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UCSF Foundation
Investment Guidelines for the Endowed Investment Pool

I. General

Appropriate investments shall be made from those authorized below, and will generally be held in separate accounts, commingled funds or mutual funds. Separate accounts are expected to comply with the guidelines specified for each asset class below. Investments in mutual funds, commingled funds or private partnerships are governed by the investment policies and restrictions which are outlined in the prospectus/offering documents for each investment vehicle. Before investing in any such vehicle, the Foundation will have reviewed these documents and determined that the restrictions in place are appropriate given the manager's investment strategy.

II. Restriction on Securities Issued by Tobacco Companies

The purchase of securities issued by tobacco companies is prohibited in separately managed accounts. The Foundation defines a tobacco company as one which derives its revenues from the manufacture and distribution of tobacco products or, if a diversified company, that no other business line contributes more revenues or earnings than tobacco products.

III. Restrictions on Securities of Companies with Business Interests in the Sudan

The purchase of securities that the UC Regents have identified as those that engage in business with the Government of Sudan is prohibited in separately managed accounts.

IV. Asset Allocation

The following asset allocation policy will apply*:

	Target	Range	Asset Class Benchmark
Equities - Domestic	22.5%	10.0% - 30.0%	Russell 3000
- International	22.5%	10.0% - 30.0%	MSCI ACW x/US
Hedge Funds	20.0%	10.0% - 30.0%	HFRI Fund-Weighted Composite
Private Equity	7.5%	2.5% - 17.5%	S&P 500 + 7%
Real Estate	6.25%	2.5% - 15%	NCREIF Property Index
Hard Assets	6.25%	2.5% - 15%	Dow Jones-UBS Commodity Index
Fixed Income & Cash	15.0%	10.0% - 40.0%	Custom Benchmark **

* The Foundation may elect to allocate up to 10% of its assets to opportunistic investments. These are investments that may not be easily categorized using the categories listed here. Opportunistic investments are intended to enhance the overall portfolio's returns within the risk profile defined by the targets above.

** Custom Benchmark consists of 60% Barclays Aggregate, and 40% Citigroup World Government Bond Index.

Sections V through VIII below provide a brief review of the rationale for holding each of the portfolio's major asset classes along with the Foundation's investment restrictions/guidelines for that class. Please note that the Investment Committee may elect to waive restrictions when it is determined that a restriction is likely to reduce a manager's ability to effectively contribute to the Foundation's overall results through time.

V. Equities

Equities are held to provide long-term capital appreciation in order to facilitate the generation of a growing spending stream, and to diversify the Fund. It is recognized that equity investments will have greater return variability than fixed income and some alternative investments. Therefore, the potential for and magnitude of short term losses will be greater.

1) The portfolio will be diversified according to economic sector, industry, number of holdings and other investment characteristics. However, it is recognized that any actively managed portfolio will not be as diversified as the market. To produce overall diversification, equity managers will be selected to employ different management strategies that together achieve the desired degree of diversification.

2) No more than 10% at cost or 20% at market of a single manager's portfolio may be held in the securities of one issuer.

3) Short selling of securities is prohibited.

4) For Non-US or Global managers, securities must be held in a minimum of five countries at all times in a manner that provides sufficient diversification. Managers are permitted to utilize currency hedging strategies although the Foundation accepts the additional risk associated with non-Dollar currency exposure and has adopted an un-hedged benchmark for this segment of the portfolio.

5) Derivative instruments such as financial futures and options may not be used without the prior approval of the Foundation's Investment Committee.

VI. Fixed Income

The primary purpose of fixed income is to provide liquidity, generate income and to maintain overall diversification. The Foundation's portfolio will consist primarily of marketable, publicly traded, investment grade fixed income instruments.

1) The duration of the portfolio should be between three and six years.

2) The fund may invest in the following classes of fixed income securities:

    a) Bonds or notes issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the US Government

    b) Mortgage-backed securities

    c) Corporate bonds issued in the U.S. and denominated in U.S. dollars

    d) Asset-backed securities

    e) Non-US bonds or notes issued by either foreign governments or corporations

    f) Securities issued under SEC Rule 144A

    g) Debt of MLPs, LPs and their subsidiaries

3) All securities must be rated at least B-/B3 or equivalent at the time of purchase. Managers shall use the middle of the Moody's, Standard & Poor's and Fitch ratings to determine compliance with quality guidelines, the lower of two ratings if only two rating agencies assign ratings, and the rating provided if only one rating agency assigns a rating. Managers may also purchase securities that are unrated, if deemed to be of suitable quality for the portfolio. In this case, the Manager shall assign an internal rating for purposes of determining compliance with the Guidelines.

4) Up to 20% of the portfolio's duration weight may be held in below investment grade securities.

5) Up to 50% of the Foundation's aggregate fixed income portfolio's duration weight may be held in the securities of foreign issuers.

6) No more than 5% at market of the portfolio may be held in the securities of a single corporate issuer. This restriction does not apply to securities issued by the U.S. Government or a U.S. Government Agency backed by the full faith and credit of the U.S. Government. The 5% limitation also does not apply to securities issued by other governments who carry an investment grade rating.

7) Derivative instruments may be utilized by the manager in order to obtain more efficient exposure to a specific type of security. However, at no time, may derivative instruments be used to leverage the portfolio. In addition, it is expected that a manager will have thoroughly tested the behavior of the derivative instrument under a variety of market conditions before purchasing the instrument for the portfolio.

VII. Alternative Investments

In order to enhance portfolio results, the Foundation may elect to invest in alternative investment strategies such as hedge funds, real assets or private equity. These asset classes are useful in that they expand the opportunity set of potential investments and strategies that can be implemented within the Foundation's portfolio. When executed by talented managers, it is expected that the these investments will produce some combination of return enhancement while also stabilizing year to year returns via a reduction of total portfolio volatility.

At this time, the Foundation's alternative investment portfolio consists of private partnerships whose investment policies and restrictions are outlined in the prospectus/offering documents for each investment vehicle. Before investing in any such vehicle, the Foundation will have reviewed these documents and determined that the restrictions in place are appropriate given the manager's investment strategy. This will include a solid understanding of the manager's strategy as it relates to the use of leverage, derivative instruments, overall risk control and ability to produce strong performance relative to the level/types of risks assumed.

VIII. Cash & Equivalents

The Foundation will generally hold some cash in its portfolio and seeks to achieve safety of principal, daily liquidity and a competitive return. Cash investments are held in money market mutual funds whose investment policies and restrictions are governed by prospectus.

Nevertheless, the Foundation has elected to invest in funds which in general operate with the following restrictions in place.

1) The primary objective is to maximize current income, to the extent consistent with the preservation of capital and liquidity and the maintenance of a stable $1.00 per share net asset value by investing in dollar-denominated securities.

2) Investments consist primarily of high quality money market instruments, including:

   a) US Treasury bills, notes and bonds

   b) Obligations issued or guaranteed as to interest and principal by the US Government, its agencies

   c) Instruments of US and foreign banks, including certificates of deposit, banker's acceptances and time deposits

   d) Commercial paper of US and foreign companies with a rating of A1/P1

   e) Asset-backed securities rated no less than AAA

   f) Corporate obligations of US and foreign companies rated no less than AAA

3) Investments will generally consist of securities with maturities of one year or less.

IX. Deposits/Withdrawals

Cash deposits and withdrawals will be managed by the Director, UCSF Foundation Business Office in accordance with the asset allocation strategy articulated in this Investment Policy Statement, and also adhering to any further instructions provided by the Investment Committee at quarterly meetings. Any investments or liquidations will be made in consultation with the Investment Consultant or the Investment Committee Chair.

Deposits or withdrawals in excess of 5% of the portfolio value require consultation with the Investment Committee Chair.

X. Funds Functioning As Endowments

Funds functioning as endowments would only be invested alongside the current endowment to the extent that the Investment Committee believed the expected drawdowns would not be inconsistent with the structure of the endowment portfolio.

XI. Payout Policy

A portion of the Endowment Pool will be expended annually. The amount of the distribution will be determined by the Payout Policy of the Foundation, modified by donors' wishes where applicable.

The Foundation payout policy guideline is to distribute 4.75% of the 36 month rolling average unitized market value of the Endowment Pool. The payout will not exceed 6% nor be less than 3.5% of the ending market value on the last day of the fiscal year for which it is being calculated. The payout will be reviewed annually, which may result in modification. In determining the annual payout, the Foundation will consider factors such as stability of fund flows to operations and preservation of endowment principal, in addition to the guideline formula.

The payout will be distributed once a year following the close of the fiscal year. Undistributed income and gains from investment activities are reinvested into the Endowment Pool.

XII. Performance Review

Investment performance shall be evaluated quarterly, utilizing appropriate benchmarks.

The endowment portfolio is expected to exceed the total return of the following indices over a complete market cycle:

Total endowment policy – 80% Russell 3000, 20% Barclays Aggregate

The Endowment Policy Composite which is currently defined as follows:

Asset Class	Weight	Market Index
US Equities	22.5%	Russell 3000
Non-US Equities	22.5%	MSCI All Country World x/USA
Fixed Income	15.0%	Custom Benchmark*
Hedge Funds	20.0%	HFRI Fund-Weighted Composite
Real Estate	6.25%	NCREIF Property Index
Hard Assets	6.25%	Dow Jones-UBS Commodity Index
Private Equity	7.5%	S&P 500 + 7%

* Custom Benchmark is 60% Barclays Aggregate, and 40% Citigroup World Government Bond Index.