

**WESTERN KENTUCKY UNIVERSITY RESEARCH FOUNDATION, INC. (WKURF)**

**POLICY AND PROCEDURES MANUAL**

**FUND INVESTMENT POLICY**

**(Approved by the WKURF Board of Directors, April 26, 2001)**

**Policy No: 100-1**

**Original Release: April 26, 2001**

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SECTION: Treasury

SUBJECT: Fund Investment Policy

PURPOSE: The investment objective for the endowed assets of the WKURF is to preserve and increase the real market value of the assets, thus protecting the assets against inflation and to produce current income to support the programs and requirements of the WKURF.

The following investment policies will be used:

- I. Long Term Assets (Maturity of one year or more):
  - A. Investments will be made in high quality, investment grade bond issues. A commitment to "BAS" quality bonds or higher will be allowed, with an overall portfolio average of "AA". Average maturity should not exceed 10 years. Duration should normally not exceed approximately 6-7 years.
  - B. Equity investments may be undertaken in a manner consistent with accepted principles of financial management with attention to appropriate diversification of the portfolio and the manage of risk.

The WKURF Investment Committee will review these policies periodically and make changes as deemed prudent to market conditions and business requirements. Additionally, the Investment Committee will review the investment results/performance of the corporate trustees on at least an annual basis for compliance with this policy.

- II. Sort Term Assets (Maturity of less than one year):

These are expendable funds, restricted as to use, available to the WKURF at anytime.

  - A. OBJECTIVES: The investment objectives are to preserve principal and to provide a prudent income, consistent with the maintenance of liquidity needs and capital stability of the WKURF.

- B. POLICIES: Diversification of assets seeks to ensure that unexpected and adverse results from one security or security class will not have detrimental impact on the entire portfolio of investments. Although limited to fixed income securities, these guidelines include diversification according to issuing entity, security maturity and security size. Asset classes and approximate ranges, based on fund values, considered appropriate for investment of these assets are as follows:
1. Investment decisions should generally be based on a maintenance of cash, or cash equivalents, or highly liquid assets consistent with the goal of obtaining maximum returns while maintaining the financial integrity of the portfolio.
  2. The term cash equivalent investments includes any high quality liquid contractual obligation with a maturity of less than one year. This asset class would include investments such as money funds, US Treasury bills, and prime commercial paper. A higher percentage of cash equivalent assets may be held from time to time to satisfy University commitments.

### III. PORTFOLIO MANAGEMENT

Investment maturities will be staggered in order to ensure a proper balance of liquidity and income. These investments will be made in accordance with the following:

- A. All investments should be dollar denominated.
- B. No fixed income investment of any one issuing entity shall be in excess of 10% of the market value of the portfolio, except direct obligations of the U.S. Government or obligations of agencies or instrumentalities of the U.S. Government, upon which there will be no limit.
- C. Certificates of deposit shall include only obligations of commercial banking and credit institutions insured by the FDIC, or the NCUSIF, or obligations of savings and loan institutions insured by the FSLIC. No single issuing entity shall represent more than \$100,000 or face value.
- D. Money market mutual funds shall include only those with portfolio limitations of investment grade or better.
- E. Commercial paper purchased shall have a rating of "P-1" by Moody's or "A-1" by Standard and Poors. If the company has long-term debt outstanding, these securities shall have an average rating of "A" or better by the major rating services.

- F. Investment in corporate bonds shall only be in those companies rated “BAA” or better.
- G. There shall be no purchase of direct placements, defined as securities which are placed directly by the issuer to the buyer (rather than through a public offering) with no SEC registration and such securities bear any restrictions upon their subsequent free sale or contain a requirement that they be put back to the issuer.

#### IV. ANNUAL REVIEW

The WKURF Investment Committee will review these policies periodically and make changes as deemed prudent to market conditions and business requirements. Additionally, the Investment Committee will review the investment results/performance of the corporate trustees on a least an annual basis for compliance with these policies.