APPENDIX ZS

Investment Policy for the Alaska Advance College Tuition Savings Fund

a. Funds for Distribution Next Year

Treasury invests the portion of the ACT Fund held pending issuance of credits and planned distributions to students within one year with the following in mind:

Risk Tolerance	Low. Funds will be needed on relatively short notice.
Investment Objectives	Low exposure of principal to loss. Modest current income requirement. Little inflation protection needed. High liquidity requirement.
Time Horizon	Short.

Treasury's investment policy for this portion of the ACT Fund is:

85% Short-term Fixed Income Investment Pool
15% Intermediate-term Fixed Income Investment Pool

Treasury's performance benchmark for this portion of the ACT Fund is:

85% Three-Month U.S. Treasury Bill
15% Merrill Lynch 1-5 year Government Index

b. Funds for Distributions in Years 2 through 4

Treasury invests the portion of the ACT Fund held for students expected to attend college during the subsequent three year period (years 2-4) with the following in mind:

Risk Tolerance	Moderate. The estimated probability of a loss over a one-year period is less than 5%.
Investment Objectives	Willing to assume an average amount of volatility and loss of principal to take advantage of somewhat higher return opportunities. Current income consistent with moderate principal exposure. Modest inflation protection important. Modest liquidity requirement.
Time Horizon	Intermediate.

Treasury's investment policy for this portion of the ACT Fund is:

40%	Short-term Fixed Income Investment Pool
44%	Intermediate-term Fixed Income Investment Pool
0%	Long-term Fixed Income Investment Pool
16%	Domestic Equity Collective Fund(s)

Treasury's performance benchmark for this portion of the ACT Fund is:

40%	Three-Month U.S. Treasury Bill
44%	Merrill Lynch 1-5 Year Index
0%	Lehman Brothers Aggregate Index
16%	Russell 3000 Index

c. Funds for Distributions in Years 5 through 8

Treasury invests the portion of the ACT Fund held for students expected to attend college within four to eight years from the current date with the following in mind:

Risk Tolerance	High. The estimated probability of a loss over a one year period is over 10%. The probability of a loss over a five-year period is approximately 2.5%.
Investment Objectives	Willing to assume an above average amount of risk, volatility and loss of principal to take advantage of higher return opportunities. Current income not a material concern. Inflation protection is an important objective. Low liquidity requirement.
Time Horizon	Moderately long.

Treasury's investment policy for this portion of the ACT Fund is:

16%	Short-term Fixed Income Investment Pool
29%	Intermediate-term Fixed Income Investment Pool
25%	Long-term Fixed Income Investment Pool
30%	Domestic Equity Collective Fund(s)

Treasury's performance benchmark for this portion of the ACT Fund is:

16%	Three-Month U.S. Treasury Bill
29%	Merrill Lynch 1-5 Year Government Index
25%	Lehman Brothers Aggregate Index
30%	Russell 3000 Index

d. Funds for Distributions in Years 9 and Above

Treasury invests the portion of the ACT Fund with the following in mind:

Risk Tolerance	High. Estimated probability of an annual loss is approximately 20%.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of large gains in the long term. Income objective of high real total return over time. Inflation protection important. Low liquidity requirement.

Time Horizon	Long.

Treasury's investment policy for this portion of the ACT Fund is:

33%	Long-term Fixed Income Investment Pool
67%	Domestic Equity Collective Fund(s)

Treasury's performance benchmark for this portion of the ACT Fund is:

33%	Lehman Aggregate Index
67%	Russell 3000 Index

e. Combined Investment Policy

The best combination of the four investment policies specified above is not a simple weighted average of those four policies. It is possible to construct an optimal policy that will have the same risk but a slightly higher return than the weighted average of those four policies.

Effective June 1, 1999, Treasury's optimal combined investment policy for the ACT Fund is:

27%	± 10%	Short-term Fixed Income Investment Pool
20%	± 5%	Intermediate-term Fixed Income Investment Pool
18%	± 5%	Long-term Fixed Income Investment Pool
35%	± 5%	Domestic Equity Collective Funds

The combined optimal overall investment policy for the ACT Fund has the following characteristics:

Risk Tolerance	High. Estimated probability of an annual loss is 13.30%.
Investment Objectives	Willing to risk significant short-term volatility and principal loss for the possibility of significant appreciation in the long term.

	Income objective of high real total return over time. The expected annual return is 7.08%. Inflation protection important. Significant liquidity required.
Time Horizon	Long.

The investment policy has a plus or minus 5% band for each investment pool in the allocation to avoid the expense of continually rebalancing the Trust's investments.

Effective June 1, 1999, Treasury's performance benchmark the ACT Fund is:

27%	Three-Month U.S. Treasury Bill
20%	Merrill Lynch 1-5 year Government Index
18%	Lehman Brothers Aggregate Index
35%	Russell 3000 Index

Treasury and the University will re-examine this policy annually.