SOUTHERN OREGON UNIVERSITY FOUNDATION
Investment Pool
Investment Policies and Guidelines
February 4, 2014

Mission Statement:
"The object and activities of this corporation shall be in general to aid and promote educational, scientific, and charitable purposes, and in particular the support and furtherance of the educational, scientific, charitable or other lawful activities and purposes of Southern Oregon University."

I. Introduction

This statement of Investment Policies and Guidelines ("Guidelines") governs the investment management of the Investment Pool ("Pool" or "Fund") for Southern Oregon University Foundation ("SOU Foundation" or "Foundation"). Its purpose is to foster a clear understanding of the Fund's investment objectives, policies, and guidelines among the Board of Trustees, the Finance and Investment Committee ("Committee"), the custodians, and any other professional advisors.

The Pool shall be invested with the care, skill, prudence, and diligence that a prudent person in a like position would exercise under similar circumstances and in a manner that is in the best interests of the Foundation. All objectives and policies herein are in effect until modified by the Committee.

II. Roles and Responsibilities

The management of the Pool is entrusted to the Board of Trustees. The Committee is responsible for adopting investment objectives and policies, hiring investment advisors, and monitoring policy implementation and investment performance. It is not charged with making individual security selection decisions. Specifically, the Committee will:

1. Monitor compliance with these guidelines and suggest any revisions;
2. Annually review this statement for its continued appropriateness;
3. Make decisions regarding the engagement and retention of investment managers, including fees, compensation, and any other related expenses;
4. Establish performance benchmarks and monitor investment performance;
5. Ensure that the asset allocation and investment performance are consistent with the policies, guidelines, and objectives of the Fund;
6. Monitor the liquidity within the Pool to ensure that sufficient funds are available to meet any expected or unexpected cash needs;
7. Report at least annually to the Board of Trustees on the following:
   a) Investment performance, net of fees, with comparisons to benchmarks;
   b) Current asset allocation;
   c) Any changes in policy or investment managers; and
   d) Other pertinent matters.

The spending policy is developed by the Finance and Investment Committee and approved by the Board of Trustees.

III. Management and Investment Objectives

The primary *management* objective of the Investment Pool is to preserve the real or inflation-adjusted purchasing power of the Pool, while providing a predictable, stable, and constant stream of payment support in real (inflation-adjusted) terms to meet the operating expenses of the Foundation. New gifts to the Pool will be used to enhance the Fund's purchasing power, not to maintain its purchasing power.

The primary *investment* objective of the Investment Pool is to produce, over trailing five and 10-year periods, a total return net of fees that equals or exceeds the Foundation's spending rate (including an internal administrative fee) of 5.0%, plus the long-term inflation rate as measured by the Consumer Price Index, investment management fees, and any other fees or expenses.

The secondary *investment* objective of the Investment Pool is to produce a total return net of fees in excess of a 75%/25% weighted average of the S&P 500 index and the Barclays Capital U.S. Intermediate Government/Credit Bond index, measured over trailing three and five-year periods. Additional performance benchmarks are addressed below.

IV. Spending Policy

The spending rate from the Investment Pool equals 5.0% (which includes a 1.5% administrative fee) of a 12-quarter moving average of the Fund's market value. The annual spending amount will be determined each year in July using the 12 trailing quarters ending June 30. Withdrawals will occur quarterly. Amounts not spent may be added back to the principal of the Fund. Sales may be required to generate liquidity for spending withdrawals. Additional withdrawals for capital expenses may be required from time to time.

V. Investment Manager Structure

The Fund will be managed by one or more external investment managers ("Manager"). Each Manager will have full discretion to make investment decisions for the assets under its management, subject to these Guidelines and any other instructions provided by the Committee.

1. The Manager will primarily invest in equity and fixed income SEC-registered no-load mutual funds.
2. The Manager will monitor each fund on an ongoing basis for return relative to objectives, consistency of investment philosophy, investment risk (as measured by asset concentration, exposure to extreme economic conditions, and volatility), and cost.
3. The Manager may also invest in exchange-traded funds (ETFs) and separately-managed accounts.

4. The Manager will have discretion over the choice of mutual funds, subject to the usual standards of fiduciary prudence and to any instructions provided by the Committee.
5. The Manager will not purchase direct investments in commodities, derivatives, private placements, or engage in short sales or purchases on margin, or use leverage of any kind, without the prior consent of the Committee. Because some mutual funds invest in derivative securities to achieve certain portfolio objectives, the Manager must analyze all funds prior to purchase to ensure that these securities are not used to speculate, leverage the portfolio, or create unacceptable levels of risk.
6. The Manager will not initiate transactions that could generate unrelated business taxable income (UBIT).
7. The Manager is authorized to vote proxies on behalf of the Pool.
8. If, at any time, the Manager believes that any guideline inhibits its investment performance, and wishes to present a compelling argument for modification to this guideline, the Committee will consider such requests.
9. The Manager is required to inform the Committee of any significant change in firm ownership, organizational structure, professional personnel, account structure, fundamental investment philosophy, or pending materially adverse litigation or pending government agency investigation of a materially adverse nature.

VI. Asset Allocation

The Fund assets will be diversified both by asset class (stocks, bonds, and cash) and within each asset class (for example, within equities by region, economic sector, industry, company, and market capitalization). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the Fund and to reduce the volatility of the Fund's overall performance.

To achieve the Pool's investment objectives, the account will be divided into an equity allocation and a fixed income allocation. Over the long run, the allocation between equities and fixed income will be the single most important determinant of the Fund's investment performance and its variability of returns. To achieve its real return objectives, the Fund must be invested primarily in equities.

The current strategic target weights for the Manager's Aggressive Growth allocation for various asset classes are listed below:

Asset Class	Target %	Range
Equities:	**84.0%**	**± 5%**
Domestic large cap funds	31.8	
Domestic small cap funds	12.0	
International large cap funds	16.3	
International small cap funds	3.9	
Emerging markets funds	5.5	
Domestic REIT funds	10.0	
International REIT funds	5.0	
Fixed Income:	**16.0%**	**± 5%**
High quality funds	15.5	
Investment grade funds	0.0	
Hedged foreign funds	0.0	
High yield funds	0.0	
Cash	0.5	

Note: target weights may not sum to 100.0% due to rounding.

The Committee may change any of these targets at its discretion, but it is anticipated that such changes will be infrequent. The Manager may invest the portfolio according to target weights that differ from the strategic weights (i.e., tactical targets) at the asset class level, but may not change the aggregate equity and fixed income target weights unless directed by the Committee.

The asset allocation targets are based on the market value of each asset class compared to the combined market value of all of the asset classes. Although the actual percentages will fluctuate with market conditions, levels five percentage points away from the total equity target will be closely monitored by the Committee, and funds will generally be rebalanced as needed to bring the percentages back into range within a reasonable period of time.

Upon verification with the Foundation, the Manager will invest additions or raise cash for withdrawals as soon as possible in a way that rebalances the portfolio toward its target weights, unless directed otherwise by the Foundation. Marketable securities will be liquidated in their entirety barring any market, liquidity, or other trading constraints. Proceeds from the sale of marketable securities will be treated as a cash addition and invested accordingly.

At least 80% of all assets should be convertible to cash within one business day to ensure sufficient liquidity to meet expected or unexpected withdrawals.

Any remaining alternative assets owned by the Pool will be included in the asset allocation and may displace one or more asset classes, depending on the type of alternative asset(s), and will be included in the calculation of the investment pool's total return.

VII. Investment Portfolio

The following guidelines apply to the equity and fixed income allocations of the Fund.

A. Equity Allocation: The Equity Allocation will normally represent approximately 84% of total Pool assets at market value. The purpose of the equity allocation is to provide real (inflation-adjusted) long-term appreciation of principal. It is recognized that the pursuit of this objective will likely result in greater portfolio risk and variability of market values in comparison to fixed income investments over time. In general, equity holdings will be broadly diversified and no individual mutual fund holding will represent more than 15% of the portfolio at market.

Decisions pertaining to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover, and the other tools employed by active stock managers are left to broad manager discretion, subject to the usual standards of fiduciary prudence.

B. Fixed Income Allocation: The Fixed Income Allocation will normally represent approximately 16% of total Investment Pool assets at market value. The purpose of the fixed income allocation is to provide a hedge against deflation, reduce the overall volatility of the Investment Pool, and produce current income to support spending needs.

The portfolio can hold fixed income securities from various market sectors, including U.S. Treasuries and government-sponsored agencies, mortgages, corporate bonds, asset-backed securities, municipal bonds, and bonds denominated in foreign currencies. Restrictions include:

1. No more than 5% of the fixed income allocation may be invested with a single issuer or guarantor except for investments in securities of the U.S. Treasury or U.S. Government agencies.
2. The average credit quality of the fixed income allocation will be A or better as rated by Standard & Poor's or Moody's or equivalent.
3. The average duration of the fixed income allocation will generally be within 2.0 years of the duration of the Barclays Capital U.S. Intermediate Government/Credit Bond Index.
4. A maximum of 15% of the Fund may be invested in securities rated below BBB.

The calculations will be based on the combined holdings of the fixed income managers.

Cash is to be invested at all times in short-term cash equivalents that provide safety and liquidity.

VIII. Performance Evaluation and Reporting

The Committee will monitor and review the portfolio on an ongoing basis but results will be formally evaluated over trailing five- and 10-year periods, as outlined in the primary and secondary investment objectives of the Guidelines. The Manager's total returns will be evaluated without regard to whether the return was generated from income or capital appreciation.

The risk level of the Manager, as measured by the annualized standard deviation of returns, should be approximately equal to or less than that of the benchmark(s) to which it is being compared.

The Manager will be evaluated based on two benchmarks, consistent with the asset allocation targets outlined above and calculated using monthly index returns and target weights. The target weights will change over time, as approved by the Committee.

- A traditional benchmark calculated using the following market indexes and weights:

Market Index	Weights
S&P 500	75.0%
Barclays Capital U.S. Intermediate Gov't./Credit	25.0

- A multi-asset benchmark calculated using the following market indexes and weights:

Market Index	Weights
S&P 500	31.75%
Russell 2000	12.00
MSCI EAFE	16.20
MSCI EAFE Small Cap	3.50
MSCI Emerging Markets	5.50
FTSE NAREIT Equity REITs	10.00
S&P Developed ex-U.S. BMI Property	5.00
Barclays Capital U.S. Intermediate Gov't./Credit	13.00
Citi 1-Month CD	3.00

Each mutual fund (or separate account manager) will be assigned a specific market benchmark that is most consistent with its investment philosophy and mandate. For example, a small cap U.S. stock fund might be expected to outperform the Russell 2000 index (net of fees) over trailing three- to five-year periods. Funds will also be measured against style benchmarks and groups of similar managers. The risk level of the mutual funds should be equal to or less than that of its market index.

The Committee will receive quarterly performance reports and will meet at least semi-annually to analyze the Manager's results. The Committee expects to meet in person with the Manager at least annually.

IX. Custody of Assets

All securities will be held at a designated master custodian. Assets can be removed from the Foundation account(s) only on authority of the Foundation, as stated in the contract with the custodian. The custodian selected by the Foundation should have adequate financial resources for protection against business failure and against liabilities relating to loss or theft of securities. They should also provide adequate performance in delivery systems, accuracy, timeliness, ease of access, and income and principal collection.

Approved by:

Title: Treasurer

Date: February 4, 2014