ENDOWMENT INVESTMENT SUMMARY FOR QUARTER ENDING SEPTEMBER 30, 2016

INVESTMENT PHILOSOPHY

The purpose of this statement is to establish clear investment policies and objectives of managing assets that the CSU Channel Islands’ Foundation Board of Directors can understand, the Finance and Investment Committee can use as a goal to monitor against, and the Foundation’s investment advisors can use for guidance. This statement is flexible to allow for changing economic conditions, for evaluating investment performance, and policy procedures.

The objective is to promote growth in the investment funds sufficient to offset normal inflation as measured by the Higher Education Price Index (HEPI), plus ensuring reasonable spending, thereby preserving the constant-dollar and principal for future generations, operating cash and reserves, while producing market-level income. The minimum total-return objective for the Permanently Restricted Endowment Net asset class shall be HEPI plus 5%. The Investment Policy will be submitted to the Foundation’s Board of Directors periodically for review and recommended changes. Review will occur at a minimum of once every three (3) years.***

Portfolio Funds

| Domestic Equity Composite: | 35.2% |
| International Equity Composite: | 19.5% |
| Total Fixed Income | 24.0% |
| Alternatives | 18.7% |
| Cash | 2.5% |

Asset Allocation Policy as Defined by the Foundation Board

$13,415,913 as of September 30, 2016

Endowment Performance *

For period ending September 30, 2016

Portfolio Funds

Domestic Equity Composite:
- Diamond Hill Large Cap
- Schafer Cullen: High Dividend Value Equity
- Saratoga RIM: Large Cap Quality
- Wedgewood Partners: Large Cap Focused Growth
- Vaughan Nelson: Small Cap Value

International Equity Composite:
- Amer. Funds EuroPacific Growth Fund
- IVA International I
- Lazard Emerging Markets Equity

Fixed Income Composite:
- Western Asset Core Bond I
- BlackRock Strategic Income Opps Instl
- Legg Mason B W Global

Alternative Composite:
- Victory Global Natural Resources
- Voya Global Real Estate I
- ABS Alpha Ltd
- Wells Fargo Advantage Absolute Ret Instl

*Endowment performance of individual funds may vary from the total pool return due to the timing of contributions. CI performance is net of funds.

**Declines in market could result in reduction of the spending or distribution rate.
ENDOWMENT INVESTMENT SUMMARY FOR QUARTER ENDING SEPTEMBER 30, 2016

FINANCE & INVESTMENT COMMITTEE MEMBERS

Douglas McRae, Finance Committee Chair  
Financial Consultant

George Leis, Foundation Board Chair, Ex Officio Member  
Regional President, Central Coast Division, Union Bank

Christine Garvey, Member  
Board of Directors, Union Bank

Lon Morton, Member  
President/CEO, Morton Capital Management

Lois Rice, Member  
Retired, Bank Executive

Peter Wollons, Member  
President & CEO, Airborne Technologies, Inc.

Ysabel Trinidad, Chief Financial Officer  
Vice President for Business & Financial Affairs, CSU Channel Islands

Nichole Ipach, Committee Officer  
Vice President for University Advancement, CSU Channel Islands

To ensure impartiality, it is the policy of the CI Foundation that no member of the Finance and Investment Committee manage any part of the asset allocation or receive any compensation for advice.

RECENT FINANCE & INVESTMENT COMMITTEE ACTIONS

Q3-2016
The Committee is recommending a separate Environment/Social/Governance portfolio for the Board's approval. Further recommendations to the Board will be to approve the continuation of the 3% spend rate and to move forward with revisions to the Investment Policy Statement. These revisions include the replacement of REITs, natural resources and hedgefund verbiage with "Alternatives" to enable investment flexibility.

Q2-2016
In April, in order to reflect the Committee's activities, the Committee name changed to the Finance & Investment Committee. A 3% spend rate was factored into the Foundation's proposed 2016-17 fiscal year budget. The Committee is researching the creation of a Socially Responsible Investment fund; this will be discussed during the August 9, 2016 Committee meeting.

Q1-2016
During the Committee's February meeting, the Committee discussed the portfolio's energy exposure; overall the exposure is moderate. Rabobank, which has fiduciary responsibility for the Lagomarsino CRAT, sent their representative, who provided investment updates. Overall, endowment returns are in line with other universities, down by 2.3%, which aligns with the CSU average.

Q4-2015
The spending rate trend is decreasing nationally, although schools with endowments of less than $25 million have increased their spending rate, while CI's current rate is at 4%. Discussion continued about the CSU system-wide historical returns. CI returns are average as they relate to the system.