CALIFORNIA COMMUNITY FOUNDATION

INVESTMENT POLICY STATEMENT FOR THE ENDOWMENT 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 Endowment 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. Thus, from time to time we will review the relative allocation of donor advised funds and the potential implications for Pool liquidity.

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 Foundation's assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the Foundation's objectives given the explicit constraints, and
- 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 long-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 the Investment Consultant and other 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;
- With the assistance of the Investment Consultant, prudently diversify portfolio assets to meet an agreed upon risk/return profile;
- With the assistance of the Investment Consultant, 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 Investment Consultant

The Investment Consultant shall assist the Committee by providing investment advisory services including, but not limited to:

- Developing investment objectives and guidelines, including the Foundation's asset allocation strategy and mix of Investment Manager styles;
- Monitoring the possible need for change in investment objectives and guidelines, and, as appropriate, soliciting input from the Investment Managers and other services providers regarding possible changes;
- Conducting Investment Manager evaluations, searches and selection;

- Conducting investment performance measurement and analysis.

In addition, the Investment Consultant will:

- Promptly inform the Foundation staff responsible for investment operations ("Foundation Staff") or, as appropriate, the Committee and co-counsel to the Foundation regarding all significant matters pertaining to the investment of Foundation assets;
- Provide timely written or oral information on investment strategies, performance, instruments, Investment Managers and other related issues, as requested by the Committee or Foundation Staff;

C. 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.

D. 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.

E. 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 the Investment Consultant and 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, Foundation Staff, and the Investment Consultant 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. Investment Objectives

The investment strategy of the Foundation is designed to ensure the prudent investment of funds in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. It is recognized that the 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.

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

A. Risk Objectives

- To earn an average annual return over long-term time periods sufficient to meet the Foundation's spending needs, net of investment management fees.
- To accept a level of market risk consistent with moderate interim volatility without sacrificing the potential for long-term real growth of assets.
- To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.
- To avoid extreme levels of volatility that could adversely affect the Foundation's goals.

B. Return Objective

- Within the risk constraints outlined above, to achieve a real return that meets the Foundation's spending needs, net of investment management fees.

IV. Investment Constraints

A. Legal and Regulatory

The Committee shall invest the Foundation's assets prudently, abide by applicable statues, exercise prudence and care 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 Committee will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

B. Time Horizon

The assets of the Foundation will be invested with a long-term time horizon, consistent with the purpose of the Foundation.

C. Liquidity

The Committee intends to maintain sufficient liquidity to meet anticipated spending needs. Further, the Committee intends to invest no more than 35% of the Foundation's assets in illiquid vehicles.[1]

D. Tax Considerations

The Foundation is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is indifferent to taxable status, except where the prospect of Unrelated Business Taxable Income (UBTI) is a concern.

V. Risk and Return Considerations

The Committee recognizes that a persistent positive relationship exists between risk and return, whether risk is described as possibility of loss or as interim volatility. The Committee also recognizes that investors are rarely compensated for risks that can be mitigated through diversification. Within the risk and return parameters discussed above, the Committee accepts the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the Foundation is unlikely to be compensated (non-market or diversifiable risks).

[1] Illiquid vehicles are defined as those vehicles that do not allow withdrawals to occur on at least a quarterly basis.

VI. Diversification

The Committee recognizes that a primary element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for the expected correlation of their returns. Within each asset type, investments will be distributed across many individual holdings, thus further reducing volatility. In addition, each investment manager's guidelines will specify the largest permissible investment in any one asset, and will set other diversification requirements.

VII. Asset Allocation

The Investment Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Foundation's return and risk experience over time. Therefore, the Comittee will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Foundation's investment objectives.

A. Permissible Asset Classes

Because investment in any particular asset class may or may not be consistent with the objectives of the Foundation, the Committee has specifically indicated in Appendix A those asset classes that may be utilized when investing the Foundation's assets.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Foundation will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio must be examined. Appendix B lists the expected return, volatility, and correlations for each permissible asset class, as prepared by the Investment Advisor. The figures shall be updated on an annual basis.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the Foundation, and on the expected behavior of the permissible asset classes, the Committee will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Foundation's overall market value, surrounded by a band of permissible variation resulting from market forces.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Foundation's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the

Foundation. Deviations from targets that occur due to capital market changes are discussed below.

The Foundation's target allocations for all permissible asset classes are shown in Appendix C.

D. Rebalancing

In general, cash flows to and from the Foundation will be allocated in such a manner as to move each asset class toward its target allocation.

The Committee recognizes that, periodically, market forces may move the Foundation's allocations outside the target ranges, shown in Appendix C. The Committee also recognizes that failing to rebalance the allocations would unintentionally change the Foundation's structure and risk posture. If actual allocations are outside the target ranges shown in Appendix C, the Committee will determine whether the portfolio should be rebalanced. Further, the Committee shall strive to maintain a minimum exposure to public equity and private market assets of at least 50%.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The asset allocation of the Foundation will be reviewed on an on-going basis, and at least annually, by the Committee to ensure that the objectives and constraints remain relevant. When necessary, such reviews may result in a rebalancing of asset allocations. In general, the Committee intends that the Foundation will adhere to its long-term target allocations, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the Foundation or in the capital market opportunities.

The Committee will specifically evaluate the performance of the Foundation relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Committee will utilize a combination of relative and absolute benchmarks in evaluating performance. The total performance of the Foundation will be evaluated relative to the investment objectives and constraints identified in this investment policy statement. Specifically, the total portfolio performance will be evaluated relative to a "custom benchmark" that weights the returns of available market indices on the basis of the Foundation's target investment structure, to assess the implementation of the Foundation's investment strategy.

IX. Investment Costs

The Committee intends to monitor and control investment costs at every level of the portfolio.

- Professional fees will be negotiated whenever possible.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
- If possible, assets will be transferred in-kind during manager transitions and Foundation restructurings to eliminate unnecessary turnover expenses.
- Managers will be instructed to minimize brokerage and execution costs.

X. Voting of Proxies

The Committee recognizes that the voting of proxies is important to the overall performance of the Foundation. The Committee has delegated the responsibility of voting all proxies to the investment managers. The Committee expects that managers will execute all proxies in a timely fashion. Also, the Committee expects the managers to provide a full accounting of all proxy votes and an explanation of individual voting decisions upon request.

XI. Manager Guidelines

For separately managed accounts, the Committee shall establish investment guidelines with the manager that shall list permissible and forbidden asset types and/or investment strategies. For mutual fund and commingled portfolios, the Investment Consultant shall review the fund's prospectus or governing documents to gain an understanding of the permissible asset types and strategies and will report on any concerns to the Committee.

XII. 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.

XIII. Spending Policy

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 of 5.4%, consisting of a 4.5% grants spending rate and a 0.9% fee rate for fiscal year 2019/2020. The spending rate is reduced each fiscal year according to the following table.

Fiscal Year	**Grants (%)**	**Fees (%)**	**Total (%)**
2020-21[1]	4.440	0.860	5.300
2021-22	4.360	0.840	5.200
2022-23	4.280	0.820	5.100
Thereafter	4.200	0.800	5.000

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 spending policy does not apply to Donor Advised Funds (D).

[1] The annual spending rate reduction was suspended in 2020 for the fiscal year ending June 30, 2021 due to the COVID-19 pandemic.

APPENDIX A

PERMISSIBLE ASSET CLASSES

Asset Class
Cash Equivalents
TIPS
Investment Grade Bonds
Foreign Bonds
Bank Loans
High Yield Bonds
U.S. Equity
Developed Market Equity
Global Equity
Emerging Market Equity
Private Equity
Real Estate
Natural Resources (private)
Core Infrastructure (private)
Hedge Funds

APPENDIX B

TWENTY-YEAR, SINGLE ASSET CLASS AND SUB-ASSET CLASS FORECAST

AS OF DECEMBER 31, 2020

Asset Class / *Sub-Asset Class*[2]	**Expected Return (%)**	**Standard Deviation of Expected 20-Year Annual Return (%)**
Cash Equivalents	1.1	1.0
TIPS	1.8	7.0
Investment Grade Bonds	1.8	4.0
Emerging Market Bonds	3.7	11.0
Bank Loans	4.0	9.0
High Yield Bonds	4.2	11.0
U.S. Equity	8.1	17.0
Developed Market Equity	7.1	19.0
Global Equity	7.1	17.0
Emerging Market Equity	8.1	24.0
Private Equity	9.1	26.0
Real Estate	6.9	15.0
Natural Resources (private)	8.3	21.0
Core Infrastructure (private)	7.0	14.0
Hedge Funds	4.3	7.0

[2] Private equity represents a blend of 80% buyout and 20% venture capital. Real estate is based on a weighted average of the various subcomponents (10% REITs, 40% Core Private, 20% Value Added, 20% Opportunistic, and 10% High Yield Real Estate Debt).

APPENDIX C

ASSET ALLOCATION TARGETS

	Short Term Policy Target	Range	Long Term Policy Target	Range
Cash Equivalents	0%	0% to 5%	0%	0% to 5%
TIPS	3%	0% to 9%	6%	0% to 9%
Investment Grade Bonds	12%	7% to 17%	13%	7% to 17%
Emerging Market Bonds	3%	0% to 7%	4%	0% to 7%
High Yield / Bank Loans	4%	0% to 8%	6%	0% to 10%
Global Equity	48%	43% to 53%	32%	27% to 37%
Private Equity	2%	0% to 15%	10%	0% to 15%
Real Estate	5%	0% to 15%	10%	0% to 15%
Natural Resources (private)	5%	0% to 10%	5%	0% to 10%
Core Infrastructure (private)	4%	0% to 10%	4%	0% to 10%
Hedge Funds	14%	10% to 20%	10%	5% to 15%

Based upon Meketa Investment Group’s 2021 expected asset returns, risks, and correlations, the long-term target allocation exhibits an expected annual return of 6.5% and an expected annual standard deviation of 8.4%. The short-term policy represents a first step toward the long-term policy, to be achieved within approximately one year.