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UWG Foundation – Investment Policy

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Governance Oversight by: UWG Foundation Investment Committee

I. INTRODUCTION

The Investment Committee, with the approval of the Board of Trustees, shall set the investment policy of the Foundation. One or more independent professional asset managers will carry out the actual asset management based on this policy. Management will be selected solely on the basis of professional skill and performance. These managers will be institutions of national size and capability, selected on the basis of investment performance, fees and professionalism.

The perpetual nature of the Foundation requires a growing asset base and a growing annual return. This statement of investment policy governs the management of the Foundation’s assets. It is anticipated that this statement will be effective until modified as conditions warrant by the Trustees. The Trustees, Investment Committee and advisors are expected to propose revisions to the policy as necessary.

II. RESPONSIBILITY OF THE INVESTMENT COMMITTEE

The Investment Committee is charged with the responsibility for the management of the assets of the Fund. The Investment committee shall discharge its duties solely in the interest of the Foundation with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Foundation and the Investment Committee relating to the investment management of the Foundation’s assets include:

1. Adhering to the guidelines as defined in applicable regulations.
2. Projecting the University’s needs, including estimates of expected net cash flow and communicating such needs to the Asset Manager on a timely basis.
3. Determining the Fund’s risk tolerance and investment time horizon and communicating these to the appropriate parties.
4. Establishing reasonable and consistent investment objectives, policies and guidelines that will direct the investment of the Fund’s assets.
5. Prudently and diligently select qualified investment management.
6. Regularly evaluating the performance of subadvisors to assure adherence to policy guidelines and monitor investment objective progress.
7. Developing and enacting proper control procedures. For example, replacing subadvisors due to fundamental change in investment management process or failure to comply with established guidelines.

III. INVESTMENT OBJECTIVES

The overall financial objectives for the management of the assets of the Foundation are to: 1) support the charitable purposes of the Foundation; and 2) preserve the purchasing power of the Foundation’s assets. The primary investment objective for the portfolio/portfolios of investments is to attain an average annual real total return (net of investment fees) of at least 3% above the rate of inflation (as measured by the Consumer Price Index).

IV. SCOPE OF THIS INVESTMENT POLICY

1. PRESERVATION OF CAPITAL – Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. RISK AVERSION – Understanding that risk is present in all types of securities and investment styles, the Trustees recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the objectives of the Foundation. However, the subadvisors are expected to make reasonable
efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

V. DELEGATION OF RESPONSIBILITIES

The Investment Committee and the Trustees are the named fiduciaries and are responsible for directing and monitoring the investment management of assets. As such, the Investment Committee of the Foundation is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. INVESTMENT MANAGEMENT CONSULTANT – The Investment Consultant’s role is that of a non-discretionary advisor. The Consultant may assist in: establishing investment policy, objectives, and guidelines; selecting investment managers; periodically reviewing such managers; measuring and evaluating investment performance and informing the Sponsor regarding any qualitative change to investment management organizations. Examples: changes in portfolio management personnel, investment philosophy, etc.

The Investment Management Consultant must be either (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing acquiring or disposing of the Foundation's assets, or (4) such other person or organization authorized by applicable law or regulation to function as an investment manager.
2. **CUSTODIAN** – The Investment Management Consultant shall perform the duties of Custodian, physically (or through agreement with a sub-custodian) maintaining possession of securities owned by the Fund, collecting dividend and interest payments, redeeming maturing securities, and effecting receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the accounts.

### VI. PORTFOLIO COMPOSITION, ALLOCATION AND ALLOWABLE ASSETS

The structure of the Foundation has at its core the notion of a fund that lasts into perpetuity. There will necessarily be different time horizons for different funds within the corpus. There will always be need for short term/cash equivalent fund management as well as management of longer term investments. The investment goal for the aggregate fund of exceeding the rate of inflation (CPI) by 3% is not meant to be the goal imposed on each investment account, or individual subadvisor. The goal of the primary investment manager shall be to advise concerning subadvisors, whose performance shall be measured against appropriate peers, and/or, benchmarks.

**A. Summary of Asset Allocation Guidelines:**

The Endowment’s assets shall be diversified to minimize the risk of large losses within any one asset class, investment type, geographic location or maturity date, which could seriously impair the Endowment’s ability to meet its long-term investment objectives.

After reviewing the long-term performance and risk characteristics of various asset classes, the following Asset Allocation Strategy Matrix is incorporated to achieve the objectives of these assets:
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<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>0.00%</td>
<td>0.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10.00%</td>
<td>15.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>Equity</td>
<td>45.00%</td>
<td>57.00%</td>
<td>72.00%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>22.00%</td>
<td>25.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Small /Mid Cap</td>
<td>10.00%</td>
<td>12.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>International</td>
<td>10.00%</td>
<td>15.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>3.00%</td>
<td>5.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td><strong>Alternative Assets</strong></td>
<td>15.00%</td>
<td>28.00%</td>
<td>35.00%</td>
</tr>
<tr>
<td>Real Estate (Private and/or Public)</td>
<td>0.00%</td>
<td>4.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>10.00%</td>
<td>14.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Structured Investments</td>
<td>0.00%</td>
<td>5.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0.00%</td>
<td>5.00%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

* Note: The minimum investment in a Hedge Fund is typically $250,000.00. Therefore, the Henrietta C. Waring Fund will not be eligible to participate in Hedge Fund Assets until its value is equal to or greater than $2,500,000.00.

**B. Liquidity:**

There is no set minimum cash requirement; however adequate liquidity should be maintained. It is intended that Investment Managers will be given ample notice for any withdrawals to reduce the probability of adversely affected the portfolio. Additionally, any withdrawals will be funded on a pro-rata basis to ensure that the asset allocation after the withdrawals is within the investment guidelines as listed above.
C. **Rebalancing Procedures:**
From time to time, market conditions may cause the investment in various asset classes to vary from the established allocation. At least on an annual basis, the Investment Committee and their Investment Consultant will review both the specific asset allocation (equity versus fixed) and the style targets for possible rebalancing back to the target allocation, to ensure consistency with the asset allocation guidelines established by this Investment Policy. If the actual weighting goes above / below the maximum / minimum weighting intra-year, rebalancing may be recommended.

D. **Allowable Assets:**

**CASH EQUIVALENTS**

- Treasury Bills
- Money Market Funds
- Certificates of Deposit
- Fixed Income Securities
- U.S. Government and Agency Securities
- Corporate Notes and Bonds*

*The fixed income securities shall have a minimum rating of “Baa” by Moody’s or “BBB” Standard and Poors. Overall, the average credit quality must be “A”.

**EQUITY SECURITIES**

- Prohibited Transactions – Margin Transactions
- Common Stocks
- Preferred Stocks
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- American Depositary Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)
- Private Placements

ALTERNATIVE INVESTMENTS

- Managed Commodities
- Real Estate
- Private Equity Fund
- Margin transactions are acceptable

VII. PERFORMANCE OBJECTIVES

The overall fund performance will be reviewed on a quarterly basis, with long-term emphasis placed on results achieved over a three to five year period. Objectives will be reviewed annually and adjusted, if necessary, after consultation with the Investment Committee, Investment Consultant and Investment Managers.

A. Total Fund:
Overall fund performance will be compared to the performance of a similarly structured balanced index in line with the target allocation in each strategy. This custom index will be comprised of the S&P 500 Index (or Russell 1000 Index), Russell 2000 Index, EAFE International Index, MSCI Emerging Markets Index, Barclays Capital U.S. Aggregate Bond Index, Merrill Lynch 1-3 Year Treasury Index and Citigroup One-Month Treasury Bill Index and/or other appropriate indices. The Fund should at least equal the performance of the custom balanced index over three to five year rolling periods.
The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the custom index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

B. **Equity Segment:**

The performance of the domestic large cap equity portion is expected to meet or exceed the performance of S&P 500 Composite Index or the S&P 500/Citigroup Growth/Value Index/Russell 1000 Growth/Value, depending on the manager’s investment style.

The returns of the large capitalization equity portion should rank in the top thirty-three percent (33%) of a nationally recognized evaluation service’s universe for comparable funds and investment styles over rolling three to five year time periods.

The performance of the small capitalization equity portion should meet or exceed the performance of the Russell 2000 Small Stock Index or the Russell 2000 Value / Growth Index, depending on the manager’s investment style.

The returns of the small capitalization equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over rolling three to five year time periods.

The performance of the international developed markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International’s Europe Australia Far East (EAFE) Index over three to five year rolling periods.

The returns of the international developed markets equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over rolling three to five year time periods.
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The performance of the emerging markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International’s Emerging Markets Index over three to five year rolling periods.

The returns of the emerging markets equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over rolling three to five year time periods.

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the segment’s appropriate index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

C. **Fixed Income Segment:**

The performance of the core fixed income portion is expected to meet or exceed the performance of the Barclays Capital U.S. Aggregate Bond index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The returns of the fixed income portion should rank in the top forty percent (40%) of a universe for comparable fixed income funds over a three to five year time period.

The performance of the low duration fixed income portion is expected to meet or exceed the performance of the Merrill Lynch 1 – 3 Year Treasury index, Citigroup 3 Month Treasury Bill index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.
The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the segment’s appropriate index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

D. **Alternative Investments:**

The Investment Committee recognizes that benchmarks for alternative investments, more specifically hedge funds, are relatively new in their creation and there is no perfect benchmark in existence for these types of investments. Hedge fund indexes are created from hedge fund databases. There is no complete database because inclusion in these databases is voluntary and they are subject to survivorship bias. Additionally, each hedge fund, including fund of funds, has diverse investment objectives and characteristics making like comparisons difficult.

To aid in the on-going evaluation of the alternative investment portion of the portfolio, hedge fund investments will be compared to the following benchmarks:

- The appropriate HFRI Fund Index
- Other benchmarks designated by fund managers and agreed upon by the Investment Consultant and the Investment Committee

The performance of the Structured Investments portion of the portfolio will be compared to the following benchmarks:

- Lipper Short Term Investments Grade Bond Index.
- Other benchmark agreed upon by Committee and Consultant
Real estate investments are expected to meet or exceed the performance of the NCREIF Property Index (private), NAREIT Index (public) or other appropriate index which reflects the real estate portion of the portfolio.

The Investment Committee recognizes that private equity returns are not meaningful in the early years of investment and that the evaluation of this type of investments should be considered over the long-term; a ten year time horizon. To aid in the on-going evaluation of private equity investments, they will be compared to the Cambridge U.S. Private Equity Index.

VIII. CONTROL PROCEDURES

A. QUARTERLY INVESTMENT REVIEWS -
Investments will be reviewed and evaluated by the Investment Committee and Trustees on a Quarterly basis. Both the Endowment and the individually managed portfolios will be monitored on a continual basis for consistency in each manager’s investment philosophy, return relative to objectives and investment risk, and exposure to economic conditions and market volatility.

The Investment Management Consultant will report the following information Quarterly: total return net of all commissions and fees; returns for the equity and fixed income portions of the account; additions and withdrawals from the account; current holdings at cost and at current market value; and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected.
B. INVESTMENT POLICY STATEMENT (IPS) -

The Investment Committee shall review the IPS annually, at a minimum, to ensure that it reflects the needs and circumstances of the Foundation. The IPS may be amended from time to time by the Foundation after consideration of the advice and recommendations of the Investment Committee.

C. REQUEST FOR PROPOSALS (RFP’S) -

The Investment Committee shall provide an RFP for an Investment Management Consultant at a minimum of every Four (4) Years, with the Committee having the discretion to add a Two (2) Year extension to the Four (4) Years should favorable circumstances warrant such an extension.

D. CAUTION STATUS -

An Investment Manager will be considered on “Caution Status” if there is a material change in the ownership structure of their organization, or there is a departure of key investment professionals.

An Investment Manager that falls in “Caution Status” should undergo a formal review by the Investment Consultant. The review will address how the Investment Manager will move back to “Favorable Status” or recommend termination. An Investment Manager can move back to “Favorable Status” by improving its performance above the criteria as listed above. Highest priority will be given to those failing to meet the five-year target and next to those failing to meet the three-year target. There may be situations where immediate problems, questions or short-term performance issues arise regarding an Investment Manager and the priority will shift to review these situations first.
In addition to the above, immediate termination of Managers should be considered:

- When they deviate from the Investment Committee’s instructions;
- When they deviate substantially from their investment disciplines and process;
- When Investment Committee members have any material problem or concerns regarding the Investment Manager.

IX. STATEMENT OF SPENDING POLICY

The Investment Committee shall perform an annual review of the Spending Fee Percentage Rate for funding endowments and recommend the Rate to the Foundation at the Trustee Meeting in May of each Year. The Endowment Policy of the University of West Georgia Foundation, Inc. shall be adjusted accordingly. The Foundation shall disperse this Percentage of endowment total market value on an annual basis calculated on a Three (3) Year rolling average of Fund performance. The Investment Manager will be notified by June 1 of the current year spending calculation. In accordance with this disbursement policy, the Foundation's Investment Committee and Board are committed to: (1) protecting the corpus of the Foundation's endowment, (2) preserving the real spending power of the Assets, (3) obtaining maximum possible investment return commensurate with the Foundation's risk tolerance and operational considerations, and (4) complying with applicable law. The Foundation reserves the right to make more immediate adjustment to the Spending Fee should circumstances so require.

Spending shall only be for the purposes specified and guided by the restrictions of the donors, Foundation board policies and all applicable state and federal regulations pertaining to such disbursement.