

UC SAN DIEGO STUDENT FOUNDATION INVESTMENT POLICY

I. Committee Charge

The UC San Diego Student Foundation (UCSDSF) Investment Committee shall consist of two Vice Presidents and at least one Student Trustee of the Student Foundation as well as open members from the UC San Diego student community. The Committee will meet at least once per month and as often as necessary to discuss the financial holdings and asset mix of the UCSDSF. Overall the Committee shall endeavor to grow the value of the endowment.

II. General Investment Philosophy

All investment decisions made by the UCSDSF Investment Committee must meet the standards of the Uniform Prudent Management of Institutional Funds Act. Additionally, these decisions must be in keeping with a long-term strategy, as endowment funds are held in perpetuity. The Endowment will be invested to maximize long-term total return under the parameters described below. A spending rate will be determined annually. The Endowment investment policy shall serve to diversify investments and provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

III. General Investment Objectives

The primary objective of the UCSDSF Investment Committee is to preserve the real value of the endowment, while providing a reliable but conservative level of endowment spending.

Return: The target benchmark for return is to be equal to or greater than

- S&P 500 index return times 45%, plus
- MSCI EAFE Index return times 15%, plus
- MSCI Emerging Market Index times 10%, plus
- STIP return times 25%, plus
- S&P GSCI Commodity-Index times 5%

Risk: The endowment portfolio should experience a level of risk similar to a calculated target index composed of

- S&P 500 index return times 45%, plus
- MSCI EAFE Index return times 15%, plus
- MSCI Emerging Market Index times 10%, plus
- STIP return times 25%, plus
- S&P GSCI Commodity-Index times 5%

("S&P" is Standard and Poor's, "EAFE" is Europe, Australia and Far East, "GSCI" is Goldman Sachs Commodity Index, "STIP" is the UC Regents Short Term Investment Pool.

IV. Asset Allocation

The UCSDSF Investment Committee shall seek to maximize the endowment portfolio's long-term total return while remaining within the risk tolerance established above. This balance between risk and return is to be achieved through the adjustment of the following asset allocations:

	<u>Maximum</u>	<u>Minimum</u>	<u>Target</u>
US Equities	55%	35%	45%
Non-US Equities (Developed)	20%	10%	15%
Non-US Equities (Emerging)	15%	5%	10%
Fixed Income	35%	15%	25%
Commodities	10%	0%	5%
Cash Equivalents	10%	0%	0%
Alternative Investments	5%	0%	0%

The Committee shall rebalance the portfolio quarterly if the market value in any one area has changed the actual portfolio allocations outside the asset allocation ranges given above.

V. Equities

The equity portfolio is to be invested primarily in companies with market capitalization greater than \$750 million. However, up to 10 percent of the market value of the portfolio may be invested in companies with lower capitalization. Additionally, all equities must be listed on the principal US Exchanges or traded in over-the-counter markets.

VI. Fixed Income

Fixed Income investments shall be made in any of the following: UC Treasurer's STIP Pooled Fund, Government Fixed Income Index Funds, or Fixed Income Exchange Traded Funds.

VII. Cash Equivalents

Cash equivalents may be held in the brokerage trading account only at amounts to accommodate necessary pending trades.

VIII. Diversification

Except as noted below, at no point shall any single holding represent more than 5% of the portfolio at cost or 10% at market value. This diversification reduces the impact of the performance of any single investment on the overall portfolio performance.

S&P 500 indexed funds, Russell 3000 indexed funds, or investments in The Regents' Unitized Pools may be used within the parameters of Section IV (Asset Allocation) without limitation. Up to 25% of the market value of the portfolio may be held in any other single publicly traded index fund within the parameters of Section IV.

The Committee shall rebalance the portfolio quarterly if the market value in any one area has changed the actual portfolio allocations outside the diversification ranges given above.

VIII. Buy/Sell Procedures

All investment decisions must be approved through the following procedure:

1. Any member of the UCSDSF Board may make a presentation to the UCSDSF Investment Committee.
2. The UCSDSF Investment Committee must approve the recommendation by a 2/3 vote.
3. Investment decisions will be approved by at least one of several UC San Diego Foundation Investment Committee Trustees, as designated from time to time by its Investment Committee chair.
4. Upon receipt of this final approval, the UC San Diego Foundation staff will carry out the transaction.

IX. Spending Policy

Refer to spending policy at Appendix A.

X. Performance Evaluation

The UCSDSF Investment Committee will provide a written report quarterly to the UC San Diego Foundation Investment Committee concerning the endowment portfolio's performance and comparison to benchmarks over the most recent quarter and the last 1, 3, and 5 year periods. An accompanying oral presentation will be made at all UC San Diego Foundation Investment Committee Meetings.

The UCSDSF Investment Committee shall also provide to the UC San Diego Foundation Investment Committee a complete list of all current holdings as well as all transactions completed in the most recent quarter.

The SF Investment Committee, through the SF President, will also report investment results in writing and orally to the full UC San Diego Foundation Board of Trustees quarterly.

APPENDIX A

UCSD Student Foundation Endowment Spending Policy

I. Definition

A “spending policy” is a written policy that authorizes the expenditure of a portion of the endowment fund annually to support the purposes of the fund.

Spending policies are adopted by the governing board, in this case the UCSD Student Foundation Board (“the Board”). The spending policy is usually stated and calculated as either the actual investment cash earnings annually, or as a conservative percentage of the market value of the endowment annually, giving consideration to the total return earned by the fund and the accumulated realized and unrealized appreciation over the years of the existence of the endowment.

II. Purpose

It is the Board’s objective to establish a conservative spending rate from the total annual return of the Endowment that provides a stable, predictable level of spending for the endowed purposes, yet provides for a rate of growth in spending that keeps pace with inflation. Increasing the value of endowment principal in terms of the return benchmark coupled with a steady rate of spending will typically accomplish this goal.

III. Endowed Funds in the Pool

There are two funds in the UCSD Student Foundation Endowment Pool.

1. The designated purpose of the UCSD Student Foundation Endowment (the “SF Endowment”) by the original donor is to provide for UCSD student scholarship awards.
2. The designated purpose of the UCSD Senior Class Gift Endowed Scholarship Fund (SCG Fund) is to provide for UCSD student scholarship awards and for the commemorative class plaques located on the Library Walk on the UCSD campus. The money for the fund is raised from students and parents and is first placed in fund 2233, the “Senior Class Gift Expendable Scholarship Fund.” Dependent upon the amount raised that year, and at the discretion of the Board, a minimum of two scholarships are awarded from this fund annually in the amount of the donating class year, in addition to the plaque being purchased. The remaining funds are then transferred into the 2137 Senior Class Gift Endowed Scholarship Fund after year-end reporting. .

IV. UCSD Student Foundation Endowment Spending Policy

The spending policy of the UCSD Student Foundation Endowment Pool will be 3.5% of the moving average of the last 36 months Endowment’s market value, calculated as of December 31 each year, and provided to the fund as of July 1, the following academic year. Each fund in the pool will receive payout based on this rate.

1. The Board has adopted a total return approach (cash income plus capital appreciation) to managing the endowed assets and in determining the spending rate, in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
2. It is the intention of the Board to retain accumulated investment returns, both realized and unrealized, that is in excess of approved annual spending amount in the Endowment to meet the endowment's growth objective. However, it is understood that from a legal perspective, this excess accumulated return is not permanent endowment principal. Spending it for scholarship awards is permissible, although it may not-achieve the growth objective noted in Policy.
3. As a general matter, the Board must review the spending policy no later than February annually, and may determine, at its discretion, that spending should be limited to actual cash investment earnings for the year (calculated on a calendar year basis), if there are concerns about investment return or the market value of the fund versus the growth objective noted above.
4. Any other exceptions to this policy must be specifically authorized by the Board.

V. Allocation of Spending for Scholarships

The Investment Committee will advise the Student Foundation Allocations Committee in April of each year of the amount of endowment spending expected to be available each academic year for scholarships from the SF Endowment. (In addition to any other funds available from Student Foundation direct fundraising for scholarships)

The Student Foundation Investment Committee will advise the Student Foundation Senior Class Gift Committee of the amount of endowment spending available each year for scholarships from the SCG Fund to augment the funds raised in the expendable fund.