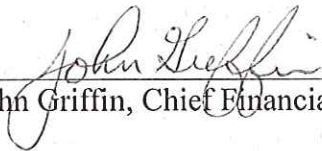




The University Corporation
Research, Investments and Commercial Services
California State University, Northridge

Procedure Number: AC038

Date: April 27, 2012


John Griffin, Chief Financial Officer

Title: Investment Program Procedure

Statement:

The purpose of this procedure is to provide guidance and instruction for the administration of the TUC investment program as stated in the TUC investment policy. (*Attachment 1*)

Procedure:

1. Includes both short-term and long-term investment pools.
2. Transaction approval (purchases, sales, transfers):
 - 2.1. All transactions require at least two signatures (*one over one*)
 - 2.1.1. Transactions with Commonfund and Northern Trust Bank will be initiated by letter signed by CFO and Executive Director
 - 2.1.2. Transactions initiated by Student Investment Honors Class will be approved by class instructor and placed through Crowell, Weedon & Co.
 - 2.1.3. Transactions with SWIFT, LAIF, or Wells Fargo Bank will be signed by CFO and Executive Director.
 - 2.2. All money market transactions will be initiated by one person and approved by a second. (*one over one*)
 - 2.2.1. Transactions up to \$500,000 will be initiated by the Associate Director of Accounting and approved by the CFO.
 - 2.2.2. Transactions over \$500,000 will need the additional approval of the Executive Director.
 - 2.2.3. Money market transactions will be recorded on the short term accounts transaction log located on the investments shared excel folder.
3. Investment report information will be updated monthly in the investments shared excel folder and maintained in the respective investment file located in CFO's office.
4. Approval of investment journal entries will be made by a person with authority over the person preparing the journal entries. (*one over one*)
5. Investment activity will be posted to the General Ledger at least quarterly.
6. Reconciliations will be performed and reviewed quarterly. (*one over one*)
7. Investment reports will be prepared monthly for each investment pool (*Attachments 2 and 3*) and reviewed with TUC management. Additionally, investment reports will be made at each TUC Executive Committee of the Board of Directors.
8. Exceptions to this procedure must be approved in advance by the Executive Director.

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The University Corporation
Short term investment pool summary
Year ended June 30, 2012

Balance configuration as of 6/30/12:

1. Deposits held in trust for others	\$ 1,520,658
2. Reserves:	
a. Real Estate Reserve balance	
Beginning balance 7/1/11	\$ 1,165,490
- FY 11/12 expenses for Zeizah house	(94,169)
Remaining balance	<u>1,071,321</u>
b. Approved Capital Projects Reserve	
University House refurbishment beginning balance	\$ 75,000
- FY 11/12 expenses	(75,000)
Remaining balance	<u>250,000</u>
c. Reserve for future Student Housing-Related Projects	<u>-</u>
Total Reserves	<u>1,321,321</u>
3. Accumulated income	38,840
4. Surplus cash generated from operations moved to short-term investment account	1,455,411
- Net cash generated through 5/31/12	\$ 1,591,229
- Cash transferred to University House refurbishment project	(75,000)
- Cash transferred to short-term investment account	(1,455,411)
- Remaining net cash generated through 6/30 not yet transferred to ST account	<u>\$ 60,818</u>
Total balance as of 6/30/12	<u>\$ 4,336,230</u>

Short-Term Investment Pool:

	Balance 7/1/2011	Net Transfers	Cash Withdrawals	Income Earned (a)	Market Gain/(Loss)	Balance As of 6/30/12	Actual Return
A. Wells Fargo money market - short term pool	\$ 2,416,355	\$ 1,633,738	\$ (572,093)	\$ 1,743		\$ 3,479,743	0.05%
B. CSU SWIFT program	650,737			5,028		655,765	0.77%
C. Northern Trust Bank short term fund	200,701			21		200,722	0.01%
D. TUC loan to North Campus	325,000	(332,114)	-	7,114		(0)	0.00%
Total Short-Term Pool	<u>\$ 3,592,793</u>	<u>\$ 1,301,624</u>	<u>\$ (572,093)</u>	<u>\$ 13,906</u>	<u>\$ -</u>	<u>\$ 4,336,230</u>	<u>0.32%</u>

Notes:

- The short term pool represents deposits held in trust for agency and workshop accounts, and certain reserve funds needed within the next three years. The primary goals for this pool are preservation of capital, reduced risk, and liquidity.

ATTACHMENT 3

8/27/12

The University Corporation
 Long term pool investment summary
 Year ended June 30, 2012

Investments	Market Value 07/01/11	Transfers/ Withdrawals	Income Earned (a)	Market Gain/(Loss)	Market Value as of 6/30/2012	YTD		Benchmark	
						Actual Return	YTD Return	Actual Return	YTD Return
Common Fund:									
Multi-Strategy Bond Fund	\$ 888,042	\$ 1,000,000	\$ 68,251	\$ 44,015	\$ 2,000,308	6.76%	7.47%	6.76%	7.47%
Equity Index Fund	1,311,492	(341,432)	14,291	42,027	1,026,379	5.37%	5.45%	5.37%	5.45%
Multi-Strategy Equity Fund	1,314,202	(357,980)	8,712	(27,389)	937,545	-2.29%	5.45%	-2.29%	5.45%
International Equity Fund	495,357	(8,223)	8,890	(85,278)	410,746	-16.52%	-14.13%	-16.52%	-14.13%
Emerging Markets Equity Fund	332,178	(42,365)	3,225	(66,319)	226,719	-20.51%	-15.94%	-20.51%	-15.94%
Subtotal Common Fund	4,341,271	250,000	103,370	(92,944)	4,601,696	0.13%	3.52%	0.13%	3.52%
Northern Trust Bank:									
Large Cap Equity Fund	1,204,604	-	23,018	15,515	1,243,137	5.25%	5.45%	5.25%	5.45%
Mid Cap Index Equity Fund	138,217	-	1,064	(5,860)	133,421	-2.64%	-2.33%	-2.64%	-2.33%
Small Cap Index Equity Fund	132,327	-	1,159	(5,093)	128,393	-2.02%	-2.08%	-2.02%	-2.08%
Emerging Markets Equity Fund	40,047	43,712	1,159	(4,300)	80,618	-12.25%	-15.94%	-12.25%	-15.94%
International Equity Index Fund	323,336	(43,813)	5,787	(61,924)	223,386	-14.91%	-14.13%	-14.91%	-14.13%
Global Real Estate Index Fund	29,974	-	634	(1,331)	29,277	-0.03%	0.45%	-0.03%	0.45%
Commodities Fund	68,670	-	8,127	(17,890)	58,906	-2.71%	-5.77%	-2.71%	-5.77%
Hedge Fund	767,319	-	-	(33,537)	733,782	-3.67%	-3.67%	-3.67%	-3.67%
Short Term Investments	111,153	101	(4,008)	40,013	147,259	0.01%	0.05%	0.01%	0.05%
Subtotal Northern Trust Bank	2,815,647	-	36,941	(74,407)	2,778,180	-0.46%	0.57%	-0.46%	0.57%
Crowell Weedon & Co Student Portfolio:									
Undergrad Students - Corp Equities	1,452,712	-	44,877	66,839	1,564,428	7.69%	5.45%	7.69%	5.45%
Graduate Students - Corp Equities	542,577	-	12,173	28,408	583,158	7.48%	5.45%	7.48%	5.45%
Subtotal Crowell Weedon	1,995,289	-	57,051	95,246	2,147,586	7.63%	5.45%	7.63%	5.45%
Public Safety Building	6,143,586	(553,745)	210,610	5,800,451	5,800,451	4.25%	3.25%	4.25%	3.25%
Wells Fargo Bank - money market	203,887	(43,255)	102	160,734	160,734	0.06%	0.05%	0.06%	0.05%
Total Investments (b)	\$ 15,499,680	\$ (347,000)	\$ 408,073	\$ (72,106)	\$ 15,488,647	2.61%	3.12%	2.61%	3.12%

a. Income earned is net of fees.
 b. Total investments does not reflect \$6,000 pertaining to other investments.

The University Corporation
 Long term pool investment allocation
 Year ended June 30, 2012

8/27/12

	Market Value Return	Cash	Fixed Income	Equities	Alternative Investments— Real Assets	Hedge Funds
Bonds	\$ 2,000,308		\$ 2,000,308			
Equities:						
Domestic Large Cap	3,207,060			3,207,060		
Domestic Med Cap	133,421			133,421		
Domestic Small Cap	128,393			128,393		
Subtotal Domestic Funds	3,468,875	-	-	3,468,875	-	-
Int'l Index Fund	634,132			634,132		
Emerging Markets Fund	307,338			307,338		
Subtotal Int'l Funds	941,470	-	-	941,470	-	-
Corporate Securities	2,147,586			2,147,586		
Total Equities and Equity Funds	6,557,930	-	-	6,557,930	-	-
Alternative Investments						
Real Estate Fund	29,277				29,277	
Commodities Fund	58,906				58,906	
Public Safety Building Hedge Fund	5,800,451				5,800,451	
	733,782					733,782
Total Alternative Investments	6,622,417	-	-	-	5,888,634	733,782
Cash and short term investments	307,993	307,993				
Total Investment Pool	\$ 15,488,647	\$ 307,993	\$ 2,000,308	\$ 6,557,930	\$ 5,888,634	\$ 733,782

Actual investment allocation 100.0%
 Target investment allocation 100.0%
 Category range 0% - 30% 2.0% 10% - 50% 15.0% 25% - 65% 42.3% 38.0% 4.7%
 1.0% 15.0% 45.0% 34.0% 5.0%
 0% - 30% 10% - 50% 25% - 65% 0% - 50% 0% - 10%



INVESTMENT POLICY

I. PURPOSE

The purpose of this policy is to establish a clear understanding between The University Corporation (Corporation) at California State University Northridge and Investment Manager(s), of the investment policies and objectives for managing the Corporation's asset portfolio. This statement outlines an overall philosophy that is sufficiently specific in expressing performance objectives to guide the Investment Manager, yet sufficiently flexible to accommodate changing economic conditions and market dynamics. This policy establishes the investment restrictions placed upon the Investment Manager and outlines procedures for performance review. These same guidelines apply to that portion of the asset portfolio self-directed by the Corporation Investment Committee.

II. OBJECTIVE

The primary investment objective is to achieve risk-adjusted real returns necessary to preserve and grow capital and to support the long term and short term spending requirements of the Corporation. The Corporation and its Investment Managers must properly balance the following overall objectives:

- A. Liquidity. The Corporation's investment portfolio will remain satisfactorily liquid to enable it to meet anticipated operating and cash flow requirements, which are to be analyzed continuously.
- B. Return on Investment. The investment portfolio will be designed to attain a market rate or better rate of return throughout a full economic cycle.
- C. Preservation of Capital. Sufficient limitations are placed on risks associated with the implementation of the return on investment objective and to protect the portfolio through the diversification of assets and the setting of specific quality standards.

III. SCOPE

This policy is applicable to all funds held by the Corporation in the long term and short term investment pools.

- A. Long term investment pool. This pool includes all endowment and certain reserve funds and is invested with a focus on long term growth of capital through asset diversification.
- B. Short term investment pool. This pool represents deposits held in trust for agency and workshop accounts, and reserve funds needed within the next three years. The primary goal for the short term pool is preservation of capital.

The funds entrusted to the Corporation will be pooled in an actively managed portfolio, except when precluded by a donor or granting agency. The Corporation will participate in standards within the content of the "Prudent Investor" rule, which states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

IV. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Corporation will transact business only with banks, savings and loan institutions, State Treasurer’s Office, and registered investment securities dealers. Regarding transactions in government securities, the dealers should be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York and qualify under the U.S. Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The Chief Financial Officer (CFO) will send a copy of the current statement of investment policy to all dealers approved to do business with the Corporation. Confirmation of the dealer's understanding of the Corporation's investment policy will be provided in writing by the dealer.

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

Any authorized investments (contained in Section VIII) can be purchased directly from the issuer.

All financial institutions and broker/dealers who qualify to perform investment transactions for the Corporation will supply the CFO the following:

- A. Audited financial statements
- B. Proof of National Association of Security Dealers certification
- C. Proof of state registration
- D. Completed broker/dealer questionnaires
- E. Certificate of review and understanding of The University Corporation investment policy.

A review of the financial condition and registration of the qualified broker/dealers and other bidders will be conducted by the CFO at least every three (3) years. This review will be reported to the Investment Committee as an information item only.

V. ASSET GUIDELINES AND TARGET ALLOCATION

A. Long-term investment pool - The minimum and maximum guidelines for each investment category and the associated target allocation will typically be:

	<u>Minimum %</u>	<u>Maximum %</u>	<u>Target Allocation</u>
Cash & Cash Equivalents*	0%	30%	1%
Fixed Income	10%	50%	15%
Equities	25%	65%	45%
Alternative Investments-Real assets**	0%	50%	34%
Alternative Investments-Hedge funds	0%	10%	5%

* Cash equivalents are defined as less than one-year maturities. Fixed income investments can be invested in cash equivalents as necessary.

** Approved by the Board of Directors on December 16, 2010, this range accommodates the investment in the Public Safety Building at California State University, Northridge and will be reviewed when conditions change.

B. Short-term investment pool - The minimum and maximum guidelines for each investment category and the associated target allocation will typically be:

	<u>Minimum %</u>	<u>Maximum %</u>	<u>Target allocation</u>
Cash & Cash Equivalents*	50%	90%	75%
Fixed Income	10%	50%	25%

* Cash equivalents are defined as less than one-year maturities. Fixed income investments can be invested in cash equivalents as necessary.

The investment portfolios will be rebalanced to these target percentages at least annually, or quarterly if there is a five percent (5%) or greater shift.

In the event of wide financial market fluctuations, the actual investment allocation mix can vary from the target mix with the understanding that the investment pool will be rebalanced as normal market conditions return.

VI. INVESTMENT GUIDELINES

A. Overall Guidelines

1. The Corporation prohibits investments that jeopardize the non-profit status of the Corporation or unduly jeopardize the safety of principal. Unless specifically authorized by written instruction to the Investment Manager, the following types or methods of investments are expressly prohibited:
 - a. Trading in securities on margin;
 - b. Trading in commodity futures;
 - c. Investments in working interests in oil or gas wells;
 - d. The purchase of "puts" and "calls" and "straddles;"
 - e. The sale and purchase of warrants and options without prior approval;
 - f. Selling short;
 - g. Direct investment in derivatives.
2. Unrestricted donations of marketable securities are to be liquidated in an orderly fashion unless they conform to the investment model as determined by the Investment Manager and/or Investment Committee.
3. Mutual funds are permitted investments so long as their underlying investments meet the criteria set forth in this policy.
4. This Investment Policy is responsive to special requirements placed on assets by donors, granting agencies, legal agreements or other documented means within reason as determined by the Corporation Board.

The following investment vehicles and limits are generally authorized for inclusion in the Corporation's investment portfolio for pooling purposes:

B. Cash Equivalents Category Guidelines

The following investments are acceptable:

1. Certificates of Deposit (maximum \$100,000 per institution). These investments will be limited to licensed (Federally chartered and insured) financial institutions.
2. Commercial Paper. These investments generally will be limited to ratings A-1 (or better) by Standard and Poor's or P-1 (or better) by Moody's.
3. U.S. Government and California State Government guaranteed securities, as well as U.S. Treasury Bills.
4. Short term investment accounts with a maximum maturity of two years for securities held. These accounts will be limited to registered investment securities dealers.
5. Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.
6. Money Market Accounts. These investments will be limited to licensed (federally chartered and insured) financial institutions.

C. Fixed Income Category Guidelines

1. Purchases of fixed income securities will be limited to U.S. Treasury or federal agency obligation, State of California obligations or those U.S. corporate bonds with ratings as prescribed below.
2. U.S. corporate bonds with a maximum maturity of ten years and rated a minimum of "A" or its equivalent by a nationally recognized rating (Standard and Poor's, Moody's and Fitch) service. Typically a maximum of 40% of the portfolio may be invested in these bonds. In the event a bond is downgraded below the minimum acceptable bond rating, the Investment Manager may continue to hold such bond until it is deemed advantageous to dispose of the bond, but under no circumstances should it take longer than six months. Approved mutual funds may invest in below investment grade bonds as part of diversified portfolios.
3. With regard to concentration by issuer, there are no limitations placed on investments in U.S. government or federal agency guaranteed investments. No more than 40% of the total investments, in government fixed income vehicles may be in State of California bonds. For U.S. corporate bonds, however, investments in any one issuer should:
 - a. not represent more than 10% of the fixed income category;
 - b. not be more than 5% of that security's total issue and,
 - c. be part of an issue worth at least \$50 million par value.

D. Equity Category Guidelines

1. The equity portfolio should be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

2. The holding of one firm's common stock is not to exceed 5% of that firm's total common stock outstanding.
3. No more than 7.5% of the equity portfolio should be invested in the stock of a single company.
4. The Corporation encourages reasonable investment in international securities to enhance diversification and prudent investment. No more than 20% of the equity category is to be invested in international securities. These issues are to possess the same high quality characteristics of domestic securities owned in the portfolio.

E. Alternative Investments Category Guidelines

1. Eligible alternative investments include commodities, hedge funds, and real estate.
2. Other eligible alternative investments are defined as investments that meet the "mission of the University" for the benefit of the University and are authorized by Corporation Board resolution and supported by appropriate and documented due diligence analysis.
3. All alternative investments held in the portfolio will be evaluated against appropriate benchmarks.
4. The total value of all alternative investments typically will not exceed 60% of the portfolio.
5. The maximum maturity for any investment within this category typically will not exceed fifteen years.
6. The alternative investments will diversify and reduce volatility of the portfolio.

F. Exceptions

Any exception to the guidelines in this Section VII A, B, C, D and/or E may be granted on an interim basis by mutual agreement of the Chair of the Board, the Executive Director and the CFO. Such interim exceptions will be ratified or changed at the next regular meeting of the Board of Directors.

VII. ADMINISTRATIVE AND REVIEW POLICIES

A. Levels of Responsibility

1. *Executive Director, Board Treasurer and CFO.* The Executive Director, Board Treasurer and CFO are responsible for implementing and administering the adopted Investment Policy, submitting a quarterly statement of the prior quarter's investment activity and performance analysis, and preparing the investment section of the annual report.

2. *Investment Manager(s)*. The Investment Manager is responsible for making individual security buy and sell decisions and managing and reporting portfolio performance in a manner that complies with the policies, objectives and guidelines set forth herein and provide the reports stipulated in B, below.

B. *Review of Investment Performance*

Evaluation of the Investment Manager's performance will be on a total return basis. These returns will be viewed in the context of the Fund's objective and relevant market indices.

Evaluation of the performance of asset groups, if applicable, will be based on the following indices:

1. Domestic Equities – Standard & Poor's 500;
2. Domestic Fixed Income – Barclays Capital U.S. Aggregate Bond Index;
3. Cash Equivalents – 90-day Treasury Bill Rate;
4. Subsets of equities and fixed income investments will be measured against appropriate benchmarks.

The Investment Manager(s) will submit to the Corporation a monthly report, a quarterly summary report, and an annual summary report detailing the current portfolio holdings, market value, annualized yield, realized gain and income from all invested assets, and other information that is customary on the Investment Manager's reporting system.

The Investment Manager(s) will meet with the Corporation's Investment Committee or Board of Directors as requested, at regularly scheduled meetings to present the above detailed information.

VIII. DELEGATION AND GRANTS OF AUTHORITY

Management responsibility for the investment program is under the authority of the Executive Director; the CFO will establish written procedures for the operation of the investment program consistent with this investment policy.

No person will engage in an investment transaction except as provided under terms of this policy and the procedures established by the CFO and approved by the Investment Committee of the Corporation. The CFO will establish a system of internal accounting controls to regulate the activities of subordinate representatives.

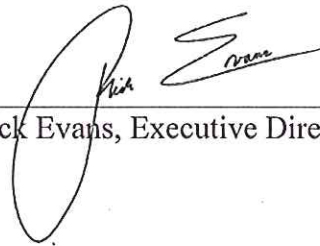
The authority to execute investment transactions affecting the Corporation's portfolio will be under the general direction of the Executive Director and delegated to the CFO.

IX. INVESTMENT POLICY REVIEW

The Investment Committee will review the current portfolio mix at least annually and this Statement of Investment Policy will be reviewed at least every three (3) years to ensure consistency with the overall objectives of the preservation of capital, liquidity and return of the investment portfolio. The Statement of Investment Policy will also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the Corporation. The

investment portfolio is audited annually by the Corporation's independent accountants for internal controls and balances.

Approved by the Board of Directors, May 28, 2009
Revised by the Board of Directors, December 16, 2010
Revised by the Board of Directors, May 24, 2012



Rick Evans, Executive Director