

Policy 124

**Corporate Investment Fund  
Investment Policy**

Section: 100 – General Administration

Responsible Executive: Lead Financial  
Administrator

Responsible Department: Investments and Treasury  
Management

First Effective Date: April 11, 1997

Last Reviewed: March 2018

Next Scheduled Review: September 2024

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**1.0 PURPOSE**

- 1.1. To provide investment management direction concerning the Corporate Investment Fund (“CI Fund”).

**2.0 BACKGROUND**

- 2.1. Underlying the CI Fund's Investment goals are its needs to provide for the future financial needs of:
- 2.1.1. Cal Poly Corporation (“CPC”) administrative and management operations, including overhead costs which would otherwise be charged to ongoing operations,
  - 2.1.2. CPC Auxiliary Activities -- including maintenance and expansion programs, and
  - 2.1.3. University Services Programs.

**3.0 POLICY**

- 3.1. General. This policy and any related guidelines must complement and comply with Policy 121-General Investment Policy and its Guidelines, as applicable.
- 3.2. Investment Return Objectives. The objective is to 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.
- 3.2.1. The return should be reasonably stable and predictable and will be measured in rolling ten year periods.
  - 3.2.2. Total return is net of all investment fees and can include dividends, interest and both realized and unrealized market value changes.
  - 3.2.3. 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.
- 3.3. Allowable Investments. Allowable investments shall diversify investments among both equity and fixed-income securities, within these parameters.
- 3.3.1. 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 Lead Financial Administrator, or his/her designee, as advised by the Investment Advisory Committee, will establish, document and make available for review by the Board the appropriate allocations and limits within these diversifying categories.

- 3.3.2. 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 in the CI Fund Guidelines.
- 3.3.3. Short-Term. 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.
- 3.3.4. Other Investments. Other investments such as individual real estate, private distressed securities, venture capital, domestic and foreign private equity, directional and non-directional hedge funds or commodities (including energy and natural resources) may be utilized in the CI Fund portfolio if authorized by the Lead Financial Administrator, in consultation with the Investment Advisory Committee, after appropriate review and analysis of the role of the investment in the portfolio and a determination that the expected risk and return profile are in alignment with overall portfolio objectives and policies. It is expected that such other investments will be made utilizing diversified pools of assets.
- 3.4. Prohibited Investments. The CI Fund may not purchase investments in letter stock or individual commodities unless they are part of a broad group of commodities within a diversified fund that has been approved by the Lead Financial Administrator, in consultation with the Investment Advisory Committee. In addition, the CI Fund may not engage in short sales or purchases on margin unless they are part of a diversified fund that has been approved by the Lead Financial Administrator in consultation with the Investment Advisory Committee.
- 3.5. Socially Responsible Investing. The Board of Trustees of California State University adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The CPC Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.
- 3.6. Custodial Arrangements. All marketable securities will be held by a bonded or insured, notable and nationally known operating custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.
- 3.7. Spending Objectives. Appropriations of investment earnings will be made on a fiscal year basis, and will be consistent with the approved General and Administrative Budget.
- 3.8. Investment Reserve.
- 3.8.1. Any income from dividends, interest, and capital appreciation in excess of the appropriation will be reinvested.
- 3.8.2. Excess earnings will help support the General Fund Liquidity Reserve. 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 Liquidity Reserve may be drawn upon.
- 3.9. Reporting. The Lead Financial Administrator, or his/her designee, will provide periodic reports to the Board of Directors.

#### **4.0 DEFINITIONS**

- 4.1. None.

#### **5.0 PROCEDURES, GUIDELINES AND FORMS**

- 5.1. The Lead Financial Administrator, or his/her designee, with consultation from the Investment Advisory Committee, may establish written guidelines and forms for practical operations to implement this policy. Guidelines may include philosophy and procedures, as needed.

#### **6.0 COMPLIANCE**

- 6.1. All CPC personnel involved in trusts and investments must comply with this policy.

#### **7.0 REFERENCES AND RELATED POLICY**

- 7.1. CSU Board of Trustee Resolution RFIN 7-78-6 Social Responsibility and Investments
- 7.2. CPC Policy 121-General Investment Policy and its Guidelines
- 7.3. CPC Policy 100 -General Fund Liquidity Reserve

#### **Technical and administrative change updates**

*7-26-12 for title and organization structure changes.*