The objectives of GIPS are:

1. To obtain worldwide acceptance of a standard for the calculation and presentation of investment performance in a fair, comparable format that provides full disclosure.
2. To ensure accurate and consistent investment performance data for reporting, record keeping, marketing, and presentations.
3. To promote fair, global competition among investment management firms for all markets without creating barriers to entry for new investment management firms.
4. To foster the notion of industry “self-regulation” on a global basis.

Conflicts of Interest

Tower Foundation fiduciaries are expected to uphold the highest ethical standards, to conduct themselves with professionalism and dignity, to observe and respect all legal requirements, and to carry out the investment activities in order to promote the best interests of the Tower Foundation.

The fiduciaries are obligated to conduct investment business according to prudent person standards and to disclose or report any conflict of interest which, in their estimation, will hinder judgment or compromise Tower Foundation interests.

The fiduciaries and agents are expected to be generally knowledgeable and observant of current applicable professional standards established by UPMIFA, CFA Institute, and by those established in the future.

The CFA Institute’s Standards of Professional Conduct address the following:

Professionalism
Integrity of the capital markets
Duties to clients
Duties to employers
Investment analysis and recommendations
Conflicts of interest

Investment Objectives

The Endowment Fund will employ a total return investment policy with the objective of preserving the endowment’s capital, protecting the purchasing power of the funds, and providing cash flows to assist in the funding of the Tower Foundation’s spending goals. With these objectives in mind, the Foundation will have the following long-term risk and return objectives:

Return: The return objective for the total fund will be to outperform a benchmark made up of 80% MSCI ACWI and 20% Bloomberg Barclays Capital US Aggregate Bond Index over a complete market cycle.

Risk: The total portfolio should experience similar risk as measured by the annualized standard deviation of a benchmark made up of 80% MSCI ACWI and 20% Bloomberg Barclays Capital US Aggregate Bond Index over a complete market cycle.

The Tower Foundation of San José State University will from time to time adjust the permitted

The purpose of equity security investments, both U.S. and non-U.S., is to provide capital appreciation, growth of income, and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of loss.

Fixed Income

The purpose of fixed income investments, both U.S. and non-U.S., is to provide diversification, and a predictable and dependable source of current income. It is expected that fixed income investments will not be solely dedicated to the long-term bond market but will be flexibly allocated among maturities of different lengths according to interest rate prospects. Fixed instruments should reduce the overall volatility of the total portfolio and provide a deflation hedge.

Alternative Investments

The purpose of using alternative investments is to provide an alternative source of return from that of the public capital markets and to potentially reduce the volatility of the overall portfolio by way of further diversification. Alternative investments may also provide a source of return above the public capital markets. Alternative investment strategies are defined as investment programs that offer the portfolio access to strategies with a lower relative correlation to the public equity and/or fixed income markets.

If an asset class is out of the acceptable range, that asset class will be rebalanced to the target weighting. As a general rule, any cash flows in or out of the portfolio will be used to rebalance the total fund in accordance with target asset allocation guidelines.

The process of rebalancing may be implemented over the course of more than one quarter to ensure the most efficient timing around purchases and sales.

Manager's Investment Objectives and Guidelines

The Investment Manager shall have complete discretion in the management of the assets subject to the guidelines set forth herein.

Manager Guidelines - All Asset Categories

Mutual funds, commingled funds, or limited partnerships may be used in any category. When one is selected, however, it is expected that the funds will, in general, comply with the Guidelines stated for each asset category. No fund may be used without approval of the

The average portfolio quality for all US core fixed income managers shall be BBB-/Baa3 or better, as measured by Standard & Poor’s, Moody’s or Fitch, with a maximum allowable exposure of 25% in below investment grade securities. Sector specific or other fixed income managers and strategies may extend this limit with the approval of the Committee. Quality and obligations should be emphasized over maximum return in all short-term cash investments. Investment Managers will have discretion as to the types of obligations used except that all commercial paper obligations purchased must have minimum respective ratings of P-2 by Moody’s, A-2 by Standard & Poor’s, or F-2 by Fitch.

At a minimum, 75% of the total fixed income portfolio will be rated investment grade or higher (BBB- by S&P or Baa3 by Moody’s). Deviation from this range is allowed with the approval of the Committee.

All fixed income Investment Managers in this category are expected to outperform the appropriate index on an after fees basis over rolling three- to five-year periods, as well as the median manager in an appropriate universe.

US Equity Guidelines

If a separately managed portfolio is selected for the US Equity allocation, the following guidelines will apply. If a commingled or mutual fund is selected as the investment vehicle, the portfolio guidelines in the fund prospectus should generally comply with the overall nature of the restrictions listed below, unless approved by the Committee.

Subject to limitations noted below, Investment Managers may invest in equity securities listed on the principal U.S. exchanges or traded in the over-the-counter markets, including American Depository Receipts ("ADRs").

period (or for shorter periods as may be appropriate). In addition, each Investment Manager will be evaluated relative to their stated investment style and will be expected to better than the median manager in the appropriate universe.

Review and discussion of any changes in economic conditions, investment manager issues, policy guidelines, or situations that might affect the performance.

Annually, the Consultant will review the Policy and will recommend any appropriate changes. The Consultant will, as appropriate, provide asset allocation studies as well as screen and introduce alternative investment management firms or strategies.

Proxy Voting

All individual Investment Managers shall be responsible for voting the proxies of their portfolio holdings. Investment Managers shall be required to provide a detailed analysis of all voting activities on an annual basis (calendar year). Investment Managers should vote all proxies to the best of their abilities to increase shareholder value.

Investment Manager Communication

The Tower Foundation requires that each Investment Manager be responsible for preparing thorough quarterly account statements as well as a summary of all activity. The statements will include:

Purchases and sales - type of security, number of shares, and price per share.
Assets - type of security, number of shares, market value.
Income receipts - both equity and fixed income.
Bond market values and accrued income.
Fees and/or commissions

Each Investment Manager is required to be available to meet with the Investment Committee on an annual basis. Investment Managers are required to inform the Tower Foundation in writing and within 10 days of any change in firm ownership, organizational structure, professional, personnel, or fundamental investment philosophy.

Investment Manager Termination

Investment Managers may be terminated or put on watchlist at the discretion of the Consultant and with the approval of the Committee at any time.

Investment Managers may be placed on watchlist if any of the following occur:

Significant out performance or under performance for any quarter relative to benchmark and peers
Trailing three-year performance falls below the designated benchmark
Trailing three-year performance falls below the median investment manager in their particular peer universe
Ownership structure changes
Any turnover of key investment decision makers
Changes in investment process or philosophy including investment style drift
Investment guideline violation

Once an investment manager is placed on watchlist, the Consultant shall provide an in-depth analysis of the firm with particular attention to pertinent issues that caused the firm to be placed on watchlist. Consultant shall conclude this analysis with a specific recommendation to the Committee. If appropriate, a special meeting shall be held to discuss the status of the Investment Manager.

Transaction Guidelines

All transactions should be entered into on the basis of best execution (*best realized net price*). Notwithstanding the above, reasonable commissions may be directed for payment of services rendered in connection with the day-to-day management of assets.

Fund Oversight

The Committee will monitor the Fund on a continual basis for consistency of investment philosophy, return relative to objectives, and investment risk. Risk will be evaluated as a function of asset concentration, exposure to extreme economic conditions, and performance volatility. The Committee will normally review the Fund's asset allocation, manager team, and performance quarterly in order to evaluate diversification and progress toward long-term objectives. The Committee will evaluate the Investment Managers' total return without regard to whether the return was in the form of income or capital appreciation. While short-term results will be monitored, it is understood that the objectives for the Fund are long-term in nature and that progress toward these objectives will be evaluated from a long-term perspective.

Although Investment Managers' investment performance will normally be evaluated over rolling three- to five-year periods, the Committee will evaluate each Investment Manager periodically in order to establish that the factors that led to initial performance expectations remain in place and that each Managers' philosophy is appropriate for the Fund's overall objectives.

It is expected that the committee will provide each separate account Manager with a set of mutually agreed-upon guidelines. In the case of investments made in commingled or mutual funds, the Consultant will summarize the investment strategy and performance objectives for each commingled/mutual fund in which the Fund is invested. Subject to such guidelines and the usual standards of fiduciary prudence, Investment Managers will then have complete discretion over the funds.

If a Manager of a separate account believes that any policy guideline inhibits his or her investment performance, it is his or her responsibility to communicate this view in writing to the Consultant.

The Committee acknowledges that, if it elects to invest in a commingled or mutual fund, the policies established for such fund will govern and may not comply fully with policies established for the Fund. The Consultant and Committee will periodically review the policies of any commingled/mutual fund investment to determine if they are appropriate for the Fund.

At its sole discretion, the Committee may terminate any Manager at any time if it determines, for whatever reason, that the Manager is no longer appropriate for the Fund.

The Committee will periodically review the related services provided to the Tower Foundation, including custodial services, performance evaluations, and consulting.