



BOARD OF REGENTS 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. 3. 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 manag 8))-1.61J-2.(ons1(n)-5.9 (a(g)1.2 (e.6l()-0.6r)-2.3 (e)T(na)0.7n)-5.9(bl)-3.2 (i)-7 (s)-2.)0.6t)-1.8i)-1.8)-0.6w)-

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.

SECTION VII. CERTIFICATE OF AUTHORITY.

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