Statement of Investment Policies, Guidelines and Objectives

TEXAS A&M–CORPUS CHRISTI FOUNDATION

Texas A&M—Corpus Christi Foundation

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[Signature]
Texas A&M – Corpus Christi Foundation

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I. INTRODUCTION

This document provides a framework for the management of the Texas A&M—Corpus Christi Foundation ("TAMCCF"). The purpose of the Investment Policy is to guide the Board of Trustees (the "Board"), the Investment Committee ("Committee") and Investment Advisors (the "Advisors") in effectively supervising, monitoring and managing the investments of TAMCCF.

Specifically, it will address the following issues:

- The general objectives of the investment activity.
- Asset allocation.
- The policies, procedures and guidelines for the management of the investments.
- Investment management policy and responsible parties.

This policy statement is designed to allow for sufficient flexibility in the management oversight process, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

This Statement of Investment Policies, Guidelines and Objectives incorporates the Board’s policies, objectives, long-term asset allocation plan, and implementation program for fulfilling its fiduciary obligation to manage TAMCCF's assets with the care, skill, prudence, and diligence under the circumstances then prevailing of a prudent person acting in a like character and with like aims.

II. INVESTMENT GOALS

TAMCCF establishes the following investment goals for its assets:

- TAMCCF’s assets will be invested seeking to realize an adequate rate of return in an attempt to preserve the corpus of assets in real terms and to provide a sustainable spending rate consistent with its spending policy.

- TAMCCF has a long-term investment horizon, and utilizes an asset allocation, which encompasses a strategic, long run perspective of capital markets.

- TAMCCF assets will be managed to ensure that the investment program complies at all times with applicable local, state, and federal statutes and regulations.

III. INVESTMENT OBJECTIVES

TAMCCF establishes the following investment objectives for its assets:

- CPI+5.25%: Produce a total investment rate of return over the long-term (defined as at least a full market cycle, usually over five years) which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 5.25% (annualized, net of fees).

- Policy Index: Produce a total fund investment rate of return over the long-term, which exceeds a custom benchmark, composed of the benchmark for each major asset class weighted by the policy weight for each asset class (annualized, net of fees, over a full market cycle).
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IV. ASSET ALLOCATION

The long term target asset allocation for the investment portfolio is determined by the Investment Committee to facilitate the achievement of the fund’s long-term investment objectives within the established risk parameters. Asset class target allocations and allowable ranges for TAMCCF appear in Exhibit A.

TAMCCF adopts and implements a strategic asset allocation policy that is well-diversified and predicated on a number of factors, including:

- TAMCCF’s primary objective of preserving its corpus after inflation in conjunction with its spending policy in supporting TAMCCF’s operational and programmatic requirements;
- Historical and expected long-term capital market risk and return behavior;
- The perception of future economic conditions, including inflation and interest rate levels; and,
- The Investment Committee’s risk tolerance.

Rebalancing Policy
Assets will be routinely rebalanced by the Advisor(s) to correspond with target asset allocation percentages or to the Advisor’s portfolio strategy, which may deviate from the target percentages, but will remain within the allowable range established in Exhibit A.

V. SPENDING POLICY

The spending rate shall be 5.25% (including 4.25% spending and 1.0% for administrative costs) of a three year moving average of March 31st total market value. The Investment Committee, may, from time to time, as it sees prudent, adjust the policy. When this occurs, the changes will be reported to the Board at its next meeting.

VI. ROLE OF ASSET CLASSES

TAMCCF may utilize the following portfolio components to fulfill the asset allocation targets and total fund performance goals established in this document.

Global Equity – It is anticipated that total returns to equities will be higher than total returns to fixed income securities over the long run but are likely to be subject to greater volatility over shorter periods. Global Equity will be categorized as managers that invest in public equity holdings domiciled around the world including North America, Europe, Asia and Emerging Markets. Global portfolios that combine US and International Equities may also be used.

- US Equity:
  - Large Capitalization—This segment of the portfolio will provide broad exposure to the US equity market, primarily through holdings in the large capitalization companies represented in the Russell 1000 Index. Both growth and value stocks are incorporated into the core component.
  - Small Capitalization—This segment of the portfolio will invest in both growth and value stocks. Small capitalization stocks are smaller companies that may either be young, exhibit high rates of
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growth or face difficult business conditions. Small cap stocks are typically more volatile than large cap stocks, but are expected to produce higher returns over a full market cycle. Small capitalization companies are generally represented in the Russell 2000 Index.

- **Convertible Securities** - A convertible security is a bond, and sometimes a preferred stock, that may be converted into the common stock of the issuer at a predetermined conversion price. Convertibles portfolios offer a favorable risk/return profile, as well as significant portfolio diversification benefits. The total return on a convertible is a function of the yield plus any price appreciation of the common stock. The convertibles portfolio will be actively managed and may include US and non-US securities.

- **International Equity** - This portfolio provides access to major equity markets outside the US and consequently plays a significant role in diversifying the Foundation's equity portfolio. This segment will provide exposure to developed and developing non-US markets, whose growth and returns are not fully synchronized with those of the US.

**Fixed Income** - The primary role of the fixed income portfolio is to provide a source of stability that acts as a buffer relative to more volatile portfolio segments, i.e., equities. Fixed income generally provides a diversified portfolio with deflation protection during periods of financial duress. Bonds dampen the overall volatility of total TAMCCP results, which is important to help mitigate losses in periods of falling equity markets. Bond markets suffer declines, but they are generally not as severe as those experienced in the equity market. Bond returns are steadier than those of equities because of income received and because bonds have greater precedence in a company's capital structure. Bonds typically do not fare well in periods of rising inflation.

- **Core Plus** - This portfolio will provide core exposure to the US fixed income market (maturities from 1 to 30 years) including Treasury and government agency bonds, TIPS, corporate, debt, mortgages, asset-backed securities and commercial mortgage backed securities. Opportunistic allocations to non-dollar and non-investment grade debt may also be made by a fixed income manager.

**Absolute Return** - Absolute return consists of a variety of strategies that seek to provide positive returns in both rising and falling equity markets. The underlying strategies include, but are not limited to: Long/short equity, merger arbitrage, convertible arbitrage, capital structure arbitrage, macro, and currency trading. Absolute return strategies provide diversification to a total portfolio because of a low correlation with other asset classes. Returns are generally uncorrelated with stock markets (correlations range 0.0-0.5). Diversified absolute return strategies typically have a beta (systematic risk factor) of 0, which complements a US equity portfolio, which would typically have a market beta of close to 1.0. Absolute Return Strategies can enable managers to identify and exploit inefficiencies that are not available to larger, less flexible capital pools.

**Real Assets** - The Real Asset category includes real estate stocks and other inflation hedging investments:

- **REITs** - are publicly traded companies whose primary business is owning and managing commercial real estate properties such as office buildings, apartments, hotels, warehouses, health care facilities, shopping malls, or golf courses. The primary goal of a REIT is to generate income from the rent paid by tenants in the buildings or leases on the properties a REIT company owns. A REIT can also generate gains when a property it owns is sold at a profit. REIT's provide generous income returns in addition to capital appreciation in-line with the rate of inflation. Low correlation with and less volatility than other asset classes provide overall portfolio diversification benefits.

- **Inflation Linked Bonds** - Holders of these bonds receive both a real yield and the benefit of principal adjusted for increases in inflation. The investor maintains downside protection in the event that deflation occurs, because the government guarantees payment of full par value at maturity.
Commodities — Commodities include metals, energy, textiles and fibers, fats and oils, agriculture, and livestock, with investment exposure garnered through the futures market. These offer excellent diversification benefits, given their low correlations with both stocks and bonds. Many foundations and endowments have been quite active in allocating to commodities, including Harvard, which had 10% of assets allocated to commodities (as of 6/30/04; source: Annual Report of Harvard Management Company). In addition, commodities offer investors protection from periods of unanticipated inflation, which often results in negative returns for stocks and bonds while commodity prices generally benefit from such environments. In addition, commodities offer investors exposure to the long-term growth in world demand, which may result in gradual pricing increases for certain commodities. Exposure to commodities in the portfolio will not occur directly in physical commodities themselves, but rather in commodity-related and energy-related companies and in indices linked to the price of commodities (through a basket of commodity futures).

VII. POLICIES AND PROCEDURES

The policies and procedures of TAMCCF’s investment program are designed to maximize the probability that the investment goals will be fulfilled. Investment policies will evolve as TAMCCF’s financial conditions may change and as capital market conditions warrant, and changes shall be reflected by written amendments or revisions to this investment policy statement.

Proxy Voting

Voting of proxies in funds and individually owned securities not held in any funds will be done in a manner that is in the best financial and economic interests of TAMCCF and its beneficiaries. Voting of proxies in individual securities owned within funds is at the discretion of the manager managing the fund. Proxy statements related to mutual funds or other aggregated funds will be voted by Staff.

Derivatives

TAMCCF Managers may be permitted under the terms of their specific Prospectus or Investment Manager Guidelines to use derivative instruments. As part of their investment process certain fixed income Managers may routinely invest in mortgage derivatives. Consequently, mortgage derivative use, such as IO’s, PO’s, inverse floaters or other CMO derivatives, is expected by those Managers, but must conform to the portfolio characteristics typically associated with that Manager’s style and usage of derivatives.

It is expected that any Manager demonstrate expertise and experience in its usage of derivative instruments. Under no circumstances can derivative usage create portfolio characteristics outside of a Manager’s style specific guidelines.

Each Manager or Fund utilizing simple or complex derivatives (1) shall exhibit expertise and experience in utilizing such products; (2) shall demonstrate to the Advisors that such usage is important to their security selection, risk management, and investment processes; and (3) shall demonstrate to the Advisors acceptable internal controls regarding these investments.

VIII. EQUITY OBJECTIVES AND GUIDELINES

The benchmarks for the various equity portfolios will include the following indices:

Equity Composite – MSCI All Country World Index, Net of Dividend Tax

Equities

Institutions may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts ("ADR’s").
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☐ No securities shall be purchased on margin or sold short.
☐ Convertible securities will be regarded as equity securities within the portfolio.

Prohibited Transactions for Equity Managers
☐ The use of borrowed funds or leverage.
☐ Short sales or margin sales.
☐ Private placements.
☐ Unregistered securities.

IX. FIXED INCOME OBJECTIVES AND GUIDELINES

The benchmark for the fixed income portfolio will be the Lehman Brothers Aggregate Bond Index.

Fixed Income
☐ No securities shall be purchased on margin or sold short. However, with approval of the Foundation, the Advisor may select fixed income funds that have authority to sell securities short.

Securities directly owned must be registered with the SEC or issued under Rule 144A. Securities owned in a mutual fund must comply with the terms, conditions and guidelines stated in the fund prospectus.

X. ABSOLUTE RETURN OBJECTIVES AND GUIDELINES

The benchmark for absolute return portfolios will be T-bills + 3%. Leverage shall be permitted within specific guidelines established for each manager or the fund-of-fund. Positions and pricing shall be transparent and available for review upon request.

XI. REAL ASSET OBJECTIVES AND GUIDELINES

The benchmark for real return portfolios will be an appropriate spread, typically 3-5%, over the Consumer Price Index ("CPI"). Additional benchmarks shall be used for specific portfolios, where appropriate, as follows:

Real Estate Securities - NAREIT Equity Index
Commodities - DJ/AIG Commodities Index
TIPS - Lehman TIPS Index

XII. CASH EQUIVALENTS

TAMCCF will also have exposure to cash and cash equivalents. This cash will usually be invested daily in a Short-Term Investment Fund (STIF) offered by the custody bank. The STIF must maintain stable principal value. The objective of the STIF is the preservation of capital and maintenance of liquidity.

XIII. TAMCCF MANAGEMENT POLICY

Investment actions are expected to comply with "prudent person" standards.
XIV. MANAGEMENT REVIEW PROCEDURES – RESPONSIBLE PARTIES

Duties of the Board of Trustees

With respect to investments, the role of the Board of Trustees is to ensure that the fiduciary responsibilities of TAMCCF are fulfilled, that the investment structure, operation and results of the portfolio are consistent with investment objectives established for them, and to ensure competence, integrity and continuity in the management of TAMCCF’s financial resources. The Board shall receive regular reports on investment matters from the Investment Committee.

Duties of the Investment Committee

The Investment Committee shall:

☐ Establish and approve investment policy, including asset allocation percentages and allowable ranges, for TAMCCF.

☐ Periodically review TAMCCF’s asset allocation plan against capital market assumptions regarding return, risk, and correlations for major asset classes to ensure that the current asset mix will achieve TAMCCF’s long-term goals; the addition of new asset classes will also be considered. Such reviews shall take place as the need arises, but usually no less frequently than every three years. The review will include recommended adjustments to the long-term, strategic asset allocation plan to reflect any changes in long-term capital market assumptions, TAMCCF’s investment objectives or TAMCCF’s financial condition.

☐ Approve selection of Investment Advisors, Investment Consultants and/or Custodial Bank services, as needed, to ensure that TAMCCF is invested effectively and to safeguard the assets of TAMCCF. The Committee shall also monitor, with the input of the advisors (as appropriate) the performance of the Advisors, Managers, and Custodial Bank in meeting TAMCCF’s needs and requirements.

☐ Monitor the performance of the Advisors and Managers. The Committee shall monitor investment returns no less frequently than quarterly to ensure that Investment Policy guidelines and objectives are being met.

Duties of the Advisor

The Advisors and Managers shall have discretion to manage the assets subject to this Investment Policy Statement and any separate investment guidelines. The Advisor shall be responsible for the following:

☐ Make recommendations to the Investment Committee regarding investment policy and strategic asset allocation. If, at any time, an Advisor believes that a specific guideline or restriction is adversely impeding its ability to implement their process or meet the investment objectives, the Advisor shall present this fact to the Investment Committee.

☐ Rebalance or modify portfolio structure within the allowable ranges as outlined in Exhibit A. When changing portfolio structure that may deviate materially from the Target Percentage but within Allowable Range as outlined in Exhibit A, the Advisor shall notify TAMCCF of its strategy in a timely manner.

☐ Select (purchase) and/or terminate (sell) Managers, Funds or ETF’s to implement the policies and procedures as outlined in this Investment Policy.
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☐ Oversee all Managers, Funds and ETF’s, including monitoring changes in personnel, ownership, and the investment process and investment results.

☐ Assist in the selection of a qualified custodian.

☐ Prepare monthly “flash” performance reports depicting performance versus benchmarks and asset allocation versus targets.

☐ Prepare a quarterly performance report on the Fund’s Managers and total assets including a written update concerning current investment strategy and market outlook.

☐ Provide topical research and education on investment subjects that are relevant to the Fund.
EXHIBIT A

The asset allocation that follows contains guideline percentages, at market value, of total TAMCCF assets to be invested. Actual allocations may deviate from guideline percentages at any specific period in time due to market conditions and the independent actions of the Advisors within allowable ranges.

*Asset Allocation Targets and Ranges*

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<thead>
<tr>
<th>ASSET CLASS</th>
<th>TARGET PERCENT</th>
<th>ALLOWABLE RANGE</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>60%</td>
<td>50 - 90%</td>
<td>MSCI All Country World Index, Net Dividends</td>
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<tr>
<td>Fixed Income</td>
<td>15%</td>
<td>10 - 40%</td>
<td>LB Aggregate Index</td>
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<tr>
<td>Absolute Return</td>
<td>15%</td>
<td>0 - 20%</td>
<td>T-Bills + 3%</td>
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<tr>
<td>Real Assets</td>
<td>10%</td>
<td>0 - 15%</td>
<td>Weighted Benchmark based upon underlying managers and benchmarks</td>
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<td>Total Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>Policy Benchmark:</td>
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<td></td>
<td>65% MSCI All Country World Index, 15% LB Aggregate Index,</td>
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<td>10% T-Bills +3%,</td>
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<td>10% Real Assets Benchmark</td>
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