

INVESTMENT POLICIES AND GUIDELINES

INTRODUCTION AND OVERVIEW

ARTICLE IV of the bylaws of the Foundation empowers the Investment Committee to establish and recommend an Investment Policy to be approved by the Board of Trustees and to review such policy from time to time and recommend revisions when needed.

Accepting this responsibility, the Investment Committee has adopted and recommends to the Board the following Investment Policy and investment management guidelines. The guidelines apply to all funds invested by the Foundation. Within these guidelines, management flexibility is exercised by the Investment Committee as authorized by the bylaws of the Valdosta State University Foundation, Inc.

The Investment Committee is charged with the responsibility of investing the assets of the Foundation as a prudent investor would, given the distribution requirements, purposes, and circumstances of the Foundation and its responsibility to Valdosta State University.

This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the Foundation investment portfolio as a whole, and as part of an overall investment strategy, which incorporates risk, and return objectives reasonably suitable to the Foundation's mission.

In making and implementing investment decisions, the Board of Trustees and the Investment Committee of the Foundation have a duty to:

- Diversify the investments of the Foundation in order to reduce risk.
- Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and
- Incur only the costs that are reasonable in amount and appropriate given the responsibilities of the agents.

PURPOSE

In order to execute the foregoing duties, the Trustees of the Foundation have established this document. This document will:

- Establish the investment objectives of the Foundation and determine the policies and guidelines that will provide long-term stability and continuity to the management of the Foundation's assets.
- Establish a clear understanding by all involved parties as to their respective duties and responsibilities regarding the ongoing management of the Foundation's assets.

INVESTMENT OBJECTIVES

The investment goal is to preserve the purchasing power of the Foundation's assets over the years while providing sustainable resources for the programs and activities of the University that are supported by the Foundation.

Foundation funds should be invested to produce maximum total return consistent with prudent risk limits. Total return includes interest, dividends, realized and unrealized capital appreciation less all management costs.

Through its investment policies and guidelines, the Foundation will seek to achieve the following:

- A long-term return on investments to exceed the rate of inflation (as defined by the CPI) plus the percentage figure calculated in the spending policy.
- A long-term return on investments, net of expenses, that is equal to or exceeds investment benchmarks that assume the same level of risk as the Foundation.
- Maintenance of sufficient liquidity to fund current programs and projects anticipated in the short term.

INVESTMENT POLICIES

Asset Allocation

It is crucial to link the asset allocation policy to the Foundation's investment objectives. The allocation of the portfolio over various asset classes is the single most important determinant of investment risk and return. Historically, returns have been greater in equities than in bonds or cash. Since the Foundation has a long-term investment horizon, a significant portion of the investments should be in equities. Because market values and market conditions are constantly changing, an asset allocation policy should be expressed in ranges instead of a single percentage target. For these reasons, a policy targeting a range of 40% to 80% in equities will be used as a guide.

While equities provide greater long-term returns over most time periods, there is always the possibility of experiencing a prolonged or precipitous decline in equity prices. To mitigate against such loss and to provide more predictable and dependable cash flow, the Foundation should also invest in bonds. A target range of 20% to 60% fixed income will be used as a guide.

Alternative Investments not correlated to equities and fixed income should also be used as part of the total revenue objective. A target range of 0% to 20% will be used as a guide.

Movement within the approved ranges may be directed by the Investment Committee to respond to changing market conditions, but the Committee should refrain from making

frequent tactical changes. Use of an asset manager by the Committee to make tactical shifts in response to changing market conditions will be permitted.

Recap of Asset Allocation

	<u>Target Range</u>	<u>Initial Target</u>
Equities	40% to 80%	60%
Fixed Income	20% to 60%	40%
Alternative Investments	0% to 20%	0%

Portfolio Rebalancing

The Committee will monitor rebalancing from time to time to keep the investments in line with the target asset allocations.

New contributions to the Foundation should be applied to, and payments by the Foundation withdrawn from, asset classes in such a way as to bring the allocation of assets back toward its target allocation.

It is the policy of the Foundation to sell immediately all securities donated to it, *unless advised otherwise by investment counsel.*

GUIDELINES

Equities

1. Overview

- Given the substantial commitment to equities and their inherent volatility, it is essential that the Foundation's portfolio be well diversified at all times. To achieve diversification the Foundation will invest across various equity styles, capitalization sizes, and industry sectors. The Foundation's portfolio may also be invested in shares of foreign companies listed on U. S. exchanges or recognized foreign exchanges.

2. Prohibited Investments

- Use of leverage in the account (margin or derivative securities that increase risk).
- No more than 5% in any one issuer except the United States government.
- No more than 50% shall be demonetized in foreign currency.

3. Ranges within Equities

- The bond portfolio is designed to diversify the Foundation's assets and to cushion the portfolio in the event of an economic downturn. To achieve this, the portfolio should not unduly bear credit risks and should be invested in bonds of higher quality.

Cash and Equivalents

1. Overview

- Cash should be transitional or held for the purpose of liquidity to meet the Foundation's cash flow requirements.

2. Permitted Investments

- Short term bond funds if done at NAV. Average duration should be less than 1.8 years.
- Money market funds.

Alternative Investments

There are many other asset types offering significant potential for appreciation that are not directly correlated to price movements in the equity and fixed income markets. These may be considered suitable investments and may be included as part of the Foundation's asset allocation policy. These alternative investments include hi-yield bonds, timber, venture capital, commodities, and/or other asset classes the financial services industry considers to be alternative in nature. A target range of 0% to 20% will be used as a guide with no more than 5% in any single alternative investment.

Other Investments

Private equity, private real estate or other illiquid securities will be permitted only with prior approval of the Investment Committee.

Manager Agreements (in general)

- Each investment manager will have guidelines containing provisions consistent with these policies but tailored to the individual style and objectives of the manager.
- Managers should adhere to the policy at all times.
- Turnover should be kept to a minimum.
- Where appropriate, index funds with low fees may be used.

- Use of mutual or commingled funds will be allowed if they generally conform to the guidelines as if they were holding the individual securities.
- Managers' agreements will include specific guidelines and objectives for the portfolio and an itemization of all fees and costs to be incurred by the Foundation in connection with the portfolio's management.
- Managers should communicate, in writing, any significant developments at their firm. These developments include change in firm ownership (both actual and anticipated), organizational structure, professional turnover, significant accounts/assets gained or lost, fundamental investment philosophy, or compliance/legal changes.

DUTIES AND RESPONSIBILITIES

Board of Trustees

The entire Board of Trustees is charged with the ultimate responsibility for the Foundation's assets. As a practical matter, the Board will delegate responsibility for the day-to-day operations of the Foundation to the Chief Executive Officer (a.k.a. the Vice President for University Advancement) and his/her staff. The Board may also seek advice from outside professionals such as consultants and investment managers.

Investment Committee of the Board

The Investment Committee will oversee the implementation of the investment policies. The Committee will also make recommendations to the Board as to the hiring of outside professionals such as consultants and investment managers. The Committee will report to the Board on a regular basis on the status of the Foundation's assets as well as its investment performance relative to the objectives and policies set by the Board. Periodically, the Committee will review the investment policies, objectives and guidelines and recommend changes as needed.

Chief Executive Officer (VP for University Advancement)

The CEO is responsible for the day-to-day implementation of the investment policies set forth by the Board. As requested by the Committee, periodic reports will be made to the Committee on the status of the Foundation's assets and investment performance.

Investment Consultant

The consultant will advise the Investment Committee and the CEO on matters relating to the investment of the Foundation's assets including:

- Investment policy structure and implementation
- Appropriateness of asset allocation strategies
- Invest performance
- General economic trends and predictions

The Consultant will also:

- Monitor the assets to insure compliance with guidelines and policies and report any discrepancies to the Investment Committee.
- Manage the assets under their supervision in accordance direction from the Investment Committee.
- Hold and account for assets under their supervision including collection of all income, daily sweep of cash to money market funds, settlement of all trades, and provide monthly statements.
- Communications to the Investment Committee may be through the CEO of the Foundation.

MEETINGS

The Investment Committee will meet bi-annually to review the performance of the investments of the Foundation. The Consultant will be available to report to the Investment Committee as requested by the Committee.

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