I. Statement of Purpose

The Board of Governors of The San Diego Foundation (the Foundation) has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of The San Diego Foundation's assets in accordance with the Foundation's goal of improving the surrounding San Diego Community. The purpose of this Policy Statement is to set forth in writing: (1) an appropriate set of objectives and goals to be attained through the investment of the Foundation's assets; (2) the position of the Foundation with respect to the Foundation's risk/return posture, including allocation of assets, and establishment of investment guidelines; and (3) an overall system of investment policies and practices whereby the continuing financial obligation of the Foundation will be satisfied.

The conditions of this Investment Policy Statement shall apply to all Endowment assets accepted by the Foundation, including those endowment assets that donors have chosen to invest in the Sustainable Endowment, but excluding those managed by external investment advisors.

II. Statement of Responsibilities

It is expected that the following parties associated with the Foundation will discharge their respective responsibilities in accordance with normal fiduciary standards as delineated in UPMIFA; (1) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims, and (2) by diversifying the investments so as to minimize the risk of large losses.

A. Investment Committee: The Investment Committee is a Standing Committee established under Article 6.1 of the Bylaws of The San Diego Foundation. The Investment Committee has been delegated by the Board the authority to implement this IPS, under the ultimate direction of the Board of Governors. The Investment Committee shall report to the Board of Governors at least semi-annually on investment performance results and to seek ratification by the Board of actions taken by the Committee. The Investment Committee shall act in a manner that is consistent with said Article 6.1 and with the Board approved Investment Committee Charter. In recognition of the long term nature of the Endowment assets, objectives of this Policy are to: (1) protect the corpus of the Foundation; (2) preserve the spending power of the income from the fund (3) maintain a diversified portfolio of assets in order to meet investment return objectives while keeping the level of risk commensurate with that of the median fund in a representative foundation and endowment universe; and (4) comply with applicable law.

B. Foundation Chief Investment Officer: The Chief Investment Officer (CIO) is employed by the Foundation to oversee and administer the investable assets of the Foundation. In addition to supporting the Investment Committee in the fulfillment of their responsibilities, the CIO will assist in investment manager selection and monitoring, administer cash flows and rebalancing procedures, implement strategic portfolio positioning within the guidelines herein, and serve as a liaison with Foundation staff and donors on the investment strategies and results.

C. Investment Manager(s): Investment Managers have been retained by the Investment Committee and are charged with the responsibility to conduct day-to-day investment management of the Foundation assets in accordance with this Investment Policy Statement and all laws that supersede it. All Investment Manager(s) must either be (1) registered under the Investment Company Act of 1940, (2) a bank, as defined in that Act, (3) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of Foundation assets, or (4) such other person or organization authorized by applicable law or regulation to function as an Investment Manager(s). Each investment manager managing a separate account for the Foundation must sign an investment management agreement with the Foundation.
D. Custodian: The Custodian has been retained by the Investment Committee and is charged with the responsibility for safekeeping securities, collections and disbursement, and periodic accounting statements.

E. Investment Consultant: The Investment Consultant has been retained by the Investment Committee and is charged with the responsibility to assist the Investment Committee and CIO in developing ongoing Investment Policy, assisting in Investment Manager selection and monitoring services, and as directed by the Investment Committee, assisting the Foundation in conducting investment activities associated with the Foundation in accordance with commonly accepted standards.

III. Statement of Spending Policy

The Foundation is expected to disburse 5%, annually, of the 36-month average Endowment Principal market value. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all the contributions made to Endowment Principal, then distributions will be limited to interest and dividends received up to the amount of the 5%, annually, of the 36-month average.

IV. Investment Objectives

The investment objectives for the Endowment’s and Sustainable Endowment’s total portfolios (“Total Fund”) will be for the asset values, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established below for the medium term (3 years) and long term (5 years).

The Sustainable Endowment’s investments will apply social screens to avoid certain sectors and securities of companies that are engaged in business activities with or in countries deemed not socially or environmentally responsible. These investments may not perform as well as others because the social criteria exclude securities of certain issuers for nonfinancial reasons, and the funds may forgo some market opportunities available to funds that don’t use these criteria.

Benchmarks:

A. A custom Policy Index based on the strategic asset allocation weights to market indices as defined below.

B. The median fund in a representative foundation and endowment universe.
V. Strategic Asset Allocation & Performance Benchmarks

Set forth below are the strategic asset allocation and allowable ranges for the Endowment. The strategic asset allocation is purposely set at a broad level with respect to the asset classes, so as to allow the Investment Committee and/or CIO sufficient discretion to seek relative opportunities within each category. It is acknowledged that in extreme market conditions there may be periods where the portfolios exceed the minimum or maximum ranges shown. Definitions of allowable sub-asset classes and styles follows in Section VII.

A. The Endowment strategic asset allocation targets are as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Target</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Market Index for Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities</td>
<td>40%</td>
<td>30%</td>
<td>55%</td>
<td>MSCI ACWI IMI Index</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15%</td>
<td>10%</td>
<td>30%</td>
<td>Bloomberg Barclays US Universal Bond Index</td>
</tr>
<tr>
<td>Diversifying Strategies (“Hedge Funds”)</td>
<td>15%</td>
<td>0%</td>
<td>25%</td>
<td>HFRI Fund of Funds Composite Index</td>
</tr>
<tr>
<td>Private Capital</td>
<td>15%</td>
<td>5%</td>
<td>30%</td>
<td>Pro-rata % Cambridge Private Equity Index Lagged / Bloomberg Barclays US High Yield Index lagged*</td>
</tr>
<tr>
<td>Real Assets</td>
<td>6%</td>
<td>0%</td>
<td>12%</td>
<td>20% S&amp;P Global Infrastructure / 20% S&amp;P Global LargeMidCap Commodity and Resources Index / 20% US TIPS / 20% Bloomberg Commodities / 20% Dow Jones U.S. REITs</td>
</tr>
<tr>
<td>Real Estate</td>
<td>9%</td>
<td>5%</td>
<td>18%</td>
<td>NCREIF ODCE Net**</td>
</tr>
<tr>
<td>Opportunistic</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*See item B, on next page

*See item C, on next page
B. The Private Capital benchmark will be adjusted for Total Fund performance monitoring purposes as follows:

i. The Total Fund policy index will be based on the percentage invested in the asset class, with the remaining uninvested portion added to the target weight to Global Equities.

ii. The policy index allocation to Cambridge Private Equity Index Lagged will be based on the actual allocation to equity-related strategies; the allocation to Bloomberg Barclays US High Yield Index lagged will be based on the actual allocation to debt-related strategies.

C. The Real Estate benchmark will be adjusted for Total Fund performance monitoring purposes as follows:

i. The Total Fund policy index will be based on the percentage invested in the asset class, with the remaining uninvested portion added to the target weight to Global Equities.

ii. The policy index allocation to NCREIF ODCE Net Index will be based on the actual allocation to real estate-related strategies, with the remainder being allocated to the MSCI ACWI IMI Index.

D. The Sustainable Endowment asset allocation guidelines are as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Target</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Market Index for Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>70%</td>
<td>60%</td>
<td>80%</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>30%</td>
<td>20%</td>
<td>40%</td>
<td>BC US Aggregate Index</td>
</tr>
</tbody>
</table>

VI. Rebalancing Procedures

The Strategic Asset Allocation targets in Section V.A. represent a long-term view. Rapid and significant market movements may cause the fund’s actual asset mix to fall outside the policy range. Any such divergence should be of a short-term structure.

The CIO will be responsible to rebalance the asset allocation periodically to remain within the allowable ranges. Where possible the target allocations will be maintained through new cash flows. The CIO will have authority to determine the frequency, timing and magnitude of the rebalancing transactions, and may rebalance with judgement based on intermediate to long-term views on the relative risks and return of each asset class and sub-asset classes. The CIO will use this authority to set interim targets within a 5% absolute deviation from the asset class target in Section V and will report to the Investment Committee quarterly on actions taken.

VII. Asset Class Definitions & Investment Guidelines

The Investment Committee may allow each Investment Manager full investment discretion within the scope of the following investment guidelines. Each separate account investment manager must adhere to the following investment guidelines as well as their specific guidelines unless explicitly advised in writing by the Investment Committee. In certain instances, the Investment Committee or CIO may elect to invest in Funds such as (but not limited to) commingled trusts, limited partnerships, exchange traded funds, investment grade exchange traded notes, or mutual funds. In these cases, the investment guidelines set forth in the Fund’s prospectus, offering memorandum or agreement will govern. The Investment Committee or CIO will take care in selecting Funds with guidelines appropriate for the Foundation and review them periodically. Guidelines for Investment Managers of separately managed accounts will be maintained by the CIO.
The following is intended to provide further clarity to allow allocations to sub-asset classes within the above strategic asset allocation. The CIO has authority to select and set target allocations to sub-asset classes.

A. Global Equities include publicly traded securities issued across all markets, including (but not limited to) the United States and other developed countries, as well as emerging and frontier countries. Sub-allocations may include country- or sector-specific strategies, as well as those identified by specific style or market capitalization factors. Allowable securities include common stocks, structured notes on securities or market indices, convertible notes and bonds, convertible preferred stocks, depository receipts (e.g. GDRS, ADRS), and covered calls. The equity portfolios should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.

B. Fixed Income include publicly traded debt instruments across all markets and issuer types. While the category generally refers to an intermediate investment-grade domestic fixed income management style typified by the Barclays U.S. Universal Bond Index, it is the intention of this policy to allow strategic or tactical exposures to below investment grade, foreign, and/or varying durations. This may include specific exposures to foreign, high yield, bank loans, foreign and emerging market debt denominated in both hard and local currencies, and related multi-asset fixed income strategies. Allowable securities include U.S. Government and agency securities, corporate notes and bonds, mortgage-backed securities, preferred stock, below investment grade, and debt issuances of foreign governments and corporations. The fixed income portfolios should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security.

C. Diversifying Strategies refers to a broad categorization of investment strategies commonly referred to as “hedge funds” and typified by more complex and often opaque investment strategies, less liquid investment terms and typically performance-based fees. Funds will typically feature strategies involving leverage, shorting, frequent trading, and derivative among other approaches. This category specifically includes hedge funds, alternative beta, and related strategies.

D. Private Markets refers to limited partnership interests in funds investing in the equity or debt structure of non-publicly traded companies. This may include venture, distressed, mezzanine, buyout, secondaries, funds-of-funds or other related non-public and/or opportunistic approaches. These interests are typically of an illiquid nature, requiring multi-year lockups of capital.

E. Real Assets refer to both liquid and illiquid strategies that will seek to provide a positive expected return and exhibit a positive correlation to domestic inflation. Liquid strategies may consist of publicly traded equities, commodities, inflation protected bonds (TIPS) and other exchange listed securities that are believed to provide an appropriate hedge to inflation. Illiquid strategies may consist of private limited partnerships and secondaries in sectors with inflation sensitive assets including, but not limited to, energy, mining, infrastructure, timberland, and farmland. Instruments utilized may include partnerships, funds, trusts, REITs, ETFs, ETNs, derivatives and other similarly structured vehicles.

F. Real Estate refer to real estate (land, buildings and related investments) of a publicly traded or private nature. Instruments utilized may include partnerships, funds, trusts, REITs, ETFs, ETNs, and other similarly structured vehicles. The interests may be of liquid or illiquid nature.

G. Opportunistic refers to categories of investments that are not easily classified in items A-E above, and/or are hybrids of several categories. The intention of this designation within the Strategic Asset Allocation framework in section V is to allow the CIO and/or Investment Committee the ability to invest in timely and special opportunities to enhance return and/or reduce risk. The investment opportunities may include limited liquidity, modest leverage and potentially greater concentration than would typically be allowed in the other categories. The CIO has discretion to select investments for this but must report to the Investment Committee on diligence done at the next quarterly meeting.
Guidelines, Prohibitions & Restrictions

A. Commingled Funds / Trusts / Mutual Funds / Limited Partnerships: Any funds must provide monthly reports regarding performance and provide an investor letter at least on quarterly basis in the case of commingled and mutual funds. Funds other than 1940 Act Mutual Funds and commingled funds must provide an independent audited financial statement at least annually.

B. Diversifying Strategies (“Hedge Funds”): The CIO holds discretionary authority to conduct due diligence on and select managers within the Diversifying Strategies (“hedge funds”) category for the portfolio.

C. Opportunistic: The CIO holds discretionary authority to conduct due diligence on and select investments within the Opportunistic category, in compliance with prohibitions outlined in section VIII.A.

D. Prohibited Activities: The Investment Committee at the aggregate portfolio level may not undertake the following investment activities without prior approval of the Board of Governors: short sales, margin purchase or other use of lending or borrowing, investment in unregistered or restricted stocks, individual corporate equities, levered ETFs or ETNs, direct commodities, leveraged derivatives (e.g. floaters, inverse floaters, etc.), warrants, options or futures, and securities lending. It is understood that some Investment Managers will undertake many or all of the above activities as it is deemed appropriate for their investment strategy.

E. Liquidity: The CIO will monitor cash flow on a regular basis, and sufficient liquidity shall be maintained to fund payment outflows. When withdrawals become necessary, the staff will notify the Investment Manager(s) as far in advance as possible to allow them sufficient time to build up necessary liquid reserves.

F. Sustainable Investing Guidelines: The Sustainable Endowment shall include investments in funds or with managers that deploy socially and environmentally responsible investment strategies. The Investment Committee and Staff will seek to retain investment products with minimal exposure to fossil fuels as well as other companies or sectors deemed socially or environmentally irresponsible. Additionally, they may seek to gain exposures to companies positively impacting society and the environment. Recognizing that many of these criteria are subjective and/or hard to measure, and the fact that Foundation is reliant upon external managers for the assessment, purchase and sale of securities, absolute purity of application of these social and environmental preferences is not expected. The staff will monitor managers’ exposures and engage in a proactive dialogue if deviations are evident.

Investment Monitoring and Evaluation

The Investment Committee, CIO and Investment Consultant will utilize the following criteria for evaluation of the Endowment’s investments:

A. Time Horizon: Each Investment Manager has accepted an assignment that requires him or her to earn a net-of-fees return in excess of the appropriate benchmarks. Passively managed funds are expected to meet the benchmark’s return gross of fees.

B. Quantitative Measures: The Investment Consultant will provide calculation of time-weighted rates of return, performance benchmarks and other analytical measures conforming to Global Investment Performance Standards (GIPS) for the overall portfolio and each individual manager. Individual fund performance will be measured against an appropriate style index (net of fees) as approved by the CIO, and our Investment Consultant’s peer universes. For actively managed strategies, three- and five- year performance relative to the appropriate style universe and benchmark Index and 5-Year information ratio relative to appropriate style universe will be emphasized. For passively managed strategies, tracking error should be below 0.25 over rolling 12-month periods.
C. Investment Style: Equity funds are selected on the basis of an investment style, growth or value, within a specified capitalization range. If a fund is found by quantitative measures to have moved into securities that cause the overall weighted portfolio to move into a capitalization area, i.e., large to mid-cap, or into a style, i.e., growth to value, that is not authorized, the CIO will address whether the fund should be replaced with a more appropriate fund.

D. Non-Performance Related Criteria: Monitoring will also include qualitative events such as personnel turnover, changes in investment philosophy or process, style drift, excessive asset growth, change in ownership or other similar events.

E. Immediate Terminations: The following issues may be causes for immediate termination of an Investment Manager’s contract:

1. Organizational risks or changes (major impact), i.e., fraud or loss of portfolio management team
2. Style/capitalization drift not corrected in a timely manner
3. Client service problems
4. Market timing (excessive cash position)
5. Violation of Investment Policy Guidelines