

**California State University Maritime Academy
California Maritime Academy Foundation, Inc.**

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TITLE: Investment Policy

DIVISION: CMA Foundation, University Advancement

DEPARTMENT: University Wide

I. INTRODUCTION

- A. The purpose of this statement is to establish a clear understanding between the California Maritime Academy Foundation (CMAF) and its investment manager(s) of the investment policies and objectives of managing assets. This statement outlines an overall philosophy that is specific enough for the manager(s) to know what is expected, but sufficiently flexible to allow for changing economic conditions and dynamic securities markets. This statement provides realistic risk policies to guide the manager(s) toward long-term rate-of-return objectives, which serve as standards for evaluating investment performance. This statement establishes the investment restrictions placed upon the manager(s) and outlines procedures for policy and performance review.

II. INVESTMENT OBJECTIVES

- A. The primary investment objectives are to preserve the purchasing power of the assets throughout time and to provide a stable flow of annual resources for the Academy's scholarship and academic programs.
- B. The Investment Manager(s) must properly balance the following overall objectives:
1. Income – to produce sufficient current and continuing income from investment returns to support scholarships, special projects and other ongoing academic activities as were intended by the donors.
 2. Growth – to provide for enough growth in the endowment funds to preserve the purchasing power of the assets.
 3. Liquidity – to ensure our ability to expend resources in support of the Academy in compliance with restrictions placed on the funds by the donors.
 4. Safety – to place sufficient limitations on risks associated with the implementation of the income, growth and liquidity objectives through diversification of assets and setting of specific quality standards.
- C. A general course of action for the endowment and building funds' investment

- needed for temporary placement of funds directed for later investment to the longer-term capital markets.
- b. In addition, such vehicles are the norm for contributions to the current fund, or for current operating cash. Investments eligible for this class include only the highest quality (A1-P1, Moody's and S&P rated) commercial paper and Treasury Bills.
 - c. Restricted Investments
 - 1.) Occasional gifts are offered to the Foundation whereupon the donor wishes to place certain restrictions on the form of investment to which these amounts may be applied. Such funds will be invested according to the donor's requirement only to the extent such requirement is a condition of the gift and the requirements meet the IRS regulations on charitable gift determination. These monies will be excluded from the total pool of available funds for the purposes of establishing asset allocation percentages as directed in the policy.
 - 2.) As a normal course, donors will be encouraged to entrust endowed gifts to the institution without restriction of the investment of these funds, and the University may, from time to time, determine that the refusal of such restrictions, and the gift, is more prudent than acquiescence.

IV. RISK TOLERANCE AND INVESTMENT TIME HORIZON

- A. The endowment and designated assets have an indefinite time horizon literally coterminous with the endurance of the institution, in perpetuity. As such, these funds can assume a time-horizon that extends well beyond a normal market cycle, and can assume an above-average level of risk as measured by the standard deviation of annual returns. It is expected, however, that both professional management and sufficient portfolio diversification will smooth volatility and help to assure a reasonable consistency of returns.
- B. The building funds have a defined time horizon and a time certain the funds are to be available. As such, these funds cannot be exposed to a time-horizon that extends beyond a normal market cycle, and can assume only an average level of risk as measured by the standard deviation of annual returns.
- C. Funds set aside for current operations cannot tolerate any level of risk, as the need for these funds could be immediate and of an emergency nature. These funds should be limited to investments in shorter term, high quality instruments.

V. ASSET ALLOCATION

- A. The general policy shall be to diversify investments among both equity and fixed-income.

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- D. As a long-term guideline, equity investments will normally constitute at least one-half, and fixed-income securities no more than one-half, of investment assets. Further, it is expected that the preferred long-term mix will be sixty-five percent equity and thirty-five percent fixed-income in the Endowment Funds and 0-20% equity and fifty-five percent fixed-income in the Building Funds. Re-balancing of Asset Allocation will be done on a semiannual basis. Should a substantial variance occur before the end of the period, quarter, the Finance committee should be advised. The following chart illustrates the preferred Asset Allocation;

1.	<u>Category</u>	<u>Endowment</u>	<u>Capital/Building</u>	<u>Unrestricted funds</u>
	Cash	5%	20%	25%
	Fixed	30%	65%	75%
	Equity	65%	15%	0%

- VI. **PROHIBITIONS** – Investments which jeopardize the safety and integrity of the non-profit status of the CMA Foundation are prohibited.

VII. **MANAGER REPORTING AND EVALUATION**

- A. It is required that the professional investment consultant for these funds shall report not less than quarterly to the Finance Committee. The report should include the performance of the portfolio, including comparative gross returns for the funds and their respective benchmarks.
- B. Also, the investment manager(s) shall provide a complete accounting of all transactions involving the Foundation's investments during the quarter with a statement of beginning balance, fees, capital appreciation, income, and ending balance for each account. Regular presentations of these accountings by the investment consultant to the Foundation Finance Committee will serve to address the Board's concerns related to service and performance. An annual meeting with the Board may be requested.

VIII. **CONCLUSION** 67