



UNIVERSITY OF MINNESOTA  
**BOARD OF REGENTS POLICY**

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Financial

**INVESTMENT FUNCTIONS**

Adopted: June 10, 2011

Supersedes: (see end of policy)

**INVESTMENT FUNCTIONS**

**SECTION I. SCOPE.**

This policy governs all investment functions conducted by the University of Minnesota (University).

**SECTION II. GUIDING PRINCIPLES.**

**Subd. 1. Standard of Care.** The standard applicable to all investment functions shall be the "prudent person standard," which provides that investment activities, both transactional and otherwise, shall be undertaken, under circumstances then prevailing, in the following manner:

- (a) with the judgment and care that persons of prudence, discretion, and intelligence would exercise under similar circumstances;
- (b) for investment purposes rather than speculation; and
- (c) taking into account the importance of capital preservation and the risk that will be incurred and managed in light of the expected return to be derived.

**Subd. 2. Emerging and Minority- or Woman-Owned Investment Managers.** The use of emerging investment management firms and investment management firms that are minority-owned or woman-owned is encouraged, as well as steps in this regard consistent with the financial and fiduciary responsibility of the University.

**SECTION III. DEFINITIONS.**

**Subd. 1. Security.** *Security* shall mean any investment instrument or group of instruments commonly used by investors of institutional assets.

**Subd. 2. Investment Advisor.** *Investment advisor* shall mean a person or firm engaged to render advice to the University in connection with its investment activities. An investment advisor does not have authority to execute investment transactions.

**Subd. Investment Manager.** *Investment manager* shall mean a person or firm engaged to execute investment-related activities on behalf of the University at its discretion within the parameters established by the president or delegate and consistent with applicable Board of Regents (Board) policies. In circumstances where applicable industry standards require registration with the Securities and Exchange Commission (SEC), only investment managers duly registered with the SEC may be engaged to provide services to or act on behalf of the University.

**Subd. 4. Investment Transactions.** *Investment transactions* shall mean:

- (a) the purchase, investment in, possession, or acquisition of an interest in a security;
- (b) the sale, conversion, exchange, transfer, or other disposal of an interest in a security; and
- (c) the pledge of a security.

**Subd. 5. Emerging Investment Management Firms.** *Emerging investment management firms* shall mean investment management firms that manage total assets of less than \$250 million.



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**Subd. 6. Broker/Dealer.** *Broker/dealer* shall mean a person or firm duly registered as a broker-dealer with the SEC and a member in good standing of the Financial Industry Regulatory Authority, Inc. (FINRA) who is engaged to execute investment transactions on behalf of the University as directed by the president or delegate. Investment transactions may be executed in the open market or from the firm's inventory.

### **SECTION IV. DELEGATION OF AUTHORITY.**

The president or delegate shall have the authority and power to take all actions necessary or appropriate to manage and conduct the investment program and execute investment transactions consistent with Board policies. Such actions include the following:

- (a) to engage and terminate investment managers and advisors;
- (b) to negotiate, enter into, and perform investment transactions with broker/dealers and investment managers.
- (c) to negotiate, enter into, and perform purchases, sales, and other transactions in the secondary market when such action facilitates rebalancing to comply with asset allocation guidelines.
- (d) to exercise any voting right related to a security owned by the University in a manner determined by the president or delegate to be in the best interests of the University and in accordance with all applicable policies;
- (e) to direct the sale or exercise of any right related to a security; and
- (f) to execute, acknowledge, and deliver all certificates, agreements, powers of attorney, or other legal instruments for any purpose related to the management and performance of the investment function of the University.

### **SECTION V. REPORTING.**

The president or delegate shall make periodic reports to the Board as may be required in Board policies or as may be appropriate or requested by the Board in order that it may exercise its oversight function.

### **SECTION VI. INVESTMENT PROGRAM REQUIREMENTS.**

**Subd. 1. Custody of Investment Securities.** A system of custodianship shall be established to assure the appropriate management of access to, and the safety of, securities held on behalf of the University.

**Subd. 2. Transaction Costs.** All reasonable efforts shall be made to execute transactions at the lowest possible cost, taking into account commissions, efficiency of execution, and other relevant considerations.

**Subd. 3. Limitations.**

- (a) Short sales may be effected only as a component of more complex hedging transactions and may not be made for speculative purposes.
- (b) No direct purchases may be made of a security issued by the University.

**Subd. 4. Securities Lending.** Securities lending programs may be used as a means of augmenting income. Cash collateral received from borrowers may be invested only in cash equivalents and U.S. government securities.



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**SECTION VII. CERTIFICATE OF AUTHORITY.**

As needed or may be requested, the secretary of the Board shall certify the authority and power of the president or delegate to enter into investment transactions or to invest and deal in securities as provided in this policy.

**Supersedes:** Investment Transactions dated May 14, 2010; and Investment Managers dated November 9, 1990.