Introduction

This document presents the investment process of the University of Miami’s Employees’ Retirement Trust (“Trust”), including investment objectives, asset allocation, investment restrictions, and review procedures (collectively, the “Policy”). The Employees Retirement Plan (“Plan”) is a defined benefit retirement plan qualified under §401(a) of the Internal Revenue Code of 1986 and subject to the Employee Retirement Income Security Act of 1974. The Plan is funded by the University and there are no voluntary nor mandatory employee contributions.

The Executive Committee of the Board of Trustees has responsibility for establishing and modifying all elements of this Policy. This includes establishing the portfolio’s asset allocation strategy. In formulating the Policy, the following factors were considered:

   a) Diversification of portfolio investments
   b) Portfolio liquidity and return relative to anticipated cash flow requirements of the Plan
   c) Projected return of the portfolio relative to Plan funding objectives

Investment Responsibilities

The Executive Committee has directed through the investment responsibilities described below, required activities of the Investments Committee (“Committee”), University Staff, the Investment Consultant, and the Investment Managers (“Managers”). All recommendations approved by the Investments Committee will then be reported to the Executive Committee for final approval.

The Committee is responsible for:

1) Overseeing the Trust’s assets and reporting on the status of the portfolio to the Executive Committee at least two times per year.

2) Monitoring the investment performance of each manager versus the manager’s benchmark using reports prepared by the Managers, the University’s staff, and its Investment Consultant.

3) Monitoring the appropriateness of each manager’s investment strategy given the Trust’s overall investment strategy, philosophy, and objectives.

4) Overseeing the process of monitoring manager portfolios to insure compliance with this policy, its guidelines and restrictions.
Investment Responsibilities (cont.)

5) Reviewing this Policy on an ongoing basis and recommending changes as may be necessary or desirable.

All Managers are responsible for:

1) Acting in accordance with the fiduciary standards of the Employee Retirement Income Security Act of 1974 (ERISA) with respect to the management of the Trust’s assets. Specifically, managers are expected to:

   a) Invest Fund assets with the care, skill and diligence that would be applied by a prudent professional investor acting in a like capacity and knowledgeable in the investment of pension funds, within appropriate safeguards and diversity, and

   b) Undertake transactions on behalf of the Trust in the sole interest of the Plan’s participants and beneficiaries.

   c) Acknowledge that they are fiduciaries with respect to the Trust

2) Immediately reporting in writing, any violations of the guidelines and restrictions as set forth in this Policy.

3) Immediately reporting any findings against the firm or its principals, either by the SEC or any other regulatory authority. In addition, any lawsuits brought against the firm or its principals should also be immediately reported to the University.

4) Preparing quarterly written statements, including actions taken in the portfolio and expected changes in the portfolio, including proxy voting.

5) Attending meetings with the Committee and University staff as needed.

6) Immediately communicating all pertinent changes in the Manager’s firm to the University. This includes, but is not limited to:

   a) Changes in personnel involved in the University relationship

   a) Changes in Manager’s ownership

   b) Changes in senior investment professionals’ responsibilities

   c) Changes in Manager’s investment style

7) Complying with the University’s policy for Socially Responsible Investments and voting all proxies related to equity holdings in accordance with that policy, in a timely fashion, and in the best economic interests of the Trust.

8) Adhering to the investment strategy or style for which the manager was selected.
Investment Responsibilities (cont.)

The University’s Administration is responsible for:

1) Selecting and terminating investment managers for the Retirement Trust in accordance with the asset allocation strategy adopted by the Executive Committee as set forth in this policy. At no time will manager changes or cash flows to or from managers be used for the purpose of short term oriented or tactical asset allocation.

2) The Senior Vice President for Business and Finance or the Vice President of Finance and Treasurer are authorized to execute all documents necessary to effectuate transactions consistent with this Policy Statement, including but not limited to designating amounts to be invested with each manager.

3) Any manager change will be by unanimous agreement of the Senior Vice President, Vice President of Finance and Treasurer, and the Investment Consultant.

4) Administration will provide quarterly reports to the committee summarizing their activities, and will notify the committee chair via email 24 hours before hiring or firing any manager, explaining the reasons for this decision.

5) Preparing investment reports for the Committee’s review that contain information necessary for the Committee to exercise its investment responsibilities.

6) Monitoring the portfolio’s asset allocation versus its dynamic glide path and rebalancing the portfolio as needed.

7) Assisting the Committee and the Managers with all components of this Policy.

8) Monitoring Trust liquidity needs.

The Investment Consultant is responsible for:

1) Assisting Administration and the Committee with its responsibilities.

2) Monitoring this policy and recommending changes as needed.

3) Monitoring each investment manager’s ownership structure and investment personnel and reporting all significant changes to the University.

4) Monitoring each investment manager for adherence to this policy as well as to their stated investment style.

5) Monitoring investments of alternative investment managers on a quarterly basis for compliance with the manager’s stated strategy.

6) Monitoring portfolio exposures versus asset allocation and manager targets, recommending re-balancing strategies to staff as needed.
**Deposits/Withdrawals**

The Vice President of Finance and Treasurer with the advice of the Investment Consultant and the Investments Committee Chairman will allocate large deposits (greater than 5% of the total portfolio) to the managers in a manner that is consistent with the asset allocation policy. Smaller deposits and all withdrawals will be made at the discretion of the Vice President of Finance and Treasurer with the advice of the Investment Consultant and in a manner that is consistent with the asset allocation policy. University Staff will monitor Trust liquidity needs and report material changes to the Committee.

**Investment Philosophy**

As a long-term investor, the following issues are significant factors in the prudent allocation of the Trust's assets:

a) To minimize the volatility of the funded ratio of the retirement plan, achieve a satisfactory rate of return in the retirement trust, incur a reasonable pension cost in the long term and to satisfy benefit obligations.

b) Incorporate a dynamic glide path approach to asset allocation for the Trust, so as the Plan's funded status improves, the percentage of the Trust's assets allocated to a fixed income duration matching investment strategy will increase. By matching the durations, the assets and liabilities should be similarly affected by changes in interest rates over time. This is intended to reduce the overall volatility of the Plan’s funded status and increase the correlation between the total value of the Trust’s assets and the total value of its liabilities.

c) The University believes that the most effective way to establish an appropriate volatility level for the portfolio is through its asset allocation (i.e. stocks, bonds, and cash). Long term investment return and volatility depend on the portfolio’s strategic asset allocation. In consultation with its Investment Consultant, the University has adopted a dynamic glide path asset allocation that in its view best balances the opportunity for long term return with an appropriate volatility level.

d) Due to certain features of the Plan, participants may benefit from positive returns in excess of 5.5%. Because the Plan is a defined benefit plan and is subject to complex funding requirements, volatility is a significant factor in the investment philosophy.

e) There is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing. As a result, the University has adopted a dynamic glide path.

f) The University strongly believes in the long-term benefits of diversifying this portfolio into a number of different asset classes and investment strategies. While each asset class and strategy is carefully selected, the focus of the investment process is always on the overall portfolio.

g) To achieve the long-term benefits of a widely diversified portfolio, the University has sought the advice of its Investment Consultant and recommended strategic targets for each asset class that it utilizes. It expects that the portfolio weight for each asset class
will remain within minimum and maximum percentages. The current dynamic glide path including targets and acceptable ranges is outlined in Appendix A.

h) Within each asset class, the University seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over three to five years time periods that the Trust will achieve its investment objectives and reduce volatility. The University has adopted specific requirements and restrictions for each asset class. These are described in Appendix B.

Performance Objectives for non-Duration Matching Assets

In order to evaluate the performance of its managers over shorter time periods, the Committee has adopted a market driven benchmark for each manager. For the Trust as a whole, the Total Portfolio Benchmark (“Benchmark”) will consist of a suitable index for each asset class used. These indices will be weighted on a monthly basis according to the Trust's dynamic glide path asset allocation targets listed in Appendix A. Appendix C defines the current Benchmark.

The University's goal, over each five year time period, is to earn a rate of return on its total portfolio that exceeds the Benchmark return by fifty basis points after investment management fees have been deducted.

Performance Objectives for Duration Matching Assets

The University expects assets allocated to the duration matching category to reduce the Plan's funded status volatility by aligning the Trust's investments more closely with the Plan's liabilities. Over longer periods, the duration matching portfolio should closely track the Plan's liabilities. Short-term deviations in tracking due to spread risk, actuarial assumptions changes and other factors not related to duration are expected. The intent of the duration matching portfolio is not to necessarily outperform (or even track) a market-based benchmark. Each quarter, the University will monitor how the duration matching assets and the Plan's liabilities have tracked relative to each other. Should the duration profile of the liabilities change over time, the market-based benchmark may need to be adjusted to reflect the changed duration in Appendix C.

Socially Responsible Investments

The University's Policy for Socially Responsible Investments applies to the Trust. Investment managers will notify the chairman immediately if the guidelines are perceived to adversely affect investment performance.

Securities Lending

Participation in securities lending programs is prohibited for assets held directly by the Trust within its custodial account. In addition, wherever possible, the University will seek to utilize commingled vehicles that do not participate in these programs.

Administrative and Review Procedures

The Committee will review this Policy at least annually.
The Committee will review the performance of the assets at each meeting with the assistance of its Investment Consultant and the University staff. These reviews will include:

a) Review of the Trust’s overall asset allocation to assure compliance with this document.

b) Review of the assets held in each portfolio to assure compliance with the Committee’s policies regarding investment restrictions and the consistency of the manager’s strategy.

c) Review of performance against the benchmarks set forth in this document.

University Staff and the Investment Consultant will perform the above review at least monthly and report any deviations or concerns to the Investments Committee Chair as soon as reasonably practicable.
Appendix A
Dynamic Glide Path

The University has adopted the following dynamic glide path asset allocation. All figures listed here refer to an asset class’s percentage of the total portfolio. Each asset class has an allowable range of +/- 3% from the stated target with the exception of private equity whose weight is determined by valuation of these investments and investment manager decisions to call or distribute capital. Actual asset allocation will be compared to these ranges on a monthly basis. In the event that the allocation to a particular asset class falls outside of the acceptable range, the portfolio will be re-balanced so that all asset classes are within their permitted allocations. Assets which have not been allocated or called for certain alternative investment classes (hedge funds, private equity and real assets) will be held in those asset classes that contribute the most to the expected return without increasing total portfolio risk and most closely approximate the target asset allocation. From time to time, this may cause actual exposures to exceed the maximum percentage listed here.

Please note that the ranges here are not intended to be used for tactical asset allocation strategies. Markets will naturally shift the actual portfolio’s weightings away from the targets. The ranges serve to formalize the approach to rebalancing as described above.

<table>
<thead>
<tr>
<th>Funded Ratio At Least But No More Than</th>
<th>&lt;85</th>
<th>85%-</th>
<th>90%-</th>
<th>95%-</th>
<th>100% and</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duration Matching Assets</td>
<td>25</td>
<td>38</td>
<td>50</td>
<td>63</td>
<td>75</td>
</tr>
<tr>
<td>US Large Cap Stocks</td>
<td>21.5</td>
<td>20%</td>
<td>19</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>US Small Cap</td>
<td>7</td>
<td>6</td>
<td>5%</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Non US Developed Stocks</td>
<td>16</td>
<td>14%</td>
<td>14</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Non US Emerging Stocks</td>
<td>6</td>
<td>4</td>
<td>4%</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total Equities</td>
<td>50.5</td>
<td>44</td>
<td>42</td>
<td>37</td>
<td>25</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>15</td>
<td>11%</td>
<td>5%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>3</td>
<td>2</td>
<td>1%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Real</td>
<td>6.5</td>
<td>5</td>
<td>2%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Alternatives</td>
<td>24.5</td>
<td>18</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100%</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Appendix B
Asset Class Definitions/Guidelines

Domestic Equity

1) The domestic equity portfolio will be diversified according to economic sector, industry, number of holdings and other investment characteristics. However, it is recognized that any actively managed portfolio will not be as diversified as the market. To produce overall diversification, equity managers will be selected to employ different management strategies that together achieve the desired degree of diversification.

2) Domestic equity managers are permitted to hold up to 10% of their portfolio in American Depository Receipts (“ADRs”) or foreign domiciled companies whose equity securities are traded in US markets.

3) No more than 5% at cost or 10% at market of a manager's portfolio may be held in the securities of a single issuer.

4) Short selling of securities is prohibited. This restriction does not apply to the hedged equity managers.

5) Derivative instruments such as financial futures and options may not be used without the prior approval of the Committee. This restriction does not apply to the hedged equity managers.

6) A manager may only deviate from these guidelines with advance written permission of the Committee.

International Equity

The following definitions may be used to distinguish between developed and emerging international securities.

International Developed Equity: Listed equity securities traded on developed non-U.S. markets. Developed markets are defined as those included in Morgan Stanley’s EAFE index plus Canada.

Emerging Markets Equity: Listed equity securities traded on emerging non-U.S. markets. Emerging markets are defined as any market that is not included in Morgan Stanley's EAFE index plus Canada.

All restrictions listed above for Domestic Equity, other than item number two (ADRs), also apply to International Equity with the following additions and modifications.
Appendix B
Asset Class Definitions/Guidelines (Cont.)

1) Managers must hold securities in a minimum of three countries at all times.

2) Currency exposure may only be hedged back to the US dollar. The decision to hedge is left to the manager’s discretion. Derivative instruments may be used to achieve currency hedging as permitted under this policy.

3) Within the international equity portfolio, up to 20% of the assets may be allocated to dedicated emerging markets managers.

Alternative Investments

In order to enhance portfolio results, the Committee may elect to invest in alternative investment strategies such as hedge funds, real estate or private equity. At present, event arbitrage, private equity, real estate and long/short hedge funds are included in this area. These investments are made with the intention of raising portfolio returns and/or lowering total volatility. In most cases, these investments will be implemented via limited partnerships. Therefore, restrictions are established by the offering documents for each partnership.

Duration Matching Fixed Income

1) The duration of the portfolio should be within 1 year of the duration of the Plan’s liabilities.

2) Managers are permitted to invest in the following classes of fixed income securities:

   a) Bonds or notes issued by the U.S. Government, U.S. Government Agency or backed by the full faith and credit of the US Government

   b) Bonds or notes issued by a sovereign Government, sovereign Government Agency or backed by the full faith and credit of said foreign Government. Sovereign bonds must carry a minimum rating of Investment Grade.

   c) Mortgage-backed securities

   d) Corporate bonds issued in the U.S. and denominated in U.S. dollars

   e) Asset-backed securities

   f) Collective Investment Trusts or Funds

3) No more than 4% at market of a manager’s portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government.
Appendix B
Asset Class Definitions/Guidelines (Cont.)

4) Derivative instruments, including exchange traded futures and options, may be utilized by a manager in order to obtain more efficient exposure to a specific type of security. However, at no time, may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the security for the Trust’s portfolio.

5) A manager may only deviate from these guidelines with advance written permission of the Committee.
Appendix C
Total Portfolio Benchmark

The Trust’s total portfolio benchmark is based on its dynamic asset allocation using suitable market indices to represent each asset class. This custom index is calculated on a monthly basis using the weights listed in Appendix A. Note that until there are real estate/timber investments, these funds will remain in the US Large and Mid-Cap portfolios as reflected in the benchmark below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Market Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large/Mid Cap Equity</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td>US Small Cap Equity</td>
<td>Russell 2000</td>
</tr>
<tr>
<td>International Equity</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>MSCI Emerging Markets Free</td>
</tr>
<tr>
<td>US Nominal Fixed Income</td>
<td>Barclays Aggregate</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>Citigroup World Gov't Bond</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>40% HFRI Fund of Funds/60% S&amp;P 500</td>
</tr>
<tr>
<td>Private Equity</td>
<td>S&amp;P 500 + 5%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>50% Dow Jones/UBS Commodity Index/50% NCREIF Property Index</td>
</tr>
<tr>
<td></td>
<td>7% BarCap U.S. Credit Index</td>
</tr>
<tr>
<td></td>
<td>91% BarCap U.S. Long Gov't Credit Index</td>
</tr>
<tr>
<td></td>
<td>2% Bar US Strips 15+ Yr</td>
</tr>
</tbody>
</table>

Managers within each asset class will be measured against a specific style benchmark along with the market benchmark for their asset class as indicated above.

Should the duration profile of the liabilities change over time, the market-based benchmark for the Duration Matching may need to be adjusted to reflect the change.