



UNIVERSITY OF
SOUTH FLORIDA

UNIVERSITY OF SOUTH FLORIDA

INVESTMENT POLICY

Policy & Procedures Manual	Effective Date	Policy Number
INVESTMENT POLICY	12/07/06 – Approved by USF Board of Trustees	USF BOT 06-001

TABLE OF CONTENTS

	<u>PAGES</u>
1.0 Definitions	1
2.0 Introduction	1
3.0 Statement of Policy	1
4.0 Entities Covered by This Policy	3
5.0 Fund Investment Requirements	4
6.0 Fund Performance Objectives and Investment Report	5
7.0 Fund Asset Allocation	5
8.0 Fund Risk Management	7
9.0 Eligibility Criteria for Fund Investments	9
10.0 Eligible Types of Fund Investments	9
11.0 Fund Concentration Limits	13
12.0 Prohibited Fund Investments and Transactions	14
13.0 Disposal of Ineligible and Prohibited Fund Investments	15
14.0 Valuation of Fund Investment Assets and Liabilities	15
15.0 Related Party Investments	15
16.0 Conflicts of Interest	16
17.0 Exceptions to Policy	17
18.0 Transition Planning	17
Exhibit A - Definitions	19

45 3.1 It is the policy of the University of South Florida that investment management conform to
46 the authority granted by Florida and Federal laws, its Board of Trustees and applicable
47 regulations/policies of the Board of Governors and that the management of investment funds be
48 conducted in such a manner as to promote the interests of the University.
49

50 3.2 The University and its DSOs and CUs may, subject to the Policy and specific authority
51 from their respective Boards, develop supplemental investment policies for the Funds under their
52 control.
53

54 3.3 The University and its DSOs and CUs shall, subject to the Policy and specific authority
55 from their respective Boards, appoint Investment Committees and adopt Policy Statements and
56 Investment Guidelines appropriate for the Funds under their control.
57

58 3.4 This Policy will be implemented, reviewed and monitored by the University CFO and the
59 University Treasurer ~~Office of the University Treasurer~~ (“Treasurer”) and the designated CFO of
60 the DSO and CU on behalf of their respective Boards, appropriate for the Funds under their
61 control.
62

63 3.5 Under this Policy and pursuant to a delegation of investment authority by the
64 Board of the University, the University CFO and the Treasurer are authorized to manage the
65 financial assets of the University invested as Short-Term Funds or Long-Term Funds.
66

67 3.6 Under this Policy and pursuant to a delegation of investment authority by the Board of
68 the DSO or CU, the CFO of the DSO or CU is authorized to manage the financial assets of the
69 DSO or CU invested as Short-Term Funds or Long-Term Funds.
70

71 3.7 The University CFO, Treasurer and CFO of the DSO and CU is responsible for
72 managing the Funds under their respective control in a prudent manner consistent with the
73 “Prudent Person Rule” (F.S. 218.415(4)) and, where applicable to the Fund, the Florida Uniform
74 Management of Institutional Funds Act (F.S. 1010.10).
75

76 3.8 At least annually, the University CFO and CFO of the DSO and CU shall review the
77 Policy, the Policy Statement and the Investment Guidelines, as they relate to their respective
78 organizations, with the respective Board of the Fund.
79

80 3.9 If a material change in the Fund occurs, the University CFO or Treasurer or CFO of the
81 DSO or CU shall review the Policy, Policy Statement and Investment Guidelines within 90 days
82 of becoming aware of the change.
83

84 3.10 If a review leads to a change in the Policy, Policy Statement or Investment Guidelines,
85 the proposed revisions shall be submitted to and adopted by the Boards of the University or DSO
86 or CU, as appropriate, and submitted by the University CFO or CFO of the DSO or CU to the
87 appropriate auditors in a timely fashion, following its adoption by the Boards of the University or
88 DSO or CU.
89

90 3.11 The University CFO or CFO of the DSO or CU shall furnish a copy of the Policy to the

91 appropriate auditor of the University or DSO or CU.

92

93 3.12 The Policy requires the Boards of the University and each DSO or CU to adopt a Policy
94 Statement for the Fund which shall:

95 (a) Declare whether the University, DSO or CU's investment portfolio is a Short-Term
96 Fund and/or Long-Term Fund;

97 (b) Declare Primary and Secondary Performance Objectives for the Fund, stated both in
98 terms of gross investment returns and net of fees / expenses, which are consistent with
99 and appropriate for the economic environment and circumstances of the Fund;

100 (c) Declare the Asset Allocation and Investment Guidelines for the Fund, consistent with
101 its risk tolerances and return expectations;

102 (d) Describe the membership and investment authority of the Investment Committee;

103 (e) Describe the risks and risk tolerances for the Fund;

104 (f) State the time horizon of the Fund's assets; and

105 (g) Address the liquidity needs of the Fund and the University or DSO or CU and other
106 legal, regulatory or special constraining circumstances affecting the investments of the
107 Fund.

108

109 3.13 The preparation, review and revision of the Policy, and the Fund's Policy Statement and
110 Investment Guidelines, shall give due consideration to the

111 (a) Type of Fund;

112 (b) Management of interest, liquidity, credit and other financial risks to which the Fund is
113 exposed;

114 (c) Funding requirements relevant to the type of Fund;

115 (d) Economic conditions;

116 (e) Expenses;

117 (f) Diversification of the investment portfolio by asset classes and within asset classes,
118 and by investment manager and by investment manager style, as applicable and
119 appropriate;

120 (g) Use of options, futures and other derivatives;

121 (h) Lending of cash or securities;

122 (i) Retention or delegation of the voting rights acquired through investments;

123 (j) Possible Related Party transactions within the limits established in the Policy for such
124 transactions;

125 (k) Any other matter affecting the investment of the Fund that would be appropriate to be
126 considered in the development and preparation of the Policy and the Fund's Policy
127 Statement and Investment Guidelines.

128

129

130 **4.0 ENTITIES COVERED BY THIS POLICY**

131

132 The Policy applies to the University, to DSOs and CUs. DSOs are separate not-for-profit
133 corporations organized and operated exclusively to assist the University achieve its mission.
134 CUs are organizations operated exclusively to assist the University achieve its mission as defined
135 in Exhibit A to this Policy. In accordance with Florida Statutes and Rules, as applicable, and
136 University Regulations and Policies, these organizations receive, hold, invest and administer

137 property and make expenditures to or for the benefit of the University. All University, DSO and
138 CU investment activities, to the extent such activity is allowed by applicable law, require
139 approval by the University, DSO and CU Boards, and such activities shall be managed by the
140 designated chief financial officer (“CFO”) of the University, DSO and CU.

141
142

143 **5.0 FUND INVESTMENT REQUIREMENTS**

144

145 5.1 The University CFO or Treasurer or CFO of the DSO or CU and investment managers, to
146 the extent that the responsibility for the investment and management of the Fund has been
147 delegated, shall prudently invest and manage the assets under their responsibility in a manner
148 consistent with the Policy, Policy Statement and Investment Guidelines and such that the Fund
149 provides benefits to the University or DSO or CU at an acceptable risk and at a reasonable cost.

150

151 5.2 In the performance of their duties, the University CFO or Treasurer or CFO of the DSO
152 or CU and investment managers shall:

- 153 (a) Determine whether an investment will be able to provide an adequate return at an
154 acceptable risk so that the University can achieve its stated objectives;
- 155 (b) Recognize the effects of expenses on investment returns by only incurring such costs
156 that are appropriate and reasonable in amount;
- 157 (c) Ensure that, prior to making an investment, appropriate due diligence has been
158 conducted on the investment to ascertain whether credit worthiness, financial condition,
159 earnings potential and ability to meet the obligations are satisfactory;
- 160 (d) Ensure that any collateral or security is of satisfactory quality and value;
- 161 (e) Avoid leaving monies of the Fund idle, except in rare and unavoidable circumstances
162 when cash is required to meet Fund obligations and then not for a period exceeding one
163 month;

164

165 5.3 Investments shall be in the sole name of the Trustees of the University or the DSO or CU,
166 or their nominee. For any investment held by way of a nominee, the name of the investment must
167 clearly indicate that the nominee is holding the asset for the Trustees for and on behalf of the
168 University or on behalf of the DSO or CU.

169

170 5.4 An investment shall not be made unless approved by the University CFO or Treasurer or
171 CFO of the DSO or CU or by the Fund’s investment manager, who has been given that
172 investment discretion by the applicable Board in conformance with this Policy.

173

174 5.5 Investment transactions shall be undertaken at arm's length and at rates or prices
175 comparable to those available in the market for similar investment transactions.

176

177 5.6 The Fund shall not undertake borrowing without the explicit prior approval of the
178 University CFO or CFO of the DSO or CU. The reasons for borrowing and the University CFO
179 or CFO of the DSO or CU approval must be appropriately recorded in the Minutes of the
180 Meeting of the next occurring appropriate Board of the University or DSO or CU.

181

182

183 **6.0 FUND PERFORMANCE OBJECTIVES AND INVESTMENT REPORT**
184

185 6.1 The Primary Performance Objective for the Fund is a total portfolio return which
186 outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year
187 time horizon, net of all investment expenses.

188 (a) The benchmark portfolio return is calculated on a weighted asset class basis and is
189 compared to the appropriate benchmark weighted index returns for each of the major
190 asset classes.

191 (b) Within the various asset classes, the performance objective is to outperform the
192 relevant, appropriate index return.
193

194 6.2 The Secondary Performance Objective for the Fund is a positive rolling 5-year real total
195 return, net of inflation as defined by the Consumer Price Index (CPI), and net of all Fund
196 investment and operating expenses.

197 (a) For Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total
198 return of greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees
199 and expenses.

200 (b) For Long-Term Funds, to the extent that an actively managed strategy is used, an
201 additional annual return objective of 0.50% is added for each actively-managed portfolio.
202 The Secondary Performance Objective for Long-Term Funds is adjusted on a weighted
203 basis for the added 0.50% objective on actively-managed asset classes.
204

205 6.3 The Treasurer or CFO of the DSO or CU will provide a detailed Investment Report to the
206 University CFO and Board of the University and DSO or CU, at least quarterly of the Fund's
207 Investment Performance, compared to the respective Primary and Secondary Objectives.
208

209 6.4 If Fund investment and management responsibility has been delegated to investment
210 managers, the Investment Report will also describe the investment manager's Primary and
211 Secondary Investment Performance gross and net of the investment manager's compensation.
212

213
214 **7.0 FUND ASSET ALLOCATION**
215

216 7.1 Asset Allocation shall be specific enough to establish a desired investment management
217 framework appropriate for the Fund. Asset Allocation shall be consistent with the objectives, risk
218 tolerance and constraints of the Fund and the University or DSO or CU. Asset Allocation shall
219 provide clear guidance for investment portfolio management, providing the highest probability of
220 meeting or exceeding the Fund's return objectives at the lowest risk, to the University CFO and
221 Treasurer and CFO of the DSO or CU, or investment managers, as and if applicable.
222

223 7.2 Asset Allocation provides for basic diversification of the Fund's investment portfolio in
224 order to achieve the Performance Objectives with an acceptable exposure to risk. Asset
225 Allocation recognizes that asset classes will, at different points in a market cycle, perform
226 differently and that the combination of these classes will lower the overall volatility in
227 investment returns.
228

229 7.3 Investment Guidelines, establishing more limited Asset Allocation, within the minimum
 230 and maximum percent of Fund assets for the Fund asset classes, shall be recommended to the
 231 Board of the Fund by the Treasurer or CFO of the DSO or CU. Investment Guidelines will be
 232 provided to the investment managers, to the extent that the responsibility for the investment and
 233 management of the Fund has been delegated. Investment Guidelines will be developed in
 234 consideration of the Fund's economic environment, risk tolerances, return expectations and the
 235 Fund's liquidity needs.

236
 237 7.4 Investment Guidelines, once adopted by the Board of the Fund, will be reported to the
 238 University CFO and reviewed at least annually.

239
 240 7.5 Appropriate action will be taken to rebalance the Fund, generally on a quarterly basis, by
 241 the University Treasurer or CFO of the DSO or CU in order to stay within the Asset Allocations
 242 and Investment Guidelines and to maintain proper diversification among individual investment
 243 managers. Rebalancing may be accomplished by reallocating funds among asset classes and by
 244 managing cash flows into or out of the asset classes by adding funds to underweight asset classes
 245 or by withdrawing funds from overweight asset classes.

246
 247 7.6 The Asset Allocation of the Fund's investment portfolio, allocated within a minimum and
 248 maximum percentage of the total portfolio for each asset class, shall be as follows:

249

<u>SHORT-TERM FUNDS:</u>	<u>ASSET ALLOCATION</u>
<u>Asset Class</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
255 Domestic Direct Fixed Income Securities and 256 Fixed Income Pooled Funds	0% to 90% of Assets
258 Cash Equivalent and Money 259 Market Funds	0% to 100% of Assets

261

<u>LONG-TERM FUNDS:</u>	<u>ASSET ALLOCATION</u>
<u>Asset Class</u>	<u>Minimum and Maximum Percent of Fund Assets</u>
267 Domestic Direct Fixed Income Securities and 268 Fixed Income Pooled Funds	1520% to 4075% of Assets
270 Foreign Fixed Income Pooled Funds	0% to 20% of Assets
272 Domestic Direct Equity and Equity Pooled Funds	25% to 5075% of Assets
274 Foreign Equity Pooled Funds	150% to 3525% of Assets

275
276 Mortgage and Asset-Backed Securities and
277 Real Estate and Real Asset Pooled Funds 0% to 20% of Assets

278
279 Alternative and All Other Investments 0% to 20% of Assets

280
281 7.7 Where short-term funds may be invested with a long-term horizon while maintaining the
282 liquidity needs of the Fund, the University Board or Board of the DSO or CU may, to maximize
283 investment returns, invest a portion of such short-term funds in asset classes described as long-
284 term within this Policy

285
286

287 **8.0 FUND RISK MANAGEMENT**

288

289 8.1 Investment risk is commonly described by relating it to the uncertainty or the volatility of
290 potential returns from a portfolio or investment over time. The source, probability and impact of
291 this uncertainty depend on the particular portfolio or investment. Sources of investment risk
292 include financial exposure to changes in interest rates, equity and debt markets, inflation, foreign
293 exchange rates, commodity prices, and other global economic and political conditions. Risk also
294 resides in concentrations of securities by issuer and asset class and in concentrations of
295 investments with investment managers. These risks will be diversified across major asset classes,
296 within asset classes and across investment managers.

297
298 8.2 Effective risk management requires an understanding of the objectives of the Fund and
299 the University and the DSO and CU, the tolerance for risk, as well as the types and
300 characteristics of portfolios and invested assets. The Treasurer or CFO of the DSO or CU shall
301 develop and establish risk management processes that effectively assess, control and monitor the
302 risks.

303
304 8.3 An effective risk management system is characterized by active supervision of
305 risks. The Treasurer or CFO of the DSO or CU shall monitor the implementation of investment
306 risk strategies, the adequacy and effectiveness of the risk management process, and the
307 investment manager's performance in achieving its strategic and financial objectives.

308
309 8.4 Effective risk management requires that the risks assumed in the investment portfolios be
310 identified and understood. The Treasurer or CFO of the DSO or CU and investment managers for
311 the Fund shall identify the risks and the related means to measure the risks and the necessary
312 controls and monitoring systems. The Treasurer or CFO of the DSO or CU and investment
313 managers shall have access to timely and competent economic analyses and forecasts for the
314 capital markets in which the Fund is investing to enable the Treasurer or CFO of the DSO or CU
315 and investment managers to continually monitor capital market expectations and developments,
316 currency relationships, interest rate movements, commodity prices and expected returns for asset
317 classes and individual investments. These forecasts and recommendations enable the Treasurer
318 or CFO of the DSO or CU and investment managers to establish appropriate investment
319 guidelines and strategies, select appropriate investments, and manage risk effectively. [Annually,](#)
320 [the Treasurer shall complete at least 8 hours of continuing professional education related to](#)

321 | [investment practices and products.](#)

322

323 8.5 Risks will vary over time due to changes in the objectives of the University or DSO or
324 CU and the characteristics and objectives of the Fund, composition of the Fund assets, capital
325 markets, economies and political environments. Therefore, the evaluation of the risk assessment,
326 measurement and monitoring systems by the Treasurer or CFO of the DSO or CU shall be
327 ongoing.

328

329 8.6 An Investment Report, detailing Investment Performance for the Fund, shall be provided
330 by the Treasurer to the Board of the University, and by the CFO of the DSO or CU to the Board
331 of the DSO or CU, on a quarterly basis. An Investment Report of the Investment Performance for
332 all Funds of the University and DSO and CU shall be provided to the Board of Trustees of the
333 University, by the University CFO, on at least an annual basis.

334

335 8.7 Delegation of investment and management authority to third-party fiduciary managers, to
336 the extent that the responsibility for the investment and management of the Fund has been
337 delegated, is a critical element in the Fund's risk management. Consideration of third-party
338 fiduciary managers shall include, at a minimum, the Treasurer's and the CFO's for the DSO or
339 CU, as applicable, annual review of the firm's investment and business practices, professional
340 resources, client reporting capabilities, financial strength, historic performance, regulatory
341 history, personnel turnover, comparative fees, and other relevant factors. The Treasurer or CFO
342 of the DSO or CU shall review the firm's approved written policies and standards that support its
343 risk management practices, operating procedures and control processes. The Treasurer or CFO of
344 the DSO or CU shall review the investment manager's risk management system to ensure that it
345 is supportive of the Fund's investment objectives. The Treasurer and the CFO for the DSO or
346 CU, as applicable, shall review the investment manager's performance quarterly, and meet with
347 the investment manager to review performance and independently evaluate the performance of
348 the investment manager at least annually for the respective Board of the Fund.

349

350 8.8 Selection of investment managers for Alternative Investments should be based on, but not
351 limited to, the following criteria: tenure and track record of management team, expertise in
352 targeted areas of investment, diversification strategy, policies for valuation and market value
353 reporting, lockup requirements, liquidity of investments, level of general manager investment,
354 fees, potential conflicts of interest, audited financial statements and performance relative to other
355 similar investments.

356

357 8.9 Third-party investment managers, depositories, custodians, broker/dealers and investment
358 consultants shall be appointed by the Board of the University or DSO or CU, as appropriate, in
359 accordance with applicable law.

360

361 8.10 Investment managers will receive a letter of instruction outlining investment instructions
362 and asset allocation parameters in writing. Investment managers will only invest in the securities
363 class(es) for which they were retained to manage and will be responsible for making decisions on
364 a fully discretionary basis, including buy, hold, sell and timing decisions.

365

366 8.11 All securities purchased by the University, DSO or CU, or its investment managers, shall

367 be designated as an asset of the University, DSO or CU, or its nominee, and held in safekeeping
368 by a third-party custodial bank or other third-party custodial institution. No withdrawal of
369 securities, in whole or part, shall be made from safekeeping except by those designated in an
370 Investment Management and Custodial Agreement.

371
372 8.12 Sales, purchases and exchanges, competitively bid when feasible and appropriate, should
373 be effected through well-capitalized nationally-known financial institutions, ~~which are~~
374 recognized as being major participants in the equity and fixed income markets, in accordance
375 with appropriate ~~normal~~ investment practices.

376
377 8.13 The University, DSO, CU and investment managers, if applicable, shall maintain master
378 repurchase agreements and require all approved institutions and dealers transacting repurchase
379 agreements to adhere to the requirements of the master repurchase agreement.

380

381

382 **9.0 ELIGIBILITY CRITERIA FOR FUND INVESTMENTS**

383

384 9.1 Eligibility of an investment is to be determined at the date of its acquisition.

385

386 9.2 An investment shall be regarded as eligible for purchase or acquisition by the Fund if it

387 (a) Meets the applicable requirements of the Policy and applicable Statutes;

388 (b) Is not then in default in any respect;

389

390 9.3 The percentage of assets that the Fund has invested in an investment or security shall be
391 determined by the following:

392 (a) Adding the value of the Fund's proportionate holding of the investment or security by
393 each type of asset in which the Fund is invested, to the value of the asset held in the
394 Fund's remaining investment holdings, then

395 (b) Dividing the sum calculated under paragraph (a) by the total value of the Fund's
396 assets.

397

398 9.4 The calculated amount of assets that the Fund has invested in an asset class shall not
399 exceed the maximum and minimum Asset Allocation for the specific asset class, which has been
400 described by the Policy and Policy Statement and more specifically described by the Investment
401 Guidelines for the Fund. Calculations of all percentage limitations shall be done on a market
402 value basis.

403

404

405 **10.0 ELIGIBLE TYPES OF FUND INVESTMENTS**

406

407 10.1 The University CFO and Treasurer or CFO of the DSO or CU and investment managers,

408 to the extent that the responsibility for the investment and management of the Fund has been

409 delegated, may invest the Fund's assets in any type of investment permitted by applicable

410 Statutes and the Policy. If a conflict concerning eligible investments arises between the Statutes

411 and the Investment Policy, the eligible investments described in the Statutes shall apply.

412

413 10.2 Eligible Investments – SHORT-TERM FUNDS

414
415
416
417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) United States Treasury Obligations: Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United State of America with a remaining maturity at the time of purchase of 5 years or less.
- (c) United States Agency Obligations: Direct obligations of the federal agencies which are fully guaranteed by the full faith and credit of the United States of America with a remaining maturity at the time of purchase of 5 years or less.
- (d) Direct obligations of ~~any of the following~~ Federal Agencies, ~~whose~~which obligations are ~~not fully~~ guaranteed by the implied full faith and credit of the United States of America, with a remaining maturity at the time of purchase of 5 years or less;
 - ~~— Federal National Mortgage Association (FNMA) — senior debt obligations rated Aaa by Moody’s and AAA by S&P,~~
 - ~~— Federal Home Loan Mortgage Corporation (FHLMC) — participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P,~~
 - ~~— Resolution Funding Corporation (REFCORP) — debt obligations~~
 - ~~— Federal Home Loan Bank — senior debt obligations, and~~
 - ~~— Student Loan Marketing Association — senior debt obligations.~~
- (e) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation (“FDIC”), including the Bank Insurance Fund and the Savings Association Insurance Fund.
- (f) U.S. dollar denominated certificates of deposit, deposit accounts and bankers’ acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank provided that such bank’s short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings).
- (g) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase in the highest classification, "P-1" by Moody's and "A-1" or better by S&P.
- (h) Investments in a Securities and Exchange Commission registered money market fund rated "AAAm" or "AAAm-G" ~~or better~~ by S&P or “First Tier” consistent with SEC Rule 2a-7 if not rated and being no-load funds.;
- (i) Investments in a U.S. registered and professionally managed fixed income fund with an effective duration of 5 years or less comprised of securities with an average weighted rating of “A” by S&P.
- (j) Municipal Obligations ~~rated “Aaa/AAA”~~ or direct, general obligations ~~of any state of the United States of America or any subdivision or agency thereof,~~ whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or better by S&P with an original or remaining maturity at the time of purchase of 5 years or less.

- 459 (k) Corporate notes or other direct obligations issued, assumed or guaranteed by an
 460 | institution with a minimum credit rating when purchased of “AA” or equivalent with an
 461 | original or remaining maturity not to exceed five years.
- 462 | (l) Mortgage-backed pass through [securities](#) guaranteed by the U.S. Government or a
 463 | Federal Agency, including securities collateralized by the same (CMO). Investments in
 464 | CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated
 465 | class) or VADM (very accurately defined maturity) securities. The effective duration of
 466 | these securities shall not exceed 5 years.
- 467 | (m) Asset-backed securities with credit ratings of “AA” or better. The remaining maturity
 468 | at the time of purchase of these securities shall not exceed 5 years.
- 469 | ~~(n) The State of Florida’s Treasury and State Board of Administration Investment~~
 470 | ~~Pool(s).~~
- 471 (o) Repurchase agreements, fully secured and collateralized at 102%, which collateral
 472 | must be held by a third party, whose underlying instruments are securities or obligations
 473 | of governments with a credit rating of “A” or equivalent, and securities and obligations of
 474 | the U.S. Government. All agreements will be in compliance with Federal Reserve Bank
 475 | guidelines.
- 476 (p) Securities lending must be fully secured and collateralized by obligations authorized
 477 | under this Policy. Such collateral must be held by a third party. All agreements will be in
 478 | compliance with Federal Reserve Bank guidelines.
- 479 | (q) Where short-term funds may be invested in investments with a long-term horizon
 480 | while maintaining the liquidity needs of the Fund, the University Board or Board of the
 481 | DSO or CU may, to maximize investment returns, invest a portion of such short-term
 482 | funds in asset classes described as long-term within this Policy.

483
 484
 485 10.3 Eligible Investments – LONG-TERM FUNDS

- 486
 487 (a) Corporate notes or other direct debt obligations issued, assumed or guaranteed by an
 488 | institution with a minimum credit rating when purchased of “A” or equivalent.⁵
- 489 (b) Direct commercial paper or promissory notes which have been guaranteed by a
 490 | domestic commercial bank or life insurance company and the term of which note or paper
 491 | is not greater than the term of the guarantee, with a minimum credit rating when
 492 | purchased of “A” or equivalent.
- 493 (c) Direct stocks and equity shares of institutions whose securities are listed on a
 494 | recognized stock exchange of the United States.
- 495 | - The Fund may invest in the shares of a company offering shares in an
 - 496 | initial public offer where the company intends to list on a recognized U.S.
 - 497 | stock exchange of a recognized jurisdiction and where the initial public
 - 498 | offer meets the requirements of the Securities Acts,
 - 499 | - The Fund may invest in preferred or guaranteed shares, other than
 - 500 | ordinary shares, of any institution to which this provision applies.
- 501 (d) Pooled Funds which are professionally managed and registered with the Securities
 502 | and Exchange Commission and invested in the following securities authorized by this
 503 | Policy:
- 504 | - U.S. Equity – Indexed and Actively Managed Pooled Funds,

- 505 - U.S. Fixed Income – Indexed and Actively Managed Pooled Funds,
506 - Foreign Equity and Foreign Fixed Income – Indexed and Actively
507 Managed Pooled Funds (traded as U.S. dollar denominated ADR’s on U.S.
508 exchanges),
509 - Real Estate Pooled Funds and real estate investment trusts and Real Asset
510 Pooled Funds (timber and natural resources) used to diversify and enhance
511 the return of the Fund.
- (e) Loans and mortgages subject to the following provisions:
- 513 - Invested in loans, mortgages or deeds of trust collateralized by real
514 property located in Florida for the sole benefit of the University, provided
515 that adequate collateral is pledged,
 - 516 - Loans secured by a pledge of securities or evidences of debt Eligible for
517 Investment,
 - 518 - Loans granted under these provisions must not exceed 80 percent of the
519 remaining value of the collateral at the date of grant and specify a
520 repayment date and schedule for repayment. For the purposes of these
521 provisions, the remaining value of the collateral is determined by
522 subtracting the total outstanding balance of loans, charges, pledges or liens
523 which rank *pari passu (equal to)* or higher than the loan being considered
524 from the fair market value of the collateral,
 - 525 - The total value of loans or mortgages to any single related party must not
526 exceed 1 per cent of the fair market value of the Fund's total assets.
- (f) Real Property subject to the following provisions:
- 528 - Buildings and other improvements located on mortgaged premises shall be
529 kept insured against loss or damage from fire in an amount not less than
530 the unpaid balance of the obligation or the insurable value of the property,
531 whichever is greater, and
 - 532 - Developed real property must be kept insured for its insurable value
533 against loss or damage from fire.
- (g) Mortgage-backed pass through [securities](#) guaranteed by the U.S. Government or a
534 Federal Agency, including securities collateralized by the same (CMO). Investments in
535 CMOs shall be limited to PACs (planned amortization class), NAC (non-accelerated
536 class) or VADM (very accurately defined maturity) securities. The effective duration of
537 these securities shall not exceed 5 years.
- (h) Asset-backed securities with credit ratings of “A~~A~~” or better. The effective duration
539 of these securities shall not exceed 5 years.
- (i) Alternative and All Other Investments. The All Other Investments asset class includes
541 all other Eligible investments, loans and securities, plus all other investments, loans and
542 securities that have not been specifically identified as Eligible in the Policy but have been
543 individually or as a class approved by the Board of the University, DSO, or CU, as
544 applicable, which collectively shall not exceed 20 percent of the fair market value of the
545 Fund’s assets. The Alternative Investments asset class, used to diversify and enhance the
546 return of the Fund, includes, but is not limited to, the following: venture capital, private
547 equity partnerships, real estate partnerships, mezzanine, distressed or high-yield debt,
548 pooled funds not registered with the SEC and hedge funds. Each Alternative investment
549 will be approved by the appropriate governing body of the Fund. Hedge fund investments
550

551 will only be made that would comprise less than 10% of any individual partnership's
552 assets, unless specifically approved by the Board of the University, DSO, or CU, as
553 applicable.

554 (j) Hedging Transactions subject to the following provisions:

- 555 - The Fund may use *bona fide* hedging transactions and derivative
556 instruments for the sole specific objective of altering the risk profile of its
557 investment portfolio,
- 558 - In all cases, the Fund may not use derivatives for the primary purpose of
559 generating income or to speculate on securities or commodity prices, ~~and~~
560 - For the purposes of this provision, *bona fide* hedging transactions are
561 those which pertain to securities otherwise eligible for investment
562 including but not limited to financial futures contracts, warrants, options,
563 calls and other rights of purchase; and puts and other rights which require
564 another person to purchase the securities, and
565 - Provided in all cases that the official responsible for making investment
566 decisions concerning eligible derivative products must have a sufficient
567 understanding of derivative products and the expertise to manage them.

568 (k) Securities lending must be fully secured and collateralized by obligations authorized
569 under this Policy. Such collateral must be held by a third party. All agreements will be in
570 compliance with Federal Reserve Bank guidelines.

571 572 573 **11.0 FUND CONCENTRATION LIMITS**

574
575 11.1 Subject to the provisions of the Policy, the Fund shall not hold, acquire or purchase, any
576 combination of investments in or loans upon the security of the obligations, property, and
577 securities of any one issuer exceeding 5 per-cent of the market value of the assets of the Fund.
578 Direct investments in securities of the U.S. Government, Government Agencies and State of
579 Florida Investment Pools, or Pooled Funds comprised solely of U.S. Government Securities are
580 not subject to these restrictions.

581
582 11.2 The Fund may not, either by itself or in conjunction with any related party, acquire, hold
583 or control, without the prior approval of its appropriate governing body, in excess of 5 percent of
584 the voting shares in a corporation or interest in any company.

585
586 11.3 Limitations based upon the fair market value of the assets of the Fund shall relate to the
587 Fund's assets as declared in the financial statements of the University or DSO or CU filed with
588 the Auditor General of the State of Florida at the end of the previous fiscal year.

589
590 11.4 The limits imposed by the paragraph 11.1 do not apply:

- 591 (a) If it can be shown to the satisfaction of the Boards of the University or DSO or CU
592 that the sole cause for the limit being exceeded is as a result of the market appreciation of
593 the investment;
- 594 (b) To the acquisition by the Fund of other or additional securities or property by way of
595 dividend or as a lawful distribution of assets, or pursuant to a lawful and bona fide
596 agreement of merger, or consolidation.

597
598
599
600
601
602
603
604
605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642

12.0 PROHIBITED FUND INVESTMENTS AND TRANSACTIONS

- 12.1 The Fund shall not engage in short selling.
- 12.2 The Fund shall not invest in or loan its funds upon the security of, or hold
 - (a) Ineligible investments or loans under the Statutes or provisions made thereunder;
 - (b) Derivative obligations which are not Hedging Transactions, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
 - ~~(c) Fixed income obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date. These prohibited securities are not intended to exclude otherwise permitted inflation protected securities;:-~~
 - (d) Securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index, or securities whose future coupon may be suspended because of the movement of interest rates or an index;:-
 - (e) Tranches of collateralized mortgage obligations (CMO) which receive only the interest or principal from the underlying mortgage securities, commonly referred to as IOs or POs;:-
 - (f) Reverse repurchase agreements;:-
 - (g) Securities issued by an insolvent institution;
 - (h) Unsecured loans or leases;
 - (i) Speculative investments such as investments which expose the Fund to extraordinary risk;
 - (j) Loans and investments in entities related to the auditors or accountants of the Fund, University, DSO or CU;
 - (k) Mortgages for properties located outside of Florida, except when approved by the University CFO, or Board of the DSO or CU; and
 - (l) Any investment or security which is designed to evade any prohibitions under the Statutes or provisions made thereunder.
- 12.3 The Fund shall not participate in the underwriting or the marketing of securities in advance of their issuance or enter into any transaction for such underwriting for the account of the Fund jointly with any other person. The Fund may subscribe to the securities when issued or enter into any agreement to withhold from sale any of its property or to repurchase any property sold by it, except repurchase agreements held pursuant to the provisions contained herein for eligible repurchase agreements.
- 12.4 The Fund shall not increase its holdings in securities or assets, as prescribed in this Policy, to an amount more than the prescribed Asset Allocation limits or other Investment Guidelines except with the approval permitted in paragraph 17.0.
- 12.5 The assets of the Fund shall not be directly or indirectly invested in securities or investments which are not traded on a recognized United States stock exchange, except when specifically approved by the University CFO or Board of the DSO or CU, as applicable. This restriction shall not apply to Alternative Investments and securities received as a gift, which

643 securities should be liquidated within 1 year of receipt.

644

645 12.6 These restrictions do not apply to assets acquired by means of an intellectual property
646 agreement.

647

648

649 **13.0 DISPOSAL OF INELIGIBLE AND PROHIBITED FUND INVESTMENTS**

650

651 13.1 In instances where the prescribed investment limits in the Policy have been exceeded, the
652 Fund shall dispose of such assets or make such investments as are necessary to bring the Fund's
653 investments within the prescribed limits or shall obtain the approval permitted in paragraph 17.0.

654

655 13.2 Any investments acquired by the Fund pursuant to defaults on loans, mortgages, liens,
656 judgments, or other debts shall be disposed of within 1 year after the date of acquisition. The
657 University CFO or CFO of the DSO or CU may extend the time for any such disposal for a
658 definite additional period or periods upon application and reasonable showing that a forced sale
659 of the investments would be inimical to the Fund. Any such investment held by the Fund without
660 the consent of the Board of the University or DSO or CU beyond the time permitted for its
661 disposal shall not be carried or allowed as an asset of the Fund.

662

663

664 **14.0 VALUATION OF FUND INVESTMENT ASSETS AND LIABILITIES**

665

666 14.1 Assets and liabilities of the Fund shall be valued at fair market value.

667

668 14.2 An independent external appraiser approved by the University CFO or CFO of the DSO
669 or CU shall:

670 (a) Determine the valuation of real property, excluding Real Estate Pooled Funds, upon
671 the

672

(i) Making of a mortgage loan;

673

(ii) Purchase or acquisition of real property, and then no less frequently than each
674 3 years thereafter;

675

(iii) End of the Fund year coinciding with the effective date of the valuation
676 required by the Investment Policy.

677

(b) Where the University CFO or CFO of the DSO or CU deems appropriate, verify
678 valuations for assets which are not real estate; and

679

(c) Obtain new appraisals when the University CFO or CFO of the DSO or CU at the
680 expense of the Fund deems it advisable.

681

682

683 **15.0 RELATED PARTY INVESTMENTS**

684

685 15.1 The assets of the Fund shall not be directly or indirectly invested in real property
686 associated with the occupancy or expansion of the business of the investment manager,
687 investment consultant, auditor, University CFO, University President, University Trustees, Board
688 members of the DSO or CU, Treasurer, CFO of the DSO or CU or the associated companies of

689 the foregoing.

690

691 15.2 The total of Related Party securities or investments must not exceed 1 percent of the fair
692 market value of the assets of the Fund, unless otherwise restricted pursuant to the requirements
693 of law, including Chapter 112, Florida Statutes, as applicable.

694

695 15.3 In any transaction that is entered into by, or on behalf of, the Fund with a person who the
696 University CFO or CFO of the DSO or CU, or any person acting on behalf of the University or
697 DSO or CU Board, knows will become a Related Party to the Fund, that person shall be
698 considered to be a Related Party in respect of the transaction and the fulfillment of an obligation
699 under the terms of any transaction is part of the transaction and not a separate transaction.

700

701 15.4 All transactions with Related Parties shall have the prior written approval of the
702 University CFO or CFO of the DSO or CU and be disclosed to the Board of the University or
703 DSO or CU, and regardless of whether an investment manager may have been given
704 discretionary investment powers, and conform to applicable law, including Chapter 112, Florida
705 Statutes.

706

707 15.5 The Treasurer or CFO of the DSO or CU shall maintain a register of all Related Party
708 transactions.

709

710 15.6 The register must show in relation to each transaction

- 711 (a) The name of the Related Party;
- 712 (b) Description of the connection with the Fund;
- 713 (c) Type and amount of the investment;
- 714 (d) Date of the transaction and of the approval. †

715

716

717 **16.0 CONFLICTS OF INTEREST**

718

719 16.1 The provisions of the Policy apply to individuals defined as a Related Party or a third
720 party retained by a Related Party to provide services to the Fund.

721

722 16.2 No Related Party or other person described above may exercise his powers in his own
723 interest or in the interest of a third person, nor may he place himself in a situation of conflict or
724 potential conflict between his personal interest and his duties with regard to the investments of
725 the Fund.

726

727 16.3 Any Related Party or other person described above shall disclose any direct or indirect
728 association or material interest or involvement that would result in any actual, potential or
729 perceived conflict of interest with regard to the investments of the Fund. Without limiting the
730 generality of the foregoing, this would include material benefit from any asset held in the Fund,
731 or any significant holding, or membership on the board, or any actual or proposed contracts with
732 the issuer of any securities or investment which are or will be included in the Fund.

733

734 16.4 A Related Party or other individual described above shall disclose in writing the nature

735 and extent of his interest to the University CFO or Board of the DSO or CU immediately upon
736 first becoming aware of the conflict. The disclosure must also be made orally if the knowledge of
737 the conflict arises in the course of discussion at a meeting.
738

739 16.5 If a Related Party or other individual described above disclosing the conflict has the
740 capacity to participate in or to make decisions affecting the investments of the Fund, the party
741 may only continue to participate in conformance with applicable law and, if allowable, with the
742 approval of the University CFO or the Board of the DSO or CU. The party may elect not to
743 participate with respect to the issue in conflict unless prohibited from doing so by applicable law.
744 His notification shall be considered a continuing disclosure on that issue for purposes of the
745 obligations outlined by these provisions.
746

747

748 **17.0 EXCEPTIONS TO POLICY**

749

750 Exceptions to some of the requirements specified in this Investment Policy may occasionally
751 occur due to events subsequent to the purchase of investment instruments (e.g. the rating of a
752 corporate note held in the portfolio is downgraded below an "A" rating, or an investment or asset
753 class in the portfolio may appreciate or decline causing the percentage of the total portfolio to
754 rise above or fall below the minimum or maximum percent of Fund assets) or due to other needs
755 in the best interests of the University.
756

757

758 The University CFO and the designated CFO of the DSO or CU and their respective Boards shall
759 be informed immediately of any exception. Exceptions shall be reviewed for possible corrective
760 action. Exceptions may be temporary or more lasting; they may be self-correcting or require
761 specific action. If specific action is required, the University CFO and CFO of the DSO or CU, as
762 appropriate, will determine the course of action that will correct exceptions. Any subsequent
763 investments will not extend existing exceptions. Exceptions, and the course of action to correct
764 the exceptions, will be reviewed with the University Board and DSO or CU Board, as
765 appropriate. The Board of the University reserves to itself the exclusive right to revise or grant
766 exceptions to the Investment Policy. As long as an exception to the Policy continues, it will be
767 re-evaluated by the Board of the University and the respective governing Board at least on an
768 annual basis.
769

770

771

772 **18.0 TRANSITION PLANNING**

773

774 18.1 Within 60 days of the Policy being approved by the University President or Board of the
775 DSO or CU, the Treasurer or CFO of the DSO or CU shall file with the University CFO or Board
776 of the DSO or CU:

777 (a) A statement noting that the Fund is in compliance with the requirements of the Policy
778 and the Statutes; or

779 (b) A plan approved by the Treasurer or CFO of the DSO or CU:

780 (i) Specifying in detail how compliance is to be achieved within a reasonable
781 period not exceeding 5 years; and

(ii) Delineating specific goals to be achieved within a specified reporting period

781 not exceeding 1 year.

782

783 18.2 The Treasurer or CFO of the DSO or CU shall review each plan filed pursuant to these
784 transition provisions and shall determine if the plan is reasonable to achieve compliance and
785 specific goals.

786

787 18.3 If the Treasurer or CFO of the DSO or CU determines that the plan is not reasonable or
788 does not establish specific goals that may be objectively reviewed, the Treasurer or CFO of the
789 DSO or CU shall not approve the plan and shall notify the investment manager of the Fund and
790 give the investment manager a period of time not greater than 30 days to submit a plan which is
791 sufficient to comply with the mandate.

792

793 18.4 If the Treasurer or CFO of the DSO or CU determines that the plan is reasonable and
794 establishes goals that may be objectively reviewed, the Treasurer or CFO of the DSO or CU shall
795 approve the plan and so notify the investment manager.

796

797 18.5 Upon successful completion of the plan, the Treasurer or CFO of the DSO or CU shall
798 provide to the University Chief Financial Officer or Board of the DSO or CU a statement that the
799 Fund is in compliance with the requirements of the Policy.

800

801

802

803

804

805

806

807

808

809

810

811

812

813

814

815

816

817

818

819

820

821

822

823

824

825

826

827 **EXHIBIT A**

828
829 **DEFINITIONS**

830
831
832
833 “Asset Allocation” means an investment framework of the Fund’s investment portfolio allocated
834 within a minimum and maximum percentage of the total portfolio for each asset class. Asset
835 Allocation is specific enough to establish a desired investment management framework, yet
836 allow latitude for reasonable flexibility on the part of investment managers. Asset Allocation
837 shall be consistent with the objectives, risk tolerance and constraints of the Fund and provide
838 clear investment portfolio management guidance to the investment managers;
839

840 “Board” of the University means the governing body for the Fund, as declared in a Policy
841 Statement adopted by the University, University Board of Trustees or President of the
842 University. “Board” of the DSO or CU means the governing body for the Fund, as declared in a
843 Policy Statement adopted by the DSO or CU Board of Directors / Trustees. “Board” of the
844 University or DSO or CU shall include the Investment Committee, provided that the Board has
845 delegated investment authority for the Fund to an Investment Committee, as declared in the
846 Policy Statement;
847

848 “CFO” of the University or DSO or CU means the designated CFO or senior finance officer of
849 the University or DSO or CU or authorized officers or Investment Committees of the Boards of
850 Directors / Trustees of the University or DSOs or CUs;
851

852 “CU” means Component Unit of the University, pursuant to Department of Education Rule 6C-
853 9.017 Florida Administrative Code, as certified by the University, or a unit for which the
854 university is financially accountable. It does not include programs, such as those established
855 pursuant to Florida Statute 1004.24 and Florida Administrative Code 6C-10.001, which are
856 housed at the University but whose assets are the legal and financial responsibility of an entity
857 other than the University. Certain programs housed at the University are separately created by
858 Florida Statute and Florida regulations as programs whose assets are the property of an entity
859 other than the University. While those programs are not included in the definition of “component
860 units”, their assets may be recorded in the University’s financial statements. Therefore, those
861 programs, consistent with applicable statutes/regulations by which they are governed and their
862 own prudent, effective investment practices and guidelines, will use this Policy’s terms as
863 guidance to help ensure their practices comply with the University’s financial responsibilities;
864

865 “DSO” means Direct Support Organization, pursuant to Section 1004.28 Florida Statutes, as
866 certified by the University;
867

868 "Employee" means a full time, part-time or contract worker;
869

870 "Fair market value" shall be determined on a consistent basis in compliance with the Financial
871 Accounting Standards Board Statements, the Government Accounting Standards Board
872 Statements, industry guidelines, or State Statutes, whichever is applicable;

873
874 "Fund" means a Short-Term Fund, typically invested in short-term interest bearing investments,
875 or a Long-Term Fund, typically invested in longer-term interest bearing, equity and other types
876 of investments. Funds shall be designated as Short-Term Funds or Long-Term Funds by a Policy
877 Statement adopted by the Boards of the University or DSO or CU. The term "Fund" shall mean
878 Short-Term Fund or Long-Term Fund, as the case may be;
879
880 "Hedging Transaction" means a purchase or sale of a contract, warrant, option, call, put, or right
881 entered into for the purpose of minimizing risks or offsetting changes in the market values or
882 yield rates of securities held or sold by the Fund;
883
884 "Investment Committee" means the Investment Committee of the University, DSO or CU Board,
885 provided that the Board has delegated investment authority for the Fund to an Investment
886 Committee;
887
888 "Investment Guidelines" means specific Investment Guidelines approved by the appropriate
889 governing body of the Fund for a more limited asset allocation mix within the Investment
890 Policy's minimum and maximum Asset Allocation limits for asset classes and / or guidelines for
891 diversifying asset mix among types of eligible investments within the asset classes;
892
893 "Investment Performance" is the use of performance measurement systems to calculate a
894 standardized performance return on a portfolio, the various asset classes and the investments
895 over a specified time period. The methods of calculating the returns on a time-weighted, risk-
896 adjusted, total return basis and in a fair, understandable and consistent manner should be
897 consistent with the standards of the investment industry. The use of benchmarks, the standard of
898 comparison for investment performance, will facilitate the evaluation of relative portfolio returns
899 and investment manager performance;
900
901 "Investment Report" means a detailed Investment Report provided to the Investment Committee
902 or Board of the Fund on a quarterly basis and the University Trustees and DSO or CU Board at
903 least annually of the Investment Performance of the Fund's Primary and Secondary Investment
904 Performance Objectives. If Fund investment and management responsibility has been delegated
905 to investment managers, the Investment Report will also describe the Investment Performance of
906 the Fund's Primary and Secondary Investment Performance Objectives attained by the
907 investment manager before and after the investment manager's compensation;
908
909 "Long-Term Funds" means funds with a long-term investment horizon, in theory perpetual,
910 which may generate a stream of earnings to support current operations that will remain stable or
911 grow in real or inflation-adjusted terms, and which may include true endowment funds (funds
912 received from a donor with a restriction that the principal is not expendable), term endowment
913 funds (funds for which the donor stipulates that the principal may be expended after a stated
914 period of time or upon the occurrence of a certain event) and funds functioning as endowments
915 (funds that have been established by the governing board to function like an endowment fund but
916 that may be expensed at any time at the discretion of the board);
917
918 "Material change" includes a

- 919 (a) Change of status of the Fund including termination or winding up of the Fund -
920 partially or in its entirety;
921 (b) Merger of the Fund with another fund;
922 (c) Change in the declared Short-Term or Long-Term status of the Fund;
923 (d) Substantial change in investments or delegation of investments to an investment
924 manager; or
925 (e) Other material change in circumstances that the Board or other appropriate governing
926 body of the Fund may declare from time to time;

927
928 "Miscellaneous Investments" includes investments, loans and securities that have not been
929 specifically identified in this Policy;

930
931 "Obligation" includes bonds, debentures, promissory notes, commercial paper or other evidences
932 of indebtedness;

933
934 "Performance Objective(s)" includes two performance objectives for each Fund: (a) the Primary
935 Investment Performance Objective, and (b) the Secondary Performance Objective;

936
937 "Policy Statement" means a declaration of the Fund's status made by the appropriate governing
938 body of the Fund, whether the Board of the University or DSO or CU or Investment Committee
939 of the University or DSO or CU with delegated investment authority for the Fund or other
940 appropriate governing body of the Fund;

941
942 "Pooled Funds" means professionally managed indexed or actively managed funds registered
943 with the Securities and Exchange Commission and listed on stock exchanges in the United
944 States;

945
946 "Primary Investment Performance Objective" for the Fund is a total portfolio return which
947 outperforms appropriate market and asset benchmark portfolio returns over a rolling 3 to 5-year
948 time horizon, net of all investment expenses. The benchmark portfolio return is calculated on a
949 weighted asset class basis and is compared to the appropriate benchmark weighted index returns
950 for each of the major asset classes. Within the various asset classes, the performance objective is
951 to exceed the relevant, appropriate index return;

952
953 "Prudent Person Rule" means that in making or retaining each and all investments and in
954 acquiring, investing, reinvesting, exchanging, retaining, selling, supervising and managing funds,
955 there shall be exercised the judgment and care, under circumstances then prevailing, that persons
956 of ordinary prudence, discretion and intelligence exercise in the management of their own
957 affairs, not for speculation, but for investment, considering the probable safety of their capital as
958 well as the probable income to be derived from the investment;

959
960 "Recognized stock exchange" means any stock exchange that is qualified to operate as a stock
961 exchange in the United States of America;

962
963 "Related Party" The following persons shall be treated as a Related Party to the University:

- 964 (a) The administrator, investment manager, investment consultant, University CFO,

965 Director / Trustee of a DSO or CU, Treasurer, CFO of a DSO or CU or Trustees of the
966 University;
967 (b) A director, officer or employee of any institution mentioned in paragraph (a);
968 (c) An individual who, directly or indirectly, holds, or together with his spouse or child,
969 holds more than 10 percent of the voting shares carrying more than 10 percent of the
970 voting rights attached to all voting securities of any person mentioned in paragraph (a);
971 (d) An individual who is an affiliate of the administrator, investment manager or the
972 University or an employee, officer or a director of such individual;
973 (e) A company which is directly or indirectly controlled by an individual referred to in
974 paragraphs (a) to (d);
975 and shall be deemed to be a Related Party for a period of up to 12 months after that
976 person has ceased to satisfy the description under paragraphs (a) to (e);
977 (f) Any person covered by the definition of Relative under Chapter 112, Florida Statutes
978 or any person that would be otherwise covered in the manner described therein by
979 Chapter 112;

980
981 “Secondary Performance Objective” for the Fund is a positive rolling 5-year real total return, net
982 of inflation as defined by the CPI, and net of all Fund investment and operating expenses. For
983 Long-Term Funds, the Secondary Performance Objective is a rolling 5-year total return of
984 greater than the rate of inflation plus 5.0% (3.0% for fixed income), after fees and expenses. To
985 the extent that an actively managed strategy is used, a risk-adjusted, excess annual return of
986 0.50% is added to the Long-Term Secondary Performance Objective;

987
988 “Short-Term Funds” means funds not needed immediately for operating purposes as well as
989 funds reserved for facilities construction or other capital purposes or other purposes. Short-Term
990 Funds are generally invested in high-quality fixed-income investments that generate high levels
991 of current income, the maturities of such investments are either short term or staggered so that
992 maturities coincide with expenditures;

993
994 “Statutes” mean the Federal and State of Florida laws and regulations, including Sections
995 1011.42, 1004.24 and 218.415, Florida Statutes, and the State of Florida Administrative Code
996 Rules of the Department of Education applicable to the University, the Board of Governors’
997 regulations/policies, including Florida Administrative Code 10.001 and any Statutes and Rules
998 applicable to DSOs and CUs, including Section 1004.28 and 1010.10 and any applicable
999 University regulations;

1000
1001 "Stocks and shares" means common shares, preferred shares and equity-type shares of a
1002 company;

1003
1004 “Treasurer” means the University Treasurer or authorized officers in the Office of the Treasurer;

1005
1006 “Trustees” means the Board or other governing body for the Fund, as declared in a Policy
1007 Statement adopted by the President of the University or Board or other appropriate governing
1008 body for the Fund;

1009
1010 “University” means The University of South Florida Board of Trustees, a public body corporate.