

## Public University Fund Investment Policy Amendments

### BACKGROUND

The six participating universities in the Public University Fund (Fund), including Oregon State University (University), have requested a change in the Fund's investment strategy to divest from current fossil fuel-related securities and restrict future investment of assets into fossil fuel-related securities, specifically, the Carbon Underground's list of 200 global oil, gas and coal companies (C.U. 200). The current investment policy, originally approved by the Board of Trustees on October 17, 2014, and revised on October 16, 2015, does not restrict investment into C.U. 200 companies (listed in Attachment 1).

To address the participants' request, the University, in its role as the Designated University under the Agreement Regarding Administration of the Public University Fund, collaborated with the Oregon State Treasury (Treasury), the University's investment advisor PFM, and University Shared Services staff to design a portfolio strategy to incorporate the fossil fuel restrictions while maintaining a low-cost, total return strategy similar to the present fund investment strategy.

Because the Oregon Intermediate-Term Pool and Long-Term Pool policies do not restrict investment into the C.U. 200, a new separately managed account will be established by the Treasury to fulfill the fossil fuel-free mandate. To meet the revised investment policy guidelines, the Treasury will transfer the Fund's proportional share of securities, now held in the Oregon Intermediate-Term and Long-Term Pools, into the new separately managed account. Cash will be received for any securities held that appear on the current C.U. 200 list and reinvested into securities from approved sectors. The investment strategy for the new account will blend the strategies from the Oregon Intermediate-Term and Long-Term Pools into one core investment account that incorporates the fossil fuel-free security restriction. The maturity target for the underlying securities is between three to seven years, heavily weighted towards the three to five year maturities.

The liquidity allocation will remain invested in the Oregon Short-Term Fund. The Oregon Short-Term Fund is the primary cash investment option for multiple state agencies banking with Treasury, which precludes any request to restrict fossil fuel investments from this specific fund. While the Oregon Short-Term Fund investment policy does not restrict investment into fossil fuel related securities, the Treasury's fixed-income investment team has indicated there are no plans to purchase new securities from the energy or coal sector. The Oregon Short-Term Fund currently holds a 1.1% allocation to securities from the C.U. 200 list, which are scheduled to mature over the next 18 months. The present expectation is for the Oregon Short-Term Fund's fossil fuel security allocation to decline to zero by March 2018.

The recommended Public University Fund investment strategy is designed to reduce total fossil fuel exposure from 1.7% to 0.4%, resulting in a 75% reduction upon creation. The strategy includes anticipated future divestment from the remaining fossil fuel securities over the following 18 months, lowers annual investment fees by 13%, and is estimated to return a net income yield of 1.6%, comparable to the present investment strategy.

Summary	Market Value	Est. Annual Income	Est. Yield	Annual Mgmt Fees	Invest. Mgmt. Fee Rate	Est. Net Income	Est. Net Income Yield	Fossil Fuel Market Value	Fossil Fuel Alloc.
PUF Portfolio (Avg Balance)	\$ 515,900,000	\$ 7,984,900	1.57%	\$ 140,084	0.027%	\$7,633,816	1.50%	\$8,817,600	1.71%
Recommended Portfolio (Avg Balance)	\$ 515,900,000	\$ 7,984,900	1.57%	\$ 121,728	0.024%	\$7,652,172	1.50%	\$2,171,400	0.42%

Estimates based upon data available in May 2016

## RECOMMENDED CHANGES

The Treasury and the Oregon Investment Council recommend the following amendments to the Public University Fund investment policy. The amendments reflect the requested investment restrictions, portfolio changes to incorporate the investment restrictions, modifications to active management parameters to reduce variances to the benchmark, and formatting revisions to streamline the policy.

Attachment 2 presents the amended Public University Fund Policy with changes highlighted in underlined and strikethrough text:

- Portfolio rule changes to incorporate the fossil fuel restriction:
  - *Portfolio Rule 3* – The Portfolio Allocation and Risk Profile table has been modified to reflect the new fossil fuel-free portfolio. The new portfolio combines elements of the current Intermediate-Term and Long-Term portfolio strategies into one managed account. The target weighted average maturity for the underlying securities is three to seven years;
  - *Portfolio Rule 4* – The Oregon Intermediate-Term Pool and the Long-Term Pool are eliminated as permitted holdings;
  - *Portfolio Rule 8* – An additional rule has been added to restrict investment of fossil fuel-related securities as defined by the C.U. 200 list. The compliance monitor list of restricted issuers will be updated each calendar year-end based upon constituent changes to the C.U. 200 list. Any existing holdings from issuers that appear on the C.U. 200 list subsequent to purchase will be held until maturity;
  - *Portfolio Rule 10* – A custom benchmark to measure the performance of the new portfolio strategy is defined as: Bloomberg Barclays U.S. Aggregate 3- to 5-year index (75%) and Bloomberg Barclays U.S. Aggregate 5- to 7-year index (25%);
- Portfolio rule changes to modify active management parameters:
  - *Portfolio Rule 7* – The average modified duration variance of the new fossil fuel-free portfolio compared to the custom benchmark is set at +/-10%. The current policy average modified duration variance is +/-20%;
  - *Portfolio Rule 10* – The performance expectations are modified to performing “in-line” with the stated custom benchmark from the current “outperform” the stated benchmark.

## NEXT STEPS

The recommended policy changes have been communicated to all Fund participants, and it is anticipated that participants will seek their Boards’ approval for investment in the new strategy prior to the end of December 2016. Implementation of the new investment strategy is scheduled

for early January 2017. The amended Public University Fund policy would be effective upon Board approval.

**RECOMMENDATION**

Staff propose that the Finance & Administration Committee recommend to the Board that it approve the amended Public University Fund Investment Policy as provided in Attachment 2.

## Attachment 1

## The Carbon Underground 200™ 2016

Rank	Coal Companies	Coal Gt CO <sub>2</sub>	Rank	Oil and Gas Companies	Oil Gt CO <sub>2</sub>	Gas Gt CO <sub>2</sub>	Total O&G Gt CO <sub>2</sub>
1	Coal India	43.104	1	Gazprom	6.856	37.213	44.069
2	Adani Enterprises	27.809	2	Rosneft	12.617	4.158	16.776
3	China Shenhua Energy	23.143	3	PetroChina	3.821	4.244	8.066
4	Inner Mongolia Yitai Coal	11.756	4	ExxonMobil	4.678	3.281	7.960
5	China Coal Energy	9.492	5	Lukoil	5.816	1.299	7.115
6	Mechel	9.483	6	BP	3.979	2.409	6.388
7	Exxaro Resources	9.433	7	Royal Dutch Shell	2.346	2.649	4.995
8	Public Power	9.339	8	Petrobras	3.742	0.608	4.349
9	Glencore	8.692	9	Chevron	2.441	1.604	4.045
10	Peabody Energy	8.059	10	Novatek	0.513	3.416	3.928
11	BHP Billiton	7.834	11	Total	2.077	1.755	3.833
12	Evrast	6.102	12	Tatneft	2.491	0.060	2.551
13	Mitsubishi	5.635	13	ENI	1.507	0.997	2.504
14	BUMI Resources	5.566	14	ConocoPhillips	1.522	0.937	2.459
15	Bukit Asam (Persero)	5.320	15	ONGC	1.547	0.823	2.371
16	Yanzhou Coal Mining	5.093	16	Statoil	1.039	0.797	1.836
17	Shanxi Xishan Coal and Electricity	4.570	17	CNOOC	1.066	0.413	1.478
18	Rio Tinto	4.351	18	Sinopec	0.950	0.413	1.362
19	Anglo American	4.259	19	Canadian Natural Resources	0.828	0.297	1.124
20	Kuzbasskaya Topliva	4.186	20	Bashneft	1.007	0.000	1.007
21	Open Joint-Stock Raskhodyay	3.933	21	Inpex	0.514	0.358	0.871
22	DaTong Coal Industry	3.808	22	Occidental	0.658	0.184	0.842
23	Alliance Resource Partners	3.748	23	Repsol	0.315	0.719	1.034
24	Arch Coal	3.731	24	EOG Resources	0.579	0.209	0.788
25	Jindal Steel & Power	3.596	25	Suncor Energy	0.773	0.002	0.775
26	China Cinda Asset Management	3.409	26	Anadarko Petroleum	0.400	0.328	0.728
27	Alpha Natural Resources	3.385	27	Ecopetrol	0.525	0.190	0.714
28	Vale	3.310	28	Antero Resources	0.178	0.520	0.698
29	Severstal	3.218	29	BHP Billiton	0.278	0.392	0.670
30	Westmoreland Coal	2.632	30	Marathon Oil	0.525	0.134	0.660
31	Teck Resources	2.575	31	Devon Energy	0.331	0.317	0.648
32	Jastrzebska Spółka Węglowa	2.513	32	Imperial Oil	0.616	0.022	0.638
33	Lu'an Environmental Energy	2.439	33	BASF	0.205	0.384	0.589
34	Tata Steel	2.435	34	Apache	0.394	0.187	0.581
35	Adaro Energy	2.207	35	EQT	0.041	0.497	0.538
36	AGL Energy	2.144	36	Range Resources	0.180	0.342	0.522
37	CONSOL Energy Inc.	1.919	37	Chesapeake Energy	0.181	0.329	0.510
38	Cloud Peak Energy	1.886	38	Noble Energy	0.189	0.302	0.492
39	South32	1.845	39	Continental Resources	0.297	0.172	0.468
40	Sasol	1.823	40	Cabot Oil & Gas	0.023	0.428	0.451
41	Yancoal Australia	1.811	41	YPF	0.271	0.167	0.438
42	Beijing Haohua Energy Resource	1.775	42	Hess	0.333	0.085	0.417
43	Whitehaven Coal	1.740	43	OMV	0.256	0.129	0.385
44	CCX Carvão da Colômbia	1.736	44	Cenovus Energy	0.348	0.037	0.385

45	New Hope	1.705	45	Encana	0.142	0.222	0.364
46	ITOCHU	1.562	46	Woodside Petroleum	0.046	0.318	0.363
47	NACCO Industries	1.527	47	Southwestern Energy	0.015	0.322	0.337
48	Resource Generation	1.389	48	KazMunaiGas EP	0.306	0.026	0.333
49	Huolinhe Coal	1.387	49	Whiting Petroleum	0.289	0.036	0.326
50	PGE	1.386	50	Husky Energy	0.197	0.114	0.311
51	Neyveli Lignite	1.296	51	CONSOL Energy	0.027	0.276	0.302
52	Shanghai Datun Energy Resources	1.293	52	PTT	0.076	0.196	0.272
53	Tongchuan Mining	1.273	53	Murphy Oil	0.173	0.092	0.265
54	Coal of Africa	1.245	54	SK Innovation	0.263	0.000	0.263
55	Aspire Mining	1.238	55	Linn Energy	0.117	0.143	0.260
56	Indika Intl Corpindo	1.182	56	California Resources	0.211	0.039	0.250
57	Datang International Power Generation	1.147	57	Sasol	0.166	0.081	0.247
58	PT. Golden Energy Mines	1.100	58	Pioneer Natural Resources	0.168	0.074	0.242
59	Mitsui	1.016	59	Concho Resources	0.156	0.084	0.239
60	Bandanna Energy	0.971	60	QEP Resources	0.099	0.115	0.214
61	Berau Coal Energy	0.942	61	Crescent Point Energy	0.198	0.016	0.214
62	Kangaroo Resources	0.938	62	EP Energy	0.154	0.051	0.205
63	Open Joint Stock Novolipetsk Steel	0.865	63	WPX Energy	0.081	0.119	0.200
64	Wesfarmers	0.837	64	Tourmaline Oil	0.027	0.168	0.195
65	New World Resources	0.824	65	Newfield Exploration	0.113	0.071	0.184
66	Meijin Energy	0.784	66	Mitsui	0.073	0.109	0.182
67	Mongolian Mining	0.767	67	MEG Energy	0.180	0.000	0.180
68	United RUSAL	0.764	68	Cimarex Energy	0.084	0.083	0.167
69	Jizhong Energy	0.742	69	SM Energy Company	0.093	0.069	0.161
70	ALLETE	0.723	70	Lundin Petroleum	0.155	0.005	0.160
71	Moreton Resources	0.708	71	Det Norske	0.158	0.000	0.158
72	Monnet Ispat & Energy	0.706	72	Santos	0.020	0.130	0.150
73	Sable Mining Africa	0.679	73	Memorial Resource	0.069	0.078	0.148
74	Vedanta	0.674	74	Oil India	0.096	0.049	0.145
75	ArcelorMittal	0.668	75	Ultra Petroleum	0.014	0.127	0.141
76	Coal Energy	0.588	76	Maersk	0.138	0.000	0.138
77	Shanxi Asian American Daning Energy	0.567	77	GDF SUEZ	0.039	0.097	0.136
78	Hwange Colliery	0.562	78	Energen	0.110	0.024	0.134
79	Energy Australia	0.552	79	Seven Generations Energy	0.070	0.062	0.132
80	Steel Authority of India	0.551	80	National Fuel Gas	0.014	0.117	0.131
81	Indo Tambangraya Megah (Banpu)	0.550	81	MOL	0.079	0.051	0.131
82	PT. Bayan Resources	0.524	82	JX Holdings	0.052	0.073	0.124
83	LG International	0.519	83	Denbury Resources	0.120	0.002	0.122
84	Vimetco	0.512	84	Polish Oil & Gas	0.031	0.091	0.122
85	Kinetic Mines and Energy	0.507	85	ARC Resources	0.045	0.074	0.118
86	Hallador Energy	0.504	86	Oando Energy	0.051	0.064	0.114
87	Southern Copper	0.496	87	Galp Energia	0.100	0.013	0.113
88	Black Hills	0.495	88	SandRidge Energy	0.052	0.061	0.112
89	Matra Eromu ZRT (RWE Power)	0.491	89	Peyto E&D	0.007	0.102	0.110
90	Huadian Power International	0.472	90	Centrica	0.031	0.077	0.108
91	FirstEnergy	0.463	91	Birchcliff Energy	0.011	0.096	0.107
92	Prairie Mining	0.428	92	TAQA	0.057	0.048	0.106

93	Tata Power	0.424	93	DNO International	0.103	0.000	0.103
94	African Rainbow Minerals	0.418	94	Xcite Energy	0.100	0.001	0.101
95	Rhinio Resource Partners	0.411	95	Freeport-McMoRan	0.086	0.015	0.101
96	Feishang Anthracite Resources	0.389	96	Oil Search	0.021	0.079	0.100
97	Golden Eagle Energy	0.386	97	PDC Energy	0.062	0.036	0.098
98	Semirara Mining and Power	0.378	98	Painted Pony Petroleum	0.008	0.088	0.095
99	Barmer Lignite Mining	0.369	99	Great Eastern	0.000	0.095	0.095
100	Up Energy Development	0.355	100	Gulfport Energy	0.008	0.085	0.093

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All companies in the Carbon Underground 200™ are investable as of July 11, 2016. The rankings are based on calculated carbon emissions data using reserves reported as of May 31, 2016. The ranking are adjusted for company mergers and acquisitions as of May 31, 2016.

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## ATTACHMENT 2

RESOLUTION NO. 16-08

**Oregon State University  
Amending the Public University Fund  
Investment Policy**

**BACKGROUND**

The Public University Investment Policy was approved by the Board of Trustees on October 17, 2014, and revised on October 16, 2015.

The six participating universities in the Public University Fund, including Oregon State University, requested a change in the Fund's investment strategy to divest from current fossil fuel-related securities and restrict future investment of assets into fossil fuel-related securities, specifically, the Carbon Underground's list of 200 global oil, gas and coal companies (C.U. 200).

To implement this change in strategy, the Oregon State Treasury and the Oregon Investment Council recommended amendments to the Public University Fund investment policy. The amendments reflect the requested investment restrictions, portfolio changes to incorporate the investment restrictions, modifications to active management parameters to reduce variances to the benchmark and formatting revisions to streamline the policy.

**RESOLUTION**

*Now, therefore, be it resolved by the Board of Trustees* that the amended Public University Fund Investment Policy, provided in Exhibit A, is approved.

This Resolution is effective October 21, 2016.

**APPROVED by the Board of Trustees October \_\_\_\_\_, 2016**

_____ Secretary to the Board	____/____/2016 Date
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## Exhibit A



## Oregon State University Public University Fund Investment Policy

OFFICE OF THE STATE TREASURER

Investment Manual

### POLICY PROVISIONS

**Definitions**

None.

**A. Policy Statements**

1. Funds meeting OST requirements are eligible for segregated investment management by the OST Investment Division and its investment officers according to and within the guidelines established and approved by the OIC. Investments shall be authorized by an OST investment officer and documented in accordance with OST policies and procedures.
2. Funds shall be invested in accordance with the policies and procedures outlined in this policy and in accordance with statute established by HB 4018, section 7.

**B. Compliance Application and Procedures**

1. OST shall provide an investment compliance program to accomplish the following objectives: a) monitor and evaluate portfolios, asset classes, and other investment funds to determine compliance with OST policies and contractual obligations; b) identify instances of non-compliance and develop appropriate resolution strategies; c) provide relevant compliance information and reports to OST management and the OIC, as appropriate; and d) verify resolution by the appropriate individual or manager within the appropriate time frame.
2. **Resolution of Non-Compliance.** If PUF investments are found to be a) out of compliance with one or more adopted investment guidelines or b) managed inconsistently with governing policy and objectives, OST investment staff shall bring the investments into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies, shall be coordinated with the OST investment compliance program and communicated with the Designated University.

**C. Portfolio Rules for the Public University Fund**

1. Scope: These rules apply to the investment of funds from all eligible and approved PUF participants ~~in the Public University Fund ("PUF")~~, and are established under the

authority of, and shall not supersede, the requirements established under ORS Chapter 293 and HB 4018 of Oregon Laws 2014.

2. Objective: Provide adequate liquidity for PUF participants' cash flow requirements. Manage the portfolio to maximize total return over a long-term horizon within ~~the stipulated~~desired risk parameters.
3. Portfolio Allocation and Risk Profile: Allocation parameters listed in the table below are intended ~~as to be~~ general guidelines, not hard limits subject to OST Compliance monitoring.

Strategy Type	Name	Allocation	Objective	
Liquidity		Short-Term	<del>The purpose of the short term portfolio is to assure adequate cash for operations. Investment management efforts shall be conducted to maintain an allocation to the short-term portfolio equivalent to not less than approximately six (6) months of average monthly operating expenses. This short term portfolio allocation may also be determined using the results of a cash flow analysis.</del>	Principal preservation
Core		Intermediate Term	<del>Investment management efforts shall be conducted to allocate to The intermediate term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the intermediate term portfolio should not exceed \$300 million.</del>	Exceed the Oregon Intermediate Term Pool benchmark's total return over a 2-year trailing period.
		Long Term	<del>Investment management efforts shall be conducted to allocate to the long-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the long-term portfolio should not exceed \$120 million.</del>	Exceed the benchmark's total return over a 5-year trailing period.

<u>Portfolio</u>	<u>Objective</u>	<u>Allocation</u>
<u>Liquidity</u>	<u>Assure adequate cash for operations.</u>	<u>Short-Term</u> <u>Funds invested in the Oregon Short Term Fund (<del>OSTF</del>). Target allocation of funds based upon aggregated university participant annual cash flow forecasts. Absent <del>of</del> cash flow forecasts, <del>the</del> target allocation will be based upon a minimum of six months' estimated operating expenses.</u>
<u>Core</u>	<u>Actively managed to achieve a diversified portfolio of investment grade bonds invested over longer <del>investment</del> horizons than <del>permitted</del> available in the <del>OSTF</del>. Based on historical market performance, total returns generated over extended periods <del>are it is</del> anticipated <del>that the total returns</del> generated over extended periods <del>will</del> be greater than returns realized in shorter-maturity <del>vehicles</del> strategies.</u>	<u>Intermediate</u> <u>Investments with a maturity or weighted average life from three years and above.</u>

#### 4. Permitted Holdings

##### Short-Term Portfolio:

- Securities eligible for inclusion or included in the designated performance benchmark(s) unless explicitly restricted in this policy.
- ~~The Oregon Short-Term Fund ("OSTF") and~~
- Any securities eligible for purchase in the OSTF. Underlying investments of the OSTF are excluded from restrictions in this policy. The OSTF is governed by the OIC and OST-adopted policies and guidelines as documented in OIC Policy INV 303.
- Securities eligible for purchase by the OSTF unless explicitly excluded by this policy.

~~Intermediate Term Portfolio:~~

- ~~• Any holdings eligible for the Short Term Portfolio;~~
- ~~• The Oregon Intermediate Term Pool (OITP); and~~
- ~~• Any securities eligible for purchase in OITP which is governed by the OIG and OST adopted policies and guidelines as documented in OIG Policy INV 404.~~

~~Long Term Portfolio:~~

- ~~• Any holdings eligible for the Intermediate Term Portfolio;~~
- Obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities, including inflation-indexed obligations with stated maturities less than 15.25 years;
- ~~• Non U.S. Government Securities and their Instrumentalities;~~
- Non-U.S. government securities and Instrumentalities with a minimum rating of one or more of Aa2/AA/AA by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase.
- Municipal debt with a minimum rating of one or more of A3/A-/A- by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a final maturity less than 15.25 years at the time of purchase;
- Corporate indebtedness with minimum investment grade ratings by one or more of Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase;
- Asset-backed securities rated AAA at the time of purchase, ~~with a weighted average life of less than 5.25 years;~~
- Commercial mortgage-backed securities (CMBS) rated AAA at the time of purchase, ~~with a weighted average life of less than 5.25 years; and~~
- U.S. agency residential mortgage-backed securities (MBS) and U.S. agency residential mortgage related securities ~~commercial mortgage-backed obligations ("CMO") with a weighted average life of less than 5.25 years.~~

5. Diversification

The portfolio should be adequately diversified consistent with the following parameters:

- No more than 3% of portfolio par value may be invested in a single security with the ~~notable~~ exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities; and
- No more than 5% of portfolio par value may be invested in the securities of a single issuer with the ~~notable~~ exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
  - Maximum market value exposures shall be limited as follows:

○ U.S. Treasury Obligations	
	100%
○ U.S. Agency Obligations	
	50%
○ U.S. Corporate Indebtedness	
	50%
○ Municipal Indebtedness	
	30%
○ Asset-backed Securities (ABS)	
	20%
○ Mortgage-backed Securities (MBS)	
	40%
○ Commercial Mortgage-backed Securities (CMBS)	
	10%
○ Structured Securities (Combined ABS, MBS and CMBS)	50%

- Issuer and security level restrictions shall not apply to OSTF or OITP holdings.

#### 6. Counterparties

A list of all broker/dealer and custodian counterparties shall be provided annually to the Designated University upon request.

#### 7. Strategy

- Maintain an average (measured by market value) credit rating in the Core allocation of A- or better at least A, excluding OSTF and OITP holdings. If a security is rated by more than one rating agency, the lowest rating is used to determine the average rating.
- In the Long Term Portfolio, Maintain an average modified duration level of +/- 120% of the custom fixed income benchmark up to a maximum of 7.5 years, and
- Structure maturities to provide reinvestment opportunities that are staggered. No more than 15% of the long term portfolio should mature in a single, 3-month time period. This stipulation is intended to be a general guideline, not a hard limit subject to OST Compliance monitoring.

#### 8. Investment Restrictions

- All investments will be in U.S. dollar denominated securities.
- All investments will be non-convertible to equity.
- Collateralized debt obligations (CDO), Collateralized Loan obligations (CLO) and Z-tranche investments are not permitted.
- Investments in Alt-A, sub-prime, limited documentation or other "sub-prime" residential mortgage pools are not permitted. There shall be no use of leverage in any investments (excluding use of securities in a securities lending program). Structured securities such as ABS, MBS and CMBS shall not be considered as using leverage.
- For newly issued securities with unassigned ratings, "expected ratings" may be used as a proxy for assigned ratings up to 30 business days after settlement date.
- Investments in issuers identified by the Carbon Underground 200 published by the Fossil Free Indexes LLC ("FFI").
  - This restricted security list will be updated annually at calendar year-end and enforced for all new security purchases.
  - Exposures to issuers added to the Carbon Underground 200 subsequent to purchase may be held to maturity.
- ~~Maximum market value exposures (excluding underlying holdings in OSTF and OITP) shall be limited as follows:~~

<del>U.S. Treasury Obligations</del>	<del>100%</del>
<del>U.S. Agency Obligations</del>	<del>50%</del>
<del>U.S. Corporate Indebtedness</del>	<del>50%</del>
<del>Municipal Indebtedness</del>	<del>30%</del>
<del>Asset-backed Securities (ABS)</del>	<del>20%</del>
<del>Mortgage-backed Securities (MBS)</del>	<del>30%</del>
<del>Commercial Mortgage-backed Securities (CMBS)</del>	<del>10%</del>
<del>Structured Securities (Combined ABS, MBS and CMBS)</del>	<del>50%</del>

#### 9. Policy Compliance

- OST Investment Staff will submit a written action plan to the Designated University regarding any investment downgraded by at least one rating agency to below investment grade within 10 days of the downgrade. The plan may indicate why the investment should continue to be held and/or outline an exit strategy.
- OST Staff will consult with the Designated University, on a pre-trade basis, if an investment trade or trades will result in a cumulative net loss greater than 1% over 3 months prior to trade settlement date.

#### 10. Performance Expectations/Reviews

- Over a 5 year trailing period, the Long Term portfolio excluding the short-term allocation, the Core allocation is expected to outperform in-line with the following custom benchmark:
  - 75% Bloomberg Barclays U.S. Aggregate 3-5 Year Index; and

- 25% Bloomberg Barclays U.S. Aggregate 5-7 Year Index+
- OST will provide the Designated University with a monthly report of all non-passive compliance violations of this policy's guidelines, ~~and~~
- Investment reviews between OST investment staff and the Designated University will occur quarterly and focus on the following elements:
  - Performance relative to objectives;
  - Adherence to this policy; and
  - Trading activity.

**Exceptions**

None.

**Failure to Comply**

Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

**Document History**

- Adopted by the Board of Trustees October 17, 2014
- Amended October 16, 2015
- Amended \_\_\_\_\_