

**Investment Policy**  
**for**  
**California State University, Fresno Association (“the Association”)**

**Adopted on May 3, 2016**

## **Introduction**

The purpose of this Investment Policy (this “Policy”) is to provide guidelines for the prudent management of the Association’s investments (the “Portfolio”) and is intended to assist the Association’s Board of Directors including its Audit Committee (the “Board”) in supervising and monitoring the Portfolio. A principal goal of this Policy is to ensure the creation and implementation of a sound long-term investment strategy. The Policy defines the Association’s investment objectives and the responsibilities of and standards applicable to those involved in the investment and management of the Portfolio.

This Policy is not intended to constitute a legally binding agreement between the Association and the Investment Advisor or Investment Manager(s). Any agreement with Investment Advisor or Investment Manager(s) with respect to the Policy would be pursuant to a separate, written agreement with such party. It is recognized that from time to time the Board’s attitudes, expectations and objectives may change. Therefore, this Policy is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation. This Policy is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Association, the Board, Investment Committee, Investment Advisor, and Investment Manager(s).

## **The Association’s Mission and Portfolio**

The Association was established in 1961 as a non-profit corporation under the laws of the State of California to serve as an auxiliary organization to California State University, Fresno. In this function, the Association administers and manages the Save Mart Center, Kennel Bookstore, University Dining Services, University Courtyard, the Student Recreation Center and the University Student Union, and is governed by its Board of Directors. The Association has been recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and is classified as a public charity. In addition to the above duties, the Association also provides management, accounting, information services, legal services, and other professional services to other campus auxiliary organizations including the Foundation, the Agricultural Foundation, Associated Students and Fresno State Programs for Children. The Portfolio consists of reserve funds which are funds to support the Association’s future operations, serve as a resource during economic downturns and provide an additional source of support for the Association (the “Reserve Fund”). The Portfolio is designed to ensure long-term financial security to the Association and to provide a source of funding for the Association’s activities, programs, and operating expenses.

## **Investment Objectives**

The Association’s investment objectives are to safeguard and preserve the real purchasing power of the Portfolio while earning investment returns that are commensurate with the Association’s risk tolerance and sufficient to meet its operational requirements. The Association seeks to align its investment strategy for the Portfolio with its mission and charitable purposes (“mission-related goals”) by seeking investments that align with its core values of engaging in education-related efforts designed to enhance the welfare of residents of central California in a manner that promotes the appreciation of the rich cultural diversity of those residing within the region. To this end, the Association seeks to avoid direct investments in companies engaged in the following:

[activities with revenue threshold as applicable]. The Association will utilize investment managers that can effectively apply these screens.

The specific investment objectives for the Reserve Fund are set forth below.

### Reserve Fund

The Reserve Fund shall be invested with the objective of preserving the long-term real purchasing power of the Reserve Fund's assets while seeking an appropriate level of investment return. More specifically, the Association's investment objectives and constraints for the Reserve Fund include the following:

- Preservation of Purchasing Power. The Association aims to at least preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (described below) and the rate of inflation.
- Long-Term Growth. The Association seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.
- Time Horizon. The Association intends to invest for the long-term, with the total return on the Portfolio evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Association's objectives, but the Association aims to attain its objectives over a series of five-year periods. The Association will monitor shorter-term investment results and trends while focusing on long-term results.
- Risk Tolerance. The Association seeks to control risk and reduce the volatility in its Portfolio through diversification. However, short-term volatility is characteristic of the securities markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios (such as the volatility of performance benchmarks, described below). The Association recognizes and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives of the Portfolio. In establishing its risk tolerance, the Association's ability to withstand short- and intermediate-term variability as well as the statistical probability of loss for a given period of time for the Portfolio is evaluated by the Board.
- Liquidity Requirements. The Association seeks to maintain adequate liquidity to meet its obligations. The Board will inform the Investment Advisor (as defined below) of any anticipated need for liquidity as such need becomes known. The Investment Advisor will presume no liquidity needs other than those provided by this Policy or the Board.

### Responsibilities

The Board has responsibility for investing and managing the Portfolio as well as the responsibility for establishing and modifying this Policy, including establishing the asset allocation for the Portfolio.

The Board, the Association's designated staff, the Association's investment advisor (the "Investment Advisor"), and the investment managers (the "Investment Managers") are charged with implementing this Policy. Their respective responsibilities are set forth below.

- Establishing, reviewing periodically, and modifying this Policy and its appendices from time to time to comport with its investment needs. Setting the asset allocation targets and ranges for the Portfolio, and modifying them from time to time.

- Implementing this Policy, with input from Association staff and the Investment Advisor.
- Overseeing the Portfolio's assets.
- Engaging the Investment Advisor to assist the Board in carrying out its investment responsibilities and to implement the investment strategy and decisions of the Board.
- Continuing or terminating the Investment Advisor and monitoring its performance.
- Monitoring the fees and other expenses associated with the management and administration of Portfolio.

### Investment Advisor

The Investment Advisor is responsible for:

- Monitoring the investment environment and regularly communicating with the Investment Committee concerning issues that may impact the Portfolio.
- Guiding the Board with respect to the strategic asset allocation.
- [Setting and implementing any tactical strategy that seeks to take advantage of market dislocations (*i.e.*, underweight/overweight specific sectors).]
- Implementing rebalancing on a periodic basis or when otherwise appropriate.
- Implementing the Portfolio's asset allocation through the selection, continuation, and termination of Investment Managers.
- Selecting, continuing, or terminating Investment Managers based on appropriate criteria, including the following: investment philosophy, historical performance, experience of key personnel, compliance with this Policy, and financial viability or changes in these factors. In selecting each Investment Manager, the Investment Advisor will take reasonable measures to assess the independence of the Investment Manager, including any conflicts of interest that the Investment Manager may have. (This Investment Manager selection responsibility also includes the ongoing monitoring of the Investment Managers for adherence to this Policy and his, her, or its stated investment strategy.)
- Reviewing Investment Managers, establishing the scope and terms of the delegation to Investment Managers, and monitoring their performance and compliance with the scope and terms of the delegation.
- Monitoring, analyzing the performance of, and recommending performance benchmarks for each Investment Manager.
- Preparing investment reports at least quarterly for the Board's review that contain the information necessary for the Board to exercise its judgment and carry out its investment responsibilities prudently.
- Attending meetings in person or by telephone conference with the Board and the Association's staff as requested.
- Providing necessary information to and cooperating with the Board, Association staff, and the Association's external auditors.
- Exercising reasonable care in the performance of the above functions.
- Providing feedback regarding changes to this Policy when requested by the Board and proposing corresponding amendments to the relevant account documents, if necessary.

### Investment Managers

Each Investment Manager is responsible for:

- Adhering to the investment strategy for which the Investment Manager was selected.

- Acting in accordance with the standard of care and restrictions on investment management set forth in this Policy.
- Preparing quarterly written statements, including a summary of the actions taken with respect to the Association's assets under management.
- Suggesting performance benchmarks (described below) to facilitate the Board's and Investment Advisor's evaluation of the Investment Manager's performance.
- To the extent that the Investment Manager is authorized and directed by the Investment Advisor, voting all proxies for the Association's securities.
- Taking reasonable steps to promptly communicate significant changes in the Investment Manager's firm to the Investment Advisor, including: changes in senior management or high-level personnel; changes in the Investment Manager's ownership; and changes in the Investment Manager's investment strategy and/or style.
- Taking reasonable steps to promptly report to the Investment Advisor any material violation of this Policy, and any material adverse determinations against the firm or its principals, either by a court, the Securities Exchange Commission, or any other regulatory authority.

### Association Staff

Association staff is responsible for assisting the Board with all components of this Policy, including coordination of outside professionals involved in supporting the investment and management of the Portfolio.

### **Guidelines on Prudent Investing**

#### Standard of Care

Each person responsible for managing and investing the Association's assets will do so in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and will consider both the purposes of the Association and the goals of the Portfolio, including mission-related goals, as applicable.

A person with special skills or expertise, or selected in reliance upon his or her representation that he or she has special skills or expertise, will use those skills or that expertise in managing and investing the Association's Portfolio.

In managing the Portfolio, the Association will incur only those costs that are appropriate and reasonable in relation to the Portfolio, the purposes of the Association, and the skills available to the Association. The Association will use reasonable efforts to verify facts relevant to the management and investment of the Portfolio.

#### Prudence Considerations

In managing and investing the Portfolio, the following factors, if relevant, will be considered:

- general economic conditions;
- the possible effect of inflation or deflation;
- the expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall Portfolio;

- the expected total return from income and the appreciation of investments;
- other resources of the Association;
- the needs of the Association and of particular funds in the Portfolio to make distributions and to preserve capital;
- an asset's special relationship or special value, if any, to the purpose of the Association;
- the requirement of diversification;
- liquidity considerations;
- the impact of management or administration costs; and
- risk management.

Management and investment decisions about an individual asset will be made not in isolation but rather in the context of the Portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Portfolio and the Association.

The Association will diversify the assets in the Portfolio unless it prudently determines that, because of special circumstances, the Portfolio is better served without such diversification.

#### **Delegation Standards**

The Board will delegate to the Investment Advisor the management and investment of the Portfolio to the extent that it can prudently delegate under the circumstances, and will act in accordance with the standard of care described above in selecting, continuing, or terminating the Investment Advisor, establishing the scope and terms of the delegation, and monitoring the Investment Advisor's performance and compliance with the scope and terms of the delegation.

The Board will take reasonable measures to assess the independence of the Investment Advisor, both before and after the Investment Advisor is engaged. Investment Advisors will be selected based on competence, experience, past performance, and proposed compensation, without regard to business or personal relationships. Any actual or potential conflicts of interest possessed by a member of the Board must be disclosed and resolved in accordance with the Association's conflict of interest policy.

#### **Spending Policy**

The Association's spending policy is consistent with its investment objective of achieving long-term real growth in its assets. In order to achieve such long-term real growth, the Association's expenditures should be less than the Association's total inflation-adjusted return on investments. The Board is responsible for setting the spending policy from time to time on the recommendation of its Audit Committee.

#### **Asset Allocation**

The Board will establish in writing the Association's asset allocation, including minimum and maximum allocations for each asset class in the Portfolio, and will modify it from time to time, with recommendations from the Investment Advisor.

The Board will seek to achieve a diversified Portfolio, unless it prudently determines that, because of special circumstances, the Portfolio or a particular fund or funds within the Portfolio are better served without diversification.

### **Rebalancing and Cash Flows**

The Board and/or the Investment Advisor, as the case may be, should consider rebalancing at least once a quarter or more frequently, if necessary (e.g., large market moves). Rebalancing of the Portfolio may be delayed if, for example, prevailing market conditions are such that rebalancing may be detrimental to the Association's long-term goals for the Portfolio.

The Board will identify the destination of all cash flows, including additional contributions to the Association's assets, consistent with this Policy. The Association's net cash flows may be used to implement the rebalancing activities in order to minimize transaction costs.

### **Performance Benchmarks**

Performance benchmarks are used by the Board to properly measure and evaluate the success of the Investment Advisor and the Investment Managers. The performance benchmarks selected by the Board (with recommendations from the Investment Advisor) should be representative of the Association's long-term return objectives and risk tolerance and be calculated over the same time period as the returns on the Portfolio with which the performance benchmark is being compared. These performance benchmarks are intended as targets only and are no guarantee or assurance of the performance of any investment or of the Portfolio.

### **Reporting and Oversight**

The Board will meet at least annually to review the reports of the Investment Advisor and the Investment Managers, and to evaluate the performance of the Portfolio and adherence by the Investment Advisor and the Investment Managers to this Policy. The performance of the Portfolio will be measured relative to appropriate and agreed upon performance benchmarks (described above).

### **Revisions**

The Board will review this Policy periodically and make revisions as needed. In conducting such review, the Board may consult with the Investment Advisor regarding the performance of the Association's investments, the current asset allocation, the Association's overall investment strategy, general economic and market conditions, and any other relevant information that may bear on this Policy.

## EXHIBIT A

### Asset Allocation

<b>Asset Class / Subasset Class</b>	<b>Lower Limit</b>	<b>Target Allocation</b>	<b>Upper Limit</b>
Investment Grade Fixed Income	35.5%	50.5%	65.5%
Other Fixed Income	0.0%	9.5%	19.5%
US Equity	6.5%	16.5%	26.5%
Non-US Equity	1.0%	11.0%	21.0%
Real Estate (REITs)	0.0%	4.5%	14.5%