The Investment Policy for the management of the Florida Atlantic University Foundation, Inc. (FAU) assets will be defined, implemented, reviewed, evaluated and modified where appropriate by the Investment Committee in compliance with the mandate of the Board of Directors. The Investment Committee will delegate the day-to-day execution and supervision of said Policy to the Executive Director and his/her staff. The Foundation’s Conflict of Interest Policy applies in all cases to the activities of the Investment Committee, the Master Custodian, the Investment Consultant, and the Investment Managers.

This policy is intended to cover the “Endowed” and “Non-Endowed” assets (collectively referred to as the Endowment), with the exception that strategy and asset allocation for the “Non-endowed” assets are provided in Appendix A of this documents.

I. Management of Foundation’s Investments

A. Definition of Duties

1. Board of Directors

The Board of Directors vests authority to recommend investment policy to the Investment Committee. This Committee regularly reports to the Board regarding the status of the Foundation’s Endowment; investment policies; investment results; and makes recommendations for any changes in investment policy to be approved by the Board.
2. Investment Committee

The Investment Committee is responsible for implementing the Investment Policy. This responsibility includes hiring and firing of investment managers, implementing changes in investment strategy, monitoring performance of the investment portfolio on a regular basis (at least quarterly), and maintaining sufficient knowledge about the portfolio and its managers so as to be reasonably assured of their compliance with the Investment Policy Statement.

3. Executive Director

The Executive Director has daily responsibility for administration of the Endowment’s investment portfolio and will consult with the Investment Committee and Board of Directors on all matters relating to the investment of the Endowment’s portfolio. The Executive Director will serve as primary contact for the Investment Committee for the Endowment’s investment managers, investment consultant and custodian(s).

B. General Functions of the Investment Committee

1. The Investment Committee shall review regularly all investments of the Foundation. Its principal function shall be to develop and recommend to the Board such investment and investment-related policies as it deems appropriate.

2. The Investment Committee shall make periodic reports to the Board of Directors.

3. The Investment Committee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by the Foundation, as it may deem proper.

4. The Executive Director, or his designee, shall be the Secretary of the Investment Committee and shall keep minutes of the actions of the Committee.

5. The Foundation’s Investment Committee may engage an Investment Consultant to work with staff and advise staff and the Committee on the aspects of investment management including, but not limited to overall investment strategy, general asset allocation, target asset allocation, market trends, investment manager selection, manager evaluation criteria and other information deemed appropriate.
C. Specific Functions of the Investment Committee

1. Establish investment objectives for the funds invested and managed by the Foundation.
2. Set asset allocation and manager structure policies for investments of the Foundation.
3. Establish and continue to review and update the investment policy.
4. Select investment managers for the Foundation and an Investment Consultant for the investment program of the Foundation.
5. Establish, monitor, and update the investment process.
6. Review investment performance against established objectives.
7. Review at least annually investment activity to insure compliance with investment policy.
8. Review the spending rate annually for the Endowment assets and recommend changes, if any, to the Executive Committee for adoption.

II. Endowment Investment Policy and Guidelines

Preamble - The goal of the Investment Program for the Endowment is to provide a total return equivalent to or greater than the Endowment’s financial requirements over the Time Horizon. The Endowment’s financial requirements are the sum of the Spending Rate, the long-term inflation rate, the aggregate costs of portfolio management, and any growth factor, which the Investment Committee may, from time to time, determine appropriate.

A. Strategy for the Endowment

Because the Endowment is expected to endure into perpetuity, and because inflation is a key component in its Performance Objective, the long-term risk of not investing in securities offering real growth potential outweighs the short-term volatility risk. As a result, the majority of assets will be invested in equity or equity-like securities. Fixed income securities will be used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. Alternative assets will be used to mitigate the risk of traditional asset classes. Other asset classes are included to provide diversification (e.g., international equities) and incremental return (e.g., small cap equities).

B. Asset Allocation

The single most important decision made by the Investment Committee is the Policy Asset Allocation decision. Investment research has determined that a significant portion of a fund’s investment behavior can be attributed to (1) the asset classes/styles which are employed by the fund, and (2) the weighting of each asset class/style. It is the responsibility of the Investment Committee to identify the Policy Asset Allocation that offers the highest probability of achieving the Endowment’s investment objectives with the lowest amount of risk. The Investment Committee, with guidance and
recommendations from their Consultant, shall review the asset mix on an ongoing basis and recommend revisions as necessary.

The Policy Asset Allocation has been determined based on a comprehensive asset allocation study completed by the Consultant and reviewed in depth by the Investment Committee. The Policy Asset Allocation of the Endowment, as presented in Appendix C, is designed to give balance to the overall structure of the Endowment’s investment program over the Time Horizon. However, some factors may impact the Policy Asset Allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include:

1. The Investment Committee’s assessment of the intermediate or long term outlook for different types of asset classes and styles,
2. The Consultant’s assessment of the intermediate or long term outlook for different types of asset classes and styles and,
3. Divergence in the performance of the different asset classes and styles.

C. Permissible Investments

The Policy Asset Allocation of the Endowment is expected to include a wide range of asset classes. These asset classes and their relative comparative indices are displayed in Appendix B. The asset classes include:

- Domestic Large-Capitalization Equity
- Domestic Mid-Capitalization Equity
- Domestic Small-Capitalization Equity
- International Large/Mid-Capitalization Equity
- International Small-Capitalization Equity
- International Emerging Markets Equity
- Domestic Fixed Income
- International Fixed Income
- Real Estate Investment Trusts
- Absolute Return
- Private Equity
- Real Assets
- Cash Equivalents

D. Rebalancing Procedure

Since Policy Asset Allocation is the most critical component of the Endowment’s return, it is desirable to rebalance the Endowment periodically to minimize deviations from the Policy Asset Allocation mix.

The Endowment shall be rebalanced in the event any individual asset class allocation differs from policy by more than 20% of the target weight, but with a minimum deviation threshold of 2% of the total portfolio value. For example, if the Policy Asset Allocation for
an asset class is 3% of the total portfolio, then the portfolio’s actual allocation must be either below 1% or above 5% of the total portfolio before rebalancing is required. An actual allocation of 1.5% would have a deviation of 50% from the target weight but not meet the 2% minimum deviation threshold.

Should cash flows exceed 2% the target allocation of the total endowed portfolio market value, the Controller CFO shall consult with the investment advisor, and notify the Chairman of the Investment Committee of the necessary investments in placeholder investments, which have been established by the Committee and reflects each category of the asset allocation to the extent possible, of such flows prior to rebalancing. In addition, the Investment Committee of the Foundation shall review the actual allocations at each meeting in order to ensure conformity with the adopted strategic allocation.

E. Long-Term Objective Measurement Objectives

The investment objectives of the Endowment are based upon a long-term investment horizon, which allows interim fluctuations to be viewed in an appropriate perspective. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is enhanced by diversification of the Endowment.

Over time, the Endowment will aim to achieve the total Long-Term Objective while maintaining acceptable risk levels. To accomplish this goal, the Endowment will diversify its assets among several asset classes. Appendix B provides permissible asset classes and appropriate index measures of these classes.

The following return objectives are designed to coincide with the Long-Term Objective of the Endowment. All Long-Term Objectives for the Endowment and Investment Managers described below are understood to be net of (after) investment expense.

1. Total Endowment assets should achieve an annualized nominal rate of return equal to or greater than that of the Long-Term Objective.

2. Total Endowment assets should return, over rolling twelve month periods, a nominal rate of return greater than or equal to a composite index created by combining various indices (Appendix B) in the same proportion as the Endowment’s target allocation (as described in the Asset Allocation section of this document).

3. In general, active managers will be expected to provide returns greater than their appropriate benchmark, net after fees, while utilizing acceptable risk levels, over moving thirty-six month periods. In contrast, index, or passive managers will be expected to provide returns very nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark. Acceptable tracking errors for both active and passive Investment Managers in each asset class are set out in Appendix B.
F. Volatility and Risk

The Investment Committee believes that the Long-Term Objectives can be achieved while assuming acceptable risk levels commensurate with “market” volatility. “Market” volatility is defined as the trailing three-year standard deviation of investment returns (based on monthly data) of the benchmark indices deemed appropriate.

The Investment Committee further believes that the greatest investment risk the Endowment faces is the probability of failing to meet the Endowment’s Long-Term Objectives over the Time Horizon. Therefore, in order to minimize the probability of failure, thereby minimizing risk, the following variables should be considered in all aspects of the decision-making process with regard to the Endowment’s investable assets:

- Probability of Missing the Long-Term Objective
- Inflation
- Asset/Style Allocation

G. Performance Objectives

It is the intent of the Committee to hire investment managers or funds specializing in market segments to achieve the target asset allocation. The Committee’s intent is to select and retain the best managers or funds for each asset class and to maintain long-term mutually beneficial relationships with these managers or funds.

1. Time Horizon

The Endowment seeks to attain investment results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods investment managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over a 5-year moving period. The Committee reserves the right to evaluate and make any necessary changes regarding investment managers over a shorter term using the criteria establish under "Manager Performance Objectives" below.
2. Active Manager Performance Objectives

All investment returns shall be measured net of fees. Each investment manager will be reviewed on an ongoing basis and evaluated upon the following criteria:

a) Ability to meet or exceed the median performance of a peer group of managers with similar styles of investing,

b) Ability to exceed the return of the appropriate benchmark index and, for equity managers, produce positive alpha (risk-adjusted return) within the volatility limits set in the following chart,

c) Adherence to a consistent investment process, consistently applied,

d) Retention of key investment personnel,

e) Adherence to the guidelines and objectives of this Investment Policy Statement, and

f) Avoidance of regulatory actions against the firm, its principals or employees.

Performance shall be evaluated according to the following framework:

**Short Term (less than three years)** – adherence to the stated philosophy and style of management at the time the investment manager was retained by the Endowment; and, continuity of personnel and practices at the firm.

**Intermediate Term (rolling 3 year periods*)** – adherence to the stated philosophy and style of management at the time the investment manager was retained by the Endowment; continuity of personnel and practices at the firm; and ability to meet or exceed the median performance of other managers (peers) who adhere to the same or similar investment style.

**Long Term (rolling 5 year periods*)** - adherence to the stated philosophy and style of management at the time the investment manager was retained by the Endowment; continuity of personnel and practices at the firm; performance within the top half of other managers (peers) who adhere to the same or similar investment style; and, ability to outperform the respective target index.

---

* Market cycles will vary in duration. Stated time frames apply to typical periods when market cycles occur every three to five years.
3. Investment Policies and Performance Goals for Investment Managers

The following are performance goals and constraint guidelines placed on individual managers within specific asset classes:

**All Managers**

a) Each manager shall demonstrate a reasonable match, or “fit”, with his or her comparative index, as measured by an acceptable R² and tracking error (See Appendix A). Tracking error is defined as the standard deviation of the excess returns. The R² is a statistical term that measures the historical tendency for an investment manager to perform similar to his assigned benchmark. A high R² (on a scale of 0 to 100) indicates a very similar pattern of performance between the investment manager and his assigned benchmark, while a low R² indicates a very dissimilar pattern of performance between the investment manager and his assigned benchmark.

b) The Consultant shall establish a clearly defined process for reviewing investment managers. This process should include reviewing any structural changes of the manager and the manager’s returns compared to their benchmark and to their peers.

4. General Guidelines – Traditional Managers

The guidelines stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Endowment. Although the Committee cannot dictate policy to a pooled/mutual fund investment manager, it is the Committee’s intent to select and retain only pooled/mutual funds with policies that are similar to that of the Endowment. All managers (pooled/mutual or separate) are expected to achieve all performance objectives and other subjective criteria.
Each traditional investment manager shall:
   a) Have full investment discretion with regard to security selection consistent with this Investment Policy Statement and is expected to maintain a fully invested portfolio (5% or less in cash);
   b) Immediately notify the Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel;
   c) Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company (at cost) or invest with the intent of controlling management;
   d) Not invest in non-marketable securities;
   e) With the exception of international managers, not invest in non-dollar denominated securities; and
   f) In the case of international managers, maintain appropriate diversification with respect to currency and country exposure.

5. 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 Endowment Fund equity portfolio.

H. Commingled/Mutual Fund Portfolios – Traditional Managers

1. Because the investment vehicles are pooled funds, all investment constraints and policies are set by the investment advisors, as detailed in the Prospectus/Advisory Agreement. All of the investment advisors must adhere to the Prospectus/Agreement at all times.

2. Performance is monitored by the Investment Consultant on a quarterly basis and results are reported to the Investment Committee.

I. Separately Managed Portfolio Equity Guidelines – Traditional Managers

1. Performance is monitored by the Investment Consultant on a quarterly basis and results are reported to the Investment Committee.

2. No more than 10% of the portfolio can be invested in American Depository Receipts (ADR's).

3. No position in any one company can exceed 10% of the manager’s portfolio as measured at cost without the written consent of the Committee.

4. Unless otherwise stated in this document, decisions as to individual stock selection, security size and quality, number of industries and holdings, current income levels, turnover and the other tools employed by active
managers are left to the manager’s discretion, subject to the usual standards of fiduciary prudence.

5. It is expected that each manager will remain essentially fully invested at all times. For the purposes of this Policy Manual, the term “essentially fully invested” means no more than 5% of the portfolio in cash. Equity managers are limited to equity and cash/short term investments. It shall be the responsibility of each manager; however, to give reasonable notice to the Committee of its intention to raise its allocation to cash should it believe that market conditions warrant such action.

6. Equity transactions should be entered into by the equity manager on the basis of best execution, which is interpreted normally to mean best-realized price, and negotiated commission rates.

7. Each equity investment manager will be responsible for the voting of proxies with respect to the issues of securities in which assets of the Foundation are invested. Voting of proxies should be made giving consideration to the best interests of the Foundation.

J. Separately Managed Portfolio Fixed Income Guidelines

Fixed income manager(s) are engaged to reduce the overall volatility of the Endowment’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 interest rate prospects. The Fixed Income managers shall maintain an investment grade average credit rating for the portfolio as measured by Moody’s and Standard & Poor’s.

1. Hold no more than 15% of the portfolio in investments rated below investment grade (below Baa/BBB). Split rated securities will be governed by the lower rating;
2. Maintain a duration within +/-20% of the effective duration of the benchmark index;
3. With respect to the corporate sector of the portfolio, invest no more than 25% of the portfolio in any one economic sector;
4. Assure that no position of any one issuer shall exceed 8% of the manager’s total portfolio as measured at market value except for securities issued by the U. S. government or its agencies;
5. Invest no more than 60% of the portfolio in either corporate or government mortgage-backed securities.
6. Performance is monitored by the Investment Consultant on a quarterly basis and results are reported to the Investment Committee.
7. Tax-exempt securities shall not be purchased except in unusual circumstances. Money market instruments as well as domestic bonds may be used by the fixed managers, however, equities are excluded. For the
purposes of this Policy Manual, Yankee bonds are considered to be domestic securities as these are issued in the United States and denominated in the U.S. dollar.

8. No more than 2.5% of the Foundation’s Investment portfolio will be invested in foreign bonds.

Unless otherwise stated in this document, decisions as to individual domestic security selection, turnover, number of industries and holdings and the other tools employed by active managers 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, however.

K. Derivative Securities – Traditional Managers

For definition purposes, derivative securities include, but not limited to, Structured Notes*, lower class tranches of collateralized mortgage obligations (CMO’s)**, principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, options, short sales, and margin trading.

Under no circumstances shall the investment managers utilize derivative securities without the documented approval of the Committee. This consent shall include the type of allowable derivatives and approved uses of the instrument. No consent will be given for any derivative security used for the purpose of leveraging the portfolio’s investments. (If options and futures are specifically approved by the Investment Committee, such positions must be offset in their entirety by corresponding cash or securities.)

The Committee shall consider certain criteria including, but not limited to, the following in its evaluation of a derivative strategy:

i. Manager’s proven expertise in such category.
ii. Value added by engaging in derivatives.
iii. Liquidity of instruments.
iv. Actively traded by major exchanges (or for over-the-counter positions, executed with major dealers).
v. Manager’s internal procedures to evaluate derivatives, such as scenario and volatility analysis and duration constraints.

Covered options may be written on stock held in the equity portion of the Endowment Fund. No other option strategy may be pursued in trading of investment securities other than writing options on stocks held in the existing portfolio on a one-to-one basis.

---

*Investment in "conservative" structured notes that are principal guaranteed, unleveraged, and of short-to-intermediate maturity is permitted.
**Lower class as defined by Federal Financial Institutional Examination Council (FFIEC).
L. Brokerage / Soft Dollar Use

Investment managers shall seek best price/execution when purchasing or selling securities at all times. As outlined by AIMR’s Soft Dollar Standards each investment manager must recognize that brokerage is an asset of the Endowment, not the investment manager. On an annual basis, each investment manager must:

1. Verify to the Committee that it complies with the "Required" sections of AIMR’s Soft Dollar Standards;
2. Document and disclose any soft dollar use and its impact on the Endowment's portfolio; and
3. Disclose any affiliated broker relationships and the materiality of that relationship to the investment management organization.

M. Gifts of Securities

1. The policy regarding restricted investment gifts was amended by the Investment Committee and approved by the Executive Committee on January 19, 2006:
   a. The Foundation will not solicit restricted gifts,
   b. the Foundation will not commit to any donor that it will purchase any particular investment with their donation or the state match donation,
   c. the Investment Committee will convene as needed to determine whether the Foundation should accept a restricted investment gift and whether that gift will be accepted into the investment pool.

2. Securities will be liquidated within five business days of receipt unless; either advised otherwise by legal counsel after review for future liability or legal complications, or the gift is contingent on retaining the securities in the endowment, and has been accepted by the Investment Committee, will be subject to all the following conditions.
   a. Holding costs, such as taxes, should not be unreasonably high nor present cash flow difficulties.
   b. Should such investments require additional administrative or personnel outlays, these costs should be factored into the expected future returns to determine acceptability to both the Endowment and to the Foundation as an organization.
c. To be included in the Pool, a donated investment must be considered a valuable long-term investment, comparable to other pool investments and approved by the Investment Committee.

d. Purchasing gifts in kind for an investment pool should never become a routine occurrence.

3. Gifts in kind may be held by any individual (non-pooled) endowment fund according to the criteria above. The asset need not be a good long-term investment. It is necessary that the gift’s values exceeds the expected carrying costs and present no cash flow problems. Again, this action must be approved by the Investment Committee and administrative and personnel costs should be covered. The ultimate goal should be to liquidate that asset and place the proceeds in the regular Endowment Pool.

N. Guidelines for Corrective Action

1. Corrective action should be taken naturally as a result of the on-going review process for Investment Managers. While there may be unusual occurrences at any time, the following are instances where corrective action, or termination, may be in order:

a) Major organizational changes in a firm may require a new contract and interview process. Failure on the part of the Investment Manager to notify the Committee of such changes is grounds for termination. At all times communication with the manager should be easy and informative.

b) Violation of terms of the contract without prior approval of the Committee constitutes grounds for termination.

c) Diversification Strategy - As part of its overall asset allocation strategy, the Committee will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee at the time they are engaged. Should either the consultant or the staff ascertain that significant changes in investment approach have occurred, this may be ground for termination.

d) Ordinarily the Committee will not as a rule terminate a manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its style and approach, the Committee will allow a sufficient interval of time over which to evaluate performance. In this area the consultant is valuable and will provide some insight regarding the appropriate length of time. The manager’s performance will be viewed in light of the firm’s particular style and
approach; keeping in mind at all times the Fund’s diversification strategy as well as the overall quality of the relationship.

e) Managers may be replaced at any time as part of an overall restructuring of the Fund.

O. Allocation of Investment Income and Losses

1. Investment income and losses will be allocated to each project endowment account monthly. Allocations will be calculated based on the average daily balance for each project endowment account. New funds will receive an allocation based on the average daily balance in the month following the month that the initial gift is received.

P. Setting and Calculating the Spending Allocation (Endowment Consumption) Rate

1. The Committee will review the spending rate each year and make a recommendation to the Executive Committee who shall in turn set the spending rate.

2. The spending policy will be based on a total return approach. The spending policy allocation will be calculated using the following procedures:
   a) Calculated once a year as of March 31st.
   b) Calculated as an average of the account balance of the prior 20 quarters.
   c) The current spending rate is 3.9%.
   d) Project managers will be notified of the spending policy allocation by May 15th prior for the fiscal year beginning July 1st so they can use it to set their budgets.
   e) For Faculty and Program Funds: On the 1st day of each quarter, one quarter of the spending allocation will be transferred from Endowment to Expendable.
   f) Scholarship Funds: On July 1st, the entire spending policy allocation will be transferred to expendable so that Project Directors will know the amount available to award scholarships for fiscal year.
   g) Administrative fees will be calculated quarterly based on the previous quarters average daily account balance and charged to the project on the 1st day of the quarter.

3. Spending allocation for new funds (under revision)
   In the first year, new funds will receive a spending allocation equal to the current effective spending rate based on the average daily balance for the full year from April 1st to March 31st; for the second year the effective spending rate based on the average daily balance for the year from April 1st to March 31st, etc., until the number of years equals five.
   a) The purpose of this method is to provide new gifts time for principal to grow while also providing an immediate and increasing stream of
income available to support university needs.

Q. Monitoring and Reporting

1. Master Custodian

The master custodian is an integral part of managing and overseeing the Endowment's portfolio. Open communications with the Endowment, its investment managers and consultant will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

The master custodian shall:

a.) Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.

b) Provide the Endowment, its investment managers and consultant special reports as reasonably requested; and

c) Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in custodial personnel or procedures.

2. Traditional Investment Managers

Open communication between the investment managers, the Endowment and its consultant are critical to the success of the Endowment. The following shall be provided by the manager at least annually to the Committee.

a.) A written review of key investment decisions, investment performance portfolio structure.

b) An organizational update, including a report on any and all changes in organizational structure, process, and a list of new relationships or clients that have terminated their services.

c) A review of the managers’ understanding of investment guidelines and expectations and any suggestions to improve the policy or guidelines.

In addition, the following is required of each investment manager:

a) Immediate notification to the Endowment and its consultant of any changes in senior investment personnel, any exceptions to this investment policy statement, and the firms Monthly transaction and asset statements shall be provided to the Endowment, its consultant
and custodian no later than the tenth business day following month end;

b) Other reports or information as may be reasonably be requested by the Quarterly performance reviews;

c) Recommended plan of action to address the situation;

d) Annual summary of proxy voting and soft dollar brokerage as defined in the respective sections of this Investment Policy Statement;

3. Consultant

The Investment Consultant is responsible for assisting the Committee in all aspects of managing and overseeing the Endowment's investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

a.) Provide the Committee with quarterly performance reports within 45 days following the end of the quarter;

b.) Meet with the Committee quarterly, or as needed by the Committee;

c.) Monitor the activities of each investment manager or investment fund;
   Provide the Committee with an annual review of this Investment Policy Statement, including an assessment of the Endowment’s current asset allocation, spending policy and investment objectives; and

d) Supply the Committee with other reports or information as reasonably requested.
Appendix A
NON-ENDOWED INVESTMENTS

Non-endowed investments primarily involve the investment of non-endowed gifts. The distinguishing characteristic of non-endowed investments is that they are not held in perpetuity, and, therefore, should not be invested in the more volatile asset classes, as are the Endowment funds.

I. Objective of Non-endowed Assets

Because these funds have a shorter term than the Endowment, the majority of assets will be invested in cash/cash equivalents and fixed income or fixed income products. Cash is a strategic asset of the Non-endowed portfolio.

II. Non-endowed Investment Policy and Guidelines

A. Strategy for the Fund

Because the Non-endowed Fund has a mixed time horizon, investment strategy is based on the uses of the funds. Since most of the fund must be available for short-term use, the majority of assets will be in cash and cash equivalents. Intermediate and long-term products should also be utilized to provide diversification and incremental return.

B. Asset Allocation

1. Up to 40% of the Non-endowed funds will be invested in the Endowment Fund.

2. The remaining amount of the Non-endowed funds will be invested in cash and cash equivalents and short and/or intermediate fixed income securities or funds.

III. Construction Funds

Funds raised for the construction of buildings remain part of Foundation assets until the State of Florida approves matching funds and the architect is selected. At that time, the entire amount of the gift for construction is transferred to a construction fund at the university. These funds should be invested in short-term instruments that attempt to match the number of months that the construction funds will remain in Foundation accounts.
### Appendix B

**COMPARATIVE INDICES FOR TRADITIONAL AND ALTERNATIVE INVESTMENT MANAGERS**

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>COMPARATIVE INDEX</th>
<th>TARGET R² INDEX</th>
<th>ACTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large Stocks</td>
<td>S&amp;P 500</td>
<td>99.9</td>
<td>95.0</td>
</tr>
<tr>
<td>U.S. Large Value Stocks</td>
<td>MSCI Prime Market Value</td>
<td>99.9</td>
<td>95.0</td>
</tr>
<tr>
<td>U.S. Large Growth</td>
<td>MSCI Prime Market Growth</td>
<td>99.9</td>
<td>95.0</td>
</tr>
<tr>
<td>Stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Mid Stocks</td>
<td>S&amp;P MidCap 400</td>
<td>99.9</td>
<td>90.0</td>
</tr>
<tr>
<td>U.S. Small Stocks</td>
<td>Russell 2000</td>
<td>99.0</td>
<td>85.0</td>
</tr>
<tr>
<td>U.S. Small Growth</td>
<td>Russell 2000 Growth</td>
<td>99.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Small Value Stocks</td>
<td>Russell 2000 Value</td>
<td>99.0</td>
<td>85.0</td>
</tr>
<tr>
<td>International Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int'l Large/Mid Stocks</td>
<td>MSCI EAFE</td>
<td>99.5</td>
<td>95.0</td>
</tr>
<tr>
<td>Int'l Small Stocks</td>
<td>S&amp;P EPAC Small Cap</td>
<td>99.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Emerging Mkt Stocks</td>
<td>MSCI Emerging Markets Free</td>
<td>99.0</td>
<td>85.0</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Fixed Income</td>
<td>Barclays Capital Aggregate Bond</td>
<td>99.9</td>
<td>95.0</td>
</tr>
<tr>
<td>Inflation-Protected Bonds</td>
<td>Barclays US TIPS Index</td>
<td>99.9</td>
<td>95.0</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>U.S. Treasury Bills</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Real Estate (REITS)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>HFR Fund of Funds</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Venture Economics all Private Equity Index-</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Real Assets</td>
<td>For illiquid Real Estate an equal weighting of the NCREIF Townsend Core, Value- Added and Opportunistic Fund Indices</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>For illiquid Natural Resources – an index created by Mercer which combines the performance of all of the 70 illiquid natural resource funds tracked by Mercer.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### Appendix C
ASSET ALLOCATION POLICY – ENDOWED INVESTMENTS

<table>
<thead>
<tr>
<th>FAU</th>
<th>TARGET PORTFOLIO ALLOCATION (8.4.14)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
</tr>
<tr>
<td>Cash / Certificates of Deposit</td>
<td>3%</td>
</tr>
<tr>
<td>Federated Money Market / Foundation Operations</td>
<td></td>
</tr>
<tr>
<td>Interim Working Cash</td>
<td></td>
</tr>
<tr>
<td>US Large Cap Core Equity</td>
<td>20%</td>
</tr>
<tr>
<td>US Small-to-Mid Cap Equity</td>
<td>15%</td>
</tr>
<tr>
<td>Developed Global Equity / International Large</td>
<td>10%</td>
</tr>
<tr>
<td>Emerging Market Equity</td>
<td>5%</td>
</tr>
<tr>
<td>Global Fixed Income/High Yield/Inflation Bonds</td>
<td>24%</td>
</tr>
<tr>
<td>Real Assets/Real Estate/Natural Resources/Commodities</td>
<td>15%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>8%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Within the asset allocations the portfolio has an over riding liquidity allocation range:

- Semi liquid (Hedge - up to one year illiquid) 0-25%
- Private Equity (greater than one year) 0-15%

*The asset allocation allows for Interim liquidity (cash) up to 100%*
Appendix D
Schedule of revisions beginning 12.7.09

12/7/09 Revised Benchmarks page 16

1/27/10 Reduced US all cap by 4%, increased US Quality by 2% and Hedge funds by 2%

7/28/10 Section K, Page 10. Changed “expressed written consent” to “documented approval”.

10/21/10 Changed 2% from US All Caps to US Large Stocks; Changed 6% from Int’l large to Int’l Quality


8/10/12 Decreased the amount of short term cash that can be invested in the portfolio from 50% to 40%.

1/30/13 Decreased US Large Growth Stock and increased US Large Stock by 5%. Decreased Real Assets and increased cash by 2%.

8/4/2014 Changed Asset Allocation Appendix C, included targets and ranges.

| 10/8/2015 Added placeholder investments page 5

FAU Foundation

Initiating Authority:
Interim CEO
Signature: _____________________________ Date: __________
Name: David Kian

Chairman
Signature: _____________________________ Date: __________
Name: Patricia McKay

Asst. VP Finance and Administration
Signature: _____________________________ Date: __________
Name: Sharon Brown