

**Minutes
Investment Committee
Board of Trustees
June 9, 2009**

IN ATTENDANCE:

Investment Committee Members:	Ms. JoEtta Y. Wickliffe, Chair Mr. Stephen P. Branscum Dr. Edward Britt Brockman Mr. Dermontti F. Dawson Mr. James F. Hardymon
Community Advisory Members:	Mr. Henry Clay Owen Mr. James W. Stuckert Mr. Billy B. Wilcoxson
Board of Trustees Members:	Ms. Mira S. Ball Mr. Erwin Roberts Ms. Jo Hern Curris Ms. Pamela T. May
Investment Staff & Consultants:	Ms. Susan I. Krauss Ms. Donna Counts Mr. Russ Kuhns (R.V. Kuhns & Associates) Mr. Rob Palmeri (R.V. Kuhns & Associates)
Others:	Dr. Lee T. Todd, Jr. Mr. Frank A. Butler Dr. Michael Karpf Ms. Barbara W. Jones Mr. Mike Richey Mr. Sergio Melgar

The Investment Committee meeting was called to order at 8:30 a.m. Ms. Wickliffe asked for a motion to approve the March 10, 2009 minutes. Mr. Dawson made the motion to approve the minutes, Mr. Branscum seconded the motion and all approved.

Ms. Krauss discussed IC1, the approval of an extension of the management contracts with the Endowment investment managers for a twelve-month period ending June 30, 2010. Ms. Krauss explained that this was a standard action every year and that the approval applies to 20 different managers of 24 different investment strategies. She also stated that, per the approved investment policy, it is expected that two strategies will be terminated during the year, State Street's MSCI All Country World ex-U.S Index Fund and Wellington's Global Equity Fund. Mr. Dawson made a motion to approve IC1, Mr. Hardymon seconded the motion, and all approved.

Ms. Krauss discussed the next item on the agenda, approval of changes to the Endowment Investment Policy. The Committee approved a revised Endowment Investment Policy on June 16, 2008, after a detailed review by staff and RVK. At that time the most noteworthy change was the approval of a new asset allocation. Since June 2008, the Committee has approved subsequent amendments to the policy to

allow investment staff to make commitments to successor funds of approved private equity and real estate managers and to reflect the hiring of new managers. The proposed amendment outlined in IC2 would add language to the section on transition management, to allow the use of futures contracts in order to maintain appropriate market exposure during manager transitions. As an example, Ms. Krauss explained that it usually takes three days to settle the trade when selling out of certain funds; however fund additions typically require same-day settlement. Buying futures for this three day period would maintain market exposure and allow the endowment to be fully invested. Mr. Dawson made a motion to approve IC2, Mr. Branscum seconded the motion and all approved.

Ms. Krauss turned to the next item on the agenda, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that was approved by the National Conference of Commissioners on Uniform State Laws in 2006. Nationally, UPMIFA is the successor to the Uniform Management of Institutional Funds Act (UMIFA). However, Kentucky statutes require that the institution continues to comply with UMIFA.

Ms. Krauss explained that prior to UMIFA, endowment investments were subject to trust law that specified that only income from investments could be spent. This resulted in the only investments being bonds, which generate consistent income but do not provide for market appreciation or inflationary growth. UMIFA allowed endowments to adopt a total return strategy and changed the way funds were invested because it allowed the spending of appreciation and income. The caveat to this was that endowments could not spend below the historic dollar value, or contributed value. This was a challenge in the 2002 economic downturn; at that time institutions had to limit their distributions to actual income on endowment funds whose market value had fallen below the contributed value. This created adverse budget situations and led to UPMIFA. UPMIFA eliminated the historic dollar value requirement and permitted spending appreciation as deemed prudent, providing guidance on prudence. Seven criteria guide institutions in the evaluating prudent spending including: 1) duration and preservation of the endowment fund; 2) the purposes of the institution and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and appreciation of investments; 6) other resources of the institution; and, 7) the investment policy of the institution. UPMIFA also provides governing board requirements on investment decisions and guidelines on release of donor restrictions. In the recently completed session of the Kentucky General Assembly, Senate Bill 127 was introduced to adopt UPMIFA, but was not enacted.

Ms. Krauss explained that the UMIFA/UPMIFA issue is especially important at UK now due to the severe financial market downturn. The market value of many of UK's endowments has fallen below the contributed value. Endowments in this condition are commonly referred to as being "underwater." The endowment agreement template was changed in 1999 to include the language "*The total return will be distributed in accordance with the endowment spending policy approved by the Board of Trustees of the University*". Older endowment funds that are underwater and do not contain this language are limited to spending actual income. Therefore, there could be budgetary reductions for some departments that rely on the underwater endowments for funding if those agreements do not contain this language. The Office of Development will be requesting approval from donors of the underwater endowments to continue spending based on the adopted spending policy.

Committee members discussed the issue of underwater accounts and the probability of the law passing in the next Kentucky General Assembly. Ms. Ball stated that she was familiar with this issue from other Boards she has served on and from what she knew she felt the UPMIFA legislation would be supported and passed in the next session.

Ms. Krauss concluded by stating that the Investment Committee would need to review the spending policy in the fall and possibly consider a reduction to the current spending rate of 4.5% in light of the significant decline in the endowment.

Ms. Krauss discussed the next item on the agenda, an update on the investment strategy implementation plan. Ms. Krauss referred to the chart in the Committee notebook that summarized the current asset allocation, the target allocation and the transition plan. The Phase 1 transition is complete and primarily involved the implementation of the new non-US strategies and Wellington's real return strategy. During Phase 1 of the transition, from December 1, 2008 through March 2, 2009, the US Equity allocation was reduced by roughly \$55 million and used to fund Non-US Equity. Also, Fixed Income was reduced by roughly \$50 million and replaced with \$35 million in non-US Equity, \$12 million in Real Return and \$3 million in Real Estate.

Ms. Krauss reported on Phase 2 of the transition, which is in progress and involves funding of the absolute return strategies and PIMCO's real return strategy. Mr. Kuhns commented that the recent uptick in the financial markets had helped the transition plan. Ms. Krauss agreed that the decision to delay the absolute return and PIMCO's real return strategies had been wise. Transitioning to these assets is planned to begin at the end of June in four quarterly installments in order to "dollar cost average" the implementation. The following transitions will occur between now and March 31, 2010.

- Reduce US Equity by roughly \$35 million and fund Absolute Return and/or Real Return
- Reduce Non-US Equity by roughly \$14 million and fund Absolute Return and/or Real Return
- Reduce Global Equity by roughly \$43 million and fund Absolute Return and/or Real Return
- Reduce Fixed Income by roughly \$9 million and fund Absolute Return and/or Real Return

Ms. Krauss reported during Phase 3, planned to occur over the next several years, US Equity (roughly \$15 million) and Non-US Equity (roughly \$11 million) will be used to fund Private Equity. Additionally, Fixed Income (roughly \$26 million) will be used to fund Real Estate. During the transition, US Equity and Non-US Equity will be overweight due to the Private Equity underweight. Also, Fixed Income will be overweight due to the Real Estate underweight. The overweight allocations are necessitated in order to fund the underweight allocations over time as Private Equity and Real Estate commitments are called.

The next item on the agenda was the performance review and market update by RVK. Mr. Wilcoxson asked about the manager commentaries in the Executive Summary for the period ended March 31, 2009. He noted that some of the managers had not performed as well as expected given the recent market upturn. Mr. Palmeri responded that the sharp short term market rebound was led by low quality stocks benefitting some asset strategies more than others. Mr. Hardyman asked how the Committee could be assured that there was not a Madoff-type manager associated with any of the UK investments. Mr. Palmeri stated that they perform due diligence on the manager of managers, and in turn, the manager of managers perform due diligence on the underlying individual hedge funds which should uncover red flags and should result in that type of manager being excluded from consideration. He also pointed out that diversification should reduce the downside risk associated with a fraudulent investor should an incident unfortunately occur. He also stated that RVK or the manager of managers cannot absolutely guarantee that no manager fraud exists. However, the many checks and balances are in place to try to protect against it. Mr. Wilcoxson then requested information any time new directors or managers are hired by any of the Endowment investment managers in the future. Mr. Palmeri said that would be provided.

Mr. Palmeri discussed the performance report for the period ended March 31, 2009. He presented the capital markets review, noting that performance for the first quarter of 2009 had been as poor as the prior year. For the year, the best performing equity asset category was small cap stocks, which decreased by 37.5%. Mr. Palmeri stated that the financial markets had not experienced a period like this since the early 1930's. He then stated that the market did rally in April and May.

Mr. Stuckert asked about the overall stability of the market and the possibility of an absolute market collapse. Mr. Palmeri responded that the portfolio is diversified to reduce downside risk and that RVK,

along with Ms. Krauss, are evaluating risk and liquidity, and working to minimize the effect of any “tail” or four standard deviation events.

Mr. Palmeri referred to page 14 of the performance report, which presents the current asset allocations and illustrates sectors that are overweight or underweight based on the policy. The next page (page 15) in the report illustrates Fund Attribution, which shows how asset allocation affects performance. For the quarter ending March 31, 2009 the fund lost 8.28%. Of this, 5.82% of the loss was attributed to the fund benchmark, or investment policy target allocations. The remaining 2.46% was attributed to the value added components, primarily the current actual allocation and overweight in equities.

Mr. Palmeri discussed how the Endowment fund compared to the benchmarks. As previously stated, the UK fund had a loss of 8.28%, net of fees, compared to the policy benchmark of -5.82%. Mr. Palmeri commented that this underperformance is expected given the current overweight to equities in a period when equities performed poorly. The loss of 8.28% compared to the active benchmark of -7.52% is more in line. The active benchmark represents the blended market index return based on actual allocation weights rather than target weights as used in the policy benchmark. As requested in the last meeting, Mr. Palmeri presented a performance comparison gross of fees since peer data is presented gross of fees. That analysis showed a first quarter return of -8.21% as compared to the median fund return of -5.26%.

Mr. Palmeri highlighted the improving markets for April and May. He referred to the April Flash Report which reflects a one month gain of 8.06% compared to 7.68% for the active benchmark and 6.02% for the policy benchmark. Mr. Palmeri pointed out that, in contrast to the first quarter, the current overweight to equities relative to the policy benchmark helped relative performance in a period when equities performed well.

The next item on the agenda was a review of the Cash, Overnight and Short-Term Investment Report. Ms. Counts explained the format of the cash report, stating the table presented at the top of the report included cash actively managed by the Office of the Treasurer while cash reported in the bottom table includes funds held and invested by the State on behalf of UK. Mr. Counts reported that as of April 30, 2009 the total portfolio subject to the short term investment policy was \$317.0 million. Overnight investments totaled \$30.6 million. Short term investments totaled \$286.4 million, of which \$66.0 million was invested in the OFM short term investment pool with an annualized monthly return of 0.56%; \$60.0 million was invested in the OFM intermediate pool with an annualized monthly return of 3.02%; \$67.8 million was invested in the Fidelity Government Fund, with an annual return of 0.45%; \$83.7 thousand was invested in the Dreyfus Governmental Fund with an annual return of 0.29%; and, another \$88.6 million was invested directly in federal agencies and instrumentalities having yields ranging from 1.25% to 3.77%. Ms. Counts reported that investment returns compared favorably to the market performance indices of the three month T-bill rate of 0.15%, the fed funds yield of 0.20% and the 2 year Treasury note rate of 0.90% as of April 30, 2009

Ms. Wickliffe referred to the Summary of Endowment Pool Activity included behind tab 8 of the meeting notebook. This schedule summarized the inflows and outflows of the endowment pool from July 1, 2008 to April 30, 2009.

With no further business the meeting adjourned at 9:50 a.m.

Donna Counts
Office of the Treasurer

UNIVERSITY OF KENTUCKY

ENDOWMENT INVESTMENT POLICY

Amended ~~June 9, 2009~~ ~~March 10, 2009~~

University of Kentucky
University of Kentucky Research Foundation
University of Kentucky Athletic Association
The Fund for Advancement of Education and Research in the UK Medical Center
University of Kentucky Business Partnership Foundation, Inc.
University of Kentucky Mining Engineering Foundation, Inc.
University of Kentucky Equine Research Foundation, Inc.
University of Kentucky Humanities Foundation, Inc.
University of Kentucky Center on Aging Foundation, Inc.

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I. General

The University of Kentucky Endowment ("Endowment") is an aggregation of gifts provided by donors with the requirement they be held in perpetuity to generate earnings now and in future years to support the University's programs of instruction, research and public service. Earnings from endowment investments support scholarships, chairs, professorships, basic research, as well as academic and public service programs. The Endowment provides stability since the principal is invested and earnings are generated year after year.

The University of Kentucky has a fiduciary responsibility to manage the Endowment prudently and to preserve the purchasing power of the Endowment in order to evenly support present and future beneficiaries. This fiduciary responsibility constitutes both a legal and moral obligation to donors who intend that their gifts provide support for the University in perpetuity.

II. Purpose of the Investment Policy

In general, the purpose of this policy is to outline a philosophy and attitude which will guide the management of the investment assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

This investment policy is set forth by the Investment Committee ("Committee") of the University of Kentucky Board of Trustees in order to:

- a. Define and assign the responsibilities.
- b. Establish a clear understanding of the investment goals and objectives of the Endowment assets.
- c. Offer guidance and limitations regarding the investment of Endowment assets.
- d. Establish a basis of evaluating investment results.
- e. Manage the Endowment's assets according to industry best practices and applicable laws.

The investment policy will be reviewed annually by the Committee and investment staff.

III. Roles and Responsibilities

Responsibilities of the Investment Committee

The Board of Trustees has established the Committee with members appointed annually by the Chair of the Board of Trustees. The Committee is responsible for the review and oversight of endowment investments of the University of Kentucky and its affiliated corporations, consisting of the Research Foundation, Athletic Association, The Fund, Equine Research Foundation, Business Partnership Foundation, Humanities Foundation, Mining Engineering Foundation, and Center on Aging

Foundation.

Governing Regulation II, A (6) (f) of the University of Kentucky sets forth the specific responsibilities of the Investment Committee as follows:

Under delegation from the Board of Trustees, and consistent with KRS 164A.550 through 164A.630, the Investment Committee is responsible for review and oversight of the endowment investment programs of the University and its affiliated corporations. These responsibilities include: formulating and reviewing investment policies; appointing, monitoring and evaluating investment managers and consultants; and reviewing and approving plans for the general management of the endowment funds of the University.

The membership of the Committee shall include five members from the Board of Trustees. Each member shall be appointed by the Chair of the Board of Trustees. A quorum of the Committee members must be present in order to conduct business.

In addition to voting members, the Investment Committee may, from time to time, have the Chair of the Board of Trustees appoint, upon recommendation of the University President, Community Advisory Members to assist it in its functions by providing specialized advice and support. Said Community Advisory Members shall be selected on the basis of their expertise in such areas as investment management and finance. The appointments of Community Advisory Members to the Investment Committee shall be for three years and may be reappointed for an unlimited number of three year terms. The maximum number of Community Advisory Members authorized at any one time shall be three (3).

The Investment Committee Chair reports to the Board of Trustees after each meeting of the Committee on the performance results of endowment investments. Policies of the Committee are implemented by the Office of the Treasurer in carrying out the day-to-day operations of the University's endowment funds.

Responsibilities of Investment Staff

Investment staff ("Staff") will consist of the University Treasurer and the Assistant Treasurer for Investments. Staff is responsible for executing the policies and decisions enacted by the Committee and the general daily activities and administration of the Endowment assets. The Staff will prepare analysis and recommendations for the Committee on development of policies and guidelines, selection of an appropriate long-term asset allocation, and selecting an appropriate manager structure. The Staff will provide recommendations to the Committee as to the managers most appropriate for managing the Endowment's assets.

Responsibilities of Investment Consultant

The Committee may engage an independent Investment Consultant ("Consultant") to assist the Committee and Staff in developing policies and guidelines, selecting an appropriate long-term asset allocation, selecting an appropriate manager structure, identifying investment managers, evaluating investment performance, and offering other services as requested. The Consultant will prepare quarterly and annual assessments of investment performance that include results for the total endowment and each individual investment manager compared to appropriate market indices and manager universes. The Consultant will provide in-depth and detailed analysis of each manager's portfolio.

IV. Delegation of Authority

The Committee may delegate the following investment related activities to qualified industry experts, but will be responsible for the selection and oversight of the vendors.

Investment Custodian

The Committee will hire a Custodian for the University's endowment investments to establish and maintain direct account relationships with each investment manager and perform standard custodial functions, including security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, distribution of income, and daily investment of cash. The Custodian will provide monthly account statements and other reports as requested by the Staff.

Investment Managers

The Committee will delegate the selection, buying and selling of individual securities to qualified industry experts. Each individual investment manager will exercise discretion over assets in accordance with specified investment guidelines.

Investment managers that utilize separate accounts to manage Endowment assets will adhere to specific investment manager guidelines established by Staff with the assistance of the Consultant. Each investment manager using a separate account is required to summarize its holdings and transactions on a monthly basis.

Investment managers that utilize a mutual fund investment structure, a commingled trust fund structure or a limited partnership structure will have discretion to manage the assets in accordance with the policies and guidelines outlined in the respective mutual fund's prospectus, the commingled trust fund's offering memorandum or limited partnership's private placement memorandum.

All investment managers' guidelines and policies are located in the addendum of the Policy.

V. Financial and Investment Objectives

The Investment Committee has established the following financial and investment objectives for the Endowment:

1. To preserve the purchasing power of the endowment assets and the related revenue stream over time to evenly allocate support between current and future beneficiaries (intergenerational equity).
2. To manage the endowment assets in a single investment pool, employing multiple investment managers to gain specialization and diversification benefits of different investment asset classes and strategies.
3. To establish an annual spending rate policy of 4.5% of the average market value over the preceding 36 months.
4. To establish an annual management fee of .5% of the current market value.
5. To earn an average annual real return, after inflation and expenses, of at least 5% per year over full economic market cycles.

Uniform Management of Institutional Funds Act (KRS 273.520 to 273.590)

Endowment assets will be managed effectively and prudently in accordance with the provisions of the Uniform Management of Institutional Funds Act (KRS 273.520 to 273.590), which specifically requires trustees to consider both the long-term and short-term needs of the University. The Committee has established policies intended to accomplish the primary goal to preserve or increase the purchasing power of the Endowment by maximizing real total return, subject to risk constraints.

Spending Rate and Management Fee

The Investment Committee has established an annual spending rate policy of 4.5% of the average market value of the Endowment over the preceding 36 months to establish financial equilibrium for the Endowment by creating a balance between annual spending and the expected real (after inflation) return on assets. Additionally, the Endowment is assessed an annual management fee of .5% of the current market value (assessed monthly) to support administrative costs. The spending rate of 4.5% and the management fee of .5%, in concert with the target asset allocation policy is intended to support current and future program needs and allow the endowment value to grow at least equal to annual inflation.

VI. Investment Policies

Diversification

The Committee will invest in different asset classes and engage multiple investment managers to ensure proper diversification of the Endowment. Investment diversification is essential to limit risks that include return volatility, the magnitude of potential losses, and manager underperformance. Equity investments will be diversified by market capitalization (company size), style (growth or value), industry, and country of domicile (as it will include non-U.S. based companies). Fixed income investments will be diversified by market sector, maturity, credit quality and issuer. Real estate investments will be diversified by property type, geographic location and investment style. Private equity investments will be diversified by strategy, including multiple venture capital, leveraged buyout, and special situation funds, by geographical allocation including U.S. and non-US investments, and by vintage year of investment. Real Return strategies will be diversified by asset class and manager. Absolute Return Strategies will be diversified by manager, investment strategy, and geographic location including U.S. and non U.S. managers.

In an effort to optimize and efficiently utilize due diligence research and diversification within the alternative asset classes, which includes Private Equity, Real Return, Absolute Return and Real Estate, a "fund of funds" ("FOF") investment structure will generally be used. Investing in an individual manager will need the approval of the Committee.

Asset Allocation

The Committee has established asset class targets and ranges as follows:

Asset Class	Investment Policy	
	Target	Range
Broad U.S. Equities	26%	21-31%
Broad Non-U.S. Equities	20%	15-25%
Total Equities	46%	41-51%
Private Equity	7%	1-9%
Real Return	7%	5-9%
Absolute Return	10%	8-12%
Real Estate	12%	10-14%
Total Alternatives	36%	31-41%
Fixed-Income	18%	15-20%
Total	100%	

Rebalancing

The Committee intends to maintain the actual asset class allocations within the target ranges outlined above. Allocations relative to targets will be reviewed at least on a quarterly basis to determine if rebalancing transfers between asset classes are necessary. In general, Staff will direct new endowment gifts to undertarget asset classes.

Commitments to Private Equity and Real Estate

Staff, assisted by the Consultant, will complete annual forecasting and make appropriate commitments to successor funds of approved private equity and real estate managers to reach and maintain the approved policy allocation and ensure diversification across vintage year, strategy, geography, etc.

Liquidity

The Endowment is intended to provide a stream of annual income to the University in perpetuity. As a result, the Endowment has a long-term orientation. In addition, the withdrawal rate from the Endowment fund is well defined, predictable, and of modest size relative to the total assets, so the Endowment's need for liquidity is significantly lower than other institutional investors.

Proxy Voting

The Committee delegates full authority for proxy voting to its investment managers for the securities under their discretionary authority and requires the investment managers to vote all proxies in the best interest of the Endowment. In addition, when requested, the managers will report to the Committee on their proxy-voting policies and activities on the Endowment's behalf.

Proxy voting related to governance issues regarding investment managers hired to manage Endowment assets, and their related investment legal structures, terms and conditions, will be voted on by the Staff in the best economic interest of the Endowment. The Staff may solicit assistance of the Consultant on governance issues.

Transaction Costs

The Committee requires the investment managers, in their capacity as fiduciaries, to manage the transactions costs they incur on the Endowment's behalf in the best interests of the University. When requested, the managers will report to the Committee on the transactions costs incurred and the brokers used on the Endowment's behalf.

Transition Management

Transitions between investment managers are an important and inevitable element of portfolio

management, typically resulting from manager terminations or changes to the investment strategy of the portfolio. The optimal method to use in executing a transition may vary significantly from one transition to another based on the types of assets involved and the timeframe in question. Generally, the Endowment's objective in a manager transition is to implement the change in a cost-effective, timely manner while maintaining the appropriate market exposure. It is imperative to note that the cost of transition is not commissions alone, but also bid/ask spread, market impact and opportunity cost. The market impact cost is the effect trading will have on the market price of the shares being traded. The opportunity cost, sometimes referred to as implementation shortfall, is the cost of market movements over the time it takes to trade. Efforts should be made to minimize the total cost rather than any single cost component. Selecting a transition manager can be done at the Staff's discretion with the assistance of the Consultant. Use of futures contracts may be required in order to maintain appropriate market exposure during a transition.

VII. Performance Evaluation

Endowment performance will be monitored and reviewed over full market cycles, generally three to five years, at three levels; total Endowment, asset class and individual manager. All three levels will include a passive index and peer group measurement review. Performance will be reviewed on a gross and net return basis and will include risk and risk adjusted returns.

Performance Benchmarks

The total Endowment performance will be measured against:

1. CPI plus 5% real return
2. A Policy Benchmark consisting of passive indexes reflecting the Endowments "strategic target" asset allocation percentages
3. An Active Benchmark consisting of passive indexes reflecting the Endowments "actual" asset allocation percentages
4. A peer group universe of similar plans

The asset class performance will be measured against:

1. The asset class' core passive index
2. A peer group universe of similar asset classes

The individual managers' performance will be measured against:

1. The managers' specific passive indexes identified in the investment manager guidelines

located in the addendum of the Policy

2. A peer group universe of similar investment styles

Performance Expectations

It is expected within each level the Endowment, the asset class, and the individual managers should exceed the passive index return and should be above median against the appropriate peer group universes.

It is expected that risk (and risk adjusted returns) will be in line with the risk associated with the specific passive index benchmarks.

VIII. Investment Manager Structure

Below is the investment manager structure and corresponding target asset allocations as established by the Investment Committee:

<u>Manager</u>	<u>Investment Strategy</u>	<u>Target Allocation</u>
Broad U.S. Equity:		
State Street, Boston, MA	Passive Russell 1000 (Large-Cap)	23.95%
Wellington, Boston, MA	Active Russell 2000 (Small-Cap)	2.05%
Total Broad U.S. Equity		26.00%
Broad Non-U.S. Equity:		
Capital Guardian, Los Angeles, CA	Active MSCI ACW Ex U.S. – Core	10.00%
Gartmore, London, ENG	Active MSCI ACW Ex U.S. – Growth	5.00%
Mondrian, London, ENG	Active MSCI ACW Ex U.S. – Value	5.00%
Total Broad Non-U.S. Equity		20.00%
Private Equity:		
Commonfund Capital, Wilton, CT	Private Equity Fund-of-Funds ("FOF")	2.94%
Pantheon Ventures, San Fran., CA	Private Equity FOF	2.94%
Siguler Guff, New York, NY	Opportunistic Private Equity FOF	0.56%
<u>Drum Capital, Stamford,</u>	Opportunistic Private Equity FOF	0.56%
<u>CTManager TBA¹</u>		
Fort Washington, Cincinnati, OH	Regional Venture Capital	0.00% ²¹

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¹ The Committee has committed \$2 million and \$1 million to Fort Washington and Chrysalis, respectively, to enhance the total return for the Endowment and provide for leadership in economic development for the Commonwealth of Kentucky¹ Manager to be announced upon completion of contractual documents.

² The Committee has committed \$2 million and \$1 million to Fort Washington and Chrysalis, respectively, to enhance the total return for the Endowment and provide leadership in economic development for the Commonwealth of Kentucky.

Chrysalis Ventures, Louisville, KY	Regional Venture Capital	0.00% ^{#1}
Total Private Equity		7.00%

<u>Manager</u>	<u>Investment Strategy</u>	<u>Target Allocation</u>
Real Return:		
PIMCO, Newport Beach, CA	Real Return FOF	5.25%
Wellington, Boston, MA	Real Return FOF	1.75%
Total Real Return		7.00%

Absolute Return:		
GAM, London, ENG Manager TBA³	Core Absolute Return FOF	4.00%
Grosvenor, Chicago, IL Manager TBA³	Core Absolute Return FOF	4.00%
Berens, New York, NY Manager TBA³	Opportunistic Absolute Return FOF	2.00%
Total Absolute Return		10.00%

Real Estate:		
UBS, Hartford, CT	Core Real Estate	4.00%
Multiple managers: ⁴	Value Added Real Estate	4.00%
TA Associates, Boston, MA		
Wrightwood Capital, Chicago, IL		
Multiple managers TBD	Opportunistic Real Estate	4.00%
Total Real Estate		12.00%

Fixed Income:		
PIMCO, Newport Beach, CA	Core-Plus Fixed Income	9.00%
Reams, Columbus, IN	Core-Plus Fixed Income	9.00%
Total Fixed Income		18.00%

The target manager allocations shown above may be revised from time to time as a result of changes in the composition of the capital markets or the styles of individual managers. In addition, the allocations may be revised as a result of risk modeling analysis.

² The Committee has currently approved commitments to two managers in this strategy, however the Committee plans to make commitments to additional managers over the next few years in order to reach the target allocation of 4%.

³ Manager to be announced upon completion of contractual documents.

⁴ The Committee has currently approved commitments to two managers in this strategy, however the Committee plans to make commitments to additional managers over the next few years in order to reach the target allocation of 4%.

Definitions of the investment strategies are located in the addendum of the Policy.