LOUISIANA BOARD OF REGENTS

ENDOWED CHAIR, ENDOWED PROFESSORSHIP, AND ENDOWED SCHOLARSHIP PROGRAMS

Statement of Investment Policy and Objectives

The constitutional amendment which created the Louisiana Education Quality Trust Fund (LEQTF) and the Louisiana Education Quality Support Fund (LEQSF) charged the Louisiana Board of Regents ("Regents") with allocating revenues available from the LEQSF to four broad program categories. The Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs are funded within those categories. This Statement of Investment Policy and Objectives ("Statement") governs the management of the Endowed Chair, the Endowed Professorship, and the Endowed Scholarship Programs' (collectively, "Program") assets, including the funds contributed by the Regents and the funds contributed by educational institutions ("Participants") participating in the Program (collectively, "Program Assets"). An Endowed Chair provides a permanent endowment beginning with $1 million, an Endowed Professorship provides a permanent endowment beginning with $100,000, and an Endowed Scholarship provides a permanent endowment beginning with $100,000 for 4 year institutions and $50,000 for 2 year institutions. These endowments are generally created by non-state contributions to the university that equal 60% of the endowment and are matched with funds from the Regents that equal 40% of the endowment. Endowed Chairs may be established in multiples of $1 million, Endowed Professorships may be established in multiples of $100,000, and Endowed Scholarships may be established in multiples of $100,000 or $50,000 as applicable.

In accordance with prudent management principles for endowed funds, the investment and expenditure of Program Assets shall comply with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as well as any additional restrictions contained herein. UPMIFA provides robust guidance through a set of standards and criteria that unifies both investment and expenditure decisions. UPMIFA became effective in Louisiana as of July 1, 2010, as defined in Louisiana Revised Statute 9:2337.1-10.

It is recognized that Participants with relatively small amounts of these endowments and with limited staff resources may be challenged by the administrative and investment-related issues involved in managing a diversified portfolio. Accordingly, such Participants may choose to seek collaboration with another Participant for the purpose of pooling investments. Nothing in this Statement of Investment Policy and Objectives shall limit the fiduciary responsibility of Participants.

The responsibility for the implementation of the policy and guidelines set forth in this Statement rests with the Finance Committee ("Committee") of the Regents. Specific guidelines for individual accounts managed by investment advisors and other Program documentation may be attached as appendices to this Statement by Participants, provided they do not conflict with this Statement.

A. FINANCIAL AND INVESTMENT OBJECTIVES

1. The primary financial objective of the Program Assets is to be a source of funds provided through return on the invested capital for the current and future support of the Program. Implicit in this objective is the financial goal of preserving purchasing power of the Program Assets.

2. More specifically, the long-term objective of the investment of the Program Assets is to attain an average annual real total return at or above the level of spending and fees. Real total return is investment return (gains and losses, realized and unrealized, as well as earnings) minus inflation. Inflation is measured by the change in the Consumer Price Index - Urban (CPI-U).

B. SPENDING POLICY

1. Annual spending must be determined by each Participant in accordance with UPMIFA. However, the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is to be made. When the current market value of each endowment is below the original corpus of that endowment, no spending is allowed. The amount of annual spending allowed above for the Endowed Scholarship may be divided among multiple recipients, provided that each student receives at least $1,000 per year at 4 year institutions or at least $500 per year at 2 year institutions.
2. Also in accordance with UPMIFA, Participants may assess an appropriate usual and customary fee on Program Assets.

C. PORTFOLIO COMPOSITION AND ASSET ALLOCATION

1. To achieve the long-term investment objective, the Program Assets shall be invested in accordance with UPMIFA and appropriately diversified across such categories as asset class, geography, and market capitalization.

2. Permissible Investments
   a. Publicly traded debt securities
   b. Publicly traded equity securities
   c. Alternative Investments managed by an external investment manager
      i. Real Estate Investment Trusts (REITs)
      ii. Hedge Funds
      iii. Private Equity and Private Debt

3. Restrictions
   a. In accordance with Article VII, Section 14 (B) of the Constitution of Louisiana, no more than 74% of the Program Assets may be invested in equity. For the purpose of this limitation, publicly traded equity and alternative investments shall be considered equity.
   b. A minimum of 26% of the Program Assets will be held in Fixed Income investments.
   c. No more than 50% of publicly traded equity may be foreign equity
   d. No more than 50% of publicly traded debt may be foreign debt
   e. Publicly traded debt must maintain an average credit quality of at least “A” as determined by Moody’s, S&P, or Fitch.
   f. No more than 5% of publicly traded debt may be invested in any single issuer with the exception of securities issued by the U.S. Government or its agencies
   g. No more than 25% of Program Assets may be invested in Alternative Investments
      i. No more than 10% of Program Assets may be invested in REITs
      ii. No more than 15% of Program Assets may be invested in Hedge Funds
      iii. No more than a 10% of Program Assets may be invested in Private Equity and Private Debt combined based on committed capital.
   h. Leverage and the speculative use of derivatives are prohibited at the Participant level, yet are permissible for external alternative investment managers.

D. INVESTMENT MANAGEMENT STRUCTURE

The Participants may choose and monitor the investment manager(s) for their respective portions of the Program Assets. Each investment manager has discretion to manage the assets in each particular portfolio to achieve the investment objectives within the guidelines set forth in this policy and in any separate manager guidelines not contrary to this Statement adopted by the Participants.

E. PERFORMANCE AND MONITORING OBJECTIVES

1. The investment performance of the Program Assets is to be measured against benchmarks constructed to reflect the asset classes contained in each Participant's portfolio.

2. Each investment manager's portion of the Program Assets will be monitored by the Participant for consistency with that manager's investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. The Participants will review portfolios on an annual basis, but investment results will be evaluated in accordance with Section A and E.1.

F. GUIDELINES FOR TRANSACTIONS

1. The Participants will be responsible for communicating the guidelines set forth in this Statement and the individual Participant's investment plans and financial needs to the investment managers.

2. As a general rule that applies to all assets managed, transactions should be entered into on the basis of best execution.

G. STATEMENT REVIEW

This policy should be reviewed biennially for its continued appropriateness. The Investment Policy Advisory Committee (IPAC), which shall consist of two representatives from each public higher education system and two representatives from the Louisiana Association of Independent Colleges and Universities (LAICU), shall be responsible for making recommendations for revision of this policy to the Regents, the Committee, and the Commissioner of Higher Education on behalf of the postsecondary education community.

H. REPORTING REQUIREMENTS

1. Annual reporting forms developed by the Regents must be submitted no later than October 1st of each year or the end of the third month following the end of the fiscal trust fund year. The reports will reflect the activities of each Endowed Chair, Endowed Professorship, and Endowed Scholarship. These reports will be reviewed by the Regents' staff.

2. The Participant shall contract annually with an independent auditor or the Legislative Auditor to make the following representations and certifications regarding the Program. The auditor should certify that:
   a. The Program Assets have been managed in compliance with the provisions in this Statement.
   b. The annual financial reports for the Program submitted to the Regents were accurate and agreed to the accounting records of the foundation and/or institution.
   c. The proceeds of the endowed chairs were used in accordance with the provisions as set forth in the Board of Regents Endowed Chair Program Policy, the proceeds of the endowed professorships were used in accordance with the provisions as set forth in the Board of Regents Endowed Professorship Program Policy and the proceeds of the endowed scholarships were used in accordance with the provisions as set forth in the Board of Regents Endowed Scholarship Program Policy. The foundation, if applicable, is operating under and has complied with all provisions of a funds management agreement with its respective university. Investment earnings generated from pooled assets involving Endowed Chairs, Endowed Professorships, or Endowed Scholarships have been properly allocated to the chairs, professorships or scholarships in accordance with this Statement.
   d. The value of the state funds held by the foundation, if applicable, as reported in its financial statements is equal to the amount recorded in the university's books.

3. A copy of the above report along with a plan to address any findings shall be sent to the Finance and Administration Division of the Regents with a copy also sent to the appropriate management board by October 31st of each year or the end of the fourth month following the end of the fiscal trust fund year. In addition, if Program Assets are held by a foundation associated with a public institution of higher education, the report shall also be forwarded to the Legislative Auditor's office.

I. EFFECTIVE DATE

This revised Statement was adopted on January 26, 2012.
The effective date of this Statement is January 26, 2012.