SDSU | Research Foundation

Investment Policy Statement

February 2023

INTRODUCTION

The effective management of SDSU Research Foundation (SDSURF) investments is the responsibility of the Board of Directors. In recognition of its responsibility to manage investments prudently, the Board of Directors established a Finance and Investment Committee, of which the Vice President for Business and Financial Affairs of San Diego State University (SDSU) is an ex-officio member.

The Finance and Investment Committee has the responsibility to maintain appropriate investment policies and guidelines and oversee the investment of assets accordingly. This authority includes, if necessary, the selection and evaluation of professional investment managers or organizations. It also includes the periodic monitoring of the investment policy and investment results. Major changes in policy or decisions that may substantially affect investment performance are forwarded to the Board of Directors for action. The CEO and CFO of SDSURF keep the Finance and Investment Committee informed on matters affecting the investment program and assist the Committee in carrying out its responsibilities. The CEO relies on the CFO and others within the Finance & Accounting Department of SDSURF for detailed monitoring, record keeping, and financial reporting. SDSURF's approach to investment management necessitates a continuous, ongoing review of asset allocations and performance results. In carrying out this review, consultants may be retained periodically to provide an independent review of investment policies, strategies and performance.

Due to the size of the investment portfolio, SDSURF retains, directly or indirectly, professional investment managers for investments in mutual funds, equities, bonds, real estate, including Real Estate Investment Trusts (REIT), and cash equivalents. Other cash equivalents and government securities may be directly managed by SDSURF staff.

In January 2000, SDSURF transferred all student aid funds and the majority of existing endowments to The Campanile Foundation (TCF), a new campus auxiliary organization formed to focus on fundraising for SDSU. The Campanile Foundation is the recipient of the majority of new gifts and endowments to SDSU. The only exceptions are gifts and certain endowments that directly support research at SDSU or are owned by certain self-support programs administered by SDSURF, such as KPBS and SDSU Global Campus.

The following parties associated with SDSURF shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of SDSURF's contributors and beneficiaries; (2) 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 conduct of an enterprise of a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of large losses:

A. <u>Board of Directors:</u> The members of the Board of Directors are the fiduciaries of SDSURF and are ultimately responsible for the investments of SDSURF.

B. <u>Finance and Investment Committee and Staff:</u> The members of the Finance and Investment Committee on the authority assigned by the Board of Directors, have delegated the management of the day-to-day administrative issues associated with SDSU Research Foundation's assets to SDSURF staff. The Finance and Investment Committee has recommendatory authority to the Board of Directors with respect to the implementation of this Investment Policy Statement and shall review and present reports to the Board of Directors regarding the status of SDSURF's investments. The Finance and Investment Committee has authority to hire and fire Investment advisors.

C. Retiree Medical Voluntary Employee's Beneficiary Association (VEBA) Trust Investment Advisor: The investment advisor is charged with the responsibility of advising the Finance and Investment Committee on investment policy and strategic asset allocation, while having full discretion over the selection of investment managers and tactical asset allocation within the guidelines of this document. The investment advisor is also responsible for providing performance analysis and monitoring services.

D. Investment Manager(s): The investment manager(s) are delegated the responsibility of investing and managing SDSURF's or VEBA Trust's assets in accordance with this Investment Policy Statement, and all applicable law.

INVESTMENT POOLS

SDSURF uses a pooling concept that consolidates funds with similar investment objectives. Although monies are pooled for investment purposes, separate fund balances are recorded, thus maintaining both specific fund activity (additions and withdrawals) and allocated investment activity (income, realized and unrealized gains and losses). Through this means, investment risk is reduced, and earnings potential is increased. SDSURF encourages the use of these established investment pools in order to enhance the overall management of funds. However, unpooled endowments are also maintained when necessary because of time restrictions, donor restrictions, or the uniqueness of the endowment (i.e. real estate).

TCF Endowment Pool

The central purpose of an endowment is to provide support to programs over an extended period of time or in perpetuity. The level of support should be stable in real dollars, which implies that the endowment principal must grow at a rate at least equal to the rate of inflation. To achieve a reasonable rate of return and adequate growth of principal, a balanced and diversified investment approach is best. Therefore, the investment philosophy and objectives of the TCF Endowment Pool best represent SDSURF's overall endowment investment philosophy. True endowments, by their very nature, should be invested in the TCF Endowment Pool. SDSURF utilizes the TCF Endowment Pool in an effort to provide a combination of optimum investment results and administrative efficiency. The pool is being used as an investment vehicle, and its use does not imply fund balance ownership or a shifting of responsibility, nor does it imply that SDSURF has control over TCF's investment policy or process. However, SDSURF's Finance and Investment Committee shall monitor the performance of the TCF Endowment Pool quarterly and shall be apprised of changes to TCF's Investment Policy. TCF's Investment Policy (see Appendix 1) covers asset allocation, rebalancing, performance, etc. for the pool, and is incorporated by reference into this policy. The target asset allocation for TCF endowment is as follows:

Asset Class	Target Allocation	Minimum	Maximum
Growth Assets			
Global Equity	42%	34%	50%
Private Equity	18%	3%	23%
Credit			
High Yield Bonds	3%	0%	6%
Bank Loans	3%	0%	6%
Emerging Markets Debt	2%	0%	4%
Inflation Hedges			
Natural Resources	3%	0%	6%
Real Estate	4%	0%	8%
TIPS	3%	0%	6%
Gold	3%	0%	6%
Risk Mitigation			
Core Fixed Income	14%	6%	22%
Hedge Funds	5%	0%	10%
Cash	0%	0%	5%

The asset mix policy and acceptable minimum and maximum ranges established by the TCF Finance and Investment Committee represent a long-term view. Rapid and significant market movements or during times when asset allocation changes are being implemented may cause the fund's actual asset mix to temporarily fall outside the policy range. Any such divergence should be of a short-term structure.

The investment objectives for TCF will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return gross of fees) in excess of the benchmarks established for the medium term (3-5 years) and long term (5+ years).

The TCF Endowment Pool is divided into participation units with an equal interest. The number of new units assigned upon transfer of assets to a pool is determined by dividing the market value of the assets transferred by the market value of a unit in the pool immediately before such transfer. The value of a unit will change as the value of the pool's assets changes.

The investment pool is operated on a July 1 - June 30 fiscal year basis and the market value of the assets in the pool and of each participating unit is determined on September 30, December 31, March 31, and June 30. Participating units may be added or deducted from the pool at the beginning of each calendar quarter (the first day of July, October, January, and April). Capital gains or losses on the sale of investments are not distributed to the participating funds but become part of the unit value calculation for each quarter.

Current Income Pool

The objective of the Current Income Pool is to maximize income for current use rather than to preserve the purchasing power of future generations. Thus, it is not appropriate for true endowments, and should consist of quasi endowments and board-designated reserves. Income through investment yield should be the primary investment goal, with gains resulting from changes in market values being secondary. Actively managed fixed income funds are used to generate these secondary gains. Stable investments such as bonds, government securities, internal financing backed by real estate, and certificates of deposit are the principal investment vehicles for this pool. Internal financing related to various real estate properties can be an acceptable fixed income investment for the Current Income Pool. Additionally, subject to Board approval, SDSURF may lend funds to an affiliate such as KPBS. Approved asset mixes are as follows:

Investment Category	Range
Stable Investments/External Notes Receivable	0 to 50%
Actively Managed Investments	20 to 100%
Cash and Cash Equivalents	0 to 20%

Income from and fees related to the investments in SDSURF's Current Income Pool are distributed quarterly and allocated to the funds based on the percentage that each fund held as of the previous quarterly valuation. Any additions or withdrawals are considered to be current quarter activity and factor into the percentage for the following quarter.

Performance of Investment Pools
Measuring the comparative performance of investment pools with similar characteristics, objectives, and risk levels is useful in understanding investment results achieved with respect to desired goals. The performance of the TCF Endowment Pool is compared to other similar investment pools through policy benchmarks and performance metrics such as the Sharpe Ratio, which measures volatility-adjusted performance, that's provided by the professional investment manager and approved by the TCF Finance and Investment Committee. TCF's Finance and Investment Committee also monitors the ongoing performance of its asset managers.

The investment philosophy of the Current Income Pool is one of stability in underlying principal while trying to maximize current yield. Therefore, yield rather than total return is considered to be the appropriate measure of performance. Yield of the pool is compared to the yield of a bond index fund that bears the closest resemblance in asset mix and maturity dates.

OTHER INVESTMENT CONSIDERATIONS

Cash Equivalents Pool
Available cash from all funds controlled by SDSURF are pooled for investment purposes in the Cash Equivalents Pool. Cash balances are combined so that higher rates of return can be earned by the General Fund knowing that all funds will not be needed on a demand basis. Funds in the pool come primarily from:

- General Fund reserves and working capital
- Sponsored research funds paid in advance
- Self-support funds
- TCF operating and gift funds

Monies in this pool may be invested in money market accounts, certificates of deposit (with a bank rating agency rate of at least A-), investment grade commercial paper, short-term government or investment grade corporate debt securities, actively managed fixed income mutual funds, and internal borrowing. Internal borrowing is utilized when real property is acquired and allows the General Fund to finance the purchase with a lower interest rate. Internal borrowing requires Board of Directors approval. Up to 50% of the funds in the Cash Equivalents Pool may be used to acquire real property. A higher percentage is allowed with a standby line of credit in place to cover short-term cash requirements.

Investments are viewed as part of three tiers in recognition of the fact that some funds will virtually always remain on hand (core tier), some will be used within a reasonable length of time (middle tier), and some need to be available on a daily basis (demand tier). The mix of the three tiers is dependent upon the size of the pool and liquidity needs. Investment considerations are as follows:

- For the core tier, use Board approved long-term internal financing that, if necessary, could be financed by traditional methods to free up cash.
- For the core and middle tiers, minimize loss of principal due to interest rate risk by purchasing fixed income investments with fixed maturity dates that do not extend beyond five years. Fixed income mutual funds with an intermediate maturity range are also acceptable.
- For the demand tier, maintain the estimated amount of cash needed for on-going expenditure purposes.
- A standby line of credit may be utilized to alleviate temporary cash demands. SDSURF currently has a $15 million line of credit to assist with emergency cash needs.

Tier	Range
Core	up to 50%
Middle	up to 90%
Demand	up to 25%

Given the size of SDSURF's Cash Equivalents Pool, the services of an investment manager and the use of its investment funds can be helpful with the actively managed investments. Not only can an investment manager provide investment and diversification opportunities that would not otherwise be available, it can also provide a level of monitoring of managers and a capacity to adjust that are not feasible or efficient for most individual investments.

Unpooled Investments

Unpooled investments include funds with special restrictions established by donors, which make it inappropriate to pool these funds for investment purposes. The monies are sometimes invested in accordance with conditions established by the donor or fund advisor. Also included are deferred gifts that cannot be pooled with other endowments because of the existence of a current beneficiary and the fiduciary responsibilities of SDSURF.

Retiree Medical Voluntary Employees' Beneficiary Association Trust

SDSURF has established a Voluntary Employees' Beneficiary Association (VEBA) Trust for the cost of providing medical benefits for eligible retired employees and for current employees who will be eligible in the future for similar benefits. The Trust was formed in 1996 as a separate legal entity and was initially funded with the retiree medical reserves that had been contributed by SDSURF and certain self-support programs (primarily KPBS and SDSU Global Campus). The CEO, CFO, and the Chief Human Resources Officer serve as Trustees. The investment performance comparing actual to target allocations is presented to the Finance and Investment Committee quarterly for review.

Annual contributions to the VEBA Trust are based upon actuarial calculations of the Other Post Employment Benefit (OPEB) liability. The VEBA Trust's investments are included in the financial statements of SDSU Foundation Health VEBA Plan for Post Retirement Health Care Benefits and fiduciary financial statements of San Diego State University Research Foundation, which are audited annually by certified public accounting firms.

Because this future obligation is long-term, a significant equity exposure is considered necessary for investment purposes. The asset mix is similar to that used for permanently restricted endowment funds, and the funds are invested separately based upon the guidance of an Outsourced Chief Investment Officer (OCIO) as follows:

Asset Class	Target Allocation	Minimum	Maximum
Growth Assets			
Global Equity	60%	52%	68%
Credit			
High Yield Bonds	3%	0%	6%
Bank Loans	3%	0%	6%
Emerging Markets Debt	2%	0%	4%
Inflation Hedges			
Natural Resources	3%	0%	6%
Real Estate	4%	0%	8%
TIPS	3%	0%	6%
Gold	3%	0%	6%
Risk Mitigation			
Core Fixed Income	14%	6%	22%
Hedge Funds	5%	0%	10%
Cash	0%	0%	5%

THE CAMPANILE FOUNDATION

Supporting San Diego State University

INVESTMENT POLICY STATEMENT

Treasury Management

Effective January 1, 2023

1. Statement of Purpose

The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Program Fund assets; (2) the position of the Board of Directors with respect to the Program Fund risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Program will be satisfied.

2. Statement of Responsibilities

The following parties associated with the Program Funds shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of the Program Fund Recipients (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of losses.

a. Board of Directors: The members of the Board of Directors are the fiduciaries of The Campanile Foundation (hereafter referred to as the Foundation) and are ultimately responsible for the investments of the Foundation. The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in state and federal laws as these changes affect the investment of the Foundation's assets.

b. Finance and Investment Committee: The role and authority of the Finance and Investment Committee is defined in the committee charter and approved by the Board of Directors. The charter is listed in Appendix A. The Committee shall review the Policy and the Charter annually to ensure compliance and relevance to the current law, financial and economic trends and to meet cash flow requirements of the Foundation.

c. Chief Financial Officer: The Chief Financial Officer (CFO) is appointed and powers prescribed through an annual resolution by the Board of Directors. The CFO shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Foundation.

d. Investment Advisor: The investment advisor is charged with the responsibility of advising the Finance and Investment Committee on investment policy and strategic asset allocation. The investment advisor is also responsible for providing performance analysis and monitoring services.

e. Investment Manager(s): The investment manager(s) are delegated the responsibility of investing and managing the Foundation's assets in accordance with this Investment Policy Statement, and all applicable law. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisor Act of 1940, (3) a bank, as defined in the Investment Advisor Act of 1940, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.

f. Custodian: The custodian has been retained by the Investment Committee and is charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements.

3. Medium and Long-Term Performance Objectives

The Investment Objectives for the Program will be for the asset value, exclusive of contributions or withdrawals, to have income and capital appreciation to cover expenses while preserving capital. The assets are expected to have, a rate of return (time-weighted total return gross of fees) in excess of the benchmarks established for the medium term (3-5 years) and long term (5+ years).

4. Performance Benchmark and Performance Measurement

- The primary investment objective of the portfolio is the preservation of capital.
- The secondary objective is to provide on-going liquidity for the Program Funds.
- A tertiary and subordinate goal is to earn a competitive income relative to the benchmark, the ICE BofA 1-5 Year US Corporate & Government Index.

Financial and Investment Committee shall periodically assess the Foundation's income goals relative to the current portfolio strategy and market conditions, and make adjustments as necessary. Further, the CFO shall provide advance notice of any potential liquidity needs.

Segment	Index
Short/Intermediate Fixed Income	ICE BofA 1-5 Year US Corp. / Gov. Index

5. Classification of Debt Securities

The Foundation has determined to hold the securities till maturity unless there are changes in circumstances. Examples of a change include but not limited to: evidence of a significant deterioration in the issuer's creditworthiness, a change in tax law, and certain isolated, nonrecurring, unusual events for the Foundation that could not have been reasonably anticipated.

6. Target Asset Allocation

The Asset Allocation of the Program shall be reviewed at least quarterly to insure that the Target Allocation is in compliance with the following guidelines.

Asset Class	Target Allocations
Short/Intermediate Fixed Income	100%

7. Sector

Sector Diversification	Minimum Weighting	Maximum Weighting
Cash & Short-Term Money Market Securities	0%	100%
U.S. Treasury/U.S. Agency/ Other U.S. Gov't	0%	100%
Corporates (including Foreign Gov't/Supra)	0%	50%
Mortgage-Backed Securities (including Residential and Commercial)	0%	50%
Asset-Backed Securities	0%	30%
Municipals (Taxable and Tax-Exempt)	0%	25%

8. Quality

All securities will be rated A- or better at time of purchase by a Nationally Recognized Statistical Rating Organization (NRSRO)*. Short-term money market securities shall have a rating of A1/P1 or better. The minimum weighted average quality of the underlying assets will be maintained at Aa3/AA-.

For purposes of the portfolio minimum average quality, securities issued or guaranteed by the U.S. Government, U.S. Government Agencies and U.S. Government Sponsored Enterprises shall be deemed to carry a AAA or equivalent rating.

In the event that a security held in the portfolio is downgraded below the minimum acceptable rating the manager shall notify the client of the downgrade in a timely manner. The downgraded position may be held at the manager’s discretion.

* In the case of a split rating on securities, the lower rating shall apply.

9. Duration

The effective duration of the portfolio will not be any higher than +15% of the benchmark’s effective duration.

10. Restrictions and Limitations

No more than 5% of the portfolio will be held in securities of any one issuer, excluding securities issued or guaranteed by the U.S. Government, U.S Government Agencies and U.S. Government Sponsored Enterprises. The issuer for any non-Agency structured security shall be the specific trust or special purpose corporation that holds the associated collateral backing such security.

All securities shall be denominated in US dollars.

11. Permissible Securities

The following types of securities are permissible for inclusion in the portfolio:

a) Short-term money market securities including, but not limited to, CDs, time deposits, bankers acceptances, commercial paper and repurchase agreements
b) U.S. Treasury securities, U.S. Agency securities, and issues or loans guaranteed by the U.S. Government or its Agencies
c) Direct obligations of a Government Sponsored Enterprise (GSE) and issues or loans guaranteed by a GSE
d) Corporate securities, including domestic and foreign issuers
e) Foreign government securities and supranationals denominated in U.S. Dollars
f) Residential mortgage-backed securities
g) Commercial mortgage-backed securities
h) Asset-backed securities
i) Municipal securities
j) Forward purchase agreements and dollar rolls

12. Investment Guidelines

It is the intention of the Finance and Investment Committee to allow each investment manager the full investment discretion within the scope of these investment guidelines, the applicable Investment Manager Agreement, and any laws that supersede either of these documents. Each manager must adhere to the following investment guidelines as well as their specified guidelines in the attached appendices.

a. Liquidity: CFO will monitor the trends and projected cash flow on a regular basis, and sufficient liquidity shall be maintained to fulfill the cash flow needs of the Program. When withdrawals become necessary, CFO will notify the investment manager(s) as far in advance as possible to allow them sufficient time to acquire the necessary liquid reserves.

b. Proxy Voting: The investment manager(s) shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation. The investment manager(s) shall furnish the Finance and Investment Committee with a written proxy voting policy statement, and shall keep records with respect to its voting decisions and submit a report annually to the Finance and Investment Committee summarizing votes cast.

c. Trading and Execution: The investment manager(s) shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates

13. Investment Performance Review and Evaluation

a. The Finance and Investment Committee will review the investment results of the investment manager(s) at least quarterly. While a performance comparison will be made against a representative performance universe and the performance objectives set forth in this policy statement, the emphasis will be on downside protection. A comprehensive annual report from the Finance and Investment Committee will be presented to the full Board of Directors.

b. The Finance and Investment Committee shall periodically review the qualitative developments of each investment manager. This evaluation should include: changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other qualities that the Finance and Investment Committee deems appropriate. This review should also include an assessment as to whether each investment manager has operated within the scope of this Investment Policy Statement.

c. The investment manager(s) must disclose all major changes in organization or investment philosophy to the Finance and Investment Committee members within 30 days. Further, all registered investment advisors must present updated ADV-2 forms on an annual basis to the CFO.

14. Corrective Action

Corrective action should be taken naturally as a result of the ongoing review process for investment managers. While there may be unusual occurrences at any time, the following are instances where corrective action may be in order.

a. Any organizational change that may materially affect the management process will be noted by the investment advisor and discussed with the Finance and Investment Committee. If the Finance and Investment Committee deems appropriate, the investment manager may be called upon to discuss changes.

b. A violation of terms of contract without prior approval of the Finance and Investment Committee constitutes grounds for termination.

c. As part of the overall asset allocation strategy, the Finance and Investment Committee will select managers with certain styles and approaches to portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Finance and Investment Committee. Should either the advisor or the CFO ascertain that significant changes in investment style have occurred, this may be grounds for termination.

d. Managers may be replaced at any time as part of an overall restructuring.

15. Policy Changes

The investment advisor shall advise the Finance and Investment Committee of any restrictions within this Investment Policy Statement that may prevent the investment manager(s) from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this Investment Policy Statement discovered by the investment advisor in the preparation of its regular performance review shall be reported immediately to the Finance and Investment Committee and discussed at their next regularly scheduled meeting.

16. Investment Policy Review and Revisions

The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the Foundation’s assets.

The Investment Policy Statement shall also be reviewed annually to ensure compliance and relevance to the current law, financial and economic trends and to meet cash flow requirements of the Foundation.

IN WITNESS HEREOF, the Board of Directors has approved the revised Investment Policy Statement by resolution adopted on the 8th day of December 2022.

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The Campanile Foundation, Secretary