CALIFORNIA COMMUNITY FOUNDATION

INVESTMENT POLICY STATEMENT FOR THE

ENDOWMENT POOL

ADOPTED BY THE INVESTMENT COMMITTEE
MARCH 10, 2022

INVESTMENT POLICY STATEMENT

ENDOWMENT POOL OF
THE CALIFORNIA COMMUNITY FOUNDATION

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This Investment Policy Statement ("Policy") details the oversight and management of the Endowment Pool ("the Pool") of the California Community Foundation (the "Foundation" or "CCF") so that all individuals with either direct or indirect responsibility may understand and manage the Pool's investment assets. The Pool is comprised of permanent funds and donor advised funds. The Foundation recognizes the potential for fluctuating withdrawal amounts for donor advised funds. Thus, from time to time, there will be a review of the relative allocation of donor advised funds and the potential implications for Pool liquidity.

This Investment Policy Statement will be reviewed annually by the Investment Committee (the "IC") and be either reaffirmed or amended.

The Foundation is a nonprofit grant making foundation benefiting a wide variety of community-based nonprofit organizations throughout greater Los Angeles County. The Investment Committee of the Foundation views the assets held in the Pool as designed for
long-term purposes. The IC 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.

A. Roles and Responsibilities

The Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Outsourced Chief Investment Officer ("OCIO"). This delegation of authority and investment discretion allows for sufficient flexibility in the management process to capture investment opportunities as they arise.

The Investment Committee is responsible for:

1. Establishing and maintaining the Investment Policy Statement and Target Asset Allocation.
2. Monitoring the performance and risk profile of the Pool as a whole.
3. Reviewing the OCIO's implementation of the investment program.
4. Hiring, terminating, or replacing the OCIO.
5. Reviewing and addressing all potential conflicts of interest.

The OCIO is responsible for:

1. Selecting, rebalancing, terminating, and making tactical shifts between Investment Managers.
2. Monitoring the appropriateness of each Investment Manager's strategy given the Pool's overall investment strategy, philosophy, and objectives.
3. Monitoring the investment performance of each Investment Manager compared to the reference index established for that Investment Manager.
4. Overseeing the Pool's investment assets and reporting on the status of the investments to the Investment Committee.
5. Managing "investment cash" which includes the Pool's portfolio cash such as cash received from an investment liquidation or distribution awaiting reinvestment.

The internal Administrative Staff of the Foundation is responsible for:

1. Working closely with the OCIO to represent the Foundation's needs and interest on a day- to-day basis.
2. Act as the liaison between the Investment Committee and the OCIO for regular meetings and/or ad hoc requests.
3. Investment of "operating cash," under the advice of the Investment Committee, into appropriate market instruments.

B. Investment Objectives

The investment goal of the Foundation is to ensure the prudent investment of funds to provide real growth of the assets over time while protecting the value of the assets from undue volatility or risk of loss. The Foundation will be managed on a total return basis (i.e., yield plus capital appreciation) while taking into account the level of liquidity required to meet withdrawals from the pool – mainly expenses and grants to external organizations.

While the Investment Committee recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of risk are generally rewarded with commensurate returns over full market cycles (5-10 years).

The Pool has an indefinite time horizon, which runs concurrently with the existence of the Foundation in perpetuity and, as such, extends the time horizon beyond normal market cycles. This enables the Pool to take on a reasonable level of short-term volatility in order to achieve favorable long-term investment returns. It is expected that professional management and portfolio diversification will smooth volatility and improve consistency of returns.

Therefore, investments with different types and degrees of risk are appropriate for the Pool, provided that such risks are regularly identified and managed. An additional objective is to outperform over three to five year periods, net of all investment expenses, a composite, customized reference index that will generally mirror the asset allocation of the Foundation portfolio at a given point in time.

The investment goals above are the objectives of the aggregate Foundation portfolio, and are not meant to be imposed on each Investment Manager. Diversification, asset allocation, and appropriate sizing of underlying investments in the portfolio will be the main methods toprotect the portfolio from outsized volatility.

C. Spending Policy

The Board of Trustees sets the spending policy with input from the Investment Committee. Spending is guided by several factors; most important is the value of the portfolio. The combined spending rate will be applied against the trailing 12 quarter average balance for the applicable funds. The combined spending rate calculation is subject to a ceiling (7%) and a floor (4%) of the last of the applicable twelve quarters. The Board may occasionally seek approval of excess spending driven by factors outside of their control. The spending policy does not apply to Donor Advised Funds (D), which are currently approximately 50% of the Pool's total assets.

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), spending shall comply with the evolving "prudent spending" guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Spending for all permanent funds, consisting of Field of Interest (F), Unrestricted (U), Restricted (R) Restricted Scholarship (S), and Scholarship Discretionary (SD) funds shall be comprised of a combined rate. For the fiscal year 2021-2022 total spend is expected to be 5.4% including approximately 75-100 basis points of overhead expense that is drawn from the Endowment Pool in August of each year.

D. Asset Allocation

The Investment Committee will evaluate asset allocation targets and ranges for the Foundation and will review each annually in tandem with the OCIO. Certain asset classes require substantial time to adjust levels, particularly private equity and real assets, as well as multi-strategy mandates. Consequently, implementation of adjustments to targets and ranges will require several years to achieve. The target allocations below are intended as long-term strategic goals, not short-term imperatives. Thus, it is permissible for the overall Foundation's asset allocation to deviate from the targets listed below.

Target Asset Allocation

Asset Class	Approximate Current (3/31/21)	Near-Term Target (1-3 years)	Medium-Term Target (3-7 years)	Long-Term Target (7-10+ years)	Long –Term Strategic Range
Cash	<1%	2%	2%	2%	0-5%
Fixed Income	23%	18%	15%	15%	10-20%
Public Equities	48%	50%	50%	45%	40-60%
Alternative Assets (Hedge Funds)	10%	15%	15%	15%	10-25%
Private Equity	3%	5%	10%	18%	10-20%
Real Assets	15%	10%	8%	5%	5-10%

E. Benchmarks

The performance of the Pool will be evaluated against 3 benchmarks over time: (1) an absolute benchmark equal to spending plus inflation; (2) a simple, or passive, benchmark; and (3) a more complex, composite market benchmark. All returns will be measured net of fees.

1. The Foundation should seek to generate returns over rolling five-to-seven year periods in excess of its long-term spending rate, including operating expenses and grant-making, plus the rate of inflation, or 5% plus the Consumer Price Index ("CPI")

2. The Foundation should seek to generate returns over rolling five-year periods in excess of an easily investible index of stocks and bonds, or 65% MSCI All Country World Index Free and 35% Barclays Aggregate Bond Index, with comparable volatility (rebalanced quarterly). The Foundation's spending policy emphasizes consistency in grant-making and the ability to fund multi-year grants. Achieving this requires managing volatility of the portfolio as a whole over time, while also generating investment returns.

3. Finally, the Foundation should seek to generate returns over rolling five-year periods in excess of a composite market index that represents the style and asset allocation of the Fund's overall investment structure, with comparable volatility (rebalanced quarterly). Given the planned evolution of the asset allocation over time, the composite market benchmark will be infrequently adjusted to ensure its remains representative of the Pool's investments.

F. Liquidity

Liquidity is required for grant-making, to meet operating cash needs, additional unanticipated needs, capital calls to private equity and real assets investments, and to take advantage of unforeseen market opportunities. The portfolio will maintain liquidity in order to meet all of these needs. As a guideline, approximately two years' of anticipated operating cash needs should be maintained in cash and fixed income. And, at least 25% of the portfolio should have liquidity available within 30 days at any given time.

Investments will be made through a combination of externally managed portfolios (separately managed accounts), commingled funds, and partnerships with various liquidity terms.

G. Asset Class Guidelines

1. **Cash & Fixed Income:** The purposes of the Cash and Fixed Income allocation are to (i) be the principal source of liquidity for annual distributions as well as opportunistic investments, (ii) create some measure of diversification, and (iii) provide current income. As a result, both credit quality and preservation of principal are emphasized for this allocation.

2. **Global Public Equities:** The purpose of the allocation to Equities is to provide long-term capital appreciation. Equity managers will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns higher than the relevant broad market indices (i.e. the MSCI AC World, S&P 500, Russell 1000, and MSCI EAFE), net of fees, over full market cycles (5-10 years).

3. **Alternative Assets (Hedge Funds):** The Alternative Assets allocation may include both absolute return strategies and long/short equity strategies. Absolute return strategies typically involve event-driven, stressed and distressed credit, and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. They incorporate

differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns which exhibit relatively low correlation to broad market indices over longer time horizons. Long/short equity managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional long-only equity managers.

Investments in Alternative Assets are generally subject to an initial lock-up of 12-24 months or longer, and thereafter, investors can typically withdraw quarterly or annually withadvance notice. In aggregate, the Alternative Assets portfolio should generate returns approximately comparable to historical long-term equity markets, but with lower volatility than equity markets. However, there is modest dispersion of return expectations at the individual fund level driven by the different risk/reward attributes of various investment strategies.

4. **Private Equity:** Private Equity investments encompass diverse strategies including: buyout, growth, venture capital and control-oriented distressed. These illiquid investments generally have 4-6 year investment periods and approximately 10-year fund lives. Given their illiquidity, private investments are expected to generate higher returns than public market strategies. In general terms, Private Equity should generate returns of approximately four percentage points above long-term equity markets. Within Private Equity, Hall Capital targets managers with a differentiated ability to add strategic and/or operational value rather than those who rely heavily on financial engineering to generate returns. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only manager, strategies and geographies but also “vintage years.”

5. **Real Assets:** Real Assets investments comprise mostly private Real Estate but might also include REITs, private renewable energy, commodities, and infrastructure. Private real estate is comprised of commercial properties in various operating segments, primarily office, industrial and multi-family. Managers can execute a variety of strategies within these segments (e.g. core/core-plus, value-added, and opportunistic) that are characterized by varying degrees of development, positioning, and leverage.

   Hall Capital Partners focuses on managers that have clear strategic and operational capabilities that contribute substantially to portfolio management. Performance is expected to exhibit a balance between income stability based on internally generated cash flow and capital appreciation.

6. **Other Assets:** Other Investments may include investments which do not fit into any specific asset class or which apply to the portfolio as a whole. Other Investments are intended to capture investments such as portfolio level hedges (if/when we elect to implement them), non-USD currency positions or crypto-currency positons. The investments may be either transitory or longer term in nature and, as a result, we do not necessarily expect that portfolios will have investments in this category at any given time.

H. Cash Flows and Rebalancing

Interest and dividends generated by Investment Managers will generally be re-invested according to the Investment Manager's mandate. The OCIO will be responsible for making choices about additions or withdrawals to or from different Investment Managers. Actual allocations will be reviewed relative to targets and long-term ranges at each meeting between the Investment Committee and OCIO. Any deviations from asset class policy targets outside of the allowable ranges will be addressed through rebalancing or acknowledgment of a valid reason for remaining outside of stated policy ranges (such as liquidity or short-term transitions between managers).

I. Meeting Schedule

The Investment Committee and OCIO will meet in person or via conference call to review the performance and Foundation's compliance with objectives and guidelines at least four times per year.

J. Conflict of Interest Policy

Any situation which brings to mind the question of a possible conflict of interest should be brought to the attention of the Investment Committee; members should be sensitive to even the appearance of impropriety. Generally, a conflict of interest exists whenever litigation, a contract, or other relationship being entered into, reviewed, or modified is:

- Between CCF and the member, or the employer, business partner, or immediate family of the member; or
- Between CCF and an organization in which the member's employer, business partner, or immediate family is a director, officer, or legal representative, or has a material financial interest.

A conflict of interest does not arise simply because directors or members of their families are incidentally benefited as members of a class of persons entitled to benefit from a transaction, policy, or program consistent with purposes and accomplished in good faith. For these purposes, "family" includes parents, siblings, children, grandchildren, and their spouses.

This policy is not intended to prohibit investing with any firms or investment managers with whom a Committee Member is affiliated; rather such relationships must be disclosed and the affiliated Committee Member should recuse himself from any decisions pertaining to the affiliated firm.

In addition to the guidelines above for the Investment Committee, the OCIO will be expected to disclose the existence of persons or entities associated with the OCIO that engage in other business activities with and invest in funds managed by outside investment managers. Any activities that fall under this category do not provide the OCIO special remuneration from, or financial incentive for, recommending the Funds.

K. Policy on Environmental, Social & Governance Considerations

The primary criterion for the selection of Foundation investments is to maximize return within defined risk parameters, which in turn, maximizes the financial support for the Foundation. To achieve this goal, the Foundation is committed to incorporating the financial objectives of the Foundation with the social and environmental priorities of the broader CCF community. The Investment Committee and OCIO will consider social, environmental and governance impacts when selecting Investment Managers across all asset classes recognizing this is necessary for value enhancement and/or risk mitigation. For example, this could involve minimizing investment exposure to things like fossil fuels while proactively favoring investments in renewable energy or education.

L. Policy on Diversity, Equity and Inclusion Considerations

In addition to the Pool's investment policy and strategy outlined above which details risk and return considerations, the Foundation is committed to supporting investment managers that strive for diversity, equity, and inclusion both within their businesses and the companies they invest in. The Investment Committee and OCIO will consider diversity, equity and inclusion considerations when selecting Investment Managers across all asset classes and will serve as an ongoing diligence discussion with Investment Managers over time. It is the belief of both the Investment Committee and the OCIO that a diversity of thought and perspectives across a variety of factors can lead to better investment outcomes.

M. Legal and Regulatory

The OCIO will abide by applicable laws and regulations, invest prudently in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and incur only reasonable costs. Investment decisions shall be made in the context of the Foundation's entire portfolio. The OCIO in tandem with the Investment Committee if necessary will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

INVESTMENT MANAGER GUIDELINES

N. Discretion

Investment Managers shall have discretion in the management of the assets subject to the policies and guidelines set forth herein, and in manager specific investment advisory agreements or fund terms.

Compliance with such policies, guidelines, agreements, and fund terms is the responsibility of each Investment Manager.

O. Performance Measurement and Evaluation

Investment performance for the overall portfolio as well as for each Investment Manager is best measured over appropriate time horizons: five plus years for the overall portfolio; seven to ten years for public equity, private equity, and real assets funds; and two to five years for hedge funds and fixed income investments. It is understood however that these longer measurement periods are comprised of a series of shorter intervals in which there will be measurable investment performance. The performance of Investment Managers and for the portfolio as a whole will be quantitatively and qualitatively analyzed after each calendar quarter in the context of these longer term objectives.

P. Use of Cash Equivalents

Cash equivalents may be held in any Investment Manager's portfolio at the Investment Manager's discretion. Investment Managers will be evaluated based upon the performance of their total fund component relative to the appropriate index benchmark, regardless of the amount of cash equivalents held during any performance measurement period.

Q. Review and Evaluation by OCIO of Prospective Investment Managers

Each prospective Investment Manager will be required to provide the following information to the OCIO as part of an initial review and evaluation. Any material changes should be reported to the OCIO.

a. Organizational structure and process
b. Detailed description of investment strategy
c. Performance history with comparison to relevant benchmarks and peer groups
d. Policies with regard to use of leverage and derivatives
e. Diversification and concentration limitations
f. Liquidity terms and restrictions or limitations on withdrawals
g. Valuation methodology and practices
h. Compliance and ethics policies, including any material violations or exceptions
i. Fees, including any use of rebates or soft dollars
j. ESG (Environmental, Social, Governance) Policy Incorporation as well as DEI (Diversity, Equity, and Inclusion) Factors)

R. Derivatives Policy

Individual Investment Managers may utilize derivative securities only in a manner consistent with the manager's stated investment philosophy and the manager-specific guidelines described above. It is expected that Investment Managers adopt and follow practices and procedures for measuring and controlling risk that specifically address the exposure to loss inherent in derivatives and other highly speculative investments.

S. UBTI Policy

Investments that have the potential to generate UBTI will be considered for the portfolio only if the contribution to the investment portfolio is expected to be sufficient to outweigh the negative tax and accounting implications.

T. Stock Distributions

From time to time, private equity funds will distribute shares of public companies in-kind. It will be standard protocol for the OCIO to sell shares immediately upon receipt rather than hold direct securities.

U. Voting Proxies

Where applicable Managers will have the responsibility to vote proxies.