

Sacramento State Alumni Association

**INVESTMENT
POLICY
STATEMENT**

Amended and Approved:

May 2025

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SUMMARY
INVESTMENT POLICY STATEMENT

Sacramento State Alumni Association

<u>Client's Name:</u>	Sacramento State Alumni Association
<u>Portfolio Account Detail:</u>	Sacramento State Alumni Association Custodian Account x8674
<u>Investment Objective:</u>	Generate a return in excess of the blended portfolio benchmark over a complete market cycle
<u>Withdrawal Requirement:</u>	No planned withdrawals at this time.
<u>Time Horizon:</u>	Overall portfolio allocated with a long-term time-horizon in mind.
<u>Risk Tolerance:</u>	Moderate
<u>Target Return:</u>	Over the long-term, exceed the blended portfolio benchmark, net of fees with similar risk.
<u>Target Allocation:</u>	Balanced Strategy
<u>Evaluation Benchmark:</u>	The passive indices in similar weights to the target asset allocation.

INVESTMENT POLICY STATEMENT

Sacramento State Alumni Association

This policy statement outlines the assumptions and understandings under which Sand Hill Global Advisors, LLC. (the “Advisor” or “SHGA”) is to manage the capital account of Sacramento State Alumni Association (SSAA). The content herein has been composed based upon meetings with the Board of Directors and staff in which discussions covered SSAA’s goals, attitudes, expectations, risk tolerance, desires for liquidity, and present and future cash flow requirements.

It is agreed that the Advisor will meet with the SSAA Finance Committee on an as-needed basis to report on the status of the portfolio and to receive and provide information that will aid in the management of the portfolio. This investment policy statement supersedes any existing SSAA investment policy statement and will be reviewed at least annually as to its appropriateness given any significant changes in SSAA’s needs or in light of significant shifts in the economy or the investment markets. Day-to-day contact with SSAA will be made via the telephone and e-mail.

I. ACCOUNT CIRCUMSTANCES

The investments in this capital account represent a major asset Sacramento State Alumni Association, and as such, are intended to be managed in a manner that will promote their preservation and growth in excess of inflation over the long-term.

SSAA recognizes that while its primary commitment is to our fiduciary responsibility – our duty of care, loyalty and obedience – in the management of our assets, that we are committed to aligning our investment decisions with the mission and values of Sacramento State Alumni Association. We believe that both mandates – a commitment to our fiduciary responsibility and a commitment to the values of the University, if prioritized appropriately, can coexist in a reasonable and prudent manner.

As such, in the selection and management of investments, the organization may consider Environmental, Social, and Governance (ESG) factors alongside financial return and risk. This includes seeking to avoid direct investments in companies whose primary business activities are inconsistent with the organization’s mission (e.g., companies involved in tobacco, firearms, fossil fuels, predatory lending, or human rights violations), while considering investments that promote sustainability, diversity, community development, and ethical business practices.

Over time the committee will also consider excluding investments that do not support the CSU’s and/or Sacramento State’s mission statement, subject to cost, availability, access, and quality constraints. Accordingly, SSAA prohibits direct investment in fossil fuel (excluding broadly diversified mutual funds and ETFs) and will divest from current fossil fuel dominant commodity funds.

The organization will encourage Sand Hill Global Advisors as our investment managers and advisors to consider incorporating ESG criteria into their investment processes to the extent feasible and prudent, while adhering to the financial objectives of the portfolio.

II. INVESTMENT OBJECTIVES

SSAA seeks to achieve growth of the portfolio at a moderate rate in excess of inflation. Preservation of capital is an important consideration; therefore, portfolio volatility should be held similar to that of the evaluation benchmark as a whole.

1. Portfolio Return Objectives -

- **Total Portfolio Return:** Achieve a time-weighted, real rate of return of 3%, after fees and program costs, while adhering to our established socially responsible principles. This return will be pursued through a diversified and strategically integrated approach to investment management, providing an average annual return that will be measured over a complete market cycle which is defined as five years.
- **Blended Benchmark Return:** Over rolling five-year cycles, to achieve a return that exceeds the Blended Benchmark, net of fees with similar risk, with the understanding that from time to time, the performance of certain socially responsible investment vehicles may deviate from such established indices.

2. **Portfolio Risk Tolerance** - The risk to the portfolio must be moderate, since the portfolio provides a source of funds that allows SSAA to perpetuate its mission.

3. **Withdrawal Requirements** - No planned withdrawals. The SSAA staff will provide Sand Hill Global Advisors with guidance in this area.

4. **Time Horizon** - Overall portfolio will be allocated with a long-term time-horizon in mind.

5. **Tax Considerations** - None, since this organization is tax exempt.

6. **Illiquidity** - The overall portfolio should maintain daily liquidity.

III. POLICY & ASSET ALLOCATION

1. **Diversification** - Given the objective for moderate risk with growth, the portfolio will be managed as a diversified portfolio. We believe that diversification of assets is sound investment policy and that allocation of assets across various sectors as well as types of securities will minimize risk while improving performance. Accordingly, Sand Hill Global Advisors will at no time invest more than 15% of the portfolio with a single active fund family. Additionally, Sand Hill Global Advisors shall at no time invest more than 10% (at cost) with a single active fund.

Investment Vehicles - The portfolio's investments will be allocated over various asset classes, through pooled or commingled investment accounts (mutual funds and index funds), that might include domestic and international equities, bonds, real estate, alternative investments, and cash or cash equivalents. With each asset class, Sand Hill Global Advisors will weigh factors including performance history, team stability, portfolio impact, expense, market efficiency, liquidity, transparency of information, diversification and mission to determine investments in SSAA's best interests.

2. Asset Allocation:

	<u>Bottom Range</u>	<u>Target</u>	<u>Top Range</u>
TOTAL EQUITY	42%	56%	68%
TOTAL FIXED INCOME	20%	30%	40%
REAL ASSETS	0%	4%	8%
ABSOLUTE RETURN	0%	8%	15%
CASH/CASH EQUIVALENTS	0%	2%	15%

- Generally, the allocation will be within the ranges shown above; however, SHGA is permitted to have a more defensive position that may result from significant cash inflows. Additionally, SHGA will seek the approval of the SSAA Finance Committee whenever deviating the targeted strategy in excess of 10 points of risk, as defined by the combined weight of equities and real assets.

- 3. Rebalancing:** The portfolio will be reviewed regularly by SHGA and rebalanced whenever the weighting of a major asset class deviates or a tactical opportunity presents itself.

IV. INVESTMENT GUIDELINES

Sand Hill Global Advisors, LLC. will utilize an appropriate combination of index funds, mutual funds and ETF's as well as specialized third party, commingled funds or mutual fund alternatives to implement the asset allocation. Third-party offerings will be used to enhance the portfolio's diversification in certain asset classes that require specialized expertise or where liquidity may be limited. In each case, the potential for added value, institutional share class fees and cost effectiveness will be a major consideration. Such categories will include passive strategies such as index funds or exchange-traded funds (ETFs), and active strategies such as international, emerging markets or REIT mutual funds.

1. Individual Equity Securities in the Direct Account:

- SSAA will not utilize individual equity securities in its investment allocation.

2. Individual Fixed Income Securities in Direct Accounts;

- With the exception of U. S. Government securities and Federal Government Agency securities, no more than 10% at cost of the portfolio may be invested in the securities of a single issuer.
- Corporate issuers will be U. S. or multinational corporations.
- Up to 10% of the total account may be invested in below investment grade securities, commonly referred to as “high yield debt”, or its risk equivalent but only through adequately diversified investment vehicles.

3. Commingled Funds, Mutual Funds and Index Funds:

- The fund selection process will incorporate criteria such as investment style and process, experience of the investment team, organizational stability and performance analysis such as long-term, risk-adjusted returns, manager tenure, relative performance in up and down markets, consistency of management style, and relative expense ratios. Special care will be taken in the selection of the appropriate type of security or class of shares to minimize the expense ratio and transaction costs. When appropriate, negotiations will occur with custodians for the waiver of loads, minimums, and transaction fees.

The fund selection process will consider investments that support Sacramento State Alumni Association’s mission statement, subject to performance history, team stability, portfolio impact, cost relative to similar active and passive funds, liquidity, availability, access, and in consultation with the SSAA Finance Committee.

4. Real Estate:

- The real estate portion may be comprised of private & publicly held real estate investments.

5. Alternative Investments:

- Alternative investments will be broadly defined, but not limited to, as investments in absolute return funds, gold, real return strategies, venture capital, private equity, and other hedged investment vehicles. These categories are to be implemented only through diversified investment vehicles. In the case of absolute return private partnerships, the diversification should be achieved through a “fund of funds” approach.
- Investments in fossil fuel dominant commodity funds are prohibited.

6. Cash/Cash Equivalents:

- Cash equivalent positions will be instruments with ratings of A-2, P-2 or higher. U.S. Treasury Bills, Eurodollar Certificates of Deposit, time deposits, money market funds, and repurchase agreements are acceptable instruments.

V. BROKERAGE AND PROXY POLICY


- All transactions effected for SSAA will be “subject to the best price and execution.” Securities and cash will be held in custody at Fidelity Investments.
- Proxy voting has been delegated to SHGA. SHGA has retained Broadridge to vote proxies in the best interest of the shareholders.

VI. CONTROLS AND MONITORING

The SSAA Finance Committee will monitor the total portfolio performance as follows:


1. **Quarterly Reviews** – The SSAA Finance Committee will review the investment performance of SHGA and the individual managers (retained by SHGA) in the portfolio with respect to the risk and return objectives established for SSAA. The review may include topics such as overall business management, organizational changes and other relevant factors.
2. **Watch list** – In the event that any individual manager is significantly underperforming over the long-term, SHGA will maintain a higher level of oversight and may put the firm on a watch list.

Prepared By:

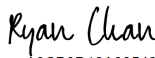
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 Vice President of Finance, Sacramento State
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Date: 6/16/2025

APPENDIX

1. Benchmark Composition

The Blended Benchmark will be used for the total portfolio review and to review SHGA. Individual asset classes will be reviewed using the indices most appropriate and assigned to each manager or investment style.

The Blended Benchmark is composed as follows:

<u>Asset Class</u>	<u>Index</u>	<u>Weight</u>
Equity		
Domestic Large Capitalization	S&P500 Index	32%
Domestic Small Capitalization	Russell 2000 Index	10%
Foreign	MSCI All-Cap World Index excl. USA	14%
Fixed Income	Bloomberg US Aggregate Index	30%
Real Estate	NAREIT Index	4%
Absolute/Real Return Strategy	Bloomberg US 1-3 Year AGG Index	8%
Cash/Cash Equivalents	U.S. T-Bill 30-day Index	2%

APPENDIX

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EQUITY MARKET INDICATORS

The market indicators included in this report are regarded as measures of equity or fixed-income performance results. The returns shown reflect both income and capital appreciation.

Russell 2000 Index is composed of the 2000 smallest stocks in the Russell 3000 Index, representing approximately 11% of the U.S. equity market capitalization.

Standard & Poor's 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is capitalization-weighted, with each stock weighted by its proportion of the total market value of all 500 issues. Thus, larger companies have a greater effect on the index.

FIXED-INCOME MARKET INDICATORS

Bloomberg US Aggregate Bond Index is a combination of the Mortgage-Backed Securities Index and the intermediate and long-term components of the Government/Credit Bond Index.

INTERNATIONAL EQUITY MARKET INDICATORS

Morgan Stanley Capital International (MSCI) All Cap World Index (ACWI) Ex-US Index is composed of approximately 6,000 equity securities representing the stock exchanges of Europe, Australia, New Zealand, the Far East and Emerging Market nations capturing 99% of the global investable market outside of the US. The index captures large, mid and small-cap companies. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

OTHER INDICES

National Association of Real Estate Investment Trusts (NAREIT) Index is the only REIT index to include all REITs currently trading on the New York Stock Exchange, the NASDAQ National Market System and the American Stock Exchange. It is also the first index to include monthly historical statistics from 1972. It is often used as a publicly traded approximation for the illiquid private real estate market.

Bloomberg US 1-3 Yr Aggregate Bond Index is a combination of the Mortgage-Backed Securities Index and the shorter duration components of the Government/Credit Bond Index.

U.S. T-Bill 30-day Index is the benchmark used to measure cash. It is also considered to be the “risk-free rate” for purposed of performance measurement.