INVESTMENT POLICY STATEMENT

Contents

I. Introduction
   A. Organizational Purpose
   B. Standard of Care
   C. Objectives
   D. Spending

II. Governance
   A. Board Responsibilities
   B. Staff Responsibilities
   C. Tactical Asset Allocation
   D. Manager Selection and Monitoring
   E. Manager Diversification
   F. Leverage and Derivatives
   G. Reporting
   H. Annual Policy Review

III. Policy Portfolio
   A. Capital Market Risk and Return Estimates
   B. Risk Tolerance
   C. Strategic Asset Allocation
   D. Risk Control

Exhibit 1 Policy Portfolio

I. Introduction

A. Organizational Purpose

The University of Virginia Investment Management Company (UVIMCO) provides investment management to the Rector and Visitors of the University of Virginia (University) and its Related Foundations (Foundations). Assets deposited in UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within a long-term co-mingled investment pool (Pool).

B. Standard of Care

The Directors (Board) and Officers (Staff) of UVIMCO manage Pool assets in accordance with this Investment Policy Statement. In making investment decisions and taking investment actions, they exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the decision or action.

Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, the process by which investment decisions are developed, analyzed, adopted, and executed must be the standard by which business care is judged.
C. Objectives

UVIMCO's primary objective in managing the Pool is to maximize long-term real return commensurate with the risk tolerance of the University.

To achieve this objective, UVIMCO actively manages the Pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk (Policy Portfolio).

Recognizing that the University must attract outstanding students, faculty, and staff and provide to them appropriate resources, UVIMCO attempts to manage Pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools (Peer Group).

D. Spending

UVIMCO does not set spending rates. UVIMCO communicates the Pool's risk and return estimates to the University and Foundations for their consideration in setting spending rates.

II. Governance

A. Board Responsibilities

The Board is responsible for establishing this Investment Policy Statement. The Board has delegated to UVIMCO's Chief Executive Officer (CEO) responsibility for managing Pool assets in accordance with this Investment Policy Statement and in accordance with other policies that it has or may adopt.

The Board monitors the development, analysis, adoption, and execution of investment decisions and actions by the Staff to ensure compliance with this policy and a general standard of care. The Board also evaluates the competence of the management of Pool assets considering the investment process and the resulting return of Pool assets relative to the Policy Portfolio and Peer Group. The Board takes action to amend this Investment Policy Statement or replace Staff as necessary to ensure prudent management of Pool assets.

B. Staff Responsibilities

Staff manages Pool assets within the policies set by the Board and under the direction of the CEO. Staff's investment management responsibilities include tactical asset allocation and selection of external managers. While Staff may directly trade securities or derivatives to manage the Pool's asset allocation, active management of security selection typically is delegated to external managers.

C. Tactical Asset Allocation

Because an optimal asset allocation evolves through time in response to changing
economic circumstances and volatile market prices, Staff may tactically manage the Pool's asset allocation within the ranges of the Policy Portfolio. Implementation of any such tactical strategy recognizes the inherent uncertainty of short-term forecasts of asset class returns and the high relative risk of even small deviations from the market exposures of the Policy Portfolio and Peer Group. Therefore, Staff typically scales any tactical asset allocation positions to ensure only modest risk relative to the Policy Portfolio and Peer Group.

D. Manager Selection and Monitoring

Staff monitors and evaluates the full spectrum of global investment strategies seeking opportunities to employ active external managers. Prior and subsequent to hiring external managers, staff investigates and analyzes managers' investment process, organization, and staff. Staff terminates managers or adjusts manager positions to achieve the objectives of the Investment Policy Statement. While the Board has delegated manager selection and retention decisions to Staff, the Board monitors Staff's decision making process and reviews documentation of due diligence in analyzing and monitoring managers.

E. Manager Diversification

For instruments or funds whose returns are produced only through exposure to capital markets, including index funds and similar derivative securities, allocations are limited by the asset allocation ranges expressed by the Policy Portfolio. For managers whose returns are produced primarily through skill, including hedge funds, no more than 7.5% of Pool assets are allocated to a single manager. For managers who combine returns through market exposure and skill, the 7.5% limitation applies to the disaggregated portion of the manager's fund or account that represents the active, skilled-based portion. For long-term closed-end fund investments, including private equity and real estate opportunity funds, the 7.5% limitation applies to the amount committed at the time of the commitment. For purposes of this limitation, separate funds managed by an investment company or business group are aggregated if the returns of those funds are produced by a common investment process.

F. Leverage and Derivatives

UVIMCO employs leverage and derivative securities, both directly and within funds, only to the extent that the aggregate risk of the Pool is not increased beyond that which would be allowed by the Policy Portfolio without using leverage or derivatives. UVIMCO defines leverage as a strategy that increases expected return by raising exposure to and risk of a given investment. The most direct form of leverage is borrowing but many other strategies, structures, funds, and derivative securities produce similar results and therefore imply leverage. UVIMCO monitors and controls the effect of both direct and implied leverage on the Pool's volatility and liquidity.

G. Reporting

UVIMCO provides monthly reports to the University and Foundations displaying the Pool's asset allocation relative to the Policy Portfolio and displaying the returns of the Pool and its component asset classes. UVIMCO provides quarterly
narrative reports that explain and analyze the Pool's investment position, strategy, and performance relative to both the Policy Portfolio and the Peer Group.

H. Annual Policy Review

The Board reviews this policy annually. In preparation for that review, Staff provides an analysis of any changes in the risk tolerance and spending plans of the University that have been reported to it and on economic and investment conditions. Staff recommends changes to this Investment Policy Statement accordingly. Typically, annual changes to this Investment Policy Statement are small and gradual. The revised Investment Policy Statement is provided to the University and Foundations on a timely basis.

III. Policy Portfolio

A. Capital Market Risk and Return Estimates

The Board reviews and approves Staff's estimates of capital market risks and returns. Staff divides the global capital market into asset classes and examines their historical returns, volatilities, and correlation. If future conditions such as economic risk, inflation, and market integration are likely to differ materially from the conditions during the historical periods examined, then Staff adjusts historical risk and return estimates accordingly.

Perceived temporary deviations of current market prices from equilibrium values do not influence UVIMCO's capital market risk and return estimates. Therefore, UVIMCO's capital market risk and return estimates are changed infrequently and gradually.

B. Risk Tolerance

The Board determines the Pool's risk tolerance in consideration of the University's tolerance for volatility in spending. Foundations must determine whether the Pool's risk and return characteristics are appropriate given their investment objectives and spending plans.

In theory, tolerance for spending volatility determines a risk aversion parameter, which in combination with capital market risk and return estimates provides a specific optimal asset allocation that maximizes utility. In practice, risk tolerance is difficult to quantify and the theoretically optimal asset allocation may vary widely within a reasonable range of capital market risk and return estimates. Therefore, the Board's determination of the Pool's risk tolerance is necessarily a judgmental process.

C. Strategic Asset Allocation

Based upon the University's risk tolerance together with capital market risk and return estimates, the Board sets a strategic asset allocation designed to achieve the objectives stated in this Investment Policy Statement. The strategic asset allocation is prudently diversified across asset classes. If passively executed, the
strategic asset allocation would provide expected returns in line with its risks; it lies near the efficient frontier of portfolios that provide the highest expected return per unit of risk and the lowest risk per unit of expected return.

Benchmark indices are selected to represent the risk and return profile of each asset class. Key considerations in selecting benchmark indices include broad market coverage, ability to passively invest, transparency of index construction, and objectivity of the index provider. The strategic asset allocation together with the selected benchmark indices form the Pool’s Policy Portfolio - the primary benchmark against which actual Pool performance is measured.

D. Risk Control

The Policy Portfolio specifies risk controls in the form of ranges for Pool asset allocations. The ranges help to ensure adequate diversification, define the permissible magnitude of tactical asset allocation, and constrain both absolute and relative risk. UVIMCO has adopted risk controls principally considering the Pool’s tolerance for volatility, but also to ensure adequate liquidity.

Risk control ranges express the acceptable variation from target asset allocations in normal market and economic circumstances. Exceptional circumstances may justify deviation from the ranges specified in the Policy Portfolio. Deviation from the Policy Portfolio caused by an investment decision or action must receive the prior approval of the Board. Deviation from the Policy Portfolio caused by changes in market prices is reported by Staff to the Board along with any recommended plan of action within five business days following month-ends. In any such circumstance, UVIMCO formally communicates to the University and Foundations the reasons for operating the Pool’s actual asset allocation outside of the ranges specified by the Policy Portfolio.

Exhibit 1 Policy Portfolio (as of July 1, 2006)

<table>
<thead>
<tr>
<th>Asset Classes</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min</td>
</tr>
<tr>
<td>Public Equity</td>
<td>20%</td>
</tr>
<tr>
<td>U.S.</td>
<td>5%</td>
</tr>
<tr>
<td>Non-US Developed</td>
<td>5%</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>0%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td></td>
</tr>
<tr>
<td>Equity Long/Short</td>
<td>10%</td>
</tr>
<tr>
<td>Equity Market Neutral</td>
<td>0%</td>
</tr>
<tr>
<td>Global Macro</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed Income Arbitrage</td>
<td>0%</td>
</tr>
<tr>
<td>Event-Drive/Multi-Strategy</td>
<td>0%</td>
</tr>
<tr>
<td>Distressed</td>
<td>0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10%</td>
</tr>
<tr>
<td>Venture</td>
<td>0%</td>
</tr>
<tr>
<td>Buyout</td>
<td>5%</td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>0%</td>
</tr>
<tr>
<td>Resources</td>
<td>0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td></td>
</tr>
<tr>
<td>Investment Grade</td>
<td>5%</td>
</tr>
<tr>
<td>High Yield</td>
<td>0%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
</tr>
<tr>
<td>Total Pool</td>
<td></td>
</tr>
</tbody>
</table>