GOLDEN GATE UNIVERSITY
ENDOWMENT INVESTMENT POLICY STATEMENT

Golden Gate University is a 501(c)(3) nonprofit university incorporated in the State of California as a public benefit corporation. The university operates on a July 1 through June 30 fiscal year.

This policy, as approved by the Board of Trustees on June 10, 2008, and revised on October 27, 2009, provides guidance to both internal management and external investment managers in terms of allocation and expected returns.

1. POLICY AND OBJECTIVE

1.1 Qualitative Objective: To ensure the university's endowment maintains its real, inflation-adjusted value while supporting annual budgetary goals for future generations that the current beneficiaries enjoy.

1.2 Spending Policy: The spending amount will be fixed within a range of 4.5 to 5.5 percent of the average endowment ending market values for twelve quarters with the last quarter being December 31 immediately prior to the new fiscal year..

1.3 Investment Objective: In order to reconcile both the overall qualitative objective and the spending policy, the endowment shall seek to earn (net of fees) a total return equal to the sum of inflation plus the spending rate.

2. DEFINITIONS

2.1 Endowment fund(s) - Combination of endowed funds plus quasi-endowed funds, including the principal/corpus amount and the retained earnings.

2.2 Endowed funds - Funds that have a donor imposed restriction that the donated funds (principal) are to be invested for the purpose of producing total return earnings. Unless specifically stated by the donor, the principal is to be maintained in perpetuity.

2.3 Quasi-endowed funds - Funds designated by the Board of Trustees to be invested for the long-term purpose of producing total return earnings, similar to endowed funds. The Board at its discretion may also reverse their decision to retain the funds in perpetuity. Quasi-endowed funds do not have a donor restriction regarding maintaining the principal.

2.4 Fund Account - A Fund account represents a distinct endowed/quasi-endowed fund which has terms and conditions prescribed by either the donor or the Board of Trustees.

2.5 Principal/Corpus - Principal/corpus represents the historical value of the original fund contribution portion of the Fund Account, which is invested to provide total return earnings.

2.6 Cash Return - Cash earned from investing that is not related to gains or losses such as interest, dividends, etc., less fees.

2.7 Total return earnings - Cash return plus realized gains plus unrealized gains.

2.8 Retained earnings - The cumulative difference between earnings from all sources (including gains and losses) and funds allocated for expenditure.

2.9 Asset Allocation - Asset allocation refers to the proportional distribution of funds to various investment categories.

2.10 Realized gain/loss - The difference between the proceeds received from the sale of an asset and the original cost of acquiring the asset.

2.11 Unrealized gain - The difference between the current market value of an asset and the market value of the same asset as of the previous valuation period.

3. GOVERNANCE AND FIDUCIARY RESPONSIBILITY

Endowment funds are to be invested in a manner which:

3.1 Generates total return earnings to benefit the general operations of the school and those specific programs for which endowment funds may be designated by the donor.

3.2 Grows the long-term principal of the Fund to preserve or enhance the real value of the Fund after adjusting for inflation.

3.3 Recognizes the fiduciary responsibility of the Board of Trustees for the protection of these funds for the long-term benefit of Golden Gate University. As such, a prudent investment approach is deemed appropriate for the school's endowment.

4. GOVERNANCE

4.1 Chief Financial Officer -Shall be responsible for reporting to the Investment Committee on a quarterly basis regarding the performance of the endowment portfolio. The CFO shall create endowment accounts as donations are received and assure that the proceeds are expended in accordance with donor specifications.

4.2 Investment Committee - Shall be responsible for recommending an investment policy for the Endowment Fund and shall implement policies and guidelines approved by the Board of Trustees. Specific oversight responsibilities shall include the following:

4.2.1 Recommend a long–term strategic investment plan for the Endowment. This includes evaluating and determining the risk tolerance of the Endowment and establishing and maintaining a long-term asset allocation policy consistent with the Endowment's long-term investment objectives, financial needs, and circumstances.

4.2.2 Review the portfolio performance with the Board of Trustees at least annually and shall recommend changes in policy for their concurrence as required

4.2.3 Recommend actions deemed appropriate to the management of the funds including, but not limited to the following:

4.2.3.1 Review endowment total return earnings, spending and gift acceptance policies;

4.2.3.2 Review investment objectives;

4.2.3.3 Review asset allocation of endowed funds;

4.2.3.4 Review performance of investments manager(s) and/or performance of funds that are not actively managed; and

4.2.3.5 Review custodial arrangements.

4.3 Board of Trustees - Shall have final approval authority in determining investment objectives and policies, selection of investment managers, or the allocation of funds that are not actively managed, and determining status of quasi-endowments.

5. GENERAL INTERNAL MANAGEMENT PROCEDURES

5.1 Funds

All endowed funds shall be pooled for investment purposes. All donations of marketable financial instruments to the endowment shall be converted to cash upon receipt and deposited into the endowment pool as soon as possible. Donations of real property shall be evaluated by the Development Committee to determine acceptance and appropriate disposition. In all cases, the university reserves the right to sell any stock, financial instrument or real property that is donated to the school.

The pooled endowment funds shall be unitized in accordance with generally accepted endowment accounting practice. Each addition to principal shall receive units in the Fund representing the market value of the gift expressed in a comparable unit value of the Fund on the date the gift is added to the Fund.

The unit value shall be determined monthly and used to distribute income in accordance with the Fund account restrictions and within the university's spending policy.

5.2 Establishing Endowed Fund

New Endowment Fund accounts shall be established by the Chief Financial Officer within the guidelines established in the University Gift Acceptance Policy. These new funds will be reported to the Board of Trustees through the Development Committee.

6. INVESTMENT POLICY

The Endowment Fund is to be invested in a portfolio of equities and fixed income securities, or option securities, managed by professional investment firm(s) and/or passively managed through direct investment in index funds or exchange traded funds (ETFs). It is not anticipated that funds will be invested in the securities of any specific, discrete company. Permissible investments which may include individual securities or pooled investment vehicles, and investment practices are as follows:

6.1 Domestic Equity - Must be registered with the Securities and Exchange Commission and traded on a nationally recognized exchange or over-the counter-market. Equities include common stocks, Real Estate Investment Trusts (REIT) and securities convertible into common stock of U.S.-based companies.

6.2 Fixed income securities - Shall consist of bonds and notes issued by the U.S. Government and its Agencies, U.S. Corporations non-U.S. based corporations and governments., mortgage and asset backed securities, and collateralized mortgage obligations (CMOs). The majority of fixed income securities must be Investment Grade at the time of purchase as defined by a Baa rating or better from Moody's or a BBB rating or better from S&P/Fitch. Below Investment Grade fixed income securities are allowed up to a maximum 20% of the fixed income allocation to the Fund.

6.3 Cash Equivalents – It is generally expected that each investment manager will remain fully invested in equity or fixed income securities; however, it is recognized that cash reserves may be utilized from time to time. Cash reserves shall be held in the custodian's money market fund, short-term maturity Treasury securities or other high quality money market instruments such as commercial paper rated A-2, P-2 or better.

6.4 International investments – Shall consist of sponsored and unsponsored American Depositary Receipts (ADR's) or American Depository Shares (ADS's) or other depository securities of non U.S. based companies traded in the U.S. Equities of foreign domiciled companies may also be purchased so long as the securities are registered with the Securities and Exchange Commission and are traded on a recognized national exchange or over-the-counter market.

6.5 Hedge Funds and Managed Futures - Represent a style that is different from traditional, long-only funds. A wider range of investment techniques, such as short selling and derivatives are used to achieve objectives. These investments are expected to have low correlations with other traditional investments in the portfolio and therefore help to diversify the overall fund and enhance risk-adjusted returns. Permissible investments will include fund of fund structures or direct investments in single funds. Single fund investments are understood to be more cost efficient, as they effectively eliminate a layer of fees incurred with the fund of funds structure. However, in some instances, due to considerations involving investment minimums and diversification goals, it may be appropriate to select a fund of funds structure.

6.6 Private Equity – Shall consist of non-publicly traded investments in domestic and international equity. Permissible investments include leveraged buyouts, venture capital, growth capital, special situations and mezzanine capital. The fund may also consider investments in Secondary Funds. These are funds that purchase existing partnership units from distressed sellers at attractive prices in exchange for liquidity. Secondary funds provide the ability to enhance vintage diversification.

6.7 Real Estate – In addition to publicly traded Real Estate Investment Trusts defined in paragraph 6.1, the Fund may also invest in non-publicly traded, equity-oriented investments in real properties. Permissible investments will include direct ownership through separate accounts or indirect investments in commingled funds or other forms of collective investment vehicles which own underlying real estate. Real Estate investments are intended to provide low correlation to other investments in the portfolio and therefore help to diversify the overall fund and enhance risk-adjusted returns.

6.8 Commodities – Are a desired element of the portfolio for their ability to serve as an inflation hedge, their relatively low correlation with U.S. equity returns and their ability to provide capital appreciation. Typically a portfolio will have exposure to metals (such as gold, platinum and copper) energy (such as crude oil and natural gas) and agricultural commodities (such as corn, soy and wheat.) It is permissible to invest in these types of commodities through ETFs or Managed Futures. The Fund will not take physical possession of any commodity.

6.9 Special Investments - Other types of investments are not permitted.

6.10 Leveraging or margining - Leveraging or margining the Fund shall be prohibited. Investment in selected derivatives or options is only permitted when used as a hedge against currency risk for investment in international securities.

6.11 Transaction Activity - Given the emphasis is on long-term performance, a high level of trading activity would be considered inappropriate.

6.12 Liquidity - Liquidity requirements will be represented by the university's defined spending policy.

6.13 Voting Rights - The fund manager is delegated full discretion to exercise all voting rights including but not limited to voting proxies. For securities not under active management the CFO will be delegated full discretion to exercise all voting rights including voting proxies.

6.14 Mutual Funds/Commingled Vehicles – To the extent that the Endowment Fund invests in mutual funds or commingled funds and this policy differs from the terms of the funds' prospectus or offering circular, the Investment Committee may elect to allow the terms of the prospectus or offering circular to govern, provided that such exceptions are infrequent and the investment methods are prudent and in the best interests of the university.

7. EXPECTATIONS

7.1 Asset Allocation Policy

The Endowment Fund shall be invested in appropriate mix of marketable fixed income, equity securities, and cash equivalents, which provide the best balance between above average investment returns (total returns) and minimum principal risk within the following ranges:

Asset Class	**Policy Range** (of total Endowment Fund)	
Equities	Min	Max
Domestic	20%	55%
International	5%	25%
Total Equities	25%	70%
Fixed Income		
US Fixed	10%	50%
Non-US	0%	30%
Total Fixed Income	10%	60%
Alternatives	0%	30%
Cash equivalents	0%	20%

7.2 Diversification Requirements

7.2.1 **Equities**- No more than 5 percent of the investment manager's equity portfolio at purchase. The maximum allocation to any single economic sector in a portfolio shall not exceed the greater of 25 percent of the market value of the investment manager's portfolio or 200 percent of the economic sector's weighting in the S&P 500 Stock Index, or the investment manager's primary equity policy index, if different.

7.2.2 **Fixed Income**- With the exception of U.S. Government and Agency securities, no more than 10 percent of the market value of the portfolio shall be invested in a single investment grade issuer or issue. Below investment grade fixed income securities of any single issuer or issue are limited to no more than 5 percent of the market value of the manager's investment portfolio. The dollar weighted duration of the fixed income portfolio should be within + or – 50 percent of the dollar weighted durations of the Barclays Aggregate Bond Index, or the investment manager's primary policy index, if different.

7.3 Fund Performance

It is desired that the Fund earn returns higher than its target benchmark on a risk adjusted basis over a full market cycle (typically defined as a three to five year period). The target benchmark is a blended benchmark ~~is~~ based upon the Fund's actual long-term strategic asset allocation and the applicable investment style. The following index benchmarks will be included in the blended benchmark:

7.3.1 **Equities** – As a benchmark for U.S. centric equities the S&P 500 index will be used. As a benchmark for International equities the MSCI EAFE index will be used.

7.3.2 **Fixed Income -** As a benchmark for the fixed portion of the portfolio the Barclays Aggregate Bond Index will be used.

7.3.3 **Hedge Funds –**The HFRI Fund of Funds index will be used as a benchmark for the non traditional assets in the portfolio.

7.3.4 **Cash** – The Citigroup 3 Month T Bill index will be used as the benchmark for cash.

8. PERFORMANCE EVALUATION AND GUIDELINES FOR CHANGES OR CORRECTIVE ACTION

As noted above, the Investment Committee will monitor the investment performance of the Fund on a quarterly basis. The goal of each investment manager shall be to earn a rate of return over a market cycle that exceeds its target index or peer group

that most closely corresponds to its style of investment management and agreed to by the Investment Committee. The Investment Committee will evaluate each investment manager's success in achieving its investment objective over at least a three-to five-year time horizon. The Investment Committee realizes that most investments go through cycles. Therefore, there may be periods of time in which the investment objectives are not met or when one or more investment managers fail to meet their expected performance targets.

While the Investment Committee recognizes the importance of a long-term focus when evaluating the performance of the Fund and its investment manager(s), it may require an extra level of scrutiny, including termination of an investment manager or change to the asset allocation mix, based on the following conditions:

8.1 **Diversification strategy-** As part of its overall asset allocation strategy, the Fund may utilize a multi-manager structure of complementary investment styles and asset classes to invest the Fund's assets, including direct investment in index mutual funds or exchange traded funds (ETFs).

8.2 **Rebalancing of Target Allocation**- The percentage allocation to each asset class may vary as much as plus or minus 5 percent depending upon market conditions. When necessary and /or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. If there are no cash flows, the allocation of the Fund will be reviewed quarterly.

8.3 **Legal/ Regulatory proceedings or material changes of the Investment Firm-** Any material legal or regulatory proceedings affecting the investment management firm, or any material event that affects the ownership or capital structure of the investment management firm, or the management of the Fund, will be considered. Failure on the part of the investment manager to notify the Fund or other material client servicing deficiencies may be grounds for termination.

8.4 **Investment performance**- An investment manager may be terminated for performance related to reasons that could include, but is not limited to, adverse performance comparisons to relevant benchmarks and peer groups or violations of investment policy.

8.5 **Other**- The investment manager may be replaced at any time as part of an overall restructuring of the Fund or for any other reason and in no way limits the discretion of the Board of Trustees to terminate an investment manager in accordance with any applicable investment management agreements.

The Investment Committee will report to the Board of Trustees its findings recommendation for changes, if applicable, for any of the items noted in 8.1 – 8.5 above.

Appendix A. **Asset Allocation Target**

Asset Class	**Target**
Equities	
Domestic	28%
International	17%
Total Equities	**45%**
Fixed Income	
US Fixed Income	23%
Non-US Fixed	07%
Total Fixed Income	**30%**
Alternative Investments	22%
Cash equivalents	3%

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GOLDEN GATE UNIVERSITY

Appendix B
Market Risk Table

Asset Allocation *	Historical Average Annual Return (1926 – 2008)	Real Historical Average Annual Return (1926 – 2008)	Number of Years with a Loss	Cumulative Return in 1973 - 1974	Cumulative Return 9/30/1987 - 12/31/1987	Cumulative Return 3/31/2000 - 9/30/2002	Cumulative Return 9/30/2002 - 12/31/2007	Cumulative Return 12/31/2007 - 12/31/2008
100% bonds	**5.51%**	**2.43%**	**13 of 83**	**-4.82%**	**5.81%**	**28.56%**	**26.12%**	**5.24%**
20% stocks and 80% bonds	**6.67%**	**3.55%**	**12 of 83**	**-12.89%**	**0.04%**	**10.61%**	**40.04%**	**-3.22%**
30% stocks and 70% bonds	**7.18%**	**4.05%**	**14 of 83**	**-16.80%**	**-2.85%**	**2.32%**	**47.41%**	**-7.44%**
40% stocks and 60% bonds	**7.66%**	**4.51%**	**16 of 83**	**-20.61%**	**-5.73%**	**-5.52%**	**55.06%**	**-11.67%**
50% stocks and 50% bonds	**8.10%**	**4.94%**	**17 of 83**	**-24.34%**	**-8.62%**	**-12.93%**	**63.00%**	**-15.90%**
60% stocks and 40% bonds	**8.49%**	**5.32%**	**21 of 83**	**-27.98%**	**-11.51%**	**-19.92%**	**71.23%**	**-20.13%**
70% stocks and 30% bonds	**8.85%**	**5.66%**	**22 of 83**	**-31.53%**	**-14.39%**	**-26.50%**	**79.76%**	**-24.36%**
80% stocks and 20% bonds	**9.16%**	**5.97%**	**23 of 83**	**-34.99%**	**-17.28%**	**-32.69%**	**88.60%**	**-28.59%**
100% stocks	**9.65%**	**6.44%**	**25 of 83**	**-41.65%**	**-23.05%**	**-43.92%**	**107.20%**	**-37.04%**
100% cash	**3.84%**	**0.80%**	**0 of 83**	**15.45%**	**1.45%**	**10.25%**	**16.08%**	**1.80%**

- For stock market returns, we use the Standard & Poor's 500 Index from 1926 to 1970, the Dow Jones Wilshire 5000 Index from 1971 through April 22, 2005 and the MSCI US Broad Market Index thereafter. For bond market returns, we use the Standard & Poor's High Grade Corporate Index from 1926 to 1968, the Citigroup High Grade Index from 1969 to 1972, the Lehman Brothers U.S. Long Credit AA Index 1973 to 1975 and the Barclays U.S. Aggregate Bond Index thereafter. For the returns on cash investments, we use the Citigroup 3-Month Treasury Bill Index.

Appendix C. Spending Policy Determination Procedure

1. The Chief Financial Officer and the President will propose a spending rate at the last meeting of the Finance & Operations Committee each fiscal year as part of the review and approval of the university's budget for the new fiscal year.
2. The Finance & Operations Committee will determine the payout percentage and amount to be included in the budget and presented for approval to the Board of Trustees at its final meeting of the fiscal year.
3. The Board of Trustees determines the annual endowment payout as part of the regular annual budget approval process.
4. All true endowment and similar funds (quasi endowment) invested in the pooled endowment fund are subject to the endowment payout policy.
5. The endowment payout policy requires the annual payout be within a range of 4.5 to 5.5 percent of the average ending market value of the endowment for the twelve quarter period ending December 31 of the calendar year immediately preceding the start of the new fiscal year.
6. The range formula is effective with the fiscal year beginning July 1, 2008 based on the average end-of-quarter endowment market value for the twelve quarter period ending December 31, 2007.