
FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

**INVESTMENT POLICY STATEMENT –
FINAL DRAFT**

Draft One: February 2001 – introduced by Consulting Services Group

Draft Two: March 2001 – w/changes by Investment Committee & CSG

Draft Three: March 2001 – w/ changes by Finance & Audit Committee & CSG

Draft Four: January 2008 – w/ changes by CSG, Investment Committee, Finance & Audit Committee & full Board

TABLE OF CONTENTS

PURPOSE OF THE INVESTMENT POLICY STATEMENT	3
THE INVESTMENT COMMITTEE GUIDELINES	4-5
FINANCIAL OBJECTIVES	5
SPENDING POLICY	6
ASSET ALLOCATION	7
INVESTMENT MANAGEMENT	8
Duties and Responsibilities of the Investment Manager	9
General Responsibilities	9-10
Equity Managers	11
Fixed Income Managers	12-13
Alternative Investment Strategies	13
Brokerage Policy	13
Monitoring of Investment Managers	13
Criteria for Investment Manager Review and Replacement	14
GIFTS OF SECURITIES	15
REVIEW AND REVISIONS TO THE IPS	15
ASSET ALLOCATION POLICY - APPENDIX A	16
INVESTMENT MANAGER BENCHMARKS - APPENDIX B	17
ALTERNATIVE INVESTMENTS - APPENDIX C	18

PURPOSE OF THE INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement (IPS) is to assist the Florida International University (FIU) Foundation Investment Committee in effectively implementing an asset allocation strategy, and supervising, monitoring and evaluating the investment program. The investment program is defined in the various sections of the IPS by:

- Stating in a written document the Investment Committee's attitudes, expectations, objectives, and guidelines for the investment of all assets.
- Setting forth an investment structure for managing all assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio, so that all assets are managed in accordance with stated objectives.
- Facilitating effective communications between the Investment Committee, Finance & Audit Committee, Board of Directors, the Investment Management Consultant (Consultant) and the money managers. Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Foundation assets.

This IPS has been formulated, based upon consideration by the Investment Committee of the financial implications of a wide range of policies, and describes the prudent investment process that the Investment Committee deems appropriate.

THE INVESTMENT COMMITTEE GUIDELINES

The Investment Committee recognizes that matters concerning the investment of the charitable assets owned by the Foundation merit serious attention and frequent consideration.

1. The Investment Committee is responsible for directing all of its efforts toward the investment objectives stated herein.
2. The Investment Committee is responsible for performing at least an annual review of the investment objectives stated herein to ensure that the objectives are practical and reflect the mission of the Foundation.
3. The Investment Committee is responsible for hiring an Investment Consultant, subject to the approval of the Board of Directors, to assist in the design, implementation and evaluation of the Foundation's investment strategy.
4. The Investment Committee, with guidance and recommendations of the Consultant, is responsible for the implementation and monitoring of an asset allocation strategy, as ratified by the Finance & Audit Committee and approved by the Board Directors, which is consistent with the investment objectives and guidelines of the Foundation.
5. The Investment Committee, with the guidance and recommendations of the Consultant, is responsible for the selection and continued monitoring of qualified, competent Investment Managers. Investment Managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. portfolio manager changes) standards, as defined in the Investment Policy Statement, must be considered for termination.
6. The Investment Committee, with the guidance and recommendations of the Consultant, is responsible for developing and reviewing the investment objectives and guidelines given to each specific Investment Manager.
7. The Investment Committee will meet at least quarterly. At such meetings, they will review the results of the investment portfolios and determine whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed.

8. The Investment Committee will provide regular performance reports to the Foundation's Finance & Audit Committee and Board of Directors.
9. The Assistant Secretary of the Foundation, as appointed by the Chairperson of the Board of Directors, shall keep minutes of all meetings.

FINANCIAL OBJECTIVES

The objectives of the Foundation have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

1. To achieve, at a minimum, a real (inflation adjusted) total return, net of investment management fees, that is consistent with spending policy requirements.
2. To control costs of administering and managing the Foundation and managing the investments.
3. To ensure that the investment portfolios are managed responsibly and in compliance with stated guidelines, community expectations, donor guidelines (where applicable), and the investment guidelines set forth herein.
4. To emphasize the long-term nature of the Foundation's investment program by framing guidelines within the Investment Policy Statement within a similar long-term context.
5. To manage expectations by recognizing the challenge of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets. Therefore, it is acknowledged that some degree of risk must be assumed to achieve the long-term investment objectives. In establishing the risk parameters of the strategic allocation strategy, the ability to withstand short and intermediate term variability shall be considered.

SPENDING POLICY

Endowment Spending Distribution

1. The Finance & Audit Committee will recommend, subject to approval by the Board of Directors, the annual spending distribution to be made to endowed accounts. The spending distribution is determined as a percentage of the endowment's average yearly market value (gift corpus plus undistributed investment earnings since inception) and is distributed at the close of the Foundation's fiscal year. Spending distributions are dependent on the Foundation's investment returns and are therefore not guaranteed. If in any given year investment losses reduce the endowment's market value below original corpus, future spending distributions are contingent on first restoring the endowment to its original corpus, before any distribution is made for spending.

Administrative Fee

2. For endowed accounts, an annual administrative fee representing up to two percent (2%) of the fiscal year-end market value of the endowment accounts shall be assessed. The annual administrative fee is recommended by the Finance & Audit Committee and is subject to approval by the Board of Directors.

Non-Endowed Accounts

3. No investment earnings or losses are distributed to non-endowed accounts. Investments earnings/losses derived from non-endowed accounts increase/decrease the Foundation's General Reserve. Spending distributions from General Reserve are at the discretion of the Board of Directors.

Spending Policy Effective Date

4. The Spending Policy became effective on March 28, 2001 as approved by the Board of Directors. It was amended by the Board on January 30, 2008.

Changes to Spending Policy

5. The Finance & Audit Committee will review this Spending Policy each year to determine its adequacy and will make recommendations for any changes to the Board of Directors.

ASSET ALLOCATION

Objective

The strategic (long-term) asset allocation strategy of the Foundation is to maximize total return within acceptable risk parameters. The strategic asset allocation targets and the accompanying tolerance ranges (see Appendix A) are recommended by the Investment Committee, ratified by the Finance & Audit Committee and approved by the Board of Directors, in an effort to reflect the financial needs of the Foundation as outlined in the Spending Policy.

The single most important decision made by the Investment Committee is the asset allocation decision. Investment research has determined that a significant portion of the Foundation's total investment return can be attributed to (1) the asset classes/styles which are employed by the fund, and (2) the weighting of each asset class/style.

Guidelines

1. An asset allocation strategy should include strategic (long-term) target levels, as well as allocation ranges to allow for tactical (short-term) adjustments. The strategic target levels, allocation ranges and current tactical position should be determined by the Investment Committee with guidance and recommendations by the Investment Consultant (Appendix A).
2. The Investment Committee, with guidance and recommendations from the Investment Consultant, should review the asset mix on an ongoing basis and make revisions as necessary, including portfolio rebalancing to maintain the integrity of the asset allocation strategy.
3. As significant cash flow activity into and out of the Foundation occurs (e.g. new gifts and distributions), the Foundation staff, as directed by the Executive Director and Assistant Treasurer/Business Manager with guidance from the Investment Consultant, shall use the cash flow activity to rebalance and/or maintain the target asset and style allocation policies. Should an "Allowable Range" be violated, the Investment Committee must meet or conference to decide on re-balancing existing assets to the asset and style allocation targets.

INVESTMENT MANAGEMENT

The Investment Committee, with the assistance of the Consultant, will select appropriate money managers to manage the Foundation assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
3. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) or Invitation to Negotiate (ITN) completed by the manager or a current prospectus for mutual fund investments.
4. For separately managed accounts, the manager will provide the Consultant with a copy of the firm's Form ADV Part II; a current prospectus should be provided for mutual fund investments.
5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
6. As disclosed in the firm's Form ADV Part II, selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.

Duties and Responsibilities of the Investment Managers

The duties and responsibilities of each money manager retained by the Investment Committee include the following:

General Responsibilities:

1. Managing the Foundation assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements. This includes, but is not limited to individual manager guidelines for separate accounts, prospectuses for commingled/mutual funds, investment management contracts, etc.
2. Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
3. Immediately notifying the Consultant, Executive Director and Assistant Treasurer/Business Manager of the Foundation regarding all significant and/or material matters and changes pertaining to the investment of Foundation assets, including, but not limited to:
 - Investment strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership of the investment management firm
 - Organizational structure of the investment management firm
 - Financial condition of the investment management firm, including but not limited to significant increases or decreases in assets under management for the investment strategy employed by the Foundation and/or the total assets of the firm
 - Professional staff of the investment management firm
 - Recommendations for guideline changes
 - All legal material, SEC and other regulatory agency proceedings affecting the firm
4. Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Foundation and Endowment Funds with like aims in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.

5. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein and as modified in the future (for separately managed accounts only).

Equity Managers

Equity investment managers are engaged to provide growth of income and appreciation of principal. Equity managers are hired according to the need for a specific philosophy or style within the Foundation's equity portfolio.

1. The objective of the equity managers and styles currently employed by the Foundation is to outperform relative to their appropriate benchmark and universe of peers.
2. The objective of the total equity portfolio is to outperform the FIU Equity Composite Index (net of fees). The Equity Composite Index represents the aggregate performance of the investment managers' specific benchmark indices; in computing the aggregate performance results, each index is weighted in the same proportion as the corresponding manager (see Appendix B for a list of representative indices).
3. Performance is monitored by the Investment Consultant on a monthly and quarterly basis, and results are reported to the Investment Committee.
4. Each investment manager engaged by the Foundation will employ only the specific strategy for which they were hired. Within each manager's stated investment strategy, unless otherwise stated in this document, decisions as to individual security selection, market capitalization, and industry/sector exposure are left to the manager's discretion, subject to the usual standards of fiduciary prudence.
5. Equity managers employed by the Foundation shall promptly vote all proxies and execute all related actions in a manner consistent with the long-term interests and objectives of the Foundation set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
6. Each equity manager may at its discretion hold investment reserves of cash, but with the understanding that performance will be measured against the appropriate indices and universe of peers.

Fixed Income Managers

Fixed Income Manager(s) are engaged to reduce the overall volatility of the Foundation's assets, provide a deflation hedge and a highly predictable and dependable source of income. It is expected that investments made by the manager will be flexibly allocated among maturities of different lengths according to the interest rate prospects.

1. The objective of the fixed managers and styles employed by the FIU Foundation is to outperform relative to their appropriate benchmark and universe of peers.
2. The objective of the total fixed income portfolio is to outperform the FIU Fixed Income Composite Index (net of fees). The Fixed Composite Index represents the aggregate performance of the investment managers' specific benchmark indices; in computing the aggregate performance results, each index is weighted in the same proportion as the corresponding manager (see Appendix B for a list of representative indices).
3. Performance is monitored by the Investment Consultant on a monthly basis, and results are reported to the Investment Committee.
4. Money market instruments as well as domestic bonds may be used by the fixed managers; however, equities are excluded. Investment management strategies utilizing foreign bonds are acceptable but must be approved by the Investment Committee. The fixed-income managers are expected to employ active management techniques. Tax-exempt securities shall not be purchased except in unusual circumstances.
5. Unless otherwise approved by the Investment Committee, fixed income managers may not have more than twenty percent (20%) of the total market value of their portfolio (including accrued income) invested in securities rated below investment grade by either Moody's (Baa) or Standard & Poor's (BBB). No more than five percent (5%) of the total market value of a manager's portfolio may be invested in non-rated securities or issues rated below "B".
6. Each investment manager engaged by the Foundation will employ only the specific strategy for which they were hired. Within each manager's stated investment strategy, unless otherwise stated in this document, decisions as to individual security selection, maturity, duration, country/industry/sector exposure, coupon, yield and quality rating are left to the manager's discretion, subject to the usual standards of fiduciary prudence. Obligations of the U.S. Government and federal agencies may be held without limitation.

7. Each fixed-income manager may at its discretion hold investment reserves of cash, but with the understanding that performance will be measured against the appropriate indices and universe of peers.

Alternative Investment Strategies

Alternative investment strategies are defined as those strategies that seek to produce investment returns that may have low correlation to traditional equity and fixed income markets. These strategies can include: venture capital, private equity, hedged equity, multi-manager/multi-strategy fund of funds, commodities, real estate, etc. These strategies may be considered as appropriate investments for the Foundation, but must be approved on a case-by-case basis by the Investment Committee as part of the Foundation's overall asset allocation strategy (see Appendix C).

The Investment Committee acknowledges that alternative strategies (e.g. hedge funds, private equity, etc.) are more difficult to benchmark to a specific index or peer group. Therefore, while generally accepted industry indices (e.g. HFR, Venture Economics, etc.) will be incorporated into the performance reports, it is expected that the Investment Committee and Consultant will apply their own industry knowledge to evaluate alternative managers based on their expectations for each strategy relative to the current market environment at the time.

Brokerage Policy

All transactions effected for the Foundation will be "subject to the best price and execution." The Investment Committee reserves the right to recommend brokerage or clearing arrangements to be used by money managers for the benefit of Foundation.

Monitoring of Investment Managers

Monthly performance measurement and quarterly performance evaluation reports will be used to test progress toward meeting and/or exceeding the expectations of the Foundation's Investment Committee, within the qualitative and quantitative parameters contained in this Investment Policy Statement. It is understood that there are likely to be short-term periods during which individual manager performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with managers employing similar styles.

Criteria for Investment Manager Review and Replacement

The Investment Committee is aware that the ongoing review and analysis of investment managers is just as important as the due diligence implemented during the manager selection process.

Accordingly, a thorough review and analysis of a investment manager will be conducted if a manager's actual and/or composite results:

1. Perform in the bottom quartile (75th percentile) or lower of their peer group over a trailing four-quarter period.
2. Fall in the southeast quadrant (below average performance with above average volatility) of the risk/return scatter-plot for their peer group over the trailing 3-year time period.
3. Perform below the median (50th percentile) of their peer group over the trailing three-year period.

Major organizational changes also warrant immediate review of the manager, including:

1. Change in professionals
2. Change in investment strategy or style
3. Significant increase or decrease in number of accounts
4. Significant growth or loss of assets under management
5. Change in ownership

The performance of the Foundation investment managers will be monitored on an ongoing basis and it is at the discretion of the Investment Committee to take corrective action by replacing a manager if they deem it appropriate at any time.

GIFTS OF SECURITIES

Gifts of securities received by the Foundation are not automatically included in the Foundation's investment pool. Instead, they are transferred into a specific brokerage account and sold as soon as possible (refer to Non-Cash Gifts Policy). Once the cash from the sale is received by the Foundation, it is then deposited and invested in accordance with the asset allocation policy.

REVIEW AND REVISIONS TO THE IPS

Investment performance will be reviewed, analyzed and compared to the stated objectives at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of this IPS for achieving those objectives.

It is not expected that the IPS will change frequently; short-term changes in the financial markets should not require adjustments to the IPS. Any revision to the IPS requires a majority vote by the voting members of the Investment Committee when a quorum is present. All changes to the IPS must be ratified by the Finance Committee and approved by the Foundation's Board of Directors.

Florida International University Foundation, Inc.

Investment Policy Statement: Appendix A

As Recommended: April 2009

STRATEGIC ALLOCATION RANGES		
<i>Broad Asset Classes</i>	Minimum Allocation	Maximum Allocation
<i>Long-Only Public Equity</i>	20.0%	90.0%
<i>Long-Only Fixed Income</i>	10.0%	65.0%
<i>Alternative Investments</i>	0.0%	55.0%

TACTICAL ALLOCATION TARGETS & TOLERANCE RANGES			
<i>Asset Classes & Styles</i>	Target Allocation	Minimum Allocation	Maximum Allocation
<i>Domestic Equity:</i>			
<i>Large Capitalization</i>	25.0%	20.0%	60.0%
<i>Small Capitalization</i>	10.0%	0.0%	10.0%
<i>International Equity:</i>			
<i>World Ex-US</i>	15.0%	0.0%	20.0%
TOTAL EQUITY COMPONENT	50.0%	20.0%	90.0%

<i>Domestic Fixed Income:</i>			
<i>Domestic Investment Grade Core</i>	40% 22.5%	10.0%	35.0%
<i>Domestic High Yield</i>	0.0%	0.0%	10.0%
<i>Domestic Short-term Investment Grade</i>	5% 2.5%	0.0%	10.0%
<i>World Ex-US</i>	-2.5% 5%	0.0%	10.0%
TOTAL FIXED INCOME COMPONENT	17.5% 30.0%	10.0%	65.0%

<i>Alternative Investments:</i>			
<i>Multi-Manager/Multi-Strategy Fund of Funds</i>	22.5% 10.0%	0.0%	25.0%
<i>Private Equity</i>	5.0%	0.0%	10.0%
<i>REITs</i>	2.5%	0.0%	10.0%
<i>Commodities</i>	2.5%	0.0%	10.0%
TOTAL ALTERNATIVE COMPONENT	32.5% 20.0%	0.0%	55.0%

TOTAL FOUNDATION 100.0%

The **Strategic Allocation Ranges** are approved by the Board and represents the acceptable ranges for investment in board asset classes; and within the **Strategic Allocation Ranges**, the Investment Sub-committee (with the approval of the Finance Committee) will establish a **Tactical Allocation Target** for specific investment styles/strategies.

Each **Tactical Allocation Target** has a Tolerance Range that indicates the minimum and maximum allowable exposure to that specific investment style/strategy. A violation of either a minimum or maximum range requires that the Investment Sub-committee meet or conference to determine if any action should be taken to rebalance the portfolio. A violation does not require an automatic rebalancing.

Florida International University Foundation, Inc.

Investment Policy Statement: Appendix B

Representative Investment Manager Benchmarks

<i>Asset Classes & Styles</i>	Manager Benchmark
<u>US Domestic Equity</u>	
<i>Large Capitalization</i>	
<i>Large Cap Growth</i>	Russell 1000 Growth Index
<i>Large Cap Value</i>	Russell 1000 Value Index
<i>Large Cap Core</i>	Russell 1000 Index
<i>Medium Capitalization</i>	
<i>Mid Cap Growth</i>	Russell MidCap Growth Index
<i>Mid Cap Value</i>	Russell MidCap Value Index
<i>Mid Cap Core</i>	Russell MidCap Index Index
<i>Small Capitalization</i>	
<i>Small Cap Growth</i>	Russell 2000 Growth Index
<i>Small Cap Value</i>	Russell 2000 Value Index
<i>Small Cap Core</i>	Russell 2000 Index
<i>All Capitalization</i>	
<i>All Cap Growth</i>	Russell 3000 Growth Index
<i>All Cap Value</i>	Russell 3000 Value Index
<i>All Cap Core</i>	Russell 3000 Index
<u>International Equity</u>	
International Developed Markets	MSCI EAFE Index
International Emerging Markets	MSCI Emerging Markets Free Index
<u>Real Estate Equity (REITs)</u>	
US REITs	NAREIT Index
Global Reits	FTSE EPRA NAREIT Global RE Index
<u>Fixed Income:</u>	
<i>US Investment Grade Core</i>	Lehman Brothers Aggregate Bond Index
<i>Domestic High Yield</i>	Merrill Lynch High Yield Master Index
<i>Domestic Short-term Investment Grade</i>	90 Day Treasury Bills
<i>Global Fixed Income</i>	Citigroup World Government Bond Index
<u>Alternative Investments:</u>	
<i>Multi-Manager/Multi-Strategy Fund of Funds</i>	
<i>Equity Substitutes</i>	S&P 500 Index
<i>Fixed Income Substitutes</i>	Lehman Brothers Aggregate Bond Index
<i>Equity/Fixed Income Blend</i>	S&P 500/Lehman Aggregate
<i>Private Equity</i>	Russell 2500 Index plus 5.00%
<i>Commodities</i>	Goldman Sachs Commodity Index
US REITs	NAREIT Index
Global REITs	FTSE EPRA NAREIT Global RE Index

APPENDIX C

Alternative Investments

Multi-Manager/Multi-Strategy Fund of Funds

According to a 1999 study conducted by NACUBO, a percentage of the asset allocation at the 50 largest colleges and universities nationwide is in alternative investments. Alternative investments are comprised of various investment strategies designed to minimize the risk normally associated with traditional investment strategies. Alternative investments seek to provide attractive returns by employing strategies that are impacted very little by equity or fixed income-market volatility. Combining the expertise of various managers, a fund may employ several different kinds of fund strategies including long/short equity, merger arbitrage, convertible bond arbitrage, mortgage-backed securities arbitrage, and event-driven investing. The fund will target an absolute level of return that is more dependent on manager skill than market direction. Although some funds-of-funds pursue a single strategy, most take a diversified approach in order to reduce risk and enhance returns.

An example of one alternative investment strategy involves taking both long and short positions in the market in order to try to avoid correlation with the financial markets. Specifically, one manager's portfolio may use convertible or merger arbitrage to profit by identifying prices among related securities or inefficiencies in the market's pricing for certain securities. In addition, the portfolio selects undervalued stocks for its long positions and overvalued stocks for its short positions in its equity market neutral strategy. Unlike many hedge funds, the fund-to-funds approach portfolio typically does not use leverage to accelerate the funds returns.