

SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **CORPORATE INVESTMENT FUND - INVESTMENT GOALS, OBJECTIVES AND POLICIES**

PURPOSE: To provide investment management direction from the Board of Directors concerning the Corporate Investment Fund.

EFFECTIVE DATE: **March 19, 2004**

HISTORICAL: April 11, 1997

CORPORATE INVESTMENT FUND
INVESTMENT GOALS, OBJECTIVES AND POLICIES

I. GOALS AND OBJECTIVES

- A. Business Objectives.** Underlying the Fund's Investment goals are its needs to provide for the future financial needs of:
1. The Cal Poly Corporation's ("CPC") Administrative and Management operations -- including overhead costs which would otherwise be charged to ongoing operations.
 2. The CPC Auxiliary Activities -- including maintenance and expansion programs.
 3. The University Services Programs.
- B. Investment Return Objectives.** Provide a total return, net of fees, of 5.0% after the general inflation rate as measured by the U.S. Department of Labor Consumer Price Index – Western Region. The return should be reasonably stable and predictable and will be measured in rolling ten year periods. Total return can include dividends, interest and both realized and unrealized market value changes. The Investment mix of equities and fixed income securities shall be consistent with the target return and stability objectives. It is acknowledged that these objectives will require a substantial investment in equities.
- C. Spending Objectives.** Appropriations will be made on a fiscal year basis, and will be consistent with the approved General and Administrative Budget.

II. ALLOWABLE INVESTMENTS

General policy shall be to diversify investments among both equity and fixed-income securities. Allowable investments will be:

- A. Equity Investments. The principal category of equity investments will be common stocks. Stock investments should be diversified by industry, capitalization size, relative value and nation of origin. Accordingly, the Board's Standing Committee on Investments (Investment Committee) will establish, document and make available for review by the Board the appropriate allocations and limits within these diversifying categories.
- B. Fixed Income Investments. The principal category of fixed income investments will be domestic, high-quality intermediate or long-term corporate and Treasury bonds. Investments in professionally managed below-grade instruments or international instruments may be included subject to limitations adopted by the Investment Committee.

Short-term, 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.

- C. Other Investments. If they meet policy return and risk requirements, other investments such as individual real estate, private distressed securities, venture capital, hedge funds or other private equity may be authorized by the Investment Committee.
- D. Prohibited Investments. The fund may not purchase investments in commodities or letter stock. In addition, the fund will not engage in short sales or purchases on margin.

III. SPENDING RULES

- A. Appropriations. Appropriations of investment earnings will be made on a fiscal year basis, and will be consistent with the approved General and Administrative Budget.
- B. Investment Reserve.
1. Any income from dividends, interest, and capital appreciation in excess of the appropriation will be reinvested. The reinvested income will be identified as the General Fund Investment Reserve.
 2. To the extent that the current year's total return is insufficient to meet the announced appropriation, reinvested prior year's income held in the General Fund Investment Reserve may be drawn upon.

IV. ADMINISTRATION

- A. Custodial Arrangements. All marketable securities will be held by an operating custodian. The custodian may be a bank or securities brokerage firm with a minimum of capital and surplus of \$500,000,000. Securities may be held in the nominee name of the custodian but must be held separate and apart from, and may not be co-mingled with the assets of the custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.

- B.** Process. It is the charge of the Investment Committee and staff to implement the policies set forth above. The Investment Committee shall have discretion to establish and document specific guidelines necessary to meet the Corporate Pool's goals, objectives and policies. The Investment Committee may utilize investment consultants and managers to achieve their goals.

The Investment Committee will make its documented guidelines available to the Board of Directors and will periodically advise the Board of any change(s) to the document.

V. SOCIALLY RESPONSIBLE INVESTING

The Board of Trustees of the California State University adopted a resolution urging auxiliary boards which make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The Foundation Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.