

Florida Housing Finance Corporation

Investment Guidelines

I. Authority

This investment guideline is for the purpose of implementing the statutory authorization for investing for operating and state and federal funds that are not governed by legal requirements in documents such as bond indentures. Section 420.507(8), F.S, authorizes Florida Housing Finance Corporation (Florida Housing) to invest any funds held in reserves or sinking funds, or any funds not required for immediate disbursement, in such investments as may be authorized for trust funds under s. 215.47, Fla. Stat. Authorized investments are further defined in s 420.503(3), F.S as being an investment permitted under s. 215.47(1) and (2).

II. Investment Objectives

The primary objective of this investment policy is the preservation of principal through investment in high quality assets and the provision of a rate of return within the risk parameters set forth in the guidelines. Liquidity shall be maintained using investments for which there is an available secondary market. Subject to the requirements of safety of principal and maintenance of liquidity, all investments will be made striving to maximize portfolio return. Investment decisions must be based solely on pecuniary factors and may not subordinate the interests of the people of Florida to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. The pursuit of this goal will be continuous.

III. Maturity and Term (applies at time of purchase)

Maturity shall mean the stated final maturity of the security, or the unconditional put option date if the security contains such a provision. Term or tenure shall mean the remaining time to maturity from the settlement date. For those securities which have reset dates or trade based on their average life, the reset date or average life will be used instead of the final maturity date for guideline purposes.

Cash Plus: Maximum maturity of any individual security not to exceed 3 years and 2 weeks. Portfolio duration will not exceed one year. The return objective is to exceed the total return (net of fees) of the ICE BofA 0-1 Year U.S. Treasury Index (G0QA) (the benchmark index) over a market cycle.

Short Term Fixed Income (1-3 year): Maximum maturity of any individual security not to exceed 5 years and 2 weeks. Portfolio duration shall remain in a range of +/- 25% to the

benchmark index. The return objective is to exceed the total return (net of fees) of the ICE BofA 1-3 year U.S. Treasury Index (the benchmark index) and the ICE BofA 1-3 Year U.S. Corporate & Government Index over a market cycle.

Short Term Fixed Income (1-5 year): Maximum maturity of any individual security not to exceed 7 years and 2 weeks. Portfolio duration shall remain in a range of +/- 25% to the benchmark index. The return objective is to exceed the total return (net of fees) of the ICE BofA 1-5 Year U.S. Treasury index (the benchmark index) and the ICE BofA 1-5 Year U.S. Corporate & Government Index over a market cycle.

Intermediate Fixed Income: Maximum maturity of any individual security not to exceed 10 years and 2 weeks. Portfolio duration shall remain in a range of +/- 25% to the benchmark index. The return objective is to exceed the total return (net of fees) of the Bloomberg Intermediate U.S. Treasury Index and the Bloomberg Intermediate U.S. Government / Credit Index (the benchmark index) over a market cycle.

IV. Permitted Investments

Allowable securities are those identified in section 215.47, Fla. Stat., except as further modified in this investment guidance. Exclusive of the basket clause, only securities which are specifically listed as authorized may be purchased.

- Rule 144A private placements. Florida Housing Finance Corporation is a Qualified Institutional Buyer (QIB) as defined by the terms of the Securities Act of 1933.
- Obligations issued by the U.S. Treasury or guaranteed by the U.S. Government.
- Obligations issued by U.S. Government-Sponsored Enterprises (GSEs) or guaranteed by GSEs.
- Municipal general obligations of any U.S. state (including the District of Columbia), county, city, school district or any agency thereof that pledge their full faith and credit. Revenue obligations of any municipality, political subdivision, agency, district, or authority of any U.S. state (including the District of Columbia).
- Corporate bonds and notes of U.S. and/or foreign issuers (Yankee Securities).
- Asset-Backed Securities backed by the monthly cash payments associated with consumer and business receivables.
- Residential and Commercial Mortgage-Backed Securities of U.S. and/or foreign Agency and Non-Agency issuers.
- Short-term obligations of domestic and foreign banks including but not limited to, banker's acceptances, certificates of deposit, time deposits and bank notes.
- Money Market instruments including Commercial Paper issued or guaranteed by U.S. or foreign corporations or Asset-Backed Commercial Paper (ABCP) denominated in U.S. dollars.

- Government/Agency Mutual Funds: Interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 that invests in obligations of the U.S. Government or an agency or instrumentality thereof and to repurchase agreements fully collateralized by such U.S. Government obligations.
- U.S. Money Market mutual funds (as defined by SEC Rule 2a-7 at time of purchase).
- Repurchase agreements fully collateralized at 102% by U.S. Government and/or Agency securities.
- Investments in the Treasury Special Purpose Investment Account (SPIA) as authorized in Section 17.61, Fla. Stat.
- Local government investment pools (LGIP): State, local government or privately-sponsored investment pools that are authorized pursuant to state law.
- Assets not specifically identified above, which existed in the manager's account prior to the adoption of these guidelines.
- Basket Clause: Assets not specifically described in these guidelines that have been approved by the Florida Housing's Chief Financial Officer (CFO) or the Executive Director, or in the absence of either, the Comptroller. Request for approval shall be in writing and shall include the expected benefits and potential risks of such activity; methods for monitoring and measuring the performance of the investment; a complete description of the type, nature, extent and purpose of the investment proposed to be made, voting rights or lack thereof and control to be acquired, restriction upon voting, transfer and other material rights of ownership, and the existence of any contract, arrangement, understandings, or relations with any person or entity (naming the same) with respect to the proposed investment.

V. Credit Quality (applies at time of purchase)

For compliance purposes relative to the credit constraints regarding securities that are split-rated, the highest rating shall apply (e.g., A-/Baa1 bond would be considered an A-rated security).

- Money Market Instruments
Minimum A-2/ P-2 by at least one Nationally Recognized Statistical Ratings Organization (NRSRO).
- Corporate Bonds and Notes
Minimum BBB-/Baa3 Long-Term rating by at least one NRSRO.
- Asset-Backed Securities
Minimum AA-/Aa3 Long-Term rating by at least one NRSRO.
- Mortgage-Backed Securities (includes Commercial Mortgage-Backed Securities)
Minimum AA-/Aa3 Long-Term rating by at least one NRSRO.

- Municipal Securities
Minimum A-/A3 Long-Term rating by at least one NRSRO.
- LGIPs
Highest rating category by all NRSROs that rate the pool.
- All other securities
Minimum BBB-/Baa3 Long-Term rating by at least one NRSRO.

VI. Downgrades (after purchase)

If an issuer's credit rating is downgraded to below the allowable purchase limits, the Investment Manager will communicate as early as is practicable but within three (3) business days to Florida Housing upon discovery thereof and recommend a course of action.

Upon notification from the Investment Manager of the downgrade, Florida Housing's CFO and/or the Comptroller may confer with the contracted financial advisor on the condition of the security and will assess the best approach to take with the security – sell or hold – based on the information provided by the Investment Manager and any information gathered independently.

The CFO or the Comptroller will contact the Investment Manager to go over the security analysis again and provide direction to the Investment Manager on what action, if any, to take with the security.

If held, the security condition must be revisited during the succeeding 30-day period by the CFO and/or the Comptroller, with input from the Investment Manager, to determine what action, if any, to take with the security. This process must be repeated on a regular basis as long as the downgrade condition exists.

If insufficient documentation is provided by the Investment Manager to support continued investment in the downgraded security, Florida Housing will advise the Investment Manager on what action to take regarding the security.

The communication to and from any of the parties to this process may be by phone, email or in person.

A security whose credit rating is downgraded, but not below the Investment Portfolio Guideline purchase restriction, is not subject to this downgrade process.

VII. Concentration Limits

Holdings are further subject to the following limitations:

- U.S. Treasury, Government, U.S. Government-Sponsored Enterprises, SPIA, Florida PRIME and Florida Trust: No limit
- Municipal Securities: 25%

- Money Market Instruments (commercial paper, banker's acceptances, certificates of deposit, short-term liquidity obligations, repurchase agreements, etc.): No limit
 - Repurchase agreements: With any one counterparty, not to exceed 10% of the aggregate market value of the portfolio. The counterparty (dealer or parent) to the repurchase agreement will have a minimum credit rating of "A-/A3".
- Corporate Securities: 80%
 - United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, or foreign commercial entities (Yankee Securities): 25% maximum
 - The securities of a single corporate issuer: 5% maximum
 - BBB rated securities: 25% maximum
- Asset-Backed Securities: 25%
 - United States dollar-denominated asset-backed obligations issued by foreign governments, or political subdivisions or agencies thereof, or foreign commercial entities (Yankee Securities): 10% maximum
 - The securities of any single asset-backed trust: 5% maximum
- Mortgage-Backed Securities: 25%
 - The securities of any single mortgage-backed trust: 5% maximum
- Basket Clause: 5%
- Mutual Funds: 10%

VIII. Prohibited Investments

- Leverage is not permitted
- Short selling
- Convertibles, preferred and common stocks
- Securities denominated in foreign currencies