SAN DIEGO FOUNDATION
NON-ENDOWMENT FUNDS
INVESTMENT POLICY STATEMENT
March 2023

I. Statement of Purpose

The Board of Governors of San Diego Foundation (the Foundation) has adopted this Investment Policy Statement in recognition of its responsibility to supervise the investment of 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 Fund'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 Non-Endowment Advised Funds accepted by the Foundation, with the exception of those managed by external investment advisors.

The Foundation's Non-Endowment Advised Funds have been designed to provide liquid investments for future grant making that meet a variety of time horizons from the inception of each account. Five separate pools have been established to meet the unique liquidity and time horizon needs of fund advisors. Each pool is comprised of underlying funds representing various asset classes invested according to the target allocation of each pool.

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; (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 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.

B. Foundation Chief Investment Officer: The Chief Investment Officer (CIO) is employed by the Foundation to manage and administer the investable assets of the Foundation. Specifically, these responsibilities will include, but not be limited to, the following:

    1) Set interim asset allocation targets within a 5% absolute deviation from the asset class targets listed in Section V.

2) Select and set target allocations to sub-asset classes, as defined in section VII below, and consistent with the asset allocation targets in Section V.
3) Select and engage, and terminate and/or redeem, investment managers and funds as needed, based on thorough research conducted either by the CIO, Foundation staff, or the Investment Consultant.
4) Rebalance the asset allocation periodically to remain within the allowable ranges. Where possible the target allocations will be maintained through new cash flows. Determine the frequency, timing and magnitude of the rebalancing transactions, and implement those transactions as necessary.
5) Maintain sufficient liquidity in order to fund all outflows, including but not limited to, grantmaking, fees, and expenses, and in accordance with any restrictions listed in VII. D. below.
6) Report to the Investment Committee all actions undertaken with respect to the portfolio no less frequently than quarterly, and whenever circumstance might warrant.

In addition, the CIO will support the Investment Committee in the fulfillment of its responsibilities and will serve as a liaison with Foundation staff and donors regarding the Foundation's investment activities.

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 Statement, 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. Investment Objectives

The Foundation's Non-Endowment Advised Funds are established as five Pools with distinct return and risk objectives:

Short-Term Pool: Designed for a short term (less than 1-2 years) time horizon, with emphasis on capital preservation and moderate yield, appropriate for donors expecting to grant funds in the immediate future and/or have a very low risk tolerance.

Intermediate-Term Pool: Designed for a short term (2-3 years) time horizon, with emphasis on yield generation, appropriate for donors expecting to grant funds in the immediate future and/or having a low risk tolerance. The pool will target a yield above the Short-Term Pool by increasing exposure to interest rate and credit risk, but no equity market risk.

Medium-Term Pool: Designed for a medium term (3-5 year) time horizon, with emphasis on capital preservation with some potential for capital appreciation, appropriate for donors expecting to grant funds in the intermediate term (3-5 years) and willing to tolerate moderate levels of risk in order to get an enhanced rate of return (versus Intermediate Pool) over a full market cycle.

Long-Term Pool: Designed for a long term time horizon, not too dissimilar from an endowment's perpetual horizon, with emphasis on capital appreciation and income, appropriate with donors expecting to grant funds over a longer time horizon and willing to tolerate higher levels of risk to get market-like returns.

Sustainable Non-Endowed Pool: A socially- and environmentally-conscious portfolio designed for a long term time horizon, not too dissimilar from an endowment's perpetual horizon, with emphasis on capital appreciation and income, appropriate with donors expecting to grant funds over a longer time horizon and/or willing to tolerate higher levels of risk to get market-like returns. Underlying 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 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.

The return objectives for the Pools will be for the asset value, 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 custom benchmarks and the median return in a representative peer universe. The custom policy index for each Pool will be based on the strategic asset allocation weights to market indices established for both the medium term (3 years) and long term (5 years). The peer universes will be selected by the CIO based on appropriateness of constituents, including relative size, asset allocation, and risk.

IV. Strategic Asset Allocation & Performance Benchmarks

Set forth below are the strategic asset allocation and allowable ranges for the Pools. 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.

Short-Term Pool:

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Cash & Equivalents	100%	0%	100%	90 Day U.S. T-Bills

Intermediate-Term Pool:

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Fixed Income	60%	30%	80%	Bloomberg Barclays US Universal Bond Index
Short-Term Fixed Income	40%	20%	60%	BofA ML 1-3Y Treasury
Cash & Equivalents	0%	0%	20%	90 Day U.S. T-Bills

Medium-Term Pool:

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Global Equities	25%	15%	35%	MSCI ACWI IMI Index
Fixed Income	45%	35%	55%	Bloomberg Barclays US Universal Bond Index
Short-Term Fixed Income	25%	15%	35%	BofA ML 1-3Y Treasury
Real Assets	5%	0%	10%	20% S&P Global Infrastructure / 20% S&P Global LargeMidCap Commodity and Resources Index / 20% US TIPS / 20% Bloomberg Commodities / 20% Dow Jones U.S. REITs
Cash & Equivalents	0%	0%	5%	90 Day U.S. T-Bills

Long-Term Pool:

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Global Equities	50%	40%	60%	MSCI ACWI IMI Index
Fixed Income	20%	10%	30%	Bloomberg Barclays US Universal Bond Index
Diversifying Strategies (commonly, “Hedge Funds”)	20%	10%	30%	HFRI Fund of Funds Composite Index
Real Assets	10%	5%	20%	20% S&P Global Infrastructure / 20% S&P Global LargeMidCap Commodity and Resources Index / 20% US TIPS / 20% Bloomberg

				Commodities / 20% Dow Jones U.S. REITs
Cash & Equivalents	0%	0%	5%	90 Day U.S. T-Bills

Sustainable Non-Endowment Pool:

Asset Class	Strategic Target	Minimum	Maximum	Market Index for Performance
Global Equities	75%	60%	85%	MSCI ACWI ex Fossil Fuels Index
Fixed Income	20%	10%	30%	Bloomberg Barclays US Universal Bond Index
Real Assets	5%	0%	10%	50% US TIPS / 50% Dow Jones U.S. REITs
Cash & Equivalents	0%	0%	5%	90 Day U.S. T-Bills

V. Rebalancing Procedures

The asset mix policies and acceptable minimum and maximum ranges established by the Investment Committee represent a long-term view. Rapid and significant market movements may cause the funds' actual asset mixes to fall outside the policy range, as well as outside any interim allocation range set by the CIO. Any such divergence should be of a short-term nature. It is the CIO's responsibility to rebalance the portfolio in order bring its allocation back in line with established targets.

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 IV and will report to the Investment Committee quarterly on actions taken.

VI. 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 (eg. 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. Short-Term Fixed income refers to specific exposures to fixed income strategies with a duration of 1 to 3 years. Allowable securities include all those listed under Core Fixed Income. The Short-Term fixed income portfolios should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. No more than 5% of an Investment Manager's portfolio based on market value shall be invested in the securities of any one issuer other than fixed income pools of investments such as U.S. Governments or U.S. Government Agencies. Except U.S. Treasuries, no more than 10% of a fixed income portfolio based on market value shall be invested in securities of any one issuing corporation at the time of purchase.

D. 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, but will be limited to such vehicles with liquidity terms equal to or shorter than one year.

E. Real Assets refer to real estate (land, buildings and related investments), publicly-traded equities, commodities, inflation protected bonds (TIPS) and other exchange listed securities that are believed to provide an appropriate hedge to inflation. Instruments utilized may include funds, trusts, REITs, ETFs, ETNs, derivatives and other similarly structured vehicles.

F. Cash & Equivalents includes Treasury bills, money market funds, commercial paper, bankers acceptances and certificates of deposit. All FDIC insured accounts must remain within the insured limits. Account limits can only exceed the FDIC insurance limit with the prior approval of the Committee. Within the Money Market Fund category, US Treasury, Government and high-quality Prime funds are allowed. Funds must meet all Rule 2a-7 guidelines as published under the Investment Company Act of 1940. Weighted average maturities must be below 90 days. Income must be distributed at least monthly. The Chief Investment Officer may use discretion in allocating the "Cash & Equivalent" asset class in the Short-Term and Medium-Term Pools across a list of money market funds approved by the Investment Committee. For the Short-Term Pool, the amount invested in any one Money Market Fund should not exceed the greatest of 25% or $20,000,000 of total Pool assets. For the Medium-Term Pool, the amount invested in any one Money Market Fund should not exceed the greatest of 10% or $10,000,000 of total Pool assets.

VII. 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. Prohibited Activities: The Investment Committee and the CIO, 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, 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.

C. Liquidity: Each Pool has specific liquidity guidelines as follows:

a. The Short-Term Pool should maintain 100% liquidity within seven days or less.
b. The Intermediate-Term Pool should maintain 100% liquidity within seven days or less.
c. The Medium-Term Pool may invest in vehicles that are less liquid, however should maintain a minimum of 80% of the investments in vehicles that offer liquidity within three days or less.
d. The Long-Term Pool may invest in vehicles that are less liquid, however should maintain a minimum of 60% of the investments in vehicles that offer liquidity within seven days or less. No vehicles with lock-ups greater than one year may be utilized.
e. The Sustainable Non-Endowment Pool may invest in vehicles that are less liquid, however should maintain a minimum of 80% of the investments in vehicles that offer liquidity within three days or less.

G. Sustainable Investing Guidelines: The Sustainable Non-Endowed Pool 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.

VIII. Investment Monitoring and Evaluation

The Investment Committee, CIO and Investment Consultant will utilize the following criteria for evaluation of the Pool'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 Sharpe 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