential for higher returns, often entail some amount of illiquidity, and are typically perceived as having a higher risk profile than core investment strategies.

**Cash Equivalent Reserves:**

The investments selected by the Fiduciary Manager in accordance with this Investment Policy Statement may include a small portion of total assets in cash reserves when deemed appropriate.

Cash equivalent reserves will consist of money market securities such as high quality, short-term debt instruments. They include: (i) bankers' acceptances, certificates of deposits, notes and time deposits of highly-rated U.S. and foreign banks; (ii) U.S. Treasury obligations and obligations issued or guaranteed by the agencies and instrumentalities of the U.S. Government; (iii) high-quality commercial paper issued by U.S. and foreign corporations; (iv) debt obligations with a maturity of one year or less issued by corporations with outstanding high-quality commercial paper; (v) repurchase agreements involving any of the foregoing obligations entered into with highly-rated banks and broker-dealers; and (vi) foreign government obligations.

**Proxy Statements**

Proxies, tender offers and the like for any SEI mutual funds will be voted by WSU Management in accordance with the terms of the Investment Management Agreement. Proxies, tender offers and the like for individual securities will be voted by the sub-advisors within each respective mutual fund.

**Execution of Security Trades**

The Fund expects the purchase and sale of its securities to be made in a manner designed to receive the combination of best price and execution. The Board recognizes that mutual fund shares are purchased and sold at the net asset value next determined after receipt of the order and that accordingly, best price and execution may not be applicable to such transactions.

**CONTROL PROCEDURES**

**Review of Investment Objectives**

Investment performance will be reviewed quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy for achieving these objectives. In addition, the validity of the stated objective will be reviewed annually.

It is not expected that the Investment Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the Investment Policy.

### **Review of Fiduciary Manager and Investments**

The Fiduciary Manager will report to the WSU Management on a quarterly basis to review the investment performance of the Diversified Portfolio and the Liquidity Portfolio. The Fiduciary Manager will be charged with reviewing the weights between the Diversified, Liquidity and Cash Portfolios and ensure the WSU Management they are in compliance with the Investment Policy Statement and Ohio laws.

The Fiduciary Manager will be responsible for keeping the WSU Management advised of any material change in its personnel, the investment strategy, or other pertinent information potentially affecting performance of all investments.

On a monthly basis, the Fiduciary Manager provides the WSU Management with monthly performance reports complete with market commentary and performance versus appropriate benchmarks. Additionally, WSU Management will receive a monthly Trust Report complete with financial transactions, cash flows and net asset values (NAVs) of all the strategies in the Investment Fund that is managed by the Fiduciary Manager.

Quarterly investment reviews will focus on:

- A review of recent global economic and financial markets activity.
- An update of SEI's Economic Outlook and current view of asset classes including tactical over and under weightings.
- A review of the Diversified and Liquidity portfolios' Asset Allocation compared with strategic targets.
- A review of the financial transactions during the quarter.
- Comparison of the Fund's investment results will be done at three levels:
  - Level one, the individual investment vehicles will be compared individually with appropriate asset class specific benchmarks (see Exhibit A for a representative list of funds and benchmarks)
  - Level two, an appropriate Blended asset class benchmark based on the current targets. The Blended benchmark is designed to follow any discretionary allocation changes so that security and manager selection can be isolated for comparative purposes (these changes will be described in the performance report). As the asset allocation changes, the Blended asset class benchmark will adjust accordingly.
  - Level three, a Strategic asset class benchmark that is defined as the targets in the Fiduciary Manager's initial portfolio recommendation (see table on page 4 for initial target allocations). The Strategic asset class benchmark will *not* be adjusted as allocations are changed to isolate the value added of those allocation decisions from the initial strategic targets.
- Reallocation of funds between the three WSU Portfolios.
- When applicable, recommendation of new asset classes to the WSU Portfolios will be discussed and vetted with the WSU Management and a sub-group of members of the Investment Committee before being added to the Investment Policy. Strategic allocations may be re-established at that time.
- Adherence to this Investment Policy and guidelines.
- An update of all investment manager changes within underlying funds
- An update of material changes at SEI and the organizations of the underlying investment managers such as in investment philosophy and personnel, etc.
- Update on any interactions with the Fund's auditor's or other outside advisors.

### **Performance Expectations**

The most important performance expectation is the achievement of long-term investment results that are consistent with the Fund's Investment Policy. Implementation of the policy will be directed toward achieving capital preservation and not toward maximizing return without regard to risk. As such, the portfolio is constructed to optimize return opportunities within shorter time periods while also providing for long term asset appreciation.

***ADOPTION OF INVESTMENT POLICY STATEMENT***

*The Board has reviewed, approved and adopted this Investment Policy Statement, dated October 7, 2016, prepared with the assistance of SEI Investments Management Corporation.*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

**EXHIBIT A:****ASSET CLASS BENCHMARKS**

FUND NAME	BENCHMARK
<i>SEI S&amp;P 500 Index Fund</i>	S&P 500 Index
<i>SEI Small/Mid Cap Equity Fund</i>	Russell 2500 Index
<i>SEI Small Cap Fund</i>	Russell 2000 Index
<i>SEI US Managed Volatility Fund</i>	MSCI USA Minimum Volatility Index
<i>SEI World Equity ex-US Fund</i>	MSCI All Country World ex US
<i>SEI Emerging Markets Equity</i>	MSCI Emerging + Frontier Index
<i>SEI Dynamic Asset Allocation Fund</i>	S&P 500 Index
<i>SEI Core Fixed Income Fund</i>	Barclays Aggregate Index
<i>SEI Emerging Markets Debt</i>	JP Morgan EMBI Global Diversified
<i>SEI High Yield Bond Fund</i>	B of A ML US High Yield Master II Index
<i>SEI Short Duration Government Fund</i>	BofA ML 1-3 Year Treasury Index
<i>SEI GNMA Fund</i>	Barclays GNMA Index
<i>SEI Ultra Short Duration Bond Fund</i>	Barclays 9-12 Month Treasury
<i>SEI Limited Duration Fixed Income Fund</i>	BofA ML 1-3 Year Treasury Index
<i>SEI Multi Asset Real Return Fund</i>	Barclays 1-5 Yr U.S. TIPS Index
<i>SEI Special Situations Fund</i>	HFRI Diversified FofF Index
<i>SEI Structured Credit Fund</i>	S & P Leveraged Loan Index
<i>SEI Core Property Fund</i>	NRI Index

\* Benchmarks will be updated as appropriate when strategic changes are made. All discretionary changes within the stated bands will be reflected in the Blended Benchmark described on page 10 and disclosed on the performance report.

## **EXHIBIT B:**

	Board of Trustees for Wright State	Finance and Audit Committee	WSU Management Team	Fiduciary Manager
Set/approve investment policy	Decides			
Asset allocation guidelines	Delegates	Approves	Monitors	Implements
Investment strategy		Approves	Monitors	Implements
Evaluate/select investment managers		Delegates	Delegates	Implements
Portfolio rebalancing		May set ranges	Monitors Ranges	Implements
Monitor ongoing activities and reports performance	Delegates	Delegates	Monitors	Oversees/ Provides
Portfolio holdings			Delegates	Monitors
Committee education/ Asset allocation studies				Provides
Fiduciary responsibility	Yes (ultimate)	Yes	Yes	Yes