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

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DIVISION: CMA Foundation, University Advancement
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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 **<u>consultant</u>** is as follows:
1. To promote growth in the investment funds sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant-dollar value and purchasing power of the funds for future generations.
2. Preserve the principal of operating cash and reserves while producing market-level income.
3. The minimum total-return objective for the portfolio shall be equal to or exceed the benchmark for each investment category.
4. The investment consultant will be responsible for the oversight and manager adherence to the policy guidelines.

D. The pursuit of the foregoing objectives must be consistent with the Foundation's desire to obtain consistent returns through conservative investments with the acceptance of prudent investment risks and the rejection of those investment activities deemed to be too speculative in nature.

III. GUIDELINES FOR ENDOWMENT, BUILDING AND OPERATING ASSETS

A. The guidelines shall call for the investment portfolio of the Foundation to be categorized by the following attributes;
   1. Endowment Funds/Long term (more than 5 years)
   2. Capital Funds/Intermediate (3 to 5 years)
   3. Unrestricted Funds set aside for current operations (less than 3 years)

B. Equity Investments
   1. Common Stock
      a. The principal category of equity investments will be common stocks, with primary emphasis on high quality, investment grade stocks in companies that are financially sound and that have favorable prospects for earnings growth.
      b. Stock investments should be diversified by industry, capitalization size, relative value, and nation of origin.
      c. No more than 5% of the equity portion of the investment's assets should be invested in any single issue, and not more than 15% of the equity portfolio should be invested within a single industry sector.
      d. Preferred Stock and Convertible securities shall be considered Equity as it would relate to this policy.
      e. The suggested mix and diversification of stock investments accomplished through investment(s) is consistent with this policy.
   2. Real Estate
      a. Equity investments may also include equity real estate, held in the form of professionally-managed, income-producing commercial property. Such investments, however, shall not exceed 5% of total equity investment in order to achieve diversification over time.
   3. Hedge Funds, Venture Capital and Other Private Equity Partnerships
      a. Equity investments may also include hedge funds, private equity or venture capital investments, held in the form of professionally-managed pooled limited partnership investments.
      b. Such investments shall not exceed 5% of total equity investments.

C. Fixed-Income Investments
   1. Intermediate and Long-Duration Bonds
      a. It is expected that at least two-thirds of all fixed-income investments will normally be invested in high-quality investment grade debt.
      b. In addition, it is desired that the average duration be plus or minus 30% of the Barclays capital aggregate bonds.
      c. The suggested mix and diversification of fixed income investments accomplished through investment(s) is consistent with this policy.
   2. Short-Duration Bonds
      a. While it is not expected that securities with average maturity of less than five years will normally be included in the portfolio, monies in transition, monies expressly restricted by the donor, and other assets generally as may from time to time be considered prudent by professional management may be invested in high-quality government and corporate bonds with a maturity of 1-5 years.
   3. Money-Market or Cash-Equivalent Investments
      a. Short-term, cash-equivalent investments are not considered an appropriate vehicle for endowment assets. However, such vehicles are appropriate as a depository for income distributions from longer-term investments, or as

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 securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

B. Investments shall be made in accordance with the maximum and minimum range for each asset category as indicated below:

1.

Category	Minimum	Maximum
Cash Equivalents	0%	75%
Fixed Income	25%	75%
Equity	15%	75%

C. The Foundation Board of Directors reserves the right to adjust these limits at any time by advising the Investment Consultant in writing and allowing 60 days for implementation.

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.

Category	**Endowment**	**Capital/Building**	**Unrestricted funds**
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

A. This Investment Policy is designed to assist the Board of Directors, the Investment Committee, The Investment Consultant and any Investment Manager(s). It should not be considered a legal document or contractual obligation. It should be viewed as a flexible document whose purpose is to assist all parties in the management of the Foundation's assets.

The Officers and Board members of the CMA Foundation adopted this Investment Policy at the December 12, 2012 board of directors meeting. See meeting minutes.

HISTORY: MARCH 13, 2003
REVISION: DECEMBER 12, 2012