

University of South Carolina Foundations

Investment Policy Statement

December 1, 2010

I. DEFINITIONS

A. Purpose

The Investment Policy Statement ("Statement") was adopted by the Boards of Directors of the University of South Carolina Business Partnership Foundation, the University of South Carolina Education Foundation, the Greater USC Alumni Association, and the University of South Carolina Development Foundation (the "Joint Board") to direct the prudent investment of the Foundations (the "Foundation") in a manner consistent with the investment objectives stated herein. The Joint Board has delegated management of the Foundation's investment portfolio to the Joint Boards Investment Committee (the "Committee"). This Statement recognizes the desire of the participating Foundations to pool assets into one investment portfolio while allowing flexibility for each Board to set a separate asset allocation.

The Joint Board and the Committee recognize the mission of the Foundations to support current needs of the University and to focus on the long-term growth of assets. Long-term asset growth enables the Foundations' continued existence for the benefit of future generations of alumni, students, faculty and staff. While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term spending needs with preservation of the "real" (inflation-adjusted) value of assets, is crucial to the long-term success of the Foundations.

Goals:

- 1. Compound the principal of the Foundations' assets by appreciating the assets above the rate of inflation for preservation of capital value.*
- 2. Provide funds from the Foundations to meet the fiscal year commitments established to financially aid the University and its respective units.*
- 3. Obtain new and renewed gifts to further expand the Foundation asset base enabling increased financial assistance.*
- 4. Hire professional Investment Managers who have demonstrated an ability to maximize the total return on the Foundation's capital while limiting risk.*
- 5. Retain the services of a professional Investment Consultant to assist the Committee with the prudent allocation and management of Foundation assets.*

B. Scope

This Policy applies to all assets that are included in the pooled investment portfolio for which the Committee has been given discretionary investment authority.

This Investment Policy Statement shall be used by the Committee in its duty to oversee the investment portfolio and by the Foundation's Master Trustee (or Custodian), Investment Managers and Investment Consultant.

C. Investment Objective

The performance objective of the Foundation's portfolio is to grow the market value of assets by 4.5% net of inflation and assessment, over a full market cycle (generally defined as a three to five year period) without undue exposure to volatility. The benchmark index will be comprised of each asset class index weighted by its target allocation. It is expected that the portfolio will outperform its weighted benchmark index over a full market cycle.

D. Fiduciary Duty

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the South Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) [S.C. Code of Laws Section 34-6-10]. UPMIFA requires fiduciaries to apply the standard of prudence in investment decision making, stating *“Management and investment decisions about an individual asset must be made not in isolation, but rather in the context of the institutional fund’s portfolio...”*. The Committee *“will manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.”*

All investment actions and decisions must be based solely on the interest of the Foundation.

Fiduciaries must provide full and fair disclosure to the Committee of all material facts regarding any conflicts or potential conflicts of interests.

As summarized for the purposes of this Investment Policy Statement, the UPMIFA states that the Committee is under a duty to the Foundation to manage the funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Foundation are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

E. Description of Roles

1. Joint Boards Investment Committee

The Board of Directors of each Foundation has established an Investment committee. Each Investment Committee is responsible for setting the investment allocation for its portion of the portfolio. At least twice each year, the Investment Committees of each Foundation will meet as the Joint Boards Investment Committee. The Joint Boards Investment Committee has the ultimate fiduciary responsibility for the Foundations' pooled investment portfolio. The Boards of Directors ensures that appropriate policies governing the management of the

Foundation are in place and that these policies are being effectively implemented. To implement these responsibilities, the Joint Committee approves the Investment Policy Statement and delegates responsibility to the Investment Oversight Committee for implementation and ongoing monitoring. At least annually the Boards of Directors will receive a performance report and review of the Investment Policy Statement from the Committee.

2. Investment Oversight Committee

The Oversight Committee (IOC) is responsible for implementing the Investment Policy. This responsibility includes approving investment strategy; hiring and termination of investment managers; monitoring performance of the investment portfolio on a regular basis (at least quarterly); maintaining sufficient knowledge about the portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement. Membership in the IOC is composed of the Chairs of each Foundation's Investment Committee, one additional member from the USC Educational Foundation and other members as deemed necessary by the IOC members.

3. Executive Director / Chief Financial Officer

The Executive Director and Chief Financial Officer of the University Foundations Office have responsibility for administration of the Foundations' pooled investment portfolio and will consult with the IOC and Joint Boards Committee on all matters relating to the investment of the Foundation's portfolio. The positions will serve as primary contact for the Foundation's investment managers, investment consultant and custodian.

4. Investment Consultant

The investment consultant is responsible for assisting the IOC, Executive Director, and CFO in all aspects of managing and overseeing the investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

- a. Provide proactive recommendations
- b. Supply the IOC and Joint Boards Committee with reports (e.g. asset allocation studies, investment research and education) or information as reasonably requested
- c. Monitor the activities of each investment manager or investment fund
- d. Provide the IOC and Joint Boards Committee with quarterly performance reports
- e. Review this Investment Policy Statement annually with the Joint Boards Committee

F. Spending Policy

1. If liquidity is projected to be insufficient, the manager(s) shall be notified by the Committee at least 60 days before the minimum current cash requirements are needed and the manager(s) shall acknowledge receipt of such information.
2. Payout rate to recipients is determined annually by each Budget Committee presenting a formal proposal to their Foundation Board for approval after their Finance and Investment Committee has approved for payment for the next fiscal year beginning July 1. Spending allocation will be up to the payout rate multiplied by the three-year average market value of the portfolio as of December 31, with the preferred minimum being the previous year's spending. Investment returns in excess of those necessary to support spending will be reinvested in the principal balance, with the exception of those funds earmarked as a reserve. The S.C. Code of Laws Section 34-6-40 (A)

under ‘Appropriation for expenditure or accumulation of endowment fund; rules of construction’ states:

“Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.”

3. Each Foundation Board’s Budget Committee will present a formal proposal to their Foundation Board for approval after their Finance and Investment Committee has approved the proposal of a set “payout rate” to fund its Foundation’s cash commitments and will set an overhead assessment rate.

II. INVESTMENT PHILOSOPHY

A. Strategy

The Committee understands the long-term nature of the Foundation and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection.

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Foundation, but is a residual to the investment process and used to meet short-term liquidity needs.

B. Asset Allocation

Asset allocation will likely be the key determinant of the Foundation’s returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio should include assets with low correlations of returns that should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Foundation, rather than judging each of the asset categories alone. Each Foundation’s Investment Committee will set its own asset allocation percentages and ranges.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Foundation, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level. To achieve these goals, the asset allocation will be set with the following target percentages and within the following ranges:

Please refer to ADDENDUM I

C. Active vs. Passive Management

The asset allocation may be implemented using either or both active and passive investment managers.

D. Investment Styles

The Committee understands investment styles (growth and value) are cyclical, but believes that over the long-term, value stocks outperform growth stocks and this is more pronounced for

smaller market capitalization (cap) stocks. Therefore, the Foundation will employ a strategic overweight to value stocks, with a larger value overweight to mid and small cap stocks.

E. Rebalancing

The Executive Director/CFO will monitor the asset allocation structure of the Foundation and attempt to stay within the ranges allowed for each asset category. If the portfolio moves outside of the ranges, the Executive Director/CFO, with advice from the investment consultant, will develop a plan of action to rebalance. In many cases the addition of new money or withdrawals for spending will be used to rebalance in a cost effective manner.

F. Liquidity

A goal of the Foundation is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. The Committee understands that, in many instances, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process.

G. Illiquid and Semi-Liquid Investments

Illiquid investments include private equity, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

1. Private Equity

The objective of the private equity allocation is to outperform, over the long-term, the public equity markets by 300-500 basis points, net of fees. The return premium exists due to the lower cost of capital, higher risk, lack of liquidity, and the uneven distribution of information and access inherent in private markets.

For the private equity allocation to achieve the expected objectives without unnecessary risk, the Foundation should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall private equity allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Sub-Category

The target allocations to venture capital, buyout, and special situations (distressed, mezzanine, infrastructure etc.) will serve as a guideline for committing capital. As commitments to private equity are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. Vintage Year

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. Manager

Investments should be considered with several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. **Stage**

Investments should be considered across the life cycle of businesses. Within venture capital, this includes early, mid, and late stage companies. Buyout investments consist of small, mid, and large market firms, and may be in the form of traditional buyouts, growth equity, recapitalizations, or restructuring.

e. **Geography**

Investments should be considered across the U.S. and internationally (developed and emerging markets).

f. **Sector**

The portfolio should be diversified by sector, as well as across industries within a sector.

2. **Private Real Estate**

The objective of the private real estate allocation is to provide low correlation to the public equity and fixed income markets and serve as an inflation hedge.

For the real estate allocation to achieve the expected objectives without unnecessary risk, the Foundation should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular region or property type, but the overall real estate allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. **Sub-Category**

Private real estate investments should be considered in either value-added or opportunistic funds, which are designed to generate excess return for the overall real estate allocation. These strategies typically require some lease-up, development or repositioning, as well as utilize more leverage than public REITs. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. **Vintage Year**

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. **Manager**

By combining a public REIT allocation as a core holding (also provides liquidity) with investments in several private partnerships (or a fund of funds), manager specific, as well as property specific risk, within the real estate allocation can be diminished.

d. **Geography**

Investments should be considered across the U.S. and internationally.

e. **Property Type**

The portfolio should be diversified across property types (e.g. apartments, office, industrial, and retail).

3. **Natural Resources (Energy and Timber)**

The objective of the natural resources allocation is to provide low correlation to the public equity and fixed income markets and serve as an inflation hedge. These investments should be primarily in the private markets, which offer inefficiencies that can be exploited.

For the natural resource allocation to achieve the expected objectives without unnecessary risk, the Foundation should seek access to top-quality managers and be diversified. Individual investments may be concentrated in a particular region, production stage, or commodity exposure, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. **Sub-Category**

The target allocations to energy and timber investments will serve as a guideline for committing capital. As commitments to natural resources are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.

b. **Vintage Year**

Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.

c. **Manager**

Investments should be committed to several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.

d. **Geography**

Investments should be spread across the U.S. and internationally.

e. **Stage/Type**

i. **Energy**

Investments in energy funds will focus primarily on the upstream end of the energy market with development and production, and to a lesser extent exploration. Exposure to the upstream markets will be gained through private equity investments, working interests, and royalty interests. Investment in downstream activities such as refining, transmission, and distribution may be considered opportunistically. Upstream markets offer two primary benefits:

- 1) Inefficiencies, which offer attractive investment opportunities, and
- 2) Exposure to the underlying commodity (oil and gas), which provides an inflation hedge.

ii. **Timber**

Investments with Timber Investment Management Organizations (TIMOs) should be diversified by wood type (hard and softwood, species, etc.). Investing in TIMOs exposes the portfolio to timber prices, providing inflation protection, with the potential to generate additional return through the underlying management of the timberland.

4. **Hedge Funds**

The objective of the hedge fund allocation is to diversify the Foundation and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a “lock-up” period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Foundation should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. **Strategy**

The hedge fund universe can be divided into two broad categories: Absolute Return and Directional. Below are the definitions and examples of these strategies.

i. **Absolute Return**

These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage.

ii. **Directional (Equity Hedge)**

These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling.

b. **Manager Diversification**

A “core-satellite” approach of combining a core allocation of fund of funds, with satellite investments in direct funds mitigates manager specific, as well as strategy specific risk.

III. Evaluation & Performance Measurement

A. Total Fund Benchmarks

The Committee seeks to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the Committee recognizes that over various time periods, the Foundation may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

1. The primary objective of the Foundation portfolio is to achieve a total return, net of fees, equal to or greater than spending plus inflation plus an internal assessment fee.

For example, the USC Educational Foundation has set the following as a target:

***Total Return greater than 4.5% (Spending Rate) + 2.5% (Inflation rate)+
1.5 % (Assessment) = 8.5%***

2. A secondary objective is to achieve a total return in excess of the Broad Policy Benchmark comprised of each broad asset category benchmark weighted by its target allocation.

The current Broad Policy Benchmark for the Pooled Portfolio is:

WEIGHT	INDEX	ASSET CATEGORIES
56.2%	Russell 3000	U.S. Equity / Real Assets
15.2%	MSCI ACWI ex-US	International Equity / Real Assets
28.6%	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

3. Another investment objective is to achieve a total return in excess of the Target Weighted Benchmark comprised of each asset category benchmark weighted by its target allocation.

The current Target Weighted Benchmark for the Pooled Portfolio is:

WEIGHT	INDEX	ASSET CATEGORY
46.0%	S&P 500	U.S. Large Cap
0.0%	Russell Midcap	U.S. Mid Cap
10.2%	Russell 2000	U.S. Small Cap
15.2%	MSCI EAFE	International Developed
0.0%	MSCI EAFE Small Cap	International Small Cap
0.0%	MSCI Emerging Markets	Emerging Markets
15.0%	C/S Tremont HFI Multi-Strategy	Hedge Funds – Absolute Return
0.0%	C/S Tremont HFI Long/Short Equity	Hedge Funds - Directional
13.6%	BC Aggregate Bond	Investment Grade Bonds

Please refer to ADDENDUM II for individual Broad Policy and Target Weighted Benchmarks

B. Manager Evaluation

1. Each investment manager will be reviewed by the Joint Boards Committee on an ongoing basis and evaluated upon the criteria listed below. The Joint Boards Committee expects the managers to outperform the benchmarks over a full market cycle (for measurement purposes:

5 years). The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may produce significant underperformance. Each investment manager will be reviewed on an ongoing basis and evaluated on the following criteria:

- a. Maintaining a stable organization
 - b. Retaining key personnel
 - c. Avoiding regulatory actions against the firm, its principals, or employees
 - d. Adhering to the guidelines and objectives of this Investment Policy Statement
 - e. Avoiding a significant deviation from the style and capitalization characteristics defined as “normal” for the manager
 - f. Exceeding the return of the appropriate benchmark and, for equity managers, produce positive alpha (risk-adjusted return) within the volatility limits set in the “Summary of Quantitative Performance and Risk Objectives” table
 - g. Exceeding the median performance of a peer group of managers with similar styles of investing
2. Although there are no strict guidelines that will be utilized in selecting managers, the Joint Boards Committee will consider the criteria above, as well as, the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Foundation already has invested with the firm.

C. Summary of Quantitative Performance and Risk Objectives

1. Liquid and Semi-Liquid Active Managers

The following table summarizes the quantitative performance objectives for the liquid and semi-liquid (hedge fund) active managers. Managers failing to meet these criteria over a full market cycle will undergo extensive qualitative and quantitative analysis. This analysis will focus on the manager’s personnel, philosophy, portfolio characteristics, and peer group performance to determine whether the manager is capable of implementing their defined portion of the overall portfolio structure. These managers are expected to outperform their primary benchmark, and the equity (and REIT) managers are expected to maintain a beta (vs. the primary benchmark) of less than 1.20.

ASSET CATEGORY	PRIMARY BENCHMARK	PEER UNIVERSE
<i>Global Equity</i>		
U.S. Large Cap	S&P 500	Top 50%
U.S. Mid Cap	Russell Midcap	Top 50%
U.S. Small Cap	Russell 2000	Top 50%
International Developed	MSCI EAFE	Top 50%
International Small Cap	MSCI EAFE Small Cap	Top 50%
Emerging Markets	MSCI Emerging Markets	Top 50%
<i>Global Fixed Income</i>		
Investment Grade Bonds	BC Aggregate Bond	Top 50%
<i>Hedge Funds</i>		
Directional	C/S Tremont HFI Long/Short	-
Absolute Return	C/S Tremont HFI Multi-Strategy	-

2. **Public Liquid Passive (Index) Managers**

Passive (or index) managers are expected to approximate the total return of its respective benchmark. The beta for passive equity managers should approximate 1.00. A beta of 1.00 means that the manager's portfolio is neither more nor less volatile or risky than the wider market. A beta of more than 1.00 indicates greater volatility while a beta of less than 1.00 indicates less.

3. **Private Illiquid Managers**

The majority of private equity, private real estate, and natural resource funds will be invested with private partnerships. These partnerships typically range from 7-15 years in life, during which time the Foundation may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-5 years (depending on the strategy). New investments will create a drag on fund performance in the early years (3-5 years) until these investments begin to mature. This drag on performance is often referred to as the J-curve, due to the shape created by plotting a line graph with performance on the y-axis and time on the x-axis. Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) calculations and will be compared to an appropriate peer group. An IRR calculated from the inception of the partnership will be the primary performance measurement tool utilized for all private equity, private real estate, and natural resource managers.

a. **Private Equity**

Returns will be compared to the appropriate peer group in the Thompson Financial Venture Economics universe of similar style (buyout or venture capital) and vintage year.

b. **Private real estate**

Returns will be compared to the NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

c. **Timber**

Returns will be compared to the NCREIF Timberland Index, which is reported on a time-weighted basis, but will be translated into an IRR for measurement purposes.

d. **Energy**

There are no suitable benchmarks for private energy. Private energy funds are utilized as an inflation hedge and thus, their returns will be compared to CPI + 8%.

IV. GUIDELINES & RESTRICTIONS

A. Overview

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable in the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Foundation's investments.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the

Foundation. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each traditional equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement,
2. Immediately notify the Executive Director/CFO and consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel,
3. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management.

B. Public Equity Manager Guidelines (including REITs)

Each active equity investment manager shall:

1. Assure that no position of any one company exceeds 8% of the manager's total portfolio as measured at market,
2. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein,
3. Maintain a minimum of 20 positions in the portfolio to provide adequate diversification,
4. Maintain adequate diversification among economic sectors by investing no more than 50% of the portfolio in any one sector, as defined by the relevant benchmark,
5. U.S. equity managers should have no more than 20% of the total portfolio invested in foreign stocks or American Depository Receipts (ADRs).

C. Public Fixed Income Manager Guidelines

1. Each investment grade fixed income investment manager shall:
 - a. Maintain an overall weighted average credit rating of "Aa" or better by Moody's or "AA" or better by Standard & Poor's,
 - b. Hold no more than 25% of the portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating,
 - c. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers),
 - d. Assure that any one issuer does not exceed 8% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.
2. Each high yield/bank loan investment manager shall:
 - a. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's,
 - b. Hold no more than 20% of the portfolio in investments rated below B. Split rated securities will be governed by the lower rating,
 - c. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

D. Cash Equivalent Guidelines (for separately managed accounts only)

Each separately managed cash equivalent account manager shall:

- a. Maintain a maximum weighted average maturity of less than one year,
- b. Invest no more than 5% of the manager's portfolio in the commercial paper of any one issuer. All commercial paper must have a minimum rating of A1/P1 by Standard & Poor's and Moody's, respectively,
- c. Invest no more than \$250,000 in FDIC insured Bank Certificates of Deposit of any single issuer, unless the investments are fully collateralized by U.S. Treasury or agency securities. Any Certificates of Deposit purchased must have the highest credit quality rating from a nationally recognized rating,
- d. Assure that no position of any one issuer shall exceed 8% of the manager's total portfolio as measured at market value except for securities issued by the U. S. government or its agencies.

E. Illiquid and Semi-Liquid Investment Guidelines

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Foundation may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Joint Boards Committee, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement (PPM) and Limited Partnership Agreement.

The Foundation is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Foundation, potential tax ramifications must be considered during the investment analysis and selection process. The Foundation shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Foundation.

F. Derivative Security Guidelines

1. For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:
 - a. Manager's proven expertise
 - b. Value added by utilizing derivatives
 - c. Liquidity of instruments
 - d. Amount of leverage
 - e. Management of counterparty risk
 - f. Manager's internal risk controls and procedures

2. The strategies in which derivatives can be used are:
 - a. Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
 - b. Portable Alpha – Derivatives (typically futures or swaps) will be used to generate “beta”, while the notional exposure amount is actively managed to generate “alpha”.
 - c. Fixed Income – Derivatives will be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.
 - d. Overlay/Transition Management – Derivatives (typically futures contracts) will be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.
 - e. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure. Due to the wide variety of strategies that hedge funds may employ, broad policies regarding prudent use of derivatives cannot be easily defined.

V. MONITORING AND REPORTING

MASTER TRUSTEE / CUSTODIAN

The master trustee / custodian is an integral part of managing and overseeing the Foundation's portfolio. Open communications with the Foundation, its investment managers and consultant will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

The master trustee / custodian shall:

1. Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.
2. Provide the Foundation, its investment managers and consultant special reports as reasonably requested; and
3. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.

INVESTMENT MANAGERS

Open communication between the investment managers, the Foundation and its consultant are critical to the success of the Foundation. The manager in its annual meeting shall provide the following to the Joint Boards Committee.

1. A written review of key investment decisions, investment performance and portfolio structure.
2. An organizational update, including a report on any and all changes in organizational structure, investment personnel and process.
3. A review of the manager's understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, the following is required of each investment manager:

1. Monthly transaction and asset statements shall be provided to the Foundation, its consultant and custodian (if the manager's securities are held by the Foundation's custodian) no later than the tenth business day following month end;
2. Quarterly performance reviews;

3. Immediate notification to the Foundation and its consultant of any exceptions to this investment policy statement with a recommended plan of action to correct the violation;
4. Annual summary of proxy voting and soft dollar brokerage as defined in the respective sections of this Investment Policy Statement;
5. The Foundation, its consultant or custodian may reasonably request other reports or information.

CONSULTANT

The Investment Consultant is responsible for assisting the IOC and the Joint Boards Committee in all aspects of managing and overseeing the Foundation's investment portfolio. On an ongoing basis the consultant will:

1. Provide quarterly performance reports within 45 days following the end of the quarter;
2. Meet with the Joint Boards Committee at least semiannually, more frequently as needed;
3. Perform sufficient due diligence on current managers to obtain reasonable assurance of their ongoing appropriateness as a service provider and fiduciary;
4. Monitor the activities of each investment manager or investment fund;
5. Provide the Joint Boards Committee with an annual review of this Investment Policy Statement, including an assessment of the Foundation's current asset allocation, spending policy and investment objectives; and
6. Supply other reports or information as reasonably requested.

ADDENDUM I – ASSET ALLOCATION

UNIVERSITY OF SOUTH CAROLINA EDUCATIONAL FOUNDATION

ASSET CATEGORY	TARGET	RANGE
I. GLOBAL EQUITY	70%	50-90%
A. Public	70%	50-90%
1. U.S. Equities	55%	40-70%
a. Large Cap	45%	35-55%
b. Mid Cap	0%	0-15%
c. Small Cap	10%	5-15%
2. International Equities	15%	10-20%
a. Developed Large Cap	15%	10-20%
b. Developed Small Cap	0%	0-10%
c. Emerging Markets	0%	0-10%
B. Hedge Funds - Directional	0%	0-10%
C. Private	0%	0-10%
1. Venture Capital	0%	0-5%
2. Buyout	0%	0-5%
3. Special Situations	0%	0-5%
II. GLOBAL FIXED INCOME	15%	5-25%
A. Interest Rate Sensitive	15%	5-25%
1. Investment Grade	15%	5-25%
2. Inflation Protected (TIPS)	0%	0-10%
B. Credit	0%	0-15%
1. High Yield	0%	0-10%
2. Bank Loans	0%	0-10%
III. REAL ASSETS	0%	0-20%
A. Real Estate	0%	0-10%
1. Public (REITs)	0%	0-10%
2. Private	0%	0-10%
B. Natural Resources	0%	0-10%
1. Private Energy	0%	0-10%
2. Timber	0%	0-10%
IV. ABSOLUTE RETURN	15%	10-20%
V. CASH	0%	0-5%

THE GREATER USC ALUMNI ASSOCIATION

ASSET CATEGORY	TARGET	RANGE
I. GLOBAL EQUITY	70%	50-90%
A. Public	70%	50-90%
1. U.S. Equities	55%	40-70%
a. Large Cap	45%	35-55%
b. Mid Cap	0%	0-15%
c. Small Cap	10%	5-15%
2. International Equities	15%	10-20%
a. Developed Large Cap	15%	10-20%
b. Developed Small Cap	0%	0-10%
c. Emerging Markets	0%	0-10%
B. Hedge Funds - Directional	0%	0-10%
C. Private	0%	0-10%
1. Venture Capital	0%	0-5%
2. Buyout	0%	0-5%
3. Special Situations	0%	0-5%
II. GLOBAL FIXED INCOME	15%	5-25%
A. Interest Rate Sensitive	15%	5-25%
1. Investment Grade	15%	5-25%
2. Inflation Protected (TIPS)	0%	0-10%
B. Credit	0%	0-15%
1. High Yield	0%	0-10%
2. Bank Loans	0%	0-10%
III. REAL ASSETS	0%	0-20%
A. Real Estate	0%	0-10%
1. Public (REITs)	0%	0-10%
2. Private	0%	0-10%
B. Natural Resources	0%	0-10%
1. Private Energy	0%	0-10%
2. Timber	0%	0-10%
IV. ABSOLUTE RETURN	15%	10-20%
V. CASH	0%	0-5%

UNIVERSITY OF SOUTH CAROLINA BUSINESS PARTNERSHIP FOUNDATION

ASSET CATEGORY	TARGET	RANGE
I. GLOBAL EQUITY	70%	50-90%
A. Public	70%	50-90%
1. U.S. Equities	55%	40-70%
a. Large Cap	45%	35-55%
b. Mid Cap	0%	0-15%
c. Small Cap	10%	5-15%
2. International Equities	15%	10-20%
a. Developed Large Cap	15%	10-20%
b. Developed Small Cap	0%	0-10%
c. Emerging Markets	0%	0-10%
B. Hedge Funds - Directional	0%	0-10%
C. Private	0%	0-10%
1. Venture Capital	0%	0-5%
2. Buyout	0%	0-5%
3. Special Situations	0%	0-5%
II. GLOBAL FIXED INCOME	15%	5-25%
A. Interest Rate Sensitive	15%	5-25%
1. Investment Grade	15%	5-25%
2. Inflation Protected (TIPS)	0%	0-10%
B. Credit	0%	0-15%
1. High Yield	0%	0-10%
2. Bank Loans	0%	0-10%
III. REAL ASSETS	0%	0-20%
A. Real Estate	0%	0-10%
1. Public (REITs)	0%	0-10%
2. Private	0%	0-10%
B. Natural Resources	0%	0-10%
1. Private Energy	0%	0-10%
2. Timber	0%	0-10%
IV. ABSOLUTE RETURN	15%	10-20%
V. CASH	0%	0-5%

UNIVERSITY OF SOUTH CAROLINA DEVELOPMENT FOUNDATION

ASSET CATEGORY	TARGET	RANGE
I. GLOBAL EQUITY	85%	72.5-95%
A. Public	85%	72.5-95%
1. U.S. Equities	55%	40-70%
a. Large Cap	55%	35-55%
b. Mid Cap	0%	0-15%
c. Small Cap		5-15%
2. International Equities	12.5%	
a. Developed Large Cap	17.5%	10-20%
b. Developed Small Cap	0%	0-10%
c. Emerging Markets	0%	0-10%
B. Hedge Funds - Directional	0%	0-10%
C. Private	0%	0-10%
1. Venture Capital	0%	0-5%
2. Buyout	0%	0-5%
3. Special Situations	0%	0-5%
II. GLOBAL FIXED INCOME	0%	0-25%
A. Interest Rate Sensitive	0%	0-25%
1. Investment Grade	15%	5-25%
2. Inflation Protected (TIPS)	0%	0-10%
B. Credit	0%	0-15%
1. High Yield	0%	0-10%
2. Bank Loans	0%	0-10%
III. REAL ASSETS	0%	0-20%
A. Real Estate	0%	0-10%
1. Public (REITs)	0%	0-10%
2. Private	0%	0-10%
B. Natural Resources	0%	0-10%
1. Private Energy	0%	0-10%
2. Timber	0%	0-10%
IV. ABSOLUTE RETURN	15%	10-20%
V. CASH	0%	0-5%

ADDENDUM II - BENCHMARKS

UNIVERSITY OF SOUTH CAROLINA EDUCATIONAL FOUNDATION

The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
55%	Russell 3000	U.S. Equity / Real Assets
15	MSCI ACWI ex-US	International Equity / Real Assets
30	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

The current Target Weighted Benchmark is:

WEIGHT	INDEX	ASSET CATEGORY
45%	S&P 500	U.S. Large Cap
	Russell Midcap	U.S. Mid Cap
10	Russell 2000	U.S. Small Cap
15	MSCI EAFE	International Developed
	MSCI EAFE Small Cap	International Small Cap
	MSCI Emerging Markets	Emerging Markets
15	C/S Tremont HFI Multi-Strategy	Hedge Funds – Absolute Return
	C/S Tremont HFI Long/Short Equity	Hedge Funds - Directional
15	BC Aggregate Bond	Investment Grade Bonds

THE GREATER USC ALUMNI ASSOCIATION

The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
55%	Russell 3000	U.S. Equity / Real Assets
15	MSCI ACWI ex-US	International Equity / Real Assets
30	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

The current Target Weighted Benchmark is:

WEIGHT	INDEX	ASSET CATEGORY
45%	S&P 500	U.S. Large Cap
	Russell Midcap	U.S. Mid Cap
10	Russell 2000	U.S. Small Cap
15	MSCI EAFE	International Developed
	MSCI EAFE Small Cap	International Small Cap
	MSCI Emerging Markets	Emerging Markets
15	C/S Tremont HFI Multi-Strategy	Hedge Funds – Absolute Return
	C/S Tremont HFI Long/Short Equity	Hedge Funds - Directional
15	BC Aggregate Bond	Investment Grade Bonds

UNIVERSITY OF SOUTH CAROLINA BUSINESS PARTNERSHIP FOUNDATION

The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
55%	Russell 3000	U.S. Equity / Real Assets
15	MSCI ACWI ex-US	International Equity / Real Assets
30	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

The current Target Weighted Benchmark is:

WEIGHT	INDEX	ASSET CATEGORY
45%	S&P 500	U.S. Large Cap
	Russell Midcap	U.S. Mid Cap
10	Russell 2000	U.S. Small Cap
15	MSCI EAFE	International Developed
	MSCI EAFE Small Cap	International Small Cap
	MSCI Emerging Markets	Emerging Markets
15	C/S Tremont HFI Multi-Strategy	Hedge Funds – Absolute Return
	C/S Tremont HFI Long/Short Equity	Hedge Funds - Directional
15	BC Aggregate Bond	Investment Grade Bonds

UNIVERSITY OF SOUTH CAROLINA DEVELOPMENT FOUNDATION

The current Broad Policy Benchmark is:

WEIGHT	INDEX	ASSET CATEGORIES
67.5%	Russell 3000	U.S. Equity / Real Assets
17.5	MSCI ACWI ex-US	International Equity / Real Assets
15.0	BC Aggregate Bond	Global Fixed Income / Absolute Return / Real Assets

The current Target Weighted Benchmark is:

WEIGHT	INDEX	ASSET CATEGORY
55.0%	S&P 500	U.S. Large Cap
	Russell Midcap	U.S. Mid Cap
12.5	Russell 2000	U.S. Small Cap
17.5	MSCI EAFE	International Developed
	MSCI EAFE Small Cap	International Small Cap
	MSCI Emerging Markets	Emerging Markets
15.0	C/S Tremont HFI Multi-Strategy	Hedge Funds – Absolute Return
	C/S Tremont HFI Long/Short Equity	Hedge Funds - Directional
	BC Aggregate Bond	Investment Grade Bonds