University of Wisconsin-La Crosse Alumni & Friends Foundation
INVESTMENT POLICY

Overview

This Investment Policy Statement establishes the investment objectives and policies for the oversight and management of all the investment assets of the Foundation. The Board of Directors of the Foundation has delegated the responsibility for the oversight and management of all its investment assets to its Finance & Investment Committee. The following investment policy, the objectives, and directions therein are to be understood in the light of the overall sense of stewardship.

In the investment of any assets subject to their control, investment managers are required to adhere to the "prudent investor rule" under such state and federal laws as now apply or may in the future apply. Wisconsin Statute, Section 112.11 Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Foundation employs professional investment managers and gives them discretion, consistent with specified objectives and guidelines, to manage the Foundation's investment assets. The Finance & Investment Committee reviews the investment performance of these managers on a regular basis to monitor the manager's performance and compliance with the scope and terms of the Finance & Investment Committee's delegation.

The Finance & Investment Committee, Foundation staff, and the investment consultant(s), if retained, shall discharge the duties of their positions according to this policy.

The Investment Policy is approved annually by the UWL Alumni & Friends Foundation Board of Directors.

<u>Section 1</u>

Investment Objective

The Foundation's investment objective is to generate sufficient return to meet its current and future cash flow needs from the endowment, which includes preserving the inflation-adjusted purchasing power of the assets over the long term. While the pursuit of these objectives requires the assumption of investment risk, the intention is to avoid excessive risk, so that the investments can provide a reliable and sustainable flow of funds to support the mission of the UWL Alumni & Friends Foundation and the University.

Spending Policy

The Foundation maintains a 4% distribution from the earnings of the endowment except in instances where an endowment is underwater, and the Underwater Endowment Policy is employed.

The amount available for distribution is based on the rolling 3 (three) year average of the market values on December 31st. For endowments that are less than three years old, the trailing annual average market value for the number of years the endowment has been invested will be used. Endowment management fees will be assessed prior to the annual distribution calculation.

Endowment management fees paid to the Foundation, which are calculated using the endowment account ending balance from the preceding quarter using the market value of the investments on the last day of the previous quarter, may not exceed 2.25% annually. Endowment fees shall be reviewed and approved annually by the Foundation Board of Directors in consultation with the Finance & Investment Committee.

Section 2

Asset Allocation

Asset allocation will be the key determinant of Foundation 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.

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 Allocation Guidelines

Asset Class	**Asset Mix**	**Range**
Equities	**60%**	**50-75%**
Fixed Income	**35%**	**25-50%**
Alternatives	**5%**	**0-15%**

Section 3

Investment Policies

If an investment/portfolio manager wishes to make an investment in an asset class outside the norms herein established, there must be received written permission from the Foundation prior to making such an investment. Investment/portfolio managers must also comply with one of the following:

1. They must be registered under the Investment Advisors Act of 1940 and must annually provide the investment committee a copy of his or her Form ADV, as referenced by Rule 204-3 of the Act.

2. They must be employed as an investment advisor with a financial institution chartered with the Federal Office of the Controller of the Currency or the State Banking Commission.

Exceeding any limitation requires the investment manager to: (a) timely inform the Foundation (in writing) of the situation and what action will be taken to correct the matter; and (b) take reasonable, timely and prudent investment action to re-comply with the limitation.

The Foundation endowment seeks high total return through a combination of capital appreciation and current income. To pursue this investment goal, a diversified mix of stocks and fixed-income securities is desired. This calls for a selection of securities that, in the portfolio managers' judgment, will result in the highest total return consistent with balancing capital appreciation and risk. The portfolio managers may vary the mix of stocks and bonds from time to time, but shall allocate no more than 75%, and normally not less than 50%, of its assets to stocks and the remainder to fixed-income securities, alternative investments and cash. In allocating fund assets between stocks, bonds, other fixed-income securities and cash, the portfolio managers shall assess the relative return and risk of each asset class, analyzing several factors, including general economic conditions, anticipated future changes in interest rates and the outlook for stocks generally.

In choosing investments in which to invest, the portfolio managers shall look at all factors and "styles" (i.e., growth, value) they deem relevant and employ such strategies as they deem most advantageous, within these guidelines, for the Foundation's investments. In the investment of any assets subject to their control, investment/portfolio managers are required to adhere to the “prudent investor rule” under such state and federal laws as now apply or may in the future apply.

In seeking to achieve a better risk-adjusted return on stock investments, the portfolio managers shall create a broadly diversified core equity portfolio that includes a blend of large company stocks, mid-size company stocks, small company stocks, growth stocks and value stocks. The Foundation believes that holding a diverse group of stocks can provide competitive returns under different market environments. A flexible approach to equity investing should enable the Foundation's endowment to adapt to changing market trends and conditions and to invest wherever the portfolio managers believe opportunity exists. In addition, the investment managers may not purchase more than 5% of the value of the equity portfolio in any one company’s stock or continue to hold such a position should it at any time equal or exceed 10% of the equity portfolio.

The portfolio managers shall invest at least 25% of the assets in fixed- income securities. The fixed-income securities in which they may invest include corporate bonds and other debt instruments, mortgage-related securities, asset-backed securities, debt securities issued or guaranteed by the U.S. Government (including its agencies and instrumentalities), convertible debt securities and preferred stock that is convertible into common stock. Although the portfolio managers shall generally invest in investment grade fixed-income securities, they may at any time have invested up to 20% of the fixed-income portion of their Foundation portfolio in securities rated below investment grade and 20% foreign bonds. If such non-investment grade investments involve the purchase of individual securities, these securities may not be rated lower than one level beneath investment grade (for example, no lower than BB or Ba.) The overall bond portfolio will maintain a rating equal to the benchmark.

The corporate debt securities in which the portfolio managers invest will be issued by established companies. The bond portfolio duration may be no more than 25% greater than the effective duration of the benchmark index, Bloomberg Barclays Aggregate Bond Index.

Except for securities of the U.S. government or its agencies: the investment managers may not purchase a position in any one issuer's bonds that exceeds 5% of the fixed-income portfolio nor continue to hold such a position should it at any time equal or exceed 10% of the fixed-income portfolio; all commercial paper must have a rating of A1/P1 as rated by Moody's or an equivalent rating by another qualified and recognized rating service; and certificates of deposit shall have the highest credit quality rating from a nationally recognized rating service such as Duff and Phelps, IBCA or Thompson Bank Watch.

To achieve a diversified equity portfolio, the portfolio managers have the latitude to invest up to 30% of the entire portfolio in international stocks including Emerging & Frontier Markets. This investment would be through mutual funds or exchange traded funds whose primary focus is on stocks outside of the United States. Normally, these funds invest at least 80% of their assets in developed countries but have the ability to invest up to 20% of their assets in emerging markets. The international portion of the equity portfolio should be further diversified by using more than one mutual fund. Diversification among investment styles within the international sector is also encouraged. The MSCI ACWI IMI* ex-US Index will be used as a performance comparison for the developed international stocks and for the emerging market exposure.

To further address issues of diversification and risk management, the portfolio managers are authorized to direct up to 15% of the portfolio they manage into investment vehicles that would give the portfolio the opportunity for exposure in areas of alternative investments, specifically Real Estate Investment Trusts (REITs), hedge funds, private equity, venture capital and natural resources; provided, however, that the combined total of any amounts invested in private equity, venture capital and natural resources may not exceed one-third of the hereinabove authorized 15%. Up to 5% can be allocated to a single hedge fund and up to 10% to a strategy employing multiple managers (a fund of funds using multiple firms).

Section 4

Procedures

A. The Foundation employs the skills and talents of specific professionals as investment managers. Should an investment professional be removed or voluntarily resign, his or her company shall have the obligation to immediately inform the Foundation.

B. These policies define the scope and depth of monitoring the Investment Manager(s) against quantifiable objectives as defined in the investment policy and investment guidelines.

On an annual basis, the Committee and the Investment Manager will discuss for the Foundation:

1. The appropriateness of the objectives, policies and guidelines set forth in this Statement.
2. The achievement of objectives and the adherence to policies and guidelines.
3. Amendments to the objectives, policies, and guidelines presented in this Statement.
4. The reasonableness of:

   a. The expense ratios of the funds used
   b. Custody/administration fees
   c. Investment consultant/analyst fees
   d. Any other vendor fees associated with the Plan

C. The investment managers are required to create portfolios with both stocks and bonds. Their performance will, accordingly, be measured against indices comprised of both equity and fixed income components. In addition to meeting personally in La Crosse with the Investment Committee annually, the investment managers will also provide in a timely manner a quarterly report in the format designated by the Foundation and be available upon request. In particular, each quarterly report shall include the performance for the past quarter, year to date, 1, 3 & 5 year for:

Total Assets Managed

1. A balanced index comprised 45% Russell 3000 Index, 15% MSCI ACWI IMI ex-US Index, 5% HFRI FoF Index, and 35% Bloomberg Barclays Aggregate Bond Index.
2. An index as described above except that the percentages will reflect the asset allocation percentages used by the investment manager over the period under review.

Individual manager/fund with the portfolio

3. Compared to an appropriate benchmark along with the associated category Benchmark from Section 2- i.e. Small Cap.