1. Purpose and Scope

A. Purpose - The purpose of this Investment Policy (Policy) is to govern the investment of certain University Operating Funds in accordance with sections 1011.42(5) and 218.415, Florida Statutes.

B. Scope - This investment policy applies to certain operating funds determined by the President to be in excess of those required to meet current expenses for the benefit of the University of Florida (University). These funds will be designated as University Operating Funds (UOF) for the purpose of this policy. The policy shall not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

2. Investment Objectives

A. The primary objective is to place the highest priority on the safety of UOF principal and liquidity. The optimization of investment income shall be secondary to the requirements for safety and liquidity.

B. A secondary objective is to maximize the investment return per fiscal year while providing minimal risk of market value volatility and adequate short-term liquidity to meet any cash flow demands.

C. As a tertiary objective, the UOF portfolio seeks to outperform its benchmarks associated with the investment pools described in section 7.B. below.

3. Roles and Responsibilities

A. Board of Trustees – Finance, Strategic Planning & Performance Metrics Committee
The Finance, Strategic Planning & Performance Metrics Committee of the UF Board of Trustees will approve the UOF investment policy of the university. They will also approve changes to the UF Investment Policy.

B. University Investment Committee
The University Investment Committee, appointed by the President of the University or his/her designee, will consist of five to eight persons related to the University and familiar with aspects of the University’s cash needs.

The Investment Committee will approve asset allocation decisions based on long and short-term cash needs. Actual investment decisions within the approved allocations will be made by the Vice President and Chief Financial Officer (“CFO”), University Controller (as authorized by the CFO), and with certain activities delegated to the University of Florida Investment Corporation (UFICO) as appropriate.

The Investment Committee may engage advisors to assist them in their investment decisions, with approval from the President of the University. The Investment Committee may select investment manager(s) and is responsible for monitoring the performance of all such manager(s).

C. Vice President and Chief Financial Officer
The Vice President and Chief Financial Officer (CFO) will chair the University Investment Committee.

D. Assistant Vice President and University Controller
The University Controller performs the duties of Secretary of the Investment Committee, a non-voting role. The Division of Finance and Accounting, under the direction of the Controller, will ensure proper accounting of investments and prepare required monthly and quarterly management reports reviewed by the Investment Committee.

E. Senior Vice Presidents
The Chief Operating Officer, Chief Academic Officer and the Executive Chief of Staff will review the UOF management reports and portfolio performance at least twice per year.

4. Performance Measurement

A. For funds with a shorter-term investment horizon, The State Treasury Investment Pool will be used as a benchmark for the current operating funds (short-term portfolio), in addition to the 3-month U.S. Treasury Bill.

B. For funds with a longer-term investment horizon (long-term portfolio) the State Treasury Investment Pool will also be used as well as an index with similar maturity
characteristics; specifically defined relative to the specific longer-term funds at the time they are invested. A policy portfolio benchmark will also be constructed using the target allocations and sub-portfolio benchmarks, as appropriate.

C. For funds invested with UFICO, a benchmark approved by the UFICO Board of Directors will be used.

5. Prudence and Ethical Standards

A. Investments shall be made in accordance with the “Prudent Person” rule which states the following: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.

B. Employees and members of the Investment Committee involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Also, employees involved in the investment process shall disclose to the University any material financial interests in financial institutions that conduct business with the University, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the University’s investment program.

C. Delegation of Authority – Except as provided in Section 17, authority to manage the UOF investment program outlined in this policy is delegated by the President of the University to the Investment Committee.

6. UOF Portfolio Authorized Investments

Investments shall be limited to the following:

A. U.S. Treasury Bills, Notes, Bonds, and Strips and other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.

B. Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FBLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board and all other government sponsored agencies and enterprises.

C. Repurchase Agreements: collateralized at 102% by U.S. Treasuries.
D. Certificates of Deposit in state-certified qualified public depositories.

E. Mortgage-Backed Pass Throughs guaranteed by the U.S. Government or a Federal agency, including securities collateralized by the same.

F. Asset-Backed Securities: rated "AAA" by either Standard & Poor's or Moody's at the time of purchase. Thereafter, any security downgraded below AAA by either rating agency will be evaluated for potential divesture by the CFO and University Controller after consultation with the President of UFICO.

G. Money Market Instruments: securities rated “A1/P1" or the equivalent as a minimum as defined by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations (Tier 1 as defined by 2(a) 7 money market funds) at the time of purchase. Included but not limited to commercial paper, time deposits and banker's acceptances.

H. Corporate Notes rated single A and higher by both Standard & Poor’s and Moody's at the time of purchase. Thereafter, any security downgraded below single A by either rating agency will be evaluated for potential divesture by the CFO and University Controller after consultation with the President of UFICO.

I. Money Market Funds registered with the SEC and only invested in securities as allowed by this policy.

J. Such investments authorized by this section include those governed by the UFICO Statement of Investment Policy.

K. Investments as otherwise authorized by the Board of Trustees.

L. State Treasury Investment Pool

M. State Board of Administration Local Government Surplus Fund Trust Fund (SBA Pool)

N. University Central Bank: Excess funds may be invested in the operations of university departments, auxiliaries and centers through the University’s Central Bank Institutional Loan Program (See Appendix A).

It should be recognized that certain securities may meet the above definition of an Authorized Investment but their risk characteristics, as created by their structure, may be such that a prudent investor would deem them inappropriate for the University. Securities of this type which are prohibited:

A. Reverse repurchase agreement
B. Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index

C. Tranches of Collateralized Mortgage Obligations (CMO) which receive only the interest or principal from the underlying mortgage securities; commonly referred to as “IO’s” and “PO’s”

D. Securities whose future coupon may be suspended because of the movement of interest rates or an index

7. Maturity and Liquidity Requirements

A. The UOF investment portfolio shall be constructed in such manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

B. University funds will be held in the following three pools, based on the specific criteria for the pool as noted below.
   1) Operational Cash and Emergency Reserves (short-term) – designated as cash reserves needed for operational expenses and immediate cash reserves that may be needed to cover unforeseen emergency events (e.g., disaster recovery). Funds require late-day access and same day liquidity. Funds may be invested overnight with authorized institutions.
   2) Restricted Cash – designated as cash proceeds from bonds earmarked for use with specific construction projects. Funds are invested as determined by bond covenant.
   3) Strategic (long-term) – designated as cash that historically has not been used for normal operations and can be invested long-term, such as those invested with the UF Investment Corporation and the University Central Bank. Funds may be invested for one year or longer.

8. Portfolio Composition

Recognizing that market value volatility is a function of maturity, with the exception of the funds placed with UFICO and the University Central Bank, the UOF portfolio shall be maintained as a short-term maturity portfolio. Additionally, it is recognized that proper diversification is considered a prudent investment approach. Specifically, the following restrictions apply in the management and investment of the UOF Portfolio:

A. The total UOF Portfolio must maintain a total quality rating of 5.5 or higher on the following scale:
Government Investment Pool 10.0
U.S. Government fully guaranteed 10.0
University Central Bank 10.0
Government sponsored enterprises (GSE):
“AAA”-rated securities: 8.0
“AA”-rated securities: 7.0
“A” – rated securities: 6.0
“BBB”-rated securities 5.0
All others 1.0

B. The UOF Portfolio target portfolio mix is as follows:

For the purposes of establishing the target asset allocation, the UOF Portfolio will be further sub-divided into a core portfolio (which shall consist of all UOF assets up to $1.5 billion) and a non-core portfolio (which shall consist of all UOF assets in excess of $1.5 billion). The UOF core portfolio target allocation is as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum and Maximum Percent of Portfolio Assets</th>
<th>Target Percent of Portfolio Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Liquidity</td>
<td>65% - 100%</td>
<td>70%</td>
</tr>
<tr>
<td>2) Growth Strategies</td>
<td>0% - 35%</td>
<td>25%</td>
</tr>
<tr>
<td>3) Central Bank &amp; other Direct investments</td>
<td>0% - 10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

The UOF non-core portfolio will be allocated as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum and Maximum Percent of Portfolio Assets</th>
<th>Target Percent of Portfolio Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Liquidity</td>
<td>90% - 100%</td>
<td>100%</td>
</tr>
<tr>
<td>2) Central Bank &amp; other Direct investments</td>
<td>0% - 10%</td>
<td>0%</td>
</tr>
</tbody>
</table>

For the purposes of this asset allocation, the “Liquidity” asset class includes: cash, U.S. Treasuries, the State Treasury Investment Pool, and money market instruments with a rating of A1 or better. For the purposes of this asset allocation, the “Growth Strategies” asset class are those strategies specified in the UFICO Statement of Investment Policy as approved by the UFICO Board of Directors and include: the long-term “endowment” pool, public equity, hedged strategies, private investments, or other appropriate investments.
9. **Risk and Diversification**

Investments held shall be diversified, in accordance with the guidelines set above, to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. Diversification strategies within these guidelines shall be reviewed and revised periodically, as deemed necessary by the Investment Committee.

10. **Authorized Investment Institutions and Dealers**

The University shall list financial institutions consisting of banks and other depository institutions authorized to provide depository and investment services. In addition, this list will include security broker/dealers consisting of “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule) that are providing services to the University or that the University contemplates using. The list shall be reviewed by the University Investment Committee and the CFO at least annually and shall apply to any direct investments made by the University. The list shall not apply to investments that are managed by UFICO and which are governed by the UFICO Statement of Investment Policy.

11. **Third-Party Custodial Agreements**

All securities purchased directly by the University or by its approved Investment Manager under this Policy shall be properly designated as an asset of the University and held in safe keeping by a third party custodial bank or other third party custodial institution. If a bank or trust company serves in the capacity of Investment Manager said bank or trust company could also perform required custodial and reporting services. Investments managed by UFICO shall be held in safe keeping in accordance with the UFICO Statement of Investment Policy.

No withdrawal of securities, in whole or in part, shall be made from safekeeping except by those designated within the Investment Management and Custodial Agreement between the Custodian and the University.

12. **Master Repurchase Agreement**

The University will establish and maintain a master repurchase agreement prior to transacting any repurchase agreements and will require all approved institutions and dealers transacting repurchase agreements to adhere to the requirements of the master repurchase agreement.

13. **Bid Requirement**
The University shall require purchases and sales to be executed in a competitive bid environment wherein at least three (3) offers or bids are obtained for each security. Exceptions to this approach may be made when (1) prices for purchases/sales are compared to systems providing current market prices and deemed reasonable, (2) when the security to be purchased is unique to one institution or (3) the security has recently been issued and is trading at the same price by all financial institutions. This requirement also does not apply to investments that are managed by UFICO and which are governed by the UFICO Statement of Investment Policy.

14. **Internal Controls**

The University Controller will establish a system of internal controls and operational procedures, which will be documented in writing. The internal controls will be reviewed by the Investment Committee. The controls will be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of entity.

15. **Continuing Education**

University staff involved with investments must annually complete eight (8) hours of continuing education in subjects or courses related to investment practices and products.

16. **Reporting**

Unless otherwise indicated, the following are the responsibilities expected of the University:

Monthly reporting of holdings and transactions occurring in the portfolio - This report is to include at least (1) all assets held by the University by class/type, book value, approximate market value, income earned, accrued income and (2) all transactions occurring in the portfolio during the month.

A. Quarterly reporting of the portfolio’s performance - The University will report the portfolio’s total rate of return, which reflects the true earnings of the portfolio and incorporates cash flows, changes in market value and income earned. Calculation of the portfolio’s total rate of return will comply with the performance measurement standards as defined by the CFA Institute.

17. **Evaluation and Compliance**

This policy shall be reviewed by the Investment Committee and the President on an annual basis. Any changes to the policy must be approved by the UF Board of Trustees.
Investments currently held that do not meet the guidelines of this policy shall be exempted from the requirements of the policy until maturity or liquidation. Such monies shall be reinvested only as provided by this policy.