



POLICIES AND PROCEDURES

Subject: General Investment Policy

Policy No. 501

Date: 02/2021

I. **POLICY**

This Statement of Investment Policy is intended to provide guidelines for the prudent investment of the Foundation's (see Scope, Section III) general investment portfolio and outline the policies for maximizing the effectiveness and efficiency of the Cal Poly Pomona Philanthropic Foundation, Inc. ("Foundation") investment management program. The goal of this General Investment Policy is twofold, one is to enhance the economic status of the Foundation while preserving its capital resources; the second is to establish a clear understanding between the Foundation and their Investment Manager(s) regarding investment objectives and policy guidelines. The Foundation's General Investment Policy is to be governed by Sections 5210 and 5231 of the California Corporations Code, and California Probate Code Section 18500 et seq. (Uniform Prudent Management of Institutional Funds Act).

II. **OBJECTIVE**

The Foundation's investment management program is designed to monitor and forecast expenditures and revenues, thus enabling the Foundation to invest its asset portfolio to the fullest extent possible. The Foundation attempts to obtain the highest yield available, while investments meet the criteria established for safety (preservation of capital), liquidity and yield.

A. Safety

Asset portfolio safety is the foremost objective of the Foundation. Each investment transaction shall seek to avoid permanent loss of capital, whether from securities default, rating downgrades, broker/dealer defaults, or significant market value declines. within a diversified portfolio, occasional measured losses are inevitable and must be considered within the context of the overall return on the investment.

B. Return on investment

The Foundation's general investment portfolio shall be designed to attain or exceed a target rate of return throughout economic cycles consistent with risk limitations and prudent investment principles. The target rate of return shall be measured in "absolute", "relative" and "comparative" terms as determined by the Finance and Investment Committee. See Return Objective Section IX of this General Investment Policy for further details.

C. Liquidity

Foundation's general investment portfolio will remain satisfactorily liquid to enable the Foundation to meet anticipated operating and cash flow requirements. Historical and cash flow needs are to be analyzed continuously. This risk shall be managed by limiting the average maturity of the fixed income portion of the Foundation's general investment portfolio to five years.

III. SCOPE

The funds identified in this section and entrusted to the Foundation will be pooled in an actively managed portfolio. The Foundation shall oversee management of the portfolio within the content of the "Uniform Prudent Management Investment Funds Act of 2008" section 18503 (b) which states:

"...each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."

This policy is applicable, but not limited to all funds listed below:

- General Fund
- Foundation Program Fund
- Scholarship Fund

IV. DELEGATION AND GRANTS OF AUTHORITY

Responsibility for the investment program has been delegated by the Foundation Board of Directors to the Finance and Investment Committee, in concert with the authorized investment manager and/or advisor, to monitor and adjust from time to time, the target weighting within the asset allocation ranges allowed per the Target Asset Mix Table, (see section X – Target Asset Allocation). Any changes to the allowable ranges within the asset classes will be reported to the full Foundation Board at its next regularly scheduled meeting. A report on portfolio performance will be provided to the full Foundation Board on a quarterly basis at a regularly scheduled Board meeting.

The authority to execute investment transactions affecting the Foundation's portfolio shall be under the general direction of the Chief Executive Officer and the Finance and Investment Committee. However, the investment advisor has full investment discretion within the guidelines of this policy.

V. ETHICS AND CONFLICT OF INTEREST

All Foundation Board members and investment personnel including family members shall refrain from personal business activity which could create a conflict in fact or in appearance with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. All such personnel shall disclose to the Chief Executive Officer any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Foundation's endowment investment portfolio. The Chief Executive Officer shall report in writing to the Full Board at least annually all issues, which could influence the performance of the Foundation's endowment investments.

VI. MANAGER'S INVESTMENT OBJECTIVES AND GUIDELINES

Each Investment Manager shall have complete discretion in the management of the assets for which it has been given responsibility, subject to the guidelines set forth herein.

A. Manager Guidelines – All Asset Categories

Mutual funds, pooled funds, ETFs, interval funds and limited partnerships may be used in any category. These funds must strictly follow their own stated Prospectus guidelines.

When one is selected, however, it is expected that the fund prospectus will generally meet the guidelines stated for each asset category.

B. Fixed Income Guidelines

Fixed income securities may include, but are not limited to: notes, mortgage related securities, debentures and debt instruments of the U.S. government, municipal bonds, non-U.S. government securities, and corporate bonds, as well as, investments in TIPS, GICs, term CDs, bankers' acceptances, commercial paper, and/or cash equivalents. Bankers Acceptances must have a minimum rating of "P-1" by Moody's or "A-1" by Standard and Poor's. Investments in certificates of deposit are permitted only in those issued by commercial banks whose debt is "A" or higher, have ready access to world capital markets, have a demonstrated record of profitability (including the avoidance of recent major loan losses), and a sizable ongoing certificate of deposit issuance or deposit collection program.

1. It is expected that the average portfolio duration for Core Fixed Income managers will be between 70% and 130% of the duration of the Bloomberg Barclays Global OR U.S. Aggregate Bond Index.
2. It is expected that the average that the average portfolio quality for Core Fixed Income managers will be BBB-/Baa3 (investment grade) or better as measured by Standard & Poor's/Moody's.
3. Fixed income sector specific funds and managers may be used as part of the portfolio, including but not limited to high yield, global/international, inflation protection, long duration and short duration, and flexible strategy fixed income funds.
4. Direct allocations to bond funds rated below Investment-Grade (BBB-/Baa3) will generally be limited to no more than 25% of the Fixed Income target allocation.
5. All fixed income managers are expected to outperform their respective benchmark index, over a complete market cycle.

C. U.S. Equity Guidelines

1. Subject to limitations noted below, investment managers will generally invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts ("ADRs").
2. An individual equity commitment in an investment manager's portfolio should not exceed 10% of the market value of the total portfolio at time of purchase.
3. An individual equity commitment in an Investment Manager's portfolio should not exceed 5% of the issuer's outstanding equity securities (excluding passive index strategies).
4. Cash equivalents may be held in the equity portfolio at the investment manager's discretion. Investment managers will be evaluated, however, based upon their performance relative to the appropriate benchmark as defined below.
5. All U.S. equity managers are expected to outperform their respective benchmark index, over a complete market cycle.

D. Non-U.S. Equity Guidelines

1. An individual equity commitment in an Investment Manager's portfolio (excepting broad market mutual fund or ETF shares) should not exceed 10% of the market value of the portfolio at time of purchase.
2. An individual equity commitment in an Investment Manager's portfolio should not exceed 5% of the issuer's outstanding equity securities (excluding passive index strategies).
3. Cash equivalents may be held in the equity portfolio at the Investment Manager's discretion. Investment Managers will be evaluated, however, based upon their performance relative to the appropriate benchmark as defined below.

4. All non-US equity managers are expected to outperform their respective benchmark index, over a complete market cycle.

E. Alternative Investments

Alternative investments can include but are not limited to the following asset classes: private equity, real estate, hedge funds, hedged equity, real assets, and private credit and other alternatives. Investment vehicles include but are not limited to liquid alternative funds, interval funds and limited partnerships.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Foundation shall transact business only with banks, savings and loan institutions, registered investment securities dealers and the California State University local agency investment fund. The dealers should be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York and qualify under the U.S. Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule).

The Finance and Investment Committee shall send a copy of the current statement of investment policy to all dealers approved to do business with the Foundation. Confirmation of the dealer's understanding of the Foundation's General Investment Policy shall be provided in writing by the dealer.

The Finance and Investment Committee shall examine financial institutions which wish to perform business with the Foundation, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the Foundation's financial investment universe and agree to comply by the conditions set forth in this General Investment Policy.

Foundation must supply the Finance and Investment Committee the following:

- A. Audited financial statements*
- B. Proof of National Association of Security Dealers certification**
- C. Proof of registration with the SEC and a copy of their ADVII***
- D. Proof of state registration
- E. Completed broker/dealer questionnaires
- F. Certificate of reviewing and understanding the Foundation's General Investment Policy
- G. Certificate of understanding the delivery versus payment instructions for custody
- H. Conflict of interest certification statement

* *Custodians and brokers only*

** *Brokers only*

*** *Investment advisors only*

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the Finance and Investment Committee at least every three (3) years.

VIII. PERFORMANCE EVALUATION

Performance will be reviewed for purposes of determining adherence to appropriate risk levels, and for comparison of returns to the established objectives and specific goals. It is recognized that investment results can fluctuate through market cycles. Achievement of total rate of return within the risk levels identified will be the primary basis upon which to evaluate manager performance. Each manager's portfolio will be monitored and reported quarterly to the Finance and Investment Committee. A comprehensive quarterly report

accepted by the Investment and Finance Committee will be presented to the full Board of Directors.

IX. RETURN OBJECTIVE

The purpose of the Foundation's general investment portfolio is to support the University and its mission over the long term. Accordingly, the purpose of this statement is to establish a written procedure for the investment of the Foundation's general investment portfolio to ensure that the future growth of the portfolio is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the portfolio. This statement will establish appropriate risk and return objectives in light of the fund's risk tolerance and investment time horizon. These objectives, as well as asset allocation guidelines and suitable investments are outlined below.

The return objectives of the Foundation's general investment portfolio shall be viewed from three perspectives as follows: **Absolute** - Real (i.e., net of inflation) rate-of-return; **Relative** - Time-weighted rates of return versus capital market indices; and **Comparative** - Performance of the Investment Manager(s) as compared to a universe of similar investment funds.

1. The **Absolute Objective** of the Foundation's general investment portfolio is to seek an average total annual return of 2.0% plus inflation as measured by CPI. This objective shall be measured over rolling one, three, five- and ten-year time periods. The intent of this objective is to measure, over time, the return on the portfolio as measured in inflation adjusted terms.

2. The **Relative Objective** of the Foundation's general investment portfolio is to seek competitive investment performance versus appropriate capital market benchmarks or indices.

The Policy Benchmark for the GIP is 30% MSCI ACWI/70% Bloomberg-Barclays Intermediate Gov/Credit Index.

3. The **Comparative** performance objective of the Foundation's general investment portfolio is to achieve a total rate of return that is above the median performance of a universe of similar portfolios.

The Foundation's assets have a long-term, indefinite time horizon that runs concurrent with the endurance of the University. As such, these funds can assume a time horizon that extend beyond a normal market cycle, and can assume an above-average level of return volatility (as measured by the standard deviation of annual returns) in exchange for an expected higher level of returns over the longer time horizon. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of return.

X. TARGET ASSET ALLOCATION

To achieve its return objectives, the Foundation's general investment portfolio shall be allocated among a number of asset classes. These asset classes may include domestic and foreign equity, domestic and international fixed income, cash, real assets, real estate and alternative investments. The purpose of allocating among asset classes is to ensure the proper level of diversification within the Foundation's general investment portfolio. It is understood that assets may temporarily be placed in a cash equivalent account prior to investing in longer term instruments.

The following Target Asset Mix Table defines the Foundation's general investment portfolio target asset allocation.

TARGET ASSET MIX TABLE

Asset Class	Range
U.S. Equity	10-40
Non-U.S. Equity	0-20
Fixed Income	40-80
Alternatives	0-20
Cash	0-10

The General Investment Policy objective shall be to diversify investments among asset classes so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

ACCEPTABLE INSTRUMENTS

1. Money Market Funds
2. Certificates of Deposit
3. U.S. Government or Government Agency Obligations
4. International Bonds
5. Mortgage Backed Securities – Agency
6. Mortgage Backed Securities – Non-Agency
7. Corporate Debt
8. Repurchase Agreements
9. Mutual Funds (Debt or Equity); Interval Funds; Limited Partnerships
10. Real Estate
11. Real Assets
12. Alternative Investments

With respect to the above listed investments, the following limitations will apply: Money Market Funds including the Local Agency Investment Fund (LAIF). No more than 5% of the market value of the total portfolio may be invested in any fund. All funds utilized must be pre- approved by the Finance and Investment Committee.

Certificates of Deposit Investments in certificates of deposit in any insured bank or savings institution shall be limited to the FDIC insurance maximum.

U.S. Government or U.S. Government Agency Obligations. There is no limitation within the asset class as to the percentage of the portfolio, which can be invested in U.S. Government obligations.

International Bonds. These are debt securities issued by non-U.S. governments and corporations.

Mortgage Backed Securities All investments in MBS shall be U.S. Agency guaranteed (e.g. GNMA, FNMA, FHLMAC). No more than 5% of the total market value of the asset class may be invested in any single security and no more than 20% of the total market value of the asset class may be invested in MBS issued by any U.S. Agency.

Mortgage Backed Securities – Non-Agency. These are issued by private institutions (not by government or quasi-government agencies); their underlying collateral generally consists of mortgages which do not conform to the requirements for inclusion in mortgage-backed securities issued by agencies such as Ginnie Mae, Fannie Mae or Freddie Mac. Types of non-agency MBS include: Prime, Alternative-A, Option ARMs & Subprime.

XI. REBALANCING

The Advisor shall rebalance the portfolio at its discretion, within the policy target ranges. Formal asset allocation studies will be conducted at least every two (2) years, with evaluations of the validity of the adopted asset allocation.

XII. SAFEKEEPING AND CUSTODY AGREEMENTS

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the Foundation shall be kept in safekeeping by a third party brokerage firm or bank custodial department, acting as agent for the Foundation under the terms of a custody agreement.

XIII. INTERNAL CONTROLS

The Chief Financial Officer has developed a system of internal investment and accounting controls while establishing a segregation of responsibilities of investment functions to ensure an adequate system of internal controls over the investment function.

XIV. INVESTMENT POLICY REVIEW

This General Investment Policy shall be reviewed by the Finance and Investment Committee at least annually to ensure consistency with the overall objectives of the preservation of capital, liquidity and return of the investment portfolio. The General Investment Policy shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Foundation. Investments are reviewed monthly by the Foundation staff during the reconciliation process of investment transactions to the third-party statements and the proof of cash process. The general investment portfolio is audited annually by the Foundation's independent accountants for internal controls and balances.