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CALIFORNIA STATE UNIVERSITY SAN MARCOS FOUNDATION
Investment and Distribution of Endowment and Similar Funds Policy Statement

BACKGROUND AND PURPOSE

The responsibility for the investment and management of the assets of the CSUSM Foundation (hereinafter called Foundation) will be vested in the Board of Directors (Board).

The purpose of the Investment Policy Statement is to outline the goals and objectives for the management of the investment assets of the Foundation and Similar Funds Policy as identified by the Board. The intent of the policy is to clearly identify the investment objectives for management of the assets, establish a clear understanding of the division of responsibilities between the various parties involved in the management of the assets; specify the criteria for the ongoing performance evaluation of investment managers and provide the policy parameters within which assets are to be managed. These guidelines will be both sufficiently specific to be meaningful and flexible to be practical.

GOALS AND OBJECTIVES

The investment objectives of the assets are long term in nature with an investment horizon of at least 7-10 years. The long-term objective is to earn a total rate of return (income plus capital gains) that will exceed the demands placed on the portfolio to support the Foundation's goals in addition to exceeding the rate of inflation, as measured by the US Consumer Price Index – All items (CPI –U). The specific objectives of the Total Fund are expressed as follows:

Return: The overall rate of return objective for the Total Fund is a reasonable "real" rate consistent with the assumed level of Risk. The return objective of the Fund shall be to exceed the return of a baseline strategic policy index, net of fees. The baseline strategic policy index is defined in appendix A and is consistent with the asset allocation strategy of the portfolio. The minimum acceptable rate of return is that which equals or exceeds the CPI plus the annual spend, over a full market cycle, which is often defined as a period that includes both a bull and a bear market (typically over 5+ years).

Risk: It is expected that the level of risk as measured by the annualized standard deviation of returns shall be consistent with the risk of the policy index. In addition, the total portfolio is diversified and invested in a manner that the maximum drawdown is not anticipated to exceed 35% during periods of elevated market volatility. It is understood that drawdowns could exceed such a threshold in extreme environments.

It is the intention of the Board and Finance and Investment Committee (Committee) to grow the corpus of the Foundation assets, both through investment performance and through contributions to the fund.

TIME HORIZON

The investment guidelines are based upon a time horizon that is designated as long-term of at least 7-10 years and considered to be into perpetuity. The portfolio's strategic asset allocation is also based on this long-term perspective. The portfolio's investment strategy is aligned with the long-term time horizon, allocated for growth. The fund seeks a total return that meets the objectives as described under "Goals and Objectives". Short-term cash needs will be met through rebalancing, raising funds from those asset classes that have appreciated above target.

ALLOWABLE INVESTMENTS

General policy shall be to diversify investments among equity, fixed-income, and other asset classes under the guidance and consultation of a professional investment management firm. Allowable investments will be:

I. Equity Investments

The purpose of the equity investments, both domestic and international, is to provide capital appreciation, growth of income and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depository Receipts (ADRs) and other equity securities traded on the world's stock exchanges or over-the-counter markets.

The investment objective for the domestic equity composite is to outperform the Russell 3000 Index over a normal investment cycle.

The investment objective for the international (developed and emerging) markets equities is to outperform the MSCI ACWI ex U.S. Index over a normal investment cycle.

II. Fixed Income Investments

The purpose of the fixed income segment is to provide a hedge against deflation, provide a stable component of return, and to minimize the overall volatility of the fund.

The fixed income asset class includes the fixed income markets of the US and the world's other economies. It includes, but is not limited to US Treasury and government agency bonds, US and non-US dollar denominated securities, public and private corporate debt, mortgage and asset-backed securities, non-investment grade debt and currencies. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and US Treasury and agency obligations. The investment managers shall take into consideration credit quality, sector, duration and issuer concentrations in selecting an appropriate mix of fixed income securities. Investments in fixed income securities should be managed to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums.

The fixed income allocation (at the asset class level) will be managed to maintain an average duration within 35% of the duration of the Barclays Aggregate Bond Index.

The investment objective for the total fixed income segment is to outperform the Barclays Aggregate Bond index over a normal investment cycle.

III. Other/Alternative Investments

A. Private Capital

The private capital portfolio will include investments in a variety of commingled/partnership and direct investment vehicles including, but not limited to, venture capital, buyout, growth, secondaries, private credit, real estate, turnaround, mezzanine, distressed security and special situation funds. The private equity portfolio is recognized to be long-term in nature and highly illiquid.

The investment objective for this asset class will be measured by IRR (Internal Rate of Return), with an annualized return of 200 bp or more over a public equity market index, defined as the Russell 3000 Index. The benchmark for this segment when mature will be the Russell 3000 + 2% (1 quarter lagged), measured on a time-weighted basis.

B. Hedge Strategies

The purpose of using hedged strategies is to reduce the volatility of the overall portfolio by further diversifying the portfolio and to provide an alternative source of return from that of the traditional domestic and international capital markets. Managers exploit market inefficiencies while minimizing exposure and correlation to traditional stock and bond markets.

The investment objective for the hedge fund composite is to outperform a blended benchmark that consists of HFRI Fund of Fund: Diversified Index.

C. Liquid Alternatives

These investments represent a dynamic allocation approach to a variety of strategies that use marketable securities. Each manager seeks to generate absolute positive returns regardless of the direction of the capital markets. Managers allocate tactically across these strategies in order to exploit market inefficiencies while reducing the correlation to traditional stock and bond markets. For the most part exposure to these liquid alternative strategies is through publicly traded funds.

The investment objective for the Liquid Alternative strategies composite is to outperform a blended benchmark of 60% MSCI ACWI / 40% Barclays Global Aggregate Index. Individual manager benchmark will be determined at the time that the manager is hired.

D. Inflation Hedging

The purpose of the Inflation hedging segment is to represent claims on future streams of inflation sensitive income, protect against unanticipated inflation and to capitalize on rising commodity prices. This segment plays an important diversifying role in the portfolio as assets in this segment have a tendency to outperform during periods of rising inflation.

This segment will include investments in oil and gas, real estate, infrastructure, agriculture, commodities, timber, inflation protection bonds as well as financial instruments whose value is derived from a contractual claim on an underlying real asset such as commodity futures, REITs and MLPs. It may also include equity securities of companies engaged in energy, natural resources and basic materials businesses. The investments can be made via public and private funds, partnerships and co-investments.

The investment objective for the liquid real asset segment is to outperform the custom Inflation Hedge benchmark as listed in the benchmarking segment of these policies. Individual manager benchmark will be determined at the time that the manager is hired.

The investment objective for individual real estate funds will be measured by IRR (Internal Rate of Return). The benchmark for the overall real estate segment, when mature, will be the NCREIF Property Index, measured on a time-weighted basis.

The investments objective for individual private funds investing in timber, oil and gas, infrastructure and other areas of real assets will be measured by IRR. The benchmark for individual funds will be determined at the time that the manager is hired.

IV. Partnership Investments

Guidelines will be established during the selection of partnership vehicles for hedge funds, real estate funds and private equity funds. When a manager or a fund has been selected, an appropriate benchmark for measuring performance will be determined at that time.

While no one set of guidelines will apply to all non-traditional investment opportunities, the following key items should be considered and documented before an allocation to a particular vehicle is made:

A. An understanding of the specific strategy, an understanding of the tenure and track record of the management as a team.
B. The type of investment vehicle used so as to minimize the adverse consequences for the Fund.
C. The terms of the agreement to clearly specify the termination date of the Fund, the ability and process to withdraw funds, the management fee structure, the process for the allocation of profits and losses and the incentive allocation, the distribution rules, the key man clause.
D. An understanding of the quantitative and qualitative goals that are used to compensate fund personnel.
E. The amount of leverage allowed. Although leverage may be employed with an alternative investment vehicle, no alternative investment vehicle may be used that will obligate or encumber the Fund beyond its original investment commitment.
F. Consideration of the potential impact of unrelated business income taxes on the Fund's projected results.
G. An inquiry about the Fund's internal controls and a request of the auditor's assessment of internal controls.
H. Each alternative investment will be monitored against an appropriate benchmark for the strategy.
I. The Fund will be monitored for changes in valuation methodologies, changes in personnel, liquidity terms and investment style.

V. Use of Derivatives

Derivatives are financial instruments that derive their value from the value of some underlying security or asset. Derivative instruments may be used in lieu of physical securities when the derivatives offer greater liquidity (lower transaction costs) or greater precision for the purpose of managing a portfolio's market or security exposure, duration, yield curve exposure, credit risk or prepayment risk. Derivatives will be used primarily to hedge or reduce risk, but they may also be used to increase exposure to a market factor or portfolio attribute if that desired exposure is not easily obtainable via physical securities.

In all cases, the use of derivatives is subject to appropriate limitations including, but not limited to, duration, counterparty, credit quality, asset concentration, etc. Any derivatives used must be highly liquid and have an active secondary market. Derivatives may be used when they offer a more efficient means to manage the portfolio, but they are not to be used for the sole purpose of yield enhancement.

Certain guidelines for acceptable derivatives instruments and limitations on their use are directly applicable for separate accounts. If commingled funds or mutual funds are utilized, it is recognized that the fund's prospectus will govern the management of the fund. These guidelines then become relevant in fund selection.

VI. Short-term, cash-equivalent
Cash-equivalent investments are appropriate as a depository for income distributions or as needed for temporary placement of funds directed for later investment to longer-term capital markets, based on cash flow requirements.

Cash equivalents may include a selection of high-quality money market instruments such as U.S. Treasury bills, commercial paper, and certificates of deposit, as well as bank Short Term Investment Funds (STIFs).

VII. Prohibited Investments
The portfolio may not purchase investments in letter stock or individual commodities other than as a broad group of commodities might exist in a diversified strategy which has been approved by the Committee. In addition, the portfolio may not engage in short sales or purchases on margin other than as they might exist in a diversified strategy which has been approved by the Committee. Gifts of prohibited investments will be liquidated as soon as feasible.

DEFINITION OF DUTIES

I. The Board
The Board is responsible for broad fiduciary oversight of the investments, and has adopted this investment policy as the statement of intent for achieving the investment objectives. The Board's responsibilities include the following:

A. Approve the Investment Policy Statement and any future revision of the statement.
B. Appoint the Committee and delegate to the Committee the responsibility to oversee the implementation of this policy.
C. Approve recommendations from the Committee on the engagement of investment advisor.
D. Approve recommendations from the Committee on Asset allocation and other strategic matters related to the investment portfolio.
E. Receive report from the Committee, at least once a year, regarding investment results, composition and other information the Board requests.

II. The Chief Financial Officer
The CFO, in collaboration with the Investment Advisor, is responsible for the assurance of the financial management and implementation of the investment strategy within the context of the investment policy. The CFO will:

A. Ensure proper custody of investments.
B. On matters not delegated to the Investment Advisor, negotiate contracts related to the investments.
C. Monitor investment expenses.

III. Finance and Investment Committee

The Committee, acting pursuant to this Investment Policy Statement and to the Board of Directors, shall have direct responsibility for the establishment of investment policies and procedures. It has the responsibility and authority to oversee the investments, and to provide information and recommendations to the Board of Directors. Responsibilities of the Investment Committee include the following:

A. Selecting an Investment Advisor, establishing the scope and terms of the delegation of investment responsibility consistent with the purposes of the Foundation and the investment pool.
B. Implement the hiring and termination of Investment Advisor.
C. Monitor and evaluate investment performance on at least a quarterly and ongoing basis.
D. Report to the Board of Directors regarding the investment results, asset allocation, composition and other information the Board may request.
E. Review asset allocation and investment manager recommendations from the Investment Advisor, approving changes as seen fit.

IV. Investment Advisor

The Investment Advisor has the responsibility to advise the investment funds given a set of asset allocation guidelines. The Investment Advisor will have responsibility for the following:

A. Assist in the development and revisions, as needed, of the Investment Policy Statement, which will include, investment policies, guidelines and objectives for the Foundation's assets, and asset allocation targets and ranges.
B. Review, monitor and recommend investment managers to the Committee.
C. Review, monitor, and recommend asset allocation changes among investment managers within the constraints of the Investment Policy Statement for Asset Allocation;
D. Provide performance measurement and evaluation reports for each investment manager and for the overall Fund, which shall include:
   i. The overall performance results in relation to stated objectives and policy guidelines and specifically in relation to the relevant custom policy index designed for the overall portfolio as defined under "Investment Objectives," below.
   ii. For Individual Managers:
      1. Performance results in relation to stated objectives and policy guidelines, including both rates of return and an examination of the risk a Manager assumed in order to achieve that return.
      2. Comparison of each individual Manager's performance against their respective benchmarks and peers.
   iii. Current liquidity position for each investment in the Foundation's investments.
A. Review with the Committee general economic and market conditions or situations and possible effect on the future the portfolio;
B. Assist in the selection of a trustee, custodian, actuary or administrator if necessary;
C. As appropriate or upon the request of the Committee, provide asset allocation studies to discuss and make recommendations on the broad policy framework.

V. Investment Manager

The investment manager shall have full discretion and authority to implement investment strategy, security selection and timing of purchases and sales of assets subject to the guidelines specific to their allocation.

Investments made through a mutual fund governed by the Securities Act of 1940 will be considered a liquid investment even if the underlying strategy does not fit into a traditional equity or fixed income strategy. Mutual funds and commingled funds shall be held to the specific guidelines of their respective prospectus.

VI. Custodian

The custodian has possession of securities for safekeeping, for settlement of trades, for collection of income. In addition, the custodian processes contributions and withdrawals, and provides comprehensive monthly statements for each investment in the portfolio.

A. Provides means and procedures to the investment manager for the voting of proxies.
B. Meets with the CFO of the Foundation, as required, to address custodial issues that may be of concern.

MONITORING

I. Exposure to Illiquid Investments

The portfolio will not allocate more than 35% of the portfolio at cost to illiquid investments or 45% at market value. Illiquid investments are defined as an asset or investment strategy that requires longer than two years to liquidate without materially impacting the price to exit the investment.

II. Target Ranges of Investment Classes

Investment managers utilized by the Foundation to invest endowment funds will assure that total managed investments are allocated within the following allowable ranges:

Asset Class	Allowable Range
Domestic Equities	20 – 50%
International Equities	15 – 35%
Fixed Income	15 – 40%
Inflation Hedging	0 – 10%
Hedge Strategies	0 – 10%
Private Capital	0 – 25%
Cash Equivalents	0 – 5%

The above asset class ranges will be reviewed periodically through an asset allocation study. The study will consider the portfolio's current asset allocation against other possible asset allocations that may be appropriate for the Foundation. The study will also consider changes in:

A. Economic conditions
B. The Foundation's distribution policy
C. Expected asset class returns
D. Liquidity requirements
E. Other capital needs or contributions from or to the portfolio

III. Rebalancing

The percentage allocation to each investment class may vary depending upon market conditions. Reference the allocation table above for the lower and upper limits for each asset class. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the portfolio. If there are no cash flows, the allocation of the portfolio will be reviewed quarterly. If the Committee judges cash flows to be insufficient to bring the portfolio within the target allocation ranges, the Committee shall work with the Investment Advisor to decide whether to effect transactions to bring the allocation of portfolio assets within the threshold ranges.

IV. Performance Objectives
The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee recognizes that a manager's value added through active management is best measured over a full market cycle. In general terms, the performance of active managers is expected to deviate from their benchmark during any quarter or annual period, but they are expected to outperform their respective benchmarks over rolling 3 to 5 year periods. Passive strategies are intended to perform similarly to a specified benchmark or asset class, with minimal tracking error and fees.

V. Benchmarks
The Committee has determined that performance benchmarks be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index and the relevant asset class as defined in appendix B.

VI. Measuring Costs
The Committee will review at least periodically all costs associated with the management of the portfolio, including:

A. Expense ratios funds against the appropriate peer group.
B. Administrative Fees; costs to administer the portfolio, including record keeping, custody and trust services.

VII. Investment Policy Review
The Committee will review this policy periodically to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the policy will change frequently.

VIII. Investment Management and Guidelines
The Board of Directors shall be empowered to delegate its responsibility for investment and management of the Foundation assets to an appropriate co- fiduciary.

A. Custodial Arrangements
All marketable securities will be held by a bonded, notable and nationally recognized operating custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.
B. Reporting
At the end of each calendar quarter, the Investment Manager will report to the Committee and provide information on the amounts invested, investment types, and investment returns.

IX. Investment Earnings
Investment earnings will be recorded in the general operating fund of the Foundation unless specific agreements have been established between the Foundation Executive Director and a campus program account for the credit and/or use of investment income.

X. Distribution Guidelines

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) allows the Foundation to appropriate for expenditure an amount of the total fund as the Board determines is prudent for the purposes for which the fund was established between a range of 0-5%. The spending rate of endowments will be recommended to the Board annually by the Committee at the first regular Board meeting of the calendar year.

The following items will be considered:

A. The duration and preservation of the endowment fund
B. The purposes of the Foundation and the fund
C. General economic conditions
D. Effects of inflation and deflation
E. Expected real total return from income and appreciation for the portfolio
F. Other resources, including contributions from fundraising or other sources
G. The investment policy

Payouts will be made available for all endowment spending at the beginning of each fiscal year.

In the event that the Fair Market Value of an individual endowment falls below the permanently restricted amount of the endowment, no distribution will be made from an individual endowment if its corpus value is equal to or less than 80% of its historical gift value. Partial distributions will be made as long as the distribution shall not cause the historical gift value to drop below 80%.

Annual distribution rates for each fiscal year will be based on the 12 quarters moving average market value, as of December 31 of the previous year. No minimum required timeline to invest prior to distribution.

SOCIALLY RESPONSIBLE STATEMENT

The CSUSM Foundation's mission is to inspire inclusive and transformational philanthropy in support of student success at California State University. Following, the Foundation's priority is the prudent management of the endowment resources so that it may continue to provide perpetual annual support for student financial aid, faculty teaching and research, facility improvements and academic programs. The Foundation will consider all investment programs that further enhance the ability to provide this support.

It is recognized that there are exogenous considerations that may affect the investment outcomes of the endowment. Further, that positive benefits may accrue from enhancing social mobility, and improving diversity, equity, and inclusion metrics across the business landscape. The Foundation has and will continue to consider the use of Socially Responsible Investment screening and targeted-impact investment allocations if those efforts are deemed to enhance the endowment's primary mission.

APPENDIX A
PORTFOLIO AND ASSET CLASS BENCHMARK AND PEER GROUP GUIDELINES

	Benchmark	Peer Universe
Strategic Policy Index	**75% MSCI ACWI, 25% Barclays Global Agg**	**TrustFunds <$50MM**
Attribution Index*	**Weighted Average % of Russell 3000, MSCI ACWI ex US, Barclays US Agg, Real Assets Benchmark[2], HFRI Fund of Funds: Diversified Index, Credit Blended Benchmark, Russell 3000 (lag) + 200 bp**	

1. Strategic Policy index and Attribution Index subject to review process as mentioned under paragraph 2 of the MONITORING section
*The Attribution Index is calculated as the weighted average of the actual allocation to the benchmarks in the respective composites on a quarterly basis. This index will dynamically adjust over time as relative composite weightings change and with the additions/removals of asset class composites.

Asset Class	Benchmark	Peer Universe
Global Equity Composite	MSCI ACWI	World Large Stock
US Equity Composite	Russell 3000	US All Cap
Non-US Equity Composite	MSCI ACWI ex USA	Foreign All Cap
Fixed Income Composite	**Primary:** Barclays Agg, **Secondary:** Barclays Global Agg	Intermediate Core Bond
Real Assets Composite	Real Assets Benchmark[2]	--
Hedge Fund Composite	HFRI Fund of Funds: Diversified Index	--
Private Equity Composite	Russell 3000 (lag) + 200 bp	--

2. Real Assets Benchmark = 35% BBgBarc US TIPS TR / 20% S&P Global Infrastructure Index / 20% S&P Global Natural Resources / 15% Bloomberg Commodity Index TR USD / 10% FTSE EPRA/NAREIT Global Index

APPENDIX B
INVESTMENT MANAGER BENCHMARK AND PEER GROUP GUIDELINES

Manager	Benchmark	Peer Universe
DFA U.S. Core Equity 1	Russell 3000	All Cap
Vanguard S&P 500 Index	S&P 500	Large Cap
Aristotle Large Value	Russell 1000 Value	Large Value
DSM Capital Partners Large Growth	Russell 1000 Growth	Large Growth
Brown Advisory Small Value	Russell 2000 Value	Small Value
WCM Focused Growth International	MSCI ACWI ex USA	Foreign All Cap
Dodge & Cox International	MSCI ACWI ex USA	Foreign Large Value
Lazard Emerging Markets	MSCI Emerging Markets	Emerging Mkts All Cap
Matthews Pacific Tiger	MSCI AC Asia ex Japan	Emerging Mkts All Cap
Royce International Small Cap	MSCI ACWI ex US Small Cap	Foreign Small/Mid Growth
MetWest Total Return (CCI Core Bond)	BBgBarc US Aggregate TR	Intermediate Core Bond
PIMCO Income	BBgBarc Global Aggregate TR	Intermediate Core Bond
Payden Global Bond	BBgBarc Global Aggregate TR (Hedged)	World Bond
NB Private Debt IV	Credit Blended Benchmark	--
Principal Diversified Real Asset	Real Assets Benchmark[2]	--
GoldenTree Master Ltd (Sidepocket)	HFRI Fund of Funds Composite Index	--
Blackstone Partners	HFRI Fund of Funds Composite Index	--
Canterbury Consulting PC Fund I	Russell 3000 (lag) + 200 bp	--
Canterbury Consulting PC Fund II	Russell 3000 (lag) + 200 bp	--

APPENDIX C
CURRENT ASSET CLASS TARGETS

Asset Class	Current Target
US Equity Composite	30.0%
Non-US Equity Composite	20.0%
Fixed Income Composite	20.0%
Private Credit	5.0%
Real Assets Composite	5.0%
Hedge Fund Composite	5.0%
Private Equity	15.0%