

DELTA STATE UNIVERSITY FOUNDATION, INC.
Investment Policy Objectives & Guidelines

INTRODUCTION

This statement of investment policies and objectives is set forth in order that:

1. There is a clear understanding on the part of the Finance Committee (the Committee) and also the Delta State University Foundation Executive Committee of the investment policy and objectives of the endowment "Fund".
2. The Finance Committee is given guidance and limitations and understands what is expected of them
3. The manner in which these objectives are accomplished and the accountability of the Finance Committee and investment managers in seeking to achieve these objectives shall be consistent with the fiduciary provisions of the "Prudent Man" rule.
4. There is established a basis for evaluation of the investment performance of the Fund.

It is the intent of this statement to establish an attitude and/or philosophy, which will guide the Committee toward the performance desired. It is intended that the objectives be sufficiently specific to be meaningful, but sufficiently flexible to be practicable.

RESPONSIBILITY

The Committee, under the auspices of the Executive Committee, is charged with the responsibility for the investment of the assets of the Fund. The committee members shall discharge their duties solely in the interest of the Delta State University Foundation and for the exclusive purpose of meeting the financial needs of the Foundation. They shall discharge their duties with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

INVESTMENT MANAGEMENT

The Directors require the Committee to adhere to the "prudent man rule" under such federal laws as now apply, or may in the future apply, to investments of the Foundation.

The Committee is authorized to engage the services of investment managers, as defined under the Investment Advisors Act of 1940, and other investment professionals, to provide the specialized research and skilled manpower to meet these investment objectives and guidelines. Accordingly, the Committee requires the investment managers to adhere to the "prudent man rule" under such federal or state laws as may be applicable, or which may be applicable in the future to investments of their assets.

DELEGATION OF AUTHORITY

The Committee is responsible for:

1. recommending to the Board any changes in Board-approved objectives for the funds;
2. recommending the appointment by the Board of professional investment managers;
3. supervising the investment performance of the funds;
4. achieving the objectives indicated in this policy; and
5. ensuring adherence to specific limitations and guidelines set forth in the policy.

OBJECTIVES

The primary, long-term investment objective of the Investment Fund is to preserve the real (adjusted for inflation) purchasing power of the assets and income. Specifically, the Foundation seeks to ensure that the present value of the existing funds grow at a rate that will exceed inflation while generating a predictable stream of income. The investment priorities of the Foundation are:

- A. Protection of Principal
- B. Sufficient total return commensurate with safety of principal and the spending requirements of the Foundation
- C. Preserve Purchasing Power
- D. Capital Growth

Spending Policy

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated at the end of each calendar year (December 31st) and is determined by the Executive Director and staff of the Foundation in accordance with the appropriate spending policy as approved by Board of Directors of the Foundation. The calculation is as follows:

- a. A 3-year moving average of the annual market value per fund is determined.
- b. The amount to be spent will not exceed 5% of the market value calculated in “a” above.

GUIDELINES

A. Investment Philosophy - Asset Allocation

Target Asset Mix Table

<u>Asset Class</u>	<u>Target Ranges*</u>
U.S. Equities	10-30%
International Equities	5-25%
Emerging Market Equities	0-10%
U.S. Bonds	5-25%
Hedge Funds **	0-35%
Private Equity **	0-15%
Real Assets **	0-15%
Opportunistic	0-10%
Cash & Equivalents	0-5%

The Investment Fund will be diversified by both asset class and by strategy within each asset class. The purpose of diversification is to limit the specific risk associated with any single security or class of securities. The Committee, with the aid of its Investment Advisor, shall periodically review the overall asset allocation of the Investment Fund to ensure appropriate diversification.

* The asset class target ranges may be changed at any time by the Finance Committee of the Delta State University Foundation, Inc. The Investment Adviser may change the target allocations freely so long as the target allocations are within the target ranges set by the Finance Committee. The Finance Committee understands that the actual allocations to each asset class may be above or below the acceptable ranges due to movements in the markets. Thus, the asset allocation will be compared to the target ranges quarterly and will be reallocated as is needed to bring the actual exposures within their target ranges.

** It is also understood that initially the Private Equity and Real Assets allocations cannot be funded to the target levels. The unfunded allocations to Private Equity and Real Assets will be invested in the Hedge Fund allocation until target allocations can be reached.

Asset Allocation

To achieve its investment objectives, the Investment Fund shall be diversified among a variety of asset classes and investment strategies to achieve its objectives as set forth herein.

The objective of the fixed income allocation (bonds and cash equivalents) is to contribute to the overall return, to reduce overall volatility of the Investment Fund's returns, to provide a deflation hedge, and to provide cash flow to support the Foundation's spending. The objective of the equity allocation, which includes U.S. Equity, International Equity, and Emerging Market Equity, is to produce a proportionately greater contribution to total return than the fixed income portion. It is recognized that the equity fund entails the assumption of greater market variability and risk.

The objectives of the non-traditional strategies (Hedge Funds, Private Equity and Real Assets) is to contribute to the overall return and reduce the overall volatility of the Investment Fund's returns by virtue of the relatively low correlation between the non-traditional strategies among themselves and their low correlation to the traditional strategies (U.S. Equities, International Equities, Emerging Market Equities and U.S. Bonds). Furthermore, these non-traditional strategies offer the potential for attractive risk-adjusted rates of return compared to traditional strategies. The opportunistic allocation may include any strategy that offers exceptional risk/reward opportunities over a medium-term time period (3-5 years). These strategies will typically include existing sub strategies employed by one of the allocations or managers.

B. Permissible Types of Assets -

The following list of types of assets is expressly approved for investment.

- Common Stock (preferable with some current dividend yield)
- Preferred Stock (minimum rating required: Moody's Baa or S&P BBB)
- Foreign Common Stock (ADRs and ordinary shares including Emerging Markets)
- Convertible Securities (minimum rating required: Baa)
- U.S. Government Securities and AAA Agency Issues
- Commercial Paper (Prime 1 only)
- Corporate Bond (minimum rating required: Moody's Baa or S&P BBB)
- High Yield Bonds (Bonds rated Ba or BB and lower)
- AAA Collateralized Mortgage Obligations
- Publicly Traded REITS
- Private Real Estate
- Mutual Funds (which meet all other criteria)
- Commingled or Pooled Funds
- Limited Partnerships with specific Finance Committee approval
- C. D.'s of domestic banks (limited to \$95,000 total deposit per bank)
- Money Market Funds

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable, except for investments in Private Equity and Real Asset funds.

The following assets and/or transactions are expressly prohibited:

- Naked Options
- Naked Puts
- Selling Short (as a stand alone strategy)
- Commodities (as a stand alone strategy)
- Letter Stock
- Private Placement Bonds
- Interest Rate Anticipation (as a stand alone strategy)

C. Investment Markets - Equities

In order to broaden the investment opportunities to achieve the objectives set forth herein, investments are permitted in equity securities listed on the New York Stock Exchange, principal regional exchanges, and over-the-counter securities for which there is a strong market providing readily salability of the specific security.

Diversification -

The Board believes it desirable that equity securities held in the Fund represent a cross section of the economy. The Managers will be allowed to choose the degree of concentration in various issues and industry sectors. However, the initial purchase of a single company shall not exceed 5% of the total portfolio market value. If price appreciation causes a security to exceed the 5% limitation, a sale of the issue shall not be required except as warranted by investment considerations. It is understood where mutual funds, commingled or pooled funds, or limited partnerships that the funds shall adhere to the investment policies set forth in their prospectus agreements or offering memorandums.

International Equities -

The International Equity and Emerging Markets Manager(s) should maintain the international portion of the Fund at a risk level equivalent to the international markets as a whole, with the objective of exceeding its results as represented by the Europe, Australia, Far East (EAFE) index over a three-year time period net of fees. Equity holdings may be selected from the major American, European, Asian, Latin American and Australian Exchanges and can be in the form of ADRs.

Diversification -

The International Equity and Emerging Markets managers will be allowed to choose the degree of concentration in various issues and industry sectors. However, the initial purchase of a single company shall not exceed 5% of the total portfolio market value. If price appreciation causes a security to exceed the 5% limitation, a sale of the issue shall not be required except as warranted by investment considerations. It is understood where mutual funds, commingled or pooled funds, or limited partnerships that the funds shall adhere to the investment policies set forth in their prospectus agreements or offering memorandums.

D. Fixed Income -

Investments in the domestic intermediate fixed income portfolio will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The Manager(s) may select from appropriately liquid preferred stocks, corporate debt securities, obligations of the U. S. Government and its agencies, securities of municipal and state governments, securities convertible to equities and Collateral Mortgage Obligations (CMO's) possessing a quality rating of AAA.

Diversification -

The Fixed Income managers, including domestic and international, will be allowed to choose the degree of concentration in various issues and industry sectors. With the exception of U.S. Government and Agency securities, the initial purchase of a single security shall not exceed 5% of the total portfolio market value. If price appreciation causes a security to exceed the 5% limitation, a sale of the issue shall not be required except as warranted by investment considerations. In addition, the overall duration of the fixed income portfolio shall not exceed 10 years and the average credit quality shall be A or better as rated by Moody's or Standard and Poor's. It is understood where mutual funds, commingled or pooled funds, or limited partnerships that the funds shall adhere to the investment policies set forth in their prospectus agreements or offering memorandums.

REPORTING

Reports on investment holdings and current market values will be prepared quarterly. The September 30 report will be submitted to the Board at the annual Homecoming meeting and the December 31 report will be submitted at the annual mid-winter meeting.

PERFORMANCE GOALS

The investment objectives of the Fund represent hoped-for results. They are long-term in nature. The Board has defined its performance goals as "real" (in excess of inflation) rates of return, as well as in "relative" terms.

1. Total fund investments should earn over time an annualized rate of return (over inflation) of 6%.

2. Equity investments should earn over time an annualized "real" rate of return of 7%.
3. Fixed Income investments should earn over time an annualized "real" rate of return of 4%.
4. Hedge Fund investments should earn over time an annualized "real" rate of return of 7%.
5. Private Equity investments should earn over time an annualized "real" rate of return of 10%.
6. Real Asset investments should earn over time an annualized "real" rate of return of 7%.
7. In relative terms, the Fund is expected to exceed the performance of a static 65%/35% mix of traditional stocks and bonds. This mix shall consist of 65% of the S&P 500 Index and 35% of the Barclay's Aggregate Bond Index. The Fund is also expected to exceed the performance of a composite index which is comprised of a weighted average mix of the manager's benchmarks. It is expected that the composite index will generate better risk-adjusted returns over time versus the static 65%/35% mix.
8. The performance of the Fund shall be monitored quarterly and reviewed over a full market cycle, which represents three to five years.

IT IS RECOMMENDED THAT THESE INVESTMENT POLICY OBJECTIVES AND GUIDELINES BE REVIEWED ANNUALLY AND REVISED OR CONFIRMED AS APPROPRIATE. ANY CHANGE OF THIS POLICY MUST BE APPROVED BY THE FULL BOARD.

Approved and adopted by the Directors of the Delta State University Foundation, Inc. on February 18, 2005, revised on May 5, 2006, revised on October 31, 2008 and revised on February 7, 2013.