

**UNIVERSITY OF NORTH FLORIDA  
TRAINING & SERVICES INSTITUTE, INC.  
(TSI)**

**STATEMENT OF INVESTMENT POLICY  
GOALS AND GUIDELINES  
(Long-term Assets)**

**Adopted: November 29, 2001**

**Revised: February 21, 2008**

The University of North Florida Training & Services Institute, Inc. (TSI) is a not-for-profit corporation which implements, develops, organizes and administers special education and training programs and related specialized programs at the University of North Florida and provides financial and other support for activities related to the mission of the University of North Florida or any of its divisions.

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by TSI and its appointed Investment Committee for its investable funds. It is intended to provide a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance will be evaluated.

The investment policies set forth in this document were established after a thorough review of TSI's unique needs and circumstances, and a careful evaluation of the risk and potential returns expected from various mixes of stocks, bonds and cash equivalent securities.

These guidelines shall apply only to those marketable securities managed by outside investment managers. TSI may hold other assets that do not conform to the guidelines outlined in this policy.

**GENERAL OBJECTIVES**

The investment objectives of TSI are to achieve a reasonable real rate of return (after inflation) over the long term while maintaining the liquidity that may be necessary to fund certain TSI contractual obligations.

To achieve this objective, TSI seeks to create a well diversified and balanced portfolio of high quality equity, fixed income and money market securities. The Investment Committee has determined that one or more outside investment managers shall be retained to assure that all investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.

## **INVESTMENT MANAGER RESPONSIBILITIES**

Within the guidelines and restrictions set forth herein, it is the intention of the Investment Committee to give each investment manager full investment discretion with respect to assets under its management.

Each investment manager shall discharge its responsibilities in accordance with generally accepted fiduciary standards.

Each investment manager is expected to provide any reasonable information requested by the Committee. At a minimum, each manager shall provide a quarterly report detailing their investment activity, the portfolio's current value and any changes in investment philosophy or strategy. Representatives of the investment management firms may be asked to meet with the Investment Committee or its designee periodically to review investment performance, and philosophy.

Unless otherwise provided by the Custodian of the assets, each investment manager will monitor portfolio activity to minimize uninvested cash balances.

Each investment manager shall be responsible only for those assets under its management.

It will be the responsibility of each investment manager to review the monthly valuations provided by the custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.

## **INVESTMENT GOALS**

The Investment Committee recognizes the necessity of a longer term horizon when formulating investment policies and strategies. However, shorter term investment goals have been established and are intended to provide quantifiable benchmarks to measure and evaluate manager and overall fund performance and risk posture.

Most investment styles require a full market cycle to allow an investment manager to demonstrate his abilities. A full market cycle is generally defined as a three to five year time period. As a result, performance results will be measured over a three to five year period. Performance over shorter periods will be monitored as a means of identifying the trend of results.

The specific investment goals of the TSI total portfolio are as follows:

To earn an average annual rate of return over the long term which exceeds the rate of inflation (CPI) by 4.0%.

To earn a total rate of return over the long term which exceeds the return of a Target Index. The Target Index for the Training & Services Institute, Inc. is defined as a 30% investment in the Russell 1000 Stock Index, a 10% investment in the Russell 2000 Stock Index, a 20% investment in the MSCI Europe, Australasia and Far East

(EAFE) Stock Index and a 40% investment in the Merrill Lynch Domestic Master Bond Index.

In addition, it is expected that the rate of return earned by TSI will rank above average when compared to a representative universe of other, similarly managed portfolios.

The above stated investment objectives have been established for the entire TSI portfolio. Individual fund portfolio results will also be measured against appropriate benchmarks and fund universes.

### **INVESTMENT GUIDELINES**

The Investment Committee has established the following target asset allocation for the TSI investment portfolio. While the asset allocation represents the long-term target for the total investment portfolio, allocation ranges have been provided to allow for reasonable fluctuations in the market value of the assets. However, since the target allocation also represents a specific risk/reward posture for the portfolio, it is the intention of the Investment Committee to periodically rebalance the portfolio as detailed below in the asset allocation table.

<b>Asset Group</b>	<b>Target</b>	<b>Range</b>	<b>Benchmark</b>
Large Cap Equity	<b>30%</b>	23% to 37%	S&P 500 Index
Small/Mid Cap Equity	<b>10%</b>	7% to 13%	Russell 2000 Index
International Equity	<b>20%</b>	15% to 20%	MSCI-EAFE Index
<b>Total Equity</b>	<b>60%</b>	<b>53% to 67%</b>	
Fixed Income Securities	<b>40%</b>	33% to 47%	ML Domestic Master Bond Index
Cash & Equivalents	<b>0%</b>	0% to 3%	ML 91 Day US T-Bill

The Investment Committee will monitor the aggregate asset allocation of the TSI portfolio, and shall rebalance to the target asset allocation based on certain conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced back to the target mix. To the extent possible, cash contributions into and withdrawals from the asset base will be executed proportionally based on the most current market values available. The Investment Committee will generally not attempt to exercise short-term changes to the target asset allocation of the TSI portfolio based upon the ad hoc nature of current market conditions.

To implement this strategy, the Committee has chosen to hire one or more professional investment managers. Specific assignments and guidelines for investment managers of individual portfolios will be outlined in addenda to this overall Statement of Investment Policy. However, the following guidelines and restrictions apply to all non-mutual/commingled investments.

#### EQUITY SECURITIES:

- 1) Investments in all equity securities shall be limited to those actively traded on a major stock exchange or NASDAQ.
- 2) No more than 7% of the market value of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.
- 3) Investments in the shares of companies that have been publicly traded for less than one year are limited to no more than 5% of the market value of the total equity portfolio.

#### FIXED INCOME SECURITIES:

- 1) Investments in all corporate fixed income securities shall be limited to those securities rated "A" or higher by Moody's or Standard & Poors rating services. Securities downgraded below the minimum rating by one agency shall be brought to the Investment Committee's attention, in writing, along with a justification for the continued validity of holding the asset. Fixed income securities held which are downgraded below the minimum rating by both entities shall be sold at the earliest beneficial opportunity.
- 2) No more than 10% of the market value of the total fixed income portfolio shall be invested in the securities of any single corporate issuer.
- 3) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 20% of the market value of the total fixed income portfolio and shall be restricted to those issues that are currently paying interest, receiving principal pay-downs and do not contain leverage.
- 4) The total of investments in securities issued by foreign governments or corporations shall not exceed 25% of the total fixed income portfolio.
- 5) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.

#### CASH EQUIVALENT SECURITIES:

- 1) Investments in cash equivalent securities shall be limited to the following:
  - a) The money market or STIFF fund provided by the fund custodian.
  - b) Direct obligations of the United States Government with a maturity of one year or less.

c) Commercial Paper with a maturity of 270 days or less that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moodys.

d) Bankers Acceptances issued by the largest 50 banks in the United States (in terms of total assets).

When deemed appropriate, in terms of cost, performance or other reasonable criteria, the Investment Committee may employ mutual and/or commingled funds to institute the management structure of the TSI asset pool. It is understood that these types of investment vehicles may contain position concentration limits and/or quality restrictions that may be more expansive or restrictive than the TSI investment policy. However, since these commingled pools represent direct investment into existing funds, no additional constraints may be levied on these vehicles. As such, Investment Committee will use diligent research at the time of the fund's purchase to ensure that the investment objectives of the commingled fund(s) in question are in principle alignment with those of the TSI asset pool.

### **PROHIBITED INVESTMENTS**

Investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts or options contracts in individually managed portfolios are prohibited. Trading on margin and short selling are also prohibited.

### **PERFORMANCE EVALUATION**

The Investment Committee or its designee intends to review investment performance and compliance with stated investment policies on a quarterly basis.

### **REVIEW OF POLICY**

It is the intention of the Investment Committee to review this Statement of Investment Policy and its addenda periodically and to amend it to reflect any changes in philosophy or objectives. However, if at any time the investment managers believe that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing.