



The University Corporation
San Francisco State

Room ADM 361
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San Francisco, CA 94132

ucorp.sfsu.edu

RESOLUTION OF THE UNIVERSITY CORPORATION, SAN FRANCISCO STATE
Revised Investment Policy

BOD Resolution: Approval of Revision of Investment Policy effective June 3, 2024

Passed and adopted on this 10th day of June, 2024, by the following vote:

Yes: 12 No: 0 Abstain: 0 Absent: 0

Secretary Certification

The undersigned state that he is the authorized Secretary of the University Corporation and certifies that on June 10, 2024, at a duly called meeting of the Board of Directors of the University Corporation, San Francisco State at which a quorum was present and acting throughout, the foregoing resolution was adopted by the votes indicated above.

Wherefore, the undersigned has executed this certification this day, in San Francisco, California.

Action Item No. 20240610-01

DocuSigned by:

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Jason Bell, Secretary

INVESTMENT POLICY

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

Effective Date: Revised – June 3, 2024

I. Background

It is the role of the Board of Directors (“Board”) to develop investment goals, objectives and strategies for funds (“Fund”) held by the University Corporation, San Francisco State (“Corporation”). This Investment Policy Statement (“Policy”), established by the Board, serves to govern the financial management of the Fund. The purpose of the Policy is to guide the Corporation, the Finance Committee (“Committee”), the Investment Managers (“Managers”) and the Investment Consultant (“Consultant”) in effectively supervising, monitoring and managing the investments of the Fund.

This Policy allows for sufficient flexibility in the management oversight process while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program. Additionally, Managers are expected to follow specific Investment Manager Guidelines, which outline portfolio guidelines, authorized investments, prohibited securities, performance objectives and reporting requirements.

This Investment Policy Statement incorporates the Corporation’s policies, objectives, long-term asset allocation plan, and implementation program for fulfilling its fiduciary obligation to manage the Fund’s assets with the care, skill, prudence, and diligence under the circumstances then prevailing of a prudent person acting in a like character and with like aims.

II. Policy

A. Investment Goals

The primary goal of the Corporation investments is to earn a total return on the investable assets to support the current and future operating needs of the Corporation while taking a moderate amount of investment risk.

B. Investment Return Objectives

The performance objectives should emphasize reliability of returns over time:

1. Return

The long-term return objective of the Fund is to exceed the appropriate custom

benchmark (Policy Index) over a full market cycle, recognizing that full market cycles vary and are measured as either trough to trough or peak to peak.

2. Risk

In light of the Fund's long-term time horizon, the Fund can invest in individual assets, which may have high volatility as long as the aggregate portfolio risk is in line with that expected of a prudently managed portfolio. Reasonable consistency of returns is desirable as a means of providing stability to the process of managing all Corporation financial assets.

The Fund should experience risk as measured by volatility and variability of return, commensurate with that of the market as expressed by the Portfolio Policy Index.

3. Diversification

Fund assets will be diversified among classes of assets, as well as within each asset class including diversification among sectors and industries, quality, market capitalization, and investment strategy on the premise that portfolio diversification and equity style diversification provide protection against a single security or class of securities having a disproportionate impact on aggregate performance.

C. Asset Allocation

1. Ranges

The asset allocation of the Corporation will depend upon the expected term of the investment. Invested funds will be classified as long term along with other investments that will not be due for more than seven years. Medium term investments will involve projects where the principle must be returned in two to five years and short term investments are due in less than two years. In the case of short and medium term investments fixed income durations may be set to match the expected date when the funding will be needed. Specific targets for each asset class will be determined by the committee based on the guidelines and ranges set in this policy.

Long Term (Seven years or more)

Asset Class	Target Allocation	Allowable Range
Equities	48%	33% - 63%
Fixed Income	40%	28% - 52%
Alternatives	12%	8% - 14%
Cash	0%	0% - 10%

Medium Term (Two to Five years)

Asset Class	Target Allocation	Allowable Range
Equities	25%	0% - 40%
Fixed Income	50%	35% - 100%
Alternatives	5%	0% - 10%
Cash	20%	0% - 50%

Short Term (Two years or less)

Asset Class	Target Allocation	Allowable Range
Fixed Income	0%	0% - 25%
Cash	100%	75% - 100%

2. Liquidity

Per the short-term guidelines above, the Corporation will maintain sufficient liquidity to cover all of its current spending needs and will hold assets in liquid funds and securities (e.g., LAIF, money market funds, bank accounts, short term securities or CDs) as necessary. Short-term cash will consist of the following:

- Operating cash is for day-to-day needs, requiring same-day liquidity and high levels of security. Local Agency Investment Fund (LAIF) is used for this type.
- Reserve cash is for medium-term needs. The time horizon for this segment is typically less than two years and liquidity needs are lower. Money Market accounts, short term securities and CDs are suitable for this type. This category includes three types of reserve cash:
 - Operating Reserves - representing six months of the Corporation's budgeted operational expenses. This represents an unrestricted fund balance set aside to stabilize the Corporation's finances by providing a cushion against unexpected events, losses of income, and large unbudgeted expenses. Operating Reserve allows the organization to persevere during an unexpected challenge.
 - Plant Fund Reserve - established to provide funding for a capital and building repair/replacement, and replacement of plant assets such as equipment or major software applications. Projects are assessed on an annual basis.
 - Excess Idle Cash - received for program funding which will not be expended immediately. This generally includes multi-year awarded grants where all the funding has been received in advance and will be needed within one to two years.

D. Role of Asset Classes

Equities

It is anticipated that the total returns of equities will be higher than the total returns of fixed income securities over the long run. Equities are likely to be subject to greater volatility over shorter periods. To avoid the risk of concentration, individual equities should comprise no more than 5% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5% of that corporation's outstanding common stock. (Moved from Concentration of Assets)

US Equities - It is intended that the domestic equity portion of the portfolio will provide exposure to different investment styles as well as the full range of market capitalization. The purpose of exposure to different investment styles is to reduce portfolio volatility as well as to enhance returns because different styles have historically had different performance cycles. Inclusion of managers specializing in managing portfolios with an emphasis on different market capitalizations is also important to volatility and enhance returns as companies with different market capitalizations often have different growth cycles and stock prices that move in different patterns. Domestic equities include both the ordinary shares of US companies and American Depository Receipts (ADRs) traded on American exchanges.

Non-US Equities - This segment provides access to major equity markets outside the US and consequently plays a significant role in diversifying the Fund's equity portfolio. This segment will provide exposure to developed and developing non-US markets, as their growth and returns are not highly correlated to those of the US. This core international segment will concentrate on larger companies in established non-US equity and emerging markets and will exhibit both growth and value characteristics. International equities include both the ordinary shares of non-US companies and American Depository Receipts (ADRs) traded on American exchanges.

Fixed Income

The primary role of the fixed income portfolio is to provide a source of stability that acts as a buffer relative to more volatile portfolio segments, i.e., equities. In addition, the Fund's bond portfolio will contribute to the income needs of the Corporation. Fixed income generally provides a diversified portfolio with deflation protection during periods of financial duress. Bonds dampen the overall volatility of total Fund results, which is important to help mitigate losses in periods of falling equity markets. It is intended that the overall fixed income portfolio will be of high quality. Average credit quality should be investment grade.

To avoid the risk of concentration, individual bond positions other than obligations of the U.S. government should not comprise more than 5% of the total fixed income portion of the portfolio. (Moved from Concentration of Assets)

Alternative Investments

The purpose of using alternative investments is to reduce the volatility of the overall portfolio and to provide an alternative source of return from that of the traditional domestic and international capital markets.

Alternative asset classes may include marketable securities, real estate, venture capital, private equity, commodities, hedged equity or hedge funds. Alternative investment strategies are defined as investment programs that offer the portfolios

access to strategies that have low relative correlation to the domestic and international equity and fixed income markets. Managers exploit market inefficiencies while minimizing exposure and correlation to traditional stock and bond investments.

The average amount of leverage among alternative funds (combined) shall not exceed 60%.

III. Policies and Procedures

A. Rebalancing and Cash Flows

Cash flows to and from the portfolio will be used to rebalance the portfolio and may be allocated to or from the Managers.

The Asset Allocation guidelines are established to maintain the long-term strategic asset allocation of the Fund. The rebalancing process results in the movement of assets from recently strong performing asset classes, which may be overvalued, into weaker performing asset classes, which may be undervalued. The need to rebalance could be occasioned by the disproportionate movement of asset prices within a class relative to the movement of prices in other classes, significant inflow of new gifts and/or extraordinary funding requirements of participating projects. Over the long term, this discipline is expected to enhance portfolio returns while reducing risk (volatility) by realizing gains in one asset class and using those funds to make additional purchases in the undervalued asset class.

To minimize expense, rebalancing shall occur in the following order. First, Contributions will be used to maintain target allocations; second, funds will be transferred among asset classes. Rebalancing should be done at least annually, following the end of the fiscal year.

B. Proxy Voting

Voting of proxies in stocks held by the Fund will be done in a manner that is in the best financial and economic interests of the Fund and its beneficiaries by those best able to make such assessments. Normally this will be the Manager. Each Manager shall match proxies received with holdings on applicable record dates, and ensure that all proxies for which the Manager is responsible are received. In addition, the Managers shall submit written reports to the Committee upon request advising of the manner in which each proxy was voted during the preceding period.

C. Portfolio Management Policy

The Committee will recommend for Board approval managers for a specific investment style or strategy provided that the overall objectives of the Fund are satisfied.

The Managers will have full discretion and authority for determining investment strategy, security selection and timing (subject to this Policy).

With the assistance of the Consultant, the Committee will review on a regular basis, each Manager's adherence to the Policies, and any material changes in the Manager's organization such as staffing changes and new business developments.

Performance of Managers will be reviewed by the Committee on a quarterly basis.

1. **Guidelines for the Selection of Traditional Investment Managers**

In general, Managers should possess the following attributes:

- An appropriate performance history in the discipline specified by the appointment;
- Demonstrated adherence to the investment style for which they were engaged and adherence to the firm's stated investment discipline;
- Experience in managing money for institutional clients in the asset class/product category specified by the appointment;
- A record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients;
- A sufficient asset base. In general, Managers should have at least \$250 million of discretionary assets under management, and the assets of the Fund should make up no more than 10% of Manager's total asset base;
- A fee structure that is competitive with industry standards for the product category;
- SEC-Registration as an Investment Advisor (or exempt from registration) that is recognized as providing demonstrated expertise in the management of investments for tax-exempt institutions and a defined investment specialty;
- The willingness and ability to comply with the "Duties of the Investment Managers" outlined herein;
- A firm where Principals have worked together at a prior organization may also be considered;
- To the extent that the Fund invests through mutual funds, commingled accounts or limited partnerships, it is expected that the objectives and guidelines will be closely aligned with the policy statement with the understanding, however, that these investments will be managed according to their prospectus and limited partnership agreements, and that customization of guidelines will generally not be possible; and
- Conform to Global Investment Performance Standards (GIPS) for performance reporting.

2. **Guidelines for the Selection of Alternative Investment Managers**

It is recognized that the selection process for managers of alternative asset classes and alternative strategies requires due diligence because of the general nature of the investments as well as the lack of publicly monitored and recorded data.

Investments in these strategies shall be made by becoming a limited partner in some form of partnership structure. Particular care will be given to the identification and understanding of the following:

- A description and understanding of the partnership structure;
- An understanding of the strategy as described in the Private Placement Memorandum or Offering Memorandum;
- Identification of any allowable security or strategy that is identified as specifically prohibited in other parts of this Policy;
- Identification of the amount of leverage allowed;
- The terms include the termination date of the fund, the ability to withdraw funds, the management fee structure, allocation of profits and losses, incentive allocation, and distribution rules.

In addition to the clarity of the strategy, particular attention will be given to:

- The reputation of the General Partner(GP);
- The track record of the Manager or the GP in prior funds;
- The length of time that the GPs have worked together as a team;
- The amount of financial commitment by the GP;
- The existence of a third-party administrator and external auditor; and
- Other relevant factors in determining the integrity of Manager.

These attributes are not meant to be all-inclusive. It may be necessary in certain circumstances to consider additional procedures.

D. Roles and Responsibilities

1. Duties of the Investment Managers

For individually managed accounts, the Managers shall:

- Provide Corporation each year with the updated ADV Part II filed with the SEC;
- Provide Corporation each year with updates on SEC violations by the firm
- Vote the proxies in accordance with this Policy;
- Provide quarterly transaction, valuation and performance reports;
- Provide its valuation methodology and policy, as appropriate;

- Reconcile monthly accounting, transaction and asset summary data with custodian or trustee valuations and communicate and resolve any significant discrepancies; and
- Maintain frequent and open communication with Corporation and Consultant on all significant matters pertaining to the Policy including, but not limited to, the following:
 - The Manager's investment outlook, strategy and portfolio structure;
 - Significant changes in ownership, organizational structure, financial condition or senior staffing;
 - Changes in the portfolio manager or other staff members assigned to manage the allocation;
 - Other issues which the Manager deems to be of significant interest or material importance;
 - Be available to meet with the Consultant and/or Committee upon request.

2. Duties of the Investment Consultant

The principal role of the Consultant is to provide independent advice to the Corporation and their Committee. The Consultant shall be responsible for the following:

- Making recommendations to the Corporation regarding investment policy and strategic asset allocation including the addition or substitution of new asset classes;
- Selection of qualified Managers;
- Assisting in the oversight of existing Managers, including performance evaluation and monitoring changes in staffing, ownership and the investment process;
- Preparing a quarterly report on the Managers performance, and on the performance of each portfolios in total including a review of guideline compliance and adherence to investment style and discipline;
- Provide research and due-diligence materials on investment manager searches;
- Working directly with the Corporation on any investment-related topic;
- Providing topical research and education on investment subjects that are relevant to Fund portfolios;
- Meeting with the Corporation and their Committee as requested.

3. Duties of the Committee

The Finance Committee is charged with an annual review of the Policy. This review will focus on the continued feasibility and the appropriateness of the asset allocation policy, the investment objectives, the investment policies and guidelines, and the investment restrictions. The Committee shall recommend appropriate changes to the Board for approval. Copies of this policy statement (and any subsequent amendments) will be provided to all investment managers whenever changes are approved by the Board.

E. Meeting Schedule

The Committee will meet to review the performance and compliance of the Fund with objectives and guidelines at least four times per year and on an as needed basis.

IV. Manager Guidelines and Objectives

A. Definition

For the purpose of this Policy, Managers refers to those managers investing in traditional asset classes of stocks, bonds, and cash equivalents as well as in traditional long-only strategies. Guidelines for selection of Alternative Investment Managers are included in Section III, C, 2.

B. Discretion

Managers shall have complete discretion in the management of the assets subject to the Policy set forth herein. Compliance with this Policy remains the responsibility of each Manager. It is the responsibility of each Manager to report compliance exceptions to the Corporation /Consultant as they arise. Managers may request an exception of Policy, which may or may not be accepted by the Committee.

Mutual funds, ETFs or other commingled funds may be used in any category of investment management.

C. Use of Cash Equivalents

Cash equivalents may be held in any Manager's portfolio at the Manager's discretion. Managers will be evaluated, however, based upon the performance of their total fund component relative to the appropriate index benchmark, regardless of the amount of cash equivalents held during any performance measurement period.

V. Custodial Arrangements

A custodian or custodians approved by the Board will hold all securities. Such a custodian must be registered and licensed by appropriate bodies, e.g. Federal Reserve Bank, Securities and Exchange Commission. The terms and conditions of this custodial relationship shall be detailed in a written agreement with the custodian.

VI. Social Responsibility Policy and Prohibited Investments

The Corporation is sensitive to the issue of social responsibility when making investment decisions. The Corporation Board continues to monitor and take into account a wide variety of information to help it in determining what it considers to be socially responsible investments. In carrying out its socially responsible investment policy, the Board will

continue to give specific instructions to its investment managers about investing or not investing in particular products, companies, and countries. In accordance with this policy:

1. Direct ownership of companies which derive more than 10% of their revenue from the production or use of coal and tar sands is prohibited.
2. Careful monitoring of comingled funds to assess approximately the percentage of these investments in companies which derive more than 10% of their revenue from the production or use of coal and tar sands.
3. Direct ownership of companies which derive more than 10% of their revenue from the production or sale of tobacco is prohibited.

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