



<b>SUBJECT (R*)</b>	<b>EFFECTIVE DATE (R*)</b>	<b>POLICY NUMBER (O*)</b>
Directed Investment	October 25, 2014	TBD

<b>POLICY STATEMENT (R*)</b>
<p><u>Purpose</u> Recognizing that the Foundation’s mission includes assisting the university in accomplishing certain goals that may ordinarily be beyond the capabilities of the university to achieve, this policy sets forth the conditions under which the Foundation will make “directed” investments for the benefit of the University as part of the Foundation’s overall investment portfolio.</p>

<b>REASON FOR POLICY (O*)</b>

<b>RELATED INFORMATION (O*)</b>
<p>The FIU Foundation, Inc. Investment Policy Statement  The FIU Foundation, Inc. Conflict of Interest Policy  The FIU Foundation, Inc. Investing Endowed Funds and Use of Earnings  Florida Statute 1010.62  Board of Governors Debt Management Guidelines</p>

<b>DEFINITIONS (R*)</b>
<p>Directed Investment: Use of endowment assets to make an investment in a project proposed by the university.</p>

<b>PROCEDURES (O*)</b>
<p><u>University Approvals</u>  Before being presented to the Foundation, any proposed directed investment must have first obtained all required University approvals, including but not limited to approval of an all-funds business plan by the CFO and SVP for Administration and Finance. In addition, all academic units, schools and centers must obtain approval from the Provost and SVP for Academic Affairs for the programmatic plan and documented benefit to academic mission. In addition, any academic unit, school or center seeking a directed investment must be in compliance with all Foundation policies and procedures.</p> <p><u>Foundation Committees to Evaluate Proposals</u>  Real Estate Sub-Committee for investments in real estate</p>

Investment Sub-Committee  
 Finance Committee  
 Board

### Treatment as Investment

The primary purpose of the Foundation's assets is to support the university. Assets based on unrestricted and temporarily restricted gifts need to have annual or better liquidity in order to support current operations. Substantial losses on these assets reduce the Foundation's ability to support the University as our project directors and donors expect the funds to be expended for the charitable purpose that motivated the gift. In contrast, endowment assets are perpetual by nature and are expected to be invested for long term performance. There is an implicit understanding that endowed investments may occasionally suffer losses, but that over the long term, these losses shall be offset by gains.

As "directed" investments typically require an initial outflow of funds and only an eventual return of capital and gain, the early part of the investment may show a negative return. Therefore, any directed investment of the Foundation shall be considered an endowment pool investment. The investment shall be formally part of the Foundation's investment pool and shall be separately tracked from inception until the investment is completed.

Specifically excluded from this policy is venture capital funding for scientific, technical or medical start-ups which will be handled by the Florida International University Research Foundation.

### Limitation of Total Amount of Directed Investment

In order to maintain the focus of the endowment pool on its core mission and to provide the outsourced discretionary investment officer with sufficient assets to achieve the objectives set for them by the Board, there shall be a maximum of 3% of the endowment investment pool available for directed investment. Any exception to this limitation must present such a fundamental benefit to the entire university (not a particular unit or school) that it will have a transformative effect on FIU.

### FUPMIFA

All of the Foundation's assets must be managed in accordance with the Florida Uniform Prudential Management of Institutional Funds Act (FUPMIFA), Title XXVI, Chapter 617, Section 2104 of the state statutes.

As per FUPMIFA, in evaluating whether to make an investment, the Foundation's committees and Board must consider, if relevant:

- a. General economic conditions.
- b. The possible effect of inflation or deflation.
- c. The expected tax consequences, if any, of investment decisions or strategies.
- d. The role that each investment or course of action plays within the overall investment portfolio of the fund.
- e. The expected total return from income and the appreciation of investments.
- f. Other available resources of the institution.
- g. The needs of the institution and the fund to make distributions and to preserve capital.
- h. An asset's special relationship or special value, if any, to the charitable purposes of the institution.

In addition, reputational and other risk factors, as appropriate, should be considered. Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall

investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

### Rate of Return

Currently, the stated goal of Foundation's Investment Policy is to achieve a real annual return of 6% in order to maintain the long term purchasing power of the endowment. Therefore, the Investment Sub-Committee must assess the risk of any proposed directed investment and must determine the required return from the proposed directed investment so that it complements the overall expected rate of return required of the endowment pool. This evaluation must include the nature, benefit, duration, liquidity and riskiness of the proposed directed investment, as well as the composition and performance of the endowment investment pool and general economic conditions. The riskiness of the investment will be based on the nature of the investment and the financial performance of the school or unit making the proposal. In its evaluation, the Investment Sub-Committee may not assume that the university will guarantee the return on the investment unless the proposed directed investment is for the university, as a whole, as certified by the CFO. If the Investment Sub-Committee agrees to the proposed directed investment, it must set the required rate of return to be furnished by the school/unit.

### Collateral

When the Foundation makes an investment, it purchases either a financial instrument or a share of a partnership. Similarly, directed investment shall only be made when the Foundation can attain an ownership interest in real or personal property to serve as collateral for the full value of the investment.

The Foundation does not make unsecured loans as part of the investment portfolio.

The cash needed for the directed investment shall be made available from the liquid funds available within the endowment pool at the time of the investment.

### Directed Investment and Outside Chief Investment Officer

Any directed investment shall not be considered part of the Outside Chief Investment Officer's (OCIO) responsibility except that the OCIO will append the directed investment to the end of its reports on the total investment pool. Information to track the performance of the directed investment shall be provided by the Foundation's Assistant Director for Budget and Investments.

## **RESPONSIBILITIES (O\*)**

## **HISTORY (R\*)**

Amended October 23, 2020

Amended October 20, 2018.

### **RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R\*)**

FIU Foundation, Inc.  
Division Business & Finance  
MARC 5<sup>th</sup> Floor  
Miami, Florida 33199

The University Policies and Procedures Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at [www.policies.fiu.edu](http://www.policies.fiu.edu).

**RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R\*)**

Assistant Treasurer  
FIU Foundation, Inc.  
305 348 4762

For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

**FORMS/ONLINE PROCESSES (O\*)**

Link to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

**\*R = Required \*O = Optional**