



**CALIFORNIA COMMUNITY FOUNDATION**

INVESTMENT POLICY STATEMENT FOR THE

CONSERVATIVE BALANCED POOL

*ADOPTED BY THE INVESTMENT COMMITTEE  
MARCH 4, 2021*

The purpose of this Investment Policy Statement is to set forth the goals and objectives of the California Community Foundation (the "Foundation"), and to establish guidelines for the implementation of investment strategy for the Foundation's financial assets which are invested for intermediate-term total return and which the Committee has designated as the Conservative Balanced Pool ("the Pool"). The Pool is comprised of permanent funds and donor advised funds. The Foundation recognizes the potential for highly fluctuating withdrawal amounts from donor advised funds.

This Investment Policy Statement shall become effective upon adoption by the Investment Committee (the "Committee") of the Foundation. The Committee recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Foundation. As such, the Committee will develop and implement this Investment Policy Statement with the following goals in mind:

- To clearly and explicitly establish the objectives, policies and constraints that govern the investment of the Conservative Balanced Pool assets,
- To protect the financial health of the Foundation through the implementation of this stable long-term investment policy.

## **I. California Community Foundation Goals**

The Foundation is a nonprofit grant making foundation benefiting a wide variety of community-based nonprofit organizations throughout greater Los Angeles County. The Committee of the Foundation views the assets held in the Pool as designed for short-term purposes. The Committee is also cognizant of the Foundation's central philanthropic purpose, which is to be consistently responsive to the current and changing human needs of greater Los Angeles County.

The Committee may choose a corporate custodian, trustee and/or investment counsel to provide services necessary to perform its obligations as set forth in the policy statement.

## **II. Responsibilities of the Foundation Representatives**

### **A. The Investment Committee**

The primary fiduciary responsibilities of the Committee with respect to the oversight of the investment portfolio are to:

- Consider the advice provided by professional advisors and act accordingly;
- Establish and approve a Policy Statement and periodically review that statement, either annually or following changes made to the Foundation, for continued accuracy and completeness;
- Prudently diversify portfolio assets to meet an agreed upon risk/return profile;
- Prudently select investment strategies, monitor the strategies, and the performance of the accounts under management; and
- Review all investment, record keeping and administrative expenses associated with the accounts.

### **B. The Foundation Staff**

The Foundation Staff shall assist the Committee in execution of its decisions and work with the Investment Consultant to monitor the Foundation's portfolio and its Investment Managers. The specific duties and responsibilities of the Foundation Staff include:

- Monitor all service providers;

- Provide input on investment matters including asset allocation issues, Investment Manager hiring, and performance reviews;
- Coordinate all investment activity such as portfolio rebalancing, subscription documents, distributions and capital calls; and
- Manage portfolio operations including manager reporting, cash management, and compliance-related issues.

### **C. The Custodian Bank**

The duties and responsibilities of the financial institution responsible for safeguarding Foundation assets (the “Custodian Bank”), include:

- Cash management, including daily sweep of idle cash, interest and dividend collections, coordinating cash availability for working capital drawdowns based on instructions from the Foundation Staff;
- Processing of Investment Manager transactions;
- Monitoring and processing and/or reporting applicable class action settlements;
- Accounting for separate account Investment Manager transactions, holdings, and pricing;
- Providing consolidated monthly custody statements showing all investments sorted by Investment Managers' accounts, either by hard copy or electronically as requested, in a timely fashion;
- Working with the Investment Consultant, Investment Managers, and the Foundation Staff to ensure accuracy in reporting;
- Researching transaction information as requested by the Foundation Staff;
- Notifying Investment Managers of proxies, tenders, rights, fractional shares or other dispositions of holdings;
- Safekeeping of any securities held physically;
- Accepting instruction from the Foundation Staff; and
- Disbursement of all income or principal cash balances as directed by the Foundation Staff.

### **D. Investment Managers**

The duties and responsibilities of each Investment Manager include:

- Managing the assets under management in accordance with the guidelines and investment objectives, or as spelled out in the Investment

Manager Agreement or Prospectus as provided at the outset of the given investment, including any agreed upon amendments made thereafter;

- Exercising full discretion, including discretion to buy, hold, or sell securities in type and proportion reflective of the Investment Manager's agreed upon investment strategy and compatible with the investment objectives;
- Initiating communication with the Committee and Foundation Staff when the Investment Manager believes that the current guidelines or this Policy Statement is inhibiting and/or should be altered.
- Using appropriate performance benchmarks; and, to the extent practicable, coordinating with Foundation Staff to ensure that benchmarks are used fairly and consistently;
- Complying with all provisions pertaining to the Investment Manager's duties and responsibilities as a fiduciary defined in the agreement between the Foundation and Investment Manager. It is expected that the Foundation's assets will be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional investment manager, acting in a like capacity and familiar with such matters, would use in the investment of Foundation assets, all in accordance with UPMIFA and other applicable law;
- Exercising ownership rights, where applicable, through proxy solicitations. The Investment Manager shall exercise this responsibility strictly for the economic benefit of the Foundation and its participants.
- Responding to funding requests within mutually agreed upon timelines;
- Meeting with the Committee and Foundation Staff upon request;
- Monthly or quarterly reporting to the Custodian Bank in a timely fashion to meet the Custodian Bank's timeline, and in a format acceptable to the Custodian Bank.

### **III. Management and Investment Objectives**

The primary management and investment objectives of the Conservative Balanced Pool are to provide current income with the opportunity for modest capital appreciation in support of grant making over a three to seven year investment time horizon. In support of this objective, the Pool offers diversified exposure to investment grade fixed income with short term maturities and exposure to the broad U.S. stock market for purposes of grant making over the intermediate horizon.

#### **IV. Portfolio Investments**

The Conservative Balanced Pool will be invested per the following target allocations:

- 70% Vanguard Short Term Bond Index Fund
- 30% Vanguard Total Stock Market Index Fund

It is expected that the Pool's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments. The Pool will be rebalanced to its target asset allocation under the following procedures.

- Rebalancing will be conducted at least weekly to maintain the target allocation
- Upon any material (greater than \$250,000 or 10% of the Pool) contributions and distributions for grants, the Pool will be reviewed to determine if rebalancing is needed to maintain the target allocation

The Committee at its sole discretion may change the underlying investment components and/or target allocation at any time.

#### **V. Monitoring of Objectives and Results**

All objectives and policies are in effect until modified by the Committee, which will review them periodically for their continued appropriateness.

If at any time any manager believes that any policy guideline inhibits investment performance, it is the manager's responsibility to communicate this view to the Committee.

Investment managers will report the following information to the Committee quarterly:

- Total return (on time-weighted basis) in the aggregate, net of all commissions and fees including comparison to a benchmark
- Purchases and sales for the quarter
- Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Committee

promptly of any change in firm ownership or fundamental investment philosophy and of any significant change in organizational structure or professional personnel.

The Committee will periodically review the related services provided, including custody services, performance evaluation, and consulting.

## **VI. Social Responsibility**

Consistent with achieving the applicable investment objectives set forth herein, the Foundation's investment policy will be implemented within a framework predicated on incorporating environmental, social and governance factors as components of the decision-making, engagement, proxy voting, and evaluation of the economic merits of current and potential investments. The Investment Committee acknowledges that within commingled accounts or mutual funds, it may not have the ability to direct the specific inclusion or exclusion of securities, and that ESG considerations are only one of many considerations in retaining or selecting investment strategies. However, the Committee intends to consider environmental, social, and governance issues in its decision making process.

The Committee will use best efforts to source and evaluate suitable minority, women, and Los Angeles managers.