

CUSTODIAN

The custodian's duties are set forth in the University of Utah Endowment Pool Investment Guidelines for separately managed accounts, otherwise it is the investment managers' responsibility to maintain and monitor their own custodian.

OBJECTIVES

The overall, long-term investment objective of the **Pool** is to achieve an annualized total return (net of investment management expenses), through appreciation and income, greater than the rate of inflation (as measured by the Consumer Price Index) plus any spending and administrative expenses, thus protecting the purchasing power of the assets. The assets are to be managed in a manner that will meet the primary investment objectives, while at the same time attempting to limit volatility in year-to-year spending.

STRATEGY

The Board of Trustees and Investment Advisory Committee understand the long-term nature of the **Pool**, and realize, that within the constraints of the asset allocation model, adding assets with higher return expectations are intended to outweigh their short-term volatility risk. As a result, the majority of assets will typically be invested in equity or equity-like securities, including real assets (real estate, natural resources, and infrastructure). Real assets also are expected to provide the added benefit of inflation protection.

Fixed income and diversifying 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 portfolio and is used to meet short-term liquidity needs or as a short term vehicle to dampen volatility. It also serves as a residual to the investment process as used for reallocation between funds and/or prior to income distribution.

SPENDING POLICY

Income available for spending is determined by a total return system. The amount to be spent in the coming fiscal year is calculated as of each December 31st. The calculation is based on a specified percentage of a 12-quarter rolling average of the market value. The spending rate will at all times be approved by the President of the University.

ASSET ALLOCATION/INVESTMENT STRUCTURE

Asset allocation will likely be the key determinant of the **Pool'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, with uncorrelated returns from various assets, 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 **Pool**, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary investment objective of the **Pool**, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of four asset categories. Each category serves a specific role within a portfolio. An allocation to all four categories can provide diversification to major market risk factors while establishing a simple framework to review the exposures within the portfolio. The categories are as follows:

GLOBAL EQUITY

Intended to be the primary source of long-term capital appreciation for the portfolio. While having higher expected returns than fixed income, they also have higher expected volatilities. Sub-categories include both public and private equities, as well as hedged equity mandates.

GLOBAL FIXED INCOME/CREDIT

Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of fixed income (debt) securities, and can be categorized as interest rate sensitive and credit sensitive. Sub-categories include both public and private debt.

REAL ASSETS

Intended to insulate the portfolio from inflation shocks and to provide a source of non-correlating returns with other asset categories. Includes both public and private investments in real estate, natural resources (e.g., energy, agriculture, timber, commodities), and infrastructure (e.g., power generation, mid-stream energy Master Limited Partnerships “MLPs”).

DIVERSIFYING STRATEGIES

Intended to provide diversification from systematic market risk, with the primary determinant of returns typically derived from manager skill (alpha) rather than the market (beta). Sub-categories include both liquid and semi-liquid non-directional strategies that seek low correlations to the public equity and fixed income markets.

To achieve these goals, the asset allocation will be set with the following target percentages and within the following ranges:

Asset Category	Target	Range
GLOBAL EQUITY	40%	30-50%
<i>Public Equities</i>	25	15-50
<i>Hedged Equity*</i>	5	0-10
<i>Private Equity*</i>	10	0-15
GLOBAL FIXED INCOME/CREDIT	20	10-40
<i>Interest Rate Sensitive</i>	11	5-40
<i>Credit Sensitive*</i>	9	0-20
REAL ASSETS	20	10-30
<i>Real Estate*</i>	7	0-15
<i>Natural Resources*</i>	8	0-10
<i>Infrastructure*</i>	5	0-10
DIVERSIFYING STRATEGIES*	20	0-30

* May include semi-liquid hedge funds or illiquid private capital funds.

REBALANCING

The CIO will monitor the asset allocation structure of the **Pool** and attempt to stay within the ranges allowed for each asset category. The portfolio may differ from target allocations, but within the allowable ranges, due to market movements or tactical tilts. If the portfolio moves outside of the ranges the CIO, with advice from the investment consultant, will develop a plan of action to rebalance. In many cases the additions of new money or withdrawals for spending will be used to rebalance in a cost effective manner.

ACTIVE AND PASSIVE MANAGEMENT

The asset allocation will be implemented using both active and passive investment managers. Highly efficient areas of the capital markets may be managed primarily using index funds and other structured strategies (e.g., smart beta, enhanced index, portable alpha).

INVESTMENT STYLES / MARKET CAPITALIZATION

Investment styles (growth and value) are cyclical, but over the long-term, value stocks tend to outperform growth stocks, and small cap stocks tend to outperform large cap stocks. Therefore, the **Pool** will employ a strategic overweight to value stocks and small cap stocks as appropriate.

LIQUIDITY

The **Pool** will seek to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. In many instances, the most appropriate investment option is one that comes with liquidity constraints.

Illiquid investments include private equity, private debt, and private real assets. Hedge funds are considered semi-liquid due to lock-up periods, redemption restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits:

Classification	Target	Limits
Liquid	At least 50% of the portfolio	At least 40% of the portfolio
Semi-Liquid	25% of the portfolio	No more than 30% of the portfolio
Illiquid*	25% of the portfolio	No more than 30% of the portfolio

* A private capital implementation plan (with target amounts and timing of capital commitments) will be used to manage the allocation prudently, strive to maintain the target allocation, and maintain vintage year diversification. Market movements could cause the allocation to move outside ranges, in which case, rebalancing will not be necessary, but future commitments may need to be adjusted.

PERFORMANCE MEASUREMENT

TIME HORIZON

The **Pool** seeks to achieve the investment objectives over a full market cycle, but does not expect that all investment objectives will be attained each year. Furthermore, the **Pool** recognizes that over various time periods, the portfolio may produce over or under performance relative to the broad markets. For this reason, long-term investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

PRIMARY BENCHMARK

The primary objective of the **Pool** is to achieve a total return, net of fees, in excess of spending, administrative fees, and inflation. The Primary Benchmark is the minimum return needed to achieve this objective subject to appropriate drawdown measurement. The Benchmark is therefore stated as follows:

Total Return greater than Spending + Administrative Fees + Consumer Price Index with a maximum drawdown not greater than 25%.

BROAD STRATEGIC BENCHMARK

Another strategic objective is to achieve a total return in excess of the broad financial indices. The Broad Strategic Benchmark shall be comprised of each broad asset class benchmark weighted by its long-term strategic allocation. The Broad Strategic Benchmark is as follows:

Weight	Index	Asset Categories
60%	MSCI ACWI	Equity / Real Assets
40%	Barclays U.S. Aggregate	Fixed Income / Diversifying Strategies

RELATIVE RETURN BENCHMARK

Another investment objective is to achieve a total return that is comparable to appropriate peer institutions and appropriate asset size category over a time horizon defined by the Investment Advisory Committee.

MANAGER EVALUATION

QUALITATIVE MEASURES

Each investment manager will be reviewed by the CIO and investment consultant on an ongoing basis and evaluated upon the criteria listed below but not limited to:

1. Maintaining a stable organization;
2. Retaining key personnel;
3. Avoiding regulatory actions against the firm, its principals, or employees;
4. Adhering to the guidelines and objectives of this Endowment Pool Investment Implementation Strategy;
5. Avoiding significant deviations from the manager’s stated investment philosophy.

Although there are no strict guidelines that will be utilized in selecting managers, the CIO and the investment consultant will consider the criteria above, as well as, the unique role the manager may play, the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Fund already has invested with the firm.

SUMMARY OF QUANTITATIVE PERFORMANCE

Public Liquid and Semi-Liquid Active Managers

Liquid and semi-liquid (hedge fund) active managers will be measured against an appropriate market index and a peer universe of portfolios managed in a similar investment style. The CIO and the investment consultant expect the managers to outperform the benchmarks over a full market cycle, but do not expect that all investment objectives will be attained each year. Furthermore, the Investment Advisory Committee and Senior Investment Officers recognize that over various time periods, the managers may produce significant over or under performance relative to their benchmarks. For this reason, long-term investment returns will generally be evaluated over a full market cycle (for measurement purposes: 5 years).

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.

Public Liquid Passive Managers

Passive (or index) managers are expected to approximate the total return of its respective benchmark.

Private Illiquid Managers

Private partnerships typically range from 7-15 years in life, during which time the **Pool** 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 (known as the J-curve) in the early years (3-5 years) until these investments begin to mature.

Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) from the inception of the partnership and compared to an appropriate peer group and/or public market equivalent benchmark.

GUIDELINES AND RESTRICTIONS

GENERAL

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 of the market environment in which investment decisions must be made. 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 **Pool's** investments.

The requirements stated below apply to investments in non-pooled/mutual funds, where the investment manager is able to construct a separate, discretionary account on behalf of the **Pool**. Although the **Pool's** officers cannot dictate policy to pooled/mutual fund investment managers, the **Pool's** officers' intent is to select and retain only pooled/mutual funds with policies similar to this Endowment Pool Investment Implementation Strategy. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each long-only equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this Endowment Pool Investment Implementation Strategy;
2. Immediately notify the CIO and investment 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.

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 by market value;
2. Vote proxies and share tenders in a manner that is in the best interest of the Fund and consistent with the investment objectives contained herein;
3. Maintain a minimum of 25 positions in the portfolio to provide adequate diversification;
4. Construct a properly diversified portfolio across sectors and industries;
5. (U.S. equity managers) have no more than 20% of the total portfolio in foreign stocks or American Depository Receipts (ADRs).

Interest Rate Sensitive (Core) Fixed Income Manager Guidelines

Each investment grade fixed income investment manager shall:

1. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's;
2. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating;
3. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers);
4. 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.

Credit sensitive (High yield/bank loan) Manager Guidelines

Each high yield/bank loan investment manager shall:

1. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's;
2. Hold no more than 20% of the portfolio in investments rated below B. Split rated securities will be governed by the lower rating;
3. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value.

Commodities Manager Guidelines

Each active commodities investment manager shall:

1. Be diversified with exposure to energy, metals, and agricultural commodities;
2. Have no more than 25% in any one commodity contract.

Master Limited Partnerships (MLPs) Manager Guidelines

The objective of the MLP allocation is to provide liquid exposure to the mid-stream energy infrastructure industry, low correlation to the public equity and fixed income markets, and serve as an inflation hedge. The majority of MLPs own assets such as pipelines that transport crude oil, natural gas, and other refined petroleum products. Each active MLP investment manager shall:

1. Assure that no MLP exceeds 15% of the manager's total portfolio as measured at market;
2. Maintain a fully invested portfolio, with no more than 10% allocated to cash equivalents;
3. Maintain a minimum of 15 MLPs in the portfolio to provide adequate diversification.

Derivative Security Guidelines

For the purposes of this strategy, derivatives include, without limitation, futures contracts; options; options on futures contracts; forward contracts; swap agreements, including swap contracts with embedded options; any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling or holding investments; and any other instrument commonly used by institutional investors to manage institutional investment portfolios.

At the Total **Pool** level, derivatives may be used to maintain the program's strategic asset allocation, including securitizing excess cash, and to provide portfolio hedging, but derivatives shall not be used for leverage at the portfolio level.

Investment managers may be permitted to utilize derivatives to implement their strategies if appropriate to their mandate.

Under no circumstances may derivatives or leverage be used to circumvent the intent or limits otherwise prescribed by this Endowment Pool Investment Implementation Strategy.