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The California State University
OFFICE OF THE CHANCELLOR

Statement of Investment Policy, Objectives and Guidelines for the Long-Term Account

EXECUTIVE SUMMARY

Type of Fund: Endowment

Time Horizon: Perpetuity

Investment Horizon: 10 Years

Real Return Target: CPI + 4%, net of all fund expenses

Time Horizon Return: To achieve a rate of return above inflation of 4%, net of all investment management costs.

Spending Policy: 4% of 3-year moving average of market valuations.

Risk Benchmark: 70% MSCI All Country World Index, 30% Barclays Aggregate Bond Index

Asset Class Guidelines:

Asset Class	Strategic Allocation	Lower Limit	Upper Limit
Equities	**~~65%~~70%**	~~40%~~ 45%	**90%**
Public Equity	~~55%~~60%	~~40%~~ 45%	~~70%~~75%
Private Equity	10%	0%	~~20%~~25%
Fixed Income	**~~20%~~15%**	**10%**	**~~30%~~25%**
Hedge Funds	**10%**	**0%**	**20%**
Real Assets/Real Return	**5%**	**0%**	**10%**

SCOPE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy reflects the policy, objectives and constraints of the California State University Foundation (CSU Foundation) assets to include:

- Endowment
- CSU Foundation Pooled Assets

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of investment policy is set forth by the CSU Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.
5. Manage Fund assets according to prudent standards.
6. Establish the relevant investment horizon for which the Fund assets will be managed.

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

DEFINITIONS

1. "Fund" shall mean a portion of the assets of the CSU Foundation.
2. "Board" shall mean the Board of Governors of the CSU Foundation.
3. "Committee" shall refer to the Finance and Investment Committee of the CSU Foundation.
4. "Fiduciary" shall mean any individual or group of individuals who exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.
5. “OCIO” shall mean the Outsourced Chief Investment Office, which is any individual(s) or organization(s) employed to provide outsourced chief investment office advisory services, including discretionary management of the assigned investment assets in accordance with this investment policy statement, advice on investment objectives and/or asset allocation, manager search and selection, and performance monitoring.
6. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.

7. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.
8. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.

UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)

It is the intent of the Board to have the Committee apply the investment standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they apply to both Donor Restricted Funds as well as Unrestricted Institutional Funds in the management of the investment assets.

Donor Restricted Funds

Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The investment policy of the institution.

Unrestricted Institutional Funds

In managing and investing unrestricted institutional funds, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation.
- The expected tax consequences, if any, of investment decisions or strategies.
- The role that each investment or course of action plays within the overall investment portfolio of the fund assets.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.

- The needs of the institution and the funds to make distributions and to preserve capital.
- An asset's special relationship or special value, if any, to the charitable purposes of the institution.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the funds and to the institution.
- Except as otherwise provided by law other than this part, an institution may invest in any kind of property or type of investment consistent with this section.
- An institution shall diversify the investments of institutional funds unless the institution reasonably determines that, because of special circumstances, the purposes of the funds are better served without diversification.
- Within a reasonable time after receiving property, an institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional funds into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this part.
- A person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.
- The investment policy of the institution.

DELEGATION OF AUTHORITY

The governing body of the CSU Foundation is the Board who are fiduciaries and are ultimately responsible for directing and monitoring the investment management of Fund assets. As such, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Finance and Investment Committee: The Board has delegated the direct management and fiduciary oversight of the investment management of all investment assets to the Committee.
2. OCIO: The OCIO reports to the Board and is delegated fiduciary oversight for advising the Committee in establishing an investment policy statement including objectives and guidelines; advising the Committee in developing an asset allocation within the investment policy statement; discretionary management of the assigned investment assets; selecting the Investment Managers; reviewing such Investment Managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
3. Investment Managers: The investment managers have discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives, within the limits of each manager’s specific investment mandate.
4. Custodian: The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, 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 Fund accounts.

5. Additional specialists: Additional specialists such as attorneys, auditors, actuaries, and others may be employed by the Board to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

All expenses for such experts must be reasonable and customary, and will be paid out of fund assets and deducted before returns are calculated to meet objectives. Goals and objectives must be accomplished net of all expenses necessary to operate and manage Fund assets.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of Finance and Investment Committee

The Committee is responsible for formulating and recommending investment policy for the Fund to the Board. The Committee will not control the day-to-day investment decisions, with the exception of specific guidelines and limitations described in these statements. Duties include but are not limited to the following:

1. Selection and retention of OCIO as the investment policy dictates. The Committee acts within the authority delegated by the Board in all matters relating to OCIO selection.
2. Review performance of the fund to stated objectives. Review and monitor performance of investment managers.
3. Monitor the asset allocation of the fund. The Committee acts with the Board's authority in all matters relating to rebalancing portfolio to the strategic asset allocation targets, which will include intermediate term active adjustments over time.
4. Determine if the overall policies and objectives continue to be appropriate and reasonable and make recommendations to the Board as necessary.

Responsibility of the OCIO

The OCIO's role is that of a discretionary advisor to the Committee. Advice will be consistent with this investment policy statement including the objectives, guidelines and constraints contained herein. Specific responsibilities of the OCIO include the following:

1. Reviewing the financial markets and economic climate considering the investment objectives and investment activity.
2. Assisting in the development and periodic review of the investment policy statement.
3. Providing due-diligence on the Investment Managers, including searching, researching, hiring and firing Investment Managers based upon such due-diligence.
4. Monitoring and communicating the performance of the Investment Managers and their progress toward the investment objectives to the Committee.
5. Communicating matters of policy and investment direction to the Investment Managers.
6. Providing review of the investment history, historical capital markets performance, and the contents of this investment policy statement to any newly appointed members of the

Committee.

7. The OCIO must operate without any conflicts of interest.

Responsibility of the Investment Manager(s)

Investment Managers will be held responsible and accountable to achieve the objectives herein stated, and do so within the guidelines and limitations established by the Committee. While it is not believed that the limitations will hamper Investment Managers, each Investment Manager should request modifications, when they deem appropriate. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction within the investment methodology and mandate approved by the CSU Foundation. Institutional pooled funds and alternative investment Investment Managers will be governed by their prospectus and/or offering memorandums. Specific responsibilities of the Investment Manager(s) include the following:

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, which affect implementation of investment process, or the investment objective progress of the Fund's investment management.
4. Informing the OCIO regarding any qualitative change to the investment management organization: examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies on behalf of the Fund in line with the investment philosophy and management of the portfolio.
6. The Investment Managers must operate without any conflicts of interest.

TIME HORIZON

The CSU Foundation's objectives for this portfolio are currently anticipated to continue without significant modification for a period of more than 10 years. This is consistent with the philosophy that the Foundation is to exist in perpetuity. The investment horizon for this Fund should be long-term with a minimum period of 10 years and match the long-term spending requirements and/or other liabilities of the Fund. Depending on economic and capital market conditions, the CSU Foundation understands the need for a longer-term perspective in evaluating performance, but will review performance to objectives and appropriate capital market benchmarks on much shorter time periods.

INVESTMENT OBJECTIVES

The Fund is expected to generate a total annualized rate of return, net of fees, 4% greater than the rate of inflation, as measured by the Consumer Price Index. Recognizing the volatility of both the equity and bond markets, it is understood that this objective may not be met on an annual basis. However, it is expected to be achieved when measured on a three-year rolling average. The Fund will seek to maximize long-term total returns consistent with prudent levels of risk. Investment returns are expected to preserve or enhance the real value of the endowment to provide adequate funds to sufficiently support designated University activities.

The investment objectives above are the objectives of the aggregate Fund, and are not meant to be imposed on each investment account. The goal of each Investment Manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Committee that most closely corresponds to the style of investment management. Benchmarks must be investable and measured net of investment expenses to be compared to manager performance on a net after-expense basis.
2. Display an overall level of risk in the portfolio, which is consistent with the risk associated with the benchmark specified. Risk will be measured by, but not limited to the standard deviation of quarterly returns.
3. For the purpose of evaluating individual Investment Managers, a full business cycle will be considered as part of the evaluation of their performance relative to assigned benchmarks.

SPENDING POLICY

Goal of the CSU Foundation

The Board feels that distributions to be made in the future are as important as distributions made today. This is consistent with the philosophy that the CSU Foundation is to exist in perpetuity, and therefore, should provide for spending in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending and investment expenses, the objective is to grow the aggregate portfolio value at or above the rate of inflation over the CSU Foundation's investment horizon.

Spending Policy/Distributions Amount

The Board will allow up to 4% of the portfolio value in distributions based on the Committee's recommendation. The CSU Foundation will attempt to balance the Fund's shorter-term support obligations with its goal to provide support into perpetuity, and design a distribution policy which is flexible. Since the expected investment returns from financial assets are not consistent and predictable, the Board feels that annual spending in dollar terms must be flexible enough to endure periods of underperformance without excessive deterioration of real principal. Therefore, this Fund may tend toward a more aggressive investment strategy seeking higher long-term investment returns than would be the case if distributions from year to year were less flexible

Spending Formula - Moving Average Determination

The CSU Foundation will set spending annually, budgeting one year ahead of actual distribution based upon the spending formula. The Fund will use the moving-average method of determining year-to-year spending in order to smooth distributions from the aggregate portfolio. The "portfolio value" will be determined based upon the historical moving-average of portfolio market value. After 3-years of history the "portfolio value" will be based on a 3-year moving-average of portfolio market value (that is, the moving average will be determined one year before the fiscal year in which the funds are to be spent.). This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by this Fund. Second, it allows the Board to design an investment strategy which is more aggressive with a higher expected return than might be the case if spending were determined by annual investment performance. With the annual determination method, there is a tendency to pay out the "excess" earnings during periods of over-performance, while maintaining a certain absolute dollar floor of spending during periods of under-performance. Over the long-term, this may result in an erosion of real principal. Therefore, by smoothing the spending, the Fund reduces the likelihood of real principal erosion due to portfolio volatility.

INVESTMENT POLICY

General Investment Principles

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Investment of the Fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
4. The Fund assets may be managed by Investment Managers of varying styles and philosophies to attain the Fund's objectives.

Definition of Risk

The Board defines risk as the probability of not maintaining purchasing power over the Fund's investment time zone, net of spending and investment expenses. The Board realizes that there are many ways to define risk. Any person or organization involved in the process of managing Fund assets should understand how the CSU Foundation defines risk so that the assets are managed in a manner consistent with the Fund's objectives and investments strategy as designed in this statement of investment policy.

Investment Management Philosophy

In order to meet its needs, the investment strategy of the CSU Foundation is to emphasize total return, that is, the aggregate return from capital appreciation, dividend and interest income. The primary objective of a total return policy is to achieve returns in excess of the rate of inflation after spending, net of all portfolio management expenses. This must be achieved over a long-term investment horizon through all types of economic cycles.

To achieve its investment objectives, the Fund will be allocated among a number of asset classes. These asset classes may include public equity, fixed income, hedge funds, private equity, venture capital, real assets, and cash/cash equivalents. The purpose of allocating the Fund’s assets among various asset classes is to ensure the proper level of diversification within the Fund.

Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's 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.

Investment Managers will be hired on a discretionary basis to manage the investment decisions of buying, selling, or holding individual securities in the portion of the Fund under their management. Investment Managers are expected to manage their portfolios within the guidelines of their specific mandate and will be evaluated regularly for their adherence to investment discipline.

INVESTMENT GUIDELINES

Risk Tolerance

The Board recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (i.e., inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of some risk is warranted in order to allow Investment Managers the opportunity to achieve satisfactory long-term results consistent with the objectives of the Foundation.

Variability of Returns

The Board understands that in order to achieve its objectives for CSU Foundation assets, the Fund will experience variability of returns and fluctuations of market value.

Liquidity

The investment portion of the Fund assets is considered long-term and should maintain a fully invested position with minimal cash reserves. Cash reserves on the part of each individual Investment Manager will be at the discretion of each manager’s investment methodology. The Committee will, in a timely manner, periodically provide the OCIO with an estimate of the timing of any expected cash inflows or outflows to allow sufficient time to rebalance the portfolio and build up necessary liquid reserves for distribution from the Fund.

Working capital waiting for distribution will be set aside from the investment portfolio in an operating account and invested in short-term money market instruments. These funds will be considered outside the strategic asset allocation of the Fund’s investment assets. The amount of funds held in the operating account should be for relatively immediate distribution and not considered funds for the tactical asset allocation management of cash.

The fund should not exceed a limit of 30% at cost, or 40% at market value in illiquid alternative investment strategies (Private Equity, Private Real Estate Pools, etc.), but may allocate greater funds to alternative strategies that provide quarterly and/or annual liquidity (Hedge Funds, Publicly traded Real Estate pools (REITs), etc.). Strategic allocation changes outside of the broad asset classes will require recommendation by the OCIO and approval by the Committee.

To better define the liquidity of various investment strategies, the following definitions will apply:

- Liquid – Marketable securities with daily liquidity up to one week depending on capital market conditions.
- Semi-liquid – Liquidity greater than one week up to one-year. Generally quarterly liquidity including alternative investments with securities in limited partnership structures such as Hedge Funds, Managed Futures and other program structures.
- Illiquid – Liquidity greater than one-year. Includes investments in Private Equity, Private Real Estate, Infrastructure and other investments that require a schedule of capital call funding and distributions over a longer than one-year time period.

Marketability of Assets (Excluding Alternative Investments)

The Board requires that all Fund assets (except for alternative investment assets) be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

ASSET ALLOCATION GUIDELINES

Total Fund Asset Allocation

The aggregate Fund's Asset Allocation Guidelines (at market value) are illustrated in the table below. **Addendum A – Strategic Asset Allocation Analysis,** provides supporting documentation on the risk/ return expectations and the efficiency of the asset allocation model. Addendum A illustrates the Long-Term asset allocation of the CSU Foundation, which employs an optimized portfolio within the risk and liquidity constraints set forth in this policy statement. As the capital markets, economic conditions, and opportunities change over time, tactical adjustments will be made to sub-asset classes within the broad asset classes included in the model regarding;

- fixed income sub-asset classes (core, international, global, high yield, distressed, emerging markets, etc.),
- equity capitalization (large, medium, small),
- international and emerging markets allocation,
- hedge funds and opportunistic investments,
- private equity, and
- real assets (commodities, natural resources, real estate, etc.)

The portfolio construction and diversification strategy of the fund will be in accordance with the following asset allocation guidelines:

Asset Class	Strategic Allocation	Lower Limit	Upper Limit
Equities	**~~65%~~70%**	~~40%~~ 45%	**90%**
Public Equity	~~55%~~60%	~~40%~~ 45%	~~70%~~75%

Asset Class	Strategic Allocation	Lower Limit	Upper Limit
Private Equity	10%	0%	~~20%~~25%
Fixed Income	**~~20%~~15%**	**10%**	**~~30%~~25%**
Hedge Funds	**10%**	**0%**	**20%**
Real Assets/Real Return	**5%**	**0%**	**10%**

The Long-Term Target (7+ years) is the optimal balance between expected risk and return for a long-term investment horizon. Allocation changes outside of the long-term strategic guidelines will require approval by the Board.

Mid-Term asset allocation encompasses the shorter-term (1 to 3 years) asset class and sub-asset class targets are included in the quarterly report supplied by the Investment Manager and recorded in the minutes of the Committee meetings.

Asset Allocation Input Estimates

The methodology for determining the Capital Market Inputs for Expected Return, Risk (or) Standard Deviation and Correlation are provided in a white paper as an Appendix to Addendum A – Strategic Asset Allocation Analysis. When the economic climate changes to the degree the capital markets assumptions are modified, an updated white paper will be provided to document those changes. If the new assumptions provide reason to adjust the strategic asset allocation model or the probability of achieving the goal requires material changes to the portfolio construction of the Fund, the Committee must gain approval for the new strategy and amend the investment policy.

Rebalancing Procedures

The investment portfolio will be reviewed quarterly and rebalanced when any asset class is outside the minimum or maximum policy allocation. A full rebalancing activity will restructure the portfolio back to the target asset allocation. All rebalancing activity will be executed by the OCIO and communicated to the Committee through the quarterly monitoring process. The OCIO will not require approval from the Committee to execute all rebalance activity. All rebalancing activity will be carried out by shifting of assets between the Investment Managers and within the total balance of the Fund. Rebalancing funds to Alternative Asset Classes will take into consideration the liquidity of those investment programs and modifications to rebalancing activity will be considered when necessary. When alternative asset classes move outside their approved limits, the Committee understands it will take time to adjust the allocation due to the liquidity constraints of these assets. Changes in asset allocation, investment strategy and rebalance activity will be reviewed quarterly with the Committee.

Cash flows into the portfolio from fund raising and gifts and/or out of the portfolio to fund distributions will be utilized to rebalance the Fund toward the target allocation. Partial rebalancing of the Funds' assets from cash flow will move the Fund closer to the target asset allocation by only the dollars required for the cash flow activity.

SELECTION OF INVESTMENT MANAGERS

The CSU Foundation has delegated the selection of Investment Manager(s) to the OCIO. Investment Manager selection must be based on prudent due diligence procedures. Decisions to select, retain and/or terminate investment managers will be the responsibility of the OCIO. The OCIO will act as a discretionary advisor and, therefore, does not require approval of the Committee for this activity.

Traditional (excluding alternative investment Investment Managers) Investment Managers must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company.

SOCIALLY RESPONSIBLE INVESTING

The Board of Trustees of the California State University adopted a resolution urging auxiliary boards which make corporate investments to issue statements of social responsibility and to follow those precepts in examining past, and considering future, investments. In response, the CSU Foundation states a primary fiduciary responsibility to maximize investment return, while taking into consideration appropriate risk, to further its educational purposes. At the same time, the CSU Foundation endeavors to be a good corporate citizen and responsible investor by considering environmental, social and governance practices (ESG) of the corporations in which it is invested.

As an overarching goal, the CSU Foundation seeks to invest in well-managed corporations providing beneficial goods and services. It further values business practices that support safe and supportive work environments, build employment opportunities, demonstrate innovation in environmental protection, and benefit the disadvantaged - including charitable giving and inclusion efforts. These practices enhance the financial performance, security and long-term sustainability of these corporations. As such, the CSU Foundation encourages its Investment Managers to incorporate ESG analysis in the review of investment risk and opportunities.

The CSU Foundation recognizes that sometimes a corporation's policies or practices can cause substantial injury; defined as, gravely injurious impact on employees, consumers, and/or other individuals or groups that results from specific actions by the corporation. For example, corporate actions may violate domestic or international laws intended to protect individuals and/or groups against deprivation of health, safety, or civil, political, and human rights.

Where the Board finds that a corporation’s activities or policies cause substantial injury, and that a desired change in the corporation’s activities would have a direct and material effect in alleviating such injury, it may exercise practicable shareholder rights to seek modification of the company's activities to eliminate or reduce the injury, using such means as a) direct correspondence with management and b) proxy votes. The following principles apply to proxy votes:

- Votes will normally be cast for qualified persons who bring board independence, greater diversity of background, and concern for public interest.
- Votes will normally be cast for disclosure of a company’s policies and practices in areas of public interest, to the extent that such disclosures do not cause a competitive disadvantage.
- Votes will normally be cast for a proposition that seeks to eliminate or reduce substantial

injury, and against a proposition which seeks to prevent such elimination or reduction.

If the Board further concludes that the company has been afforded reasonable opportunity to alter its activities, and that divestment will not impair the capacity of the CSU Foundation to carry out its educational mission, then it may instruct its Investment Managers to divest from direct investment in the securities in question within a reasonable period of time. Similar action will be taken when the Board determines that an industry or sector merits divestment.

Recognizing that the CSU Foundation generally invests in funds, rather than individual companies, the Board will review any concerning investments held within funds. Concerning investments that constitute less than one percent of a fund will be considered a reasonable risk. When the aggregated value of a concerning investment exceeds five percent of the total portfolio, the CSU Foundation will seek to mitigate such investments through impact investing. Funds will be reviewed on an annual basis for any negative screens approved by the Board.

In exercising its obligation to safeguard resources and protect against downside risk, the Board has diversified the CSU Foundation portfolio to include hedge funds and other alternative strategies. The Board understands that the underlying investments of these vehicles are less transparent and accepts as reasonable and necessary that in such cases Investment Managers may not be able to screen or monitor concerning investments.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the OCIO shall be compiled quarterly and communicated to the Committee for review. Performance monitoring will focus on the evaluation of the following:

- Net Absolute returns to Policy Goals - (CPI + Spending, Net Expenses)
- Relative Returns – time weighted to capital market benchmarks
- Risk-adjusted returns – Returns within acceptable volatility standards.
- Total Fund Peer Universe Returns – compared to NACUBO universe standards.
- Manager Peer Universe Returns – compared to top quintile investment managers of similar asset class and invest style

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 Investment intends to evaluate the portfolio(s) over at least a five-year period, but reserves the right to terminate any Investment 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 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.

MANAGEMENT COST, FEES AND PROFESSIONAL COMPENSATION

One of the fiduciary responsibilities of the Committee is to understand and account for all costs in the management of Fund assets. Management cost must be reasonable, to the direct benefit of the Fund and without any conflicts of interest. The OCIO will assist the Committee in the determination, understanding, negotiation and accountability of all Fund investment cost. The following cost of asset management must be evaluative and considered:

- OCIO fees,
- Investment Managers' fees for both active and passive management,
- Custodial fees, Transaction cost, Settlement fees and Best Execution,
- Alternative Investment Managers compensation including Management fees, Incentive based performance fees, Fund of Hedge Funds individual manager fees, and Clawback provisions,
- Real Estate fund – Acquisition fees, Asset Management Fees, Finance Fees, and Performance based fees,
- Commingled Pooled Fund internal expenses, and
- Audit, Administrative and Sub-accounting fees.

The most important fiduciary responsibility is in understanding were the allocation of management cost best affects the ability of the Funds to obtain superior risk adjusted performance and increase the probability of achieving the investment goals and objectives of the Fund. This should not be considered a cost minimization model, but a prudent allocation of resources to obtain objectives.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Committee plans to review investment policy at least annually. Policy amendments must be approved by the Committee.

This statement of investment policy was originally adopted by the Committee on September 17, 2008 and subsequently amended on:

- June 16, 2011
- June 13, 2014
- March 4, 2016
- December 12, 2019
- April 6, 2020

- September 7, 2022
- December 13, 2024

Approval Signatures

Step Description	Approver	Date
President	Lori Redfearn: Administrator-in-Charge, URA	9/7/2022
Chief Financial Officer	Aaron Moore: Executive Director Advancement	9/7/2022