INVESTMENT POLICY STATEMENT

1. Purposes of the Investment Policy Statement

The purposes of this Investment Policy Statement for the management of the Foundation funds under management authority of the Board of Governors are as follows:

A. Assure performance by the Board of Governors in conformance with its fiduciary duties.

B. Establish formal policies and procedures that govern all present and future investments of the Foundation.

C. Define investment parameters so this policy protects assets from unreasonable risk due to imprudent acts or unauthorized acts.

D. Communicate the intent of the Foundation's investments and clarify the responsibilities of the Board and any outside Advisor retained by the Board, including the fiduciary liabilities to be assumed by each.

E. Provide consistent standards that will provide the Board with direction for the management of the assets of the Foundation. The policy is not intended to limit the powers and duties of the Board, as the Board is empowered, by law and the terms of the Foundation governing documents, to do all acts and exercise all rights and privileges as the Board may deem necessary to carry out the purpose of the Foundation investment management. It is intended, rather, to provide the Board with a written instrument, which will enable the Board, its Investment Committee and Advisor to meet the investment objectives of the Foundation.

F. Define the investment criteria by which the Foundation's assets will be managed.

G. Identify any restrictions that may exist in regard to the investment of the Foundation's assets.

H. Establish methods for evaluating the performance of the Advisor.

I. Provide adequate flexibility so the Advisor can exercise its best judgment.

This policy will be reviewed at least annually, and revisions will be made as necessary. All revisions will be in writing and distributed to the appropriate parties on a timely basis.

All investments of the Foundation shall be part of a comprehensive strategy, which will ensure adequate investment return, diversification, liquidity, and safety of principal, with capital appreciation a secondary objective.

2. Defined Terms

A. In this Investment Policy Statement the term **"Advisor"** shall mean one or more professional investment managers who will make specific investment decisions including sector allocation and securities purchases and sales consistent with this Investment Policy Statement and the specific instructions authorized by the Board. The singular form of the term "Advisor" is used herein, regardless of number.

B. In this Investment Policy Statement the term "**Board**" shall mean the Board of Governors of the California State University Fresno, Foundation.

C. In this Investment Policy Statement the term "**Investment Committee**" shall mean the Investment Committee of the Board. The responsibilities of the Investment Committee are set forth in Section 5 below.

D. In this Investment Policy Statement the term "**Financial Consultant/Broker**" shall mean the securities broker or other financial professional designated by the donor in a Gift Agreement with responsibilities for investing the gift funds in Pool C through an Advisor. The Gift Agreement is discussed in Section 10 below.

E. In this Investment Policy Statement the term "**Foundation Working Capital Funds**" shall mean the working capital funds managed by the Foundation as described in Section 11 below.

F. In this Investment Policy Statement the term "**Gift Agreement**" shall mean the agreement between the Foundation and a donor to the Foundation Endowment.

G. In this Investment Policy Statement the term "**Pool A**" shall mean the Endowment Assets invested as described in Section 8.

H. In this Investment Policy Statement the term "**Pool B**" shall mean the Endowment Assets invested as described in Section 9.

I. In this Investment Policy Statement the term "**Pool C**" shall mean the Endowment Assets invested as described in Section 10.

J. In this Investment Policy Statement the term "**ESG Fund**" shall mean the Endowment Assets invested as described in Section 11.

3. Investment Objective

The investment return of the Foundation investments should be consistent with an overall, balanced objective of liquidity and safety of principal, with capital appreciation a secondary objective on those funds in which equities are a permissible investment.

4. Responsibilities of the Board

A. The Board has sole responsibility for the investment of the Foundation's assets.

B. The Board is responsible for the development, approval and amendment of this Investment Policy Statement and for the compliance of the Foundation investment activities with it.

C. The Board is responsible for hiring the Advisor to provide the professional expertise for the management of the Foundation's assets.

D. The Board will monitor the performance of the Advisor and the Foundation's investments on a regular basis.

5. Responsibilities of the Investment Committee

A. The Investment Committee has the responsibility to take action regarding the investment of the Foundation's assets, consistent with the provisions of this policy.

B. Subject to the authority and approval of the Board, the Investment Committee is responsible for the development, approval and amendment of this Investment Policy Statement and for the compliance of the Foundation investment activities with it.

C. Subject to the authority and approval of the Board, the Investment Committee is responsible for recommending the hiring of the Advisor to provide the professional expertise for the management of the Foundation's assets.

D. The Investment Committee will monitor the performance of the Advisor and the Foundation's investments on a regular basis and report its findings to the Board.

6. Responsibilities of the Advisor

A. The Advisor is expected to respect and observe the specific limitations, guidelines, responsibilities, attitudes, and philosophies stated within any agreement executed between the Foundation and the Investment Advisor.

B. Within the guidelines stated in any agreement executed between the Foundation and the Investment Advisor, the Advisor will be responsible for making all asset allocation and buy/sell decisions on a discretionary basis regarding all portfolio assets and will be held accountable for achieving the investment objectives indicated herein.

Such "discretion" includes decisions to buy, hold and sell securities (including cash equivalents) in amounts and proportions that are reflective of the Advisor's current investment strategy and compatible with the portfolio's investment guidelines and the special instructions provided by the Board to the Advisor.

7. Allocation of Foundation Funds into Pools

Separate endowment fund pools have been established with differing objectives and policies in order to provide flexibility in pooling funds with similar objectives. Pooling of funds for investment purposes also increases the efficient management of these funds. Although endowment funds are pooled for investment purposes, separate accounts are maintained reflecting transactions related to principal and income for each of the individual funds established.

8. Foundation Endowment Pool A

This pool is the primary endowment fund consisting of a balanced and diversified portfolio.

The Pool A Fund's objectives are: (1) to provide a reasonable total return on its investments; (2) to conserve the value of these investments; and (3) to achieve long-term appreciation on its investments.

Pool A has a diversified asset allocation mix. The **target allocation** is identified by the matrix in Appendix B which outlines the parameters of the fund's asset allocation mix.

9. Foundation Endowment Pool B

Pool B investments are fixed income and cash only. This pool contains all funds, which require maximum spendable income for current use consistent with conservation of the value of the investment. The investments are to generate income, which is reasonable, stable, and predictable from year to year. Long-term appreciation is not a goal of this fund.

The Fund shall be composed of corporate and government bonds, and other similar investment devices providing for the preservation of principal and for maximum income consistent with good business practices.

10. Foundation Endowment Pool C

This pool contains all funds with special donor restrictions, which make it inappropriate for them to be included in one of the other pools. Donor restrictions could include a restriction on the investment vehicle, a specified rate of return, etc. Such restricted gifts will only be accepted if they are compatible with University and Foundation policies. It is the intention of the Board, and the Investment Committee that each fund within Pool C conform to the General Investment Standards set forth in Sections 13 through 17 below, unless otherwise approved by the Board upon recommendation of the Investment Committee.

Funds will be placed in this pool only after careful consideration by the Investment Committee to see that the wishes of the donor are compatible with the policies of the University and the Foundation.

The minimum investment in Pool C is $100,000. Each donation within Pool C shall be subject to a Gift Agreement, which will specify the donor's desires and consent. Each Gift Agreement will provide for the events which cause the termination of the authority of the broker to manage the funds subject to the Gift Agreement. It is the intention of the Board that all Pool C funds be contributed to Pool A at the end of the term defined in the Gift Agreement.

In the Gift Agreement the donor may specify or appoint a securities broker or other professional financial advisor, subject to the requirements below. The person designated by the donor will herein be called the "**Financial Consultant/Broker**." The donor may also list specific investment restrictions, subject to approval by the Board upon recommendation of the Investment Advisory Council and the Investment Committee. The Gift Agreement may also specify a term for the duties of the Financial Consultant/Broker, which, without Board approval, shall not exceed the duration of the Financial Consultant/Broker's term as a full time, fully qualified financial professional plus five years with his or her successor.

Unless restricted by the donor and approved by the Board upon recommendation of the Investment Committee and the Investment Advisory Council, the Financial Consultant/Broker must agree to comply with the guidelines for Pool A set forth in this document. The Financial Consultant/Broker will be responsible for providing the Foundation all normal account information, bonding and insurance information. For the funds under his or her management, the Financial Consultant/Broker must assume the reporting responsibilities of the Advisor as listed in this document.

11. ESG Fund

This pool is invested in a manner that takes into account certain non-financial environmental, social and governance factors as a means of helping to bring about positive change. Accordingly, this pool fund is invested with managers that actively invest in companies which have a positive impact globally based upon their corporate policies, practices and culture. The ESG Fund shall conform to the General Investment Standards set forth in Sections 13 through 17 below and shall comply with the guidelines for Pool A set forth in this document, unless otherwise approved by the Board upon recommendation of the Investment Committee.

Funds deposited into the ESG Fund shall originate from Donors who wish to have their gift funds invested in a socially responsible manner. The minimum investment in the ESG Fund shall be $100,000. Each donation within the ESG Fund shall be subject to a Gift Agreement, which will specify the donor's desires and consent.

12. Foundation Working Capital Funds

Working capital funds (non-endowed cash) consist of the corporate reserve for working capital (which has been established by the Board and is essential for maintaining the fiscal viability of the Foundation), and all other funds (except endowment) on deposit with the Foundation for various University-related programs and functions. The Foundation cash management program is intended to keep all types of temporary funds fully invested from the day they become available for investment to the day they are needed for expenditures in order to maximize investment income.

The objective of management of the Working Capital Funds is to fully invest all available funds for the maximum period possible to yield maximum yield consistent with prudent investment policies.

Portfolio Composition and Risk:

Working capital funds may be invested in any of the following securities with maturities not exceeding 12 months:

a. Certificates of Deposit;
b. Banker's Acceptances;
c. Corporate Commercial Paper (A1, P1 or higher);
d. Corporate Bonds (Investment Grade, BBB or better);
e. Securities of the U.S. Government and its agencies;
f. Savings accounts in banks and savings and loan associations;
g. Money Market Funds, and
h. Local Agency Investment Funds (LAIF).

13. General Investment Standards

All investments of the Foundation shall be part of a comprehensive strategy, which will ensure adequate investment return, diversification, liquidity and safety of the assets. These standards shall apply to all investments.

14. Investment Horizon

The Foundation has a long term investment horizon.

15. Return Objective

The Foundation is obligated to seek rates of return consistent with the risk tolerance described in this policy.

The investment return should be consistent with an overall objective of safety of principal combined with capital appreciation. Since the Foundation has long-term investment goals, some risk of principal is acceptable to achieve higher overall returns. The investments of the funds, which include equities, should exceed the rate of inflation by four percent (4%), over full market cycles. A market cycle is defined as a rising or falling market, and a full cycle is both. The Board reserves the right to evaluate a full cycle in a three to five year time frame.

16. Risk Tolerance

The assets of the total fund should be well diversified to minimize the potential for a significant reduction in value. In that regard, there is a relatively low tolerance for risk commensurate with investments that blend together to promote relative stability with the opportunity for competitive long-term total rates of return.

17. Asset Allocation

Acting on behalf of the Board, the Investment Committee is charged with facilitating achievement of the fund's overall investment objectives as shown on Appendix B with the exception that asset allocation targets may change from time-to-time (within the minimum and maximum asset allocation ranges) as recommended by the Investment Advisor in consultation with the Investment Committee. Due to the fact that the allocation of funds between asset classes may be the single most important determinant of the investment performance over the long run, the invested assets of Pool A shall be divided in accordance with the asset allocation contained in the attached Appendix B.

The actual asset allocation, which will fluctuate with market conditions within the prescribed ranges, will receive the regular scrutiny of the Investment Committee.

The Committee shall inform the Investment Advisor of its preference (understanding that the Investment Advisor, using its prudent discretion shall have the final authority on such matters subject to the agreement between the Foundation and the Investment Advisor), that no more than five percent (5%) of the total endowment portfolio be invested in any single company (excluding mutual funds), that the total securities position (debt and equity) in any one company not exceed five percent (5%) of the portfolio, and that no single industry represents more than twenty percent (20%) of the portfolio.

In the case of the Foundation Working Capital Funds, the invested assets shall be divided in accordance with the asset allocation contained in Appendix B for either the Non-Endowed Portfolio – Target **Moderate** Asset Allocation and Ranges, or the Non-Endowed Portfolio – Target **Conservative** Asset Allocation and Ranges, as determined by the Investment Committee in consultation with the Investment Advisor.

18. Investment Vehicles

The following are not permitted for investment:

- Collectibles or direct interests in oil, gas or other mineral exploration or development, or precious metals;
- U.S. domiciled Alternative Investment Funds;
- U.S. domiciled GMS Funds;
- Passive Funds that are collective trust funds or bank collective trusts other than 81-100 collective trust funds and 81-100 bank collective trusts;
- Real Estate Investment Trusts (REITs) that are not publicly traded;
- Mortgage REITs;
- Real Estate Mortgage Investment Conduits (REMICs); and
- Master limited partnerships.

- ❖ Margin transactions.

19. Proxy Voting

The primary objective of the Board is to have its proxy ballots voted according to the best economic interest of the Foundation. The Board will delegate to its Advisor(s) the responsibility for voting proxy ballots.

20. Performance Evaluation

A. Standards of Performance Measurement. Portfolio management performance will be monitored and measured quarterly. With respect to any Investment Advisor the Foundation contracts with, the Investment Committee shall monitor and periodically review the Investment Advisor's performance in complying with the terms of the agreement between the Foundation and the Investment Advisor, and also in performing the obligations placed on an Investment Advisor under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

B. Evaluation and Review

(1) While the Board intends fairly to evaluate portfolio performance quarterly, the Board reserves the right to terminate the Investment Advisor if there is unacceptable justification for poor results, unsatisfactory compliance with the investment agreement between the Foundation and the Investment Advisor, or unsatisfactory compliance with the requirements of UPMIFA.

21. Custodianship of Foundation Assets

Foundation Financial Services has responsibility of all property deposited in Pools A, B, C, and the ESG Fund and the Endowment Working Capital Funds. Pools A, B, C and the ESG Fund. Each of these pools will be in the name of the Foundation and will be in the custody of the approved institutions, such as banks and/or brokerage firms deemed financially sound by the Board of Governors. The Foundation Financial Services is authorized and will conduct day-to-day operations on behalf of the Investment Committee, including Investment Advisor communications/directions and will oversee general accounting and tracking of all Foundation assets. The Foundation Financial Services will prepare a monthly asset report reconciling all accounts held by approved custodian(s).

22. Fiduciary Liability

Any person with discretion, control, and/or authority over assets in an investment account of the Foundation will be considered a fiduciary with respect to such account.

Certain investment decisions will be made by the Advisor within a discretionary relationship authorized by the Board. The Advisor will be held liable for failing to act prudently with respect to assets it manages for the Foundation. Furthermore, the Advisor must be registered under the

Securities Exchange Act of 1934, the Investment Advisors Act of 1940 or the Investment Company Act of 1940 and must be currently and continuously registered as an Investment Advisor with the Securities and Exchange Commission and, if required, with state regulators. The Advisor will maintain the necessary insurance coverage for the management of "fiduciary" moneys managed by Advisor. Coverages should include, but are not limited to: errors and omissions, surety bonds, fiduciary liability, ERISA bonds, etc.

The Advisor must acknowledge to the Board, in writing, that such Advisor is a "fiduciary" with respect to any Foundation account managed by Advisory by returning a signed copy of this investment policy.

The Advisor must also agree to notify the Board of any event, which causes or which reasonably may cause the Advisor to be disqualified as a "fiduciary," with respect to any Foundation account managed by Advisor, or as an "investment advisor".

23. Service

The Advisor shall be required to provide the Investment Committee with written quarterly investment reports, together with interpretative and explanatory data sufficient to keep the Investment Committee and the Board thoroughly advised as to the status of the Foundation's investments.

The Advisor is also required to meet with the Investment Committee and/or the Board as requested to review the performance of the Foundation's investments with the Advisor, as well as the current investment environment, economic outlook, and other factors affecting the investment of the Foundation's assets. The Investment Committee would expect to meet with the portfolio manager and the chief investment officer as requested on an annual basis.

24. Socially Responsible Investing

The Board of Trustees of the California State University adopted a resolution which urged its recognized CSU auxiliary organizations which make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investments. In response to the Trustees' resolution, California State University, Fresno Foundation will endeavor to consider all relevant facts and circumstances in making investment decisions, including the risks and opportunities of environmental, social and corporate governance features of the companies in which it invests. California State University, Fresno Foundation has a fiduciary responsibility to maximize investment returns on its endowment consistent with the level of risk allowed for in the Investment Policy Statement all while ensuring good stewardship of these assets that will enable continued financial support to further the educational mission of Fresno State.

Appendix A

Private Equity/Venture Capital

Equity capital investing in private non-listed companies. Typically illiquid and viewed as a long-term investment which encompasses both early stage "Venture Capital" and later stage buyouts investing. Returns on private equity generally occur in three ways; a merger, an initial public offering, or a recapitalization.

Real Assets

***Real Estate* –** Direct investments in hard real estate assets.

***REITS* –** Indirect investments in hard real estate assets through managed portfolios traded on national exchanges for liquidity purposes which are geographically and property-type diverse.

***Natural Resources* –** Direct investments in oil, natural gas, energy, timber, and precious metals.

Equity/Fixed Income Alternatives – Hedge Funds

***Long/Short Portfolio* –** Seeks to profit by investing in a diversified portfolio of core investments and opportunistic trading positions in both long and short U.S. equities.

***Event Driven* –** Seeks to profit from security pricing inefficiencies that may occur when companies are involved in corporate events such as mergers, takeover, restructures (including share buy-backs, spin-offs, and capital returns) and capital raisings.

***Merger Arbitrage* –** Seeking profit from pricing irregularities or inefficiencies through companies or securities exposed to merger activity.

***Absolute Return* –** Solely focused on positive returns that are not relative or correlated to overall markets, up or down. It is the investment performance of something regardless of the performance of its asset class market.

***Global Macro* –** Using global securities to profit from directional moves, up or down, in general markets or specific assets based on overall economic and political views of various countries (macroeconomic principles).

***Distressed Securities* –** Involves investing in the debt or equity (or derivatives) of companies experiencing financial, legal or operational difficulties. The level of stress or distress can range from companies underperforming relative to expectations all the way through the default and bankruptcy spectrum to post-reorganization equities.

Fund of Funds

A diversified portfolio of multiple managed hedge funds, utilizing various strategies differentiated by investment objective, style, geographic and economic exposure in a single fund.

Managed Futures

An investment strategy that uses listed financial and commodity futures markets and currency markets on a global basis to earn a profit in any economic environment. Managed Futures offer the potential for reduced portfolio volatility because of the low correlation to traditional stocks and bonds.

Appendix B

Endowed Portfolio – Target Asset Allocation and Ranges

Asset Class	Minimum	Fluctuating Target	Maximum
Investment Grade Fixed Income	**7.5%**	**15.5%**	**20.0%**
Non-Core Fixed Income	**5.0%**	**9.0%**	**13.0%**
***US Equity**	**15.5%**	**24.0%**	**33.5%**
***Non-US Equity**	**9.5%**	**17.5%**	**25.5%**
Hedge Funds	**8.0%**	**12.0%**	**15.0%**
Private Equity	**11.0%**	**14.0%**	**17.0%**
Tactical Tilts	**6.5%**	**8.0%**	**9.5%**
Total		**100.0%**	

Non-Endowed Portfolio – Target Asset Allocation and Ranges

Moderate:

Asset Class	Minimum	Fluctuating Target	Maximum
Investment Grade Fixed Income	**15.0%**	**20.0%**	**25.0%**
Non-Core Fixed Income	**6.0%**	**8.5%**	**11.0%**
***US Equity**	**24.0%**	**31.0%**	**40.0%**
***Non-US Equity**	**15.0%**	**21.0%**	**26.0%**
Hedge Funds	**8.0%**	**11.5%**	**13.0%**
Tactical Tilts	**6.5%**	**8.0%**	**9.5%**
Total		**100.0%**	

Conservative:

Asset Class	Minimum	Fluctuating Target	Maximum
Investment Grade Fixed Income	**35.5%**	**42.0%**	**48.5%**
Other Fixed Income	**6.5%**	**8.0%**	**9.5%**
***US Equity**	**15.0%**	**18.0%**	**21.0%**
***Non-US Equity**	**10.0%**	**12.0%**	**14.0%**
Hedge Funds	**9.5%**	**12.0%**	**15.0%**
Tactical Tilts	**6.5%**	**8.0%**	**9.5%**
Total		**100.0%**	

***Since Real Estate exposure is made through purchase of US and Non-US equities (REITs), Real Estate is now a part of (50% each) US Equity and Non-US Equity.**