1. INTRODUCTION

a) The Investment Committee (“the Committee”) of the Board of Directors (“the Board”) of the California Community Foundation (“the Foundation”) issues this statement.

b) The purpose of this statement is to foster a clear understanding of the Foundation’s investment objectives, policies and guidelines among the Committee, the staff, the investment consultant and the Foundation’s investment managers.

c) The assets governed by this statement are the portion of the Foundation’s financial assets which are invested for long-term total return and which have been designated by the Committee as the Endowment Pool (“the Pool”).

d) The Committee will regularly review this statement and each manager’s adherence to it. It is the intent of this statement to be both sufficiently specific to be meaningful and flexible enough to be practical.

2. GENERAL INFORMATION

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

b) 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.

3. MANAGEMENT AND INVESTMENT OBJECTIVES

a) It is recognized that the Endowment Pool has an indefinite time horizon, which runs concurrently with the existence of the Foundation in perpetuity and as such the time horizon extends 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.

b) The primary long-term financial objective is to preserve the real (i.e., inflation-adjusted) purchasing power of the Pool net of annual distributions for grants and expenses. This objective should be achieved over rolling five- to ten-year periods on a total return basis. An additional objective is to provide a relatively predictable, stable stream of distributions for grants and expenses that at least keeps pace with inflation over time.

c) The primary investment objective of the Pool is to earn an average annual return sufficient to meet the Foundation’s Spending Policy as outlined in section 14, net of investment management fees, over the long-term (i.e. over most rolling five year periods). As discussed below, the Pool’s returns should compare favorably to the returns of passive indices of the asset classes in which the fund is invested.

d) In seeking to attain the investment objectives set forth, the Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires fiduciaries to apply the standard of prudence “about each asset in the context of the portfolio of investments, as part of an overall investment strategy.”

4. PORTFOLIO COMPOSITION AND ASSET ALLOCATION

a) For purposes of investment policy, the Pool assets shall be considered as two parts: an "equity fund" and a "fixed income fund." The Committee will establish for equities and fixed income a long-term policy range or band, as well as a long-term target allocation for each asset class.

b) The target for the "equity fund" is normally set at approximately 90% of total Pool assets, although actual percentage will vary some because of market fluctuations, manager allocation discretion and Committee action.

c) The “equity fund” shall be managed for and evaluated by “total return.”

d) The equity fund will generally be diversified with investments in global marketable equities, marketable alternative assets, non-marketable
alternative assets, marketable real assets, non-marketable real assets, and other “opportunistic” investments, as detailed below:

i. The target for global marketable equities is normally set at approximately 50% of total Pool assets. The purpose of the global equity investments in the Pool is to provide capital appreciation, with the recognition that this asset class carries with it the assumption of greater market volatility and increased risk of short-term loss. The allocation will consist of U.S., international developed markets, and emerging markets stocks. The Committee will determine the geographic, market-cap distribution (e.g., large-cap, small-cap) and investment style (e.g., value versus growth) composition of the portfolio and will make reference to relevant capital market benchmarks (e.g., MSCI World or DJ Wilshire 5000) in determining the composition of global equities.

ii. The target for alternative assets is normally set at approximately 30% of total Pool assets.

1. Marketable Alternatives shall comprise 50-100% of this target allocation. This allocation will consist of equity hedge funds and arbitrage-related "absolute return" strategies. The purpose of marketable alternatives investments is to provide equity-like returns and risk reduction through investment in strategies with lower correlations to U.S. equity markets.

2. Non-marketable alternative assets shall comprise 0-50% of this target allocation. This allocation will consist of investments in venture capital and non-venture private equity funds. The purpose of non-marketable investments is to produce returns that are superior to the long-term returns of common stocks in order to compensate for the loss of liquidity and the risk inherent in these investments.

iii. The target for real assets is normally set at 10% of total Pool assets. This allocation will consist of marketable and non-marketable assets which may include managers/funds dedicated to real estate, commodities, energy, and other natural resources investments. The purpose of this allocation is to protect against an unexpected and significant rise in inflation, potential for current income and to provide diversification.

iv. “Opportunistic” investments will be made at the Committee’s discretion, and are defined as dedicated allocations to any asset class that is considered "out of favor" or "undervalued" at the time of investment and is expected to possess equity-like risks and generate equity-like returns. Examples include (1) tactical
overweight allocations (above policy limits) to asset classes in which the Pool is invested, or (2) allocations to high-yield bonds, distressed securities or real estate, and emerging markets debt. The target allocation for opportunistic investments is 0% but may total as much as 10% of the Pool.

e) The target for the "fixed income fund" is normally set at approximately 10% of total Pool assets, but will also vary as noted above.

f) The fixed income fund will be diversified with investments in US bonds and global bonds:

i. US bonds will consist of a variety of fixed income instruments issued by federal and corporate entities. The purpose of fixed income investments is to provide (1) a hedge against deflation and economic contraction, and (2) diversification and a dependable source of current income.

ii. Global bonds will primarily consist of fixed income instruments issued by foreign governments and corporate entities. The purpose of the global fixed income portfolio is also to hedge against deflation/economic contraction and/or a decline in purchasing power of the U.S. Dollar, and also to provide diversification, but with greater expected volatility relative to U.S. bonds given the embedded currency exposure.

5. GUIDELINES FOR EQUITY PORTFOLIOS

a) Equity portfolios will normally be fully invested in common stocks. However, managers may hold investment reserves of either cash equivalents or bonds (including convertible issues) pursuant to manager-specific investment guidelines approved by the Committee.

b) Actively-managed equity portfolios will normally be expected to outperform relevant common stock market benchmarks (appropriate to each manager’s investment style/philosophy) by 50 to 100 basis points, net of investment management fees, over rolling five-year periods. No more than 5% (at cost) of the Pool will be invested in any single actively managed fund or account.

i. Aggregate performance for all U.S. equity managers will be expected to outperform a broad market benchmark (e.g., the Russell 3000 or the DJ Wilshire 5000) by 50 to 100 basis points, net of investment management fees, over rolling five-year periods.

ii. Global ex-U.S. equity portfolios in the aggregate will be measured against the MSCI ACWI ex-U.S. Index (All Country World ex-U.S.
Index) and will be expected to outperform the index by 50 to 100 basis points, net of investment management fees, over rolling five-year periods.

c) Investments in passive index funds will be expected to match the fund’s target index net of expenses.

d) Unless otherwise provided for by manager-specific guidelines, without the prior consent of the Committee,

i. No more than 5% of the market value of any individual separate account manager’s equity portfolio should be invested in any single security;

ii. No more than 25% of any individual separate account manager’s equity portfolio should be invested in any single industry sector;

iii. No individual separate account manager’s equity portfolio should be invested in more than 200% of the then current industry sector weighting for any single industry sector; and

iv. Managers may not sell securities short, buy securities on margin, borrow money or pledge assets, or buy or sell uncovered options, commodities or currencies.

6. GUIDELINES FOR FIXED INCOME PORTFOLIOS

a) U.S. fixed income portfolios will be expected to outperform the Barclays Capital Aggregate Bond Index by 50 basis points (net of fees), and rank in the top half of a group of peer managers, over rolling five-year periods. Global fixed income portfolios will be expected to outperform the Citigroup Non–U.S $ World Government Bond Index (Unhedged) by 50 basis points (net of fees), and rank in the top half of a group of peer managers, over rolling five year periods. Other performance benchmarks may be agreed to by mutual consent of the manager and the Committee.

b) Money market instruments as well as bonds may be used in fixed income portfolios, but equities are excluded.

c) U.S. fixed income portfolios will be invested primarily in US dollar-denominated securities. However, managers may hold a percentage of the portfolio in non-dollar denominated securities pursuant to manager-specific guidelines.
d) Fixed income portfolios should have weighted average credit quality of “A” or better, based on credit quality ratings of Moody’s, Standard & Poor’s or an equivalent nationally recognized credit rating agency.

e) U.S. fixed income separate account portfolios may hold up to 10% of the portfolio in securities rated below investment grade.

f) In general, fixed income portfolios should be well diversified with respect to industry sector and issuer in order to minimize risk exposure.

i. No more than 5% of any individual separate account manager’s portfolio at market should be invested in the securities of any single issuer without the prior consent of the Committee.

ii. No more than 10% of any individual separate account manager’s portfolio at market should be invested in any single industry sector without the prior consent of the Committee.

iii. Issues of the U.S. Government or agencies of the U.S. Government may be held without limitation.

7. GUIDELINES FOR ALTERNATIVE ASSETS

a) No more than 2% (at cost) of the Pool will be invested with any single fund of an Alternative Asset manager.

b) The objective for the total Marketable Alternative’s allocation is to provide equity like returns over a market cycle with lower risk (volatility) than equity markets. The total Marketable Alternative portfolio will be benchmarked against an index comprised of hedge funds fund of funds.

8. GUIDELINES FOR REAL ASSETS

a) No more than 2% (at cost) of the Pool will be invested with any single fund of a nonmarketable real asset manager and no more than 5% (at cost) of the Pool will be invested with any single marketable real asset manager.

b) Individual performance benchmarks and guidelines will be established for each real asset manager reflecting their specific investment strategy.

9. GUIDELINES FOR ILLIQUID INVESTMENTS
a) No more than 20% (at cost) of the Pool will be invested in Illiquid Investments.

b) Illiquid Investments are defined as follows: non-marketable alternative assets, nonmarketable real assets, non-marketable opportunistic assets, unfunded commitments in all non-marketable categories, and the portion of marketable alternative assets locked up for longer than one year.

10. GUIDELINES FOR REBALANCING

a) The Committee may, at its discretion, change the near-term ratios of the “equity fund” and the “fixed income fund,” but it is anticipated that such changes will be infrequent and within the long-term asset allocation policy ranges as set forth on the following page:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target</th>
<th>Rebalancing Ranges</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Staff</td>
<td>Lower Bound</td>
<td>Upper Bound</td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>Global Equities</td>
<td>50.00%</td>
<td>40.00%</td>
<td>60.00%</td>
<td>45.00%</td>
<td>55.00%</td>
<td></td>
</tr>
<tr>
<td>Alternatives</td>
<td>30.00%</td>
<td>20.00%</td>
<td>40.00%</td>
<td>25.00%</td>
<td>35.00%</td>
<td></td>
</tr>
<tr>
<td>Real Assets</td>
<td>10.00%</td>
<td>5.00%</td>
<td>15.00%</td>
<td>7.50%</td>
<td>12.50%</td>
<td></td>
</tr>
<tr>
<td>Total Equity</td>
<td>90.00%</td>
<td>80.00%</td>
<td>100.00%</td>
<td>85.00%</td>
<td>95.00%</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10.00%</td>
<td>2.50%</td>
<td>17.50%</td>
<td>5.00%</td>
<td>15.00%</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.00%</td>
<td>0.00%</td>
<td>10.00%</td>
<td>2.50%</td>
<td>7.50%</td>
<td></td>
</tr>
</tbody>
</table>

b) The Committee has delegated to staff the authority to rebalance to target allocations when actual allocations are outside the ranges shown in the “Staff” columns in the table above. It is recognized that rebalancing alternative assets is limited by the characteristics and liquidity restrictions of these asset classes. Such rebalancing will be based on monthly balances. In the event that staff needs to exercise such authority, the Chief Financial Officer will obtain documented prior approval from the President and the Chair of the Committee.

c) Although authority to rebalance as stated above is delegated to staff, a report detailing the movement of funds necessary to carry out the rebalancing shall be provided to the Committee at the next scheduled meeting following the completion of the rebalancing transactions.

d) On a quarterly basis, if actual allocations are outside the ranges shown in the Board columns in the table above, the Committee will determine whether the portfolio should be rebalanced. It is recognized that rebalancing alternative assets is limited by the characteristics and
liquidity restrictions of these asset classes. Such review will be documented in the Memorandum of Proceedings for the Committee’s quarterly meetings.

e) Additions to funds will be made first to asset classes that are most significantly below their respective targets. Withdrawals will be made first from asset classes that are above their respective targets.

f) As a general rule, new cash will be used to rebalance the total fund in the direction of the equity/fixed income target agreed to at the most recent Committee meeting. New cash flow shall be allocated to investment managers by the Committee.

11. DERIVATIVES POLICY

a) From time to time the Foundation may allow certain investment managers to utilize derivative securities in a manner consistent with the Foundation’s overall investment objectives and policies. In the case of equity portfolios, derivative securities may include index futures, options on index futures and currency futures and forwards. In the case of fixed income portfolios, derivative securities primarily include interest rate futures, options on interest rate futures, currency futures and forwards, international interest rate futures, credit default swaps, and collateralized mortgage obligations.

b) Separate account investment managers should not utilize derivatives without prior approval of the Committee. The manager should clearly state the objectives and limitations of the proposed use of derivatives and the securities to be used and develop written guidelines for the program that are agreeable to the Committee. Such guidelines must be approved in writing by the Foundation’s CEO, CFO, and the Chair of the Committee.

c) An investment manager shall engage in derivative security transactions only if the transactions are consistent with the overall investment objectives of the account. The primary intent of derivative security transactions should generally be to hedge risk in portfolios or to implement investment strategies more efficiently and at a lower cost than would be possible in the cash market. Derivatives-based investment strategies should not expose the portfolios to greater risk than would be typical under a strategy utilizing only cash securities. For example, in the case of fixed income portfolios, derivative strategies should not be used to alter the effective duration of the portfolios beyond the target range for the portfolios. Derivatives should not be used to leverage the portfolio.
d) The Foundation requires that investment managers utilizing derivative securities in Foundation portfolios have appropriate control and review procedures in place to evaluate the risks and exposures of the portfolios on a timely basis. These control and review procedures shall include, but not be limited to, compliance with all necessary legal requirements to use derivative securities, creating internal review and control systems to review portfolio risk and compliance with guidelines and using third party pricing of illiquid securities where appropriate.

e) In order to limit sector exposure to derivatives in the Foundation’s portfolios, the combined value of the derivative securities positions in a separate account portfolio should at no time exceed 10% of the portfolio’s value. Exceptions may be made if a separate policy has been established for a particular manager. The value of each position is defined as the product of the face amount and the number of contracts adjusted for the market value of the most likely deliverable security.

12. GUIDELINES FOR TRANSACTIONS

a) Except under unusual circumstances, all transactions should be entered into on the basis of best execution, which means best realized net price. Notwithstanding the above, commissions may be designated for payment of services rendered to the Pool in connection with its management.

13. MONITORING OF OBJECTIVES AND RESULTS

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

b) 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.

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

i. Total return (on time-weighted basis) in the aggregate, net of all commissions and fees;

ii. Total return disaggregated for the equity and fixed income portions, net of all commissions and fees; and

ii. Purchases and sales for the quarter.
iv. Explanation for performance variance from stated benchmark.

d) 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.

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

14. SOCIAL RESPONSIBILITY

a) It is the responsibility of the Committee to encourage that the social and ethical goals of the Foundation are reflected in the portfolio.

b) The Committee may issue periodic restrictions of specific investments. (Effective July 2006, tobacco company holdings are excluded from “separate” accounts.)

c) When the Committee is seeking new investment managers, it will use its best efforts to seek out and evaluate minority-owned firms.

15. SPENDING POLICY

a) Spending for all Field of interest (F), Unrestricted (U), Restricted (R), Restricted Scholarship (S), and Scholarship Discretionary (SD) funds shall be comprised of the percentages depicted in the table below:

<table>
<thead>
<tr>
<th>#</th>
<th>Fiscal year</th>
<th>Grants</th>
<th>Fees</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15/16</td>
<td>5.000%</td>
<td>1.000%</td>
<td>6.000%</td>
</tr>
<tr>
<td>2</td>
<td>16/17</td>
<td>4.867%</td>
<td>0.967%</td>
<td>5.833%</td>
</tr>
<tr>
<td>3</td>
<td>17/18</td>
<td>4.733%</td>
<td>0.933%</td>
<td>5.667%</td>
</tr>
<tr>
<td>4</td>
<td>18/19</td>
<td>4.600%</td>
<td>0.900%</td>
<td>5.500%</td>
</tr>
<tr>
<td>5</td>
<td>19/20</td>
<td>4.520%</td>
<td>0.880%</td>
<td>5.400%</td>
</tr>
<tr>
<td>6</td>
<td>20/21</td>
<td>4.440%</td>
<td>0.860%</td>
<td>5.300%</td>
</tr>
<tr>
<td>7</td>
<td>21/22</td>
<td>4.360%</td>
<td>0.840%</td>
<td>5.200%</td>
</tr>
<tr>
<td>8</td>
<td>22/23</td>
<td>4.280%</td>
<td>0.820%</td>
<td>5.100%</td>
</tr>
<tr>
<td>9</td>
<td>23/24 &amp; thereafter</td>
<td>4.200%</td>
<td>0.800%</td>
<td>5.000%</td>
</tr>
</tbody>
</table>

b) The combined spending rate calculation is subject to a ceiling (7%) and a floor (4%) of the last of the applicable twelve quarters.