

**MONTANA BOARD OF INVESTMENTS
INVESTMENT POLICY STATEMENT
UNIVERSITY OF MONTANA ENDOWMENTS (FUND 50101)**

INTRODUCTION

The purpose of an investment policy statement is to give the investment manager guidance in developing an investment program to achieve the objectives agreed upon and enable the University of Montana (UM) participants to monitor the progress of the plan.

OBJECTIVES

Return Requirement: To maximize the total rate of return through a broadly diversified portfolio of investments. However, preservation of the corpus is essential. The goal is twofold: first to realize current annual income at a rate of 5% of the corpus and, secondly, to provide long-term capital appreciation of the investments for its participants.

Current Income: The endowment has a requirement to distribute annual income at a rate of 5% of the corpus (at book value).

Risk Tolerance: The inability to invade the corpus and the need for stable income requires modest risk consistent with the following limitations: A minimum of 2% of the account will be invested in the Short-Term Investment Pool (STIP). Up to one-third of the account (at book value) can be invested in the Montana Domestic Equity Pool (MDEP). Fixed income investments will be limited to the Trust Funds Investment Pool (TFIP) for diversification purposes and to provide a relatively stable income yield.

CONSTRAINTS

Time Horizon: This account is considered a long-term fund.

Liquidity Needs: Liquidity needs are low as principal will be permanently invested. However, a 5% minimum liquidity requirement is needed for annual operating expenses, scholarships, or any other lawful purpose, dependent upon the donor's intent.

Unique Circumstances: None

Tax Considerations: This fund is tax-exempt; therefore, tax advantaged investments will not be used.

Legal Considerations: This fund is governed by state regulations, specifically, the "prudent expert principle" which requires the Board of Investments to: (a) discharge its duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like manners exercises in the conduct of an enterprise of a like character with like aims; (b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is solely prudent not to do so; and (c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

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Cash Investments: Cash investments held at the pool level, any managed account within it, or any separate account entail an element of credit risk. Thus, only approved cash investment vehicles are permitted. These include the custodian's STIF vehicle, STIP, or any SEC-registered money market fund, all of which specifically address credit risk in their respective investment guidelines.

Client Preferences: None

**ASSET ALLOCATION
(at market)**

	<u>Ranges</u>
Trust Funds Investment Pool (TFIP)	50-70%
Montana Domestic Equity Pool (MDEP)¹	20-50
Short Term Investment Pool (STIP)	<u>2-10</u>
Total	<u>100.0%</u>

¹ Was Montcomp Prior to 5/1/03