

CAL STATE EAST BAY EDUCATIONAL FOUNDATION

SECTION NO. **300**

POLICY STATEMENT

DOCUMENT NO. **302**

SECTION: **POLICY STATEMENT – ENDOWMENT AND INVESTMENT**

SUBJECT: **INVESTMENT POLICY STATEMENT**

PURPOSE: To provide general guidelines, policies and principles for the investment of endowment funds.

EFFECTIVE DATE: September 25, 2015 (Revision Date)

I. BACKGROUND

Cal State East Bay Educational Foundation, Inc. ("Foundation") is recognized as a 501(c)(3) nonprofit organization and supports the university's mission to provide educational excellence for a diverse society through advocacy, development, personal contributions, and counsel to the university's advancement program. The Foundation is governed by a board of trustees who work closely with the University to build commitment and funding to sustain and grow the University. The Foundation directly manages the University's endowment by determining acceptable risks in the portfolio, maximizing investment returns, minimizing investment expenses and improving endowment reporting and stewardship.

II. PURPOSE

This investment policy statement is set forth by the Board of Trustees of the Foundation 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 Foundation's assets
- 3) Offer guidance and limitations to all Investment Consultants and Managers regarding the investment of Foundation's assets
- 4) Establish a format for evaluating investment results.
- 5) Establish the relevant investment horizon for which Foundation's assets will be managed
- 6) Set forth guidelines for managing investment assets according to prudent standards established in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in California on January 1, 2009. Specifically, as fiduciaries, the Board of Trustees of Foundation will manage

the investment of all funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims

- 7) In general, the purpose of this statement is to outline the philosophy and policies, which will guide the financial and investment management of The Foundation's assets toward desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

III. POLICY

A. Duties and Responsibilities

1. Delegation of Authority

Members of the Board of Trustees, as fiduciaries, have general charge of the affairs, property and assets of Foundation and are responsible for directing and monitoring the investment management of fund assets. As such, the Board is authorized to delegate certain responsibilities and may employ or arrange for the services of such other persons, agents or assistants as in its opinion are necessary or desirable for the proper administration of the Foundation, and to pay reasonable compensation for their services and expenses.

The Board expects that any such parties associated with Foundation will discharge their respective responsibilities in accordance with normal fiduciary standards. These parties include, but are not limited to:

- a) *Finance and Investment Committee.* Foundation has established a Finance and Investment Committee to "advise(s) the Board in regard to the general fiscal policy and fiscal management of the Foundation." This Committee is charged with the implementation of this policy, subject to review by the Foundation's board.
- b) *Investment Consultant.* The investment consultant may assist the Committee in: Establishing investment policy, objectives, and guidelines; selecting investment options and managers; reviewing such options and managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
- c) *Investment Manager.* The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet Foundation's investment objectives.
- d) *Custodian.* The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by Foundation, 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 movements of assets into and out of Foundation's accounts.

- e) *Additional specialists* such as attorneys, auditors, actuaries, and others may be employed by the Committee to assist in meeting its responsibilities and obligations to administer Foundation assets prudently.

While the Finance and Investment Committee is responsible for setting asset allocation policy for Foundation, and making decisions regarding managers retained by Foundation, they will generally not be involved in individual security decisions, with the exception of specific limitations described in these statements. Investment managers will have discretion in this regard, and 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 that they deem appropriate.

2. Nature of Responsibility

- a) *Finance and Investment Committee.* The Finance and Investment Committee shall consist of no fewer than four (4) board members, all of whom should have substantial understanding of financial reporting, internal control principles, and/or investments. This committee has the responsibility to provide the following services to the Board:
- 1) Meet at least four (4) times each fiscal year on dates selected by the Chair of the committee and approved by the Board of the Foundation.
 - 2) Regularly monitor the performance of the investments of the Foundation; periodically consult with the Foundation's investment advisors; recommend which firms to engage as the Foundation's investment advisors; periodically review the Foundation's investment policies and recommend changes to the policies as necessary and appropriate.
- b) *Investment Consultant.* The Investment Consultant is charged with the responsibility to assist the Finance and Investment Committee with its supervision of the Foundation's assets. Specific responsibilities of the Investment Consultant include:
- 1) Assist the Finance and Investment Committee in reviewing and revising this Investment Policy Statement from time-to-time.
 - 2) Monitor asset allocation across and among asset classes. Following the close of a quarter where the actual allocations fall outside the Investment Policy Statement ranges, the Investment Consultant will create directives to reallocate assets in accordance with the rebalance procedure described in Section IV.
 - 3) Monitor the investment performance of the Foundation. Performance reports will be provided to the Finance and Investment Committee quarterly. The Investment Consultant will report in a timely manner any

substantive developments that may affect the management of Foundation assets.

- 4) Conduct investment manager searches when requested by the committee, monitor the performance of the investment manager(s), and make recommendations on the retention or removal of a manager.
- 5) Review Foundation's investment history, historical capital markets performance and the contents of this investment policy statement for any newly appointed members of the Finance and Investment Committee.

The Investment Consultant will be compensated on a fee for service basis only, where the fee will not be tied to investment performance, i.e. contingent fee arrangement.

- c) *Investment Manager(s)*. The Investment Manager(s) are charged with the responsibility to conduct day-to-day investment management of the Foundation assets in accordance with this Investment Policy Statement and all laws that supplement, amend, modify or supersede it. All Investment Manager(s) must either be (1) registered under the Investment Company Act of 1940, (2) a bank, as defined in that Act, (3) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of Foundation assets, or (4) such other person or organization authorized by applicable law or regulation to function as an Investment Manager. 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) Providing monthly statements (estimated values are acceptable in certain situations), and reporting, on a timely basis (within 30 days), 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 Foundation's overall management of its investments.
 - 4) Informing the Investment Consultant and Finance and Investment Committee, on a timely basis, 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 Finance and Investment Committee, on behalf of Foundation, and communicating such voting records to the Investment Consultant on a timely basis.

- d) *Custodian(s)*. The Custodian(s) is charged with the responsibility for safekeeping securities, collections and disbursements, and providing periodic accounting statements.

B. General Investment Principles

In order to maintain Foundation in perpetuity and meet its needs, Foundation will employ a strategy that emphasizes a balanced return, relying on both current income and growth of principal (from capital appreciation, dividends, and interest income).

- 1) Foundation has a fiduciary duty of care, the duty to minimize costs, and the duty to investigate with respect to investment decision making.
- 2) Investments shall be made solely in the interest of Foundation.
- 3) Foundation's assets shall be invested with care, skill, prudence, and diligence, with the goal of producing returns equal to or exceeding prevailing standards among peers of similar asset size.
- 4) Investment of Foundation's assets shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
- 5) Foundation shall invest with the following factors in mind:
 - a) General economic conditions.
 - b) The possible effects of inflation or deflation.
 - c) The expected tax consequences, if any, of investment decisions or strategies.
 - d) The role that each investment plays within the overall investment portfolio of the fund.
 - e) The expected total return from income and the appreciation of investments.
 - f) Other resources of the institution.
 - g) The needs to make distributions and to preserve capital.
 - h) An asset's special relationship or value, if any, to the charitable purposes of the institution.
- 6) Investment decisions will be made in the context of the entire portfolio viewed as a whole, and as part of an overall investment strategy.
- 7) The Finance and Investment Committee may employ one or more investment managers of varying styles and philosophies to attain Foundation's objectives.
- 8) 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 Finance and Investment Committee will periodically provide the Investment Consultant with an estimate of expected net cash flow. The Finance and Investment Committee will notify the Investment Consultant in a timely manner, to allow sufficient time to build up necessary liquid reserves. Additionally, Foundation will maintain sufficient liquidity to address all of its current spending needs and will hold assets in liquid funds and securities (e.g. money market funds, bank accounts, short-term securities, or CD's) as necessary.

Foundation has a long-term investment horizon with relatively low liquidity needs. For this reason, Foundation can tolerate short- and intermediate-term volatility, provided that long-term returns meet or exceed its investment objective. Consequently, Foundation may wish to take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. However, until which time the assets of Foundation exceed \$25 Million, preference should be maintained for marketable securities which can be made liquid within no more than three (3) business days.

Allowable Assets

- 1) Cash Equivalents
 - Treasury Bills
 - Money Market Fund
 - Certificates of Deposit
- 2) Fixed Income Securities
 - U.S. Government and Agency Securities
 - Non-U.S. Government and Agency Securities (not to exceed 10% of the portfolio)
 - Corporate Notes and Bonds
 - Mortgage-Backed and Asset-Backed Securities
 - Municipal Bonds
 - High Yield Bonds (limited to 10% of the total portfolio)
 - Preferred Stock
 - Maximum maturity for a single bond issue is 30 years
 - Maximum average maturity of the entire portfolio may not exceed 15 years
- 3) Equity Securities
 - Common Stocks
 - Real Estate Investment Trusts (REITs)
 - Convertible Notes and Bonds
 - Convertible Preferred Stocks
 - American Depository Receipts (ADRs) or Ordinary Shares of Non-U.S. Companies

4) Mutual Funds and Exchange Traded Funds (ETF's)

Mutual Funds and ETF's, which invest in securities as allowed in this statement.

5) Alternative Investments

- Direct Real Estate and Private Real Estate Partnerships
- Commodity and Real Asset Funds
- Hedge Funds, Fund of Funds, Mutual Funds, and ETF's
- Private Equity and Venture Capital
- Structured Products

The Foundation shall not buy securities on margin, or directly purchase futures, options or other derivatives.

The prudent use of leverage by Alternative Investment Managers is acceptable in certain cases; however, the average amount of leverage among Alternative funds (combined) shall not exceed 60%.

Concentration of Assets

No individual bond position, other than an obligation of the U.S. government, should comprise more than 5% of the total fixed income portion of the portfolio. No more than 10% of the assets of Foundation shall be invested in non-investment grade debt.

No individual equity position should comprise more than 5% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5% of that corporation's outstanding common stock.

For the assets of the Foundation that are invested in commingled funds, mutual funds and exchange traded funds, the investment guidelines that govern the management of these respective accounts will be governed by the applicable governing document of the fund, but the total allocation to any commingled fund, mutual fund, or exchange traded fund by Foundation shall not exceed 10% of the fund's total assets. If the assets are held in separately managed accounts, the value of Foundation's allocation should not exceed 10% of similarly managed accounts.

Conversion of Securities and Other Assets

The Foundation's general practice is to sell securities as soon as they are donated to Foundation. Deviation from this general practice will be discussed with the Investment Advisor on a case-by-case basis and if the Investment Advisor recommends that the securities be held rather than sold, the Finance and Investment Committee is granted the discretion to retain the securities in the form as donated. The Foundation's general practice is to sell real property, artifacts, and other illiquid assets as soon as reasonably possible after they are donated to Foundation, with expenses of sale to be borne by the fund or funds created with those assets.

C. Investment Objectives and Allocation Guidelines

The asset allocation of the Foundation will depend upon the expected term of the investment. Invested funds may include Permanent Endowed Funds, which are classified as long-term, as well as Quasi Endowed, Term Endowed, or Capital (e.g., Building) Funds which may be classified as short-term, intermediate-term, or long-term, based on the expected frequency and magnitude of distributions.

SHORT-TERM PORTFOLIO

The primary Investment Objective for the Short-term Portfolio is to maintain adequate liquidity without taking principal risk. The time horizon for the Short-Term Portfolio is one (1) year or less, therefore, fixed income instruments should be limited to Investment Grade Corporate and/or Government Bonds with a maximum maturity of no more than one year to maintain financial flexibility. The Short-term Portfolio should also include the equivalent of six months' average operating cash expenditures in a checking or money market account and be immediately accessible.

Asset Allocation

Asset Class	Minimum Weight	Maximum Weight	Representative Index
Equity – Domestic	0%	0%	Russell 3000
Equity – International	0%	0%	MSCI ACWI ex-US
Fixed Income	0%	100%	Barclays Aggregate
Alternative Investments	0%	0%	HFRI Diversified FoF
Cash & Equivalent	0%	100%	90 Day T-bills

INTERMEDIATE-TERM PORTFOLIO

Recognizing that the Foundation's cash needs will fluctuate during various economic cycles and strategic initiatives, the intermediate-term cash reserve provides a buffer of available cash. This fund would be held in a brokerage account, seeking greater return than the short term reserve, while maintaining immediate availability and minimal principal risk. The objective of these instruments shall be the preservation of capital. The time horizon for the Intermediate-Term Portfolio is one (1) to five (5) years; therefore, fixed income instruments should be limited to Investment Grade Corporate and/or Government Bonds with an individual security maximum maturity of no more than ten (10) years and an average maturity of no more than five (5) years, to maintain financial flexibility.

Asset Allocation

Asset Class	Minimum Weight	Maximum Weight	Representative Index
Equity – Domestic	0%	20%	Russell 3000
Equity – International	0%	20%	MSCI ACWI ex-US
Fixed Income	50%	80%	Barclays Aggregate
Alternative Investments	0%	0%	HFRI Diversified FoF
Cash & Equivalent	0%	50%	90 Day T-bills

LONG-TERM PORTFOLIO

The Long-Term Portfolio consists of long-term assets such as capital campaigns, building projects, endowments, etc. The time horizon for the Long-Term Portfolio is longer than five (5) years. This portion of the Portfolio is designed to maximize return, consistent with safety of principal. Liquidity is a secondary objective. It is acceptable for there to be some principal fluctuation and risk in this tier in an effort to earn a greater total return.

Asset Allocation

Asset Class	Minimum Weight	Maximum Weight	Representative Index
Equity – Domestic	10%	40%	Russell 3000
Equity – International	10%	40%	MSCI ACWI ex-US
Fixed Income	20%	50%	Barclays Aggregate
Alternative Investments	10%	35%	HFRI Diversified FoF
Cash & Equivalents	0%	10%	90 Day T-bills

1) Permanently Endowed Funds

The overall investment objective of Foundation is to increase the value of Permanently Endowed Funds over time through a responsible investment policy that allows for growth of principal without undue risk and a responsible balance between expenditure and reinvestment of earnings. To achieve this objective, Foundation will invest for total return; that is, a combination of current income (dividends and interest) and capital appreciation. Foundation shall seek to invest with a goal of maximizing total return rather than seek out investments with high current income but limited potential for growth.

The following specific objectives shall also be pursued:

Preservation of purchasing power of the Permanently Endowed Funds - Achieve returns at least equal to the rate of inflation plus distributions and investment and administrative fees over the investment time horizon (discussed below).

Long-Term Growth of Capital - Achieve additional returns in excess of those required to preserve the purchasing power of the Permanently Endowed Funds to result in long-term growth of principal while avoiding excessive risk. Short-term volatility shall be tolerated in as much as it is consistent with the volatility of a comprehensive market index for funds with similar objectives.

To achieve these objectives, Permanently Endowed Funds shall be invested in the Long-Term Portfolio.

2) Asset Rebalancing

The Asset Allocation guidelines are established to maintain the long-term strategic asset allocation of the Fund. The Consultant is expected to monitor the portfolio mix, but neither the upper nor the lower limits of the asset

allocation guidelines are intended to require portfolio activity for the sole purpose of complying with the guidelines; however, deviation from these guidelines will be treated as discussion topics at the quarterly meetings with rebalancing considered at least annually. It is recommended that a target allocation be set by the Finance and Investment Committee at least annually, and revisited as needed based on market conditions. Additionally, the Finance and Investment Committee recognizes that investing in certain illiquid investments (i.e. Private Equity, Real Assets) makes it more challenging to quickly adjust those allocations.

To minimize expense, rebalancing shall occur in the following order:

- 1) Contributions will be allocated in an effort to maintain target weights
- 2) Funds will be transferred among asset classes

It should be noted that quasi-endowments are also invested in the Fund. Unlike true endowments, the quasi-endowments allow for distributions from the fund principal. Recognizing the possibility that the capital distribution from a large quasi-endowment could trigger the need to re-allocate the Fund assets among investment managers, Foundation should limit such distributions to once a year.

D. Social Responsibility/Environmental, Social and Governance Investing (SRI/ESG)

Foundation shall establish a SRI/ESG long-term portfolio to provide an option to donors who wish to maximize return, consistent with safety of principal, while “screening” to exclude companies that make products such as guns, cigarettes, etc., that are contrary to these donors’ values. Currently, the ESG Portfolio is screened based on the following:

Exclusionary Screens – Alcohol, Nuclear Power, Firearms, Tobacco, Military Weapons, Life Ethics, Gambling, and Adult Entertainment.

Qualitative Screens – Environment, Diversity, Overseas Operations, Community Relations, Employee Relations, and Product Quality and Safety.

Investment management of the assets of the SRI/ESG Portfolio shall be in accordance with the following asset allocation guidelines:

Asset Allocation

Asset Class	Minimum Weight	Maximum Weight	Representative Index
Equity – Domestic	10%	40%	MSCI KLD 400 Index
Equity – International	10%	40%	MSCI International ESG Index
Fixed Income	20%	50%	Barclays Aggregate
Alternative Investments	0%	30%	HFRI Diversified FoF
Cash & Equivalents	0%	10%	90 Day T-bills

E. Investment Performance Review and Evaluation

Performance Expectations

The most important performance expectation is the achievement of long-term investment results that are consistent with the Foundation's Investment Policy Statement, but over a complete market cycle, The Foundation's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above a customized index comprised of market indices weighted by the strategic asset allocation of the Foundation. Implementation of the investment policy will be directed toward achieving this return and not toward maximizing return without regard to risk. As such, The Foundation has outlined the following return objectives:

- 1) The return on the Fixed Income portion of the portfolio should exceed the Barclays Capital U.S. Intermediate Government/Credit Bond Index over the course of a full market cycle.
- 2) The return from the Equities portion of the portfolio should exceed the MSCI All Country World Index over the course of a full market cycle.
- 3) The return of the Alternatives portion of the portfolio should exceed the HFRI Conservative Fund of Funds Index over the course of a full market cycle.

The Finance and Investment Committee recognizes that the return objectives may not be attainable during some time periods. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, comparative performance statistics (including benchmark indices and peer group comparisons) will be used to evaluate investment results. To that end, the Finance and Investment Committee will periodically review the investment results of the Investment Managers. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this Investment Policy Statement.

Investment Manager Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Finance and Investment 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 Finance and Investment 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 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 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 four-year basis. Relative performance measurement may be utilized to evaluate investment consultant in relation to the objectives, and also in relation to the capital markets and to managers of similar funds with like aims.

III. IMPLEMENTATION

Endowment fund assets shall be invested in accordance with this policy and in compliance with State and Federal laws and regulations. The Investment Consultant/Manager will have full discretion to invest the assets of the Fund in a prudent manner, consistent with the Fund's objectives and established guidelines.

This policy statement shall be reviewed at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the Investment Policy Statement.

The Finance and Investment Committee is charged with performing this review and shall recommend appropriate changes to the Board for approval. Copies of this policy statement (and any subsequent amendments) will be provided to all investment managers whenever changes are approved by the Board.

GLOSSARY

Consumer Price Index (CPI) – measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI in the United States is defined by the Bureau of Labor Statistics as "a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services". The annual percentage change in CPI is used as a measure of inflation.

Custodian – A **custodian bank**, or simply **custodian**, is a specialized financial institution responsible for safeguarding a firm's or individual's financial assets and is not necessarily engaged in "traditional" commercial or consumer/retail banking. The role of a custodian in such a case would be to:

- hold in safekeeping assets/securities such as stocks, bond, commodities such as precious metals and currency (cash), domestic and foreign
- arrange settlement of any purchases and sales and deliveries in/out of such securities and currency
- collect information on and income from such assets (dividends in the case of stocks/equities and coupons [interest payments] in the case of bonds) and administer related tax withholding documents and foreign tax reclamation
- administer voluntary and involuntary corporate actions on securities held such as stock dividends, splits, business combinations (mergers), tender offers, bond calls, etc.
- provide information on the securities and their issuers such as annual general meetings and related proxies
- maintain currency/cash bank accounts, effect deposits and withdrawals and manage other cash transactions
- perform foreign exchange transactions
- often perform additional services for particular clients such as mutual funds; examples include fund accounting, administration, legal, compliance and tax support services

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Endowment Funds

Permanently Endowed Funds – created by donors with the objective that the fund will be maintained in perpetuity. It is recognized, however, that the value of the corpus can be affected by changes in the market value of the underlying investments and by distributions in accordance with the Investment Policy.

Quasi-Endowment Funds and Term Endowment Funds – function substantially like permanently endowed funds with the primary exception that distributions can be made both from accumulated market gains and income and from the corpus. Examples of such funds include, but are not limited to, the following:

"True" Quasi-endowment Fund: an endowment fund established from current use funds (restricted or unrestricted) by the trustees. Invasion of corpus or conversion back to a current use fund remains at the discretion of the trustees.

Term Endowment Fund: an endowment fund that requires a fixed dollar distribution each year regardless of earnings or whose terms allow for invasion of principal and/or distributions of accumulated income in excess of the authorized payout on permanently endowed funds. By definition, such an endowment may have a limited life.

Fiduciary – A **fiduciary** is a legal or ethical relationship of trust between two or more parties. Typically, a fiduciary prudently takes care of money for another person. One party, for example a corporate trust company or the trust department of a bank, acts in a fiduciary capacity to the other one, who for example has entrusted funds to the fiduciary for safekeeping or investment. Likewise, asset managers—including managers of pension plans, endowments and other tax-exempt assets—are considered fiduciaries under applicable statutes and laws [1]. In a fiduciary relationship, one person, in a position of vulnerability, justifiably vests confidence, good faith, reliance and trust in another whose aid, advice or protection is sought in some matter. In such a relation good conscience requires the fiduciary to act at all times for the sole benefit and interest of the one who trusts.

Investment Company Act of 1940 – Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Consultant – Independent agent or firm that works on behalf of the committee and board to develop asset allocations consistent with the organization's goals, provide information on managers, recommends Investment Managers, evaluates manager performance and recommends to the committee manager retention or termination. The committee is responsible for selection and termination of managers.

Investment Manager – the entity, whether an individual, bank trust department, mutual fund organization or independent investment-advisory firm, that selects the investment instruments to meet the goals and guidelines established by The Foundation.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager to manage a portfolio of investment securities.

Money Market Mutual Funds – Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund – Pooled money that an investment company invests in a variety of securities, including fixed-income securities and money market instruments.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Total Return – The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. (Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

UPMIFA – the Uniform Prudent Management of Institutional Funds Act provides guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations. As of October 2010, UPMIFA is now the law in the District of Columbia and all states except Pennsylvania, Florida and Mississippi. The major change in UPMIFA compared to the previous model law (the Uniform Management of Institutional Funds Act) is that it replaces a requirement that nonprofits cannot spend below the original value of contributions or "historic dollar value" (HDV) with a new requirement that their investing and spending will be at a rate that will preserve the purchasing power of the principal over the long term.

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