



**POLICY & PROCEDURE
MANUAL**
California State University
Channel Islands Foundation

Policy No.: 6.01
Number of Pages: 9
Approved March 2026

Policy on Investment

A. California State University Channel Islands Foundation Mission and Purpose

The California State University Channel Islands Foundation (the “Foundation”) was established in July 1997 as a non-profit corporation under the laws of the State of California and is governed by the Board. The Organization 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. The Foundation’s mission is exclusively for charitable purposes to the benefit of, to perform the functions of, and carry out the purpose of California State University Channel Islands. The charitable purposes for which this corporation is organized are to further the educational purposes of California State University Channel Islands. In furtherance of its mission, the Foundation supports the mission and strategic goals of California State University Channel Islands by encouraging, receiving, managing, and investing private philanthropic gifts that supplement state funding for the university.

B. Statement of Purpose

1. The purpose of this Investment Policy (this “Policy”) is to provide guidelines for the prudent management of the Foundation’s investments (the “Portfolio”) and is intended to assist the Foundation’s Board of Directors (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 Foundation’s investment objectives and the responsibilities of and standards applicable to those involved in the investment and management of the Portfolio.
2. Set Board and Finance & Investment Committee objectives and goals on:
 - a. Monitoring investment performance
 - b. Prescribing a general course of action to guide the selected Investment Advisor(s)
 - c. Establishing restrictions on investment allocations, types, and management
 - d. Outline procedures and policy for performance review
3. Establish Investment Policy for use by the Finance & Investment Committee using long-term rates of return to serve as the standard to evaluate investment performance.

C. Statement of Responsibilities

1. Foundation Board – adopts Investment Policy generally based upon Committee recommendation.
2. Finance & Investment Committee – develops Investment Policy and recommends such to Foundation Board
 - a. Reviews service and performance of the various investments and individual managers on a quarterly basis, or more frequently if needed.
 - b. Evaluates performance of Investment Advisor and recommends changing Investment Advisor as may be necessary. The recommendation and selection of the many various investment managers or funds is the essence of service provided by Investment Advisor.
 - c. On a regular basis:
 - i. Meets or directly interacts with Investment Advisor(s) on overall



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- portfolio and the recommended individual investment manager's performance,
- ii. Reviews market conditions and considers any recommended re-allocation, to be consistent with Investment Statement ranges and provides general course of action to guide Investment Advisor(s), and
 - iii. Assures restrictions on investment allocations, types and management are followed.
3. Review Foundation's fiscal reports and recommends on proposed budget.
 4. Investment Advisor – responsible for timely advising to the Finance & Investment Committee on changing market conditions, investment policy, selection of the various investment managers or funds, on the individual investment manager's or fund's performance and the portfolio's overall performance, and provides expert performance analysis, recommendations, and monitoring services.
 - a. Investment Advisors are responsible for investing and managing the Foundation's assets in accordance with this Investment Policy and all applicable law.
 - b. They shall have at least 10 years of experience in advising non-profit entities with an aggregate or total in principal corpus foundations of \$5 billion.
 5. Investment Manager(s) – Finance & Investment Committee understands that the private profit making managers of the selected investment products act on a "discretionary" basis in accordance with each fund's internal investment policy, not the Foundation's.
- D. Statement of Spending Policy
1. Program Distribution – Distributions should be at no more than 5% of the market value of a distinct or individual endowment's principal or corpus amount, subject to:
 - i. If market value of an individual endowment falls below the permanently restricted amount, the spending rate will not exceed the amount of dividends and interest earned by the endowment.
 - ii. If annual return on market value of an individual endowment falls below the percentage in 1 above, the spending or distribution rate may be reduced.
 - iii. If an endowment has unique spending requirements that differ from Item D.1., above, then the spending rate will be as stipulated by that endowment agreement.
 2. Annual spending rate will be determined each year by the Board of Directors
 3. Annual spending rate is the market value using a 12 quarter moving average.
- E. Medium- and Long-Term Performance Objectives. Guided by the more restrained risk tolerance normally associated with investing funds for a non-profit foundation supporting a public university and one with a perpetual life expectancy:
1. Promote growth sufficient to offset normal inflation (Higher Education Price Index – HEPI)
 2. Support the spending policy.
 3. Maintain purchasing power in perpetuity.
 4. Provide operating cash and reserves.



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5. Achieve market-level income.
6. The minimum total-return objective for the Permanently Restricted Endowment (PRE) Net asset class shall be HEPI plus 5%

F. Target Asset Allocation

The Finance & Investment Committee will establish in writing the Foundation'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 Adviser. See Appendix A.

The Finance & Investment Committee 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.

The general policy shall be to diversify investments among equity, fixed-income and alternative strategies to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

The Board delegates authority to the Finance & Investment Committee who will direct the Investment Advisor(s) to adjust the portfolio within the above Ranges and Targets.

G. Portfolio Rebalancing

1. The Finance & Investment Committee and/or the Investment Adviser, 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 Foundation's long-term goals for the Portfolio. The Finance & Investment Committee will identify the destination of all cash flows, including additional contributions to the Foundation's assets, consistent with this Policy. The Foundation's net cash flows may be used to implement the rebalancing activities in order to minimize transaction costs.
2. The Finance & Investment Committee and / or Investment Advisor may rebalance funds within the designated ranges when there is a +/- 1% quarterly and +/- 3% intra-quarterly variance from the adopted target allocation.
3. At the end of each fiscal year, the Finance & Investment Committee shall review the entire portfolio for consistency with Target Asset Allocation established in the Investment Policy.
4. Foundation investment advisor shall monitor targets and asset allocations.

H. Performance Benchmarks

Performance benchmarks are used by the Finance & Investment Committee to properly measure and evaluate the success of the Investment Adviser and the Investment Managers. The performance benchmarks selected by the Finance & Investment Committee (with recommendations from the Investment Adviser) should be representative of the Foundation'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



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performance benchmarks are intended as targets only and are no guarantee or assurance of the performance of any investment or of the Portfolio. See Appendix B.

I. Investment Policy Statement Guidelines

General Statement: The guidelines apply to gifts and donations placed in three classes of investments – Permanently Restricted Endowments, Temporarily Restricted, and Unrestricted Current Net Asset Classes. The Board shall limit placing investments with firms and/or instruments that adhere to established guidelines and that meet the standards of prudent investment management.

1. Donor restricted endowments (UNCHANGABLE INVESTMENTS):

- a. Donor shall engage independent tax counsel to review gift/donation to assure Board that there will be no adverse tax consequences.
- b. Donor's investment instructions may be followed provided they are compliant with CI Foundation investment policy.
- c. The Board may reject any gift/donation.

2. Investment types permitted.

Investments to be made into three investment types: Permanently Restricted Endowment, Temporarily Restricted, and Unrestricted Current Net Asset Classes.

a. Permanently Restricted Endowment

- Time horizon - greater than 5 years extending beyond a normal market cycle.
- Risk tolerance - above average
- Use professional management and sufficient portfolio diversification to moderate volatility and achieve consistent returns.
- Preserve principal.
- Expenditures based on terms of donor contract.

b. Temporarily Restricted

- Time horizon - 0-5 years
- Risk tolerance - average and limited to normal market cycle.
- Minimum return(s) should reasonably coincide with minimum earning guidelines.
- Adjustments to be made (at a minimum) quarterly based on distribution schedules.
- Foundation CFO to communicate decisions to investment manager.

c. Unrestricted Current Net Asset Classes

- Time horizon – less than 3 years
- Risk intolerant
- Investments limited to short term, high quality fixed income and money market instruments.

J. Prohibited Activities

The following investments are not allowed as independent investments within a separate



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account but are allowed inside managed hedge funds under the Alternative Investment Category or within a mutual fund for the other asset classes and requires authorization by the Finance & Investment Committee.

1. Trading in securities on margin
2. Trading in commodity futures
3. Purchasing “puts” and “calls” and “straddles”
4. Selling and purchasing warrants and options without prior written approval
5. Selling short
6. Derivatives
7. Any additional Investments which increase risk and integrity of the non-profit status of the Foundation beyond those identified above (#1-6)

K. Treatment of Donated Securities (SALE OF DONATED SECURITIES)

Donations of publicly traded securities shall be sold within one business day of knowledge of receipt.

L. Liquidity

1. Staff monitor cash flow to meet the spending objectives and operational costs of the Foundation.
2. Staff will notify the Investment Advisor(s) 30 days in advance to allow adequate time to acquire the necessary liquid reserves.

M. Investment Performance Review and Evaluation

1. Investment Advisor(s) to report not less than quarterly to the Finance & Investment Committee to include:
 - a. Portfolio performance (comparative gross returns and respective benchmarks)
 - b. A complete accounting of all transactions (beginning balance, fees, capital appreciation, income, and ending balance for each account)
2. Board may request a meeting.

N. Policy Changes

Require the Investment Advisor to inform the Board when guidelines prevent achievement of stated goals and objectives.

O. Investment Policy Review and Revisions

Review of Investment Policy shall occur periodically but no less than once every three (3) years.

P. Investment Strategies

1. Equity Investments
 - a. Common Stock
 - Principal investment category
 - Emphasis - high quality investment grade, financially sound companies with favorable growth in earnings prospects
 - Seek diversity (industry/capitalization rate/relative value/country of domicile)
 - Single issue limit - no more than 5% of equity portfolio



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- Industry sector limit - no more than 15% portfolio
 - Preferred Stock, Convertible Securities, and REITs are considered equity.
 - b. Commingled Accounts
 - If separate account vehicles are not available, the Foundation may use mutual funds or exchange-traded funds (ETF's) as vehicle for equity exposure.
2. Fixed-Income Investments
- a. Bonds
 - Most fixed income investments are to be invested in high-quality corporate, Treasury and US Government Agency bonds.
 - The average credit quality shall be investment grade.
 - Suggested mix/diversification shall be accomplished through a mutual fund.
 - b. Money Market or Cash-Equivalent Investments
 - Not considered an appropriate vehicle for Permanently Restricted Endowment assets except as:
 - i. Depository for income distributions from longer-term investments, or
 - ii. Temporary funds placement pending investment into longer-term capital markets.
 - Normal investment type for contributions to the Temporarily Restricted and Unrestricted Current Net Asset Class as a means to generate current operating cash.
 - Only highest quality (A1-P1, Moody's, S&P rated) commercial paper and Treasury Bills normally found in money market funds acceptable.
3. Alternative Investments
- Allowed only in Permanently Restricted Endowment Net Asset Class (~~example:~~ alternative asset classes may include but are not limited to, marketable securities, private real estate, commodities, hedge funds, private equity, or venture capital investments, held in the form of professionally managed pooled limited partnership investments)
- Q. Total Return
- Endowment assets will be managed on a total return basis while considering the level of investment income required. While the Foundation recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk is generally rewarded with concomitant returns over the long-term.
- R. Prudent Man Rule
- Endowment assets will be managed to ensure that the investment program always complies with applicable local, state, and federal statutes and regulations. Specifically, the management of the Endowment will be governed by the "Prudent Man Rule." "The Prudent Man Rule" is a flexible legal investment standard that allows a fund fiduciary to evaluate the merits of specific investments based on prevailing circumstances, and the intended role



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of the investment within the context of the aggregate portfolio.

S. Standard of Care

Each person responsible for managing and investing the Foundation'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 Foundation and the goals of the Portfolio.

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 Foundation's Portfolio.

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

This section is based on the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") model legislation.

T. 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 Foundation;
- the needs of the Foundation 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 Foundation;
- 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 Foundation.

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



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U. Delegation Standards

The Finance & Investment Committee will delegate to the Investment Adviser 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 Adviser, establishing the scope and terms of the delegation, and monitoring the Investment Adviser's performance and compliance with the scope and terms of the delegation.

The Finance & Investment Committee will take reasonable measures to assess the independence of the Investment Adviser, both before and after the Investment Adviser is engaged. Investment Advisers 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 or the Finance & Investment Committee must be disclosed and resolved in accordance with the Foundation's conflict of interest policy.

V. Social Responsibility

The Foundation's position in the areas of Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI) as they apply to the investment portfolio of the CSU Channel Islands Foundation is that, as long as the portfolio's risk/return characteristics are not adversely impacted, the Foundation prefers to invest with fund managers who have incorporated ESG and SRI principles in their investment processes. The investment advisor will monitor the risk/return characteristics (including the portfolio's forecasted tracking error, forecasted beta, and forecasted volatility) and report these to the Finance Committee.

The CSU Channel Islands Foundation operates in this manner because we believe:

- This is consistent with fiduciary obligations to constituents in the light of changing external markets and world conditions.
- These actions may lead to better endowment returns if prudently and responsibly managed.
- ESG and SRI have impact on the long-term sustainability of companies and assets, and therefore form an important input to the risk management process.
- Investment managers who effectively manage the risks and opportunities arising from ESG and SRI issues are likely to be more successful over the long term than those that do not.

Investment managers that manage separate account portfolios for the Foundation are required to implement ESG and SRI issues within their investment processes in all new or renegotiated fund manager guidelines. Integration of ESG and SRI requires that the impact of any of these issues on the price of a company is included in the evaluation process.

Portfolio Exclusions

The following companies/industries are to be excluded in the ESG/SRI implementation:



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- Fossil fuel companies (oil, gas, and consumable fuels)
- Companies that receive any revenue from the production of tobacco
- Companies involved in the production and distribution of civilian firearms.
- Companies involved in predatory lending.

The Investment Advisor will provide the Committee with ESG/SRI investment options as they become available to the portfolio.

The Investment Advisor will also provide the Committee with a report showing the exposure to the restricted companies within the Foundation's non-separately managed investments.



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EXHIBIT A
Asset Allocation

Permanently Restricted

Asset Class / Sub-asset Class	Lower Limit	Target Allocation	Upper Limit
Investment Grade Fixed Income	5.5	20.5	35.5
Other Fixed Income	0.0	8.0	18.0
US Equity	44.0	54.0	64.0
Non-US Equity	3.50	13.5	23.5
Tactical Tilts	0.0	4.0	14.0

Temporarily Restricted

Asset Class / Sub-asset Class	Lower Limit	Target Allocation	Upper Limit
Investment Grade Fixed Income	55.0	70.0	85.0
Other Fixed Income	0.0	5.0	15.0
US Equity	6.0	16.0	26.0
Non-US Equity	0.0	5.0	15.0
Tactical Tilts	0.0	4.0	14.0

Unrestricted

Asset Class / Sub-asset Class	Lower Limit	Target Allocation	Upper Limit
Investment Grade Fixed Income	80.0	100.0	100.0

Larraburu Estate

Asset Class / Sub-asset Class	Lower Limit	Target Allocation	Upper Limit
Investment Grade Fixed Income	80.0	100.0	100.0



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EXHIBIT B
Benchmarking

Permanently Restricted

Reference Benchmark	Weight	Benchmark
Equities	70.0	MSCI All Country World Index (ACWI) Total Return Index Net
Fixed Income	30.0	Bloomberg Intermediate US Government/Credit Total Return Index

Policy Benchmark	Weight	Benchmark
Investment Grade Fixed Income	24.5	Bloomberg Intermediate US Government/Credit Total Return Index
Other Fixed Income	8.0	Bloomberg US Corporate High Yield 2% Issuer Cap Total Return Index
Small Cap US Equity	3.8	Russell 2000 Total Return index
Large Cap US Equity	50.2	S&P 500 Total Return Index
Non-US Developed Equity	12.0	MSCI EAFE Total Return Index Net
Emerging Markets Equity	1.5	MSCI Emerging Markets Total Return Index Net

Temporarily Restricted

Reference Benchmark	Weight	Benchmark
Equities	75.0	MSCI All Country World Index (ACWI) Total Return Index Net
Fixed Income	25.0	Bloomberg Intermediate US Government/Credit Total Return Index

Policy Benchmark	Weight	Benchmark
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Investment Grade Fixed Income	74.0	Bloomberg Intermediate US Government/Credit Total Return Index
Other Fixed Income	5.0	Bloomberg US Corporate High Yield 2% Issuer Cap Total Return Index
Small Cap US Equity	1.0	Russell 2000 Total Return index
Large Cap US Equity	15.0	S&P 500 Total Return Index
Non-US Developed Equity	4.50	MSCI EAFE Total Return Index Net
Emerging Markets Equity	0.50	MSCI Emerging Markets Total Return Index Net

Unrestricted

Reference Benchmark	Weight	Benchmark
Fixed Income	100.0	Bloomberg Intermediate US Government/Credit Total Return Index

Larraburu Estate

Reference Benchmark	Weight	Benchmark
Fixed Income	100.0	Bloomberg 1-3 Year Government/Credit Total Return Index