DILLARD UNIVERSITY

Business and Finance

STATEMENT OF INVESTMENT POLICY OBJECTIVES AND GUIDELINES

March 2002

Dillard University

STATEMENT OF INVESTMENT POLICY OBJECTIVES AND GUIDELINE
For the General Endowment

An endowment is an aggregation of funds that have been donated so that the earnings on the funds can be used to support the University's educational mission. An endowment allows donors to transfer private dollars to public purposes with confidence that these purposes will be served for generations to come and for as long as the University continues to exist.

The Trustees of Dillard University are aware of their responsibility to prudently manage endowment funds, which are given to the University. It is assumed that endowment funds will have permanent life and that investment policies will be followed which will protect the principal of the funds and produce maximum total return without assuming irrational risks.

GOALS

1. To provide spendable endowment return levels which are reasonably stable and sufficient to meet the budget requirements of the University;

2. To maintain a spending rule (payment rate) that protects the real value of the endowment principal;

3. To maintain a proper balance between the preservation and the enhancement of the purchasing power of endowment principal.

The Trustees, while recognizing that ultimate responsibility for satisfactory investment performance rests with the Finance Committee and the Board of Trustees, believes investment responsibility is best exercised by managing the Investment Management function rather than actually performing as the Investment Manager. The Finance Committee believes it can best exercise its responsibilities by:

1. Recommending investment philosophy and policy guidelines and objectives to the Board of Trustees, which will be reviewed on at least an annual basis by the set investment policies, performance and reporting standards.

2. Recommending the selection of qualified independent investment management.

3. Communicating closely with those responsible for investment results.

4. Monitoring investment results to assure that objectives are being met.

5. Taking appropriate action if objectives are not being met.

GENERAL PHILOSOPHY

1. The assets of the Endowment Fund are to be managed in accordance with the philosophy, objectives and guidelines expressed herein. The Investment Managers are responsible for optimizing the return on the assets within these guidelines.

2. The Endowment Fund is to be thought of as a permanent fund. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events, which are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives.

3. Careful Endowment asset management should insure total return (yield plus capital appreciation) necessary to preserve and enhance, in inflation adjusted dollar terms, the principal of the Fund.

4. The purpose of equity investments is to provide current income, growth of income and appreciation of principal.

5. The purpose of fixed income investments is to provide a predictable and dependable source of income and to reduce portfolio volatility.

6. The fixed income and equity portions of the investment portfolio shall be diversified in order to provide reasonable assurance that a single security (investment) or class of securities (investments) will not have a disproportionate impact on the total portfolio.

7. Other than indicated in this or other written agreements, Investment Managers will have complete investment discretion, however, it is expected that the assets of the Fund will be invested with care, skill, prudence and diligence.

POLICIES

The "spending amount" used by the University for each budget cycle shall be a net five (5) percent (after investment management fees) of the market value of the portfolio based on a 12 quarter moving average of asset valuation, measured as of December 31st of the previous year. Adjustment will be made for returns on gifts or bequests received after December 31st of the previous year if requested by the donor.

The term "spending amount" is used to describe the amount of endowment income and accumulated appreciation allotted on a regular, periodic basis by the institution for current spending and budgeted expenditures. The term "income" is not used because the University has adopted a "total return" spending formula under which it may expend not only yield ("income" in the traditional trust law sense), but also a prudent portion of accumulated appreciation.

The asset mix, consistent with the return objective, will range within the following limits:

	TARGET	RANGE
Equity Securities	52.5%	45% to 60%
Fixed Income Securities	37.5%	32.5% to 42.5%
Private Equity	5%	2.5% to 7.5%
Low Volatility Hedge Fund of Funds	5%	2.5% to 7.5%

When the limit of the target range is reached or exceeded, the assets will be re-balanced to the target mix.

The purpose of dividing the Endowment Fund in this manner is to ensure that the asset allocation between major asset classes remains under regular scrutiny and is not allowed to become the residual of separate manager decisions. Over the long run, the allocation among the major asset classes will be the single most important determinant of the Endowment Fund's investment performance.

Investment Philosophy

1. As a permanent fund, the investment objectives for the endowment require disciplined and consistent management that accommodates all those events, which are relevant, reasonable and probable. Extreme positions or variations in management style are not consistent with these objectives.

2. Unless otherwise indicated, Investment Managers will have complete investment discretion based on the expectation that the assets of the Fund will be invested with care, skill, prudence and diligence.

3. The Endowment Fund will be managed primarily by external Investment Managers. Both separate accounts and commingled vehicles (e.g. mutual funds, common trust funds or similar pooled investment vehicles) may be used. The Finance Committee will provide the Investment Managers with a copy of this statement and, where appropriate, a set of guidelines that have been recommended by the Finance Committee. Those guidelines may deal with restrictions on particular categories of investments, audit requirements, policies on use of derivative securities and other matters considered important by the Committee. In the case of commingled vehicles, the guiding document will be the relevant prospectus, trust document, or similar disclosure or organizational document. The Investment Manager will have complete discretion over the funds provided to them, subject to the fiduciary standards applicable to each investment along with agreed upon guidelines and objectives.

4. The Endowment Fund's investments shall be diversified both by asset class (e.g. common stocks and fixed income securities) and within asset classes (e.g. within common stocks by economic sector, geographic area, industry quality and size). In general, the Endowment Fund should be invested to diversify its exposure to all asset classes by the implementation of a variety of investment approaches. The purpose of diversification is to provide reasonable assurance that no single

security, class of securities, or Investment Manager(s) has a disproportionate impact on the Endowment Fund's aggregate results.

5. In recognition of the globalization of the equity and fixed income markets, the Fund may, in general, hold international as well as domestic securities.

6. In order to avoid possible conflicts of interest, the University will not hire any Investment Manager or provider of investment related services if, at the time of engagement, the Investment Manager or provider is a person, or employs a person, or has as one of its principals a person who is then serving, or within the past 3 years has served, as a member of the Finance Committee or the Board of Trustees.

Investment Manager Objectives

The investment managers should be cognizant of the University's mission and purpose, which is to improve human health and dignity, environmental integrity and moral responsibility. Therefore, it is the desire of the University, that the managers' investment process should avoid companies that derive a significant portion of their revenues from the manufacture, sale, or distribution of alcohol, tobacco, gambling or military products or services.

1. Equity managers:

   A. Sector and security selection will be based upon demonstrable analysis of prospects for above average returns over a three to five year period.

   B. Investment performance will be expected to exceed an appropriately assigned benchmark index after fees during a market cycle. It is anticipated that the rate of return will be sufficient to compensate for the risk incurred.

   C. Portfolios should remain "fully invested"; i.e. cash holding should be maintained at minimum levels.

2. Fixed Income Managers:

   A. Fixed income managers will be expected to achieve a total rate of return in excess of the rate of return on short-term Treasury Bills or other appropriate indices as may be designated. The return will be calculated net of fees. It is anticipated that the rate of return will be sufficient to compensate for the risk incurred.

   B. Portfolios should remain "fully invested"; i.e. cash holding should be maintained at minimum levels.

Guidelines and Duties of Investment Managers

1. The assets shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in like capacity and skilled in such matters would use in the investment of a fund of like character and with like aims.

2. The following investments and activities are permitted only with the prior approval of the Finance Committee:

   A. Investments (as distinguished from gifts) in letter stock, unregistered, privately placed, or below investment grade securities.

   B. Options, financial futures and derivatives.

   C. Warrants.

   D. The lending of securities.

   E. Short sales, margin purchases, or borrowing.

   F. Commodities.

   G. Use of leverage.

   H. Securities of Emerging or Developing Markets.

3. To the extent that cash equivalents are used by a specific Investment Manager, there will be no investments in bankers' acceptances or in commercial paper rated less than A-1 by Standard & Poor's or P-1 by Moodys', or in certificates of deposit issued by commercial banks, except those banks with debt ratings of "A" or higher.

4. For the equity managers, no single position in terms of market value may represent more than 5% of the current outstanding stock of any one issuer, or be more than 10% of a separate Investment Manager's portfolio.

5. For fixed income managers, investments in corporate bonds shall generally be only in securities rated BAA or better by Standard & Poor's or equivalent by Moodys'. However, up to 10% of the fixed income portfolio may be invested in corporate bonds rated "BAA". Issues of tax-exempt state or municipal agencies shall not be purchased, except as permitted in the guidelines. Non-rated securities are to be separately identified and must, in the opinion of the manager, be of a quality of "BAA" or higher. Unless otherwise permitted by the guidelines, a fixed income manager is limited to a maximum of 5% of any fixed income portfolio invested in obligations of any one non-governmental issuer. Obligations issued by any one governmental agency of the U.S. Government

(e.g., FNMA, FHLMC), and obligations issued by or guaranteed by the U.S. Government may be held without limitation.

6. Investment Managers are responsible for frequent and open communication with the University on all significant matters pertaining to the assets managed. Managers of established funds are expected to provide the Committee with current statements of the fund's investment guidelines and objectives, and advise the Committee of any changes in such statements in a timely manner. Managers are expected to provide quarterly investment performance analysis reports, which conform to established Endowment reporting standards. The Investment Manager shall also provide the University's Business Office with monthly portfolio valuations and annual fee summaries for distribution to Finance Committee members.

Monitoring of Objectives and Results

1. The individually managed portfolios shall be monitored for return, relative to objectives, in order to insure consistency of investment philosophy and acceptable investment risk (as measured by asset concentration, exposure to extreme economic conditions and market volatility). Individually managed portfolios shall be monitored and reviewed with managers by the Finance Committee on an ongoing basis, however results shall be formally evaluated over rolling three to five year periods.

2. The Finance Committee will periodically review the services provided to the Endowment Fund for custody, performance evaluation and consulting. The Finance Committee, with approval of the Board of Trustees, may retain consultants to provide advice on the selection of Investment Managers. The Committee may retain or acquire, with the approval of the Board of Trustees, such other consultants or services as deemed necessary and prudent in furtherance of Endowment Fund investment activities or objectives.