INVESTMENT POLICY STATEMENT
for
THE ALABAMA TRUST FUND
November 2014

I. BACKGROUND AND PURPOSE

A. Constitutional Authority

Amendment No.450 to the Constitution of the State of Alabama of 1901 created the Alabama Trust Fund ("Fund") as an irrevocable, permanent trust fund to be administered in accordance with the provisions of Amendment 450.

The Fund is under the management and control of the Board of Trustees ("Board") established by Amendment 450, and all powers necessary or appropriate for the management and control of the Fund are vested solely in the Board.

B. Background

In 1985, the Fund was established as an investment vehicle for the management of oil and gas capital payments generated from drilling activity in Alabama's offshore waters. The initial corpus of the Fund was $334 million. The gas royalty payments are in decline and are expected to cease in or about 2032.

C. Investment Policy

Section 5 (b) of Amendment 450 states that "to the extent practicable, the board shall keep all moneys at any time held in the trust fund invested in such eligible investments as shall, in its sole and uncontrolled judgment, produce the greatest trust income over the term of such investments while preserving the trust capital."

Additionally, "the Board shall have full power and authority to select the eligible investments in which monies held in the trust fund shall at any time be invested."

The Fund's goals and objectives are:

- To provide an annual total return greater than that distributed.
- Consistent with prudent standards for preservation of capital and maintenance of liquidity, to earn the highest possible total rate of return consistent with the Fund's tolerance for risk as determined periodically by the Board.
- In carrying out these objectives, short-term fluctuations in the value of the Fund's assets shall be considered secondary to long-term investment results.

- The Fund has a long-term investment horizon and believes that asset allocation is the major determinant of investment performance. Consequently, a long-term asset

allocation will be determined consistent with the Fund's investment objectives and performance goals.

- The assets will be managed on a total return basis. Although the policy recognizes the importance of preserving capital, it also must reflect that degrees of investment risk are generally rewarded with increased returns that compensate for the additional risk.
- Additionally, risk greater than that of stable long-term low risk securities will be required to preserve the purchasing power of the Fund. It is appropriate to pursue riskier investment strategies if such strategies are in the Fund's best interest. Selection of investment strategies will be evaluated on a risk-adjusted basis as needed to meet the investment objectives of the Fund.

The purpose of this Investment Policy Statement ("IPS") is to identify investment objectives, guidelines, and performance standards for the investment of the assets of the Fund. This IPS may be modified from time to time by action of the Board. The primary focuses of this IPS are as follows:

- Clearly distinguish among the responsibilities of the Board, the Fund's investment managers and the Fund's service providers;
- Provide criteria for monitoring and evaluating the performance of investment managers and investment vehicles relative to appropriate investment benchmarks;
- Provide criteria for manager/fund selection, termination and replacement;

D. Eligible Investments

Amendment No. 488 to the Constitution of the State of Alabama of 1901 states that the Fund may be invested in such kinds of investments as authorized by law for the investment of any of the trust funds of either the teachers' retirement system of Alabama or the employees' retirement system of Alabama.

Unless restricted elsewhere in the IPS, eligible investments shall consist of all types of securities contained in the following indices:

Barclays Capital Aggregate Bond Index, Merrill Lynch High Yield Cash Pay Index, Wilshire 5000 Index, MSCI EAFE Index, MSCI All Country World Index, MSCI World Index Small Cap and the MSCI Emerging Markets Free Index.

In addition to the Barclays Aggregate Index listed about, core fixed income managers may invest in securities outside the index as long as their addition does not significantly change the risk profile of the manager's portfolio as a whole. Potential investments may include, but are not limited to, TIPs, CMOs, ARMs, Hybrid ARMs and Munis.

II. ROLES AND RESPONSIBILITIES

A. Board

The Board is generally responsible for developing, implementing, supervising and evaluating the investment of funds, contracting with service providers, and monitoring and evaluating the effectiveness of service providers in carrying out their respective duties. Specifically, the Board is responsible for:

1. Delineating general investment policy for the Fund including:
   a. Asset allocation, which establishes and communicates the Board's return expectations and risk tolerance;
   b. Investment manager structure, which identifies the types of investment managers that are appropriate for the Fund; and
   c. Investment manager guidelines, which establish and communicate the risk parameters set by the Board for each individual manager consistent with the overall risk level set for the Fund.
2. Contracting with service providers such as a custodian, investment managers and an investment consultant to assist the Board in implementing policy and managing the investments of the Fund.
3. Establishing effective communication and review procedures between the investment managers, the investment consultant, the custodian, and the Board.
4. Monitoring and evaluating each investment manager's success in achieving the objectives set for such manager by the Board and adhering to established guidelines.
5. Monitoring and managing investment expenses, including investment manager fees and trading costs.
6. Monitoring and evaluating applicable governmental regulations.

B. Investment Consultant

The primary role of the Investment Consultant is to assist the Board in developing and implementing a prudent process for monitoring and evaluating the investments of the Fund. In specific terms, the responsibilities of the Investment Consultant include:

1. Assisting the Board in the development, implementation, and evaluation of investment policy for the Fund.
2. Assisting The Board in the development, implementation and evaluation of an investment manager structure that provides appropriate diversification with respect to the number and types of investment managers.
3. Making recommendations to the Board regarding the identification of appropriate market benchmarks and peer groups against which each investment option should be evaluated.
4. Conducting a prudent investment manager search process, as needed, to identify appropriate candidates for review and selection by the Board.
5. Producing quarterly performance evaluation reports. Such reports will evaluate the performance and risk characteristics of each investment option and each investment

manager relative to targets established in this IPS. The Investment Consultant will also evaluate the investment style of each manager to determine if the manager is fulfilling the role for which they were hired. In conjunction with these reports, the Investment Consultant will provide the Board with recommendations for action when appropriate or if required by the Board.

6. Monitoring the investment management firms and products employed by the Board on an on-going basis and inform the Board of any developments that might impact investment performance or the Fund.
7. Educating the Board on investment issues that could impact the Fund.

C. *Custodian*

The Custodian has four primary responsibilities, namely:

1. Safekeeping of assets – custody, valuation and accounting & reporting of assets;
2. Trade processing – track and reconcile assets that are acquired and disposed;
3. Asset servicing – maintain all economic benefits of ownership such as income collection, corporate actions, and proxy notification issues;
4. Appropriate management of the securities lending program according to the guidelines established in this IPS.

D. *Investment Managers*

The specific duties and responsibilities of each Investment Manager include:

1. Managing those assets of the Fund under its supervision in accordance with the guidelines and objectives contained in this IPS, and consistent with each manager's stated investment philosophy and style as presented to the Board.
2. Exercising investment discretion in regard to buying, managing and selling Fund assets, subject to any limitations contained in this IPS.
3. Promptly voting all proxies and taking all related actions in a manner consistent with the long-term interest and objectives of the Fund as described in this IPS. Each Investment Manager shall keep detailed records his or her voting of proxies and related actions and will comply with all regulatory obligations related thereto.
4. Communicating timely with the Board, Investment Consultant, and Custodian, as necessary.
5. To acknowledge and agree in writing as to the Investment Manager's fiduciary responsibility to fully comply with the objectives and guidelines set forth in this IPS or otherwise set out by the Board.

III. INVESTMENT STRUCTURE

A. Investment Objective

The investment objective is to preserve the purchasing power of the Fund's assets and the annual support provided by these assets. The Fund embraces the total return concept summarized by the following formula.

Required Return	=	Rate of Purchasing Power Loss (Inflation)	+	Total Spending Rate

The Fund will attempt to minimize the risk of falling short of its return objectives, measured over rolling three- and five-year periods.

B. Spending Policy

The Fund has two core spending policies as mandated by Amendment No. 666 and Amendment No. 856 to the Constitution of the State of Alabama of 1901.

1. Annually, 35% of oil and gas royalties paid into the Fund are redistributed to the County and Municipal Government Trust Fund and the Alabama Capital Improvement Trust Fund. The distribution occurs on October 1. Investment managers will be notified in mid-September of their share of this funding requirement.

2. The purpose of the spending rate formula is to provide a stable distribution stream that does not reduce the purchasing power of the corpus of the Fund over time. The spending formula and spending rate for the Fund is as follows, unless changed with a two-thirds recorded vote of the entire membership of the Board.

Spending Policy FYx	=	33% x royalties FYx-2	+	5% x 3 year average of Invested Assets FYx-2,-3,-4

Distribution shall be made quarterly as adopted by the Board. Managers will be notified at least two weeks in advance of their share of this funding requirement.

"Invested Assets" shall mean the market value of all assets invested in accordance with this IPS held by an investment manager and reported on the September 30 quarterly report provided by the Investment Consultant. Invested Assets shall not include cash held by the Custodian or by the Fund's bank.

C. Asset Allocation Guidelines

The asset allocation adopted by the Board for the Fund is intended to reflect, and be consistent with, the Board's return objectives and risk tolerance. The asset allocation is developed by the Board and the Investment Consultant after examining the historical relationships of risk and return among the Fund's asset classes and the relationship between the expected behavior of the Fund's assets and spending policy objectives. It

is designed to provide the greatest probability of meeting or exceeding the Fund's objectives at the lowest possible risk.

In establishing the Board's risk tolerance for the Fund, the Board considered the Fund's ability to withstand short and intermediate-term volatility in various market conditions. The Board also reviewed the long-term characteristics of various asset classes, focusing on balancing risk with expected return. On the basis of the Board's time horizon and risk tolerance, the following asset allocation guidelines have been established for the Fund.

Asset Classes	Target
Domestic Equity	**32%**
Large Cap	25%
Small Cap	7%
Non-U.S. Equity	**24%**
Fixed Income	**35%**
Real Estate	**9%**
Private Equity	**n/a**
Hedge Fund	**n/a**
Other	**n/a**

The asset allocation target will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes in the Board's long-term goals and objectives. A formal asset allocation study will be conducted every three to five years to verify or provide a basis for revising the targets.

D. Investment Manager Structure

The Board has employed the minimum number of managers necessary to assure appropriate diversification within each asset class. The table below lists the specific roles to which individual investment managers are assigned and the target allocation of assets for each manager. In cases where there may be business or liquidity risk associated with allocating the full allocation to a single manager or where the fund may benefit from complementary approaches, two or more firms may be employed in a similar role.

Investment Manager Structure Allocations

Investment Style	% of Asset Class	% of Total Fund
Domestic Equity		**32%**
Passive Large Cap Core	40%	13%
Active Large Cap Growth	19%	6%
Active Large Cap Value	19%	6%
Small Cap Growth	11%	3.5%
Small Cap Value	11%	3.5%
International Equity		**24%**
Core Developed	78%	19%
Emerging Markets	12%	3%
International Small Cap	10%	2%
Fixed Income	***100%***	**35%**
Real Estate	***100%***	**9%**
Private Equity	**n/a**	**n/a**
Hedge Fund	**n/a**	**n/a**
Other	**n/a**	**n/a**

E. Rebalancing Policy

One essential component of a strategic asset allocation is the development and use of rebalancing ranges for the target allocation. The Board believes that systematic rebalancing should reduce portfolio volatility and increase portfolio return over the long term. The ranges specified in the table below are a function of the expected volatility of each asset class and the proportion of the total fund allocated to the asset class.

Asset Allocation	Lower Limit	Target	Upper Limit
Domestic Equities	**27%**	**32%**	**37%**
Large Cap	20%	25%	30%
Small Cap	4%	7%	10%
Non-U. S. Equity	**19%**	**24%**	**29%**
Domestic Fixed Income	**30%**	**35%**	**40%**
Real Estate	**6%**	**9%**	**12%**
Private Equity	**n/a**	**n/a**	**n/a**
Hedge Fund	**n/a**	**n/a**	**n/a**
Other	**n/a**	**n/a**	**n/a**

The Investment Consultant shall prepare quarterly reports reviewing the actual asset allocation percentages, demonstrating whether the lower or upper limits have been reached. When asset allocations exceed the ranges indicated above the Fund will be rebalanced to the target level or to a point within the target range as recommended by the Investment Consultant. External cash flows may be used to rebalance Fund assets as determined by the Board.

IV. TOTAL FUND EVALUATION

The overall portfolio design and asset allocation have been structured to provide the most appropriate structure and asset allocation from a risk and return perspective and to meet the Fund objectives.

The total Fund rate of return will be compared with (1) the required return of spending plus loss of purchasing power (inflation), (2) a weighted-average of the returns of broad indices representing each asset category where the weights are the target allocations to each, and (3) the returns of a universe of funds with similar objectives and policies. The Board will evaluate performance on a net-of-fees basis.

The purchasing power index to be used is the Consumer Price Index – All Urban Consumers (CPI-U).

Market benchmarks utilized for individual asset classes are listed below:

Asset Category	Market Index	Callan Style Group
Total Domestic Equity	Russell 3000 Index	Total Equity Database
Passive Large-Cap Equities	S&P 500 Index	Large Cap Core Equity
Large Cap Value Equities	Russell 10000 Value Index	Large Cap Value
Large Cap Growth Equities	Russell 1000 Growth Index	Large Cap Growth
Small Cap Value Equity	Russell 2000 Value Index	Small Cap Value
Small Cap Growth Equity	Russell 2000 Growth Index	Small Cap Growth
Non-U.S Equity	MSCI ACWI ex U.S. Index IMI	Non-U.S. Equity
Core Developed	MSCI EAFE	Non- U.S. Equity
Emerging Markets	MSCI Emerging Markets	MF- Emerging Markets
International Small Cap	MSCI World Small Cap ex- U.S.	MF – International Small Cap
Fixed Income	BC Aggregate Bond Index	Core Plus Fixed Income
Real Estate	NFI-ODCE Eq. weight Net	Core Open End Real Estate Funds
Private Equity	N/A	N/A
N/A	N/A	N/A

The primary benchmark for evaluating the performance of the Fund is a Target Index consisting of a market index for the asset class weighted in accordance with the allocation target. The Target Index is defined below:

35%	BC Aggregate
25%	S&P500
7%	Russell 2000
24%	MSCI ACWI ex- U.S. IMI
9%	NFI – ODCE Equal weight net

Over a three to five year period the Board expects the Fund to generate returns, after payment of all fees and expenses, which exceed the returns of the Target Index.

V. INVESTMENT MANAGER SELECTION AND EVALUATION

A. Investment Manager Selection

The Board intends to utilize a process for investment manager selection based on the principles of procedural due diligence. Accordingly, when selecting investment managers the Board will employ a competitive search process, which may include the following steps or such other steps as the Board determines in the situation:

1. Formulation of specific investment manager search criteria that reflects the requirements for the investment manager role under consideration.
2. Issuance of an RFP for investment management services in accordance with state law.
3. Analysis, with assistance of the Investment Consultant, of qualified candidates in terms of:
   - Quantitative characteristics, such as AIMR-compliant composite return data, risk-adjusted rates of return and relevant portfolio characteristics.
   - Qualitative characteristics, such as key personnel, investment philosophy, investment strategy, research orientation, decision-making process, and risk controls.
   - Organizational factors, such as type and size of firm, ownership structure, client-servicing capabilities, ability to obtain and retain clients, and fees.
4. Selection and interview, as needed, of finalist candidates based on a due diligence report prepared for the Board by the Investment Consultant.

B. Manager Communication

The Board, or Investment Consultant, will be in regular communication with the investment managers. Managers shall provide quarterly and monthly information to the Investment Consultant, and will notify the Board or Investment Consultant immediately of any organizational/ownership changes or changes in investment philosophy.

C. Manager Evaluation and Review

With the assistance of the Investment Consultant, the Board will evaluate each Investment Manager from a quantitative and qualitative standpoint on a quarterly basis. In evaluating all Investment Managers, the Board will consider qualitative factors likely to impact the future performance of the Fund's assets managed in addition to current and historical rates of return.

1. Qualitative Review

   The Board will evaluate qualitative factors relating to an investment manager, including:
   - Ownership changes
   - Key staff turnover
   - Conflict of Interest
   - Changes in investment strategy

- Material litigation or fraud
- Material client-servicing problems

2. Quantitative Review

   An Investment Manager's performance will be measured from inception and on a rolling five-year return basis in relation to a broad market index. Shorter-term performance will be measured in relation to an appropriate style index and "Peer Group". Each Investment Manager is to be measured against the median return of a previously agreed-upon peer group of investment managers with similar investment styles.

   Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error relative to the benchmark. The Board with the assistance of the Investment Consultant will monitor these factors on a quarterly basis.

D. Watchlist Procedure and Criteria

A number of factors may contribute to an Investment Manager's over- or under-performance at any given time - market dynamics, investment skill, and/or pure chance. Given this uncertainty, it is unwise to mandate termination purely for lagging performance at any specific point. A Watch List will be utilized to identify managers whose performance and/ or organization changes are cause for concern.

At the discretion of the Board, an Investment Manager may be included on the Watch List based on the qualitative and quantitative criteria described in the manager evaluation and review section. Once a manager is placed on a Watch List, the Investment Consultant will provide quarterly updates on the performance of each manager as well recommendations to terminate or retain the manager. Organizational issues that have been resolved in a satisfactory manner and/or improved performance relative to an index and or peers may be used as an indicator to remove a given manager from the watch list. Additional actions could include a formal re-presentation of the Investment Manager to the Board.

VI. INVESTMENT POLICY REVIEW PROCEDURES

The Board will review annually the achievement of investment objectives, based on the evaluation criteria provided by the Investment Consultant, as well as the continuing feasibility of achieving the investment objectives. Other occurrences reviewed may be significant changes in the Fund's spending policy, the availability of acceptable new asset classes, and the passage of relevant new legislation or regulations.

CERTIFICATE OF SECRETARY

The undersigned hereby certifies that the foregoing Alabama Trust Fund Investment Policy Statement was adopted by the Board of Directors of the Alabama Trust Fund on November 25, 2014, in a meeting duly noticed and convened.

Young Boozer, Secretary

APPENDIX

General Investment Manager Guidelines

DOMESTIC EQUITY GUIDELINES

Approved Securities

1. Common stock of any issuer traded on a U.S. stock exchange or in the U.S. over-the-counter markets which are denominated in U.S. dollars

2. Securities which take the form of sponsored and/or unsponsored American Depository Receipts ("ADRs") Global Depository Receipts ("GDRs") and/or European Depository Receipts ("EDRs") traded on the NYSE.

3. Other forms of equity investments such as direct investments are allowed subject to state law and with prior approval of the board.

Limitations

1. The following categories of equity securities are prohibited:
   - Securities of the investment manager or an affiliated organization
   - Short Sales,
   - Put and call options,
   - Margin purchases,
   - Commodities,
   - Direct real estate investments,
   - Foreign listed stocks.
   - Commodities
   - Restricted or letter stock
   - Oil, gas & mineral exploration investment trusts.

2. Equity futures contracts may be employed solely for the purpose of overlaying cash to generate equity exposure

3. The aggregate investment of the Alabama Trust Fund in the equity securities of any one issuing corporation shall not exceed 1% of the outstanding capital of such corporation. External managers shall notify the board at least annually if the manager's total position in one corporation exceeds 5% of the outstanding capital of such corporation.

4. The portfolio as a whole should be managed keeping in mind the original mandate under which the manager was hired. No extreme position should be taken which would alter the character of the portfolio that could produce results inconsistent with that mandate.

Cash and Equivalents

The Board expects domestic equity managers to invest portfolios primarily in U.S. common stocks. However, investment in cash equivalents up to 5% of the market value of the portfolio is allowed. To the extent the portfolio holds cash; the cash will be invested in the commingled short-term investment fund managed by the Custodian consistent with OCC Rag 9 and/or SEC Rule 2a-7.

INTERNATIONAL EQUITY GUIDELINES

Approved Securities

1. Foreign equity securities, defined as equity securities that are issued by any company that is organized or headquartered in a foreign country, or whose primary business (significant) is conducted outside the U.S.

2. Equity holdings shall be restricted to readily marketable securities of corporations that are domiciled in countries outside the United States or generate most of their revenues outside the United States. The securities shall be actively traded on major exchanges in these countries or in the U.S. Equity holdings may include American Depositary Receipts traded on U.S. exchanges. Convertible preferred stocks may be held. Exposure to Emerging Markets securities in developed market portfolios shall be limited to 20% of the market value of the portfolio. Exposure to Frontier Markets securities in Emerging Market portfolios shall be limited to 10% of the market value of the portfolio.

3. American Depository Receipts; European Depository Receipts; Global Depository Receipts; or similar instruments representing securities of foreign companies.

4. Exchange Traded Funds (ETFs) are allowed to gain market exposure to market segments which are not open to the strategy for direct equity investment and to individual securities for which there are no available ADRs and for temporary cash equitization. The maximum allowable exposure to ETFs is 10% of the portfolio.

5. 144A securities in connection with a foreign public offering shall be limited to 10% of the market value of the portfolio.

Limitations

1. The following categories of equity securities are prohibited:

   - Securities of the investment manager or an affiliated organization
   - Short Sales,
   - Put and call options,
   - Margin purchases,
   - Commodities,
   - Direct real estate investments
   - Restricted or letter stock

- Oil, gas & mineral exploration investment trusts.
- Currency trading unrelated to hedging of permitted equity or fixed income securities.

2. Investment in any one issuer can not exceed five percent of assets.

3. Not more than 5% of the total stock portfolio may be invested in the common stock of any one corporation at the time of purchase and no more than 7% in any one corporation at market. Not more than 5% of the outstanding shares of any one company may be held by the portfolio. No more than the lessor of (2 times the sector weight in the index and 40%) valued at market may be held in any one economic sector as defined by MSCI EAFE classifications for developed market portfolios and by MSCI Emerging Markets Free classifications for emerging markets portfolios.

4. Investments should not be made in equity securities of issuers which do not have an available operating history of at least three years. Five years of operating history is preferred. Operating history may include past performance resulting from mergers, acquisitions, and spin-offs.

5. Equity investments in companies with a market capitalization of less than $100 million at the time of purchase are prohibited investments. Market Capitalization shall be defined as the number of shares outstanding multiplied by the market price per share

Cash and Equivalents

The Board expects non-U.S. equity managers to invest portfolios primarily in non -U.S. common stocks. However, investment in cash equivalents up to 5% of the market value of the portfolio is allowed. To the extent the portfolio holds local or base currency cash, the cash will be invested in the commingled short-term investment fund managed by the Custodian and/or an interest bearing account consistent with OCC Reg-9 and/or SEC Rule 2a-7.

FIXED INCOME GUIDELINES

All investment grade managers are expected to perform their fiduciary duties as prudent people would and to conform to all State and Federal statutes governing the investment of trust funds. Subject to these guidelines, managers shall have full discretion.

1. At the time of purchase all securities purchased for the Fund must be classified as investment grade by two of the three major rating services. For this purpose the rating must be at least "Baa3" by Moody's, "BBB-" by Standard and Poors, and "BBB-" by Fitch ratings, or an equivalent short term rating. If only one rating exists, this one rating will determine investment grade status.

2. The fixed income portfolio is to be diversified so that no more than 15% is invested in one industry (does not apply to US Government and Agency securities).

3. The board may permit managers to purchase other securities. Such authority will be provided in writing to the manager.

4. No more than a maximum of 5% of the total fixed income portfolio may be invested in securities of any one corporation.
5. Unrated securities other than those issued by the US government or its Agencies may not be purchased without the prior consent of the board. Approved exceptions are 144A Privates (non-registered debt issued by corporations) when such companies registered debt carries an investment grade rating by either Moody's, Standard & Poor's, or Fitch.

6. The portfolio's average duration is not to exceed 1.5 times that of the benchmark index.

7. Non-dollar fixed income securities are not permitted.

8. Derivative instruments, including futures contracts, option contracts and swap agreements may be used provided that they are 100% collaterized by highly liquid securities and do not represent leveraging of the assets.

9. The portfolio as a whole should be managed keeping in mind the original mandate under which the manager was hired. No extreme position should be taken which would alter the character of the portfolio that could produce results inconsistent with that mandate.

CORE PLUS MANDATES

Approved Securities

1. The portfolio must have an overall weighted average credit rating of not more than 3 rating notches below the benchmark's weighted average credit quality. For avoidance of doubt, if the benchmark is rated AA-, then 3 notches below would be A-

2. All investments are to be rated at least B- by Standard and Poor's, B3 by Moody's, or B- by Fitch at the time of purchase. A maximum 5% of the market value of the portfolio may be held in securities rated below CCC by Standard and Poor's or Fitch or Caa1 by Moody's. If each of the three credit rating agencies assigns a credit rating, the credit rating will be the middle of the three ratings (for example, if Moody's rates a security Baa2, S&P rates the security BB+ and Fitch rates the security BBB-, the middle credit rating would be considered BBB- by Fitch). If only two of the three credit rating agencies assign a credit rating, the credit rating will be the lower of the two. If only one credit rating agency assigns a credit rating, that credit rating will

apply. Securities that are not rated will be permitted if, in the judgment of the investment adviser, they are of credit quality equal or superior to the standards described above.

3. The fixed income portfolio is to be diversified so that no more than 15% is invested in one industry (does not apply to US Government and Agency securities).

4. The board may permit managers to purchase other securities. Such authority will be provided in writing to the manager.

5. No more than a maximum of 5% of the total fixed income portfolio may be invested in securities of any one corporation.

6. Securities issued under Rule 144A (non-registered debt issued by corporations) are limited to 20% of the market value of the portfolio. Private placements securities that are not issued under Rule 144A securities are limited to 5% of the market value of the portfolio (not including pooled funds).

7. The portfolio's average duration is not to exceed 1.5 times that of the benchmark index.

8. Investments in high yield bonds, Non-US dollar denominated bonds, emerging markets debt, bank loans, and currencies are permitted. The total allocation to these non-benchmark sectors shall not exceed 30% of the market value of the portfolio. Emerging markets issuers that are part of the Barclays Capital Aggregate Index would not count towards the 30% limit.

9. Derivative instruments, including futures contracts, option contracts and swap agreements may be used provided that they are 100% collaterized by highly liquid securities and do not represent leveraging of the assets.

10. The portfolio will not invest in:
    - Common Stock

11. The investment adviser will not:
    - borrow money;
    - pledge, hypothecate, mortgage or encumber assets;
    - loan money;
    - purchase or sell real estate;
    - purchase or sell commodity options

12. The portfolio as a whole should be managed keeping in mind the original mandate under which the manager was hired. No extreme position should be taken which

would alter the character of the portfolio that could produce results inconsistent with that mandate.

ALTERNATIVE INVESTMENTS

- **Private Capital Partnerships** – Investment allocations may include venture capital, private equity and international private capital investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through Fund offered by professional investment managers.

- **Marketable Alternative Strategies** – Investments may include equity-oriented or market-neutral hedge Fund (i.e. Long/Short, Macro Event Driven, Convertible Arbitrage, and Fixed Income strategies), which can be both domestic and international market oriented. The components may be viewed as equity-like or fixed income-like strategies as defined by their structures and exposures.

- **Real Estate** – Investments in the real estate equity shall be well diversified by property type, size, and age. Each real estate investment manager shall be well diversified geographically within its area of expertise, i.e., nationally or regionally. Leverage may be used in a constrained manner in order to enhance yields in various investments and/or to facilitate the diversification of the portfolio. For core open-end real estate funds, the total level of debt for the overall portfolio will be limited to thirty-five percent (35%).

- **Derivatives and Derivative Securities** – Certain of the Fund's managers will 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 limed to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines.

  Examples of appropriate applications of derivative strategies include hedging market, interest rate of 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 derivative 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.

EXCEPTIONS

Each investment manager is required to comply with the objectives and guidelines set forth in this document. The board requires that any exceptions taken to this Investment Policy Statement be submitted in writing pending approval by the board. The board must explicitly authorize each exception in writing. Failure to notify the board and obtain written authorization will result in the investment manager being liable for any corresponding loss to the Trust's investment funds.

Pooled/Mutual Fund Exceptions
In the case of a commingled account or mutual fund, the Fund waives strict adherence to the previous investment guidelines. Notwithstanding these policies, a pooled/mutual fund's investment objectives, policies and restrictions, as set forth in its current prospectus and statement of additional information (as amended from time to time), shall govern the investment of the Fund's assets.

SECURITIES LENDING GUIDELINES

The Board's policies and guidelines governing securities lending shall be implemented through the Custodian (or third party lending institution other than the custodian or a combination of securities lending providers) A *separate contract*, distinct from a custody relationship, detailing the type of securities lending relationship and program is both mandatory and essential in the treatment of securities lending as, foremost, an investment function with the associated risks and return implications and fiduciary responsibility.

Overall Investment Objective
The securities lending provider must exercise investment discretion within the overall objective of: preserving principal; providing a liquidity level consistent with market conditions and the lending and trading activities of the Funds' assets; and maintaining full compliance with stated objectives and statutory provisions. The securities lending provider shall exercise prudence and expertise in managing the cash collateral reinvestment function.

Program Guidelines
Maintenance of the integrity and operational functionality of the securities lending program shall be pursued with utmost diligence. The securities lending provider shall have documented policies and procedures in place detailing the following, if not stipulated in the securities lending contract, for both domestic and international securities:

- Borrower limits/creditworthiness
- Acceptable collateral
- Marking to market
- Corporate actions/distributions
- Proxy voting limitations

- Recall of loaned securities
- Revenue splits
- Valuation and reporting of loaned securities and cash collateral reinvestments
- Borrower risk (default)
- Cash collateral reinvestment risk
- Operational negligence
- Counterparty indemnification
- Other relevant policies

The securities lending provider shall at all times exercise prudence and due care and shall comply at all times with all laws, rules and regulations, including but not limited to the laws, rules and regulations of banking and securities regulatory bodies, and taxation authorities.

Collateral Management

The securities lending provider shall exercise prudence and reasonable care in discharging its discretion in the investment management of cash and non-cash collateral, including asset/liability (gap) management that is appropriate relative to the market environment or conditions in which the securities lending provider is operating.

Investment Guidelines

Securities issued or fully guaranteed by the United States Government and any agency, instrumentality, or establishment of the United States government ("Government Securities")

High-grade commercial paper, notes, bonds, and other debt obligations including promissory notes, funding agreements, and guaranteed investment contracts, whether or not registered under the Securities Act of 1933, as amended. Such obligations may have fixed floating, or variable rate interest payment provisions. Obligations maturing within one (1) year shall be issued by issuers rated at least A-1 (by Standard & Poor's) or P-1 (by Moody's). Obligations maturing beyond one (1) year shall be issued by issuers rated at least A (by Standard & Poor's) or A2 (by Moody's).

Asset Backed securities which carry the highest rating by Standard & Poor's or Moody's.

Certificate of deposit time deposits, and other bank obligations of U.S. banks, their branches, and subsidiaries, Obligations will be rated A-1 (Standard & Poor's) or A2 (Moody's) if maturing beyond one (1) year.

Repurchase and reverse repurchase agreements collateralized by Approved Investments listed on this Schedule A and entered into with counterparties approved by the custodian (including the custodian and its affiliates).

Securities, units, shares, and other participations in money market funds, unregistered short term investment funds, pools, or trusts (including those managed by the custodian)

Maturities

Government Securities have no maturity limit

Fixed Rate Instruments shall have a maturity no greater than 13 months.

Floating Rate Instruments shall have maturity as follows:

"A" and "AA" Rated Instruments no greater than three (3) years with resets no less frequent than three (3) months; "AAA" Rated Instruments no greater than five (5) years with resets no less frequent than three (3) months.

Investment Manager Exceptions to General Investment Manager Guidelines

- American Century, the international small cap growth equity manager, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
  - Exposure to emerging markets securities shall be limited to the emerging market weight of the MSCI AC World ex-US Small Cap Growth index.
  - 144A securities issued in connection with a foreign public offering are allowed in the portfolio.
  - No more than the lessor of (2 times the sector weight in the index and 40%) valued at market may be held in any one economic sector as defined by the MSCI ACWI ex-US Small Cap Growth Index.

- Lazard Asset Management, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
  - 144A securities issued in connection with a foreign public offering are allowed in the portfolio.
  - Investment in cash equivalents up to 10% of the market value of the portfolio is allowed.

- Invesco, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
  - Sector constraints will be implemented using the MSCI ACWI ex-US Growth Index instead of the MSCI EAFE Index.
  - Where 2X the sector weight of the index (MSCI ACWI ex-US Growth Index) is still less than 20%, the portfolio is permitted to invest up to 20% in such sector.

- Artisan Partners, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
  - MSCI country classifications will be used to classify a company as U.S. or non-U.S. Exposure to U.S. securities of up to 10% of the market value of the portfolio at time of purchase is allowed.
  - No more than the greater of (2 times the sector weight in the MSCI EAFE index and 40%) valued at market may be held in any one economic sector,
  - The portfolio may not purchase securities in private placements other than securities privately placed under Rule 144A or another similar private placement exemption and equity-linked instruments described below.
    - The portfolio may invest up to 10% of the market value of the portfolio at time of purchase in listed over-the-counter un-leveraged, equity-linked instruments; provided, however, that the portfolio will not invest more than 5% of the market value of the portfolio at the time of purchase in such instruments issued by a single counterparty.

- The portfolio may acquire, receive, retain and exercise warrants, rights or similar instruments attached to portfolio securities.
- Investments in cash and cash equivalents up to 10% of the market value of the portfolio is allowed.

- Vulcan Value Partners, the small cap value manager, will operate within the domestic equity guidelines delineated in this Investment Policy Statement except that:
  - Investments in foreign ordinaries is allowed
  - Investment in cash and cash equivalents up to 10% of the market value of the portfolio is allowed.