CSUN | FOUNDATION

INVESTMENT POLICY STATEMENT

APPROVED BY BOARD OF DIRECTORS ON 10-13-2022

INTRODUCTION

This Investment Policy Statement ("Statement") of the California State University, Northridge Foundation ("Foundation") governs the investment management of the assets of the Foundation. The purpose of this Statement is to establish the investment guidelines, objectives, and constraints of the Foundation assets as invested in three distinct portfolios: Endowment, Non-Endowment, and Allocates Reserves. It is the intent of this Statement to be both sufficiently specific to be meaningful and flexible enough to be practical.

GENERAL INFORMATION

The Foundation is a nonprofit 501(c)(3) California corporation that serves as an auxiliary organization to California State University, Northridge ("University"). The purpose of the Foundation is to further the mission and objectives of the University through the solicitation, receipt, administration, management, disbursement, and stewardship of gifts, grants, bequests, and trusts from various donors to various University departments and programs. The Foundation also assists the University in various activities, including accumulation and managing life income, annuity and student scholarship funds and administering funds for various educational related functions, special programs, and other activities.

INVESTMENT MANAGEMENT OBJECTIVES

The primary objective of the Foundation's investment program is to preserve and protect its assets while allowing the Foundation to provide current spending for University programs and activities and to achieve real growth of the Foundation's investable assets. The Foundation pursues its investment objectives through three distinct portfolios:

1. <u>Endowment Portfolio</u>: The primary investment objective for the Endowment Portfolio is to earn a total return adequate to support an annual spending distribution and to maintain or increase the purchasing power of the endowment. The time horizon is perpetual, so intermediate volatility can be tolerated.
2. <u>Non-Endowment Portfolio</u>: The primary investment objective for the Non-Endowment Portfolio is to earn a total return adequate to provide additional resources for the Foundation's operations and priorities, and to preserve the assets for future use. These funds are generally the current use funds, which provide for the programs and scholarships of the University, so while the investment horizon can be longer, the stated objective for both the time horizon and liquidity should average five years.
3. <u>Allocated Reserve Portfolio:</u> The primary investment objective for the Allocated Reserves Portfolio is to provide liquidity and working capital sufficient to support the Foundation's operations in the event of short-term economic challenge. It is essential that these assets are invested in a high-quality portfolio, which preserves the principal and provides liquidity to meet projected cash flow requirements.

Additional objectives for each portfolio held by the Foundation are listed below.

a. The expected total return for the Endowment and Non-Endowment Portfolios will be equal to the sum of the spending distribution rate, endowment management fee, and the Consumer Price Index (CPI) for the evaluation period.
b. The expected return for the Allocated Reserves Portfolio will be the 90-day Treasury Bill Index.
c. The Foundation assets are to be invested with the due care, skill, and diligence, in accordance to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Specifically, assets should be invested prudently in diversified investments that seek growth as well as income, and the portfolio should be rebalanced periodically to the established policy guidelines.
d. The Foundation acknowledges it has the fiduciary responsibility to maximize the long-term inflation-adjusted returns of the Foundation's investments in accordance with appropriate risk tolerances and with the University's mission and values of justice, equity, diversity and inclusion, and environmental sustainability.

   As such, the Foundation seeks to invest its assets sustainably and responsibly and recognizes that certain environmental, social, and governance ("ESG") factors are part of a comprehensive investment evaluation process and can have a positive effect on financial returns. To this end, the Foundation seeks investment managers who actively incorporate such ESG factors into their investment decision making process. The Foundation also believes the investment in companies which have environmental, social, and governance (ESG) policies and best practices creates long-term value.

DELEGATION OF AUTHORITY AND RESPONSIBILITY

The Board of Directors of the Foundation is the governing body and is ultimately responsible for directing and monitoring the investment management of the Foundation's assets. As such, the Board is authorized to delegate certain responsibilities to committees and professional experts in various fields. The Board of Directors delegates to the Finance and Investment Committee and to the investment managers the responsibility to monitor and adjust the portfolio so that the financial, social and ethical goals of the Foundation and California State University, Northridge, are reflected in the portfolio. Investment activities will be reported at each meeting of the Board of Directors by the Chair or designee of the Finance and Investment Committee. This delegation includes, but is not limited to:

Finance and Investment Committee ("Committee"): The Board has delegated to the Committee the direct responsibility for the oversight of the financial and property assets, including investments, of the Foundation. The Committee's actions and recommendations will be reported at each meeting of the Board of Directors. The Committee is responsible for formulating and recommending investment policy for the portfolios to the Foundation Board. The Committee will typically delegate day-to-day investment decisions, with specific guidelines and limitations described in these statements. Duties include but are not limited to the following:

1. Determine the investment management model as it relates to the retention of investment consultants and investment managers, as defined below.

2. Selection, evaluation, and retention of the investment consultants and investment managers.
3. Review and monitor performance of the investment portfolios against stated investment objectives, including strategic asset allocation targets, liquidity, risk tolerance, and benchmarks.
4. Determine whether the investment policy statement continues to be appropriate and reasonable. Make recommendations to the Board of Directors for changes as necessary.

Investment Consultant: The Investment Consultant is an optional role, should the Committee choose to retain one. The Consultant advises the Committee, and in turn, the Board of Directors in the establishment of investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. In the absence of a Consultant, the Finance Committee, with the support of the Foundation staff, fulfills this role. The Investment Consultant's role is that of a non-discretionary advisor to the Committee on matters pertaining to the investment management. Advice should be consistent with the investment policy, objectives, guidelines, and constraints as established in this statement. The Investment Consultant must operate without any conflicts of interest. Specific responsibilities of the Investment Consultant include the following:

1. Review of the financial markets and economic climate as it relates to each of the portfolios within the Foundation.
2. Assist in the development and periodic review of investment policy.
3. Conduct investment manager searches when requested by the Committee.
4. Provide due-diligence research on the Investment Manager(s).
5. Monitor the performance of the Investment Manager(s) to assist the Committee in their review and evaluation of Investment Manager(s) and investment objectives.
6. Communicate matters of policy, manager research, and manager performance to the Committee.
7. Communicate matters of policy and investment direction to the investment managers.
8. Provide review of the fund investment history, historical capital markets performance, and the contents of this investment policy statement to any newly appointed members of the Committee.

Investment Managers: The investment managers have discretion to purchase, sell, or hold the specific securities to meet the portfolio's investment objectives, and do so within the guidelines and limitations established by the Investment Policy Statement and any other guidelines or limitations established by the Board of Directors or the Committee. While it is not believed that the limitations will hamper investment managers, each manager should request modifications, when they deem appropriate. Institutional pooled funds and alternative investment managers will be governed by their prospectus and/or offering memoranda. The investment managers must operate without any conflicts of interest. An investment manager may take on many of the responsibilities of an investment consultant in the absence of a formal consultant. In addition, the responsibilities specific to an investment manager(s) beyond that of a consultant 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. Report no less frequently than quarterly the investment performance results.
3. Communicate any major changes to economic outlook, investment strategy, or any other factors, which affect portfolio investment strategy.

4. Inform the Committee or Investment Consultant regarding any qualitative change to the investment management organization, including but not limited to, changes in portfolio management personnel, ownership structure, and investment philosophy.
5. Vote proxies on behalf of the Foundation in line with the investment philosophy and management of the portfolio.

Custodian: The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the portfolios, 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 portfolio accounts.

Additional specialists: 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.

ASSET ALLOCATION – ENDOWMENT AND NON-ENDOWMENT PORTFOLIOS

The Board of Directors has approved the following asset allocation for both the Endowment portfolio and the Non-Endowment portfolio:

TRADITIONAL	Lower Range	Upper Range	**Target Allocation**
Equities – Domestic	*20%*	*45%*	***32.00%***
Equities – International	*10%*	*30%*	***15.50%***
Equities – Emerging Markets	*0%*	*10%*	***2.50%***
Fixed Income – Government/Corporate	*10%*	*37%*	***27.00%***
Fixed Income – Corporate	*10%*	*30%*	***0.00%***
Fixed Income – High Yield	*3%*	*10%*	***8.00%***
Fixed Income – International	*0%*	*10%*	***0.00%***
Fixed Income – Emerging Markets	*0%*	*5%*	***0.00%***
			85.00%

ALTERNATIVE STRATEGIES	Lower Range	Upper Range	**Target Allocation**
Private Equity	*0%*	*10%*	***8.60%***
Natural Resources	*0%*	*7%*	***0.00%***
Global Real Estate (excluding REIT's)	*0%*	*7%*	***0.00%***
Commodities	*0%*	*2%*	***0.00%***
Venture Capital	*0%*	*5%*	***0.20%***
Hedge Funds	*0%*	*10%*	***5.00%***
Distressed Debt	*0%*	*5%*	***1.20%***
Cash and equivalents	*0%*	*10%*	***0.00%***
			15.00%
			100.00%

TRADITIONAL	STRATEGIC EVALUATION BENCHMARK
Equities – Domestic	Russell 3000 Total Return Index
Equities – International	MSCI EAFE Net Total Return Index
Equities – Emerging Markets	MSCI Emerging Markets Net Total Return Index
Fixed Income – Government	Bloomberg Barclays Capital US Aggregate Total Return Index
Fixed Income – Corporate	Bloomberg Barclays Capital US Aggregate Total Return Index
Fixed Income – High Yield	Bloomberg Barclays Capital US Corporate High Yield 2% Issuer Cap Total Return Index
Fixed Income – International	Bloomberg Barclays Capital Global Aggregate ex US Total Return Index

TRADITIONAL	STRATEGIC EVALUATION BENCHMARK
Fixed Income – Emerging Markets	JPM GBI Global Emerging Markets Diversified Total Return Index
ALTERNATIVE STRATEGIES	**STRATEGIC EVALUATION BENCHMARK**
Private Equity	MSCI World Index PME (Public Market Equivalent)*
Natural Resources	MSCI World Index PME (Public Market Equivalent)*
Global Real Estate (excl REIT's)	NCREIF Fund Index Open End Diversified Core Equity
Commodities	S&P Goldman Sachs Commodity Total Return Index
Venture Capital	MSCI World Index PME (Public Market Equivalent)*
Hedge Funds	HFRI Fund of Funds Composite Total Return Index
Distressed Debt	MSCI World Index PME (Public Market Equivalent)*
Cash and equivalents	US Libor 3 Month

* - Due to the long term nature of private equity investments, the expected premium of 3% to 5% over the MSCI World Index PME will not be fully captured until the end of the harvesting stage (typically 8 – 10 years). However, the investment manager will provide quarterly (as available) Return on Investments (ROE) and Internal Rate of Return (IRR) marks to evaluate performance.

For purposes of this policy, traditional assets include stock instruments and debt instruments, such as direct investments or mutual fund investments in equities, bonds, and money market instruments. For equities, this includes convertible and non-convertible preferred stocks, Exchange Traded Funds (ETF's), and American Depository Receipts (ADR's) on foreign securities. The use of capitalization (large versus small) and the use of value or growth assets is within the purview of the investment manager(s). Fixed income securities that may be purchased for investment are U.S. government obligations, federally sponsored credit agency securities, collateralized mortgage obligations (CMOs), corporate bonds, emerging market debt, money market funds, fixed income investment funds, and commercial paper.

Alternative strategies are a broad classification of investments that includes any investment that is considered non-traditional, such as private equity, venture capital hedge funds, distressed or private debt, and "real assets," such as real estate, oil and natural gas, timber and commodity funds.

The Committee will review the asset allocation to evaluate the risk/return assumptions and performance on an annual basis.

The benchmark for each portfolio will be the appropriately weighted combination of the various asset allocations based on the target allocation and the respective benchmark for that asset class. The performance objective of each portfolio is to meet or exceed the appropriate benchmark over rolling three to-ten-year periods on a total return basis, net of fees.

ASSET ALLOCATION – ALLOCATED RESERVES PORTFOLIO

Investments in this Fund could include the following types of securities with maturities no more than three years:

a. Obligations issued or guaranteed by the U.S. Government, including Federal Agencies
b. Banker's acceptances, CD's, time deposits, and Eurodollar deposits of U.S. commercial banks and non-U.S. banks
c. Corporate bonds and notes with a minimum rating of A3/A- by Moody's or S & P
d. Obligations issued by state or local governments with a minimum rating of A3/A- by Moody's or S&P
e. Asset-backed securities with a minimum rating of Aa3/AA- by Moody's or S&P
f. Mortgage-backed securities backed by a U.S. Government Agency

The benchmark for this Fund will be the 90-day Treasury Bill index. The investment manager will report on a quarterly basis on the total return (using time-weighted basis) in the aggregate, net of all commissions and fees in comparison to the benchmark.

LEGAL CONSIDERATIONS

The investment program shall operate in compliance with all applicable laws and regulations concerning the investment of assets of nonprofit public benefit corporations.

GUIDELINES FOR TRANSACTIONS

All transactions should be entered based on best execution, according to accepted financial industry definitions.