Radford University Foundation, Inc.
Investment Policy

Policy: The Radford University Foundation, Inc. (the “Foundation”) will have a sound and well-managed investment program to manage its endowed assets.

Approved: May 8, 2013

I. PHILOSOPHY
At the core of this investment policy statement is a set of fundamental investment beliefs which are the underpinnings of all Foundation investment policies:

- Endowment funds are by definition perpetual funds. The Investment Committee can afford to take a very long-term view in setting investment policy.
- Taking into account the long-term nature of endowment funds, the Foundation should maintain a bias toward equity investments, which have historically produced higher long-term returns.
- Diversification can reduce risk and increase return.

II. INVESTMENT OBJECTIVES
The primary investment objective of the Foundation’s endowment is to earn an average annual real total return of at least five percent (5%) per year over the long term. Attainment of this objective should enable the Foundation to maintain the purchasing power of endowment assets in perpetuity and meet its current spending policy.

A secondary investment objective of the endowment is to rank in the top quartile of the NACUBO Commonfund Study of Endowments (NCSE) net returns over the long term.

A third investment objective of the endowment is for each of the investment managers, specifically Spider Management and Radford University’s Student Managed Investment Portfolio Organization (“SMIPO”), to outperform the blended custom benchmarks that have been established for their respective portfolios.

III. SPENDING OBJECTIVES
The Foundation aims to balance a long-term strategy to increase the value of its endowment while providing capital in the short-term for the intended purposes of the endowment funds. With that said, the goal of endowment spending is an effective rate of less than five percent (5%) per year, which constitutes the total funds withdrawn or expended from the endowed funds on an annual basis, including those for operating cost coverage. The Foundation’s Spending Policy (Adopted March 16, 2012) is maintained as a separate document and should be considered to fully understand the Foundation’s spending objectives.

IV. INVESTMENT MANAGERS
The Foundation has contracted with several Investment Managers, who each serve an individual purpose within the Foundation’s invested assets and, therefore have varying levels of related policies.

- **STIFEL NICOLAUS**: Stock and electronically-transferred cash gifts are deposited into the Foundation’s account with Stifel Nicolaus. Once received and processed, stock is immediately sold and held as cash. At least quarterly, a cash analysis will be conducted to determine the short term cash needs of the Foundation. The cash can be invested in short-term, low risk or “cash like” interest-bearing instruments or accounts for up to six months based on cash needs. Excess cash will be transferred to either a Foundation bank account for current spending requirements or to one of the other Investment Managers within the investment pool. FDIC limits should be considered during this cash review.
• **SPIDER MANAGEMENT**: The Foundation has adopted Spider Management’s University of Richmond Endowment Fund Investment Policy Statement (Adopted May 26, 2011) for the respective investment. The Foundation’s Investment Committee will review all subsequent changes to that policy as they occur. A large majority of the Foundation’s invested assets reside in the Richmond Fund, which invests in many of the asset classes discussed in Section V (“Asset Allocation”) of this policy. Additional investments in the Richmond Fund are approved by the Foundation’s Board of Directors (“the Board”) unless the additional investment is the result of the excess cash analysis for Stifel Nicolaus, which is considered a transfer within the investment pool.

• **SMIPO**: The Foundation has adopted the SMIPO Investment Policy (Approved November 3, 2011) for the respective investment. The Foundation’s Investment Committee will review all subsequent changes to that policy as they occur and recommend any changes to the Board. Additional investments in SMIPO are approved by the Board.

• **THIRD SECURITY**: The Foundation has also invested with several of the New River Management limited partnerships (“NRM Funds”) managed by Third Security, LLC. Each of the NRM Funds are managed by a separate partnership agreement that covers the investment guidelines for the NRM Funds’ underlying assets. The Foundation invests cash over the investment period of each of the NRM Funds, after making an initial commitment, which is approved by the Board. Investments in additional NRM Funds are approved by the Board.

V. **ASSET ALLOCATION**

The single most important investment decision is the allocation of endowment funds to various asset classes. The primary objective of the Foundation’s asset allocation policy is to provide a strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework. Each asset class should not be considered alone, but by the role it plays in a diversified portfolio. Diversification among asset classes has historically increased returns and reduced overall portfolio risk. How asset classes relate to each other is the key to making asset allocation decisions within the context of overall endowment risk and return.

As stated earlier, the Foundation has contracted to invest with investment managers who, combined within the Foundation’s investment pool, achieve this investment philosophy. The investment policies of Spider Management and SMIPO and the partnership agreements for the New River Management partnerships govern the asset allocations of those investments. The Stifel Nicolaus account’s purpose allows for the cash flexibility needed to manage the investment pool as a whole.

A core fundamental investment belief of the Foundation is to maintain a bias toward equity investments, which produce higher long-term returns. In addition, the endowment’s long time horizon is well suited to exploiting illiquid, less efficient markets that offer higher potential returns.

With these basic tenets in mind:

- equity bias, which increases long-term returns,
- diversification, which balances, and therefore reduces, portfolio risk, and
- long time horizon,

the Foundation, through its investment managers, invests in the following asset classes:

- **DOMESTIC EQUITY**: Publicly traded U.S. stocks are a core asset of institutional portfolios with long-term investment horizons and modest liquidity constraints. The objective of the domestic equity portfolio is to generate investment returns with adequate liquidity through consistent exposure to common stock investments. The domestic equity portfolio may contain both a passive core and an active investment strategy. The passive core is meant to provide low-cost exposure to the U.S. equity market and will primarily be achieved through the use of, but not limited to, swaps, ETFs and other derivative products, utilized from time to time to add or reduce the directionality of the portfolio. The portfolio seeks to generate incremental returns
(alpha) through its active investment strategy. The active investment strategies will include both long/short and long only managers. The primary benchmarks for the domestic equity portfolio are the Russell 3000 and the S&P 500.

- **INTERNATIONAL EQUITY**: Includes publicly traded common stock of predominantly international markets, both in developed and developing/emerging regions. In general, it is perceived that through increasing industrialization, strong demographic trends and increasing depth and efficiency of capital markets in these countries, that these markets could generate higher returns than the U.S. markets. In addition, over long-term periods of time, international equities have relatively low correlations to the U.S. markets making them not only a return source, but a portfolio diversification tool. The objective of the international equity portfolio is to generate investment returns with adequate liquidity and to provide a diversification benefit to the entire portfolio. The international equity portfolio takes an active investment approach due to the less efficient nature of the markets which should generate higher returns than a passive core and will be implemented through both long/short and long only managers, potentially in all regions of the world. Despite an active approach, from time to time there may be opportunities to add or reduce directionality to international markets through the use of, but not limited to, swaps, ETFs and other derivative products. The primary benchmark for the international equity portfolio is the MSCI-World ex-U.S. index.

- **GLOBAL EQUITY**: Includes publicly traded common stock from a combination of domestic, developed international and developing/emerging international markets. The objective of the global equity portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common stocks that will provide return sources from less correlated regions of the world. The global equity portfolio will largely employ an active investment strategy, though from time to time may utilize swaps, ETFs and other derivative products to add or reduce the overall directionality of the portfolio. Investments in the global equity category typically have a broader investment mandate and cannot be classified specifically into domestic or international alone due to the global approach of the portfolio management function. An investment is generally defined as global if the investment has more than 20% of its gross exposure domiciled outside of either its home country or its primary investing region and investments will include both long/short and long only managers. The primary benchmarks for the global equity portfolio are the Russell 3000, the S&P 500 and the MSCI-World ex-U.S. indexes.

- **PRIVATE EQUITY/VENTURE CAPITAL**: Includes illiquid investments in both private and public companies both domestically and internationally. These investments include venture capital, buyouts, high yield, and subordinated debt. The private equity/venture capital portfolio’s objective is to earn higher returns than the public equity markets over the long term. This portfolio invests in highly illiquid positions and should generate higher returns as compensation for that illiquidity. A secondary objective of these investments is to provide diversification. The portfolio’s strategy is to invest in a select number of funds managed by the highest quality management teams usually organized as limited partnerships. Managers are sought which have proprietary deal flow and whose experience enables them to bring strategic, operational, or technical expertise to a transaction in addition to financial acumen and capital. The portfolio is diversified across categories and investment stage. The private equity/venture capital portfolio’s primary benchmark is the Cambridge Associates Venture Capital and Buyout benchmarks weighted 60% buyouts and 40% venture capital.

- **REAL ASSETS**: Real Assets represent claims on future streams of inflation-sensitive income, supplying protection against unanticipated inflation and playing an important diversifying role in the portfolio. Real assets are comprised of investments in oil and gas, commodities, timber, and inflation-linked bonds. The primary benchmark is CPI + 6%.

- **REAL ESTATE**: The long-term objective of the Real Estate portfolio is to provide equity-like returns while providing a partial hedge against inflation. In addition, real estate is an extraordinary diversifier within the overall endowment due to its low correlation with other asset classes. The portfolio is directed largely to
illiquid investments with a long time horizon. The primary benchmark is the Russell NCREIF Property Index – a broad index of institutional quality private real estate.

- **MULTI-STRATEGY**: Includes managers specializing in asset allocation across multiple investment strategies that have low correlations and/or market exposure to other asset classes. The objective of this asset class is to generate equity-like returns with less volatility and market exposure than global equities. Diversification across strategies and positions will be wide in order to dampen portfolio volatility. The portfolio’s liquidity will be moderate, less than that of the traditional public equity portfolios, but more liquid than the private equity/venture capital portfolio. This portfolio will focus on areas and strategies where value added by active management can contribute a substantial portion of the return. The portfolio may utilize swaps, derivatives, ETFs or other instruments in order to manage risk. The primary benchmark for this asset class is 2 X Citi 3 Month Treasury Bills Index.

- **CREDIT**: Includes investments in publicly and privately traded credit and credit related securities. The portfolio can hold a mix of traditional benchmark relative strategies and absolute return strategies. It is expected that many types of securities could be considered credit sensitive and the portfolio will contain, but not be limited to, bonds, equities, derivatives, currencies and private securities. The portfolio will be diversified across credit asset classes and hold a mixture of investment grade and high yield securities of performing and non-performing debt. Liquidity and volatility will vary by strategy. The portfolio will focus on capital appreciation rather than current income and will not be managed to specific duration guidelines. The primary benchmark is the Merrill Lynch High Yield Master II Index.

- **DIVERSIFIED**: Includes investments with active managers specializing in single strategy arbitrage or niche investment strategies that have low correlations and exposure to broad equity and credit markets. Investments will be made opportunistically based on manager talent and market opportunity. It is expected that some investment strategies will be added to exploit opportunities also found within the Multi-Strategy asset class. The portfolio will be diversified across investment strategies and asset classes. The portfolio objective is to generate equity-like returns with moderate volatility and market exposure. The portfolio may utilize swaps, derivatives, ETFs or other instruments in order to manage risk. The primary benchmark for the asset class is 2 X Citi 3 Month Treasury Bills Index.

- **CASH**: Cash is a very risky investment for an institution with a long time horizon due to its low return and the diminution of purchasing power that entails. It is considered prudent to minimize the use of cash in the overall endowment. Outside of extraordinary market dislocation periods, cash will exist from time to time for transaction and/or rebalancing needs only.

With the above serving as the approved asset classes, the Foundation will rely on its investment managers to determine the optimal asset allocation policy for their investments. The Foundation will monitor, and periodically report on, how the managers perform compared with those policies. The Foundation has developed the following maximum allocation guideline, which should be considered when investing and divesting endowment funds. The Board should be notified when investment allocations exceed these guidelines.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Desired Maximum Allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY</td>
<td></td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>25%</td>
</tr>
<tr>
<td>International Equity</td>
<td>25%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>25%</td>
</tr>
<tr>
<td>PRIVATE EQUITY/VENTURE</td>
<td>30%</td>
</tr>
<tr>
<td>REAL ASSETS</td>
<td>10%</td>
</tr>
<tr>
<td>REAL ESTATE</td>
<td>10%</td>
</tr>
<tr>
<td>MULTI-STRATEGY</td>
<td>20%</td>
</tr>
<tr>
<td>CREDIT</td>
<td>15%</td>
</tr>
<tr>
<td>DIVERSIFIED</td>
<td>10%</td>
</tr>
<tr>
<td>CASH</td>
<td>10%</td>
</tr>
</tbody>
</table>
VI. PORTFOLIO REBALANCING POLICY

The Foundation will rely on its investment managers to rebalance their respective investments according to their investment policies, except for Stifel Nicolaus, which will be managed as described in Section IV (“Investment Managers”) of this policy.

Additionally, any new investments will be approved by the Board and the anticipated impact on the total Endowment’s Asset Allocation will be considered.

VII. SHORT TERM CASH ANALYSIS

The Foundation shall establish such short-term cash accounts as necessary to provide liquidity sufficient to meet short-term withdrawal needs of the Foundation.

Short-term cash accounts may receive earnings from those accounts, gifts from donors, property income, and other miscellaneous income and disburse spending according to the policies of the Foundation.

Foundation assets held in short-term funds should be sufficient so that requests for withdrawals from investment accounts are infrequent.

FDIC limits should be considered with regards to managing short-term cash accounts. In general, the short-term account shall be well diversified with respect to type and issuer in order to minimize risk exposure. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

VIII. INVESTMENT DOCUMENTATION & REPORTING

Statements will be provided quarterly to the Foundation from each of the Investment Managers. Analytical data will be provided quarterly to the Investment Committee summarizing:

- time-weighted rates of return for the quarter and trailing periods for the total investment pool portfolio and individual investment manager holdings
- rollforward of the investment pool broken down by restriction and fund type
- asset allocation of total investment portfolio and the endowment
- cash in bank analysis
- asset composition for the Foundation
- annual effective spending rate of the endowed assets

Spider Management and Third Security will provide audited financial statements for their respective investment funds annually, which are provided to the Foundation’s auditors during the audit process.

Spider Management, SMIPPO, and to the extent applicable, other investment managers and partnerships, will assume responsibility for voting proxies associated with the respective accounts.

Spider Management and SMIPPO will meet periodically with the Investment Committee to review the portfolio and its investment results.

The Foundation will participate in the NACUBO Commonfund Study of Endowments (NCSE) on an annual basis and present pertinent results to the Investment Committee.