Spending Rate of Endowment

The endowed spendable fund is created for the purpose of spending monies in accordance with the donor(s) gift agreement. Additional restrictions may be imposed for funds that receive State matching gift monies. The annual spending rate is 5.0% of the principal fund's Investment Value. At the end of each quarter, the endowment's spendable/restricted fund receives a transfer of cash equal to 1% (4.0% annual) of the three year moving average investment value of its companion principal fund. In addition, the Foundation transfers .25% (1.0% annual) of the same instrument value to the Foundation Administration Fund used to support foundation operations. These monies are available to be spent on the first day of the following month. The transfer is made directly from the corresponding endowed principal fund. Accumulated monies in the spendable fund will be invested according to the Non-Endowed Investment policy.

Endowed Management Policy

The Foundation invests the monies entrusted to it in accordance with the policies developed by the Foundation's Stewardship Committee and approved by the Foundation's Board of Directors. Monies held by the Foundation are placed in pools for investment purposes and earnings distributions are apportioned to the individual funds quarterly. Endowed investments are chosen to provide maximum total return over an extended period while eligible non-endowed monies are invested to provide the maximum short-term return with minimal risk.

Investments are managed using the expertise of the Foundation's external investment advisor and with the assistance of the external advisor, the Foundation's Stewardship Committee periodically reviews the asset allocation strategy. Any changes to the allocation strategy are approved for recommendation to the Foundation Board of Directors.

Each quarter an evaluation of the individual investment managers is performed. The external advisor rates each manager against an appropriate benchmark index and against its database for similar style and presents this information to the Stewardship Committee. The Committee expects the managers to provide a return greater than the median performance of their respective database and benchmark.

At the beginning of each quarter new monies are invested with the money managers. Monies invested with each manager are adjusted to comply with the Foundation's asset allocation.

How the Foundation Manages our Endowment Funds

The objective of the Foundation investments has been established in conjunction with regard to
the spending requirements. The objectives are:

Objective 1: To maintain the purchasing power of the portfolio. The objective is to maintain the level of services and programs in relation to average cost increases. This requires establishing a minimum rate of return of 4% plus CPI.
Objective 2: To maintain a funding cushion for (1) unexpected developments, (2) possible future increases in spending and expense levels, and/or (3) a reduction in the expected return on investments.
Objective 3: To apply a smoothing *formula* to mitigate the effects of short term market volatility on spending, the equilibrium spending rate will be applied to be an average of the past three years (3) of the endowed pool.s market values.
Objective 4: To provide consistent, above average rates of return, while minimizing investment risk. Emphasis shall be on the preservation of capital plus above average rates of return on investment to the appropriate set allocation between fixed income (debt) and equity securities based upon the needs of Troy University.

Investment Schedule
New monies must be deposited before the last month of a quarter to be invested on the first day of the following quarter. New money is only invested on the first day of each quarter.

Received		**Invested**	
Month	Year	Month	Year
January, February	1	April	1
March, April, May	1	July	1
June, July, August	1	October	1
September, October, Nov.	1	January	2
December	1	April	2

Responsibilities of the Investment Consultant
It will be the responsibility of the consultant to:
1. Conduct the following services on a semi-annual basis;
   (a) Economic review
   (b) Review Statement of Investment Policy and Guidelines
   (c) Asset Diversification Review

2. Performance/Risk/Return Analysis and Comparisons to Relative Market Indices and Investment Manger Universes
   (a) Mutual/Commingle Fund Analysis
   (b) Historical Performance Summary
   (c) Portfolio Growth Summary

(d) Security Quality Ranking/Rating
(e) Classification of Portfolio assets with a regard to risk parameters

3. Executive Summary. Expect to meet with the Treasurer for the Foundation not less than once a year;
4. Assist the Committee in understanding the investment markets and the implications of expected risk and return;
5. Counsel the Committee in formulating an investment program that accomplishes the goals of Troy University's portfolio;
6. Assist the Committee in developing a sound and consistent Policy;
7. Conduct a performance measurement procedure that reviews and monitors performance on an ongoing basis;
8. Monitor the investment managers to ascertain 1) compliance to their stated philosophies and styles, 2) inform Troy University as soon as investment organizational structure, financial condition or senior personnel staffing of the investment management organizations, and 3) adherence to the investment guidelines set forth herein;
9. Attend Committee meetings, as requested;
10. Continue to review the investment program to ascertain its relevance to the changing needs of Troy University;
11. Continue to review the Statement of Investment Policy and Guidelines to ascertain its relevance to the changing needs of Troy University; and
12. Assist the Treasurer in preparation of financial reporting by answering questions related to investment and/or investment accounting issues.

Responsibilities of the Investment Managers
Adherence to the Policy
The Portfolio assets are to be managed in accordance with the Policy as expressed herein, or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this Policy must be authorized by the Board of Directors with the advice of the Committee and will be communicated by the Treasurer.

Communication
The Committee requires, and the investment managers are responsible for, frequent and open communication with the Treasurer on all significant matters pertaining to the investment of the portfolio assets. The Committee must be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the investment management organizations. An audited financial statement(s) of the management organizations are to be furnished annually by the respective Investment Manager. All documents, exhibits, written material, etc., which will be used during periodic review meetings between the Committee and the investment managers shall be submitted to the Treasurer, Investment Consultant and the Stewardship Committee at least two weeks in advance of these meetings.

The Committee recognizes that the Policy requires periodic re-examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever an investment manager believes that the Policy should be altered, it is the responsibility of that manager to initiate written communication to the Treasurer.

Reporting
The Committee requires the Investment Manager to forward to the Treasurer, on a timely basis and at a minimum, quarterly reports containing portfolio activity, valuations at market, and strategy updates.

Asset Allocation
Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased, particularly over the short term. The Committee expresses within this document its need to ensure that the funds will be invested to provide returns of 4% plus the CPI. It is recognized that the most significant decision to affect the ability of Troy University to meet this goal is the asset allocation decision. Therefore, based on the investment objectives and risk tolerances stated in this document, the following asset mix targets are presently considered appropriate for the portfolio.

Total Equities	**TARGET**	**RANGE**
	60%	**55% to 65%**
Asset Class		
Domestic Large Cap Equity Index	13%	29% to 39%
Domestic Large Cap Equity Value	13%	
Domestic Large Cap Equity Growth	13%	
Domestic Small Cap Equity	12%	7% to 17%
International Equity	9%	4% to 13%
Domestic Fixed Income	**40%**	**35% - 45%**
Intermediate High Quality	20%	15% to 25%
Short Duration High Quality	20%	15% to 25%

The asset allocation target will be reviewed annually, or more frequently as changing conditions warrant.

Asset Allocation - Investment Managers

In order to maintain the target asset mix for each respective investment pool, each investment manager is expected to remain virtually fully invested.