



CALIFORNIA STATE
UNIVERSITY
E A S T B A Y

F O U N D A T I O N

**Finance & Investment Policy
Statement of Objectives & Guidelines
(Revised January 20, 2023)**

Approved by the Board of Directors
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GENERAL INFORMATION

Scope of This Finance & Investment Policy

The finance & investment policy is intended to reflect the policy, objectives, protocols and constraints of the investment activities of *the California State University East Bay Foundation*, referred to as CSUEBF.

The CSUEBF Executive Committee is responsible for selecting and directing financial advisors and overseeing the investments of its assets; advising the board on budgetary issues and spending policies; monitoring the financial status of the Corporation and Foundation throughout the fiscal year; and making policy recommendations to the board on fiscal policies and procedures.

The Executive Committee is responsible for evaluating the target total return on investment portfolios, and making recommendations to the Board and selecting professional investment consultants to handle the actual investments according to the Investment Policies stated herein.

Purpose of This Finance & Investment Policy Statement

This statement of finance & investment policy is set forth by the Board of the CSUEBF in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear framework and statement for all involved parties of the investment goals and objectives of CSUEBF assets.
3. Offer guidance and limitations to all Investment Consultants and Managers regarding the investment of CSUEBF assets.
4. Establish a format for evaluating investment results.
5. Establish the relevant investment horizon for which CSUEBF assets will be managed.
6. In general, the purpose of this statement is to outline the philosophy and policies, which will guide the financial and investment management of CSUEBF assets toward desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical

FINANCE & INVESTMENT POLICY

Definitions

1. "Administrative Fee" shall refer to the percent CSUEBF assesses to a fund on an annual basis for administration, including management and reporting, throughout the year. The fee is calculated and assessed on a monthly basis. For those funds which have a Fund Agreement, the administrative fee is defined in that agreement.
2. "Board" shall mean the Board of Directors of the CSUEBF.
3. "Custodian" refers to a bank or financial institution that has custody of stock certificates and other assets of a mutual fund, individual, corporation, or institution. Custodians hold assets in safekeeping, collect income on securities in custody, settle transactions, invest cash overnight, handle corporate accounting, and provide accounting reports.
4. "Executive Committee" shall refer to the committee established to administer the financial assets as specified by applicable by-laws.
5. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over CSUEBF management or any authority or control over management, disposition or administration of the Foundation assets.
6. "Fund Accounting" refers to the dynamic of each fund being defined as an economic entity. Each fund has its own chart of accounts and every transaction is accounted for at the fund level.
7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.
8. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of CSUEBF assets.
9. "Investment Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
10. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.

Definition of Risk

The Executive Committee realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the CSUEBF assets should understand how it defines risk so that the assets are managed in a

manner consistent with CSUEBF objectives and investment strategy as set forth in this statement of finance & investment policy. The Executive Committee defines risk as:

The possibility of not meeting CSUEBF objectives, including loss of principal.

DELEGATION OF AUTHORITY

The Executive Committee of the CSUEBF is a fiduciary, and is responsible for directing and monitoring the investment management of CSUEBF. As such, the Executive Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Consultant. The consultant may assist the Executive Committee 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.
2. Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Foundation's investment objectives.
3. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by CSUEBF, 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 CSUEBF accounts.
4. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Executive Committee to assist in meeting its responsibilities and obligations to administer CSUEBF assets prudently.

The Executive Committee 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 employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by CSUEBF as deemed appropriate and necessary.

NATURE OF RESPONSIBILITY

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of an advisor to the Executive Committee of the CSUEBF. Investment advice concerning the investment management of CSUEBF 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:

1. Assisting in the development and periodic review of finance & investment policy, including active asset allocation and portfolio optimization.
2. Conducting investment manager searches when requested by the Executive Committee.
3. Providing "due diligence", or research, on the Investment Manager(s).
4. Monitoring the performance of the Investment Manager(s) to provide the Executive Committee with the information necessary to determine conformance with the investment objectives.
5. Communicating matters relating to policy, manager research, and manager performance to the Executive Committee.
6. Reviewing CSUEBF investment history, historical capital markets performance and the contents of this investment policy statement for any newly appointed members of the Executive Committee.

Responsibility of the Investment Manager(s)

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(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process, or the investment objective of the Manager as a participant in CSUEBF overall management of its investments.

4. Informing the Investment Consultant regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies, if requested by the Executive Committee, on behalf of CSUEBF, and communicating such voting records to the Investment Consultant on a timely basis.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of CSUEBF.
2. CSUEBF assets shall be invested with care, skill, prudence, and diligence with the goal of producing returns equal to or exceeding prevailing standards among organizations of similar asset size.
3. Investment of CSUEBF assets shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Executive Committee may employ one or more investment managers of varying styles and philosophies to attain CSUEBF objectives (details under “Delegation of Authority” herein).
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Controller will periodically provide investment counsel with an estimate of expected net cash flow. The Executive Committee 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 Executive Committee requires that a range of 3 to 6 months expenses shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

Allowable Assets

1. Cash Equivalents
 - a. Treasury Bills
 - b. Money Market Fund
 - c. STIF Fund
 - d. Commercial Paper
 - e. Banker's Acceptances

- f. Repurchase Agreements
 - g. Certificates of Deposit
2. Fixed Income Securities
 - a. U.S. Government and Agency Securities
 - b. Corporate Notes and Bonds
 - c. Mortgage Backed Bonds
 - d. Preferred Stock
 - e. Asset Backed Bonds
 - f. Foreign Bonds
 - g. Maximum maturity for a single bond issue is 30 years
 - h. Maximum average maturity of the entire portfolio may not exceed 15 years
 3. Equity Securities
 - a. Common Stocks
 - b. Convertible Notes and Bonds
 - c. Convertible Preferred Stocks
 - d. American Depository Receipts (ADRs) of Non-U.S. Companies
 - e. Stocks of Non-U.S. Companies (Ordinary Shares)
 - f. Real Estate Investment Trusts (REITS)
 4. Mutual Funds & ETF's
 - a. Mutual Funds, which invest in securities as allowed in this statement.
 5. Alternative Investments
 - a. Private Equity
 - b. Real Estate
 - c. Real Assets
 - d. Structured Products
 - e. Mutual Funds and ETF's, which invest in Alternative asset classes or strategies

Prohibited Assets

Prohibited investments include, but are not limited to the following:

1. Private Placements
2. Venture-Capital Investments
3. Real Estate Properties
4. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs
5. Futures Contracts
6. Options

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

INVESTMENT MANAGEMENT POLICY

1. Preservation of Capital - 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.
2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Executive Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet CSUEBF objectives. However, the investment managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

INVESTMENT PORTFOLIO

Asset Allocation Guideline

Short - Term Foundation Portfolio

Investment management of the assets of the short-term foundation are designed for funds with a timeframe of 1 year or less. The funds shall be in accordance with the following asset allocation guidelines

Asset Class	Minimum	Target	Maximum
Cash	80%	100%	100%
Fixed Income/Intermediate	0%	0%	30%

Intermediate-term Foundation Portfolio

Investment management of the assets of the short-term foundation are designed for funds with a timeframe of 2-5 years. The funds shall be in accordance with the following asset allocation guidelines

Asset Class	Minimum	Target	Maximum
Cash	0%	0%	20%
Fixed Income/Intermediate	80%	100%	100%

Long Term Foundation Portfolio

The goal of the long-term foundation portfolio is that the aggregate of assets invested exceed an absolute rate of return of 7.0%. The portfolio will adopt a “best-in-class” approach that seeks to include/overweight those companies that promote environmental, social, and corporate governance concerns, and avoid/underweight companies that neglect to prioritize these efforts, while “screening” to exclude companies that derive revenue from certain controversial activities of products

Investment management of the assets of foundation fund shall be in accordance with the following asset allocation guidelines

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Equities	20%	40%	50%
International Equities	20%	25%	40%
Fixed Income/Intermediate	15%	25%	40%
Alternatives	0%	10%	20%

Benchmark: a combination of the following indices based on current asset allocation – S&P500, EAFE, Barclays Intermediate Government/Credit.

Extension Division Portfolio

Investment management of the assets of Extension Division funds shall be in accordance with the following asset allocation guidelines:

Allocation Percentage Range
For Asset Classes
(At Market Value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Equities	20%	40%	50%
International Equities	20%	25%	40%
Fixed Income/Intermediate	15%	25%	40%
Alternatives	0%	10%	20%

Investment objective: 7%

Benchmark: a combination of the following indices based on current asset allocation – S&P500, EAFE, Barclays Intermediate Government/Credit.

Post Retirement Welfare Plan Portfolio

Investment management of the assets of Post Retirement Welfare Plan funds shall be in accordance with the following asset allocation guidelines:

Allocation Percentage Range

For Asset Classes
(At Market Value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Equities	30%	35%	50%
International Equities	15%	20%	40%
Fixed Income/Intermediate	15%	35%	60%
Alternatives	0%	10%	20%

Investment objective: 6.5%

Benchmark: a combination of the following indices based on current asset allocation – S&P500, EAFE, Barclays Intermediate Government/Credit.

VEBA Portfolio

Investment management of the assets of VEBA funds shall be in accordance with the following asset allocation guidelines:

Allocation Percentage Range
For Asset Classes
(At Market Value)

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Equities	30%	35%	50%
International Equities	15%	20%	40%
Fixed Income/Intermediate	15%	35%	60%
Alternatives	0%	10%	20%

Investment objective: 6.5%

Benchmark: a combination of the following indices based on current asset allocation – S&P500, EAFE, Barclays Intermediate Government/Credit.

DIVERSIFICATION FOR INVESTMENT MANAGERS

The Executive Committee does not believe it is necessary or desirable that securities held by CSUEBF represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one government agency should not exceed 40% of the total CSUEBF portfolio, and no more than 30% of the total Foundation should be invested in any one industry.

SELECTION OF INVESTMENT MANAGERS

The Executive Committee' selection of Investment Manager(s) must be based on prudent due diligence using the criteria set forth below. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

INVESTMENT MANAGER REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Executive Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Executive Committee intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

1. Investment performance, which is significantly less than anticipated given the discipline employed, and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of finance & investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT CONSULTANT REVIEW AND EVALUATION

Investment Consultant review and evaluation will be completed on an annual basis evaluating the performance of the plan's assets in relation to the stated investment objectives. Overall Investment Consultant review will be completed after three years, and annually thereafter on a trailing five-year basis. Relative performance measurement may be utilized to evaluate investment consultant in relation to the objectives, and also in the relation to the capital markets and to managers of similar funds with like aims.

FINANCE & INVESTMENT POLICY REVIEW

To assure continued relevance of the policies, guidelines, objectives, financial status, capital market expectations, as established in this Finance & Investment Policy, the Executive Committee plans to review its finance & policy at least annually.