Statement of Investment Objectives
Exhibit A: Michigan State University's Common Investment Fund

INTRODUCTION

This statement defines the investment objectives of Michigan State University's Common Investment Fund ("CIF"), which is composed primarily of the University's endowment funds. While other Institutional Funds (e.g., the Retirement Fund) may use the CIF as an investment vehicle, the separate statements of investment objectives for these funds shall govern their investment if their investment objectives are materially different from those of the endowment funds.

INVESTMENT OBJECTIVES

The investment objectives of the CIF are:

1. to achieve a total rate of return sufficient to generate the amount annually made available for spending by the University's programs supported by endowment funds and still provide a modest increase in the inflation-adjusted unit value, and
2. to achieve the desired return while assuming only moderate risk.

The University will seek to achieve these investment objectives by diversifying across major asset classes (e.g., marketable equities, private investments, hedge funds, fixed income) as well as within each asset class (e.g., by investment style, capitalization, industry).

SHORT-TERM PERFORMANCE GOALS

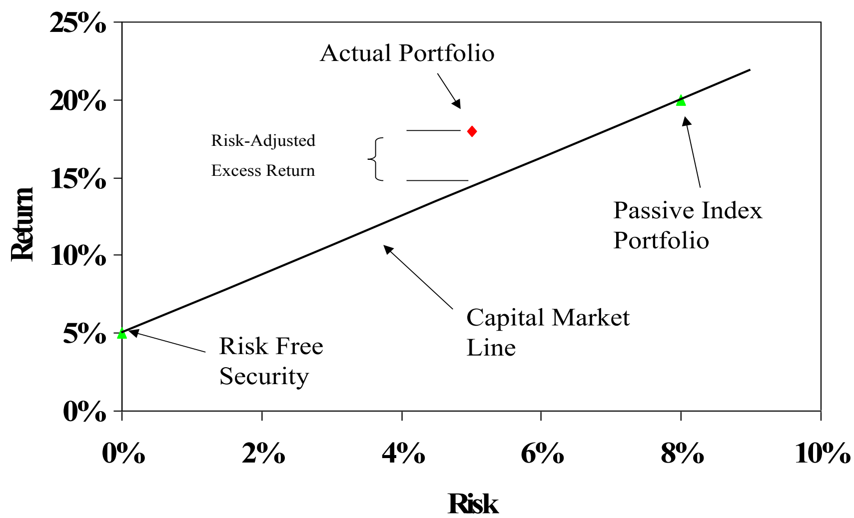
Short-term performance goals for the CIF and for individual managers will be to outperform appropriate market and peer benchmarks over rolling three and five-year periods. Furthermore, adherence to the investment style for which individual managers were selected will be monitored. Private investments will be expected to outperform their respective median vintage year benchmarks.

LONG-TERM PERFORMANCE GOALS

The following long-term performance goals of the CIF are expected to be achieved over rolling ten-year periods:

1. A total annual return greater than the rate of inflation plus 6.0%, after fees and expenses.
2. To the extent an actively managed strategy is used, a risk-adjusted, excess annual return greater than 1.0%, after fees and expenses. Risk-adjusted, excess return is defined as a portfolio's actual return over and above that of the benchmark portfolio as predicted by the Capital Asset Pricing Model. (See Figure No. 1.) The Jensen measure is used to calculate the risk-adjusted return.

Figure No. 1
Illustrative Example



*The passive index portfolio will be composed of benchmark indices, for which passive index funds exist, and weighted to reflect the CIF's asset allocation. It should be noted, however, for private investments for which passive index funds do not exist, well-established indices corresponding to marketable securities will be used.

Table No. 1 lists the benchmark indices and long-term performance goals for each major asset class. The long-term performance goal for each individual manager will be based on the asset class and investment style for which the manager was selected.

Table No. 1
Benchmarks & Long-Term Performance Goals

Major Asset Class	Benchmark	Long-Term Performance Goals
Global Equities	MSCI World	If passive, benchmark. If active, risk-adjusted excess return of 1.0% after fees
Emerging Markets Equity	MSCI Emerging Markets	If passive, benchmark. If active, risk-adjusted excess return of 1.0% after fees
Marketable Real Estate	FTSE NAREIT Equity Index	If passive, benchmark. If active, risk-adjusted excess return of 1.0% after fees
Other Marketable Real Assets	Real Asset Blended Benchmark (67% MSCI U.S. Natural Resources / / 33% S&P GSCI)	If passive, benchmark. If active, risk-adjusted excess return of 1.0% after fees
Private Real Estate and Real Assets	Vintage year median IRR for asset class	Meet or exceed benchmark
Private Investments	Vintage year median IRR for asset class	Meet or exceed benchmark
Hedge Funds	HFRI Fund of Funds Diversified Index	Meet or exceed benchmark
Fixed Income	Barclays Aggregate	If passive, benchmark. If active, risk-adjusted excess return of 0.50% after fees

ASSET ALLOCATION

Table No. 2 sets forth the policy targets and ranges for each major asset class:

Table No. 2 Asset Allocation			
Major Asset Class*	Target	Range	Rationale*
Global Equities	26.0%	19.0% - 47.0%	Maximize real returns
Emerging Markets Equity	8.0%	4.0% - 12.0%	Maximize real returns & diversification
Real Estate	2.5%	1.0% - 5.0%	Real Asset & diversification
Other Real Assets	7.5%	5.0% - 12.0%	Real Asset & diversification
Private Investments	26.0%	12.0% - 32.0%	Higher returns than equities & diversification
Hedge Funds	22.0%	17.0% - 30.0%	Low volatility & moderate correlation with equities
Fixed Income	8.0%	3.0% - 17.0%	Deflation hedge & diversification

* See detailed descriptions of each asset class listed below.

Global Equities. This asset class consists of marketable equity securities of companies that are based in the U.S. and developed countries outside the U.S. Several sub-categories of this asset class include: large capitalization companies, small capitalization companies, value-style investing and growth-style investing.

Emerging Markets Equity. This asset class consists of marketable equity securities in emerging markets. It is intended to provide long-term performance and volatility similar to or slightly higher than U.S. equities, and will provide some diversification due to imperfect correlation. This class will be diversified geographically.

Real Estate. The University will seek to reduce the volatility of the CIF and provide a hedge against sudden, unanticipated inflation by investing a portion of its available funds in both public and private real estate. Risks related to the real estate investments will be minimized by diversifying through use of real estate investment pools or partnerships that are varied as to property type, location, investment life cycle and investment manager. This core real estate portfolio may be supplemented with less diversified specialty funds or direct investments.

Other Real Assets. The University will seek to reduce the volatility of the CIF and provide a hedge against sudden, unanticipated inflation by investing a portion of its available funds in both public and private natural resource investments, such as oil, gas, timber and minerals oriented investments. Risks related to natural resource investments will be controlled by diversifying among operators and acquisition prospects and by geography. This core real asset portfolio may be supplemented with less diversified specialty funds or direct investments.

Private Investments. The University will seek to enhance the total return of the CIF by investing a portion of its funds in private investments, which include distressed, private equity and venture capital investments. These investments are illiquid and higher risk/return assets than marketable securities. Risk will be controlled by diversifying across a number of fund managers and by geographic focus, industry emphasis, financing stage and vintage year. This core private investments portfolio may be supplemented with less diversified specialty funds or direct investments.

Hedge Funds. The University will seek equity-like returns while reducing the volatility of the CIF. The University will consider funds with a diversifier mandate (lower expected volatility and lower correlation to broad market trends) as well as funds with a growth oriented mandate (higher expected volatility and higher correlation to broad market trends). Managers with either type of mandate will employ risk management techniques intended to reduce downside potential, to a degree considered appropriate for their respective strategy. Managers employing "long/short" strategies invest primarily in equities and mitigate market risk by purchasing equity shares that are expected to appreciate in value and selling short equity shares that are expected to decline in value. Managers employing event-driven and arbitrage strategies seek to maximize returns by investing in publicly announced corporate transactions, such as mergers, tender offers, liquidations, bankruptcies and reorganizations or in arbitraging temporary discrepancies in securities pricing in the equity and fixed income markets. Distressed security managers invest primarily in bonds and bank loans trading at a significant discount to par value as a result of the debtor's troubled financial condition.

Fixed Income. This asset class is intended to reduce the portfolio's exposure to market risk and provide a hedge against sudden, unanticipated deflation. Foreign currency bonds may be held to enhance total return and provide diversification.

INVESTMENT GUIDELINES

1) Investment guidelines are provided in Exhibit C.

2) Additional guidelines may be adopted by separate Board action. They will be communicated to the affected investment managers.

Updated: 10/14/88, 6/8/90, 12/6/91, 12/11/92, 3/31/94, 7/14/95, 11/8/96, 9/22/00, 6/5/03, 11/14/03, 11/12/04, 6/17/05, 2/10/06, 5/18/07, 12/5/08, 6/19/09, 9/17/10, 10/21/11, 12/14/12, 4/12/13, 9/11/15, 12/18/15, 10/28/16, 02/17/17