NORTHERN ILLINOIS UNIVERSITY FOUNDATION

Investment Policy Statement

I. DEFINITIONS

A. Context

Northern Illinois University Foundation Board of Directors Mission
To energize and connect the private sector with the NIU community to secure and steward resources that support the future and growth of NIU.

Vision
To develop, support and encourage a culture of giving throughout the NIU community will allow it to flourish and accomplish NIU's goal of becoming the most student-centered public research university in the Midwest.

B. Purpose

The Investment Policy Statement was adopted by the Board of Directors of Northern Illinois University Foundation (the "Board") to direct the prudent investment of the Endowment Fund (the "Fund") and Expendable Pool in a manner consistent with the investment objectives stated herein. The Board delegates financial oversight of the Portfolio to the Northern Illinois University Foundation Investment Committee (the "Committee").

This Investment Policy Statement shall be used by the Committee in its oversight and managing, monitoring, and reporting on the investment Portfolio as well as by the Portfolio's Custodian, Investment Managers, and Investment Consultant in connection with the management of the Portfolio.

It is expected that this document will be reviewed annually by the Committee. Any revisions will be recommended to the Board.

While shorter-term investment results will be monitored, adherence to a sound long-term investment policy, which balances short-term distributions with preservation of the real, inflation-adjusted value of assets, is crucial to the long-term success of the Fund.

C. Scope

This document applies to assets that are a part of the Fund and Expendable Pool and for which the Committee and investment managers have discretionary authority.

D. Investment Objective

The primary investment objective of the Fund is to achieve an annualized total return (net of fees and expenses), through appreciation and income, equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and administrative expenses, thus, at a minimum, maintaining the purchasing power of the

Fund. The assets are to be managed in a manner that will strive to meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending.

In addition to our primary responsibility of maximizing returns within the bounds of acceptable risk, the Investment Committee of the NIU Foundation will periodically analyze our investment portfolio for compliance with certain environmental, social, and corporate governance ("ESG") criteria. This ESG monitoring will apply to the underlying holdings and practices of both new investment opportunities as well as existing portfolios. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the ESG monitoring process is intended to ensure that the holdings of the underlying funds are in keeping with our objectives and goals. The Committee acknowledges that investing in companies and portfolios that are models of good governance and global responsibility may enhance long-term performance and outcomes.

E. Fiduciary Duty

In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Investor Act (UPIA). UPIA requires fiduciaries to apply the standard of prudence "to any investment as part of the total portfolio, rather than to individual investments." All investment actions and decisions must be based solely on the interest of the Fund. Fiduciaries must provide full and fair disclosure to the Board/ Committee of all material facts regarding any potential conflicts of interest.

As summarized for the purposes of this Investment Policy Statement, the UPIA states that the Committee is under a duty to the Fund to manage the funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. This standard requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the Fund. In making and implementing investment decisions, the Committee has a duty to diversify the investments unless, under special circumstances, the purposes of the Fund are better served without diversifying.

In addition, the Committee must conform to fundamental fiduciary duties of loyalty and impartiality. This requires the Committee to act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

F. Description of Roles

1. Board of Directors - The Board has the ultimate fiduciary responsibility for the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio

are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement and delegates responsibility to the Investment Committee for implementation and ongoing monitoring. At least annually the Board will receive a performance report and review of the Investment Policy Statement from the Committee.

2. Investment Committee - The Committee is responsible for adopting the provisions of this Investment Policy. This responsibility includes approving investment strategy; hiring and firing of investment managers, custodians, and investment consultants; monitoring performance of the Fund on a regular basis (at least quarterly); and maintaining sufficient knowledge about the Fund and its managers to be reasonably assured of their compliance with the Investment Policy Statement.

3. Director of Finance and Strategic Priorities (Director) – The Director has daily responsibility for the administration of the Fund and will consult with the Committee and the Investment Consultant on matters relating to the investment of the Fund. The Director will serve as primary contact for the Fund's investment managers, Investment Consultant, and custodian.

4. Investment Consultant - The Investment Consultant is responsible for assisting the Committee and Director in all aspects of managing and overseeing the investment portfolio. The Consultant is the primary source of investment education and investment manager information. On an ongoing basis the Consultant will:

a. Provide proactive recommendations;
b. Supply the Committee with reports (e.g., asset allocation studies, investment research and education) or information as reasonably requested;
c. Monitor the activities of each investment manager or investment fund and report any material change to the Committee in a timely fashion;
d. Provide the Committee with quarterly performance reports; and,
e. Review this Investment Policy Statement with the Committee.

G. Objectives

Initially the Investment Committee develops an understanding of the gift and fund utilization agreements creating the investable balances. Based upon the needs and utilization of the funds, objectives are set for various pools of assets. Presently the pools provided for consist of:

Endowment Fund – The Fund is managed with the goal of keeping the fund invested in perpetuity with only a portion of the earnings being spent based on a total return approach. The Fund may include gifts to endowment and other accumulated earnings. Because of the inherently long-time horizon related to the endowment it is possible to incorporate long range statistical studies of returns for various asset classes and for inflation to develop an overall long term rate of return objective with the ultimate goal of making investing and spending decisions that allow for an endowed gift to have approximately the same relative impact in terms of scholarships or programs funded in the near term as in the distant future.

Expendable Fund- Balances resulting from expendable gifts and other revenue streams, including investment income, rents, and others. An intermediate strategy is employed with the goal of preserving principal with an expected return to exceed the target return.

Capital Projects Fund - Preservation of principal with liquidity set to meet the funding requirements for the project. The return should be compared to the Donahue Money Market Fund or other primary money market index.

Annuity Funds Charitable gift annuity agreements can be invested internally or reinsured. Staff will evaluate the alternatives and make recommendations to the Investment Committee. Rates for contractual income payments to donors are established with a net return assumption based upon rates recommended by American Council on Gift Annuities. When managed internally, returns in excess of the assumed rate build the residual value that will flow to fund unrestricted and restricted gift purposes.

Charitable Remainder Trust Funds - The trust is designed to maximize return with a prudent level of risk. A long-term strategy is employed that produces a return that will both support the payments to the income beneficiary and preserve and grow the value of the corpus that will eventually transfer to fund a gift purpose.

II. INVESTMENT PHILOSOPHY

H. Strategy

The Committee understands the long-term nature of the Fund and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities, including real assets (real estate and natural resources). Real assets provide the added benefit of inflation protection.

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Fund but is a residual to the investment process and used to meet short- term liquidity needs.

In evaluating opportunities to execute this strategy, it is important to understand total fees associated with each investment under consideration. Returns net of fees will be considered with the perceived opportunity and risk in deciding which specific managers and investment vehicles will be selected.

I. Asset Allocation

Asset allocation will likely be the key determinant of the Fund's returns over the long term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political, or social developments is highly desirable. A globally diversified portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time. In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the total Fund, rather than judging asset categories on a stand-alone basis.

The target asset allocation should provide an expected total return equal to or greater than the primary objective of the Fund, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall portfolio level.

Investments will generally fall into one of four asset categories. Each category serves a specific role within a portfolio. An allocation to all four categories can provide diversification to major market risk factors and provides a simple framework to review the exposures within the portfolio. The categories are as follows:

Global Equity	Intended to be the primary source of long-term growth for the portfolio, as equities historically have produced high real rates of return. While having higher expected returns, they also have higher volatilities. Includes public long-only, hedged, and private equity mandates.
Global Fixed Income/Credit	Intended to offset the volatility of equities, particularly during market downturns, as well as provide deflation protection. These investments are comprised primarily of public and private fixed income (debt) securities and can be further categorized as interest rate sensitive and credit sensitive.
Real Assets	Intended to insulate the portfolio from inflation shocks and to provide a source of non-correlating returns with other asset categories. Includes real estate investment trusts (REITs), natural resources (e.g., Energy Master Limited Partnerships), commodities, private energy, and private real estate.
Diversifying Strategies	Intended to provide diversification from systematic market risk, as the primary determinant of returns are typically from manager skill (alpha) rather than market return (beta). Includes non-directional strategies that seek low correlations to the public equity and fixed income markets.

ASSET CATEGORY	RANGE
GLOBAL EQUITY	**40-80%**
Public	***30-80***
U.S. Equities	20-60
Large Cap/Mid Cap	*10-50*
Small Cap	*0-20*
International Equities	10-30
Developed Large Cap	*5-25*
Developed Small Cap	*0-10*
Emerging and Frontier Markets	*5-15*
Emerging Markets Small Cap	*0-15*
Frontier Markets	*0-10*
Hedge Funds - Directional	***0-20***
Private	***0-15***
Venture Capital	0-10
Buyout	0-10
Special Situations	0-10
GLOBAL FIXED INCOME	**10-40**
Interest Rate Sensitive	***5-40***
Investment Grade	0-40
Inflation Protected (TIPS)	0-10
Credit	***0-15***
High Yield	0-10
Bank Loans	0-10
Private Debt (distressed, mezzanine)	**0-10**
REAL ASSETS	**5-25**
Real Estate	***0-15***
Public (REITs)	0-10
Private	0-10
Natural Resources	***0-15***
Public (commodities, MLPs)	0-10
Private	0-10
DIVERSIFYING STRATEGIES	**0-25**
Hedge funds (liquid & semi liquid)	**0-15**
Private Niche Strategies	**0-15**
CASH	**0-10**

The asset allocation for the Expendable Fund will be set within the following ranges:

ASSET CATEGORY	**RANGE**
Global Equity	**0 – 40 %**
US & International Equities	***0 – 25%***
Directional Hedge Strategies	***0 – 25%***
Global Fixed Income	**40 – 100 %**
Investment Grade	***40 – 100%***
Credit Sensitive	***0 – 25%***
Real Assets (commodities, REITs,MLPs, etc.)	**0 – 25%**
Diversifying Strategies	**0 – 35%**

J. Rebalancing

The Director and Committee will monitor the asset allocation structure of the Funds and strive to stay within the ranges allowed for each asset category. If the portfolio moves outside of the ranges the Director, with advice from the Investment Consultant, will develop a plan of action to rebalance. In many cases the addition of new money or withdrawals for spending will be used to rebalance in a cost-effective manner.

K. Liquidity

A goal of the Fund is to maintain a balance between investment goals and liquidity needs. Liquidity is necessary to meet the spending policy payout requirements and any extraordinary events. The Committee understands that in some instances, the most appropriate investment option is one that comes with liquidity constraints. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process.

Illiquid investments include private equity, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments. The tradeoff between appropriateness and liquidity will be considered throughout the portfolio construction process, but with the following limits:

Classification of Asset	Limits
Endowment Fund:	
Liquid	At least 50% of the portfolio
Semi-liquid	No more than 25% of the portfolio
Illiquid	No more than 30% of the portfolio

Expendable Pool Liquidity: At least 90% liquid, no more than 10% semi-liquid/illiquid.

L. Illiquid and Semi-liquid Investments

E. Illiquid and Semi-Liquid Investments

	Asset Class	Sub-Category	Vintage Year	Manager	Stage	Geography	Sector
Private Equity	The objective of the private equity allocation is to outperform, over the long-term, the public equity markets by 3-5% points, net of fees. The return premium exists due to the lower cost of capital, higher risk, lack of liquidity, and the uneven distribution of information and access inherent in private markets. For the private equity allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to top-quality managers and be diversified. Individual funds may be concentrated in a particular sector, stage, or geographic region, but the overall private equity allocation should be diversified. A prudent investment strategy will consider the following	The target allocations to venture capital, buyout, and special situations (distressed, mezzanine, infrastructure etc.) will serve as a guideline for committing capital. As commitments to private equity are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market value.	Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.	Investments should be considered with several private partnerships (or a fund of funds) to mitigate manager specific, as well as deal specific risk.	Investments should be considered across the life cycle of businesses. Within venture capital, this includes early, mid, and late stage companies. Buyout investments consist of small, mid, and large market firms, and may be in the form of traditional buyouts, growth equity, recapitalizations, or restructuring.	Investments should be considered across the U.S. and internationally (developed and emerging markets).	The portfolio should be diversified by sector, as well as across industries within a sector.
Private Real Estate	The objective of the private real estate allocation is to provide low correlation to the public equity and fixed income markets and serve as an inflation hedge.	Private real estate investments should be considered in either value-added or opportunistic funds, which are designed to generate excess return for the overall real estate allocation. These strategies typically require some lease-up, development or repositioning, as well as utilize more leverage than public REITs. As commitments to private real estate are drawn down and invested over a period of years, and distributions are returned, the committed capital will be greater than the target allocation in order to reach the target market	Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.	Public REITs may be used as a core holding and to provide liquidity; however, the desired real estate exposure will be through several well diversified private partnerships (or a fund of funds).		Investments should be geographically diversified.	The portfolio should be diversified across property types (e.g. apartments, office, industrial, and retail).

E. Illiquid and Semi-Liquid Investments

	Asset Class	Sub-Category	Vintage Year	Manager	Stage	Geography	Sector
Natural Resources (Energy and Timber)	The objective of the natural resources allocation is provide low correlation to the public equity and fixed income markets and serve as an inflation hedge. These investments should be primarily in the private markets, which offer inefficiencies that can be exploited. For the natural resource allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to top-quality managers and be diversified. Individual investments may be concentrated in a particular region, production stage, or commodity exposure, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.		Capital should be committed continuously and thoughtfully over time. Returns are highly dependent on market cycles and stage of the investment cycle. A portfolio diversified by vintage years will reduce unnecessary risk and provide more consistent long-term returns.		Investments in energy funds will focus primarily on the upstream end of the energy market with development and production, and to a lesser extent exploration. Exposure to the upstream markets will be gained through private equity investments, working interests, and royalty interests. **i. Energy** Investment in downstream activities such as refining, transmission, and distribution may be considered opportunistically. Upstream markets offer two primary benefits: 1) Inefficiencies, which offer attractive investment opportunities, and 2) Exposure to the underlying commodity (oil and gas), which provides an inflation hedge.**ii. Timber** Investments with Timber Investment Management Organizations (TIMOs) should be diversified by wood type (hard and softwood, species, etc.). Investing in TIMOs exposes the portfolio to timber prices, providing inflation protection, with the potential to generate additional return through the underlying management of the timberland.	Investments should be spread across the U.S. and internationally.	
Hedge Funds	The objective of the hedge fund allocation is to diversify the Fund and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing. Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid). For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification. a. Strategy The hedge fund universe can be divided into two broad categories: Absolute Return and Directional. Below are the definitions and examples of these strategies. i. Absolute Return These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or socia events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage. ii. Directional (Equity Hedge) These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling						

III. Evaluation and Performance Measurement

M. Total Fund Benchmarks

The Committee seeks to outperform its benchmarks over full market cycles and does not expect that all investment objectives will be attained in each year. Furthermore, the Committee recognizes that over various time periods, the Fund may produce significant deviations relative to the benchmarks. For this reason, investment returns will be evaluated over a full market cycle (for measurement purposes: 5 years).

1. The primary objective of the Endowment Fund is to achieve a total return, net of investment fees, equal to or greater than spending, administrative fees, inflation, and a growth factor, as described below:

Support of endowment purpose*	3.50%
Internal administrative fee	2.00%
Real Return	5.50%
Purchasing Power (CPI):	2.75%
Total Target Annual Return (Nominal)	8.25%

The Expendable Pool has a 4.5% target annual return (nominal).

.* The endowment spending policy calls for 4% of the 3-year moving average market value to be allocated to support scholarships and programs. This effective rate results from applying this calculation over time and is used for the forward view reflected in the target rate of return.

2. A secondary objective is to achieve a total return in excess of the Broad Policy Benchmark comprised of each broad asset category benchmark weighted by its target allocation.

The current Broad Policy Benchmark for the Endowment Fund is:

WEIGHT	INDEX	ASSET CATEGORIES
70%	MSCI ACWI	Global Equities / Real Assets
30	BBC Aggregate Bond	Global Fixed Income / Diversifying Strategies

The current Broad Policy Benchmark for the Expendable Pool is:

WEIGHT	INDEX	ASSET CATEGORIES
30%	MSCI ACWI	Global Equities / Hedged Equities / Real Assets
70	BBC Intermediate Gov./Credit Bond Index	Global Fixed Income / Diversifying Strategies

3. Another investment objective is to achieve a total return in excess of the Target Weighted Benchmark comprised of each asset category benchmark weighted by its target allocation.

4. The total volatility (beta) for the Endowment Fund and Expendable Pool is expected to be no greater than 1.20 versus their respective Broad Policy Benchmarks.

N. Manager Evaluation

1. Each active liquid (and hedge fund) investment manager will be reviewed by the Committee on an ongoing basis and evaluated upon the criteria listed below. The Committee expects the managers to outperform the benchmarks over a full market cycle (for measurement purposes: 5 years). The Committee does not expect that all investment objectives will be attained in each year and recognizes that over various time periods, investment managers may significantly underperform their benchmarks. Each investment manager will be reviewed on an ongoing basis and evaluated on the following criteria:

a. Stability of the organization
b. Retention of key personnel
c. Absence of regulatory actions against the firm, its principals, or employees
d. Adherence to the guidelines and objectives of this Investment Policy Statement
e. Consistency in the style and capitalization characteristics defined as "normal" for the manager
f. Performance compared to the appropriate benchmark and, for equity managers, produce positive risk-adjusted return (alpha)
g. Performance compared to a peer group of managers with similar styles of investing

2. Although there are no strict guidelines that will be utilized in selecting managers, the Committee will consider the criteria above, as well as, the length of time the firm has been in existence, its track record, assets under management, and the amount of assets the Fund already has invested with the firm. The combination of the Investment Consultant's thorough investment manager due diligence process and the Committee's oversight of this due diligence will be taken into consideration prior to selecting an investment manager. Investment managers will be selected based on merit. Investment managers considered are independently reviewed by the Investment Consultant before voted upon by the Committee.

O. Summary of Quantitative Performance and Risk Objectives

1. Liquid and Semi-Liquid Active Managers

The following table summarizes the performance objectives for the liquid and semi- liquid (hedge fund) active managers. Managers failing to meet these criteria over a full market cycle will undergo extensive qualitative and quantitative analysis. This analysis will focus on the manager's personnel, philosophy, portfolio characteristics, and peer group performance to determine whether the manager is capable of implementing their defined portion of the overall portfolio structure. These managers are expected to outperform their primary benchmark, and the equity (and REIT and commodities) managers are expected to maintain a beta (vs. the primary benchmark) of less than 1.20.

ASSET CATEGORY	PRIMARY BENCHMARK	PEER UNIVERSE
Global Equity		
U.S. Large Cap	S&P 500	Top 50%
U.S. Mid Cap	Russell Midcap	Top 50%
U.S. Small Cap	Russell 2000	Top 50%
International Developed	MSCI EAFE	Top 50%
International Small Cap	MSCI EAFE Small Cap	Top 50%
Emerging Markets	MSCI Emerging Markets	Top 50%
Global Fixed Income		
Investment Grade Bonds	BBC Aggregate Bond	Top 50%
TIPS	BBC TIPS	Top 50%
High Yield	Merrill Lynch High Yield	Top 50%
Bank Loans	CSFB Leveraged Loan	Top 50%
Real Assets		
Global REITs	FTSE EPRE/NAREIT Global Real Estate	Top 50%
MLPs	Alerian MLP Index	Top 50%
Commodities	DJ UBS Commodities Index	Top 50%
Hedge Funds		
Directional	HFRI Equity Hedge	-
Absolute Return	HFRI FOF Conservative	-

2. Public Liquid Passive Managers

Passive (or index) managers are expected to approximate the total return of their respective benchmark. The beta for passive equity managers should approximate 1.00.

3. Private Illiquid Managers

The majority of private equity, private real estate, and natural resource funds will be invested with private partnerships. These partnerships typically range from 7-15 years in life, during which time the Fund may not be able to sell the investment. Additionally, the partnership may not produce meaningful returns for 3-5 years (depending on the strategy). New investments will create a drag on fund performance in the early years (3-5 years) until these investments begin to mature. This drag on performance is often referred to as the J- curve, due to the shape created by plotting a line graph with performance on the y-axis and time on the x-axis. Private, illiquid manager performance will be measured utilizing internal rate of return (IRR) calculations and compared to an appropriate peer group. An IRR calculated from the inception of the partnership will be the primary performance measurement tool utilized for all private equity, private real estate, and natural resource managers.

a. **Private Equity -** Returns will be compared to the appropriate peer group in the Venture Economics universe of similar style (buyout or venture capital) and vintage year.
b. **Private real estate -** Returns will be compared to the NCREIF Property Index, which is reported on a time- weighted basis, but will be translated into an IRR for measurement purposes.
c. **Timber -** Returns will be compared to the NCREIF Timberland Index, which is reported on a time- weighted basis, but will be translated into an IRR for measurement purposes.
d. **Energy -** There are no suitable benchmarks for private energy. Private energy funds are utilized as an inflation hedge and thus, their returns will be compared to CPI + 8%.

IV. GUIDELINES & RESTRICTIONS

P. Overview

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable for the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented, and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Fund's investments.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Fund. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each traditional equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement;
2. Immediately notify the Director and Consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel;
3. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management.

Q. Public Equity Manager Guidelines (including REITs)

Each active equity investment manager shall:

1. Assure that no position of any one company exceeds 8% of the manager's total portfolio as measured at market;
2. Maintain a fully invested portfolio, with no more than 10% allocated to cash equivalents;
3. Maintain a minimum of 25 positions in the portfolio to provide adequate diversification;
4. Construct a properly diversified portfolio across sectors, industries, and for international/global mandates, countries;
5. U.S. equity managers should have no more than 20% of the total portfolio invested in foreign stocks or American Depository Receipts (ADRs); and,
6. Vote proxies and share tenders in a manner that is in the best interest of the Fund and consistent with the investment objectives contained herein.

R. Public Fixed Income Manager Guidelines

1. Each investment grade fixed income investment manager shall:
    a. Maintain an overall weighted average credit rating of AA or better by Moody's and Standard & Poor's;
    b. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. (Split rated securities will be governed by the lower rating);
    c. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers); and,
    d. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

2. Each high yield/bank loan investment manager shall:
    a. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's;
    b. Hold no more than 20% of the portfolio in investments rated below B. (Split rated securities will be governed by the lower rating); and,
    c. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies.

S. Illiquid and Semi-Liquid Investment Guidelines

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Fund may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Committee, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible for managing investments in accordance with the Private Placement Agreement (PPM) and Limited Partnership Agreement.

The Foundation is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Fund, potential tax ramifications must be considered during the investment analysis and selection process. The Fund shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Fund.

T. Derivative Security Guidelines

1. For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:
   a. Manager's proven expertise;
   b. Value added by utilizing derivatives;
   c. Liquidity of instruments;
   d. Amount of leverage;
   e. Management of counterparty risk;
   f. Manager's internal risk controls and procedures.

2. The strategies in which derivatives can be used are:
   a. Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
   b. Fixed Income – Derivatives will be used as a cost-efficient means to control and/or hedge risks such as duration, credit, and currency.
   c. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure.

V. ACKNOWLEDGEMENT

We recognize the importance of adhering to the philosophy and strategy detailed in this policy. We agree to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this objective, and therefore, recognize that suggestions regarding appropriate adjustments to this Investment Policy Statement or the manner in which investment performance is reviewed are welcome.

______________________________	__________
Northern Illinois University Foundation	(Date)
______________________________	__________
Investment Manager	(Date)
______________________________	__________
Fund Evaluation Group, LLC	(Date)