



TO: The BEI Board and University Community

FROM: Dr. Edward Ranelli, CEO

SUBJECT: BEI Investment Policy

Responsible Office: UWF Business Enterprises, Inc.

1. Purpose and Scope

- A. Purpose – The purpose of this policy is to set forth the investment objectives and parameters for the management of public funds of UWF Business Enterprises, Inc. (hereinafter “BEI”). These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and investment returns competitive with comparable funds and financial market indices.
- B. Scope – In accordance with Sections 1011.42 and 218.415, Florida Statutes, this Policy applies to funds under BEI’s control in excess of those required to meet current expenses and not invested as otherwise required by statute or regulation. Funds which have statutory investment requirements conflicting with this Policy are not subject to the provisions of this Policy.

2. Investment Objectives

- I. Safety – The primary objective is to place the highest priority on the safety of the principal and liquidity of funds in an effort to maintain an orderly cash flow that continuously meets the operating capital and contingent needs of BEI. The optimization of current income and investment returns shall be secondary to the requirements for safety and liquidity.
- II. Credit Risk – BEI will limit credit risk (the risk of loss due to the failure of the security issuer or backer) by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified credit ratings.
- III. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). For example, investments in laddered CDs and laddered short-term treasuries may be structured to optimize and balance safety, liquidity, and yield objectives.
- IV. Yield – The investment portfolio shall be designed with the objective of attaining a market rate of return, as measured by specified benchmarks throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities should not be sold prior to maturity with the following exceptions:
 - a. A security with declining credit or increased risk may be sold early to minimize loss of principal.
 - b. A security swap that would improve the quality, yield, or target duration in the portfolio.
 - c. Liquidity needs of the portfolio require that the security be sold.
 - d. Adverse market or economic conditions.

- V. Transparency – BEI shall operate its portfolio in a transparent manner, making its periodic reports both available for public inspection and designed in a manner that communicates clearly the full information about the portfolio, including market pricing, adjusted book value, and yields.

3. Performance Measurement

- A. Period Liquidity operating funds returns will be viewed against the 90-day T-Bill and may also use The State Treasury Investment Pool (Florida Prime) as a benchmark.
- B. Contingent Liquidity with their longer-term investment horizon (long-term portfolio) will use SPIA and the Barclays Capital U.S. Intermediate Government/Credit Bond index 1-3 Year Index or another appropriate index for performance measurement.
- C. Operating Liquidity Reserves also carry a longer-term investment horizon and will use the Bloomberg Barclays Capital U.S. Intermediate Government/Credit Bond index 1-5 Yr. A+ or another appropriate index.

4. Control Procedures

- A. Review and Evaluation of Investment Objectives:

The Board of Directors of BEI will review the achievement of investment objectives on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

- B. Review and Evaluation of Investment Manager(s):

The BEI Investment Management Committee will review investment results bi-annually. These reviews will focus on:

- The Investment Managers' adherence to the policy guidelines;
- Comparison of the Investment Managers' results to the objectives established for each fund or manager as the case may be;
- Comparison of the Investment Managers' results against funds using similar policies (in terms of the bond ratio, diversification, volatility, and style);
- Opportunities available in the bond markets; and,
- Material changes in the Investment Managers' organizations, such as philosophical or personnel changes.

The BEI Investment Management Committee may discharge or replace an Investment Manager at any time it deems such action necessary and appropriate.

Guidelines for evaluation, retention, and replacement of Investment Managers will be as follows:

- Establish an appropriate benchmark/index to which to compare Investment Managers' performance.
- Establish performance targets: To meet or exceed the benchmark/index and to achieve investment returns.
- Establish appropriate asset allocations and diversification.
- Establish any additional criteria deemed necessary by the BEI Investment Management Committee.

5. Prudence and Ethical Standards

- A. Investments shall be made in accordance with the "Prudent Person" rule, which states the following:

Investments should 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.

BEI personnel and/or Board Members acting in accordance with this investment policy shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided deviations from expectations are reported to the BEI's Board of Directors in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

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

6. Authorized Investments

In accordance with Section 218.415, Fla. Stat., authorized investments for BEI will consist of the following:

- Investments authorized by law or by ordinance for a county or a municipality.
- Investments authorized by law or by resolution for a school district or a special district.
- Investment with Direct Support Organizations (DSO) duly authorized by the BEI's Board of Directors. An agreement or memorandum of understanding must be executed prior to the placement of funds with any DSO.
- Investment in the State Board of Administration Local Government Surplus Fund Trust Fund (SBA Pool) or any investments authorized by law for the State Board of Administration that are not prohibited investments under this policy.
- Mutual Funds, unit investment trusts, professionally managed securities, and other investment vehicles specifically authorized by the BEI Investment Management Committee.

It is anticipated that authorized investments for BEI will include Fixed Income. These holdings shall be selected from the following types and shall be subject to the restrictions set forth in section 9 of this policy:

- U.S. Treasury Bills, Notes, Bonds, and other obligations whose principal and interest are fully guaranteed by the United States of America or any of its agencies or instrumentalities
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), 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
- Repurchase Agreements: collateralized at 102% by U.S. Treasuries
- Investments with state-certified qualified public depositories which are fully collateralized to meet the requirements described by Section 218.415, Fla. Stat.
- Mortgage-Backed Pass-Throughs guaranteed by the U.S. Government or a Federal agency, including securities collateralized by the same
- Asset-Backed Securities: rated "AAA" by either Standard & Poor's or Moody's at the time of purchase. Thereafter, any security downgraded below AAA will be sold at the earliest beneficial opportunity
- 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 bankers acceptances
- Corporate Notes rated single A and higher by either Standard & Poor's and Moody's at the time of purchase. Thereafter, any security downgraded below single A by either rating agency will be sold at the earliest beneficial opportunity.
- Money Market Funds registered with the SEC and only invested in securities as allowed by this policy
- State Treasury Investment Pool (e.g. SPIA)
- State Board of Administration Local Government Surplus Fund Trust Fund (SBA Pool)

7. Prohibited Investments

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 BEI. Securities of this type that are prohibited are as follows:

- Reverse repurchase agreement
- Floating rate securities whose coupon floats inversely to an index or whose coupon is determined based upon more than one index
- 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"
- Securities whose future coupon may be suspended because of the movement of interest rates or an index
- Unregistered or restricted stock
- Real Estate
- Hedge Funds
- Managed Futures
- Private Equity
- Private Placements
- Commodities
- Options or Futures for speculative purposes
- Short sales

8. Liquidity Requirements

The investment portfolio shall be constructed in such a manner as to provide sufficient liquidity to pay obligations as they come due. Funds in excess of those required to meet current expenses may be invested in longer-term portfolios in a manner that matches cash needs and anticipated cash-flow requirements.

Investments should be made subject to the cash flow needs of BEI, and such cash flows are subject to revisions as market conditions and BEI's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, authorized staff may sell the investment at the then-prevailing market price and place the proceeds into the proper account with BEI's custodian.

9. Portfolio Composition

Proper diversification is considered a prudent investment approach. Specifically, the following restrictions apply in the management and investment of the BEI Portfolio:

I. Fixed Income Holdings

- The maturity of debt obligations with a call and/or put option(s) shall be considered the date on which it can be reasonably expected that the bond will be called, put or mature.
- The maturity of mortgage/asset-backed securities shall be considered the date corresponding to its average life. This date reflects the point at which an investor will have received back half of the original principal (face) amount. The average life may be different from the stated legal maturity included in a security's description.
- The effective maturity of floating rate securities shall be considered the time until the next full reset of the coupon. The maximum effective duration of a floating rate security shall be five (5) years from the date of purchase.
- The maximum effective duration of an individual security shall be five (5) years from the date of purchase.
- To limit principal fluctuation, the portfolio shall have an effective duration of three (3) years or less, unless otherwise directed.
- In order to provide sufficient liquidity and stability of principal, at least 10% of the Fund shall have an effective duration of one year or less.
- A maximum of 5% of the Fund may be invested in securities of any single issuer. U.S. Government, Government Agency, insured CDs, and GSE government investment pool securities are not subject to any limitations.

- The Fund must maintain a total average quality rating of “AA” or higher.
- Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the total fixed income portfolio and shall be restricted to:
 - Those issues backed by the full faith of the U. S. Government, an Agency thereof, or that are rated AAA by a major rating service.
 - PAC (planned amortization class), NAS (non-accelerated securities), or VADM (very accurately defined maturity) securities.

10. 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 security, 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 BEI Investment Management Committee or Board of Directors.

11. Authorized Investment Institutions and Dealers

The BEI CEO and University Controller will maintain an approved list of investment institutions.

12. Third-Party Custodial Agreements

- A. All securities purchased by and all collateral obtained by BEI or by its approved Investment Manager(s) under this Policy shall be properly designated as an asset of BEI and held in safekeeping by a third-party custodial bank or other third-party custodial institution.
- B. If a bank or trust company serves in the capacity of Investment Manager, said bank or trust company may also perform required custodial and reporting services.
- C. 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 BEI.

13. Master Repurchase Agreement

If applicable, all approved institutions and dealers transacting repurchase agreements must execute and perform as stated in the Master Repurchase Agreement and all repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

14. Bid Requirement

The BEI authorized staff shall determine the approximate maturity date based on cash flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives specified in Investment Objectives, above, must be selected.

15. Internal Controls

The documented internal control structure and operational procedures currently in place at BEI have been designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers of BEI. Internal controls and related operational procedures are subject to review

by the State of Florida Auditor General on at least an annual basis in connection with the financial statement audit, and a report of significant findings or lack thereof will be included in the Financial Audit package.

16. Continuing Education

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

17. Administration and Reporting

Investment Committee

The BEI Chief Executive Officer, the Vice President of Finance and Administration, or their designee shall or shall have prepared and provided to the BEI Board of Directors an investment report at least annually, including a management summary that provides an analysis of the status of the current investment portfolio. An outside investment advisor or another third party may be utilized to prepare the report. The management summary will be prepared in a manner that will allow the BEI Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. This investment report shall include a list of securities in the portfolio by class or type, book value, income earned, market value as of the report date, and related performance.

18. Periodic Review

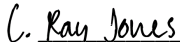
It is the intention of the BEI Board of Directors to review this Statement of Investment Policy periodically and to amend it to reflect any changes in philosophy, objectives, or governing authority. However, if at any time the BEI Investment Management Committee believes that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, the Trustees shall be so notified.

19. Oversight

The BEI Board of Directors or their designee such as the Vice President for Finance & Administration will appoint an Investment Committee ("Committee") to consist of two or more individuals related to BEI and familiar with investments and the CEO of BEI. The Committee will oversee BEI's Investment program, and may utilize the expertise of an investment consultant to assist in the oversight and implementation of the Funds.

Approved by UWF Business Enterprises, Inc., at a duly called meeting held on February 27,
2023.

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C. Ray Jones, Chair of Board of Directors

DATE: 02/28/2023