



CALIFORNIA STATE UNIVERSITY

LONG BEACH

49^{ER} FOUNDATION

**Investment Policy
for
Short-Term Investments**

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Introduction

The CSULB 49er Foundation has established an Investment Policy Statement (“IPS”) pursuant to the guidance provided under the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and appropriate practices for management of trusts as set forth in the Uniform Prudent Investor Act (“UPIA”). The goal of this IPS is to provide a framework for the management and investment of the Short-Term Investments of the CSULB 49er Foundation (“the Portfolio”) to assist the Foundation in achieving its goal to have sufficient assets to meet spending needs as they become due. This IPS has been formulated, based upon consideration by the Foundation’s Investment Committee (the “Committee”) of the financial implications of a wide range of policies, and describes the prudent process that the Committee deems appropriate. The Committee has decided to participate in a Custom Investment Outsourcing program (“CIO”), in which the Investment Advisor has dedicated investment professionals to make discretionary investment decisions on behalf of the Foundation. Additionally, the Investment Managers under the jurisdiction granted by the Investment Advisor have discretion to make all investment decisions for assets placed under its jurisdiction by the Investment Advisor.

Purpose

This IPS is intended to:

- A. Establish the Investment Committee's expectations, objectives and guidelines in the investment of the Portfolio's assets.
- B. Create the framework for a well-diversified asset mix that can be expected to generate acceptable short-term returns at a level of risk suitable to the Investment Committee, including:
 - describing an appropriate risk posture for the investment of the Portfolio;
 - establishing the relevant investment horizon for which the Portfolio will be managed,
 - establishing reasonable expectations, objectives and guidelines in the investment of the assets, defining and assigning the responsibilities of all involved parties;
 - setting forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
 - establishing a basis for evaluating investment results;
 - establishing investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets; and
 - encouraging effective communication between the Investment Advisor, any Investment Managers retained by the Investment Advisor and the Investment Committee (or Trustees).

This IPS is intended to be a summary of an investment philosophy that provides guidance for the Portfolio. The IPS shall serve the Investment Advisor as the principal source for

developing an appropriate asset allocation strategy. The IPS is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. This policy should reflect the Investment Committee’s current status and philosophy regarding the investment of the Portfolio. This policy will be reviewed at least annually, and revised periodically as needed to ensure it adequately reflects any changes related to the Client’s assets and to the Investment Committee’s attitude towards risk. Any changes in this IPS will be in writing and will be communicated to the Investment Advisor. It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

Executive Summary

Foundation/Endowment Name: CSULB 49er Foundation, Short-Term Investments

Account Information: Total Market Value as of 07/24/2017: \$7,000,000

Primary Investment Objective: Preserve the long-term real purchasing power of assets while maximizing total return relative to the benchmark (Barclays Intermediate U.S. Government/Credit Index)

Target Rate of Return: To meet or exceed the rate of inflation as measured by CPI

Time Horizon: Two to five years

Asset Allocation:

Broad Asset Class	Min Weight %	Strategic Allocation	Max Weight %
Global Equity	0%	0%	25%
Global Fixed Income	50%	100%	100%
Global Alternatives	0%	0%	15%
Global Cash	0%	0%	50%

Rebalancing Procedures: Portfolio will be monitored on an on-going basis, at least monthly, and will be rebalanced as necessary to ensure that its allocation remains consistent with the Investment Policy Statement’s guidelines.

Meeting Frequency: Quarterly, or as requested by the Investment Committee

Assignment of Responsibility:

The roles of the Investment Committee, the Investment Advisor and the Investment Managers, with regard to the Client’s assets are delineated as follows:

The Finance and Investment Committee:

The Finance & Investment Committee is responsible for overseeing the management of the Portfolio

The Investment Committee shall have responsibility for the following:

- projecting the Foundation’s spending policy, financial needs, and communicating such needs to the Investment Advisor;
- establishing overall financial objectives, risk tolerance, investment time horizon, tax policies and setting investment policies and notifying the Investment Advisor promptly of any changes to this information;
- setting parameters for the Foundation’s asset allocation;
- selecting a qualified Investment Advisor;
- selecting a qualified Custodian;
- establishing a process and criteria for the selection and termination of the Investment Advisor and Custodians;
- monitoring investment results regularly to assure that objectives are being met and the Investment Policy Statement guidelines are being followed;
- communicating on a structured and ongoing basis with those persons responsible for investment results;
- responsible for and empowered to exercise all rights, including proxy-voting rights.

The Investment Advisor:

The Investment Advisor will be a discretionary advisor to the Investment Committee. Investment advice concerning the investment management of the Portfolio will be offered by the Investment Advisor, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Investment Policy Statement.

The Investment Advisor may assist the Investment Committee in establishing investment policies, objectives and guidelines as are set forth in this Investment Policy Statement and as are amended from time to time. In addition, the Investment Advisor will be responsible to review Investment Managers, measure and evaluate investment performance, and other tasks as deemed appropriate. Ongoing investment decisions will be made on a discretionary basis by the Investment Advisor, within the investment and governance parameters delineated in this Investment Policy Statement.

The Investment Advisor represents that with respect to the performance of its duties under this Investment Policy Statement, it is a “fiduciary” and is registered as an investment advisor under the Federal Investment Advisers Act of 1940 (the “Advisors Act”) and will perform the duties set forth hereunder consistently with the fiduciary obligations imposed under the Advisors Act, and regulations promulgated thereunder and any interpretations thereof by the U.S. Securities and Exchange Commission, notwithstanding the potential conflicts of interest described below.

Specific responsibilities of the Investment Advisor include, but are not limited to:

- assisting in the development and periodic review of the Investment Policy Statement, including asset allocation guidelines;

- executing investment portfolio management, asset allocation, rebalancing and other day-to-day responsibilities on a discretionary basis within the guidelines of this Investment Policy Statement;
- providing ongoing due diligence required to monitor the individual Investment Managers and to provide a periodic review of Investment Managers' performance considering among other factors, historical composite investment performance, investment risk, investment process and investment personnel.

The Investment Managers:

The Investment Managers have discretion to make all investment decisions for the assets placed under their jurisdiction by the Investment Advisor. The Investment Committee and the Investment Advisor desire to permit the Investment Managers flexibility to maximize investment opportunities and practice prudent management in order to conserve and protect the assets and to prevent exposure to undue risk. The Investment Committee and Investment Advisor, in recognition of the diversification benefits, intend to use mutual funds, exchange traded funds or commingled vehicles; and as such the Investment Committee and Investment Advisor understand that the guidelines outlined in this Investment Policy Statement will not be directly applied to the management of such commingled vehicles. However, the Investment Advisor will utilize mutual funds, exchange traded funds and other commingled vehicles that generally comply with the investment guidelines stated in this Investment Policy Statement.

It is understood that individual Investment Managers have:

- Discretionary investment management responsibilities, including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement;
- Responsibility to inform the Investment Advisor regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment policy, etc.;
- Responsibility for voting proxies, if requested by the Investment Committee, on behalf of the CSULB 49er Foundation and communicating such voting records to the Investment Committee on a timely basis.

Investment Philosophy and Risk Tolerance

The Investment Committee believes that the assets should be managed in a manner which reflects the unique purpose for which the Portfolio was established. The Investment Committee understands that in order to achieve its objectives for the Portfolio, the Portfolio will experience volatility of returns and fluctuations of market value. Therefore, the Investment Committee supports an investment strategy to minimize the probability of losses of capital over the short-term. The Investment Committee recognizes that in any economy, over an appreciable time period, uninvested assets will probably be subjected to an inflationary loss of purchasing power.

Although the Investment Committee prefers to limit the Portfolio's volatility, they are comfortable with fluctuations in their asset values and the possibility of small declines in total market value, in order to seek to grow the Portfolio over time.

The Investment Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. The Foundation's Short-Term assets will be structured to maintain prudent levels of diversification. The Investment Advisor is to make reasonable efforts to control risk, and will evaluate regularly to ensure that the risk assumed is commensurate with the given investment style and objectives as stated in this Investment Policy Statement.

To achieve its investment objectives, the Short-Term portfolio may be allocated among a number of asset classes. These asset classes may include Global Equity, Global Fixed Income, Global Alternatives, and Global Cash. However, the initial Strategic Allocation for this portfolio will be 100% Global Fixed Income and/or Global Cash, unless and until revised otherwise.

The investments of the Short-Term portfolio shall be diversified so as to minimize the risk of loss resulting from a concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed.

Investment Objective

The Short-Term investment portfolio will seek to preserve the real purchasing power of the assets while maximizing total return relative to the benchmark. **The benchmark is the Barclays Intermediate U.S. Government/Credit index.** Recognizing the volatility of bond markets, it is understood that this objective may not be met on an annual basis. In order to meet its needs, the investment strategy of the funds is to emphasize total return...that is, the aggregate return from interest income, dividends, and capital appreciation. The funds have a short-term horizon of two to five years.

Risk control is an important element in the investment of the funds. The Foundation will attempt to manage risk by diversifying the Short-Term portfolio so that potential losses on the overall portfolio are reduced. The Short-Term portfolio shall remain sufficiently liquid in order to meet all operating requirements that may be reasonably anticipated.

Time Horizon

The time horizon for the Foundation's Short-Term assets is two to five years and is currently anticipated to continue without significant modification. Capital values do fluctuate over shorter periods and the Investment Committee recognizes that the possibility of capital loss does exist.

Asset Allocation & Style Diversification

The Investment Committee recognizes the strategic importance of asset allocation and style diversification in the investment performance of the Portfolio over long periods of time. The Investment Advisor will determine how the Client's assets are allocated on a discretionary basis according to the stated objectives as outlined in this Investment Policy Statement.

Summary of Asset Allocation Guidelines:

After reviewing the long-term performance and risk characteristics of various asset classes and balancing the risks and rewards of market behavior, the following asset allocation strategy is incorporated to achieve the objectives of the Portfolio:

Table 1.0 Asset Allocation Ranges

Broad Asset Class	Min Weight %	Strategic Allocation	Max Weight %
Global Equity	0%	0%	25%
Global Fixed Income	50%	100%	100%
Global Alternatives	0%	0%	15%
Global Cash	0%	0%	50%

Over time, it may be desirable to amend the long term strategic asset allocation. When such changes are made, updates will be made to this Investment Policy Statement.

Rebalancing Procedures:

From time to time, market conditions may cause the investment in various asset classes to vary from the established asset allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, the Investment Advisor shall periodically review the Portfolio and each asset class in which the Foundation's assets are invested.

It is the responsibility of the Investment Advisor to monitor the Foundation's asset allocation on an on-going basis and to rebalance the Portfolio as necessary to ensure the asset allocation remains consistent with the Investment Policy Statement's guidelines.

Adjustment in the Strategic Allocation:

The approved asset allocation displayed previously indicates both an initial target allocation and a range for each investment category. From time to time, based on changing economic circumstances and the various relative investment opportunities as perceived by the Investment Advisor, the Investment Advisor has discretion to make changes to the strategic allocation. The Investment Advisor may determine and execute such changes as would be within the stated guidelines of this Investment Policy Statement and will notify the Investment Committee promptly when changes are implemented. If

necessary, the Investment Advisor will communicate to the Investment Committee the need to modify the Investment Policy Statement guidelines accordingly.

Selection & Retention Criteria for Investments

The Investment Advisor will select Investment Managers according to the following criteria, including but not limited to:

- the investment style and discipline of the proposed Investment Manager;
- how well each proposed investment complements other assets in the Portfolio;
- the size of the organization as measured by the amount of assets under management with respect to the investment style under consideration;
- experience of the organization as measured by the tenure of the professionals with respect to the investment style under consideration;
- past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and the magnitude and consistency of value-added performance, the amount of risk in relation to an appropriate benchmark and performance in adverse market conditions;
- evaluation of each Investment Manager's likelihood of significantly underperforming a given market index.

Investment Guidelines

The Investment Advisor may populate any of the asset classes described below with mutual funds, exchange traded funds or collective trust funds (collectively "Funds"). The Investment Committee understands and acknowledges that the Investment Advisor has no control over the management or portfolio composition of any Fund. While the Investment Advisor will use its best efforts to utilize funds with investment objectives and policies that are generally consistent with the IPS guidelines, the Investment Committee understands that any individual fund's portfolio holdings may not at all times be consistent with the IPS guidelines.

Equity Holdings:

Security Types: Equity securities shall consist of, but are not limited to, common stocks and equivalents (issues convertible into common stock, etc.), ADRs and equity securities of non-U.S. companies (Ordinary Shares).

Fixed Income Holdings:

Security Types: Fixed Income securities shall consist of, but are not limited to U.S. Government Treasury and Federal Agency Obligations, Mortgage-backed securities of U.S. Government, Money market funds, Short-Term Investment Fund accounts, Certificates of Deposit, Bankers Acceptances, Commercial Paper, Repurchase Agreements, Asset-Backed Securities, Collateralized Bond Obligations, Investment-Grade Bonds, Collateralized Mortgage Obligations, International Bonds, High-Yield Bonds, Exchange Traded Funds, European Depository Receipts (EDRs).

- Maturity: The maturity schedule shall be set by the Investment Managers.

- Restrictions: Written permission is required before the following transactions may take place:
 1. Investment in municipal or other tax exempt securities (taxable municipals are permitted)
 2. Investment in an illiquid security.

Cash Equivalents:

Security Types: Cash and cash equivalent reserves should consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, time deposits, repurchase agreements are also acceptable investment vehicles. Any idle cash shall be invested in an interest-bearing vehicle, such as a money market instrument, in a timely manner.

Alternative Investments:

Alternative Investments are a broadly defined asset category with the objective of augmenting the overall risk/return characteristics of the portfolio through further diversification. Investments in alternatives may be considered by this organization within the context of an overall investment objective. The objective of such investments will be to seek to diversify the Portfolio, complementing traditional equity and fixed-income investments and improving the overall performance consistency of the Portfolio. It is acknowledged that there is no guarantee that this objective will be realized.

Strategies utilized may include, but are not limited to: long/short equity, equity market neutral, merger arbitrage, convertible arbitrage, credit opportunities, commodities, currencies, volatility, absolute return oriented, tactical asset allocation, alternative beta, and managed futures. Diversified Funds of Hedge Funds will be held in the forms of professionally managed pooled limited partnership investments offered by professional investment managers. Alternatives exposure may also be gained via investments in daily liquid mutual funds, ETFs, or money managers.

Tactical/Opportunistic Investments:

Tactical/Opportunistic Investments are defined as investment strategies that have the flexibility to allocate assets to a variety of asset classes through the use of traditional equities/fixed Income securities, derivatives, or through the purchase of underlying mutual funds/exchange traded funds. The allocation to these Tactical/ Opportunistic strategies will be considered within the Portfolio allocation guidelines as outlined in this Investment Policy Statement and shall be so diversified as to reduce the risk of large losses.

Performance Objectives

The Investment Committee's willingness to accept risk and their expectation for investment growth have a direct bearing on the rate of return objective for the Foundation's assets. The overall Portfolio's performance will be reviewed with long term emphasis placed on results achieved over a 2 to 5 year period. Performance objectives will be reviewed and adjusted, if necessary, after consultation with the Investment Advisor and any changes will

be reflected in writing in a revision of this policy. The investment performance of the Portfolio, as well as asset class components, will be measured against commonly-accepted performance benchmarks. Consideration shall be given to the extent to which investment results are consistent with the investment objectives, goals and guidelines as set forth in this Investment Policy Statement.

The Investment Advisor has the discretionary authority to employ and/or terminate Investment Managers for the Foundation’s assets for any reason including the following: investment performance, which is significantly less than anticipated given the discipline employed, and the risk parameters established, or unacceptable justification of poor results;

failure to adhere to their stated investment objectives and investment style, including communication and reporting requirements;

significant qualitative changes to the Investment Manager’s organization Investment Managers shall be reviewed regularly, at least quarterly, 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.

Total Fund:

The performance of the Portfolio will be compared to the performance of a similarly structured balanced index in line with the target allocation in each strategy.

Based on the asset allocation ranges outlined in Section IX, the Investment Policy Index that should be used in evaluating the performance of the Foundation’s Short-Term investments is:

Table 2.0 Policy Index

Broad Asset Class	Index	Target Weight %
Global Equities	MSCI All Country World (Net)	0%
US Fixed Income	Barclays Intermediate Government/Credit U.S.	100%
Global Alternatives	HFRX Global Hedge (USD)	0%

Control Procedures

Review and Evaluation of Investment Objectives:

The achievement of investment objectives will be reviewed over varying periods of time, but not to exceed annually, by the Investment Committee. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of this

Investment Policy Statement. It is not expected that the investment policies or guidelines will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in this Investment Policy Statement.

Start-Up and Transition Periods:

The Investment Committee understands and acknowledges that it may not be prudent for the Investment Advisor to fully populate the Foundation's account with securities that are consistent with this IPS immediately upon the opening of the account (the "Start-up period") or immediately following a material change to the IPS (the "transition period"). During a start-up or transition period, the Foundation's account may not fully reflect the IPS requirements. It is expected that under normal circumstances start-up and transition periods will be no more than 3 months.

Communications

The Investment Advisor shall provide the Investment Committee with the following management reports on a quarterly basis:

- Portfolio performance results over varying time periods
- Performance results of comparative benchmarks over varying time periods

As a matter of course, the Investment Advisor shall keep the Investment Committee apprised of any material changes in the Investment Advisor's outlook, recommended investment policy, and tactics.

In addition, the Investment Advisor shall meet with Investment Committee either in person or via phone on a quarterly basis to review and explain the Portfolio's investment results and any related issues. The Investment Advisor shall also be available on a reasonable basis for telephone and email communication as needed.

Conflict of Interest

CSULB 49er Foundation board members, officers, and staff have a clear obligation to conduct the affairs of the Foundation in a manner consistent with its purposes and to make all decisions solely on the basis of a desire to promote the best interest of the Foundation. To avoid any possibility of conflict of interest, Foundation officers and staff, Committee members, Investment Consultant(s), and Investment Manager(s) shall immediately disclose to the Chair of the Committee, at the time of its discussion of policy or of matters related to the investment of Foundation funds, any actual or perceived conflict of interest that could be reasonably expected to impair his/her ability to render unbiased and objective advice to fulfill his/her fiduciary responsibilities. The Foundation's Conflict of Interest policy defines when an affected person is considered to have or may be perceived to have a conflict of interest. No person who has or is required to make a disclosure as contemplated in this policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in

respect of which he/she has made is required to make disclosure, unless otherwise determined permissible by the Chair of the Finance and Investment Committee.

Socially Responsible Investing

The CSULB 49er Foundation recognizes the need to invest funds in a socially responsible manner. Subsequent discussions of the board and the Investment Committee will develop specific screens on investments over time to maintain alignment between investments and university values. The CSULB 49er Foundation will notify the Investment Advisor in writing of any new restrictions and recognizes that the Investment Advisor will use best efforts to accommodate this request.