

**DEPARTMENT OF STATE**

No. 7857

Date: May 21, 2010

Approved: Hon. Kenneth D. McClintock  
*Secretary of State*

By: 

*Lcdo. Eduardo Arosemena Muñoz*

*Assistant Secretary for Services*

**Statement of Investment Policy**

**Puerto Rico National Guard Institutional Trust**

**March 2010**

**Puerto Rico National Guard Institutional Trust**



**Approved**

**Date: March 29, 2010**

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## Section 1 - Executive Summary

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<b>Name of institution</b>		Puerto Rico National Guard Institutional Trust
<b>Name of account</b>		FIGNA Trust
<b>Inception date of Trust</b>		July 23, 1991
<b>Portfolio value</b>		\$69,000,000
<b>Portfolio time horizon</b>		Perpetuity
<b>Primary investment objective</b>	<b>investment</b>	Income and Growth
<b>Specific strategies</b>	<b>investment</b>	Current Income and Growth of Capital

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## **Section 2 - Introduction & Purpose**

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This statement of investment policy is set forth by the Board of Trustees of the Puerto Rico National Guard Institutional Trust (the "Trust") to reflect the investment policy, objectives, and constraints of the Trust.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

The statement of investment policy consists of the following sections:

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The Board of Trustees of the Puerto Rico National Guard Institutional Trust is a fiduciary, and is responsible for directing and monitoring the investment management of Trust funds. As such, the Board of Trustees authorizes the Executive Director to delegate

certain responsibilities to professional experts in various fields. These include, but are not limited to:

**Investment Management Consultant**

The consultant may assist the Executive Director in: establishing investment policy, objectives and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

**Investment Manager**

The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Trust's investment objectives.

**Custodian**

The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold as well as movement of assets into and out of the Trust accounts.

**Co-Trustee**

The Board of Trustees may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The co-trustee will assume fiduciary responsibility for the administration of the Trust assets.

Additional specialists such as attorneys, auditors, actuaries, consultants, and others may be contracted by the Executive Director to assist in meeting its responsibilities and obligations to administer Trust assets prudently.

The Executive Director will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts contracted are also deemed to be fiduciaries, they must acknowledge such in writing.

#### **Definitions**

- **Trust** shall mean the Puerto Rico National Guard Institutional Trust ("FIGNA")
- **Board of Trustees** shall refer to the governing board established to administer the Trust as specified in the Article 4 of Law #23, July 23, 1991.
- **Program Administrator** Chief of Staff of the Trust. The Program Administrator assists the Trustees in the management of the Trust Fund.
- **Trust Fund** All FIGNA property which may at any time be in the possession of the Trustees.
- **Fiduciary** shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Trust Fund.

- ***Investment Manager*** shall mean any individual, or group of individuals, contracted to manage the investments of all or part of the Trust assets.
- ***Consultant*** shall mean any individual or organization contracted to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
- ***Securities*** shall refer to marketable investment securities which are defined as acceptable in this statement.
- ***Investment Horizon*** shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this Fund is Perpetuity.

Set this regulation in accordance with the provisions of the law number 23 of 23 July 1991 known as the "law of the trust institutional of the guard national de Puerto Rico". It also adopts public policy established by law number 151 of 22 June 2004, known as the "Electronic Government Act"

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### **Section 3 - Background**

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The Puerto Rico National Guard Institutional Trust ("FIGNA") is a public corporation and instrumentality of the Commonwealth of Puerto Rico created under Act 23 of July 23, 1991 of the Military Code of Puerto Rico, and attached to the National Guard of Puerto Rico.

The Act entitles FIGNA as the owner and administrator of the real property and other property in which the concessionaire who operates the post exchanges conducts his commercial enterprise. FIGNA will also provide assistance and benefits to the Puerto Rico National Guard, its members, spouses and descendants, and will administer the annuities, education and repairs funds, which shall exercise its powers independently.

The Educational Fund was created for the assistance in the payment of educational expenses for the active members of the Puerto Rico National Guard, their spouses and descendants, including university and post high school education expenses in duly accredited vocational or technical institutions.

The Annuities, life and Funeral Insurance Fund was created to provide monthly payments for the members of the National Guard who retire, after 20 years of honorable service in the Puerto Rico National Guard, have attained 55 years of age and who, at the time of retirement, or on the date the program is implemented, January 1, 1992, have not attained 60 years of age.

The Capital Improvements, Operation, Maintenance and other General Uses Fund was created to complement the local and federal legislative appropriations received annually by the Puerto Rico National Guard for the construction, reconstruction, rehabilitation and



maintenance of facilities; to complement the legislative appropriations received annually by the Puerto Rico National Guard to attend its administrative and operating expenses; to supplement the expenses of the Commonwealth Guard; to meet expenses that lead to bolstering the "esprit de corps" of the members of the Puerto Rico National Guard and the social well-being, enjoyment, recreation and other non-profit purposes thereof, and to cover the administrative expenses of the National Guard Institutional Trust.

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## **Section 4 - Assignment of Responsibility of the Board of Trustees**

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### **Responsibility of the Board of Trustees of the Trust**

The Trustees shall have sole custody of the Trust Fund and sole responsibility for its investment and financial administration and may exercise in respect thereof all powers hereinafter granted unto them.

### **Responsibility of the Program Administrator of the Trust**

The Program Administrator, as authorized by the Board of Trustees, is charged with the responsibility for the management of the Trust Fund. The Program Administrator shall discharge his duties solely in the interest of the Trust, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Program Administrator relating to the investment management of Trust Fund include:

- Adhering to the guidelines and all other applicable regulations.
- Projecting the Trust's financial needs, and communicating such needs to the Investment Managers on a timely basis.
- Determining the Trust's risk tolerance and investment horizon, and communicating these to the appropriate parties.
- Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Trust's assets.

- Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants, and Custodians.
- Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
- Developing and enacting proper control procedures; i.e. replacing Investment Managers due to fundamental change in investment management process, or failure to comply with established guidelines.

#### **Responsibility of the Investment Managers**

Each Investment Manager, by accepting the responsibility of managing the Trust's assets acknowledges its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager include:

- Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
- Reporting, on a timely basis, quarterly investment performance results.
- Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Trust's investment management.

- Informing the Program Administrator regarding any qualitative change to investment management organization: i.e. changes in portfolio management personnel, ownership changes, investment philosophy, etc.
- Voting proxies on behalf of the Trust, and communicating such voting records to the Program Administrator on a timely basis.
- Reconcile with the master custodian at least on a quarterly basis, with an explanation of any discrepancies and how they will be resolved.
- Must meet at least once a year with the Board of Trustees, as well as whenever it is considered necessary, in order to make a presentation and discuss the results.

#### **Responsibility of the Investment Consultant**

The Investment Consultant's role is that of a non-discretionary advisor to the Program Administrator of the Trust. Investment advice concerning the investment management of Fund assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

- Assisting in the development and periodic review of investment policy.
- Conducting investment manager searches when requested by the Program Administrator.
- Providing "due diligence", or research, on the Investment Managers.
- Monitoring the performance of the Investment Managers on a quarterly basis to provide the Program Administrator with the ability to determine the progress toward the

investment objectives, and to ensure compliance with the guidelines and limitations in the Policy.

- Communicating matters of policy, manager research, and manager performance to the Program Administrator.
- Reviewing Trust investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board, as requested.
- Provide performance measurement and attribution analysis on a quarterly basis.
- Monitor the progress of the portfolio over a market cycle of 3 to 5 years versus the investment objectives.

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## **Section 5 - Investment Objectives**

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### **General Investment Principles**

- Investments shall be made solely in the interest of the beneficiaries of the Trust.
- The Trust shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.
- Investment of the Trust shall be so diversified as to minimize the risk of significant losses, unless under the circumstances it is clearly prudent not to do so.
- The Program Administrator may contract one or more investment managers of varying styles and philosophies to attain the Trust's objectives.
- Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return. Must be limited to the highest quality instruments with a competitive yield.
- Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
- Understanding that risk is present in all types of securities and investment styles, the Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives. However, the investment managers are to make reasonable efforts to control risks, and will be evaluated regularly

to ensure that the risk assumed is commensurate with the given investment styles and objectives.

- Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated, at least on a quarterly basis, for adherence to investment discipline.

### **Specific Investment Strategies and Goals**

The investment goal(s) above are the objectives of the aggregate Trust, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

- Exceed the market index, or blended market index, selected and agreed upon by the Program Administrator that most closely corresponds to the style of investment management.

A manager's underperformance against its benchmark could be justified if the manager assumes proportionately less risk than its benchmark. The list of selected benchmarks is displayed in Section 11 of this statement.

- Articulate an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above and commensurate with the achievement of returns. An increase in the volatility of the returns of a manager could be desired if such increase in volatility is accompanied with a commensurate increase in returns. Risk will be measured by the standard deviation of quarterly returns.

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## **Section 6 - Risk & Liquidity**

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### **Definition of Risk**

The Board of Trustees realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Trust funds understands how it defines risk so that the funds are managed in a manner consistent with the Trust's objectives and investment strategy as designed in this statement of investment policy. The Board of Trustees defines risk as:

**The probability of not achieving the necessary growth that will allow the Trust to meet the fund's cash flow requirements while preserving the fund's inflation adjusted market value.**

### **Liquidity Requirements**

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Program Administrator will periodically provide investment counsel with an estimate of expected net cash flow. The Program Administrator will notify the investment consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Program Administrator require that a minimum 2.00% of Trust funds shall be maintained in cash or cash equivalents, limited to the highest quality instruments with a competitive yield, including money market funds or short-term U.S. Treasury securities.

After giving consideration to the Trust's longer-term objectives and liquidity requirements, the Board of Trustees requires that 100% of Trust funds be invested in



liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with a minimal impact on market price. There could be some exceptions to this requirement in the form of Alternative Investments which could have limited liquidity.

#### **Diversification of Investment Managers**

The Board of Trustees does not believe it is necessary or desirable that securities held in the Trust represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification:

- the securities of any one company or government agency, other than securities of the US Federal Government/agencies or PR Government /agencies, should not exceed 10% of the total Trust funds, as defined by the underlying benchmark.
- the position in a single stock will not exceed 10% - 15% of the market value of the total Trust funds.
- no more than 10%-15% of the market value of the total Trust funds should be invested in any one industry or sector, as defined by the underlying benchmark.

#### **Guidelines for Fixed Income Investments and Cash Equivalents**

Trust funds shall be invested only in fixed income securities rated Baa2/BBB (Moody's/Standard & Poors) or better unless otherwise specified. Securities with negative outlook or negative watch, should be avoided. Money market funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade (BBB- by Standard & Poors or Baa3 by Moody's).

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## **Section 7 - Asset Allocation**

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### **Aggregate Trust Asset Allocation Guidelines**

As an entity established as a trust, irrevocable and perpetual, it is expected to have an investment strategy that reflects such expectations and that in the long run allows for the growth and eventual self sustainability of the fund. As shown in previous NACUBO studies (National Association of College and Universities Business Officers) and other studies on trends in endowments, foundations, and other going concerns such as pension plans, the average allocation to equity is over 60% of the portfolio. In most cases there is also an allocation to Alternative Investments which ranges between 5% and 15% of the portfolio in addition to the equity allocation. FIGNA, understands that having the flexibility in the long term to allocate assets in such a way will allow them the opportunity to achieve their long term goals of perpetuity and self sustainability.

However, presently, the allocation of the investments of FIGNA shall be in accordance with the following broad asset allocation guidelines (at market value):

<u>Asset Type</u>	<u>Strategic Allocation</u>
US/PR Treasury Obligations	20 - 80%
US/PR Agency Obligations	20 - 80%
Mortgage Securities	0 - 30%
Asset-Backed Securities	0 - 15%
Corporate Obligations	0 - 15%
Cash	10 - 20%

The "Policy" shall be the preferred allocation and will set the benchmark against which the performance of the Fund will be evaluated. The "Maximum" and "Minimum" limits are set to establish the upper and lower limit for the allocation of assets. There will be a margin of flexibility of 5% in which the fund can move beyond the established allocation at any point.

The purpose of a "Strategic Asset Allocation" or "Policy" is to establish clear guidelines and ensure the appropriate diversification of the investment strategy. There shall be flexibility in the evaluation and future restructuring of such Policy Allocation and well as in the managers chosen to manage the investments in each style. The risk profiles of each manager may vary and there are no set constraints within the selection criteria in how conservative or aggressive each manager may be. Managers shall be chosen, not only by their particular risk profile, but by the value that such manager strategy may add to the portfolio in terms of diversification.

The Program Administrator may contract investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Trust, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Program Administrator regarding specific objectives and guidelines.

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Program Administrator, after review the alternatives with the Investment Consultant, will instruct the Investment

Managers to bring the portfolios into compliance with these guidelines as promptly and prudently as possible.

In the event that any individual Investment Manager's portfolio is in violation of its specific guidelines, for reasons including but not limited to market price fluctuations, the Program Administrator expects that the Investment Manager will bring the portfolio into compliance with these guidelines as promptly and prudently as possible.

#### **Rebalancing of Strategic Allocation**

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Trust. If there are no cash flows, the allocation of the Trust will be reviewed quarterly.

If cash flows were to be insufficient to bring the Trust within the strategic allocation ranges, the Program Administrator, with the assistance of the Investment Consultant, shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges (Strategic Allocation).

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## **Section 8 - Investment Guidelines**

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Every money manager selected to manage Trust endowment funds must adhere to the following guidelines.

The following securities and transactions are not authorized and should be prohibited from the portfolio. Its use is subject to GDB's approval.

1. Real Estate
2. Venture Capital
3. Limited Partnerships

In addition, the guidelines set forth in the prospectus shall prevail for all mutual fund investments.

### **Domestic Fixed Income:**

- The fixed-income portfolio shall have an investment grade average credit quality, based on Moody's and/or Standard & Poor's credit quality rating of no less than "BBB". U.S. Treasury and U.S. Federal and P.R. government/agencies are qualified for inclusion in the portfolio. Securities under negative watch or outlook should be avoided when possible.
- No more than 20% of the market value of the fixed income portfolio, excluding securities of the US Federal government/agencies or PR government/agencies, shall be rated less than triple "BBB" quality.

- The exposure of the portfolio to any one issuer, other than securities of the U.S. Federal government/agencies or PR government/agencies, shall not exceed 10% of the market value of the fixed income portfolio.

**Cash/Cash Equivalents:**

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle managed by the custodian.
- The use of risk-protection products is allowed.

**Prohibited transactions:**

- Short selling
- Margin transactions
- Leveraged transactions, including hedge funds

**Assets subject to GDB'S approval:**

- Commodities & Futures
- Options
- Limited partnerships
- Venture – Capital
- Real Estate
- 10's, PO's and Residual Tranche CMO's
- Non-Us dollar denominated
- Foreign debt
- Equity Securities /funds

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## **Section 9 - Selection of Money Managers**

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The Program Administrator, with the assistance of the Consultant, will select appropriate money managers to manage the Trust endowment fund assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide historical quarterly risk-adjusted performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees for 1, 3, 5, 7 and 10 yrs, using the CFA Institute Standards.
- Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent Request For Proposal (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Selected firms shall have no outstanding legal judgments or past judgments which may reflect negatively upon the firm.

The Program Administrator, with the assistance of the Consultant, may also select appropriate mutual funds to manage a portion of the Trust's funds. Mutual funds must meet the following minimum criteria:

- Funds must correspond to the asset classes outlined in the Trust's Investment Policy Statement (IPS). For example, the fixed income component of the IPS must be implemented with a mutual fund invested in fixed income investments.
- The fund's manager must have been in place for three years or more.
- The funds must have been following the same investment strategy for at least three years.
- The fund must have sufficient assets under management so that any single client does not represent more than 10% of the fund.
- Mutual Funds should be rated on the highest rating level of Standard & Poor's and/or Moody's.
- Mutual Funds investments should be in accordance with the allowable assets of this Investment Policy.



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## **Section 10 - Monitoring of Money Managers**

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Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with managers employing similar styles.

On a timely basis, but not less than four times a year, the Program Administrator will meet to focus on:

- Manager's adherence to the IPS guidelines;
- Material changes in the manager's organization, investment philosophy and/or personnel;  
and,
- Comparisons of the manager's results to appropriate indices and peer groups.
- Adherence to style consistency.

The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

In addition to the information covered during the quarterly reviews, the Program Administrator will, at least annually, focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of the manager's respective style universe.
- The Trust's investment performance results compared to the manager's overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Trust's actual results.

The Program Administrator is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. Accordingly, a thorough Review and Analysis of a Money Manager will be conducted, should:

- A Manager performs in the bottom quartile (75th percentile) of their peer group over a quarterly or annual period.
- A Manager falls in the southeast quadrant of the risk/return scatter plot for 3- and/or 5-year time periods.
- A Manager has a 5-year risk adjusted return fall below that of the median manager within the appropriate peer group.

Furthermore, performance, which may require the replacement of a Manager include:

- Managers that consistently perform below the median (50th percentile) of their peer group over rolling three-year periods.

- Managers who perform below the median (50th percentile) of their peer group over a five-year period.
- Managers with negative alphas for 3- and/or 5-year time periods.

Major organizational changes also warrant immediate review of the manager, including:

- Change in professionals
- Significant account losses
- Significant growth of new business
- Change in ownership

The performance of the Trust's investment managers will be monitored on an ongoing basis and it is at the Program Administrator's discretion, and advised by the Consultant, to take corrective action by recommending to the Board the replacement of a manager if they deem it appropriate at any time.

#### **SAFEKEEPING AND CUSTODY**

To protect against potential fraud and embezzlement, the assets of the Fund must be secured through third-party custody and safekeeping procedures. Bearer instruments must be avoided to the extent possible. Any bearer instruments in the portfolio must be held only through third-party institutions. The Program Administrator must be bonded to protect the Fund against possible embezzlement and malfeasance. Collateral for deposit-type securities (i.e., certificates of deposit) will be kept by custodial institutions acting as agents for the Secretary of the Treasury. Unless prevailing practices or economic circumstances dictate otherwise, ownership must be protected through third-party custodial safekeeping (non-third party arrangements are subject to prior written

consultation with GDB). It is recommended that safekeeping procedures be reviewed annually by the external auditor.

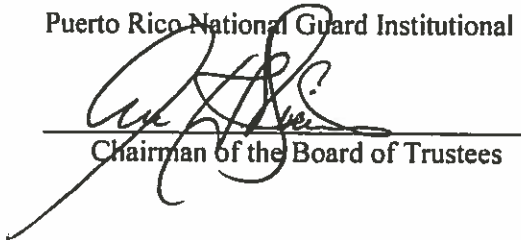
**PERFORMANCE EVALUATION AND OPERATIONS AUDIT**

The annual investment reports submitted by the Program Administrator to the Fund's Board of Trustees and the Government Development Bank must contain sufficient information to permit them and external auditors to evaluate the performance of the investment program. Every year, the external auditor should evaluate investment performance and conduct an operations audit. The purpose of these examinations should be to obtain suggestions for improved future performance and to verify that the Program Administrator have acted in accordance with this investment policy, more specific policies adopted by the Fund and written investment procedures.

**ADOPTION OF THIS STATEMENT**

This statement of investment policy is adopted on the 29 day of March of 2010 by the Board of Trustees of the Puerto Rico National Guard Institutional Trust.

This document revokes any other investment guidelines or policy established previously by the Puerto Rico National Guard Institutional Trust.

  
Chairman of the Board of Trustees

  
Chief Executive Officer

IN WITNESS WHEREOF I SET my hand and the corporate seal of the Puerto Rico National Guard Institutional Trust, this 29 day of March 2010.



  
Secretary of the Board of Trustees



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## **Section 11 - Definitions of Benchmarks**

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### **Style**

#### **S&P 500**

Widely regarded as the standard for measuring large-cap U.S. stock market performance, this popular index includes a representative sample of leading companies in leading industries. The S&P 500 is used by 97% of U.S. money managers and pension plan sponsors. More than \$1 trillion is indexed to the S&P 500

#### **Barclay's Gov/Credit Intermediate**

This index is the non-securitized component of the Barclay's US Aggregate Index and includes Treasuries, Government-Related issues, and USD Corporates, with intermediate maturities.

#### **Barclay's US Aggregate**

This index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-related, Corporate, MBS, ABS, and CMBs sectors.

#### **MSCI EAFE**

This index, which stands for MSCI Europe, Asia and Far East is effectively the MSCI World index excluding the US and Canada. It consists of 1,016 of the largest international stocks based on market capitalization (excluding the US and Canada).

**HFRI Fund of Funds**

**Alternative Investments** are represented by the HFRI, an equally weighted performance summary of global equity long/short hedge funds from a universe of over 450 hedge funds. Long/short hedge funds combine core long holdings of equities with the ability to utilize short sales of stock or stock index options. Some managers maintain a substantial portion of assets within a hedged structure and commonly employ leverage.

**T-Bill (90 Day)**

A short-term debt obligation backed by the U.S. government with a maturity of less than 90 days.