

Investment Policy

for

University of Nevada, Reno Foundation

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Introduction

This policy statement provides a framework for the management of the assets of the University of Nevada, Reno Foundation ("Foundation") pooled Endowment fund (Endowment) and Operating funds. Its purpose is to assist the Board of Trustees (Board) in effectively supervising and monitoring the investments of the Foundation. A subcommittee of the Board of Trustees, or Investment Committee, may be established to focus on implementing and monitoring the Foundation investments in accordance with the guidelines outlined in this policy statement. The guidelines are designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

The Membership

The Investment Committee shall consist of no fewer than five (5) and no more than eleven (11) members. The Chair of the Investment Committee must be a trustee, and shall be elected by the Board of Trustees. At least three (3) of the other members shall be non-trustees with some background in investments. No member of the Audit & Finance Committee shall be a voting member of the Investment Committee. The Investment Committee shall recommend to the Board strategies and the guidelines as to the management of investments; the allocation of assets; the appointment of the investment managers; the performance of the portfolio; and the review of quarterly reports of the operations and results as prepared by the Foundation staff prior to submission to the Board of Trustees. Investment Committee recommendations must be approved by either the Executive Committee or full Foundation Board.

- The term for the Chair of the Investment Committee shall be for the length of time the office is held.
- Terms for the other trustees shall be for one year with provision for renewal. Terms for the non-trustees shall be for one year with provision for renewal. Appointments are made by the Board Chair on a calendar year basis.
- The Executive Director and Treasurer of the University of Nevada, Reno Foundation shall serve as ex-officio nonvoting members of the Committee. The Investment Committee shall meet at least quarterly. Minutes of each meeting of the Investment Committee shall be provided to the Executive Committee with investment reports. To avoid a conflict of interest, no member of the Investment Committee should make, or have made under his control, any Foundation investments.
- No member of the Board or Investment Committee shall accept, or approve the acceptance by staff or any other person, any gift, travel expense, or other perquisite proffered by an investment manager in the amount of \$25 or more without the advance approval of the Executive Committee.

The management of the Foundation is expected to adhere to the following basic fiduciary responsibilities:

- Oversight will occur with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like aims.
- Investments of the Foundation will be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.
- The Foundation shall comply with the provisions of the Uniform Prudent Management of Institutional Funds Act and Uniform Prudent Investor Act as adopted in the State of Nevada.

The document below addresses the following issues:

- The objectives of the Foundation and the investment program.
- The investment strategy including specific asset allocations, spending policies, rebalancing procedures and investment guidelines.
- The policies and procedures for the management of the investments.
- The Foundation's investment program shall at all times comply with applicable local, state and federal laws and regulations.

Goals and Objectives: Endowment Funds

Statement of Investment Objectives and Policies for the Endowment Funds

- The long-term financial objective of the Endowment Fund (Endowment) is to provide a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. (In order to achieve this objective over the long term, the unit value of the Endowment must also increase at least as fast as the rate of inflation)
- The long-term objective of the Endowment is to obtain a rate of return that meets the spending rate of 5%, plus a 1% management fee plus the rate of inflation (as measured by the Consumer price Index). For example, if the CPI is 3%, the investment return objective would be 9%.

Investment Philosophy

The Endowment has a long-term investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Endowment's investment performance.

The assets will be managed on a total return basis. While the Endowment recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the Endowments' best interest on a risk-adjusted basis and is consistent with sufficient liquidity and investment risks that are prudent and reasonable, given prevailing capital market conditions.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the Endowment is exposed. The objective is to minimize operational risks and require appropriate compensation for investment risks which the Endowment is willing to accept.

Investment Program Policies and Procedures: Endowment Funds

Investment Program Policy

1. In developing the General Investment Policy, the Investment Committee shall periodically request asset allocation studies that consider the current and expected condition of the Endowment, the expected long term capital market outlook and the Endowment's risk tolerance. The asset allocation study shall measure the potential impact on the real value of Foundation Endowment assets of alternative asset allocation policies based on various degrees of diversification in terms of risk and return. It is the policy of the investment program to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment's Investment Objective. The strategy will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments;
- Historical and expected long-term capital market risk and return behaviors;
- The relationship between current and projected assets of the Endowment and its spending requirements.

The Investment Committee will undertake asset allocation studies no less frequently than every five years, and shall determine (1) the asset classes to be included in the investment portfolio, (2) the targeted or normal commitments to each asset class to achieve the desired level of diversification and return (collectively, the "Strategic Asset Allocation"), and (3) the range in which the commitments are permitted to fluctuate.

2. The Strategic Asset Allocation shall be sufficiently diversified to maintain investment risk at a reasonable level, as determined by the Investment Committee, without imprudently sacrificing return and may take into account the following factors:

- a) the historical performance of capital markets adjusted for the perception of the future short and long-term capital market performance;
- b) the correlation of returns among the relevant asset classes;
- c) the perception of future economic conditions, including inflation and interest rate assumptions;
- d) the relationship between the current and projected assets of the Endowment and projected spending goals.

3. Taking into account the Strategic Asset Allocation, as it deems appropriate, the Investment Committee shall recommend the specific allocation of the Foundation's investments within the various asset classes for approval by the Board. The Investment Committee will implement the approved Strategic Asset Allocation by selecting one or more external investment managers with demonstrated experience and expertise in the appropriate investment classes and styles. The Investment Committee will set investment guidelines, which set forth the list of authorized investments, the typical portfolio characteristics, and portfolio constraints where applicable, for each strategy. The Investment Committee will regularly review

each manager's investment performance on a total return basis against stated objectives. Formal meetings with the investment managers will be held at Investment Committee meetings regularly to discuss objectives, styles and returns or other matters deemed important.

4. The Board and Investment Committee may retain independent professional investment consultants to assist in the development and implementation of the investment policy, and to monitor, oversee, report on and make recommendations with respect to the activity of current and, if appropriate, prospective investment managers, as well as the asset class structures.

5. It is the responsibility of the Board, with input from the Investment Committee, to manage the investments of the Foundation at reasonable cost, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the Foundation.

6. The Investment Committee will reallocate assets on a periodic basis to balance the overall asset allocation against target when deviations occur because of capital market fluctuations. All percentage allocations in this policy are based on the market value of assets.

7. The Board considers the active voting of proxies an integral part of the investment process. It is the intent of the Board to exercise its proxy voting authority by exercising its judgment in the best financial interest of the Foundation. Proxy voting shall be delegated to the discretion of investment managers retained by the Board. The managers shall be required to establish a proxy voting policy and maintain records of proxy votes, and shall make these records available quarterly to the Board or its designee as requested. The Board may at its discretion establish an overall policy of voting proxies in which case the managers' proxy voting policy shall be in accordance with that of the Committee's. The Board recognizes that in certain non-U.S markets, investment managers may, balancing the costs and benefits, not exercise the Foundation's proxy voting rights. In the case of institutional mutual funds selected by the Board, the Board shall vote proxies related to the mutual fund and maintain records of the exercise of the Board's proxy voting authority. In the case of collective trust funds (CTF), the Board understands that the Foundation owns a pro-rata share of the units of the fund - not the underlying securities. The trustee for the CTF shall vote the proxies on behalf of the CTF. To the extent that the proxy voting guidelines do not address a particular issue, the Board delegates to the Investment Committee, the authority to direct the investment manager or agent on such issues, with the intent to maximize shareholder value for the benefit of the Endowment's ultimate beneficiaries. Analysis and judgment should be exercised as circumstances dictate. The Foundation's investment consultant shall make recommendations to staff on proxy voting for approval by the Executive Committee or full Board.

8. No investment or action pursuant to an investment may be taken unless expressly permitted by this policy, unless approved by the Board. The Board retains the right to waive any of the above policies if it deems that such waiver is in the best interest of the Foundation and/or its participants. The Board acknowledges that when the Foundation invests in a collective investment fund or other pooled vehicle, that vehicle may have uniform investment guidelines for all investors. The Board shall use the guidelines herein in evaluating the manager and reviewing the vehicle's guidelines, although it may not be able to impose such guidelines on the pooled fund manager. Additionally, the Board will periodically review this policy and may at any time amend, supplement, or rescind it.

9. The Board may at any time amend, supplement, or rescind this General Investment Policy.

Investment Program Strategy

As a result of the above process, the Board has adopted the following asset allocation targets and ranges, exclusive of amounts transferred to the Endowment's operating account:

Asset Allocation Targets and Ranges

Target Asset Mix Table 1

<u>Asset Class</u>	<u>Min Wt.</u>	<u>Target Wt.</u>	<u>Max Wt.</u>
Global Equities	33%	38%	43%
US Equities	12%	17%	22%
International Equities	12%	17%	22%
Fixed Income	20%	25%	30%
Core US Fixed Income	12%	15%	18%
High Yield Fixed Income	5%	10%	15%
Real Estate	0%	10%	15%
Private Markets	5%	10%	15%
Alternative Debt	5%	10%	15%
Real Assets	4.0%	7%	10.0%

Up to 25% of the total portfolio, with a target of 15%, could be invested in marketable alternatives (as defined below) across asset classes.

Marketable Alternatives - Investments may include, but are not limited to, equity-oriented or market-neutral hedge funds (i.e. Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies) which can be both domestic and international market oriented. These components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures. The objective of Marketable Alternative strategies is to broaden the opportunity set of the Foundation's investment portfolio by capitalizing upon investment opportunities not available in traditional public markets investments. These strategies are actively managed portfolios that are not concerned with benchmark relative performance, and aim to generate positive returns in both up markets and down markets, in part by managing its exposure to the broad market. These investment vehicles also attempt to produce lower levels of volatility than traditional markets with lower correlation to broader markets to provide diversification benefits to the total portfolio.

The Committee will implement the asset allocation policy through the use of qualified external Professional Investment Managers. The external investment managers will have full discretion and authority for determining investment strategy, security selection and timing subject to Policy guidelines and any other guidelines specific to their portfolio. The Investment Committee should be cognizant of the liquidity terms of the underlying investment funds. Investment vehicles which limit the ability of the Endowment to withdraw capital on at least a quarterly basis should be considered illiquid. Examples of such vehicles include, but are not limited to, hedge funds, private equity investments, most private real estate vehicles, and some alternative debt products. No more than 35% of the portfolio may be invested in illiquid investments.

The Executive Director and Treasurer will apply rebalancing procedures to ensure that the asset allocation of the Endowment stays within the ranges defined above. The asset allocation of the Endowment will be reviewed by the Staff and Investment Consultant at least quarterly or when significant cash flows occur. The Endowment will be rebalanced as necessary, making use of spending payments to the extent possible and considering the transaction costs involved in the rebalancing.

Endowment Distribution Policy

- Distributions from the Endowment each fiscal year will be 5% of the average market value for 12 quarters ending June 30.

Investment policy guidelines for new endowments

Funds must be invested in the pool by June 30th of each year to be included in the distribution calculation for the following fiscal year. All earnings on the fund from the first day of investment will be reinvested back into the Endowment until July 1st of the following fiscal year. Funds that are received after the June 30th due date, will have all earnings reinvested back into the principal of the Endowment until the end of the next fiscal year.

Examples assuming a 5% distribution over 12 quarters:

Donor Smith gives us a gift of \$10,000 on June 1, 2009. The calculation for the distribution for the fiscal year of July 1, 2010 – June 30, 2011 is approximately \$525. The earnings on the Endowment from July 1, 2009 – June 30, 2010 would be \$500 and would be reinvested back into the principal of the Endowment.

Donor Jones gives us a gift of \$10,000 on July 1, 2009. The investment would be added to the Endowment pool on September 30, 2009. The fund would earn \$908 from September 30, 2009-June 30, 2011 all of which would be reinvested back into the principal. The fiscal year of July 1, 2011 - June 30, 2012 would have distributions available of (approximately) \$540.

- The spending policy shall be administered in accordance with the Prudent Management of Institutional Funds (Uniform Act) Nevada Revised Statute 164.640.
- An annual one percent management fee will be imposed on the Endowment pool for administrative expenses associated with managing the Endowment funds. No management fee will be charged on any endowment fund where the market value of that fund is less than the amount of all contributions to the fund.

Rebalancing Policy

It is the Foundation's policy to rebalance within the stated ranges on a uniform basis so as not to cause undue expense to be allocated to the portfolio. The purpose of rebalancing is to control portfolio risk and maintain the policy asset allocation within the targeted ranges. When the assets are out of their stated ranges, they are rebalanced back to the target weight unless extreme market conditions require implementation of prudent alternatives. It is the Foundation's policy to rebalance within the stated ranges as defined in the "Target Asset

Allocation” table I. Policy requires the portfolio to be rebalanced at least annually or more frequently if desired by the members of the committee charged with the oversight of the portfolio’s investments. Tactical rebalancing, which represents portfolio positioning to opportunistically capture short term market anomalies, is also permissible as long as the trades do not violate the stated ranges for each asset class and do not cause undue expense to the portfolio

In certain agreements, the investment manager(s) may have the authority to execute rebalancing transactions on behalf of the Foundation, within the guidelines established by this policy. These rebalancing shifts may be tactical in nature and must fall within the specified asset allocation ranges as defined by this statement. The investment manager(s) may not execute rebalancing that would result in a new investment program or an allocation outside of the guidelines in this policy statement without the prior written approval of the Investment Committee.

Securities Lending Policy

Securities lending involves the lending of equity and fixed income securities held in the underlying investments funds to qualified borrowers who provide collateral, (usually in the form of cash or cash equivalents), in exchange for the right to use the securities. Incremental income is generated through the investment of the collateral during the loan period. The Committee will endeavor to understand the securities lending policies of the underlying fund managers and the risks involved. A maximum of 35% of the portfolio may be used for securities lending.

Investment Management Policies and Procedures: Endowment Funds

Global Equity Securities

The purpose of equity investments, both domestic and international, in the Endowment is to provide capital appreciation, growth of income, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss. This component includes domestic and international common stocks, American Depository Receipts (ADRs), preferred stocks, and convertible stocks traded on the world's stock exchanges or over-the-counter markets.

Public equity securities shall generally be restricted to high quality, readily marketable securities of corporations that are traded on the major world stock exchanges. Equity holdings must generally include companies represented within the appropriate market index with reasonable market liquidity. Reasonable market liquidity in this context is left to the underlying managers' discretion and based on factors such as market capitalization, trading costs, and available float. Decisions as to individual security selection, number of industries and holdings, current income levels and turnover are left to broad manager discretion, subject to the standards of fiduciary prudence.

The "Traditional Long-Only" Investment Manager(s) is prohibited from borrowing money or trading uncovered options, commodities or currencies. The Manager(s) is also restricted from investing in private placements and restricted stock unless otherwise permitted by the Investment Committee. It is expected that no assets will be invested in securities whose issuers are or are reasonably expected to become insolvent, or who otherwise have filed a petition under any state or federal bankruptcy or similar statute.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of equity securities.

Fixed Income Securities

The purpose of fixed income investments, both domestic and international, is to provide diversification, and a predictable and dependable source of current income. It is expected that fixed income investments will be diversified by duration. Fixed income instruments should reduce the overall volatility of the Endowment's assets, and provide a deflation hedge. This component includes both the domestic fixed income market and the markets of the world's other developed economies. It includes but is not limited to U.S. Treasury and government agency bonds, foreign government and supranational debt, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt. Fixed income also includes money market instruments, including, but not limited to, commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and U.S. Treasury and agency obligations.

Investments in fixed income securities should be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. Maturity, duration and quality will be controlled by the guidelines for each manager.

Investments of a single issuer, with the exception of the U.S. Government and its agencies (including GNMA, FNMA and FHLMC), may not exceed 5% of the total market value of the Endowment;

The total fixed income portfolio is further delineated into two types: investment grade and high yield.

Investment Grade Fixed Income: This portfolio will be invested in global issues. The investment grade fixed income segment is expected to provide cash flow and relatively less volatility than the equity asset classes.

High Yield Fixed Income: These are bonds which are rated below investment grade, but have been issued by going concerns. They display a lower correlation to many asset classes, with the objective of reducing overall portfolio volatility. High yield bonds exhibit higher yield to maturity than investment grade bonds which improves the Foundation's net cash flow.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

Cash and Equivalents

The Foundation will exercise sufficient due diligence to minimize investing cash and cash equivalents in instruments that may become illiquid. The Investment Manager may invest in the highest quality commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the Endowment's principal value. Cash and equivalent investments will be governed by amended SEC rule 2a-7, which requires funds to maintain a portion of their portfolios in instruments that can be readily converted to cash, reduces the maximum weighted average maturity of portfolio holdings, and improves the quality of portfolio securities. Commercial paper assets must be rated at least A1 or P-1 (by Moody's or S&P). No more than 5% of the Endowment's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. Government and its agencies.

Uninvested cash reserves shall be kept to a minimum; short term, cash equivalent securities are usually not considered an appropriate investment vehicle for investment. However, such vehicles are appropriate as depository for income distributions from longer term investments, or as needed for temporary placement of funds directed for future investment to the longer term capital markets. Also, such investments are the standard for contributions to the current fund or for current operating cash.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of cash equivalent securities.

Other Securities

Private Capital Partnerships - Investments may also include domestic and international venture capital and private equity investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers. Private market investments attempt to provide the Foundation with the potential to earn high rates of return relative to other asset classes,

recognizing that private market investments also generate commensurate risk levels. Additionally, private market investments are significantly less liquid than those in the public markets. Private market investments may include investments in venture capital, buyouts, mezzanine debt, and distressed debt.

Real Estate - Investments may also include equity real estate, held in the form of professionally managed, income producing commercial and residential property. Such investment may be made only through professionally managed pooled real estate investment fund or real estate investment trusts, as offered by leading real estate managers with proven records of superior performance over time. The private real estate portfolio will be diversified by property type and geographic location. The objective of the private real estate portfolio is to provide immediate protection against unexpected inflation, dampen overall asset volatility, and provide diversification from traditional capital market exposure. Leverage at the investment fund level shall be governed by the appropriate managers' guidelines but should generally be limited to between 30% and 50%. This leverage level is on par with many Real Estate Investment Trusts (REITs) and core or value-add real estate products.

Alternative Debt - Investments may include non-traditional fixed income investments. These investments may include domestic and international distressed debt investments (both liquid trading opportunities as well as illiquid control strategies) as well as bank loans, convertible bonds, emerging market debt, and mezzanine debt. The investments must be held in the form of professionally managed pooled limited partnership investments or funds offered by professional investment managers.

Real Assets – Real assets shall be managed to accomplish three primary goals: prudently achieve long-term returns above inflation; diversify the Foundation's investments; and hedge against inflation risks. This is to be accomplished using a basket of different types of investments, which may include but are not limited to, the following.

Natural Resources – Investments may also include oil, gas, and timber investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional investment managers. Investments in natural resources attempt to capitalize on long-term demand growth and persistent supply constraints for real assets and resources including oil and gas, power, agricultural resources, timber, renewable energy, metals, and water.

Commodities - Investments may also include a broad range of commodity oriented strategies. These strategies will include but may not be limited to futures, options on futures and forward contracts on exchange traded agricultural goods, metals, minerals, energy products and foreign currencies. The use of swap transactions will be permitted to access this market strategy. Investments must be held in the form of professionally managed pooled funds, segregated and limited liability or corporate investments.

Inflation Linked Bonds: Inflation Linked Bonds are bonds which are designed to eliminate the inflation risk of a fixed income instrument by indexing either, or in some cases both, the principal amount or the coupon to inflation. The inflation-linked market primarily consists of sovereign debt, with privately issued inflation-linked bonds constituting a small portion of the market.

Derivatives and Derivative Securities - Certain of the Endowment's Managers may be permitted under the terms of their specific investment guidelines to use derivative instruments.

Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. All derivatives positions must be fully collateralized. Investment Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each Manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Performance Objectives

Long term objectives have been established against which the performance of the investment policy is to be measured. Because capital markets fluctuate, the viability of the asset allocation is to be judged over a period of a full market cycle which is generally three to five years. The performance objectives are:

1. The long-term investment objective of the Endowment is to attain an inflation-adjusted total return, net of fees, at least equal to the contemplated spending rate of 5% plus a management fee of 1%.
2. To add value by active management at the Total Endowment level; the value added by active management to the total Endowment performance is intended to exceed a Board-approved policy-weighted index over time that is calculated by weighting the appropriate indices according to the asset allocation policy. The appropriate asset class benchmarks are laid out in the following table.

Asset Class	Benchmark	
U.S. Equity	Dow Jones Wilshire 5000	Broadest measure of U.S. markets
International Equity	MSCI AC World Ex-U.S.	Broad measure of non-U.S. stocks including developed and emerging markets
Core Fixed Income	Barclays U.S. Aggregate	All investment grade U.S. issues with more than 1 year to maturity
High Yield Fixed Income	Citigroup High Yield Cash Pay Capped	Represents the invest-able U.S. high yield market
Private Equity	S&P 500 + 3%	Adjust public market returns for an illiquidity premium
Real Estate	NCREIF Property Index	Represents institutional private real

		estate holdings
Alternative Debt	Barclays Aggregate + 5%	Adjust public market returns for an illiquidity premium
Inflation Linked		Adjusts inflation for an illiquidity premium
Natural Resources/Commodities	CPI + 5%	
TIPS	CPI + 1%	

Restrictions

The Executive Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and the investment strategy involved.

For mutual and other commingled funds, the prospectus or Declaration of Trust documents of the fund(s) will govern the investment policies of the fund investments. While the Investment Committee understands that such funds have their own stated guidelines which can not be changed for individual investors, in principle and spirit those guidelines should be similar in nature to the guidelines stated above. To the extent that a fund allows any or all of the above stated restrictions, the Investment Committee must be aware of their possible use and be confident that the Investment Manager(s) thoroughly understands the risks being taken, has demonstrated expertise in their usage of such securities, and has guidelines in place for the use and monitoring of those securities.

Goals and Objectives: Operating Funds

- In addition to investing and managing the Endowment Funds, the Foundation manages liquid funds that include the Operating Funds. The Operating Funds are included in the categories of unrestricted (gifts, unrestricted interest income, and unrestricted endowment earnings) and restricted funds. Funds held in trust for others are funds held by the Foundation on behalf of a beneficiary until such time as the restriction by the donor is satisfied. This statement of investment objectives and policies governs the investment management of these operating funds of the Foundation.
- The Board is responsible for establishing the investment policies for the Operating Fund. Accordingly, the Board has promulgated these guidelines pursuant to which they have established the permitted investment parameters and distribution policy. The Board will review and revise these guidelines from time to time as appropriate.
- The Board has delegated to the Investment Committee the management for the Operating Fund within the parameters of these guidelines.
 - For purposes of investment policy, the Operating Fund will be considered as two discrete pools of funds: a “short-term pool and an intermediate-term pool”
 - The short-term pool shall be funded in an amount sufficient to meet the expected daily cash requirements of the Foundation. The goals of the investments are to maintain the principal in the account while maximizing the return on the investment. All cash receipts will be deposited into, and all disbursements will be paid from, this pool. The short-term pool will be for unrestricted and restricted cash funds. The short-term pool will be invested in investments that are staggered in 30, 60 and 90 day investments. Appropriate types of investments are: money market funds, certificates of deposit, commercial paper, United States Treasury Bills and Notes, Mortgaged back securities (US Government) and internal loans to the University of Nevada, Reno secured by a promissory note with appropriate interest.
 - The intermediate-term pool is intended to provide a liquid source of funds in the unlikely event the short-term pool is insufficient to meet the Foundation’s cash needs. Since the short-term pool is funded at an amount sufficient to meet expected cash requirements, the intermediate-term pool will be invested in fixed income securities generally having an average maturity of three years or less in order to take advantage of the higher yields typically paid for longer maturities while still maintaining low risk of principal loss.
 - The Investment Committee will determine at least annually, the appropriate size of each pool within the parameters of these Guidelines.
 - The weighted average credit quality rating of the Operating Fund’s investments will generally be at least AA or the equivalent and will never be below A as rated by one or more national credit rating agencies such as Standard & Poor’s Corporation or Moody’s Investors Service.

Roles and Responsibilities

Duties of the Board of Trustees

In the management of the Foundation's assets, both Operating and Endowment, the Board of Trustees will approve the Investment Policy developed by the Investment Committee for the investment program.

The Board of Trustees, in its sole discretion, can delegate its decision-making authority to the Investment Committee regarding the investment program within the guidelines established by this policy statement.

- The Board of Trustees is responsible for establishing the investment policies for the Foundation. Accordingly, the Board has established these guidelines pursuant to which they have established for permitted asset classes, ranges, and spending policy. The Board will review and revise these guidelines from time to time as appropriate.
- Review, with assistance from Investment Committee and the Investment Consultant, at regularly scheduled Board meetings the portfolio's investment structure and financial performance. The review will include recommended adjustments to the long-term, strategic asset allocation policy, if adjustments are warranted.
- Manage the investments at reasonable cost, being careful to avoid sacrificing quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs and other administrative costs. Cost should be benchmarked against a universe of comparable products and/or services.

The Investment Committee will report regularly to the Board on the financial performance of the portfolio and significant committee decisions related to the management of the portfolio.

Duties of Investment Committee

In the management of the Foundation's assets, The Investment Committee shall recommend investment strategies and guidelines to meet them by:

- Recommending how the investments are to be managed;
- Recommending asset allocation decisions;
- Recommending direct investments;
- Recommending the investment managers with approval by the Executive Committee or full Board;
- Monitoring the performance of the portfolio;
- Reviewing quarterly reports of the operations and results as prepared by the Foundation staff prior to submission to the Board of Trustees.

Duties of Staff

- Implement the investment policy as directed by the Investment Committee.

- Implement the rebalancing of the portfolio to maintain the proper diversification within the ranges approved by the Investment Committee and in accordance to the guidelines established in the rebalancing policy of this document.
- Fund the spending or cash distribution account as frequently and in an amount, in the discretion of Foundation Staff, as the Foundation Staff may determine. Contributions or other income to the portfolio will flow through this short-term cash account.
- Execute any documents necessary to facilitate implementation of this policy, including but not limited to contracts with consultants and investment managers for providing services.
- Review the Portfolio's investments at least monthly to ensure that policy guidelines continue to be met. Executive Director and Staff shall monitor investment returns on both an absolute basis and relative to appropriate benchmarks. The information for these reviews shall come from outside advisors, the custodian, and the Institution's investment consultant and managers.
- Raise timely concerns with the Investment Committee and take appropriate action under the direction of the Investment Committee if investment objectives are not being met or if policies and guidelines are not being followed.
- Be responsible for selecting a qualified custodian as defined by the ability to handle investments, transactions, and strategies authorized by this policy statement. For mutual and other commingled funds, responsibility for selecting a qualified custodian resides with the investment manager of that mutual or commingled fund.
- Maintain a quarterly summary of investment activity.
- Provide overall monitoring of Investment Consultant and Investment Managers, and ensure that they conform to the terms of their contracts and that their performance monitoring systems are sufficient to provide the Executive Director and Staff with timely, accurate and useful information.

Duties of Independent Investment Consultant

When retained for service, the investment consultant will, at a minimum:

- Provide independent review, analysis, and recommendations regarding the development and revision of policies to ensure overall consistency, use of best practices, implementation of policies, and cost analysis.
- Recommend investment funds and asset allocations in accordance to the Policy and periodically review such funds and allocations.
- Recommend, monitor and report the rebalancing of the portfolio to maintain the proper diversification within the ranges approved by the Investment Committee and in accordance to the guidelines established in the rebalancing policy of this document.

- Review the Foundation's investments at least quarterly to ensure that policy guidelines continue to be met.
- Monitor investment returns on both an absolute basis and relative to appropriate benchmarks. Provide reports to the Executive Director, Staff and the Committee on a monthly and quarterly basis.
- Informing the Investment Committee regarding any qualitative change to investment management or strategies.

Duties of the Investment Managers

The investment management for the Foundation is to be provided by external investment managers. Each investment manager will comply with "prudent expert" standards, acknowledge its fiduciary status and other conformity with applicable state and federal laws. The guidelines for the managers are provided below:

- Each manager shall operate under a set of guidelines specific to the strategic role its portfolio is to fulfill in the overall investment structure and any other applicable investment related policies. Additionally, the individual managers will be judged according to benchmarks that reflect the objectives and characteristics of the strategic role their portfolio is to fulfill.
- Know and comply with the policies as outlined in this document. It is the Investment Manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with the Foundation Staff toward possible improvement of those policies.
- Maintain thorough and appropriate written risk control policies and procedures. Oversight of compliance with these policies must be ongoing and independent of line investment activity.
- Reconcile every month accounting, transaction and asset summary data with custodian valuations, and communicate and resolve any significant discrepancies with the custodian.
- A manager under contract to the Board should advise the Board and the Staff as promptly as possible (preferably within three business days) if at any time there is:
 - a. a significant change in investment philosophy;
 - b. a loss of one or more key management personnel;
 - c. a new portfolio manager on the Foundation's account;
 - d. a material change in ownership structure of its firm;
 - e. any occurrence which might potentially impact the management, professionalism, integrity, or financial position of the investment management firm; or
 - f. a change in any other matter requiring notice in the contract between the investment manager and the Foundation.

- Sector and security selection, portfolio quality and timing of purchase and sales are delegated to the investment manager subject to the constraints within the manager's specific guidelines.
- Unless specifically permitted in the investment manager guidelines or other governing document approved by or on behalf of the Board, the following transactions are prohibited: purchase of non-negotiable securities, short sales, selling on margin, puts, calls, straddles, options, or "letter" (restricted) stock.
- Transactions that involve a broker acting as a "principal", where such broker is also the investment manager who is making the transaction are prohibited.
- Transactions will be made on a best execution basis, taking into consideration cost and prevailing market considerations and any outstanding soft dollar arrangements between the Foundation and its vendors as permitted by law.
- The use of derivatives shall be governed by the Derivatives section (referred to in the section on acceptable Derivatives policy in the Investment Management Policies and Procedures), in the case of single customer accounts managed on behalf of the Foundation. When investing in a collective investment fund or other pooled vehicle (rather than hiring a manager to manage for a single customer account), the Board will use the Derivatives Policy to assist in evaluating the manager and reviewing the guidelines established by the manager for the pooled vehicle.
- In the event of deviations resulting from conditions beyond the manager's control, including but not limited to market fluctuations, contributions into or withdrawals from the account, the manager shall rectify such deviations as soon as reasonably possible and notify the Board of any material deviations and actions taken therein. In the event of deviations resulting from the manager's mistake or any other action within the manager's control, the manager shall rectify such deviations immediately and notify the Board of the deviations and actions taken.
- For purposes of the guidelines, (a) all percentages apply on a market value basis immediately after a purchase or initial investment and (b) any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total assets does not require immediate elimination of any security from the Portfolio.

Manager(s) Reporting and Evaluation

It is expected that the Investment Manager(s) responsible for the investment of Endowment assets shall report quarterly on the performance of the portfolio, including comparative returns for the funds and their respective benchmarks; also included will be a complete accounting of all transactions involving the Endowment during the quarter, together with a statement of beginning market value, fees, capital appreciation, income and ending market value, for each account. In addition, Managers should meet with the Investment Committee periodically; and will be supplemented by other meetings as necessary for proper review.

The Board recognizes that market conditions may greatly influence the ability of a manager to meet year to year investment goals and objectives. Further, the Board realizes that significant cash flow may also affect the ability of a manager to meet a specific short term objective. Accordingly, the Board, through the Executive Committee, Investment Committee, and investment consultant, expects to monitor performance through absolute, relative, and comparative terms over an annualized time periods. Absolute results will determine the rate of fund growth, while relative results will provide the Board with a view of investment performance compared to the securities markets and comparative results will present performance as compared to other Investment Managers.

Total Investment Pool

Review of Endowment results in absolute terms shall be made with consideration towards meeting and/or exceeding the expressed minimum real rate of return over a moving three and five year time period.

Review of Endowment results in relative terms shall be accomplished primarily by comparing results, over a moving annualized three and five year time period, to assigned weighted market indices.

Fund (Asset Class) Level

Review of the underlying fund results in relative terms shall be accomplished primarily by comparing results, over a moving annualized three and five year time period, to assigned market indices.

Review of the underlying fund results in comparative terms shall be accomplished primarily through universe comparisons over moving annualized one, three and/or five year time periods.