INDIANA UNIVERSITY FOUNDATION

Investment Policy Statement

I. DEFINITIONS

A. Purpose

As stated in the Foundation's corporate charter, the function of the Indiana University Foundation (hereinafter, "Foundation") is to raise, receive, hold, administer, invest and manage funds from donors wishing to benefit Indiana University. Funds donated to the Foundation for the benefit of the University may be maintained in the form of endowments, quasi-endowments, charitable trusts or other forms deemed appropriate. The purpose of this Investment Policy Statement is to establish a clear understanding of the investment objectives and philosophy for maintaining and enhancing Foundation assets.

This document will describe the standards utilized by the Investment Committee of the Foundation's Board of Directors (hereinafter, "Committee") in monitoring investment performance, as well as, serve as a guideline for any investment manager retained. This document will be reviewed at least annually by the Committee.

While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term distributions with preservation of the real, inflation-adjusted value of assets, is crucial to the long-term success of the Foundation.

B. Scope

This document applies to assets that are a part of the Foundation and for which the Committee and investment managers have discretionary authority.

C. Investment Objective

The primary investment objective of the Foundation's asset management program is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the average of the broad, domestic Consumer Price Index and the Higher Education Price Index) plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power of those assets managed by the Foundation. The assets are to be managed in a manner that will meet the primary investment objective, and where possible, to seek growth above the objective, while at the same time attempting to limit volatility.

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 "about each asset in the context of the portfolio of investments, as part of an overall investment strategy." All investment actions and decisions must be based solely on what is in the best interest of the Foundation. Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests. (Appendix A)

As summarized for the purposes of this Investment Policy Statement, UPMIFA states that the Committee is under a duty to the Foundation to manage the Foundation's assets as a prudent expert would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments, not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Foundation are better served without diversifying. Further, the Committee may, at times, consider non-economic factors as they determine portfolio allocations, while never losing sight of the preeminent goal, as fiduciaries, to do what is best to maintain the intergenerational purchasing power of the endowment.

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 incurring costs where reasonable and appropriate.

E. Description of Roles

1. Investment Committee

The Committee is responsible for the following:

a. Adopt the provisions of this Investment Policy Statement
b. Monitor the performance of these assets on a regular basis
c. Approve hiring and dismissal of investment managers, custodians and consultants as needed
d. Maintain sufficient knowledge about the Foundation and its managers to be reasonably assured of their compliance with the Investment Policy Statement
e. Report to the Foundation Board of Directors
f. Monitor the investment goals of the Foundation’s Strategic Plan

2. Chief Investment Officer (CIO)

The CIO has daily responsibility for administration and oversight of the Foundation investments and will consult with the Committee and the investment consultant on matters relating to the investment of Foundation assets. The CIO will serve as primary contact for the Foundation’s investment managers, investment consultant, and custodian. Additional responsibilities include:

a. Remain informed about the evolving financial markets, risks, and opportunities in order to most effectively serve IUF in achieving its goals and objectives
b. Make recommendations to the Committee on matters including, but not limited to asset allocation targets, general investment policy, portfolio tilts, manager re-ups (Appendix B), and manager decisions
c. Manage internal investment staff
d. Management of internally managed assets
e. Communicating investment policies and results to University personnel as required
f. Receive and process gifts of securities

3. Investment Consultant

The investment consultant is responsible for assisting the Committee and CIO in all aspects of managing and overseeing the investment portfolio. The consultant is an important source of investment education and investment manager information. On an ongoing basis the consultant will:

a. Provide proactive recommendations
b. Supply the Committee with reports (e.g. asset allocation studies, investment research and education) or information as reasonably requested
c. Monitor the activities of each investment manager or investment fund
d. Provide the Committee with monthly performance reports

The Committee has utilized the discretionary services of a specialist consultant for a specific asset class in the past, and may decide to do so in the future

F. Spending Policy

The Foundation spending policy is comprised of the distribution rate of 4.5% of a 12-quarter rolling average of the market value of the Pooled Long-Term Fund.
In addition, inflation bands further enhance the stability of the distributions. Distributions will be constrained to fall within 2 times inflation on the growth side and 1 times inflation on the down side based on what was distributed in the previous year.
The inflation factor will be calculated as a rolling 5 year average of the Consumer Price Index (CPI). Revised inflation bands will be computed at calendar year end and become effective the following July at the beginning of each new fiscal year.
Net income will be distributed from the Pooled Intermediate Term Fund.

II. INVESTMENT PHILOSOPHY

A. Strategy

Endowment assets will be invested in the Foundation's Pooled Long-Term Fund. Operating funds will typically be invested in the Pooled Short-Term Fund. An additional option is the Pooled Intermediate-Term Fund, which will fill a need for those operating funds that are likely to be spent 6 months to 2 years from the time the cash is received.

The Committee understands the long-term nature of the endowment assets and believes that investing in assets with higher return expectations can, and often do, outweigh their short-term volatility risk. As a result, the majority of assets are likely to be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection.

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Pooled Long-Term Fund, but is a residual to the investment process and used to meet short-term liquidity needs, though occasions may arise in which cash will be temporarily raised.

IUF may charge a reasonable administrative management fee to the Pooled Funds.

B. Asset Allocation

Asset allocation will likely be the key determinant of the Foundation's returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. 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 total portfolio, rather than judging asset categories on a standalone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Foundation, 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 Pooled Long-Term Fund asset allocation will be set with the following target percentages and within the following ranges:

ASSET CATEGORY	TARGET	RANGE
GLOBAL PUBLIC EQUITY	**40%**	**30-55%**
U.S. Equities	21	16-28%
Large Cap	*10*	
Mid Cap	*5*	
Small Cap	*6*	
Developed International Equities	11	8-15%
Developed Large Cap	*9*	
Developed Small Cap	*2*	
Emerging Markets	8	6-12%
GLOBAL PRIVATE EQUITY	**23%**	**15-30%**
Venture Capital	8	
Buyout/Special Situations	15	
FIXED INCOME	**7%**	**5-15%**
Investment Grade - Interest Rate Sensitive	4	
Non-Investment Grade - Credit Sensitive	3	
REAL ASSETS	**13%**	**10-20%**
Real Estate	6	
Natural Resources	7	
HEDGE FUNDS - ABSOLUTE RETURN AND LONG/SHORT	**17%**	**14-24%**

C. Active and Passive Management

The asset allocation may be implemented using both active and passive investment managers.

D. Rebalancing

Periodic rebalancing of the portfolio toward policy targets has proven to be an effective portfolio management tool. It is useful for maintaining the risk profile adopted by the Committee and for achieving the desired goals and objectives. The asset allocation of the endowment relative to the established policy targets and ranges will be monitored on a regular basis by the CIO and adjusted as required and/or as it is deemed beneficial to do so. In many cases the additions of new money or withdrawals for spending will be used to rebalance in a cost effective manner. There will be times, due to sharp price fluctuations of the financial markets or manager performance, in which cash flows may not be sufficient to maintain the actual allocation within permissible ranges. In those cases it will be necessary to reallocate assets in order to comply with allocation guidelines.

E. Tactical/Opportunistic

The Committee appreciates, especially during increased volatility within the financial markets, the benefits of allowing for the limited consideration and possible investment in opportunities that may require a nimbleness and added degree of flexibility not normally available in the management of the endowment portfolio. Such an allocation may be used for market anomalies, price dislocations, portfolio tilts, or time sensitive opportunities, for example.

F. Liquidity

A goal of the Foundation 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 Committee 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 throughout the portfolio construction process.

G. Illiquid and Semi-Liquid Investments

Illiquid investments include private equity, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments.

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 annualized, net of fees. The return premium exists due to the ability to optimize the capital structure, lack of liquidity, operational value-add, 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 Foundation should seek access to top-quality managers and maintain a properly diversified position. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall private equity allocation should be diversified. Co-investment opportunities shall be considered (see Appendix D). 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 may 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 multiple private partnerships 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. **Private Real Estate**
The objective of the private real estate allocation is to provide low correlation to 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 Foundation 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, and typically utilize leverage. Core and Core Plus strategies may also be considered. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital may 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 (which provides liquidity, but utilizing this will depend on valuation) with investments in multiple private partnerships, manager specific, as well as property specific risk within the real estate allocation can be reduced.

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, retail, etc.).

3. **Natural Resources (Energy, Commodities and Timber)**
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 Foundation 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**
As commitments to natural resources are drawn down and invested over a period of years, and distributions are returned, the committed capital may 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 multiple private partnerships 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 midstream and 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.

iii. **Commodities**

Investments in long-only and/or hedged/absolute return funds specializing in investments diversified across the commodity complex. Investing in commodities serves as a hedge against inflation as well as a diversifying asset with historically low correlation to the equity and fixed income markets. Additionally, exposure to precious metals may be utilized as a hedge or form of insurance against asymmetric risks.

4. **Hedge Funds**

The objective of the hedge fund allocation is to diversify Foundation assets 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 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 Foundation 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: Absolute Return and Directional. Below are the definitions and examples of these strategies.

i. **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, Distressed Securities, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, Open Mandate, Macro, Multi-strategy, and Relative Value Arbitrage.

ii. **Directional (Equity Hedge)**
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 may take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Emerging Markets, and Short Selling.

b. **Manager Diversification**
An allocation to multiple hedge fund managers will mitigate manager specific, as well as strategy specific risk

III. Evaluation and Performance Measurement

A. 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 Foundation may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: 10 years).

1. The primary objective of the Foundation is to achieve a total return, net of fees, equal to or greater than spending, administrative fees, and inflation. The primary objective of the Foundation is:

Return $\geq$ Inflation + Spending Policy + Administrative Fees
(Inflation + 5.50%)

2. A secondary objective is to achieve a total return in excess of the Broad Policy Benchmark comprised of each broad asset category benchmark weighted by its target allocation.
The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
50%	Russell 3000	U.S. Equity / Real Assets
25	MSCI ACWI ex-US	International Equity / Real Assets
25	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

3. Another investment objective is to achieve a total return in excess of the Target Weighted Index comprised of each asset category benchmark weighted by its target allocation. The Target Weighted Index will be adjusted periodically to match the actual allocation, due to the long time period needed to draw down capital from private investments. Upon completion of achieving the target asset allocation the Target Weighted Index will be comprised of:

WEIGHT	INDEX	ASSET CATEGORY
10%	S&P 500	U.S. Large Cap
5	Russell Midcap	U.S. Mid Cap
6	Russell 2000	U.S. Small Cap
9	MSCI EAFE	International Developed
2	MSCI EAFE Small Cap	International Small Cap
8	MSCI Emerging Markets	Emerging Markets
17	HFRI Fund-of-Funds Composite Index	Hedge Funds- Directional, Absolute Return, Macro
19	Cambridge PE/VC Index	Buyout, Special Situations, VC
4	Cambridge PE/VC FOF Index	Buyout, Special Situations, VC
4	Barclays Aggregate Bond	Investment Grade Bonds
3	75/25 Blend Barclays Aggregate Bond & ML High Yield	Fixed Income Credit
6	NCREIF Property	Private Real Estate
3	Cambridge Natural Resource Index	Private Energy/Commodities
4	MSCI All Country World Energy Index	Public Energy/Commodities

B. Manager Evaluation

1. Each active liquid (and hedge fund) investment manager will be reviewed by the Committee on an ongoing basis and evaluated upon the criteria listed below. The Committee expects the managers to outperform the benchmarks over a reasonable timeframe (for measurement purposes: 5 years). The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may significantly underperform their benchmarks. Each investment manager will be reviewed on an ongoing basis and evaluated on the following criteria:

   a. Stability of the organization
   b. Retention of key personnel
   c. Absence of regulatory actions against the firm, its principals, or employees
   d. Adherence to the guidelines and objectives of this Investment Policy Statement
   e. Consistency in the style and capitalization characteristics defined as "normal" for the manager
   f. Performance compared to the appropriate benchmark and, for equity managers, produce positive risk-adjusted return (alpha)
   g. Performance compared to a peer group of managers with similar styles of investing

   Due to poor performance or certain others factors occurring within a firm, managers may deserve additional attention and would be added to the IUF Watch List (Appendix C).

2. 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 Foundation already has invested with the firm.

C. Summary of Quantitative Performance and Risk Objectives

1. **Liquid and Semi-Liquid Active Managers**
The following table summarizes the performance objectives for the liquid and semi-liquid (hedge funds) active managers. Managers failing to meet these criteria over a full market cycle will undergo extensive qualitative and quantitative analysis. This analysis will focus on the manager's personnel, philosophy, portfolio characteristics, and peer group performance to determine whether the manager is capable of implementing their defined portion of the overall portfolio structure. These managers are expected to outperform their primary benchmark, and the equity (and REIT) managers composite is expected to maintain a beta (vs. the primary benchmark) of less than 1.20.

ASSET CATEGORY	PRIMARY BENCHMARK	PEER UNIVERSE
Global Equity		
U.S. Large Cap	S&P 500	Top 40%
U.S. Mid Cap	Russell Midcap	Top 40%
U.S. Small Cap	Russell 2000	Top 40%
International Developed	MSCI EAFE	Top 40%
International Small Cap	MSCI EAFE Small Cap	Top 40%
Emerging Markets	MSCI Emerging Markets	Top 40%
Directional Hedge Fund	HFRI Fund-of-Funds Composite Index	
Global Fixed Income		
Investment Grade Bonds	BC Aggregate Bond	Top 40%
Credit	75% BC Aggregate Bond+25% ML HY [1]	-
Real Estate		
U.S. REITs	Wilshire REIT Index	Top 40%
International REITs	FTSE EPRA/NAREIT Global RE	Top 40%
Absolute Return Hedge Funds	HFRI Fund-of-Funds Composite Index	

[1] *Benchmark of current manager. Subject to revision if new managers are hired.*

2. **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.

3. **Private Illiquid Managers**
The majority of the Foundation's private equity, private real estate, and natural resource allocation will be invested with private partnerships. These partnerships typically range from 7-15 years in life, during which time the Foundation may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-7 years (depending on the strategy). New investments will create a drag on Foundation 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, measuring the multiple of invested capital, 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.

a. **Private Equity**
Returns will be compared to the appropriate peer group in the Cambridge Universe of similar style (buyout or venture capital) and vintage year.

b. **Private Real Estate**
Returns will be compared to the NCREIF Property Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

c. **Timber**
Returns will be compared to the NCREIF Timberland Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

d. **Energy**
Returns for private energy funds will be compared to the Cambridge Natural Resource Index while the allocation to public energy/commodity assets will be compared to the MSCI All Country World Energy Index.

IV. GUIDELINES & RESTRICTIONS

A. Overview

In today's rapidly changing and complex financial world, no "approved" list, types, or 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 Foundation's investments.

The requirements 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 Foundation. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each traditional equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement
2. Immediately notify the CIO and consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel

B. Public Equity Manager Guidelines (including REITs)

Each active equity investment manager shall:

1. Maintain a fully invested portfolio, with no more than 10% allocated to cash equivalents (a waiver may be granted)
2. Construct a properly diversified portfolio across sectors, industries, and for international/global mandates, countries
3. U.S. equity managers should have no more than 20% of the total portfolio invested in foreign stocks or American Depository Receipts (ADRs)
4. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein

C. Public Fixed Income Manager Guidelines

1. Each investment grade fixed income investment manager shall:
   a. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's
   b. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. (Split rated securities will be governed by the lower rating)
   c. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark
   d. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies. No more than 25% of the portfolio market value may be invested in any one industry.

2. Each high yield/bank loan investment manager shall:
   a. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's
   b. Hold no more than 20% of the portfolio in investments rated below B. (Split rated securities will be governed by the lower rating)
   c. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies. No more than 25% of the portfolio market value may be invested in any one industry.

D. Illiquid and Semi-Liquid Investment Guidelines

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Foundation may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Committee, 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 (PPM) and Limited Partnership Agreement.

The Foundation 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 Foundation, potential tax ramifications must be considered during the investment analysis and selection process. The Foundation shall seek to minimize the UBTI impact on the portfolio by selecting investment structures and geographic locations most beneficial to the Foundation.

Abusive Tax Shelters and Listed Transactions

The Internal Revenue Service has identified specific listed transactions considered to be abusive and requires individuals that market and participate in these transactions to disclose said activity. A listed transaction is a transaction that is the same as or substantially similar to one of the types of transactions that the IRS has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a listed transaction.

The Indiana University Foundation will comply with the form, substance, spirit, and letter of such laws and regulations. As agents of the Foundation contracted to perform specific investment management activities, each investment manager is prohibited from marketing to, or otherwise engaging the Foundation in these listed transactions. Should any of the investment vehicles currently held for the benefit of the Foundation be classified by the IRS as an abusive tax shelter subsequent to the original engagement, each manager is required to notify their Foundation contact immediately and make every effort to divest of this transaction. Such notification should include a detailed listing of any investment transactions or activities performed on the Indiana University Foundation's behalf and the plan to divest these investments.

E. Derivative Security Guidelines

1. For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:

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

2. The strategies in which derivatives may 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. Overlay/Transition Management – Derivatives (typically futures contracts) will be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.

e. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure.

f. Direct Energy – Derivatives may be used by some managers to hedge energy prices for expected future production.

g. Tactical / Opportunistic Account – Covered calls may be written to earn income while waiting for target prices to be hit.

F. Pooled Short-Term Fund Guidelines

A short-term investment portfolio will be maintained to meet, on demand, the operating requirements of the Foundation and the accounts that the Foundation holds. All accounts with cash balances not invested in the Pooled Funds will be invested in the Pooled Short Term Fund (PSTF). Cash Balances will include operating funds and also endowment assets awaiting the once monthly trade date for investment into the Pooled Long Term Fund.

The primary objective of the short-term fund is to provide for preservation of capital in a manner that adequately provides for the liquidity needs of the Foundation while providing the opportunity to increase yield on the PSTF.

Implementation will be such that the Investment Department will perform due diligence in order to identify managers/products for an “Approved List” from which the Finance staff, who will have day-to-day management responsibilities of short-term/operating funds, will build the portfolio.

The Investment Policy for the PSTF assets will be the purview of the IUF Finance Committee and the CFO Office.

V. ACKNOWLEDGEMENT

We recognize the importance of adhering to the philosophy and strategy detailed in this policy. We 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 objective, and therefore, recognize that suggestions regarding appropriate adjustments to this Investment Policy Statement or the manner in which investment performance is reviewed are welcome.

____________________ Indiana University Foundation	____________________ (Date)
____________________ Investment Manager	____________________ (Date)
____________________ Cambridge Associates	____________________ (Date)

INDIANA UNIVERSITY FOUNDATION

Appendix A

Conflict of Interest Policy

(In conjunction with existing IUF policy)

Below are a set of guidelines for evaluating investments for the Foundation that may have a perceived or real conflict of interest involving an IUF Board Member or individuals in a position of influence including IU trustees and major donors. These guidelines serve as a first set of hurdles to clear before a potentially conflicted investment opportunity would be considered via the full due diligence process.

- No first time funds excluding those in an evergreen format that meet the criteria below
- Minimum of 3 years in business
- The Firm must have at least $100 million in invested/committed capital
- The manager must have demonstrated top quartile performance in previous/existing investments relative to an appropriate peer group. It is recognized that private equity peer measurement becomes more meaningful as the time period is lengthened, therefore the age of the funds must be factored in to the judgment so that this is not the sole criteria for exclusion.
- IUF's investment may be no more than 10% of the total fund size

If an investment passes the initial screen, passes subsequent due diligence by Staff, and is brought to the appropriate committee for approval:

- The interested party must fully disclose any potential conflicts and completely recuse him/herself from the discussion of the recommended investment.
- The process must be well documented that all appropriate steps have been taken to prove that conflicts of interest were minimized.

Appendix B
Procedures for Fund "Re-ups"

The procedure to invest in a subsequent fund from an ***existing*** manager that staff deems to be attractive are as follows:

- Staff will email an overview of the investment recommendation to the committee and solicit feedback. If there are no objections or concerns within a designated time period (5- 10 business days) staff will proceed with the investment.
- If a single alternative manager represents more than 5% of the portfolio in exposed value the Committee shall be informed. (e.g. $100 million across strategies with any one Firm with total portfolio value at $2.0B. For example, IUF has exposure to Blackstone Capital, Blackstone Real Estate, and Blackstone Strategic Alliance hedge fund, the total of which would be included in the calculation for this parameter).
- Any re-up commitment greater than 1.5% of the total portfolio value will require notification of such in the written recommendation to the Committee
- All recommendations shall be within the asset allocation targets established by the Committee

In addition staff has been given authority to add up to $5 million to existing hedge fund managers as capacity becomes available and after notifying the Committee Chair.

Appendix C
INVESTMENT MANAGER WATCH LIST POLICY

In building a portfolio under the asset allocation guidelines as established by the Indiana University Foundation (IUF) Investment Committee, the investment assets are primarily managed through the utilization of external investment managers and funds. The oversight of the managers is the responsibility of the IUF Investment Office with assistance from the general investment consultant.

IUF desires to hire and retain investment managers that offer, in aggregate, the most attractive attributes and abilities to enable IUF to achieve its goals and objectives, and to avoid or terminate managers who are unlikely to achieve performance objectives on a going-forward basis. IUF recognizes that past performance may not be indicative of future results, and that over a long-term time horizon even the most successful managers are likely to experience periods of lackluster or poor performance. IUF also recognizes that there are costs to changing managers (in terms of time and resources in order to conduct a search, and the actual transaction costs to transition from the old portfolio to the new, and potential disruption of market exposures), and desires to achieve its performance objectives with the lowest possible manager turnover.

This policy describes the ongoing manager monitoring to be performed by staff and the consultant(s), and outlines the criteria that will trigger a manager's addition to the Watch List.

This policy applies to all external managers of publicly traded assets (public equities and fixed income). Monitoring activities for alternative assets (real estate, private equity, and hedge funds) will be covered in a separate policy.

Criteria Triggering Addition to Watch List

The following factors have been developed to assist staff when considering whether or not to an external investment manager necessitates extra scrutiny, initially with an addition to the Watch List, and potentially with termination. There are two sets of factors to consider, Qualitative and Quantitative.

Qualitative Factors – These relate to the overall investment organization, investment philosophy and process.

- Process - Has manager deviated from the process or philosophy for which they were hired?
- Ownership – Has manager undergone ownership or substantial organizational changes in the past year?
- Personnel – Have key members of the portfolio management team left the firm, had a significant change of roles, or undertaken significant new responsibility?
- Regulatory / Legal – Has manager faced legal action or had a regulatory change that could impact the firm?

Quantitative Factors – These are basic risk and return measures derived from the manager's investment performance.

- Assets Under Management – Has the manager experienced inflows/outflows within the portfolio that have the potential to impact results?

- Performance – Has the manager fallen to the bottom third relative to peers over the trailing three-year period?

Manager Review Process and Outcomes

Within a reasonable time after the conclusion of each calendar quarter, the investment consultant will prepare a grid indicating whether each manager has passed or failed each of the above criteria. For any manager that has failed one or more criteria, staff and the consultant shall conduct a review appropriate in scope to the criteria triggered. At the conclusion of the review, staff shall recommend that the IPC retain or terminate the manager.

Appendix D
Private Co-investments

The return objective of private co-investments is similar to that of the underlying illiquid private investment strategy. The purpose for utilizing the co-investment structure is to increase the Foundation's exposure to top quality managers and lower the cost of private investment fees. A strong preference is to source deals with GP's with whom IUF is already invested.

- For the purpose of calculating manager exposure, co-investments will typically be added to the exposure of the sponsoring manager and be subject to the Maximum Allocation restrictions though, depending mainly on the time horizon, may be held in the tactical / opportunistic allocation.
- The annual amount of capital deployed in co-investments shall not exceed 1% of the Foundation's Pooled Long-Term Fund during a calendar year. The cumulative cost basis of co-investment deals shall not exceed 5% of the Foundation's Pooled Long-Term Fund.
- Individual co-investments including future rounds of funding will be limited to a cumulative cost basis of 25 basis points of the Foundation's Pooled Long-Term Fund. Investing more than 25 basis points will require IC approval.
- The Investment Office must perform reasonable due diligence in advance of closing.
- Co-investments must have a reasonable time to liquidation. Opportunities with investment horizons that are greater than ten years cannot be considered.
- For co-investments in private entities without a publicly attained valuation, staff will use the valuation that the "sponsor" General Partner uses in their valuations. If a co-investment becomes publically traded, the public valuation will be used. In the absence of a General Partner valuation, staff would rely upon the "Price of Recent Investment" valuation technique as outlined in the International Private Equity and Venture Capital Valuation Guidelines dated December 2012 as follows: the Valuer uses the initial cost of the Investment itself, excluding transaction costs, or, where there has been subsequent investment, the price at which a significant amount of new investment into the company was made, to estimate the Enterprise Value.

  If neither valuation technique is available or satisfactory, any discretionary valuations will be made only with the approval of the Committee.

- The Investment Office must provide regular oversight of co-investments.