MURRAY STATE UNIVERSITY FOUNDATION, INC.
POLICY

SUBJECT: Investment Policy Statement

DATE: November 15, 2015

I. Purpose

Investments made by the Murray State University Foundation, Inc. ("Foundation") are to be managed in such a way that maximizes the Foundation's ability to contribute to the goals of Murray State University ("University"). The investment policy statement ("Policies") for the investment of monies and securities ("Portfolio") owned or under the custodial care of the Foundation is established by a Joint Investments Committee ("Joint Investments Committee") with limited authority being granted to a sub-committee, Investment Committee, as defined in Section Three.

The purpose of this investment policy statement is to establish guidelines for the Foundation's investment Portfolio in the areas that most influence investment returns and risks. The investment policy statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the managers hired on behalf of the Foundation and its beneficiaries.

II. Role of the Joint Investments Committee

The Joint Investments Committee is comprised of at least three trustees of the Foundation, two members of the Board of Regents, and two members of the Murray State University Alumni Board of Governors. The Joint Investments Committee is acting in a fiduciary capacity with respect to the Portfolio, and is accountable to the Board of Trustees for overseeing the investment of all assets included in the Portfolio.

A. The Policies set forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Joint Investments Committee and any other parties to whom the Joint Investments Committee has delegated investment management responsibility for Portfolio assets.

B. Quarterly investment management statements of the Foundation's Portfolio as prepared by our investment managers are sent to the Joint Investments Committee.

C. The Joint Investments Committee meets twice a year at the regular Board meetings of the Foundation, and at such other times as deemed necessary. The quarterly Investment Report of invested funds is prepared by the Foundation staff and distributed to members of the Joint Investments Committee, the Treasurer, and to the full Board of Trustees, including ex-officio members, on a quarterly basis.

D. The Policies for the Foundation contained herein have been formulated consistent with anticipated financial needs and in consideration of the tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Joint Investments Committee.

E. The Policies contained in this statement are intended to provide boundaries, where necessary, for ensuring that the Portfolio's investments are managed consistent with the short-term and long-term financial goals of the Foundation. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Foundation and University.

F. The Policies will be reviewed by the Joint Investments Committee and the Board of Trustees of the Foundation on an annual basis or more often as needed. Changes may be made at their discretion and in consultation with the investment managers.

III. Investment Committee Authority and Guidelines

A. The Investment Committee as provided for in Article 3, Section 3 of the Foundation By-Laws, and as approved at the October 9, 2009 Board of Trustees meeting allows for a three member Investment Committee ("Investment Committee") to make changes to the Foundation's Portfolio between regularly scheduled board meetings. This policy ratifies the intent of the Foundation's By-Laws and previous actions by the Board of Trustees to grant limited authority to the Investment Committee to make specific changes to the Portfolio between regularly scheduled board meetings in order to be efficient in our investment management process and to maximize Portfolio performance.

B. The Investment Committee will be required to adhere to the Foundation's existing investment policies, and will be limited to Portfolio changes of 10% or less of the Portfolio (or sometimes referred to as Investment Pool), cumulatively, between regularly scheduled board meetings (i.e. if the investment pool is $90 million, then cumulative changes between board meetings shall be limited to $9 million). If extraordinary circumstances exist, and it is deemed by the Investment Committee that Portfolio changes greater than 10% (cumulatively) should occur, then the Joint Investments Committee shall be consulted by a conference call as soon as reasonably possible.

C. Portfolio changes made between board meetings by the Investment Committee will be presented to the Joint Investments Committee and Board of Trustees at the next scheduled board meeting for ratification of all actions pursuant to this policy.

D. In addition, the Investment Committee does not have the authority to hire new investment managers between board meetings, change existing investment managers, or change overall investment policy, but will have the ability to make recommendations regarding new or existing investment managers to the Joint Investments Committee at the next board meeting. Changes in existing investment managers, the hiring of new investment managers, or changes in investment policy, shall be conducted by the Joint Investments Committee through an agreed process and approved by the Board of Trustees.

E. The Investment Committee shall in writing direct the President of the Foundation to make approved changes in the Portfolio within the parameters of these guidelines.

IV. Investment Objective and Spending Policy

A. The Foundation is to invest with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions ("Spending Rate") in support of the University.

B. For the purpose of making distributions, the Foundation shall make use of a total return based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

C. The distribution of Foundation assets will be permitted to the extent that such distributions do not exceed a level that would erode the Foundation's real assets over time. The Joint Investments Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Joint Investments Committee will review spending assumptions annually upon a recommendation by the Foundation President for the purpose of deciding the annual Spending Rate, whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both. In addition, the Board of Trustees shall approve the annual Spending Rate upon a recommendation by the Foundation President and approval by the Joint Investments Committee.

D. Periodic cash flow, either into or out of the Portfolio, will be used to better align the Portfolio to the target asset allocation outlined in the Asset Allocation Policy at Section V. A. herein.

V. Portfolio Investment Policies

A. Asset Allocation Policy

1. The Joint Investments Committee recognizes that the strategic allocation of Portfolio assets across broadly-defined financial asset and sub-asset categories with varying degrees of risk, return, and return correlation will be the most significant determinant of long-term investment returns and Portfolio asset value stability.

2. The Joint Investments Committee expects that actual returns and return volatility may vary widely from expectations and return objectives across short periods of time. While the Joint Investments Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying Foundation spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

3. Foundation assets will be managed as a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of Foundation equity investments will be to maximize the long-term real growth of Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of Portfolio equity investments. The Board of Trustees will determine the appropriate *mix* between equities and fixed income. The Board of Trustees may choose to invest up to 70%, or more, of available funds in equities. However, the Board of Trustees may also reduce equity exposure to as low as 40%, or less, when they deem it appropriate. The remainder will be invested in fixed income securities, including cash reserves, which the Board of Trustees may retain, separate from the managers from time to time.

4. Cash investments will, under normal circumstances, only be considered as temporary Portfolio holdings, and will be used for the Foundation's liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.

5. Outlined below are the long-term strategic asset allocation guidelines, determined by the Joint Investments Committee to be the most appropriate, given the Foundation's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

Asset Class	**Sub-Asset Class**	**Target Allocation**
Equity		**65%**
	Domestic (U.S.)	39%
	International (Non-U.S.)	26%
Fixed Income		**34%**
	Investment Grade	34%
Real Estate	Real Estate Investment Trusts	**1%**
Cash		0%

B. Diversification Policy

Diversification across and within asset classes is the primary means by which the Joint Investments Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Joint Investments Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. government, no single investment security shall represent more than 5% of total Portfolio assets.

2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.

C. Rebalancing Policies

It is expected that the Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub-asset classes. The Portfolio will be re-balanced to its target normal asset allocation as follows:

1. Utilize incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio to realign the current weightings closer to the target weightings for the Portfolio.

2. The Portfolio will be reviewed quarterly with the Investment Committee and President of the Foundation to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:

   a) If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.

   b) If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.

3. The President of the Foundation or Controller will provide the investment managers with quarterly fixed income statements in order to determine possible Portfolio rebalancing.

4. The investment managers may provide rebalancing recommendations at any time.

5. The investment managers shall act within a reasonable period of time to evaluate deviation from these ranges.

D. Policies Governing Investment Discretion and Authorized/Prohibited Transactions

1. The Joint Investments Committee authorizes the outside investment manager, to invest in equity securities as of October 13, 1995.

2. The Joint Investments Committee authorizes the outside investment managers to also invest in fixed income accounts as of June 10, 1998. **The policy**

is included below in "Investment Guidelines for Fixed Income Managers."

3. The Joint Investments Committee authorizes the Investment Committee to make investments of excess cash not being invested through the investment managers as follows:

    a. Cash funds available for investments shall, whenever possible, be pooled into amounts of $100,000 or more.

    b. Cash funds shall be invested for short-term periods in non-speculative, liquid assets such as Treasury Securities, Certificates of Deposit, Money Market Funds, or other Government backed securities. It may be necessary to use collateralization vehicles such as a letter of credit to fully secure short-term, liquid investments.

    c. A maximum investment of $250,000 shall be held in any institution at a given time. (Exception: A locally negotiated, fully secured arrangement for the investment of checking account funds, as permitted by cash flow requirements.)

    d. No investment shall be placed with any institution on the basis of political favor, friendship, or influence by any officials, alumnus or friend of the University. Competitive, safe, and best bids shall be sought for all funds invested by Foundation officials.

    e. Funds in checking accounts will be invested in negotiated short-term certificates of deposit, prime accounts, money market accounts or other insured, interest bearing accounts.

4. The purchase of real estate shall be authorized by the Investment Committee or Joint Investment Committee.

5. Pooled investment earnings, including realized and unrealized gains and losses, shall be pro-rated to the individual investment accounts in accordance with the amount of funds invested. This allocation will be made based on the market value of each fund's principal balance at the beginning of the quarter.

E. Investment Guidelines for Fixed Income Managers

1. Investments will be mostly limited to marketable debt securities rated at the time of purchase within the four highest investment grade ratings (BBB, Baa or better) assigned by Moody's Investors Service, Inc. or Standard & Poor's Corporation or which, although not rated by either agency, are deemed as being of investment quality equivalent.

2. Fixed income securities return expectations are to exceed the Bloomberg US Aggregate Bond Index or other similar index, as deemed acceptable to the Joint Investments Committee over one, three and five years. The Portfolio's

duration should be within a range of +/- 20% of the duration of the Index

3. Not more than twenty percent (20%) of the fixed income portion of the Portfolio may be invested in any one broadly defined industry, regardless of the number of individual holdings. Not more than five percent (5%) of the fixed income portfolio may be invested in any one corporate issuer, at cost, specifically excluding U.S. Treasury, GNMA, FNMA, FHLB and any other government sponsored enterprise securities. (U.S. Treasury and GNMA also excluded from the 20% limit above).

4. Up to 5.0% of the assets in the fixed income portion of the Portfolio may be securities of investment grade foreign issuers, including emerging markets securities.

5. The fixed income portion of the Portfolio may include corporate securities, U.S. Government securities, zero coupon securities, mortgage-backed securities, commercial mortgage backed securities (CMBS), collateralized mortgage obligations, asset backed securities, equipment trust certificates, taxable municipal bonds, preferred securities, and real estate investment trusts (REITs). No more than twenty percent (20%) of the fixed income portion of the Portfolio may be invested in a combination of the following asset types: asset backed securities, equipment trust certificates, taxable municipal bonds, preferred securities, and real estate investment trusts.

6. In order to ensure overall diversification (maturity, sector, issuer, quality, etc.), all the Foundation's fixed income holdings will be taken into consideration when making investment decisions.

7. Mutual funds and other types of commingled investment vehicles provide, under some circumstances, lower costs and better diversification than can be obtained with separately managed portfolios pursuing the same investment objectives. However, commingled investment funds cannot customize their investment policies and guidelines to the specific needs of individual clients. Therefore, if the Foundation selects a mutual fund or other type of commingled vehicle for investment, either directly or through an investment management agreement, then the written guidelines and policies of the commingled fund or the prospectus and statement of additional information for the mutual fund, and any provisions set forth in any investment management agreement will replace this Policy Statement for these particular type of investments. The Manager or other fund representative will provide a copy of the applicable commingled or mutual fund guidelines, policies, prospectus and other governing documents to the Foundation.

F. Other Investment Policies

Unless expressly authorized by the Joint Investments Committee, the Portfolio, the underlying funds, and its investment managers are prohibited from:

1. Purchasing securities on margin, or executing short sales.

2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized within the mutual fund investment.

3. Purchasing or selling derivative securities for speculation or leverage.

4. Purchasing corporate bonds that are convertible to equity.

5. Purchasing highly levered mortgage securities, which for the purpose of this policy, are defined as inverse floating rate securities, interest or principal only strips, or any combination thereof.

6. Purchases of real estate, oil & gas properties, or other natural resource related properties with the exception of REITs or marketable real estate securities.

7. Investments in limited partnerships.

8. Purchasing Repurchase Agreements, Senior Loans, Collateralized Debt Obligations, Collateralized Bond Obligations, Collateralized Loan Obligations, Structured Investment Vehicles, Special Purpose Entity Obligations, swaps or other derivative contracts.

9. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios.

VI. Monitoring Portfolio Investments and Performance

The Investment Committee and Joint Investments Committee will monitor the Portfolio's investment performance against the Portfolio's stated investment objectives. The Investment Committee and Joint Investments Committee will formally assess the Portfolio and the performance of its underlying investments as follows:

A. The Portfolio's composite investment performance (net of fees) will be judged against the following standards:

    1. The Portfolio's absolute long-term real return objective.

    2. A composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the Portfolio's investment guidelines.

        a) U.S. Equity: CRSP US Total Market Index or a similar broad domestic equity index.

        b) Non-U.S. Equity: FTSE Global All Cap ex US Index or a similar broad international equity index.

c) Investment Grade Fixed Income: Bloomberg US Aggregate Bond Index.

d) Real Estate Investment Trusts: MSCI US REIT Index.

e) Cash: Citigroup 3-Month T-Bill Index.

B. The performance of professional investment managers hired on behalf of the Portfolio will be judged against the following standards:

1. A market-based index appropriately selected or tailored to the managers' agreed-upon investment objective and the normal investment characteristics of the managers' portfolio.

2. The performance of other investment managers having similar investment objectives.

C. In keeping with the Portfolio's overall long-term financial objective, the Investment Committee and Joint Investments Committee will evaluate Portfolio and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five-year basis.

D. Investment reports shall be provided by the investment managers on a (fiscal) quarterly basis or as more frequently requested by the Joint Investments Committee. Each investment manager is expected to be available to meet with the Joint Investments Committee and Board of Trustees at least twice per year to review Portfolio structure, strategy, and investment performance. Additionally, the investment managers will be available to the Investment Committee for quarterly conference calls and as needed by the President of the Foundation.