ARKANSAS STATE UNIVERSITY FOUNDATION, INC.

INVESTMENT POLICY STATEMENT

MAY 2015

Prepared by: Joseph Anderson

MONROE VOS CONSULTING GROUP, INC.

1001 McKinney, Suite 1200
Houston, Texas 77002
713-227-0100

TABLE OF CONTENTS

I. FUNCTION, PURPOSE, SPENDING POLICY, RESPONSIBILITIES

Function

The Arkansas State University Foundation, Inc. (the "Foundation") is an Arkansas Corporation chartered March 7, 1977, for the primary purpose of advancing higher education, research and allied supportive activities of the Arkansas State University System through the promotion of private financial support. The organization is exempt from federal income tax under the provision of Internal Revenue Code Section 501(c)(3) and has nonprofit foundation status per section 170(b)(1)(A)(iv).

In recognition of its fiduciary responsibilities, the Board of Directors of the Arkansas State University Foundation, Inc. (the "Board") has adopted the following statement of investment policy. The guidelines relate to those gifts and donations in the form of endowments, with long term benefit objectives; those monies set aside and designated by the Board as quasi-endowment, and to those contributions received for the current benefit of the institution (the "Fund").

Investments will generally be limited to those firms and/or securities which adhere to the standards of these guidelines, and which meet prudent investment standards.

The funds of the Foundation are divided into the following categories each having its own investment goals and objectives.

A. **Foundation Unrestricted –** Funds available for use at the discretion of the Foundation CEO/President or Board of Directors when no specific purpose is designated by the donor.

B. **Restricted Discretionary –** Funds available for use at the discretion of an academic or administrative unit as designated by the donor.

C. **Restricted Scholarship –** Funds that are designated by donors for non-endowment scholarships.

D. **Endowments –** Funds received from a donor with the restriction that the principal either is not expendable or cannot be spent until a certain date or purpose is achieved.

E. **Quasi Endowment –** Funds established by the Foundation Board of Directors to function like an endowment fund but which may be totally expended at any time at the discretion of the Board.

F. **Agency –** Funds held and managed by the Foundation on behalf of Arkansas State University and its related entities.

Purpose

The purpose of the Foundation is to support the Arkansas State University System and its mission over the long term. Accordingly, the purpose of this Investment Policy Statement ("IPS") is to establish in a single written document procedures for the investment of endowment assets, and to instill confidence that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for future generations. Further, this IPS states the responsibilities of parties involved with the Fund investments and provides guidelines, objectives, and administration and review procedures. It states the Board's attitudes and objectives in the investment of the Fund's assets.

Spending Policy

Annual expenditures for support of University programs from the endowment pool should not exceed four percent (4.0%) of the trailing five year average market value of the endowment pool as measured at December 31st. When an endowment has been in existence for less then five years, the spending limit will be calculated using the average market value over the life of the endowment. Endowments less than three years old are limited to spending actual cash yield (interest and dividend income.)

The Foundation is authorized to charge an endowment management fee of one percent (1%) of the market value of the endowment to be collected on a quarterly basis.

It is understood that the total return basis for calculating spending identified above is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

In periods with no market value appreciation, spending may be limited to the actual current yield generated by the endowment pool assets. Actual yield will typically be defined as interest and dividend income.

Responsibilities

The Joint Committee on University Investments (the "Committee") is charged with the responsibility for the investment of the assets for all fund groups. The Committee members shall discharge their duties solely in the interest of Arkansas State University and its related entities for the exclusive purpose of meeting the institution's financial needs.

The Committee shall be comprised of four (4) representatives from the Foundation Board of Directors, three (3) representatives from Arkansas State University-Jonesboro, one (1) representative from the Arkansas State University Red Wolves Foundation, Inc., one (1) representative from the Arkansas State University Alumni Association Board of Directors and one (1) representative from the Arkansas State University System. The Treasurer of the Arkansas State University Foundation, Inc. shall attend all meetings and provide resources to the Committee.

Responsibilities of the Committee:

The specific responsibilities of the Committee in the investment process include and are limited to:

- developing a sound and consistent investment policy;
- developing sound and consistent investment policy guidelines;
- establishing reasonable investment objectives;
- presenting the above policy, guidelines, objectives, and periodic revisions to the appropriate parties for their consideration and approval;
- allocating assets between the investment managers managing equity and fixed-income portfolio(s), and/or other investment mediums which it may deem appropriate and prudent;
- communicating clearly the major duties and responsibilities of those accountable for investing the assets and achieving investment results;
- monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met; and
- taking timely corrective action with regard to an investment manager for failure to perform as mutually expected.

To assist the Committee in fulfilling its responsibility the Committee is empowered to:

- select and contract with an investment management consultant or consultants ("IMC");
- select and contract with an investment manager or managers ("Manager").

Responsibilities of the Investment Managers:

The assets allocated to each Manager are to be managed in accordance with the Investment Policy Guidelines, the Investment Policy, and the Investment Objectives expressed herein, or expressed by written instructions by authorized individuals.

The Manager is expected to exercise complete investment discretion over the assets it is allocated. Such discretion includes decisions to buy, sell or hold securities (including cash and cash equivalents) in amounts and proportions reflective of that Manager's investment philosophy and in accordance with the Investment Policy Guidelines, Investment Policy, and the Investment Objectives of this IPS.

It is expected and required that the assets allocated to the Manager will be invested with care, skill, prudence and diligence under the circumstances then prevailing that a "prudent investor", acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.

The Committee has the right to vote all proxies of the securities held in the accounts. It may delegate this right to the Manager at its discretion. If the Manager votes the proxies, it should vote in a manner that most benefits the Fund. The Manager should consider only the economic impact on the Fund's assets when voting proxies.

The Manager is responsible for frequent and open communication with the Committee and/or IMC on all significant matters pertaining to investment policies and the management of assets including, but not necessarily limited to:

- major changes in the Manager's investment outlook, investment strategy and portfolio structure;

- making available its Form ADV filed with the Securities and Exchange Commission or in the case of mutual funds its current prospectus;

- any significant changes in the ownership, organization structure, financial conditions, or senior personnel staffing of the Manager organization; and

- quarterly performance and valuation reports to coincide with calendar quarters or at such other times as the Committee may reasonably request.

Each Manager is expected and required to be covered by errors and omission insurance in amounts satisfactory to the Committee.

Responsibilities of the Custodian(s):

Custodians are responsible for the safekeeping of the Fund's assets. The Custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, assets as designated by the Committee. The specific responsibilities of the Custodian include the following:

- collect all interest, dividends, proceeds of called and matured securities and all other monies which shall arise from, accrue to, or on account of the assets, and credit such collections to the Fund;
- make, upon written direction of the Manager or the Committee, any and all investments, reinvestments, payments, sales and other changes in the assets;
- provide to the Manager or the Committee, all proxy requests, notices of shareholder meetings and the like;
- file class action securities claims on behalf of the Fund related to current or former assets of the Fund; and
- provide monthly and year-end custodial reports.

The Custodian is expected to be covered by errors and omissions insurance in amounts satisfactory to the Committee.

Responsibilities of the Investment Management Consultant ("IMC"):

The IMC will provide the following services to the Fund:

- Investment Policy Planning - When needed the IMC will conduct a comprehensive review of the existing IPS and will assist in writing/rewriting the IPS to update, amend or restructure the IPS in accordance with the Committee's objectives.

- Spending Policy Study – If applicable, the IMC will coordinate with the Committee to assist in developing a spending policy. Simulation techniques will be used to project the future financial condition of the Fund including the dollar results that occur over various investment and inflation scenarios.

- Manager Search - The Committee will from time to time select investment managers for the sole convenience of the Fund. The IMC will assist to identify, interview and select managers that in the Committee's view are qualified to have discretionary investment authority over the Fund assets to make investments in government bonds, corporate bonds, debentures and notes, preferred and common stocks, money market instruments and other investments identified in the IPS.

- Asset Allocation Study – The Committee will from time to time select or change the long-term target asset allocation for the Fund. The IMC will assist in this process by providing an asset allocation study, including efficient frontier analysis. The efficient frontier illustrates the various combinations of risk and return characteristics from optimal portfolios.

- Asset Liability Study – If applicable, the IMC will coordinate with the Fund actuary to determine the asset/liability ratio and projected liabilities. The IMC will develop an asset liability study using simulation techniques to project the future financial condition of the Fund.

- Performance & Risk Measurement - The IMC will, on a quarterly basis, provide the Committee a Quarterly Performance Measurement Report. This report will measure the investment return on designated assets that are managed by Managers chosen by the Committee.

- Fee Analysis - The IMC will provide the Committee a Fee Analysis. This report will document the fees paid by the Fund on the assets included in the Performance Measurement Report.

- The IMC will provide other services that will be mutually agreed to.

- The IMC will coordinate all activities with the Managers on a continual basis and with the custodian of the Fund's assets.

- The IMC will meet with the Committee on a regular basis to review performance, to report on compliance by the Managers and custodian with the IPS, and any other important matter.

II. INVESTMENT POLICY

The Committee believes that the Fund's assets should be managed in a way that reflects the statements which follow:

- The Committee adheres to the traditional capital market pricing theory which maintains that over the long term, the risk of owning equities should be rewarded with a somewhat greater return than available from fixed-income investments.

- Avoiding large risks is preferred. The Committee is willing to trade off some potential opportunities for gain from high risk investments (with high loss potential) by encouraging the investment manager to assume a moderate-risk posture in order to have a more stable positive return. This may result in sacrificing some potential opportunities for gain during rising markets in order to avoid large short term declines in market value during falling markets.

- Since the Committee is adverse to large downward fluctuations in the value of its account balances resulting from volatile market value fluctuations, such year-to-year volatility should be minimized.

- Asset Allocation between asset categories (bonds, stocks and cash/cash equivalents) will be decided by the Managers for the funds that they manage. The Committee will consider adjusting the amounts of funds that each Manager has to manage on an ongoing basis. It will confer with the IMC to make its decision. The IMC will make available to the Committee various asset allocation models to assist in this process. The Committee will use these models at its discretion.

- The Committee will determine what style of investment philosophy it desires from the Managers it hires. Managers will be chosen from a universe of managers that consistently apply the desired styles.

Manager Characteristics:

The Managers, whether they be existing or new managers of assets, should have the following characteristics: (Exceptions may be made at the discretion of the Committee.)

Quantitative Characteristics:

- At least ten years of supportable performance track record.
- The manager should exceed the appropriate market index for the last 3 years and longer.
- The Manager must have at least $100,000,000 under management.
- The Manager should not have a Standard Deviation or Beta greater than the average of his Peer Group over the last five years and longer.
- The Manager must be consistently in the top half of its Peer Group in performance for the last three years and longer.
- The Manager must have a positive Alpha for the last five years and longer.
- Demonstrated good performance in down quarters and "bear" markets.

Qualitative Characteristics:

- Consistency of key personnel within the organization. The people that are making the decisions today must be the ones that built the track record.
- No past or pending sale of the firm by the principals.
- Demonstrated desire and capability to effectively communicate with the Committee.
- The ability to accommodate new business without disruption to the investment process.
- A low turnover of clients. The Manager must show that it does not lose clients because of actions by the Manager.
- Prior experience with comparable funds.
- Internal checks and balances to assure consistent investment discipline is maintained.
- The Manager must have a clearly distinguishable investment philosophy and process, including a "sell discipline".
- The Manager must have defined parameters for diversification within the portfolio he manages.
- The Manager must be a Registered Investment Advisor with the Securities and Exchange Commission, or a bank or insurance company.
- The Manager must either offer a commingled fund or be willing to create a separate account with a minimum balance that is acceptable.
- No history of legal or regulatory actions taken against it.
- If applicable, the Manager must be willing to manage within the Fund's Socially Responsible Guidelines.

III. INVESTMENT POLICY GUIDELINES

The Fund may invest in various investment products in order to implement the asset allocation chosen by the Committee. Specific guidelines can be found in the appendix. Please refer to Appendix C for separately managed account guidelines and to Appendix D for mutual fund and commingled fund guidelines. While it is not believed that the guidelines listed will hamper investment managers, each Manager should request modifications where they deem appropriate. These requests should be communicated to the IMC in writing.

Rebalancing Among Asset Classes and Distribution of Net Contributions

- It is not the intention of the Committee to become involved in the day-to-day management of securities. However, whenever the Committee shall determine during its quarterly review of investment performance that the percentage commitments to stocks, bonds, and alternative assets have moved outside of the acceptable allowable range, the Committee will direct assets to be moved from the over-allocated asset class to the under-allocated asset class.

  Therefore:

  (1) the Committee will review the relative market values of the fund classes and will generally recommend placing the new money under investment in the categories that are furthest below the long-term strategic asset target allocations in this policy or funding expenses from the categories that are furthest above the long-term strategic asset target allocations in this policy, and

  (2) to the extent that adequate rebalancing among asset classes cannot be effected via the allocation of new contributions, the Committee may recommend moving money from one Manager to another to avoid unbalancing the asset target ranges in this policy, and

  (3) the Committee may decide to vary the asset allocation away from the Target Asset Allocation at its discretion to protect assets in down markets or to take advantage of strong up markets.

Manager Asset Allocation:

- The Managers are not required to be fully invested. The Managers may hold cash or cash equivalents at any percentage they deem appropriate to protect the assets of the portfolio from capital loss. This may include 100% cash or cash equivalents in down markets. The Manager will make this decision at its discretion. Asset allocation within each Manager's portfolio will be an evaluation criteria.

Investment Transactions:

All transactions are to be governed by all applicable laws and regulations.

IV. INVESTMENT OBJECTIVES

The Manager must make responsible decisions in the selections of specific securities and the general timing of purchases and sales necessary to achieve a satisfactory overall return for the Fund's assets. The Committee believes that the following objectives are reasonable and achievable within the guidelines provided herein.

These objectives should be achieved within a three (3) year and longer time frame. It is not necessary for the Managers to beat the return expectations each quarter or each year. These objectives will be measured using the published performance numbers, as reported to the PSN or Morningstar databases. In the case that a manager does not publish performance (i.e. real estate), performance numbers from the manager will be used.

"Total Return" is the measure of Manager performance. This means total yield of the securities plus capital appreciation or minus capital depreciation measured over the latest quarter, year-to-date, one year, three years and five years and since inception.

The "Total Return" will be measured on both a Time Weighted basis and a Dollar Weighted basis.

Domestic Small Capitalization Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the Russell 2000 Growth Index for growth managers, the Russell 2000 Value Index for value managers, and the Russell 2000 Index for blend managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Mid Capitalization Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the Russell Mid Cap Growth Index for growth managers, the Russell Mid Cap Value Index for value managers, and the Russell Mid Cap Index for blend managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

International Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the MSCI All Country World ex US Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

International Small/Mid Capitalization Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the MSCI EAFE Small Cap Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Diversified Emerging Markets Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the MSCI Emerging Markets Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Large Capitalization Equity Objectives:

- Total Time Weighted Return of the portfolio should exceed the Russell 1000 Value Index for value managers, the Russell 1000 Growth Index for growth managers, and the Russell 1000 Index for blend managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Domestic Equity Index Objectives:

- Total Time Weighted Return of the portfolio should approximate that of the S&P 500 Index +/- 0.50%.

Domestic Fixed Income Objectives - Intermediate:

- Total Time Weighted Return should exceed the Return of the Barclays Capital Aggregate Bond Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Energy Equity Objectives:

- Total Time Weighted Return should exceed the S&P Energy Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of his Peer Group over three year, five year, seven year, ten year and longer periods.

Emerging Market Debt Objectives:

- Total time weighted return should exceed the JP Morgan Emerging Market Bond Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

- The Manager must be in the top half of its Peer Group over three year, five year, seven year, ten year and longer periods.

Commodity Index Objectives:

- Total time weighted return should exceed the Dow Jones UBS Commodity Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

Hedge Fund Objectives:

- Total Time Weighted Return of the portfolio should exceed the Citigroup One Month Treasury Bill Index plus 6%. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

Real Estate Objectives:

- Total time weighted return should exceed the NCREIF National Property Index for limited partnerships and the NAREIT Index for REIT investments. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken. This objective applies only to REIT investments.

- The Manager must be in the top half of its Peer Group over three year, five year, seven year, ten year and longer periods. This objective applies only to REIT investments.

Money Market Fund Objectives:

- Total time weighted return should equal the Citigroup Three-Month Treasury Bill Index return. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

Domestic Convertible Bond Objectives:

- Total time weighted return should exceed the Bank of America All U.S. Convertible Bond Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing five, seven and ten year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.
- The Manager must be in the top half of its Peer Group over three year, five year, seven year, ten year and longer periods.

Master Limited Partnership Infrastructure Fund Objectives:

- Total Time Weighted Return should exceed an index of 60% Alerian Master Limited Partnership Index, 20% Barclays Capital US Credit Index, and 20% Bank of America Merrill Lynch High Yield Index for hybrid managers and exceed the Alerian MLP Index for MLP/other infrastructure equity managers. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing three, five, seven, ten year and year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

Master Limited Partnership Objectives:

- Total Time Weighted Return should exceed the Alerian Master Limited Partnership Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.
- The annualized Alpha of the Manager for the trailing three, five, seven, ten year and year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

Private Equity Fund Objectives:

- Total Time Weighted Return should exceed an index of the Cambridge Associates US Private Equity Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing three, five, seven, ten year and year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

Mezzanine Debt Unlevered Fund Objectives:

- Total Time Weighted Return should exceed an index of the Bank of America Merrill Lynch High Yield Master II Index. Compliance with this objective will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- The annualized Alpha of the Manager for the trailing three, five, seven, ten year and year periods will be positive. Alpha measures the excess Total Time Weighted Return for the amount of risk taken.

V. ADMINISTRATIVE AND REVIEW PROCEDURE

On a quarterly basis the Committee will review actual results achieved by each Manager to determine whether:

- the Manager performed in adherence with the investment philosophy and policy guidelines set forth herein;
- asset allocation, securities selectivity and market-timing decisions were reasonable;
- the Manager performed satisfactorily when compared with the appropriate market indices;
- the Manager performed satisfactorily when compared with its Peer Group.

Due diligence trips will be made by the Committee to visit new managers

Policy Review and Amendment

Occurrences that could result in a policy modification include but are not limited to the following:

A. Rationale for change presented by investment consultants or industry specialists that have merit;
B. New areas found to be important, that are not covered by this policy;
C. Impractical time horizons.

This Investment Policy Statement is approved by action of the Committee of Arkansas State University Foundation, Inc.. This IPS is for all of the Fund's assets invested or to be invested in stocks and bonds, and it supersedes any and all other documents approved prior to this date.

Passed on approval by Arkansas State University Foundation, Inc. on September 11, 2015

Appendix A: Total Composite Fund Guidelines

- The Allowable Range and Target Asset Allocation for the total Arkansas State University Foundation, Inc. funds is:

Class	Target	Allowable Range
Domestic Small/Mid Capitalization Growth Equity	5.0%	0% - 12.5%
Domestic Small/Mid Capitalization Value Equity	5.0%	0% - 12.5%
International Equity	10.0%	0% - 25%
Domestic Large Capitalization Growth Equity	13.3%	0% - 20%
Domestic Equity Index	13.3%	0% - 20%
Domestic Large Capitalization Value Equity	13.3%	0% - 20%
Domestic Fixed Income	25.0%	0% - 100%
Real Estate	5.0%	0% - 10%
Commodities	0.0%	0% - 10%
Energy	0.0%	0% - 10%
Emerging Market Debt	0.0%	0% - 10%
Convertible Bonds	0.0%	0% - 10%
MLP	0%	0% - 15%
Private Equity	5.0%	0% - 10%
Mezzanine Debt	5.0%	0% - 10%
Money Market / Stable Value	0.0%	0% - 100%

- Allowable Range means the highest and lowest percentage of each asset class allowed. The Committee will take action to rebalance the total portfolio when an asset class is out of these ranges by redeploying the assets from one asset class to another.

- The Committee, in consultation with the IMC, is permitted to adjust the target asset allocation within the allowable range percentages without Board approval.

- If required the Committee will see that the Fund's assets include a cash reserve sufficient to meet its expense obligations. Therefore, the Managers are not ordinarily expected to accumulate a significant cash position.

- The Committee may make, at its discretion, tactical asset allocation shifts away from the Strategic Asset Allocation as it deems appropriate

Appendix A was last updated September 11, 2015

Appendix B: Total Composite Fund Objectives

Total Composite Fund Objectives:

- Total Time Weighted Return for Arkansas State University Foundation, Inc. funds should exceed the Return of a Market Index of 60% S&P 500 Composite Index and 40% Barclays Capital Aggregate Bond Index. Compliance with this standard will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- Total Time Weighted Return for Arkansas State University Foundation, Inc. funds should exceed the Return of a Dynamic Index which will reflect the tactical changes to the target allocation over time. Compliance with this standard will be measured on an annualized basis for three, five, seven, ten year and longer time periods.

- Total Time Weighted Return for Arkansas State University Foundation, Inc. funds should exceed an absolute real return of 5.5%, or CPI plus 5.5%. Compliance with this standard will be measured on an annualized basis for five, seven, ten year and longer time periods. The intent of this objective is to preserve, over time, the principal value of assets as measured in real, inflation adjusted terms.

Appendix B was last updated September 11, 2015.

Appendix C: Separately Managed Guidelines

Domestic Small Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:

  - Commodity trading including all futures contracts;
  - Purchasing of letter stock;
  - Short selling;
  - Option trading;
  - Margin;
  - Common stocks of foreign companies trading on foreign exchanges;
  - Private Placements, including Rule 144A securities.

- The following categories of securities are permissible investments:

  - U.S. common stock;
  - U.S. preferred stock;
  - U.S. securities convertible into common stocks;
  - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
  - Cash or cash equivalents.

- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.

- No more than forty percent (40%) of the portfolio can be invested in any one industry group based on the market value of the portfolio.

- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.

- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of $50 million.

- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

- Cash reserves should be invested in interest bearing securities with slight risk of loss and price fluctuation, and have immediate liquidity. Cash reserves may include U.S. Treasury Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Domestic Mid Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:

  - Commodity trading including all futures contracts;
  - Purchasing of letter stock;
  - Short selling;
  - Option trading;
  - Margin;
  - Common stocks of foreign companies trading on foreign exchanges;
  - Private Placements, including Rule 144A securities.

- The following categories of securities are permissible investments:

  - U.S. common stock;
  - U.S. preferred stock;
  - U.S. securities convertible into common stocks;
  - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
  - Cash or cash equivalents.

- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.

- No more than forty percent (40%) of the portfolio can be invested in any one industry group based on the market value of the portfolio.

- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.

- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of $1 billion.

- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

- Cash reserves should be invested in interest bearing securities with slight risk of loss and price fluctuation, and have immediate liquidity. Cash reserves may include U.S. Treasury Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

International Equity Guidelines (Separately Managed):

- The following are prohibited transactions or assets:

  - Commodity trading including all futures contracts;
  - Purchasing of letter stock;
  - Short selling;
  - Option trading;
  - Margin;
  - U.S. common stock[1];
  - U.S. Preferred stock[1];
  - U.S. Securities convertible into common stocks[1];
  - Private Placements, including Rule 144A securities.

- The following categories of securities are permissible investments:

  - Common stocks of foreign companies trading on foreign exchanges[1];
  - Common stocks of foreign companies listed on the major U.S. securities exchanges (NYSE, AMEX, NASDAQ,)[1];
  - American Depository Receipts (ADRs);
  - Foreign and currency related exchange traded funds;
  - Rights and Warrants[2];
  - Cash or cash equivalents.

- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.

- No more than thirty percent (30%) of the portfolio can be invested in any one industry based on the market value of the portfolio.

- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.

- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of $1 billion.

- Portfolio turnover will be monitored. If the performance results of the portfolio meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

---

[1] Ten percent (10%) of the portfolio may be invested in U.S. securities. If owned, the companies represented by these securities would typically have a majority of their assets and operations outside the U.S. The country assignment of a company will be determined by MSCI.

[2] Rights and Warrants are permissible as long as they are received as a direct consequence of ownership of other permitted securities in the portfolio. The Manager will dispose of Rights and Warrants, if received, in a timely manner and in the best interest of the Fund, as determined by the Manager. The Manager will not purchase Rights or Warrants for the portfolio.

- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.

- It is the function of the manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Domestic Large Capitalization Guidelines (Separately Managed):

- The following are prohibited transactions or assets:

  - Commodity trading including all futures contracts;
  - Purchasing of letter stock;
  - Short selling;
  - Option trading;
  - Margin;
  - Common stocks of foreign companies trading on foreign exchanges;
  - Private Placements, including Rule 144A securities.

- The following categories of securities are permissible investments:

  - U.S. common stock;
  - U.S. preferred stock;
  - U.S. securities convertible into common stocks;
  - Common stocks of foreign companies trading on U.S. exchanges (up to a maximum of twenty percent of the portfolio);
  - Cash or cash equivalents.

- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.

- No more than thirty percent (30%) of the portfolio can be invested in any one industry based on the market value of the portfolio.

- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.

- All of the equities purchased for the portfolio (based at market value) should have a minimum market capitalization of $5 billion, at all times, except up to twenty percent (20%) of the portfolio (based on market value) may be invested in companies with a market capitalization below $5 billion, but no lower than $1 billion, at all times.

- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of the Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

- Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

Domestic Fixed Income Guidelines (Separately Managed):

- The following are prohibited investments or assets:

  - Foreign debt securities;
  - Direct real estate mortgages, with the exception of pooled mortgages offered as mortgage-backed securities;
  - Private Placements, including Rule 144A securities;
  - Debt securities with a Moody's, Standard & Poor's or Fitch rating below investment grade[3] ;
  - Purchase of GIC's;
  - Any equity securities.

- The following categories of bonds are permissible investments:

  - Debt securities issued or guaranteed by the United States Government, its agencies or instrumentalities;
  - Corporate bonds, debentures and other forms of corporate debt obligations, including asset-backed securities;
  - Mortgage-backed securities, including both residential and commercial mortgage-backed securities;
  - Tax-exempt debt of state and local governments;
  - Commercial Paper rated A-1 or P-1 only;
  - Certificates of deposit or bankers acceptances of U.S. banks insured by FDIC.

- The liquidity of the portfolio should be enhanced through purchases of highly marketable securities.

- The average quality of the portfolio should be rated A or better.

- Holdings should be reasonably diversified to the extent it is prudent to do so.

- The maturities of one year or greater retained in the portfolio should be of an original issue size in excess of $100 million.

- Portfolio turnover is justified if it can be documented that the Fund has been "upgraded" as a result of the activity. "Upgraded" means reduced risk and/or increased return without adding risk.

- It is the function of the manager to allocate the assets of portfolio among types of bonds.

- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasury Bills.

[3] Any security held in the portfolio that falls below the minimum investment grade rating should be sold in a timely manner. In the case of split rated securities, the Manager will use the lower rating.

Energy Equity Guidelines (Separately Managed):

The manager may only invest in the natural resource sector, specifically energy and energy related entities.

- The following are prohibited transactions or assets:

    - Purchasing of letter stock;
    - Short selling;
    - Option trading;
    - Margin.

- The following categories of securities are permissible investments:

    - U.S. Common Stock;
    - U.S. Preferred Stock;
    - U.S. securities convertible into common stocks;
    - Common stocks of foreign companies trading on foreign exchanges;
    - Common stocks of foreign companies listed on the major U.S. securities exchanges (NYSE, AMEX, NASDAQ);
    - American Depository Receipts (ADRs);
    - Cash or cash equivalents.

- No more than ten percent (10%) of the portfolio can be invested at any time in one company based on the market value of the stock and the portfolio.

- The holdings do not have to be invested in industry groups that represent a cross-section of the economy.

- Portfolio turnover will be monitored. If the performance results of the assets meet the objectives stated herein, the rate of turnover in the portfolio will not be an evaluative factor.

- Cash reserves should be invested in money market funds. Cash reserves may include U.S. Treasure Bills.

- It is the function of the Manager to allocate the assets of the portfolio among types of equities. It is the philosophy of Committee, however, that the asset mix should be, maximum equity 100%, minimum equity 0%, maximum cash 100%, minimum cash 0%.

Emerging Market Debt Guidelines:

- Emerging Market Debt represents bonds issued by governments and companies operating in developing countries as defined by The World Bank. The securities may be denominated in either non-U.S. dollar currencies or the U.S. dollar.

- The investment guidelines for this investment fund will be those that are documented in the prospectus of the emerging market mutual fund chosen to manage this investment. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Commodity Index Guidelines:

- Investments in a Commodity Index fund focus on commodity-linked derivative instruments backed by a portfolio of fixed income and other securities. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments.

- The investment guidelines for this investment fund will be those that are documented in the prospectus of the commodity mutual fund chosen to manage this investment. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Hedge Fund Guidelines:

- The investment guidelines for this fund will be those that are outlined in the offering document of the fund. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Real Estate Guidelines:

- The investment guidelines for this fund will be those that are outlined in the offering document of the fund. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Money Market Fund Guidelines:

- The investment guidelines for this fund will be those that are outlined in the offering document of the fund. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Private Equity Fund Guidelines:

The investment guidelines for these investments will be those that are outlined in the offering documents, subscription agreements, and/or prospectuses of the funds. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Mezzanine Debt Fund Guidelines:

- The investment guidelines for these investments will be those that are outlined in the offering documents, subscription agreements, and/or prospectuses of the funds. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Appendix D: Mutual & Commingled Fund Guidelines

Mutual Fund Guidelines:

- The investment guidelines for mutual funds will be those documented in the prospectus of the fund chosen. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Commingled Fund Guidelines:

- The investment guidelines for commingled funds will be those documented in the governing document of the fund chosen. It is understood that these guidelines will be broad enough to allow the portfolio manager of the fund to manage the portfolio in accordance with the investment objectives of the fund.

Appendix E: Glossary of Terms

Alerian Master Limited Partnership Index

The Alerian MLP Index is a market-cap weighted, float-adjusted index created to provide a comprehensive benchmark for investors to track the performance of the energy MLP sector. The Index components are selected by Alerian Capital Management, LLC. Alerian is a registered investment advisor that exclusively manages portfolios focused on midstream energy MLPs.

Alpha

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio has underperformed, given the expectations established by beta.

Beta

The Beta is a measure of volatility of investment performance or sensitivity of the portfolio to market moves. A portfolio with a Beta of 1.00 is equally as volatile as the market; a portfolio with a Beta of 0.50 is half as volatile; and a portfolio with a Beta of 1.50 is one-and-a half times as volatile.

Balanced Index

The Balanced Index is a combination of indices with each individual index representing an asset class (e.g. Equities = S&P 500; Small Capitalization Equities = Russell 2000; International Equities = EAFE; Bonds = LB Aggregate; Cash = 30 day T-Bills). The proportion of each index represents the same proportion as the weighting of each asset class.

Bank of America Merrill Lynch US High Yield Master II Index

- The BofA Merrill Lynch US High Yield II Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch). The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the US or a Western European nation. Unlike the Bank of America Merrill Lynch US High Yield Index, Master II includes zero-coupon bonds and payment-in-kind (PIK) bonds.

Barclays Capital 1-3 Year Government Bond Index

Comprised of both the Treasury Bond index (all public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues) and the Agency Bond Index (all publicly issued debt of U.S. Government agencies and quasi-federal corporations and corporate-debt guaranteed by the U.S. Government). These bonds also must have maturities of one to three years.

Barclays Capital Aggregate Bond Index

Composed of the Barclays Capital Government/Credit Index, the Mortgage-Backed Securities Index, and the Asset-Backed Securities Index.

Citigroup Three Month Treasury Bill Index

This index measures monthly return equivalents of yield averages that are not marked to market. This index consists of the last three three-month Treasury bill issues.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics publishes the CPI. The CPI is based on the price of goods and services that people buy for day-to-day living.

MSCI All Country World Index ex US (ACWI ex US)

The MSCI ACWI ex US Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets and emerging markets, excluding the US. As of June 2013 the MSCI ACWI ex US Index consisted of 22 developed markets and 23 emerging markets and contained over 1800 constituents.

MSCI Europe, Australasia, Far East Index (EAFE)

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of June 2007 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI EAFE Small Cap Net

The MSCI EAFE Small Cap Index represents the small cap segment in 21 developed equity markets outside of North America. On a pro forma basis, the market capitalization of the index will be USD 335 billion, and the index will include 996 securities.

This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

MSCI Emerging Markets Index

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 2009 the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

NCREIF Property Index

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

Peer Group

The peer group is referred to as the money manager’s universe. It is used when analyzing the performance of a money manager. In addition to being compared to a standardized index such as the S&P 500, the performance of a manager is compared to the performance of others who look over similar accounts in terms of asset class, style, etc.

Peer Group Databases:

Plan Sponsor Network by Informa Investment Solutions

In 1984, EFFRON introduced the first investment manager search and evaluation database – Plan Sponsor Network, or PSN. PSN is an advanced software application offering investment professionals high quality, in-depth data on domestic and global investment managers. In 1998, PSN was acquired by Informa. PSN provides access to high-quality, detailed information on more than 2,000 investment organizations and 10,000 composites- their people, products, accounts, fee structure, management styles, philosophy, and historical returns and statistics.

Morningstar Principia Pro by Morningstar

Chicago-based Morningstar, Inc. is a global investment research firm, offering an extensive line of products and services for individuals, financial advisors, institutions, and the media. Morningstar provides information, data, and analysis of stocks, mutual funds, exchange-traded funds, closed-end funds, and variable annuity/life subaccounts.

Conservative Allocation Category

Conservative-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold smaller positions in stocks than moderate-allocation portfolios. These portfolios typically have 20% to 50% of assets in equities and 50% to 80% of assets in fixed income and cash.

Foreign Large Blend Category

Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Foreign Large Growth Category

Foreign large-growth portfolios focus on high-priced growth stocks, mainly outside of the United States. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Foreign Large Value Category

Foreign large-value portfolios invest mainly in big international stocks that are less expensive or growing more slowly than other large-cap stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). These portfolios typically will have less than 20% of assets invested in U.S. stocks.

Intermediate-Term Bond Category

Intermediate-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of 3.5 to six years (or, if duration is unavailable, average effective maturities of four to 10 years). These portfolios are less sensitive to interest rates, and therefore less volatile, than portfolios that have longer durations.

Large Blend

Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

Large Growth

Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

Large Value

Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Mid-Cap Blend

The typical mid-cap blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of-the-road profile. Most shy away from high-priced growth stocks, but aren't so price-conscious that they land in value territory. The U.S. mid-cap range for market capitalization typically falls between $1 billion-$8 billion and represents 20% of the total capitalization of the U.S. equity market. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Mid-Cap Growth

Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. The U.S. mid-cap range for market capitalization typically falls between $1 billion - $8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Mid-Cap Value

Some mid-cap value portfolios focus on medium-size companies while others land here because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. The U.S. mid-cap range for market capitalization typically falls between $1 billion - $8 billion and represents 20% of the total capitalization of the U.S. equity market. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Moderate Allocation Category

Moderate-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

Short-Term Bond Category

Short-term bond portfolios invest primarily in corporate and other investment-grade U.S. fixed-income issues and have durations of one to 3.5 years (or, if duration is unavailable, average effective maturities of one to four years). These portfolios are attractive to fairly conservative investors, because they are less sensitive to interest rates than portfolios with longer durations.

Small Blend

Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

Small Growth

Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Small Value

Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

R^2 ("R-Squared")

Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Russell 1000 Growth Index

Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index

Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Index

Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $16.3 billion; the median market capitalization was approximately $6.1 billion. The smallest company in the index had an approximate market capitalization of $2.5 billion.

Russell 2000 Growth Index

Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index

Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Index

Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index. As of the latest reconstitution, the average market capitalization was approximately $898.3 million; the median market capitalization was approximately $705.4 million. The largest company in the index had an approximate market capitalization of $2.5 billion and a smallest of $261.8 million.

Russell 3000 Index

Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. As of the latest reconstitution, the average market capitalization was approximately $6.2 billion; the median market capitalization was approximately $1.3 billion. The index had a total market capitalization range of approximately $468.5 billion to $261.8 million.

Russell 3000 Growth Index

Measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

Russell 3000 Value Index

Measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value indexes.

Russell Mid Cap Growth Index

Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

Russell Mid Cap Value Index

Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

Russell Mid Cap Index

Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 31% of the total market capitalization of the Russell 1000 Index. As of the latest reconstitution, the average market capitalization was approximately $6.3 billion; the median market capitalization was approximately $4.7 billion. The largest company in the index had an approximate market capitalization of $18.3 billion.

Standard & Poor's 500 Index

A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied.

Standard Deviation

Standard deviation is the statistical measurement of dispersion about an average, which depicts how widely a stock or portfolio's returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that is most likely for a given investment. When a stock or portfolio has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Target Index

The Target Index represents the performance of the appropriate style based indices over all time periods, as determined by the target asset allocation.

Total Time-Weighted Rate of Return

Total Time-Weighted Rate of Return is a measure of investment performance of the fund's manager, independent of timing and magnitude of contributions to, or withdrawals from, the fund. This method allows the plan sponsor to evaluate the investment manager solely on his/her performance since it eliminates the effect of factors that are not under the manager's control (that is, cash flow).

Total Return

Total Return is a measure of total investment performance resulting from both realized and unrealized gains and losses and reinvestment of dividend and interest income.