Appendix F

ENDOWMENT FUND STATEMENT OF INVESTMENT OBJECTIVES AND GUIDELINES

HOWARD UNIVERSITY

ENDOWMENT FUND

STATEMENT OF INVESTMENT POLICY OBJECTIVES AND GUIDELINES

Howard University, while recognizing that ultimate responsibility for satisfactory investment performance rests with the Finance and Administration Committee and The Board of Trustees, believes this responsibility is best exercised by managing the Investment Manager. The Investment Manager shall be selected by the Finance and Administration Committee and shall have the responsibility for carrying out the endowment fund investment activity that will assure maximum return on the University's investment with minimal risk consistent with the guidelines contained herein. The Finance and Administration Committee believes it can best exercise its responsibilities by:

1. Establishing investment philosophy and policy guidelines and objectives, which will be reviewed periodically by the Finance and Administration Committee.
2. Selecting qualified independent investment management.
3. Communicating closely with the Investment Managers responsible for investment results.
4. Monitoring investment results to assure that objectives are being met.
5. Taking appropriate action if objectives are not being met.

I. Philosophy

1. The assets of the Endowment Fund are to be managed in accordance with the philosophy, objectives, and guidelines expressed herein. The Investment Managers are responsible for optimizing the return on the assets within these guidelines.
2. Investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable, and probable.

Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives.

3. Careful endowment asset management should assure a total return (income plus capital appreciation) necessary to preserve and enhance, in real dollar terms, the principal of the Fund. Due consideration shall be given to the appropriate funding and expense items.

4. The purpose of equity investment is to provide current income, growth of income and appreciation of principal.

5. The purpose of fixed income investments is to provide a predictable and dependable source of income and to reduce portfolio volatility.

6. The fixed income and equity portions of the investment portfolio shall be diversified in order to provide reasonable assurance that a single security (investment) or class of securities (investments) will not have a disproportionate or significant impact on the total portfolio.

7. Other than as indicated in this or other written agreements, Investment Managers will have complete investment discretion as it is expected that the assets of the Fund will be invested with care, skill, prudence, and diligence.

II. General Investment Objectives and Guidelines

1. All investments should be in securities (both equity and debt) of United States business corporations, or in the securities of U.S. Government or its agencies. In special situations that appear prudent and reasonable, and upon specific approval of the Finance and Administration Committee, other types of investments may be made.

2. An average annual total real rate of return (inflation adjusted) of at least 5% as measured over a market cycle, typically a three to five year period, is the return objective. It is realized that the 5% inflation adjusted rate of return goal necessitates the gradual adoption of a 5% spending policy if the principal growth of the fund is to keep pace with inflation. The calculation of the 5% spending

rate will be based upon a three year moving average of the Endowment Fund market value -- with the most recent year removed.

3. The asset mix of the Endowment Fund will range within the following approximate limits:

Fixed Income Securities (1)	25% - 40%
Common Stocks (including convertibles) (1)	60% - 75%

(1) includes cash and cash equivalents

III. Equity Investments

1. Industry and company investments shall be based upon demonstrable analysis of prospects for above average return over a market cycle, typically a three to five year period. Emphasis should be placed on capital appreciation and growth of earnings with additional emphasis on current income where appropriate.

2. Investments shall be made primarily in well established, quality companies whose securities enjoy marketability adequate for this portfolio. Quality is not synonymous with size or recognition, and it is recognized that equity investments in high quality, well established, smaller companies (e.g. \$100-\$500 million capitalization) could present superior vehicles for preservation and enhancement of capital.

3. No more than 5 percent (at time of investment) of the net assets of the Fund shall be invested in securities of issuers having a record of less than 3 years of operation.

4. Concentration in any single industry and in any company shall not exceed 15 percent and 5 percent, respectively of the market value of the Fund at the time of investment without prior approval of the Finance and Administration Committee.

5. Investments in equity issues of small or small emerging companies may be made, but within the overall guidelines expressed herein. These investments may not be made in letter stock, unregistered or

privately placed securities without prior approval of the Finance and Administration Committee.

6. Deviation from the above requires approval of the Finance and Administration Committee.

IV. Fixed Income Securities

1. The bond portfolio structure as well as security selection are matters of investment management discretion, developed primarily in response to changing market relationships, interest rate forecasts, and liquidity requirements.

2. The portfolio should be comprised of high quality issues consisting of Moody's or Standard and Poor's 'A" ratings and above, or if not rated, at least equivalent quality in the judgment of the Investment Managers.

3. For liquidity purposes, the purchase of bonds of an original issue of less than $50,000,000 is prohibited without prior Finance and Administration Committee approval.

4. Deviation from the above requires approval of the Finance and Administration Committee.

V. General

1. The lending of securities (Securities Lending Program) will be a permissible activity as part of the Investment Program; however, the Securities Lending Program will be presented to the Finance and Administration Committee prior to implementation.

2. Real estate investments may constitute up to 10% of the aggregate portfolio market value. Emphasis should be placed on investments producing high current return combined with high residual equity values. Individual investments or investment program strategies require the prior approval of the Finance and Administration Committee.

3. Investments in international securities may be permitted upon approval of the Finance and Administration Committee.

4. As a general guideline which applies to all assets managed, transactions should be entered into on the basis of best execution, which normally means best realized price. Commissions may be designated for the payment of investment services rendered to Howard University upon the approval of the Treasurer. In addition, utilization of minority and Washington, D.C. Area broker/dealers is encouraged.

VI. Investment Managers

1. The Fiscal Affairs Committee shall allocate funds to individual managers and from time to time may withdraw funds from managers or reallocate funds between managers.

2. Each manager's performance shall be compared with the performance of equity and fixed income market indices, with mutual funds having similar objectives, with other funds managed by 'peer group' managers, i.e., similar styles and objectives, and with other endowment funds. The performance comparisons shall be reported at every Finance and Administration Committee meeting.

3. Equity managers will be expected to achieve an average total rate of return over a market cycle, generally a three to five year period, which exceeds the Standard and Poor's 500 Index rate of return by 1.5% compounded annually.

4. Fixed Income managers will be expected to achieve an average total rate of return of at least 1.00%, compounded annually, higher than the rate of return of the Shearson Lehman Hutton Government/Corporate Bond Index or a comparable index.

5. Custodial responsibility for all securities will be determined by the Finance and Administration Committee or its designee, i.e., the Treasurer.

6. Investment Managers are responsible for frequent and open communication with the Treasurer and/or the Finance and Administration Committee on all significant matters pertaining to the assets managed.

7. The Finance and Administration Committee will meet as necessary with the Investment Managers. The frequency of these meetings will in part be determined by the performance evaluation results

compared to predetermined objectives and manager characteristics. The Finance and Administration Committee will meet with each manager at least annually.

8. The Treasurer shall report, on the performance of the Endowment Fund at each meeting of the Finance and Administration Committee.