

UNIVERSITY OF LOUISVILLE FOUNDATION

INVESTMENT GUIDELINES FOR INTERNALLY MANAGED SHORT-TERM FUNDS

Internally Managed Short-Term Funds (“Internal Funds”) are those funds for which use and disbursement is anticipated to occur within one to three years. The following guidelines shall be applied to the management of the Internal Funds.

A. Responsibility and Delegation of Authority

1. The Vice President for Finance is responsible for the day-to-day management of the investment of short-term funds and may further delegate this investment authority as may be appropriate and necessary for the proper performance of the investment function.
2. The Vice President for Finance will report to the Board on the status of invested short-term funds when requested.

B. Investment Objectives

The primary objective is to achieve and maintain a high degree of safety and liquidity. The secondary objective is to maximize investment income with due regard to the constraints imposed by the short-term nature of the funds and the primary objective. That being the case, the yield objective for short-term funds is to realize a return in excess of that produced by investments in 90 day United States Treasury Bills.

C. Permissible Investments

1. Repurchase agreements – providing that delivery of these obligations is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with source including, but not limited to, national or state banks chartered in Kentucky. Collateral for these obligations will be United States government securities having a market value at least 102% of the amount disbursed. Such agreements must provide that the seller agrees to repurchase the securities, on any business day, at the original sale prices plus a negotiated amount of interest.
2. Money market funds, mutual funds and other commingled vehicles having all of the following characteristics:
 - a) Organized and managed as an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - b) The management company of the investment company shall have been in operation for at least five(5) years; and
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.
3. United States Treasury bills, notes and bonds backed by the full faith and credit of the United States or a United States government agency or government sponsored entities, including, Government National Mortgage Association, Federal National Mortgage Association, Federal
4. Home Loan Mortgage Corporation not exceeding, at the time purchase, three years to maturity.

4. Investment Pools Managed by the Commonwealth of Kentucky Office of Financial Management.

Short-Term Proceeds Pool
Intermediate-Term Proceeds Pool
Long-Term Proceeds Pool

5. Certificates of deposit issued by or other interest-bearing accounts of any bank of savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4).
6. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
7. Commercial paper not exceeding, at the time of purchase nine months to maturity (the maximum term).
8. Banker's acceptances not exceeding, at the time of purchase one year to maturity.
9. Variable Rate Demand Notes backed by an unconditional letter of credit issued by a domestic bank.
10. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
11. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated A1 by Moody's or A+ by S&P rating agency.

D. Limitations

The investments listed in section C. above shall be subject to the following limitations:

1. Commercial Paper must be rated the highest (A-1/P-1) by at least one Nationally Recognized Statistical Rating Organization (NRSRO). Bankers Acceptance must be issued by a bank with a short-term rating of the underlying bank rated the highest (A-1/P-1). All Commercial Paper and Banker Acceptances must be issued by domestic entities.
2. The amount of money invested at any time in one or more of the categories authorized by subsections C. 6, 7, 8, and 11 above shall not exceed twenty percent (20%) of the total amount of money invested.
3. No investment authorized under section C. above shall be purchased on a margin basis or through the use of any similar leveraging technique.