SECTION I – General Guidelines

The Finance Committee is responsible for developing the investment policy of the Foundation, recommending investment managers to manage the investments of the Foundation and for monitoring investment performance.

It is the policy of the Foundation to give the investment manager(s) discretion in all investment decisions subject to the restrictions stated in this policy. SSUAF expects the assets to be invested with care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent expert acting in a like capacity and familiar with such matters would use in the investment of funds of like character with similar aims. The Investment Manager is given the authority to direct the purchase, sale, exchange, or conversion of any and all qualifying stocks and fixed income securities not prohibited in this policy.

The investment manager must submit a quarterly report to the University Treasurer to be distributed to the COO, CFO and Finance Committee, detailing investment data such as current portfolio holdings, market value, annualized yield, net total return, quarterly realized gains and income from all invested assets, and other information that is customary on the investment manager’s reporting system.

Four investment pools exist within the Foundation. Performance objectives and guidelines for each pool are specified in subsequent sections of this policy. These pools are:

- Current Funds Pool
- General Endowment Pool
- Special Investment Pool
- Charitable Remainder Trust Pool

A. **Asset Allocation.** The Foundation has a long-term investment horizon and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The asset allocation strategy for each pool shall describe the permitted asset classes in the portfolio.

B. **Spending Policy.** The spending policy will vary by pool.
C. **Restrictions.** The Foundation discourages investments that jeopardize the safety of principal concept. The following types or methods of investments are discouraged:

- Trading in commodities.
- Investing in working interests in oil or gas wells.
- Limited partnerships.

It is recognized that it may be beneficial for investment managers to consider the following types of investment methods as a risk adverse strategy in combination with other more traditional strategies. The Finance Committee on an individual investment manager basis will specifically authorize such methods. However in no case are assets to be invested exclusively in the following types of investment vehicles:

- Trading in securities on margin.
- Selling short.
- Derivative investments with the exception of convertible preferred, convertible bonds, FNMA or GNMA bond issues.
- Selling and purchasing warrants and options.

**SECTION II – Current Funds Pool**

A. **General.** The Current Funds Pool is designed to serve as a depository of cash used to support expenditures from Campus Accounts and the General Fund operating budget. Liquidity of investment assets is the primary objective since these funds could be spent at any time.

B. **Investment Objectives.**

- To maintain safety of principal,
- To maintain funds adequate to meet the working capital needs of the Foundation,
- To maintain a liquid position, twelve (12) month maximum investment life,
- To provide for immediate transfer of cash to meet operating needs of the Foundation, either by wire or by check, and
- To target rates of return equal to or better than the average 90-day Treasury Bill rates.

C. **Policy Statement.**

The University Treasurer, on behalf of the Vice President/Chief Operating Officer, is responsible for making daily short-term investment decisions in accordance with this policy.
D. **Approved or Accepted Instruments.**

- Certificates of Deposit (maximum $95,000 per financial institution) – FDIC insured only.
- Commercial Paper – Limited to ratings A-1 by Standard and Poor’s and P-1 by Moody’s.
- CommonFund Short-Term Bond Fund or other liquid investments with the CommonFund.
- U.S. Government and government guaranteed securities.
- Investment grade money market instruments.
- Other short term investments may be used if determined by mutual agreement of the Foundation’s President and either the Vice President or Chief Financial Officer and approved by the Finance Committee to be acceptable and in the best interests of the Foundation.

**SECTION III – General Endowment Pool**

A. **General.** The investment goal of the pooled endowment funds is to achieve a “real” (actual value minus inflation) total return that preserves the purchasing power of the endowment’s assets while generating a reasonable income stream sufficient to support the Foundation’s Campus Accounts. The minimum total-return objective for the portfolio shall be inflation plus 5 percent. The pool shall be unitized and earnings will be distributed based on the individual fund’s percentage share of total units. Additions to the pool during a month will be assigned units based upon the unit value of the pool at the end of the month.

B. **Total Return.** The Foundation has adopted a total return concept, which allows the pool to not only utilize current income, but also over time, spend a portion of capital appreciation as part of the payout rate. This approach conforms to the Uniform Management of Institutional Funds Act (UMIFA) adopted by the State of California.

C. **Performance Measurement, Monitoring, and Evaluation.** Performance (net of fees) will be calculated on a quarterly basis by the investment manager. In addition to reporting time-weighted total returns for each investment, a comparison will be made with relevant market benchmarks.
D. **Asset Allocation Targets and Ranges.**

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MIN. WT.</th>
<th>TARGET</th>
<th>MAX. WT.</th>
<th>BENCHMARK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
<td>S&amp;P 500</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
<td>Lehman Agg.</td>
</tr>
<tr>
<td><strong>Cash &amp; Equivalent</strong></td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>90 Day T-bills</td>
</tr>
<tr>
<td><strong>Alternative Securities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>REIT Index</td>
</tr>
<tr>
<td>Notes</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>CSFB H-Y</td>
</tr>
<tr>
<td>Other</td>
<td>(Recommended by Finance Committee, Approved By Board)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

E. **Rebalancing Policy.** At least quarterly, the Finance Committee will review the asset allocation or when significant cash flows changes occur. The portfolio will be rebalanced as necessary making use of deposits and withdrawals to the extent possible.

F. **Spending Policy.** The long-term objective of the spending guidelines is to maintain the purchasing power of each endowment (intergenerational equity) with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current operations. The objective is to distribute an amount equal to or greater than the prior year’s distribution. This figure shall be adjusted for new contributions received or postmarked on or before December 31st.

G. **Spending Reserve Policy.** The goal of the spending reserve, consisting of ordinary income and realized capital gains, shall be the equivalent of two year’s spending.

**SECTION IV – Special Investment Pool**

A. **General.** These accounts accommodate all assets which, either by constraint or by type of investment, cannot be included in the other investment pools. These investments facilitate special requirements. Investments may include, but are not limited to:

- Real Estate
- Individual Restricted Securities
- Fixed Income Securities
- Special Loan Arrangements
- Other Marketable Securities
- Contributions or Payments Restricted by Donor or Sponsor
- Life Insurance Policies
- Works of Art
- Special Collections
- Equipment
B. Investment Management and Reporting. The Finance Committee shall oversee the management of these investments and their performance.

SECTION V – Charitable Remainder Trust Pool

A. General. In general, the Foundation, as trustee, is charged with the responsibility of managing the trust assets for the sole benefit of the beneficiaries. The Finance Committee is charged with investment management of these funds. All management decisions are guided by the provisions of the trust document and by applicable laws.

B. Guidelines. Charitable remainder trusts may be pooled, but their assets will not be commingled with other investment pools. The primary financial objective for the investment management of deferred gift assets is to meet the payout requirements of the gift instrument. Secondarily, the objective is to maximize the expected real value of the residual trust with an appropriate level of risk given the first (and primary) objective. Only quality investments, similar to those related to the endowment are permitted, including notes receivables, and the Multi-Strategy Equity Fund and the Multi-Strategy Bond Fund with the CommonFund. Restricted investments are those listed in Section I (C) of this policy.

SECTION VI – Policy Intent and Review

This statement of investment objectives and policy is intended for use as a guide to assist the Board of Directors, the Finance Committee, and the investment manager. It should not be considered as a legal document or contractual obligation. It is intended to be a flexible document whose purpose is to assist all parties in the management of the Foundation’s assets.

Recommended by SSUAF Finance Committee on 5/30/06
Approved by SSUAF Board of Directors on 6/20/06
Revised by SSUAF Finance Committee on 6/5/07
Approved by SSUAF Board of Directors on 9/21/07