Investment Policy Statement

I. DESCRIPTION

This Investment Policy Statement (IPS) details the oversight and management of the investment portfolio of The USC Upstate Foundation's Investment assets ("the Portfolio").

The Portfolio's core investment objective is to preserve its purchasing power, while providing a continuing and stable funding source to support the current and future mission of The USC Upstate Foundation.

II. INVESTMENT OBJECTIVE AND LIQUIDITY

The Foundation seeks to earn a total real return above the spending and administrative Expenses. The Portfolio will be well diversified with an allocation toward growth assets. The Portfolio will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation will employ the expertise of an outside investment Consultant/ Advisor team to oversee the management of the funds.

III. ROLES AND RESPONSIBILITIES

A. Board of Trustees ("Board"):

1. Approve Investment Policy Statement and spending policy.
2. Approve selection of the Investment Consulting/Advisory Team.

B. Finance Committee:

1. Recommend the investment policy to the Board;
2. Determine risk and return objectives, approve new asset classes and benchmarks for each portfolio;
3. Recommend the outsourced Investment Office to select and monitor underlying investment managers and asset allocation within policy;
4. Monitor the investment performance and financial objectives;
5. Manage the spending policy and confirm goals and needs are in alignment
6. Regularly challenge the outsourced Investment Office's recommended asset allocation and tactical weightings based on the current economic outlook and market conditions; and - Meet at least quarterly, with additional meetings, if necessary, as directed by Chair.

C. Investment Office:

The Finance Committee will employ an outsourced Investment Office ("the Investment Office") to provide expertise in the management of the Portfolio. The Investment Office shall generally:

1. Be responsible for the net of fee performance of the Portfolio relative to Policy Index;

2. Advise the Committee on investment policy, asset allocation, performance review, implementation of investment policies and guidelines (as established by the Committee), including policies and guidelines regarding asset allocation ranges, prohibited investments and other investment matters;

3. Select and monitor investment managers for the Portfolio;

4. Make implementation and tactical decisions within policy framework, including prudent management of overall costs;

5. Provide periodic reports to Staff and the Committee as requested at least quarterly;

6. Attend Committee meetings as requested; and

7. Provide commentary on investment manager performance, market performance and expectations, economic outlook, and recommend asset allocation adjustments for Committee's consideration.

D. Staff:

1. Monitor the management of the Portfolio by reviewing written reports from the Investment Office and investment managers that focus on the primary determinants of returns, including asset allocation and investment strategy.

2. Prepare financial reports for Committee review to supplement reports from the Investment Office as necessary and alert the Committee to any matters requiring attention as they may arise.

3. Communication of financial operations related to cash flows and reporting.

IV. ASSET ALLOCATION

The Portfolio will be diversified both by and within asset classes. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the Portfolio. As a result, the risk level associated with the Portfolio investment should be reduced.

These guidelines are consistent with prudent investor standards as well as the standards in accordance with South Carolina Law and the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The following factors, if relevant, must be considered when making investment management decisions:

- General economic conditions;
- The possible effect of inflation or deflation;
- Understanding that fundholders of the Foundation tend to have return expectations and risk tolerances biased towards domestic equity benchmarks;
- The role that each investment or course of action plays within the Portfolio;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation;
- The needs of the Foundation and the funds to make distributions and to preserve capital;

V. REBALANCING

Assets should remain within their tolerance bands and be rebalanced back to their respective targets at the discretion of the Investment Office to ensure the asset allocation remains an accurate reflection of The USC Upstate Foundation's desired risk profile. The Investment Office will review the Portfolio's asset allocation on an ongoing basis. The Investment Office will use cash inflows and outflows, or proactive, disciplined offsetting transactions as needed to rebalance the Portfolio. In addition, should actual allocations move outside of allowable ranges, the Investment Office will automatically rebalance and seek to determine the appropriate course of action.

In general, the average asset allocation should match the targets listed in this policy. However, there may be times when tactical over or underweights are maintained to take advantage of favorable market conditions or disequilibria in certain asset categories. In addition, the Committee recognizes that investing in certain illiquid investments makes it more challenging to quickly adjust those allocations. As a consequence of these constraints, deviations from policy targets may occur.

Cash receipts shall be invested as soon as practical and in accordance with the current asset allocation policy, unless otherwise approved.

VI. PERFORMANCE EVALUATION BENCHMARKS

Benchmarks are useful to gauge the performance of the Portfolio, but they are best viewed over longer periods, generally three to five years. Benchmarks for each of the broad asset classes are presented in the table below.

Asset Class	Benchmark	Description
Broad Equity	MSCI All County World Index (ACWI)	Broad Market Exposure to global stocks
Domestic Equity	Russell 2000 Index, S&P 500	US all cap, large cap stocks
Non-US Developed Equity	MSCI EAFE Index	Developed market stocks outside of the US
Emerging Markets Equity	MSCI Emerging Markets Index	Stocks of companies in emerging market countries
Alternatives	Hedge Fund Research Inc Fund FOF Index	Broad basket of direct hedge funds
Fixed Income	Barclays Aggregate Index	Broad sector exposure to the US bond market
Real Assets	GS Commodity Index	Commodity Index

The Portfolio will be compared to the Policy Benchmark, which represents the "Policy Portfolio" selected by the Committee and will be emphasized as the key target metric. The Policy Benchmark is defined as the sum total of all the policy target weights for each of the asset classes multiplied by the returns of their respective benchmarks. Significant performance deviations from the Policy Benchmark will be explained and appropriate actions taken, if necessary.

In addition to the asset-class benchmarking, all investment managers within each asset class will be compared to their own relevant style index benchmarks. While a horizon of at least three years is the preferred performance comparison period, significant short-term differences will be considered and, if warranted, action steps may be taken by the Investment Office to reduce or eliminate allocations to such investment managers.

VII. INVESTMENT LIMITATIONS AND RESTRICTIONS

The Committee has established the following investment limitations and restrictions to define the level of risk that is acceptable. Investment managers selected to manage foundation assets must adhere to these guidelines unless the Committee has authorized modifications in writing.

VIII. General

The following categories of investments are not permitted for investment without the Committee's prior written approval or as specifically authorized in the implementation of alternative strategies: (i) private placements or restricted securities, other than Rule 144A Securities; (ii) commodities including gold, precious gems or commodity futures; (iii) uncovered options; (iv) short sales or margin transactions; (v) use of derivatives or leverage (see Section IX); and (vi) securities of the investment manager or its respective parent, subsidiaries or affiliates. The underlying investment manager will attempt to obtain the "best available price and most favored execution" with respect to all Portfolio transactions.

IX. Equity/Stocks

The maximum position in any security may not exceed 15% of an underlying individual investment manager's portfolio. The allocation to any one economic sector or country (for international equity portfolios) should not be excessive and should be reasonably consistent with the Portfolio's benchmark index and with investment managers with similar investment styles. While tactical sector and/or country shifts should be expected by active managers, excessive shifts that undermine the importance of the benchmark index should be avoided and will be reviewed and monitored by the Investment Office.

X. Fixed Income

Not more than 15% of an underlying individual investment manager's portfolio may be invested in the investment grade securities of any one issuer, with the exception of the U.S. Government, its agencies, or other sovereign government issuers.

Investments rated below BBB- by Standard & Poors, or comparable nationally recognized rating services, are limited to not more than 5% of the investment portfolio. Unrated securities considered by the investment manager to be within the quality guidelines of the account may be purchased. In the case of a split rating, the higher rating shall apply. If a downgrade of a security held in a portfolio causes a violation of these guidelines, such downgraded security may be held at the underlying investment manager's discretion.

XI. Alternatives

Alternative asset classes may be used with the goal of reducing volatility and increasing diversification and non-correlation to other asset classes. Our desire is that these have a strong track record, reasonable fees, reasonable liquidity, and transparency in process. They include but are not limited to the following. Commodities and Managed Futures Accounts, Private Placements, Partnerships, Real Estate, Option Writing, Hedge Funds, Fund of hedge funds, Private equity funds.

XII. Manager Diversification

The Foundation will invest a material portion of the Portfolio in traditional active managers to generate superior, relative risk-adjusted performance, net of all expenses. Passive mandates may be used in more efficient (occasionally in less efficient) segments of the capital markets, and also to gain temporary market exposure until active management can be retained.

XIII. MANAGER SELECTION AND MONITORING

The Committee has delegated investment manager selection to the Investment Office. The Investment Office is also responsible for the ongoing monitoring of the investment managers it selects and providing reports to the staff and Committee to assist in their oversight of the portfolio.

The Investment Office shall seek investment managers that it believes demonstrate effective strategies, sustainable advantages, and high-quality organizational structures. The Investment Office shall seek active managers that it believes have the ability to generate superior, relative risk-adjusted performance, net of all expenses. Passive mandates may be used in more efficient (occasionally in less efficient) segments of the capital markets, for the purpose of gaining market exposure.

Attractive investment manager characteristics typically include:

- competitive long-term performance among peers;
- strong reputation in the marketplace and a meaningful, high-quality, institutional client base;
- aligned interests (e.g., significant amount of principal/employee dollars invested in the funds);
- stable and experienced professional team and principals/employees own equity in the firm;
- demonstrated record of compliance and/or compliance excellence;
- strong operating processes and procedures (including use of reputable service providers); and
- controlled growth and a manageable level of assets under management.

The ongoing review and analysis, both quantitative and qualitative, of existing investment managers is just as important as the due diligence implemented during the manager selection process. In addition to performance measurement, the Investment Office will monitor for consistent implementation of investment strategy and philosophy, appropriate risk controls, adherence to any stated guidelines, and any material changes in the investment manager's organization and/or personnel.

The performance of each investment manager will be actively monitored by the Investment Office. Quarterly performance will be evaluated versus appropriate benchmarks and peer universes, but emphasis will be placed on relative performance over longer investment periods. The Investment Office has the discretion to take corrective action by replacing an investment manager, if deemed appropriate at any time. Corrective action typically occurs as a result of meaningful organizational or process-related change, and, in some cases, sustained relative underperformance. Significant short-term underperformance may also trigger a review. If corrective action is taken, whether a manager is added/removed, the Investment Office will notify the investment committee and Staff.

The following are some examples of reasons that may cause the Investment Office to lose confidence in an investment manager:

- Change in organizational structure or personnel – A significant change in culture through a merger or acquisition that is likely to distort incentives and promote turnover; or if the investment team leaves the firm.
- Changes in strategy and style – If the investment manager departs from the strategy and style that they were hired to implement; such as a switch from a quantitative process to a fundamental one; and
- Performance – continued performance shortfalls versus a peer group of managers with similar style and/or a market index. Performance is most meaningfully evaluated over a medium-to long-term time horizon of three to five years.

Underlying investment manager fees are expected to be reasonable. Incentive performance fees are common in the illiquid asset categories and, in some cases, more traditional asset classes.

XIV. USE OF DERIVATIVES AND LEVERAGE

In general, the Investment office will not make direct use of derivatives or leverage. However, the Portfolio may have exposure through certain investment managers, such as those in the private capital, long/short hedge, absolute return and real assets. When prudently used, derivative instruments and strategies can be an important element of general portfolio management. Derivatives offer investment management firms effective alternatives to trading physical securities, provided firms have the technical knowledge of the market factors, the quantitative skills to analyze the securities over a range of scenarios, and the ability to determine reasonable valuation before purchasing. Portfolio management agreements or investment manager guidelines must explicitly authorize the use of derivatives, or clearly state when their use is permitted.

XV. TRANSACTION EXECUTION

Except under unusual circumstances, all security trades should be entered into on the basis of best execution or best net realized price. Commissions may be designated for the payment of investment related products and services, provided that such directed trades do not significantly compromise the overall goal of best execution.

XVI. CONFLICT OF INTEREST

If any member of the Finance Committee, Board of Trustees, Staff, or the Investment Office shall have, or appear to have, a conflict of interest that impairs or appears to impair the respective member’s ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties, he or she shall disclose such conflicts prior to meaningful discussion of the matter to which the conflict relates. All parties must also comply with any other conflicts of interest policies adopted by The USC Upstate Foundation.

XVII. POLICY REVIEW

In order to keep this Investment Policy Statement current, it shall be reviewed at least annually by the Finance Committee.

XVIII. Target Asset Allocation

Asset Class		Target (%)		Range (%)
Equities		60		40.0 – 70.0
Alternative Assets/ Non-Traditional		20.0		0.0 – 25.0
Real Assets		2		0 – 12.0
Fixed Income		18		15.0-40.0
Liquid Capital/Cash		0.0		0 – 5.0
Total Assets		100.0		