

Consolidated Endowment Fund Significant Changes to the CEF Investment Policy through 10/30/2013

Section I Introduction and Purpose

Two references to the University of Alaska Foundation are deleted in order to avoid potential future inconsistencies between the Consolidated Endowment Fund Agreement and the Consolidated Endowment Fund Investment Policy.

Section II Scope of This Policy

No significant revisions were made.

Section III Duty of Loyalty and Standard of Care

One statutory reference is corrected.

Section IV Principles and Considerations for Fund Management and Investment

The specific inflation index used for evaluating performance is identified in addition to a few minor editing changes.

Section V Target Rate of Return

An explanation of the Target Rate of Return is expanded by indicating that it represents a reconciliation of, or bringing together of, the expected return with the needs of the Foundation and the beneficiaries. It provides a numeric expression of the Primary Investment Goal and serves to coordinate the structuring of the portfolio and asset allocation with the expected return, expense forecasts and spending guidelines. It also requires a provision for inflation to the extent reasonable.

Note: Policy Benchmark 3 includes a measure of progress towards Primary Investment Goal and the Spending Guidelines include other measures of progress towards inflation proofing at the CPI-U inflation rate.

Section VI Target Asset Allocation

Incorporates the Investment Guidelines and Philosophy Statement into this policy by reference.

Section VII Asset Allocation Rebalancing

The references to allocation variance bands, which are now included in the Investment Guidelines and Philosophy Statement, are deleted from this subsection.

Section VIII Portfolio Performance Benchmarks

The order of the Policy Benchmarks is revised to make the numbering more consistent with the numbering of the Peer and Custom Benchmarks. The Russell 3000 Index previously used to represent allocations to equity securities is replaced by the MSCI All Country World Index (MSCI

Consolidated Endowment Fund

Significant Changes to the CEF Investment Policy through 10/30/2013

ACWI), which is consistent with the benchmarks established for the asset allocation. A statement of the purpose of each of the benchmarks is added, as well as, an explanation of how the benchmarks can be used to identify the value added through structuring the portfolio and the value added through manager selection and tactical allocations.

Section IX Delegation and Assignment of Duties and Authority

The responsibilities assigned to the Boards, the Committee, and the Treasurer are restated to better accommodate a fund manager investment process; however, it also attempts to maintain within the Committee and the Treasurer that may be necessary to manage the portfolio under the traditional model.

The policy also provides for further delegation of the duties of the Committee and the Treasurer to professional managers and advisors, as well as qualified staff, in order for the fund manager model to function effectively.

Responsibilities of the Boards:

No significant changes to the responsibilities of the Boards were made.

Responsibilities of the Committee:

The revisions clarify the responsibility of the Committee for establishing the investment guidelines and philosophy for the Fund; the engagement of, and assignment of duties to, the Fund Manager, advisors and investment managers; and although there are numerous editing revisions to accommodate the new environment, the basic authorities and decision making activities are not changed significantly, except that some of these activities will be delegated to the Fund Manager.

Responsibilities of the Treasurer

The revisions provide for the Treasurer to conduct a due diligence review of the Fund Manager on an annual basis; and similar to the Committee, although there are numerous editing revisions to accommodate the new environment, the basic authorities and decision making activities are not changed significantly, except that some of these activities are delegated to the Fund Manager.

Responsibilities of the Advisor

The advisor responsibilities are deleted from policy pending a determination as to what the advisors role will be, if any, under the fund manager investment model. However, the Committee continues to retain the authority to engage, assign duties and evaluate the advisor.

Consolidated Endowment Fund

Significant Changes to the CEF Investment Policy through 10/30/2013

Responsibilities of Investment Managers and Custodians

These responsibilities have been deleted as unnecessary because the investment managers will now operate under the direction of the Fund Manager in the new environment. Consideration is currently being given to incorporating these responsibilities into a procedure which will become an attachment to this policy.

Section X. Performance Evaluation of Advisors

Performance Evaluation of the Fund Manager has been substituted for this section pending a determination as to what role will be played by the advisors, if any.

Section X Performance Evaluation of the Fund Manager

The policy provides for a quarterly review of the Fund's general investment performance by the Committee, for the Treasurer to conduct an annual due diligence review and report the results to the Committee; and for the Committee to conduct service level reviews on at least a two-year cycle.

Section XI Performance Evaluation of Investment Managers

The revision deletes this section as unnecessary because the investment managers operate under the direction of the Fund Manager in the new environment. This function will be considered for a procedural attachment to this policy.

Section XI Management of Funds (formerly Section XII)

The revisions delete the Alaska Preference in the selection of investment managers and the discussion of active vs. passive management, both of which are now the responsibility of the Fund Manager. The revisions also correct the description of Permanently Restricted Net Assets.

Section XII Conflicts of Interest (formerly Section XIII)

No significant changes were made.

Section XIII Committee Approved Attachments

Manager Selection and Termination, Manager Due Diligence, and Commitments to Future Investments guidelines, which are all responsibilities of the Fund Manager now, are pending a determination on restatement.

The Target Asset Allocation schedule is now incorporated into the Investment Guidelines and Philosophy Statement, which is an attachment and incorporated into this policy by reference.

The Endowment Spending Guidelines have been added.