



ASSOCIATED STUDENTS INC
SF STATE UNIVERSITY

Investment Policy

Policy 303

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ASSOCIATED STUDENTS INVESTMENT POLICY

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I. STATEMENT OF OBJECTIVES

Fund assets of the Associated Students of San Francisco State University targeted for investment purposes shall be invested in accordance with this Investment Policy and in compliance with the State and Federal laws and regulations, as well as CSU rules and regulations as they relate to investment activities for specific auxiliary organization types.

The primary function of the investment policy is to protect, with appropriate limitations on the risk of the principal, the real value of the Fund against inflation.

Specifically, the following objectives must be properly balanced:

A. *Investment Return* - 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 fund for the future generations.

1. **Cashflow Income** - to attain a steady and recurring income generated from investment returns to supplement on-going operations;
2. **Growth in Capital Gains** - to provide for growth of the fund through the ownership of investment assets that have good growth potential.

B. *Portfolio Risk Profile* - to place sufficient limitations on risks associated with the implementation of the investment return objectives and to protect the Fund principal through the diversification of investment vehicles and the setting of specific quality standards.

II. INVESTMENTS GUIDELINES

A. *Permitted Investments*

Of all the total net assets as of year end each year, at least 30% or \$4,000,000 (whichever greater), will be invested in the State Pooled Money Investment Program (LAIF).

Fund assets associated with the fees collected, and related revenues generated, for the purpose of supporting the Associated Students Fund are to be invested in a balanced and diversified mix of the following:

1. Fixed income securities that would include corporate and government bonds, asset-backed securities, and TIPS.
2. Certificates of Deposit
3. Other types of approved Fixed Income instruments.



Fund assets associated with the fees collected, and related revenues generated, for the purpose of supporting the Student Body Center Fund are to be invested in a balanced and diversified mix of the following:

1. Fixed income securities that would include corporate and government bonds, asset-backed securities, and TIPS.
2. Equity-related securities would include publicly traded common stocks, preferred stocks, stock warrants and rights, convertible bonds, securities issued by non U.S companies traded on U.S. Exchanges, as well as REITs and any other investments as allowed by respective prospectuses.
3. Real Estate would include funds that may offer broad geographical diversification utilizing a wide range of property types. Investment in a commingled fund offers much greater liquidity by allowing the Fund Manager to purchase shares of the fund, as opposed to a direct investment in real estate, which requires ownership in actual land and buildings.
4. Cash shall be continuously invested until needed in the following: US Treasury Bills, quality commercial paper and other money market investments as approved by the Finance Committee.

B. Other and Prohibited Investments

Investments other than marketable securities (e.g. direct investment in real estate, mortgage trust deeds, limited partnership interests, etc.) should not be acquired because of the attendant problems of management, valuation and lack of liquidity. Moreover, the fund may not purchase investments in commodities, private placements, letter stock, or venture capital. In addition, the fund will not engage in short sales or purchases on margin.

C. Investment Portfolio allocations

Fund assets associated with the fees collected, and related revenues generated, for the purpose of supporting the Associated Students Fund are to be invested in the following allocations at the specified percentage target rate.

1. Corporate Fixed Income Securities 60%
2. Certificates of Deposit 15%
3. Other types of approved Fixed Income instruments 25%

Fund assets associated with the fees collected, and related revenues generated, for the purpose of supporting the Student Body Center Fund are to be invested in the following allocations at the specified percentage target rate.



1. Fixed income – target percentage allocation is 45%. Of the 45%, a target allocation of 5% in Treasury Inflation Protected Securities (TIPS).
2. Equities – target percentage allocation is 55%. Of the 55%, a target allocation of 20% in International Equities and 8% in Real Estate.
3. Cash- the cash balances of the Fund should be invested in savings accounts, or in such other money market instruments as US treasury bills, commercial bank certificates of deposits or money market funds and should not exceed 5% of the Fund, based on cost.

The maximum commitment of funds to the securities of any one issue, with the exception of US government securities, should not exceed 5% of the Fund, based on cost. The maximum commitment of funds to the securities of companies any one broadly defined industry (e.g. utilities, energy, chemicals, etc.) should not exceed 20% of the Fund, based on cost.

D. Exceptions to Investment Guidelines

The aforementioned ratios are intended to be a general guideline and can be altered if, in the opinion of the fund manager the market conditions warrant such a change in the best interest of the Associated Students. Should such a condition exist it is the responsibility of the Fund Managers to immediately inform the Associated Students 's Executive Director of the allocation change and the reasons for it.

E. Custodial Arrangements

All marketable securities will be held by a custodial bank, or a Brokerage House, which are among the 20 largest in the United States. The terms and conditions of this custodial relationship shall be detailed in a written agreement with the chosen entity(ies). Any number of Fund Managers may be selected to manage any portion of the investment instrument(s), so long as the total portfolio meets the desired cumulative mix of the Investment Policy.

F. Social Responsibility

The Associated Students wishes to invest in a way that allows it to merge its investment decisions with its societal concerns and organizational values. Listed below are the general principles the Associated Students wishes to uphold. The MSCI KLD 400 Social Index will be used as a guideline in meeting this criteria:

1. Environmental Performance

The Associated Students wishes to invest in companies whose environmental policies and practices are determined to be "Best of Sector" when compared to their sector peers and in those who demonstrate a commitment to environmentally beneficial products, services and processes. The Associated Students wishes to avoid companies whose practices or products may pose significant threats to the environment and human health, and who are not leaders in addressing their environmental footprints. Specifically in this category, the Associated Students has determined its commitment to limit its investments in fossil fuel companies, with a goal to divest from all companies with



significant production or use of coal and tar sands by December 31, 2015. Examples of companies with exemplary environmental policies and practices may be those that:

- Research and/or market renewable energy- technologies (Including, but not limited to wind, solar and hydrogen as well as sustainable electricity storage)
- Research and/or market technologies, products or services that make energy use significantly more efficient (Including, but not limited to, district or distributed energy, more efficient end-use devices, and smart grid technology to reduce transmission losses)
- Reduce significantly all waste streams through pollution prevention, design for environment, resource reduction, recycling or closed-loop technologies
- Develop innovative ways to reduce harmful emissions and energy consumption of operations, products or services throughout the lifecycle of its processes and products
- Demonstrate a long-term commitment to reducing negative environmental impacts by developing, and thereafter reporting on, waste, energy and resource reduction goals
- Produce and/or market organic products
- Participate publicly and actively in multi-stakeholder institutions that promote industry standards and best practices around sustainability issues (examples include the UN Global Compact, Carbon Disclosure Project, the World Business Council on Sustainable Development, Electronic Industries Code of Conduct, CERES, GRI and Forest Footprint Disclosure.)

Worst performers in this arena may be companies with:

- A history of significant environmental fines, penalties, lawsuits or major controversies relating to air, water or land pollution
- Established patterns of violating federal, state or local environmental regulations
- Failure to significantly or repeatedly address the risks related to climate change
- Production or significant usage of substances known to be particularly damaging to the environment and/or human health as outlined by national toxic substances registries including, but not limited to the U.S. EPA's Toxic Release Inventory ("TRI") Program and the European Commission's Pollutant Release and Transfer Register (E-PRTR)
- Reliance on unsustainable environmental practices that exploit or extract natural resources and disclosing no publicly disclosed and measurable system to reduce or eliminate such practices

2. Nuclear Power

The Associated Students seeks to avoid companies that derive 50% or more of their base load power from nuclear power or 50% or more of their revenues from products and services key to the production of nuclear fuel. Companies that produce key parts used in nuclear power facilities and utilities that sell purchased nuclear power will be allowed.

3. Employee and Labor Relations

The Associated Students seeks to invest in companies that are working to improve their employee relations record, are considered to be some of the more responsible performers in the same sector and/or have demonstrated a commitment to creating a high-performance workplace. Examples of companies that are working to improve their employee relations may include actions such as:



- Addresses employee violations domestically by developing and implementing improved policies and programs.
- Has a publicly available Code of Conduct that covers all company employees as well as significant suppliers.
- Offers employee benefits such as profit-sharing, domestic partner benefits, paid maternity and paternity leave, 401 (k)-matching, etc.
- Maintains policies and programs to support the recruitment, retention and professional development of women and minorities.
- Have women and minority executive and board representation.
- Discloses regularly policies, programs and performance related to workplace practices pertaining to diversity, safety, and labor-management relations.

Worst performers in this arena may be companies with:

- a. Significant incidents or patterns of discriminatory hiring practices
- b. Significant incidents or patterns of discrimination against existing employees on the basis of race, age, gender, religion, disability, sexual orientation or gender identity
- c. Significant incidents or patterns of unsafe labor practices
- d. Significant incidents or patterns of failure to comply with minimum wage laws
- e. Failure to promote safe and fair labor standards throughout the supply chain

4. Weapons

The Associated Students wishes to avoid investing in companies that derive more than 5% of their revenue from the manufacture and/or sale of nuclear weapons systems and more than 50% of their revenue from the manufacturing and/or sale of conventional weapons. The Associated Students also wishes to avoid investing in companies that derive more than 50% of their conventional weapons sales to military.

5. Product Safety and Integrity

The Associated Students wishes to avoid companies deemed to be the worst performers, and will consider companies that are working to improve their record or are considered to be more responsible than the worst performers in their sector. The following will be considered when evaluating a company's Product Safety and Integrity performance.

Strengths

- Products and services that have socially and/or environmentally beneficial attributes.
- Commitment to responsible marketing policies and practices.

Concerns

- Convictions for major product liability or product safety violations
- Pattern of consumer fraud or demeaning or unfair marketing
- Manufactures products or uses advertising that are violent, racist or sexist, or that can be linked to societal conflict.

6. Tobacco Production

The Associated Students will not invest in companies that derive more than 5% of their revenue from the production of tobacco or tobacco products.



7. Animal Testing

The Associated Students would like to avoid investing in companies that engage in non-essential animal testing that is, animal testing that is not mandated by law. This screen will primarily screen out cosmetics companies that continue to conduct animal testing to re-test methods that have already been cleared by intergovernmental agencies.

III. STRUCTURE AND RESPONSIBILITY

- A. **Responsibilities of the Board of Directors-** The Associated Students Board of Directors is responsible for adopting the Investment Policy, any subsequent amendments to the investment policy and for receiving and reviewing investment reports. The Board of Directors will also make the final decision in the process of selecting a Fund Manager/s.
- B. **Responsibilities of the Finance Committee-** Finance Committee will monitor the investment policy as approved by the Board of Directors, review the performance of Fund Managers, review and recommend amendments to the Investment Policy, review investments on a quarterly basis, and recommend changes in the investment portfolio.
- C. **Responsibilities of the Executive Director-** The Executive Director is responsible for implementing and administering the adopted investment policy, submitting a quarterly statement on the prior quarters investment activity and performance analysis, and submitting an annual report on the distribution of interest earnings, realized and unrealized earnings, and administrative charges to the Finance Committee. The Executive Director is further responsible for conducting the process of selecting the Fund Managers at the time the Associated Students may be seeking such an engagement.
- D. **Responsibilities of the Fund Managers** – The Fund Managers will have full discretion to invest the assets of the fund in a prudent manner, consistent with the fund's objectives and within the guidelines set forth herein. The Fund Managers is given authority to direct the purchase, sale, exchange or conversion of any and all qualifying investment instruments not prohibited by this investment policy. Further, the Fund Managers will acknowledge, in writing, the receipt of this statement and the acceptance of its terms. The Fund managers are expected to promptly advise the Associated Students Executive Director in writing of any material change in its investment philosophy, decision making structure or procedures, or investment personnel with primary responsibility for the Associated Students Funds.

IV. INVESTMENT REPORTS/REVIEWS

- A. Reports on investment performance will be reviewed on a quarterly basis by the Finance Committee and the Board of Directors. Reports on the annual performance of



the Funds will be conducted by the Fund Managers with the Finance Committee and the Board of Directors at the end of each Fiscal Year.

V. INVESTMENT PERFORMANCE GOALS/STANDARDS REVIEW

Apart from its selection of the Fund Managers designated to manage and execute the Associated Students investment activities, the AS may elect an Investment Broker / Monitor, to review the activity and performance of those Fund managers annually or as needed. Evaluation of the Fund Managers performance will be on a total return basis. These returns will be reviewed in the context of the Fund's objectives and relevant market indices.

VI. DISPOSITION

The investment Fund Balance is an integral component of the Associated Students' Year End Financial Performance. Allocations will only be distributed at such times as the ending fund balance in the LAIF account and the student fees surplus revenues is insufficient to meet operating needs.

VII. REBALANCING

Rebalancing of Asset Allocation to the target percentages will take place at least annually.

VIII. AMENDMENTS TO INVESTMENT POLICY

This Investment Policy, dated March 18, 2015 has been adopted by the Associated Students' Board of Directors and supersedes all previous version of the Investment Policy.

This Investment Policy will be reviewed annually to ensure its consistency with the objectives of income, growth, and risk, and changes in applicable laws and financial trends. Any proposed amendments to the Investment Policy will require 2/3 vote approval by the Associated Students Board of Directors.