Mary Reynolds Babcock

Investment Policy Statement
Approved August 2025

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I. Executive Summary

- Mission and Purpose
  - The Mary Reynolds Babcock Foundation focuses on:
    - Helping people and places move out of poverty
    - Advancing racial equity
    - Creating transformative economic opportunities in the Southern United States
  - Success is measured through both financial returns and mission-aligned outcomes.
  - Specific mission-aligned outcomes the Foundation seeks to advance include:
    - Dismantling systemic economic barriers
    - Supporting marginalized communities
    - Building economic power for underrepresented groups
- Investment Philosophy and Approach
  - The Foundation pursues 100% mission-aligned investing through five core strategies:
    - Responsible Investing
    - Active Ownership and Shareholder Advocacy
    - Mission-Related Investments
    - Diverse Manager Commitment
    - Geographic Impact Focus
  - There is a strong emphasis on ESG criteria and social justice, with explicit exclusions of investments harmful to communities or the environment.
- Financial Objectives and Asset Allocation
  - The Foundation targets a 5.5% real return (inflation-adjusted, net of fees) over a full market cycle of 3- to 5-years with a moderate risk tolerance.
  - The target asset allocation is:

Asset Class	**Minimum**	**Target**	**Maximum**	**Benchmark**
Global Equity	40%	50%	65%	MSCI ACWI
US Equity	25%	33%	65%	Russell 3000
Non-US Equity	13%	17%	38%	MSCI ACWI ex-USA
Private Equity	5%	20%	25%	MSCI ACWI
Fixed Income/Credit	5%	13%	30%	BBG US Aggregate
Real Assets	0%	10%	15%	CPI + 3%
MRIs	0%	5%	10%	3M T-Bill
Cash	0%	2%	10%	3M T-Bill

  - Up to 10% may be allocated to Mission-Related Investments that prioritize mission alignment while simultaneously seeking financial return.
- Time Horizon and Spending Policy
  - The Foundation maintains a long-term investment horizon.
- Our target annual spend rate is 5.5% of the average market value of the portfolio over the preceding 12 quarters, with a requirement to maintain six months of operating expenses in

liquid assets. Our target annual spend rate may be adjusted by the Board at times as the economic and social environment may warrant. Governance Structure:

- The Investment Committee oversees the investment program and is committed to being representative of the communities we serve.
- The Foundation works with an Investment Advisor for portfolio management.
- Performance monitoring occurs quarterly, with annual impact reporting requirements.

II. Mission and Preamble

The Mary Reynolds Babcock Foundation ("MRBF" or "Foundation") is dedicated to helping people and places move out of poverty and achieve greater social and economic justice. We deploy investments as a powerful tool to build power, advance racial equity, and create transformative change across the Southern United States. We view our entire investment portfolio – program-related investments (PRIs), mission related investments (MRIs), and market-rate investments – as a strategic mechanism to address systemic barriers and create meaningful opportunities for marginalized communities.

Please note that MRBF's PRIs are programmatic in substance – versus our MRIs and market-rate investments; their parameters are addressed in the Foundation's PRI policy. Please see our website for MRBF's PRI policy.

Our investment approach is anchored in racial equity and intersectional analysis. Intersectional analysis allows us to evaluate how overlapping identities (like race, gender, and class) impact outcomes, ensuring our investments address the complex realities faced by marginalized communities. We apply rigorous environmental, social, and governance (ESG) criteria that prioritize labor rights and worker protections, environmental sustainability, ethical corporate governance, and community impact.

We believe financial performance and social impact are fundamentally interconnected. By centering racial equity in our investment decisions, we aim to generate competitive returns while challenging existing power structures and creating pathways to prosperity for communities historically excluded from economic opportunity.

Our investments are a powerful instrument of social change, committed to building a future where everyone – regardless of race, geography, gender, or economic background – can thrive.

III. Purpose of the Investment Policy Statement

This Investment Policy Statement ("IPS" or "Policy") establishes the objectives, policies, and guidelines that will govern the investment of the Mary Reynolds Babcock Foundation's assets. The IPS lays the foundation for us to align our assets with our mission, optimizing for both risk-adjusted financial returns and risk-adjusted positive social and environmental impact. The IPS includes mission-aligned portfolio objectives, high-level asset allocation targets, accountability structures, and guidelines to steer the Foundation's mission investment program.

The intent of this Policy is to be specific enough to be meaningful, yet flexible enough to be practical. The Investment Committee will review the IPS annually to determine whether adjustments are advisable.

IV. Investment Philosophy

The Foundation's investment philosophy is to:

- Invest in a transparent and responsible manner that provides for growth of the Foundation's assets.
- Diligently incorporate sustainable, impact-focused, and community-oriented investment approaches aligned with our mission and vision.
- Avoid investments that directly or indirectly conflict with the Foundation's mission and vision.
- Ensure the potential for financial returns does not warrant making investments that will negatively harm communities or the environment.
- Prioritize selection of diverse asset managers.

V. Mission Investment Objectives and Guidelines

The Mary Reynolds Babcock Foundation's investment approach is guided by a quadruple bottom line framework that holistically evaluates our investments through four critical lenses: financial performance, mission alignment, diversity impact, and local relevance. To such end, we will pursue five primary areas of mission-aligned investing:

1. Responsible Investing: We actively screen our portfolio to exclude investments that perpetuate harm and seek opportunities that advance racial equity and social justice.
2. Active Ownership, Shareholder Advocacy, and Corporate Stewardship: We leverage our position as shareholders to promote positive corporate change that aligns with our mission.
3. Mission-Related Investments (MRIs): We deploy patient, risk-tolerant capital that addresses systemic social and environmental challenges.
4. Diverse Manager Commitment: We prioritize partnerships with asset managers traditionally underrepresented in the financial sector.
5. Geographic Impact Focus: We aim to make investments that will strengthen communities in the 11 Southern states we serve.

ESG Investing Guidelines

MRBF believes integrating responsible investing through incorporating environmental, social, and governance (ESG) criteria into investment decisions will result in mission-alignment, risk mitigation, and positive, measurable impact.

The Foundation seeks to shape the behavior of companies, asset managers, and the philanthropic sector, and influence the flow of capital toward socially just initiatives, while avoiding any actions that may undermine them. To this end, all investments should actively seek to achieve the following in a manner consistent with our investment philosophy and this policy:

- Increase (or include where practical) exposure to funds, companies, and industries that promote and/or engage in the practices below that advance our goals:
  - Racial Justice
  - Economic Justice
  - Human Rights
  - Environmental Justice
  - Gender Equality
  - High Performance Workplace

- Exclude (or where impractical reduce) exposure to companies and industries engaging in the below practices that harm marginalized communities:
  - Fossil Fuel Industry Exposure
  - Human Rights Abuses
  - Environmental Degradation
  - Social Harm
  - Prison Industry Exposure
  - Weapons
  - Tobacco

Active Ownership, Shareholder Advocacy, and Corporate Stewardship

Shareholder Advocacy may be used as an organizing tool and corrective mechanism in partnership with grassroots advocacy and movement organizers to attain corporate accountability, shift harmful corporate practices, and create lasting systems change. The Foundation will join with others to encourage companies (and related asset managers), when appropriate, to either modify practices that are antithetical to our mission or to improve products and services to advance our mission to build a genuinely representative economy. Where practical, we will engage our asset managers to vote proxies in alignment with our values and mission.

Mission-Related Investments

Mission-Related Investments (MRIs) are a strategic approach to extending our impact beyond traditional program related investments (PRIs) and grantmaking by deploying flexible, patient capital that addresses systemic social and economic challenges. We will make MRIs across a spectrum of profit-seeking investment types– generally prioritizing long-term social impact in the American South while maintaining competitive financial performance and geographic flexibility. Our MRIs target critical areas such as community development, affordable housing, small business support, renewable energy, and workforce development, with a primary focus on advancing racial equity, supporting local economies, and creating pathways for communities historically excluded from traditional capital markets.

Please see the Foundation's PRI Policy – a sub-policy within our IPS – at our website for detailed information on our PRI program.

Diverse Manager Commitment

In alignment with the Due Diligence 2.0 Commitment, we intentionally broaden our investment manager screening criteria to create meaningful opportunities for underrepresented financial professionals. Our approach maintains rigorous fiduciary standards while advancing social justice by supporting investment firms that reflect our commitment to equity, diversity, and inclusion in the financial services sector.

In sourcing managers, we will broaden our screening criteria to allow consideration of:

- Firms with assets under management below $200 million
- Firms with a limited tenure (less than three years old)
- Firms that have launched three or fewer funds
- Firms with a smaller composite or model performance history

Further, in addition to performance, we will consider manager diversity across five dimensions:

1. Ownership: The firm has majority ownership (defined as 50% or more) by underrepresented groups in finance including Black, Indigenous, Latine, and LGBTQIA+.
2. Leadership: At least 50% of voting members on the firm's Investment Committee and/or portfolio management team are from underrepresented groups in finance.
3. Diversity, Equity, Inclusion, and Belonging: The firm demonstrates formal Diversity, Equity, Inclusion, and Belonging policies with active programs to attract, retain, and develop diverse talent at all organizational levels.
4. Outcomes: The firm's investment strategy does not intentionally invest in industries that exploit Black, Indigenous, Latine, LGBTQIA+ and other persons of underrepresented communities.
5. Next Generation Pipeline: The firm makes intentional efforts to promote diverse people to senior roles of leadership.

Geographic Impact Focus

The Mary Reynolds Babcock Foundation has a geographic impact and programmatic focus centered on the 11 Southern states we serve, where we seek to create meaningful, sustainable change through strategic investment in our local communities. Through place-based investments, we will aim to address systemic inequities and create economic opportunities that advance racial equity and social justice across the Southern United States.

VI. Key Investment Parameters

A. Impact Objectives

The Foundation pursues a 100% mission-aligned investment program. We assess investments through a quadruple bottom line framework that sequentially evaluates each potential investment: first confirming financial performance, then mission alignment, followed by diversity impact, and finally local relevance. Our goal is to identify opportunities that meet our financial standards while advancing racial equity, economic justice, and transformative change in the Southern United States.

B. Financial Objectives

The Foundation seeks to maintain long-term purchasing power. For the total cash and investments Portfolio, our financial return target is a total real return – defined as inflation-adjusted, net of fees and taxes – of 5.5% % over a long-term horizon. This target could differ if interest rates change over the course of a full market cycle of 3-5 years.

C. Time Horizon

The Foundation intends to have a long-term investment horizon with the goal of optimizing both risk-adjusted financial returns and risk-adjusted positive impact over multiple market cycles.

D. Risk Tolerance

The Foundation considers our risk tolerance to be moderate. We understand that historical and prospective returns from the capital markets vary, sometimes dramatically, from one period to the next. As a long-term investor, we recognize this volatility to earn the returns necessary to meet our long-term spending and capital requirements.

We will take steps to mitigate the effects of market volatility through diversifying our asset class exposure as well as striving to allocate no more than 15% of our portfolio to any one Investment Manager and to limit our exposure to no more than 10% of any manager's assets under management. We may sometimes revisit these concentration limits when:

- The Investment Committee has high conviction in the manager through rigorous due diligence of performance history, process consistency, and operational strength.
- The manager's strategy fulfills specific portfolio needs by meeting risk-return-liquidity targets and providing complementary exposures that enhance diversification.
- Allocation size is justified by investment minimums, strategy capacity constraints, or fee efficiency benefits.

The Investment Committee must document rationale for approaching concentration limits and review annually or as deemed appropriate.

In addition, we take steps to mitigate the effects of market volatility on our short-term capital needs by holding a certain level of assets with a low performance correlation to the market and maintaining a certain amount of assets with a high degree of liquidity.

E. Proxy Voting

The Foundation will delegate proxy voting responsibility to its investment managers through the Investment Advisor. The Investment Advisor will instruct the managers to vote proxies in alignment with the Foundation's values, codified in a Custom ESG Voting Policy.

F. Liquidity Needs

To ensure that the volatility of capital markets does not have a negative impact on spending levels in any single year, we maintain enough liquidity within our Portfolio in cash and cash equivalents for operating expenses for at least a rolling six-month period. When investing in less liquid investments, we expect to earn a premium in either higher financial returns or greater positive impact.

G. Spending Policy

The Mary Reynolds Babcock Foundation seeks to execute a spending policy designed to provide a stable, predictable level of funding for its grants and operations while preserving the annual purchasing power of its portfolio. Our target annual spend rate is 5.5% of the average market value of the portfolio over the preceding 12 quarters. The spending rate will be reviewed annually by the Board and may be adjusted to reflect changes in market conditions, inflation, or the Foundation's needs.

As a mission-focused organization always seeking to closely align with the historically marginalized communities and people of the American South, the Foundation recognizes that at times the Board will authorize higher levels of annual spending as times and situations warrant.

H. Safekeeping of Securities

All securities will be kept in the Foundation's name and will be held by a qualified, independent custodian for public market assets and a fund administrator for private market assets.

I. Ineligible Investments

The Foundation has determined that the following asset classes should be excluded from this portfolio unless approved in writing by the Investment Committee:

- Futures, Options and Swap Contracts employed for speculative trading purposes
- International Currencies (when considered as a separate asset class)
- Cryptocurrencies or digital coins
- Commodity Contracts
- Gold Bullion
- Distressed Debt (unrated private fixed income purchased for corporate turnaround or liquidation potential) excluding Rule 144A securities used in high-yield, fixed income strategies
- Collectibles (for example stamps, fine art, wine, cars)
- Hedge Funds

VII. Investment Manager Guidelines

The following guidelines are meant to provide direction to investment managers and are not intended to hinder their ability to prudently invest the Foundation's assets according to their investment process and discipline.

A. Performance vs. Market Indices

The performance of investment managers will be evaluated not only on an absolute basis but also relative to appropriate market benchmarks and peer groups, taking into account the specific role of each manager within the broader portfolio. The Investment Advisor will assess whether the manager is delivering returns consistent with expectations, net of fees, and adjusted for risk. Persistent underperformance relative to benchmarks or peers may trigger enhanced monitoring or lead to a recommendation for termination.

B. Manager Style

Investment managers will be selected based on their investment philosophy, style, and approach. The Investment Advisor will monitor whether managers consistently maintain these characteristics. If a manager deviates materially from their stated strategy, philosophy, or style, this may be grounds for additional monitoring or termination.

C. Ineligible Investments

As previously outlined in section VII, part I, the Foundation has determined that the following asset classes should be excluded from this portfolio unless approved in writing by the Investment Committee:

- Futures, Options and Swap Contracts employed for speculative trading purposes
- International Currencies (when considered as a separate asset class)
- Cryptocurrencies or digital coins
- Commodity Contracts
- Gold Bullion
- Distressed Debt (unrated private fixed income purchased for corporate turnaround or liquidation potential) excluding Rule 144A securities used in high-yield, fixed income strategies
- Collectibles (for example stamps, fine art, wine, cars)
- Hedge Funds

D. Guidelines by Asset Classification

1. Equity Managers

Investment managers have broad discretion over portfolio decisions, including security selection, position sizes, quality standards, number of industries or holdings, income levels, and turnover rates. All managers must follow standard risk management practices. International equity managers (including emerging market managers) may hedge their currency exposure but cannot treat foreign currency cash positions as investments.

All equity portfolios are prohibited from:

- Short selling
- Margin trading
- Entering commodity contracts

Any consideration of the above prohibited activities requires specific approval from the Investment Committee.

2. Fixed Income Managers

The fixed income portfolio must be well diversified across security types, industries, and issuers to minimize risk. The portfolio may include appropriate allocations to higher-risk securities such as non-investment grade bonds, as well as arbitrage strategies, credit default swaps (CDS), and other derivatives. Futures, options, and swap contracts are permitted for hedging purposes only, not for speculation. The Investment Advisor will monitor fixed income portfolios to ensure compliance with these guidelines and will notify the Investment Committee of any deviations. Managers who cannot comply with these parameters may be terminated.

3. Cash Equivalents

Permissible cash equivalent instruments include:

Direct U.S. Government Securities:
- Direct obligations of the United States
- Obligations unconditionally guaranteed (principal and interest) by federal agencies

Secured Agreements:
- Repurchase agreements secured by U.S. government and federal agency obligations

Bank and Investment Manager Products:
- Certificates of Deposit from commercial banks
- Commercial paper from commercial banks and major investment managers
- Money market funds from commercial banks and major investment managers

All bank and investment manager products must be comprised solely of the U.S. government securities listed above.

4. Alternative Asset Managers

This asset class includes venture capital, private equity, and private debt investments. Fund-of-funds structures are permitted across all these alternative asset classes to provide additional diversification.

Each alternative asset manager will follow the guidelines specified in their strategy and offering memoranda. The investment manager is responsible for monitoring all underlying funds and investments to ensure they remain consistent with the Foundation's goals, values, and investment guidelines.

VIII. Roles and Responsibilities

Board of Directors

The Board of Directors defines and establishes the mission-aligned investment program's values, purpose, goals, and overall objectives. The Boards responsibilities are to:

1. Approve the Investment Policy Statement, including the Foundation's performance objectives as recommended by the Investment Committee.
2. Remain informed of overall investment program approach, and financial and impact performance outcomes.
3. Delegate implementation and oversight of the Investment Policy Statement to the Investment Committee and Staff.
4. Set and adjust the target annual spend rate as the economic and social environment may warrant.

Investment Committee

The Investment Committee is responsible for directing and monitoring the investment management of the Foundation's assets. The committee is committed to being representative of the communities we seek to serve. The specific investment responsibilities of the Investment Committee are to:

1. Establish sound and consistent investment guidelines, objectives, and benchmarks.
2. Monitor the activities of the overall investment program for compliance with the Investment Policy (e.g., changes in distributions, asset allocation, MRIs, market conditions, etc.) at a minimum of once per year.
3. Select, monitor, maintain, and terminate relations with the Investment Advisor, investment managers, custodians, banks, and other service providers.
4. Evaluate the effectiveness and alignment of the Foundation's investment program relative to the IPS and take corrective action where appropriate.

Additional specialists such as attorneys, accountants, auditors, actuaries, consultants, community advisers, and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer the Foundation's assets in line with its mission.

Investment Advisor

The Investment Advisor shall perform the duties required of them per the terms of the Investment Advisory Agreement. For each relationship with an Investment Advisor, there shall be such an agreement in place.

Specifically, the Advisor shall be primarily responsible for:

1. Advising the Investment Committee on investment strategy, asset allocation, and governance, while assisting in clarifying investment and impact objectives.
2. Providing recommendations for Investment Managers and Direct Investments to implement the asset allocation and impact goals, including suggesting appropriate performance benchmarks.
3. Conducting continuous research, performance analysis, and due diligence on investments. Providing quarterly performance and annual impact reports and meeting regularly with the

Investment Committee to discuss portfolio performance and impact.
4. Offering ongoing education on relevant topics to the Investment Committee and ensuring all investments comply with applicable laws and regulations.
5. Assisting in rebalancing and adjusting the portfolio as needed, particularly during cashflow events, to maintain alignment with the target allocations and objectives.
6. Providing timely guidance and recommendations related to the management of the investment portfolio
7. Providing recommendations to the Investment Committee concerning the selection, termination, and allocation of investment managers. The Client retains discretionary authority to reject recommendations deemed contrary to its interests. In the case of an emergency or timely fiduciary concerns, the Advisor may immediately terminate manager authority with subsequent Client notification.

Investment Managers

The Foundation may use Investment Managers utilizing different investment structures (e.g., separate accounts, mutual funds, exchange-traded funds, private placements, etc.) to buy and sell securities within the Foundation's portfolio and execute a specific investment strategy. The Investment Managers shall be primarily responsible for the following:

1. Managing assets according to agreed-upon guidelines and objectives, exercising full investment discretion in buying, managing, and selling assets within the portfolio
2. Acting with care, skill, prudence, and due diligence as expected of experienced investment professionals, adhering to the Uniform Prudent Investor Act and all applicable laws. For separate accounts, acknowledging limited fiduciary responsibility in writing.
3. Voting all proxies in the long-term interests of the Foundation, maintaining detailed records, and complying with all regulatory obligations related to voting.
4. Promptly informing the Investment Advisor and Investment Committee of significant changes to the fund, strategy, or firm (e.g., ownership, structure, financial condition, key staff), and providing detailed records of any "soft dollar" transactions.
5. Executing all transactions subject to "best price and execution" principles and manage the portfolio in accordance with the Service Agreements, prospectuses, or Trust Agreements as applicable.

In some cases, the Mary Reynolds Babcock Foundation may make direct investments in companies or nonprofit organizations when an opportunity aligns uniquely with our mission and investment strategy. Such Direct Investments will be carefully evaluated by the Investment Committee and must comply with all guidelines outlined in this IPS.

Custodian

Custodians are third parties responsible for the safekeeping of the Foundation's assets. The specific duties and responsibilities of the custodian are to:

1. Maintain separate accounts by legal registration
2. Value the holdings

3. Collect all income and dividends owed to the Foundation’s portfolio
4. Settle all transactions (buy-sell orders) initiated by the Investment Managers
5. Provide monthly reports to the Investment Advisor and management that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report
6. Manage cash inflows and outflows for operating funds, grants, capital calls and distributions

IX. Transparency and Reporting

A. Review and Modification of the Investment Policy Statement

The Investment Committee will review the IPS at least once a year to determine if modifications are necessary or desirable.

B. Meeting with Investment Advisor

The Investment Advisor will meet at least quarterly with the Investment Committee to review market strategy, portfolio structure, and investment results. If requested, the Investment Advisor will meet more often with the Investment Committee.

Additionally, on a timely basis, the Investment Advisor will proactively inform the Investment Committee in writing of any significant changes to an Investment Manager’s ownership, portfolio management process, or style, or if other material concerns have become evident.

C. Performance Measurement

The Investment Committee requires a quarterly report on the performance of the Foundation’s portfolio versus appropriate market asset class benchmarks and on the performance of individual Investment Managers versus their stated market benchmarks.

For purposes of performance measurement, the returns of the endowment will be measured against a custom benchmark composed of indices that serve as reasonable proxies for the asset classes contained in the policy portfolio. The performance of individual managers within the asset classes may be measured against more specific style or sector indices as appropriate. A summary investment performance report will be produced on a quarterly basis.

D. Impact Measurement, Monitoring, and Reporting

The Investment Committee requires an annual impact report, which shows the Foundation’s holdings and how they align with Sustainable Impact Metrics to be determined in consultation with the Investment Advisor.

Impact investing is a rapidly evolving field and so are the methods for evaluating, measuring and reporting impact and mission alignment. The Foundation will endeavor to work with managers and the Investment Advisor that exhibit best practices in these areas, and the Investment Committee will make efforts to receive the best available information with regards to impact and report to internal and external stakeholders as appropriate.

It is an aspirational goal to set practical and measurable targets for the mission alignment and impact achievement of the portfolio.

X. Conflict of Interest

All decisions and actions of the Investment Committee are subject to the Mary Reynolds Babcock Foundation's Conflict of Interest Policy.

Appendix A: Asset Allocation Guidelines

The Mary Reynolds Babcock Foundation believes that investment performance, in large part, is primarily a function of the asset class mix. The organization will consider the following asset classes below for the portfolio. Additionally, the Investment Committee and/or Investment Advisor shall respect the asset class constraints described below for each broad asset class.

Asset Class	Minimum	Target	Maximum	Benchmark
Global Equity	40%	50%	65%	MSCI ACWI
US Equity	25%	33%	65%	Russell 3000
Non-US Equity	13%	17%	38%	MSCI ACWI x USA
Private Equity	5%	20%	25%	MSCI ACWI
Fixed Income/Credit	5%	13%	30%	BBG US Aggregate
Real Assets	0%	10%	15%	CPI + 3%
MRIs	0%	5%	10%	3M T-Bill
Cash	0%	2%	10%	3M T-Bill

A. Target Asset Allocation

The Investment Committee will select a target asset allocation for the Foundation consistent with our investment objectives and asset allocation guidelines. As the target allocation is modified, it does not require pre-approval from the Investment Committee as long as the updated allocation stays within the ranges specified above.

B. Rebalancing

Rebalancing the portfolio will be assessed whenever asset allocation exceeds the allowable range or significant cash flows occur. Rebalancing may be deferred if market conditions or operational considerations warrant.

C. Mission-Related Investments

The Foundation will consider investing up to 10% of the portfolio in Mission-Related Investments that prioritize mission alignment while simultaneously seeking financial returns that may or may not achieve market-rate returns within any particular asset class.

Appendix B: Key Word Glossary

Alternative Investments – Investment strategies beyond traditional stocks, bonds, and cash that aim to enhance portfolio returns and manage risk through specialized approaches. Generally speaking, these include private equity, hedge funds, and private debt, often employing sophisticated techniques such as derivatives, arbitrage, and other niche strategies. Prior to investment in such strategies, the Investment Committee will consider liquidity, transparency, fees, regulatory oversight, the use of leverage, and other potential liabilities.

Asset Allocation – A strategic approach to portfolio construction that determines the optimal mix of asset classes based on long-term objectives. This framework balances risk tolerance, time horizon, liquidity needs, impact targets, and return goals through diversification and periodic rebalancing to maintain target allocations.

Bribery, Corruption, and Fraud Violations - Companies with serious offenses that undermine good governance and social responsibility. Indicators include media coverage, lack of transparency, history of regulatory penalties and investigations, whistle blower complaints, and legal filings.

Cash and Cash Equivalents – High-quality, liquid investments focused on principal preservation while providing competitive returns. These include FDIC-insured deposits, U.S. government obligations, and highly rated short-term instruments (minimum A-1/AAA rating) from recognized ratings organizations.

Economic Justice – Strategies focused on providing fair treatment, prosperity and justice for all people, including access to capital in marginalized communities, local restorative justice services, employment programs, and financial inclusion.

Environmental Justice – Combating systemic inequities that expose marginalized communities to environmental hazards, including toxic waste, exploitative resource extraction, and harmful land use.

Environmental Violations – Companies with controversies involving the impact of company operations and/or products and services that violate national or international laws, regulations, and/or commonly accepted global norms. Environmental indicators considered include biodiversity and land use, toxic emissions and waste, energy and climate change, water stress, non-hazardous operational waste, impact of products/services, and supply chain management.

Equity (Stock) – Ownership stake in public or private companies, representing residual value after liabilities. Our global equity allocation seeks above-inflation capital appreciation through diversified exposure to domestic and international markets, including:

- Common and preferred stocks
- American depository receipts (ADRs) and global depository receipts (GDRs)
- Convertible securities
- Other equity-linked instruments

While equity investments typically carry higher market risk, they offer growth potential and inflation protection through broad global market participation.

Exchange Traded Fund (ETF) – A pooled investment vehicle that is typically passively managed to track a particular index or sector. It can be bought and sold like an individual stock offering diversified exposure through a single, liquid security. For example, the first ETF was the SPDR S&P 500 ETF (SPY) which tracks the S&P 500 Index.

Fixed Income (Bond) – An investment instrument where the investor lends money to a government or company at a certain interest rate for an amount of time. The entity repays the investor with interest in addition to the original face value of the bond. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Bonds/Fixed Income serves multiple portfolio functions, including:

- Hedge against deflation
- Reduce portfolio volatility
- Provide steady income
  Offer liquidity

Fossil Fuel Industry Exposure – Companies operating in the fossil fuel industry, and utilities powered by fossil fuels.

Gambling – Companies that derive > 5% of revenue from the ownership or operation of gambling facilities; or > 15% of revenue from licensing its company or brand name to gambling products or providing key products or services fundamental to gambling operations.

Gender Equality – Advancing equity and opportunity for women and LGBTQIA+ communities through investment decisions that support their economic empowerment and leadership.

Global Equity (U.S. and Non-U.S.) – Investment in companies worldwide, including both U.S. and international markets, typically through publicly traded stocks. While primarily focusing on traditional long-only positions, strategies may include additional techniques such as options, futures, or hedging to enhance returns and manage risk.

Global Fixed Income – International debt investments across government, corporate, and structured securities, managed for yield, duration, and credit quality (minimum average “BBB” rating).

Human Rights – Companies safeguarding rights to freedom, choice, and privacy.

Human Rights Violations – Companies that engage in, contribute to, or benefit from systemic practices that violate internationally recognized human rights, including but not limited to forced labor, child exploitation, severe discrimination, or suppression of basic freedoms.

Investment Policy Statement (IPS) - Communicates the Foundation’s investment goals and the strategies that will serve as guideposts for managing its portfolio. This policy document:

- Provides appropriate guidance on portfolio construction and ongoing management

- Helps maintain focus on the mandate and assists in avoiding deviations due to changing market conditions
- Serve as a critical tool in maintaining focus on stated mission-aligned investing objectives

Labor Rights Controversies – Companies with controversies involving the impact of company operations and/or products and services that violate national or international laws, regulations, and/or commonly accepted global norms. Labor rights indicators considered include labor-management relations, employee health and safety, collective bargaining and unions, discrimination and workforce diversity, child labor, and management of supply chain employee relations standards.

Liquidity – The ease and speed with which an investment can be converted to cash without significant price impact.

Long Term – Investment time horizon typically exceeding 10 years, allowing for greater risk tolerance and broader investment opportunities.

Medium Term (Intermediate) – Investment time horizon between short and long-term, typically 2-10 years, often applied to fixed-income investments.

Mission Related Investments (MRIs) - Financial investments made by foundations and nonprofits that align with their charitable purposes while generating returns. Unlike traditional investments focused solely on profit, MRIs intentionally support the organization's social or environmental goals. MRIs may or may not have an expected market rate return.

Mutual Funds – An investment vehicle that pools money from multiple investors to purchase a diversified portfolio of stocks, bonds, or other securities. It allows investors to gain exposure to a professionally managed portfolio and potentially benefit from economies of scale, while spreading risk across multiple investments.

Program Related Investments (PRIs) - Investments made primarily to accomplish charitable purposes rather than to produce income. They must further the Foundation's exempt charitable activities, placing financial return secondary to charitable impact. They can count toward the foundation's required 5% annual distribution. Frequently in the form of low interest loans, loan guarantees, or equity investments in social enterprises.

Prison Industry Exposure – Companies with direct financial ties to the prison industry and/or use or support prison labor, including in their supply chain.

Racial Equity and Inclusion – Investments advancing racial justice through corporate diversity, inclusive practices, and targeted investment mandates.

Real Assets – Tangible investments like real estate, infrastructure, and natural resources, evaluated for return potential, risk management, liquidity, and impact considerations.

Rebalancing - The systematic process of adjusting portfolio allocations back to target weights to maintain desired risk, return, and impact exposure.

Risk Tolerance – An investor's capacity and willingness to accept large swings in the value of their investments, crucial for appropriate portfolio construction.

Separately Managed Account (SMA) – A customized investment portfolio offering direct security ownership and personalized management. Unlike mutual funds or ETFs, SMAs provide greater flexibility in investment strategy, tax management, and portfolio customization. Investments typically include exchange-listed securities and investment-grade holdings, managed by professional firms for a percentage of assets under management.

Short Term Investments – High-quality, liquid securities designed for capital preservation and near-term cash needs, typically held for under five years. These include money market accounts, CDs, treasury bills, and other readily marketable securities that can be efficiently converted to cash with minimal price impact.

Soft Dollar Transactions - Soft dollar transactions occur when investment managers use client trading commission payments to purchase research or services from brokers, rather than paying cash directly. While this provides valuable research resources, it can raise conflicts of interest since managers are using client funds for services that benefit their own operations, albeit in service to the client.

Stakeholders – A person, entity, or environment that can affect and/or be affected by the Foundation's work. Stakeholders may be internal or external, such as volunteers, staff, board members, vendors, grantees, partner organizations, communities, and the environment.

Tobacco and Alcohol – Companies that derive > 5% of revenue from alcohol production; or > 15% of revenue from distributing, licensing, supplying, or retailing tobacco and/or alcohol.

Weapon Industry Exposure – Companies involved in the manufacture or sale of weapons.

Sources: Impact Management Project, Tideline, Non-profit Quarterly, United Nations Development Program, Bivium Capital Partners and Westfuller.