BOARD OF TRUSTEES
UNIVERSITY OF PUERTO RICO

CERTIFICATION NUMBER 8
2009-2010

I, Salvador Antonetti Zequeira, Secretary of the Board of Trustees of the University of Puerto Rico, DO HEREBY CERTIFY THAT:

The Board of Trustees, at its regular meeting held on August 18, 2009, upon the recommendation and advice of its Investment Consultant, and of the President of the University, approved the:

> **Statement of Investment Policy, Guidelines and Objectives for the Endowment Fund of the University of Puerto Rico, attached and incorporated to this Certification.**

In addition, the Board provided that:

> **The Statement of Investment Policy approved hereby supersedes all previous statements on this matter, and renders ineffective all such previous statements and their amendments on the date of approval of this certification.**

IN WITNESS WHEREOF, I have issued this Certificate and affixed the Seal of the University of Puerto Rico, in San Juan, Puerto Rico, and this twenty-day of August 2009.

Salvador Antoetti Zequeira
Secretary

PO BOX 23400, SAN JUAN, PUERTO RICO 00931-3400
TEL. (787) 758-3350, FAX (787) 758-7196

UNIVERSITY OF PUERTO RICO ENDOWMENT FUND

STATEMENT OF INVESTMENT POLICY, GUIDELINES AND OBJECTIVES

ADOPTION OF THE STATEMENT

The Board of Trustees, on the advice of the Investment Consultants and the President, hereby adopts this Statement of Investment Policy, Guidelines, and Objectives ("Statement") for the Endowment Fund of the University of Puerto Rico ("the University"). These guidelines relate to those gifts, donations and money set aside by the Board in the form of endowment with long-term benefit objectives. The Statement is hereby incorporated into all existing and any future Investment Manager Agreements.

I. UNIVERSITY OF PUERTO RICO ENDOWMENT FUND

The Endowment Fund of the University of Puerto Rico, (the Fund), was created on June 13, 1996 by execution of the Public Deed Num. 2 with the primary objective of assuring economic resources for future University needs. The goal is to reach $100 millions in a period of ten years.

On May 12, 1997 the Board of Trustees approved Certification No. 107 (1996-1997), establishing that the corpus of the Endowment Fund would be held for perpetuity and after the fifth year the University could use up to 25% of the total returns for improvements in the areas of student scholarships, classrooms and research areas. After 10 years, the Board of Trustees will revise and decide the percentage of distribution from the investment return of the Endowment.

II. DEFINITIONS

A. Board of Trustees

The Board of Trustees of the University of Puerto Rico ("the Board") is the governing board of the University, created by the Law of the University of Puerto Rico, Law No.1 of January 20, 1966, as amended by Law No. 16 of June 16, 1993.

B. Investment Consultant

The Investment Consultant, hereinafter called "the Consultant," shall be a professionally qualified company possessing the necessary specialized research capability and skilled work force to provide objective, impartial investment counseling. The Investment Consultant shall be engaged by the University.

C. Investment Manager

The Investment Manager(s), hereinafter called "the Manager," shall be one or more professionally qualified firms processing the necessary specialized research facilities and skilled work force to provide objective, impartial investment advice and ongoing investment management of securities portfolios. The Manager shall be a Registered Investment Advisor(s) under the Investment Advisors Act of 1940, and shall be engaged by the University.

D. Investment Fund

The Investment Fund, hereinafter called "the Fund," comprises the liquid assets of the Endowment Fund.

E. President of the University of Puerto Rico

The President of the University of Puerto Rico is the chief executive officer of the University of Puerto Rico System, responsible for the Endowment Fund, and for the execution of the policies and procedures outlined in the Public Deed.

III. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This Statement of Investment Policy, Guidelines, and Objectives are set forth in order that:

A. The Board of Trustees, the President, the Investment Consultant, the Manager(s), and all other advisers to the Endowment Fund have a clear and mutual understanding of the investment policies and objectives of the Fund and create a framework for realistic expectations regarding behavior and results which are expected to occur during various stages of a market cycle.

B. The Manager is given guidance and limitations in investing these funds,

C. The President has a meaningful basis for the evaluation of portfolio management in order to meet the responsibilities assigned by the Board to prudently monitor the fund investment, and

D. It be recognized that the financial health of the Endowment Fund cannot be assured by relying solely on increasing investment income and that contributions and expense levels must be periodically examined.

E. It is understood also that this Statement shall be reviewed and revised from time to time to ensure that it continues to reflect the attitudes, expectations, and objectives of the University. All policy modifications or amendments shall be in writing.

IV. STATEMENT OF INVESTMENT GOALS AND OBJECTIVES

A. The investment goal for the Fund over market cycles (7-10 year periods) shall be to achieve above average rates of return and to enhance the value of endowment assets, in order to preserve purchasing power and maximize, without undue risk, the resources available, to provide benefits and reduce funding costs; short-term fluctuations in value shall be considered secondary to total return over market cycles.

B. In pursuing this goal, the University primarily seeks consistency of investment return through the objective of growth. This objective shall be achieved in a manner such that purchasing power of the Fund is preserved, while protecting the Fund from excessive volatility in market value from year to year.

C. Total rate of return from investments shall exceed the higher of the following variables over market cycles, after deducting for advisory, investment management, and custodial fees, as well as total transactions costs:

1. The Consumer Price Index (C.P.I.) for the period plus 3%.

2. the U.P.R. Benchmark, a hybrid index comprised of the Standard and Poor's 500, the MSCI EAFE index, Russell 2000 and the Lehman Brothers Aggregate Bond Index, so weighted as to reflect the preferred asset allocation of the Fund.

V. RESPONSIBILITIES OF THE PRESIDENT OF THE UNIVERSITY OF PUERTO RICO

A. The responsibilities of the President with respect to the control of the investment of the Fund are as follows:

1. To establish reasonable investment objectives in accordance with the general norms established by the Board.

2. To evaluate, select and contract professional, specialized services as necessary.

3. To assign and reassign the asset parameters for each Manager, always honoring the general parameters for the distribution of endowment assets.

4. To establish the specific norms of investment policy that the Manager can use to make corresponding investment decisions, in accordance with the general policies established by the Board.

5. To communicate the policies and guiding principles to each Manager.

6. To continually evaluate the investment performance and compliance with established norms and objectives.

7. To review the objectives and investment norms at least once a year, as well as at any other time as may be necessary.

8. To take appropriate measures to replace the Consultant, Managers(s) or Custodian when deemed necessary.

9. To oversee that the endowment investments are managed at a reasonable cost, with care not to affect the quality of administration. The cost of administration includes, but is not limited to honorariums paid to the manager(s), Consultant, Custodian, and other administrative cost for the System.

10. To advise the Board on any other matter relating to the Fund, either upon request by the Board or by its own initiative.

11. To inform the Board in writing, at least once per quarter, or as required, about all matters related to the Fund.

12. To oversee the compliance of investment directives described.

13. The President is authorized to waive or modify any of the guidelines and policies in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the investment strategy involved. Documentation supporting all waivers and modifications will be maintained. All waivers & modifications will be previously approved by the Governmental Development Bank of Puerto Rico (GDB); and reported to Board of Trustees for ratification during the following meetings after granting of the waiver modifications.

B. The President understands that regarding implementation of the investment policy, his role is to supervise, not execute, and that decisions about investment strategies and the selection of securities will be delegated to the Manager, in accordance with the policies described in this document. Nevertheless, the President reserves the right to study and recommend to the Manager investments to be explored or that appear to be valuable to the Endowment Fund.

VI. ELEGIBILITY REQUIREMENTS AND RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

A. Eligibility and Selecting a Qualified Investment Consultant

The President will conduct a search for an Investment Management Consultant that can help him carry out its fiduciary obligations in supervising the assets of the Fund. The following aspects of the consulting organizations considered should be analyzed in the selection process.

1. In the case of institutions registered as brokers/dealers, their registration with the SEC will be mandatory. Due to the nature of the structure of some advisory institutions, such registration will not be required; in such cases adherence to any other pertinent rules must be followed.
2. Organizational strength and structure
3. Experience
4. Client base
5. References
6. Professional staff
7. Consulting philosophy
8. Economic and Investment Research Capabilities
9. Performance Measurement and Analysis
10. Reports
11. Investment Manager Search, Selection Process and Due Diligence Process
12. Client Service
13. Fees

B. The Investment Consultant is responsible for facilitating the following processes:

1. Assuring a clear understanding by all parties of:

   a. The Endowment's financial obligations,

   b. A basic understanding of the fiduciary responsibilities of the Board, the President, the Consultant and the Manager(s), and

   c. A practical comprehension of the capital markets, so that investment decisions reflect sound management of the endowment assets.

2. The on-going review of the endowment Statement of Investment Policy, Guidelines and Objectives, to insure that it adequately reflects the investment philosophy, strategies, objectives, and guidelines subscribed to by the Board.

3. The on-going examination of the endowment investment portfolios, to insure the attainment of the endowment investment objectives over market cycles.

4. On-going performance measurement, to insure.

   a. That investment performance of each Manager contributes positively and adequately to the overall performance of the endowment's assets, relative to its investment style, peer group and the endowment investment objectives. It is important to note that performance consists of two variables: return and risk. It is this risk/return ratio, which shall be continually measured.

   b. That the sources of investment performance, such a security selection, asset allocation, sector distribution, investment styles, and other criteria are appropriate, relative to the Board's investment philosophy, the guidelines stated herein, and add value in the investment process.

VII. ELEGIBILITY REQUIREMENTS AND RESPONSIBILITIES OF THE INVESTMENT MANAGER

A. Eligibility

The Manager(s) must meet the following general criteria for eligibility:

1. The manager shall be duly registered under the Investment Advisors Act of 1940.

2. The Manager shall be a substantial, financially viable organization with superior equity and/or fixed income securities management, capable of supporting an investment process and delivering consistently superiors returns. This includes superior risk-adjusted performance relative to the capital market and the Manager's peer group, style and strategy, for seven years and five years, as well as the trailing twelve (12) months.

3. Performance should be evaluated using the CFA Institute standards also known as Chartered Financial Analyst.

4. The manager shall have a clearly defined organizational structure with staffing, facilities, and operations capable of supporting the investment activities and servicing requirements of the System.

5. The manager's investment professionals shall have extensive practical experience in the field of investment management, particularly in the management of public retirement funds.

6. The manager shall acknowledge in writing its recognition and acceptance of full responsibility as a fiduciary under applicable federal and local laws.

7. The Manager shall be able to articulate a clearly defined investment process: i.e., a buy and sell discipline with its overall investment strategy.

8. The total number of accounts managed by each portfolio manager will be of consideration.

9. The Manager shall restrict its investment activity to those securities and to such asset allocation and other guidelines as stated herein.

10. Any sanctions and/or investigations, past or pending, against the Manager by the Securities and Exchange Commission or any court of law, or any other relevant ruling body during the five (5) years prior to the date of consideration shall be closely evaluated.

B. Responsibilities

The Manager(s) will be charged with the following on-going responsibilities:

1. Performance

    a. To determine and implement investment strategy and securities selection, within the guidelines stated herein.

    b. To assure best execution on all transactions. Best execution is defined as the optimum price/cost relationship, and includes consideration of such factors as opportunity cost and market impact.

    c. To assure that the Fund under the Manager's management performs as well or better than the Manager's components translated to an appropriate composite benchmark assigned to the manager.

    d. To assure that the nominal investment objectives of the endowment are met as stated in Section III, while adhering to the policies and guidelines herein.

2. Communication

   a. To provide a written report, at least quarterly, which will display the performance of the Fund, in the aggregate and by asset class, for the period of the most recent quarter end, fiscal year-to-date, calendar year-to date, three, five seven years and/or inception, whichever period is shorter, and

   b. Managers must also reconcile with the custodian at least on a quarterly basis, with an explanation of any discrepancies and how they will be resolved

   c. To assure that the portfolio manager directly responsible for managing the Fund be available to meet at least twice a year with the President or his authorized representative, as well as at such other time as requested by the University, in order to:

      1. Review the past, present and prospective economic climate in relation to investment strategy.

      2. Allow the understanding of the investment strategy being used to fulfill the stated objectives.

      3. Allow the understanding of the risk levels of the securities represented in the portfolios.

      4. Review and evaluate trends in performance levels in relation to the Manager's investment style and stated strategy.

      5. Review investment expenses.

      6. Provide the opportunity to advise the Manager of any significant changes in pertinent information.

   d. To inform the President of any changes in management personnel or in the portfolio management team assigned to the Fund.

   e. To inform the President of any changes in the quality ratings of securities in the Fund that makes such securities to fall below the quality standards stated herein. Such communication will be immediate, verbal and in writing to the Committee.

f. To maintain on-going communication with the Consultant regarding all matters deemed relevant to the well-being of the Fund in order to allow for proper execution of due diligence responsibilities.

C. On-going Evaluation

1. The Manager shall maintain at all times the eligibility, performance, and communication standards state above.

2. The President will measure the Manager's adherence to this investment policy on a quarterly basis. Any deviation may be grounds for replacing the Manager.

3. Performance will be measured on a risk versus total rate of return basis and will be evaluate on a since-inception, quarterly, trailing 12 months, and fiscal-year-to-date basis. The President will review performance at least quarterly. This review will relate performance to overall objectives and other benchmarks that are meaningful relative to these objectives and guidelines. Significant downside deviation will lead to a serious reconsideration of the Manager's engagement. The President, of course, recognizes that losses may occur in individual investments.

4. While the President intends to evaluate the portfolio's performance over 7-10 year periods, it reserves the right to replace the Manager at any time. The most serious threat to the President confidence regarding any Manager is breach of the System's risk tolerance and investment guidelines regarding eligibility, responsibilities, communication, and performance.

VII. ELIGIBILITY REQUIREMENTS AND RESPONSABILITIES OF CUSTODIAN

A. Evaluation and Eligibility

A search should be conducted for a qualified banking institution that can provide custody and all the related services required by the Fund. The Custodian search and evaluation should focus on the following areas:

1. Organizational strength and structure
2. Experience
3. Client base
4. References
5. Professional staff
6. Accounting and reporting

7. Cash Management
8. Custody and Safekeeping
9. Securities Lending
10. Controls and Procedures
11. Systems capability
12. Fees
13. Insurance

B. Responsibility of the Custodian

1. The professional management of the Fund must be accompanied by the engagement of a qualified banking institution able to support the custody-related aspects of the investment process. The custodian must be nationally recognized for its leadership and expertise in the custody and related services for professionally managed investment portfolios.

2. Among other duties, the Custodian is charged with ensuring the timely settlement of all transactions, crediting of payments, and providing transaction confirmations and monthly statements that reflect all transactions and the investment portfolio as of month-end.

VIII. GENERAL INVESTMENT POLICIES

A. Fiduciary Standards

1. Investment shall be made solely in the best interest of the Endowment Fund and for the exclusive purpose of providing the resources needed in order to accomplish its objectives.

2. Investment shall be made with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of a fund of like characters and with like aims.

3. Investment shall be so diversified as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. In such an event an affirmative decision shall be obtained from the University prior to the action.

B. Safety of Principal

The criteria of safety of principal shall not be imposed on individual investments, rather, the portfolio as a whole shall be structured to protect against long-term capital erosion.

C. Turnover

It is the responsibility of the Manager to select the turnover needed to achieve the performance objectives. As long as performance results meet investment rate of return objectives, turnover will not be an evaluative factor, unless it appears to the Board that turnover is such that the associated costs need to be evaluated.

D. Brokerage

1. Transaction costs are a significant component to the investment cost structure of any fund. All transactions will be subject to best price and execution. The University should exercise the utmost care in managing these costs, as commissions are considered an asset of the Fund by the SEC and other regulating bodies typically employed as providers of the highest standards and practices.

    a. When replacing or adding investment managers and strategies or rebalancing portfolios, the President should assure that such transitions are properly managed, in consultation with trained professionals in the transition management field. Both Implicit and explicit transaction costs should be monitored and minimized.

2. To avoid all conflicts of interest when using Fund assets to pay brokerage expenses and to ensure that all trading expenditures are made for the benefit of the Fund. To monitor trading costs and obtain best execution. The use of soft dollars is prohibited for paying investment manager fees.

3. The Manager shall not execute transactions through its affiliate broker/dealer firm, if such affiliation exists, nor shall it involve the affiliate firm, directly or indirectly, in clearing and/or settling transactions.

4. Investment managers shall not trade with independent brokerage entities when such entities intend to enter into principal trades, as per Section 206(3) of the Investment Advisors Act regarding Principal Trading.

E. Economy

Over a period, the University anticipates significant changes in the economy, such as varying short and long-term interest rates and changing rates of inflation.

It will be the responsibility of the Manager to choose and manage investments within these guidelines to optimize return in excess of inflation.

F. Ethics and Conflict of Interest

The Directors, Investment Committee members, Investment Officer(s), and any other persons involved in the investment process must:

1. Refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions,

2. Disclose in a timely manner any material financial interests in financial institutions or service providers that conduct business with the Fund, and they should further disclose any large personal financial/investment positions that could be related to the performance of the Fund's portfolio, and

3. Subordinate their personal investment transactions to those of the Fund, particularly with regard to the timing of purchases and sales.

IX. GUIDELINES ON MANAGING RISK

The University understands that "risk" to the Fund signifies the possibility that fund obligations not be met, over the long or short term. Thus, fluctuations in market value are secondary to long-term growth. However, the University best describes market risk as a high degree of variability in the market value of portfolios, relative to established benchmarks, over a market cycle. "High degree" shall be defined as more that twelve (12) months of sustained underperformance measured as less than 90% of benchmark returns of more that 120% of benchmark standard deviation. In order to manage variability reasonably, the following parameters and guidelines, shall be observed:

A. Strategic Asset Allocation

1. The Fund shall be invested, based on market value, in the following asset classes, as indicated:

Asset Class	Minimum	Maximum
Fixed Income	15%	25%
Cash	0%	10%
Domestic Large Cap Equity	15%	30%

Domestic Small/Mid Cap Equity	10%	20%
International Equity	10%	20%
Emerging Market	5%	10%
Other Assets[1]	10%	20%

[1] Includes Real Estate, Private Equities, Venture Capital, Fund of Funds, Hedge Funds, and Commodities. Not more than 5% can be allocated to any given one.

2. Specific Asset Allocation

   a. Authorization may be granted for a different asset allocation in limited occasions in which the donor requires a specific asset allocation as a condition for the donation of the funds and the amount justifies the requirement. Written approval of the acceptance of the required asset allocation must be obtained before accepting the donations.
   b. Current funds available in the Endowment Fund, which have an approved asset allocation that differs with the one above described, may continue with the actual asset allocation until donor restrictions are met.

3. Rebalancing Strategic Allocation:

   Allocation to each asset class above may vary as much as plus or minus 5% beyond the maximum and minimum parameters, as market conditions vary. Allocation compliance will be reviewed quarterly. In the absence of cash flows, the President shall decide whether to effect transactions in order to bring strategic allocation within threshold ranges.

B. Investment Styles and Rebalancing

The President shall ensure the presence of the various asset classes, as well as complementing investment styles within such classes. As styles cycle in and out of favor, the President will review style weightings and reserve the right to adjust such weightings as it deems appropriate. The President will rely on appropriate counsel for such analyses.

C. Country Allocation

The system may invest up to 20% of the equity portfolio in securities issued outside of the United States of America or American Depository Receipts (ADR's). In general, investments shall be in securities or ADR's of companies in countries represented by the MSCI Europe, Asia, and Far East (E.A.F.E.)

Index, plus Canada and other developed countries. Up to a maximum of 25% of the International Equity Allocation may be invested in Emerging Markets.

It will be the responsibility of the Manager(s) of international investments to determine appropriate country, sector and security selection, as well as the appropriateness of currency hedging.

D. Security Selection

1. Prohibited Securities: The following securities and/or transactions are not authorized, unless prior written approval by the Government Development Bank is obtained:

   a. Warrants
   b. Unregistered or Restricted Stock
   c. Private Placements
   d. High Risk mortgage securities
   e. Securities Lending
   f. Non marketable securities

E. Tolerance

1. Total Portfolio

   The University recognizes that the capital markets can be unpredictable at times and that different investment postures can result in periods in which the market value of the Fund's assets may decline in value. To protect the Funds, the University defines loss tolerance as moderate and infrequent losses through a market cycle.

2. Fixed Income Securities Selection

   a. There is no limitation as to the degree of participation of the fixed income portfolio in direct obligations of the United States government.

   b. Managers may invest either in individual mortgage-backed securities or in units of a mortgage-backed securities fund, as long as the fund is not responsible for any management fees related to its investment in the fund. This excludes miscellaneous expenses related to custody, operations and legal.

   c. Fixed income investments must be rated at the time of purchase within the highest classifications designated by one of the Nationally Recognized Statistical Rating Organization. If subsequent to purchase, an instrument shall cease to be eligible under these guidelines, the Manager will divest the relevant instrument as soon as prudent and practicable.

d. No more than 5% of any single debt issue may be purchased as an investment with the exception of the U.S. government or its agencies.

e. No more that 10% of assets of the Manager's fixed income portfolio at cost may be invested in the securities of a single issuer, with the exception of the U.S. Government or its agencies.

f. Investment in mortgage-backed securities shall be first mortgages and on property within the jurisdiction of the United States government Return on mortgage investments shall reflect their liquidity and reliability of cash flow.

g. Managers may invest in unregistered Rule 144A corporate bonds, provided that such issues have registration rights, adequate secondary market liquidity, and subject to the minimum credit parameters mentioned above.

h. Managers may invest in Asset-Backed Securities in a manner that is consistent with the minimum credit parameter mentioned above.

i. Fixed income investment management will be regarded as active. When a security can be sold to the long-term benefit of the Fund, it will be. Bonds may be swapped in order to take advantage of yield spreads between various qualities of bonds or the yield curve, which differentiates bond returns by maturity. On occasion, securities will be sold at a loss if alternative investments would add to the value of the Fund and would recuperate the loss in a responsible period of time. Safety of principal shall not be imposed on each individual investment. Rather, the portfolio as a whole should, over the long term, conserve principal purchasing power and comply with state objectives.

j. If a Selected Manager uses swaps, they must abide by the GDB Master Swap Policy (Appendix A).

3. Equity Securities Selection:

a. Stock investment shall be, for the most part, of companies created under the laws of the United States. Up to 20% of the equity portfolio may be invested in non-U.S. securities or ADR's.

b. Stocks owned by the Manager's equity portfolios will generally be those traded on the major national and international exchanges or NASDAQ.

c. No single stocks will exceed 7% of the Manager's equity portfolio based on market value. The Fund will not own more than 5% of the stock of any single issuer.

d. The Fund's participation in any one industry shall not exceed 20% from appropriate benchmark.

e. On occasion, the Fund will sell equity at a price below the cost to the Fund. Although the Fund avoids the incurrence of losses, these will be tolerated when alternative investments provide a higher return and permit the loss to be recuperated within a reasonable period. Safety of principal shall not be imposed on each individual investment. Rather, the portfolio as a whole should, over the long term, conserve principal purchasing power and comply with the state objectives.

4. Real Estate and Mortgage Investments:

Real estate ownership allows the Fund to diversify assets as well as preserve the Fund's financial strength during inflationary periods. The Fund may evaluate, select and manage real estate investments under the following guidelines:

a. Real estate investments shall be in limited partnerships or real estate investment trust (REIT's) that can generate one of the three highest relevant credit ratings at the time of purchase.

b. Real estate investments shall be judged based their total return potential.

c. The overall quality of real estate holdings will remain high.

d. No single participation in a limited partnership will have an average maturity exceeding 7 years.

e. With respect to direct mortgage and real estate investments, the System shall have minimal servicing and property management responsibilities. These responsibilities shall be assumed by capable services, contracted by the Fund to perform these duties at prevailing market rates. Mortgage services shall provide the Fund with financial statements on an annual basis.

5. Cash Equivalents:

   Cash reserves of the Fund are maintained in high quality, short-term investments. Commercial paper, treasury obligations, certificates of deposit, bankers' acceptances, and repurchase agreements are all permissible investments. The Manager will utilize the investment instruments it regards as most secure and having the best return. In any case, however, commercial paper must be rated A1 and/or P1 by Standard and Poor's and/or Moody's Investor Services. In addition bank certificates of deposit must be of institutions rated among one of the top 3 rating categories by Bank Watch (A, A/B, or B-).

   Any idle cash not invested by the Manager shall be invested daily in an appropriate "automatic sweep" interest-bearing vehicle managed by the Custodian.

6. Passive Investments:

   The Fund may invest through active or passive managers. Passively managed investment vehicles in the same asset classes and markets mentioned above are not subject to the security selection and diversification requirements mentioned in this policy.

7. Other Assets & Investments:

   The financial securities markets are constantly changing. Not only are markets volatile from a valuation perspective, but also new types of investment services and techniques are continually being introduced to institutional investors. In recent years, interest has developed for such concepts as option writing, market index futures, portfolio immunization, portfolio insulation, depository trusts, securities lending and tactical asset allocation. In the coming years, new investment concepts, no doubts, will be defined and offered to institutional investors. The Committee shall review new investment practices to examine their applicability to the Endowment. The same prudence exercised when the Funds assumes a new instrument shall be used to review the value of new investment practices. New practices shall be examined from the standpoint of risk and return.

X. REVIEW MEETINGS

Quarterly meetings with the Consultant and at least semi-annually with the Manager(s) will be held with the President or his authorized representative in order to review the progress in the implementation of this Policy.

XI. NORMS AND PROCEDURES. INTERPRETATION

A. Norms: The President of the University of Puerto Rico or his authorized representative may issue norms, rules or procedures in order to implant this Statement facilitate the fulfillment of its dispositions and assure the proper implementation and uniform administration of its dispositions.

B. Interpretation: The President or his authorized representative will interpret this Statement, the norms or procedures issued in behalf of this Statement and any conflict related that may arise during the implementation, administration or evaluation of the dispositions established.

XII. ADOPTION OF THIS STATEMENT

This Statement of Investment Policy, Guidelines and Objectives is effective immediately and revokes any other investment guideline or policy established previously by the University of Puerto Rico.