THE CAMPANILE FOUNDATION

Supporting San Diego State University

INVESTMENT POLICY STATEMENT

Revised June 2020

1. Statement of Purpose

The Board of Directors of the Campanile Foundation has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of The Campanile Foundation (hereafter referred to as the Foundation) assets. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Foundation's assets; (2) the position of the Board of Directors with respect to the Foundation's risk/return posture, including allocation of assets and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

2. Statement of Responsibilities

The following parties associated with the Foundation shall discharge their respective responsibilities in accordance with all applicable fiduciary standards as follows: (1) in the sole interest of the Foundation's contributors and beneficiaries; (2) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims; and (3) by diversifying the investments so as to minimize the risk of large losses.

A. Board of Directors: The members of the Board of Directors are the fiduciaries of the Foundation and are ultimately responsible for the investments of the Foundation.

B. Finance and Investment Committee and Staff: The members of the Finance and Investment Committee on the authority assigned by the Board of Directors, have delegated the management of the day to day administrative issues associated with the Foundation's assets to the Campanile Foundation Staff. The Finance and Investment Committee has recommendatory authority to the Board of Directors with respect to the implementation of this Investment Policy Statement and shall review and present detailed reports to the Board of Directors regarding the status of the Foundation's investments. The Finance and Investment Committee has authority to hire and fire the Investment Advisor.

C. Investment Advisor: The investment advisor is charged with the responsibility of advising the Finance and Investment Committee on investment policy and strategic asset allocation, while having full discretion over the selection of investment managers and tactical asset allocation within the guidelines of this document. The investment advisor is also responsible for providing performance analysis and monitoring services.

D. Investment Manager(s): The investment manager(s) are delegated the responsibility of investing and managing the Foundation's assets in accordance with this Investment Policy Statement, and all applicable law. Each investment manager must either be (1) registered under the Investment Company Act of 1940, (2) registered under the Investment Advisors

Act of 1940, (3) a bank, as defined in that Act, (4) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Foundation's assets, or, (5) such other person or organization authorized by applicable law or regulation to function as an investment manager.

E. Custodian: The custodian has been retained by the Investment Committee and is charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements.

3. Statement of Spending Policy

The Foundation has established an annual spending rate of 4.0% of endowment principal based upon a rolling 3-year average market value. In the event that the Fair Market Value of an individual endowment falls below the permanently restricted amount of the endowment, the spending rate will not exceed the amount of dividends and interest earned by the endowment. The Finance & Investment Committee will review the spending rate annually. In the event the Committee recommends a change to the spending rate, the proposed change and rationale will be reviewed and presented for approval by the Board of Directors. The annual spending rate is applied against the endowment's market value using a 3-year moving average. In accordance with this disbursement policy, the Finance and Investment Committee is committed to: (1) protecting the corpus of the Foundation; (2) preserving the real spending power of the assets; (3) maintaining a diversified portfolio of assets while obtaining maximum possible investment return commensurate with reasonable risk and operational considerations; and (4) complying with applicable law.

4. Medium and Long Term Performance Objectives

The Investment Objectives for the Foundation will be for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return gross of fees) in excess of the benchmarks established for the medium term (3-5 years) and long term (5+ years).

Long Term Performance Objectives

A. The objective of the total fund is to earn a real return of 4.0% after expenses.
B. The objective of the total fund is to earn a minimum return that exceeds the rate of return of the indexes weighted in accordance with the target asset allocation.

5. Target Asset Allocation

The Asset Allocation of the Foundation shall be reviewed at least quarterly to ensure that the portfolio is in compliance with the following guidelines.

Asset Class	Target Allocation	Minimum	Maximum
Growth Assets			
Global Equity	40%	30%	50%
Private Equity	10%	0%	15%
Credit			
High Yield Bonds	3%	0%	6%
Bank Loans	3%	0%	6%
Emerging Markets Debt	2%	0%	4%
Inflation Hedges			
Natural Resources	3%	0%	6%
Real Estate	7%	0%	10%
TIPS	4%	0%	8%
Risk Mitigation			
Core Fixed Income	23%	15%	35%
Hedge Funds	5%	0%	10%
Cash	0%	0%	10%

1. The Campanile Foundation may make SDSU loans to provide liquidity needed for capital projects that will be funded through pledges not yet realized. The funds will be provided through the Fixed Income allocations with the maximum amount of outstanding loans not exceeding 5% of the Foundation's endowment assets at the time loans are established. The floating interest rate charged will be US Prime Rate plus 100 bps with a maximum repayment term of 5 years.

The asset mix policy and acceptable minimum and maximum ranges established by the Finance and Investment Committee represent a long-term view. Rapid and significant market movements or during times when asset allocation changes are being implemented may cause the fund's actual asset mix to fall outside the policy range. Any such divergence should be of a short-term structure.

The Investment Advisor has established a process to review and rebalance the asset mix periodically. If any allocations exceed the minimum or maximum ranges, the Investment Advisor will have 45 days to rebalance assets to within the acceptable ranges. The Investment Advisor will consider transaction costs and the illiquidity of the asset classes when making rebalancing decisions.

6. <u>Tactical Asset Allocation</u>

The Investment Advisor will have full discretion to tactically deviate from the Foundation's long-term Target Allocation within the defined asset class ranges.

7. <u>Investment Guidelines</u>

It is the intention of the Finance and Investment Committee to allow each investment manager the full investment discretion within the scope of these investment guidelines, the applicable

Investment Manager Agreement, and any laws that supersede either of these documents. Each manager must adhere to the following investment guidelines as well as their specified guidelines in the attached appendices. To the extent that The Campanile Foundation invests in mutual funds and/or commingled vehicles, the governing guidelines shall be those contained in the offering documents, since, in these cases, the Campanile Foundation cannot impose its own guidelines.

A. Types of Securities: The equity securities shall be domestic or foreign common stocks, American Depository Receipts (ADR's), preferred stocks and convertible preferred stocks and bonds, depending on the manager's assignment. The fixed income securities shall be comprised of U.S. Treasuries or foreign sovereign bonds, agencies of the United States Government, domestic or foreign corporations, domestic or foreign banks, and other global financial institutions. In general, the SDSU loans will be secured by multiple pledges. Alternative assets shall consist of various hedging and arbitrage strategies. Real estate shall consist of equity participation in commercial, industrial and residential properties via commingled real estate funds.

B. Diversification: The equity, fixed income and alternative asset portfolios should be well-diversified to avoid undue exposure to any single economic sector, industry, or individual security. For non-concentrated managers, no more than 10% of the equity or fixed income portfolio based on market value shall be invested in the securities of any one issuer other than fixed income pools of investments such as U.S. Governments or U.S. Government Agencies. Except Treasuries, no more than 10% of the fixed income portfolio based on market value shall be invested in securities of anyone issuing corporation at the time of purchase. The real estate portfolio shall be reasonably diversified among geographic regions and property types.

C. Prohibited Investments: Categories of investments that are not eligible for investment in the core fixed income and public equity portfolios without prior approval of the Finance and Investment Committee include:
   a. Short sales
   b. Margin purchase or other use of lending or borrowing
   c. Security loans
   d. Leveraged derivatives
   e. Private placements
   f. Warrants

   The rest of the portfolio may utilize the above categories so long as such investments are consistent with the guidelines governing each investment vehicle. The real estate portfolio may use leverage with respect to real estate ownerships.

D. Liquidity: The Finance and Investment Committee will monitor The Foundation's cash flow on a regular basis, and sufficient liquidity shall be maintained to fulfill the spending objectives and operational costs of the Foundation. When withdrawals become necessary, the Finance and Investment Committee will notify the Investment Advisor as far in advance as possible to allow them sufficient time to acquire the necessary liquid reserves.

E. Proxy Voting: The investment manager(s) shall have the sole and exclusive right to vote any and all proxies solicited in connection with the securities held by the Foundation. The investment manager(s) shall furnish the Finance and Investment Committee with a written proxy voting policy statement, and shall keep records with respect to its voting decisions and submit a report annually to the Finance and Investment Committee summarizing votes cast.

F. Trading and Execution: The investment manager(s) shall use their best efforts to obtain execution of orders through responsible brokerage firms at the most favorable prices and competitive commission rates.

8. Investment Performance Review and Evaluation

A. The Finance and Investment Committee will review the investment results of the investment manager(s) at least quarterly. Performance comparisons will be made against a representative performance universe and the performance objectives set forth in this policy statement. A comprehensive annual report from the Finance and Investment Committee will be presented to the full Board of Directors.

B. The Finance and Investment Committee, with the assistance of the Investment Advisor, shall periodically review the qualitative developments of each investment manager. This evaluation should include: changes in ownership, personnel turnover, adherence to investment style and philosophy, and any other qualities that the Finance and Investment Committee deems appropriate. This review should also include an assessment as to whether each investment manager has operated within the scope of this Investment Policy Statement.

C. The investment manager(s) must disclose all major changes in organization or investment philosophy to the Finance and Investment Committee members within 30 days. Further, all registered investment advisors must present updated ADV-2 forms on an annual basis to the Chief Financial Officer.

9. Environment, Social and Governance (ESG) Investing

It is a core value of the Campanile Foundation to invest the Foundation's assets in a socially responsible way. As such, the Board will continually strive to strike an appropriate balance between its social responsibility and its fiduciary duty to create financial returns that will help fund the University. The Board also recognizes that, in many cases, their ability to directly enforce customized investment guidelines may be limited. The Foundation invests mainly in commingled vehicles such as mutual funds, which limit the ability of any individual investor to enforce customized investment parameters. The Foundation will direct its Investment Advisor and investment managers to invest in businesses that are as consistent as possible with its social values, while balancing the financial return to the Foundation, advancing its long-term interests and supporting the University's mission.

10. Policy Changes

The Investment Advisor shall advise the Finance and Investment Committee of any restrictions within this Investment Policy Statement that may prevent the investment manager(s) from obtaining the objectives and goals set forth herein. Any violation of the investment guidelines or other sections of this Investment Policy Statement discovered by the Investment Advisor in the preparation of its regular performance review shall be reported immediately to the Finance and Investment Committee and discussed at their next regularly scheduled meeting.

11. Investment Policy Review and Revisions

The Board of Directors reserves the right to amend the Investment Policy Statement at any time they deem such amendment to be necessary, or to comply with changes in federal law as these changes affect the investment of the Foundation's assets.

The Investment Policy Statement shall also be reviewed annually to ensure compliance and relevance to the current law, financial and economic trends and to meet cash flow requirements of the Foundation.

IN WITNESS HEREOF, the Board of Directors has approved the revised Investment Policy Statement by resolution adopted on the 4th day of June 2020.

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Anita Nottingham, Secretary

Appendix A

POLICY BENCHMARK

Functional Category	Weight (%)	Composition
Growth	**50**	**97.2% MSCI ACWI IMI Net USD (48.6%) / 2.8% Cambridge Associates PE Index 1-Quarter Lag (1.4%)**
Credit	**8**	**37.5% Credit Suisse Leveraged Loans (3%) / 37.5% BBgBarc US High Yield TR (3%) / 12.5% JP Morgan EMBI Global Diversified (1%) / 12.5% JP Morgan GBI EM Global Diversified TR USD (1%)**
Inflation Hedges/Real Assets	**14**	**21.4% S&P Global LargeMidCap Commodity and Resources NR USD (3%) / 50% NCREIF ODCE Equal Weighted (Net) (7%) / 28.6% BBgBarc US TIPS TR (4%)**
Risk Mitigation	**28**	**82.1% BBgBarc US Aggregate TR (23%) / 17.9% HFRI Macro (Total) Index (5%)**

The Policy Benchmark is designed to measure the performance of the Investment Advisor in regards to both tactical asset allocation decisions and manager selection. The Policy Benchmark is calculated using the target weights of each Functional Category. At the start of each fiscal year end (July 1st), the Growth Assets portion of the policy benchmark will be reweighted to match the existing private equity investment levels until it nears the 10% policy target.