Archstone Foundation

<u>Investment Policy Statement</u>

Approved by the Board of Directors
on March 1, 2021

ARCHSTONE FOUNDATION
INVESTMENT POLICY STATEMENT
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I. INTRODUCTION

This Investment Policy Statement (IPS) sets forth the principles and guidelines for the prudent and effective management of the Archstone Foundation Fund (the "Foundation" or "Fund"). The IPS is established and approved by the Foundation's Board of Directors (the "Board") and governs the parties involved in managing the investments of the Fund.

The guidelines set forth in this IPS are designed to allow for sufficient flexibility in oversight of the investment process to capture investment opportunities as they may occur, while at the same time setting reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

II. STATEMENT OF DUTIES AND RESPONSIBILITIES

Various parties contribute to the successful management of the Fund. The Foundation's investment policies shall comply with all applicable state and federal laws and regulations. Subject to the oversight of the Board, the Foundation expects all parties to perform their respective duties and responsibilities in accordance with accepted fiduciary standards, which require among other things, that such parties act in the sole interest of the Foundation, in good faith, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

As Outsourced Chief Investment Officer (OCIO), Cambridge Associates will be responsible for managing the Fund in accordance with the Fund's investment management agreement and investment guidelines as outlined in this IPS. The outsourced discretionary structure provides specific roles and responsibilities for varied entities including the Board, the Finance and Investment Committee (the "Committee") and Foundation staff (the "Staff"). These roles and responsibilities include:

A. <u>Board of Directors</u>

- Final authority in defining the strategic investment objectives and ensuring prudent oversight and governance of all aspects of Fund management;
- Establish a Finance and Investment Committee and appoint its members;
- Set appropriate investment objectives including the spending rate, in consultation with the Finance and Investment Committee and other stakeholders;
- Provide guidance on the Foundation's overall risk tolerance, in consultation with the Finance and Investment Committee; and

- Adopt, review and amend as necessary this IPS including certain exhibits, the responsibility for which the Board has delegated to the Committee.

B. <u>Finance and Investment Committee</u>

- Review annually the IPS to ensure its appropriateness in the context of the Foundation's financial situation, as well as its investment and strategic objectives;
- Review, with assistance from Staff and the OCIO, the Fund's investment structure, asset allocation and financial performance at least on a quarterly basis;
- Select and evaluate advisors and/or outsourced chief investment officers;
- Set strategic asset allocation targets and permissible ranges, in consultation with the OCIO (as described in **Exhibit A**);
- Formulate policy benchmarks in consultation with the OCIO (as described in **Exhibit B**);
- Determine investment guidelines by which the OCIO must operate (as described in **Exhibit C**); and
- In the event that the Committee terminates the OCIO, assume all responsibilities of the OCIO until such time as a new OCIO is selected.

C. <u>Foundation Staff</u>

- Organize meetings of the Finance and Investment Committee;
- Perform or cause to perform the necessary due diligence required to comply with auditing standards; and
- Record in the official meeting minutes any exceptions to investment restrictions approved by the Finance and Investment Committee during the course of a meeting. The minutes will be distributed to the Committee and the OCIO.
- Coordinate communications among the Committee, Board, and OCIO.

D. <u>Outsourced Chief Investment Officer</u>

- Uphold its non-waivable fiduciary duty as an SEC-registered investment advisor under the Investment Advisors Act;
- Design and implement an investment strategy to meet or exceed the long-term objective in accordance with the Investment Policy Statement;

- Assist in establishing investment policies, objectives and guidelines. Working with the Committee and Staff, inform discussions about spending policy;

- Select, retain and terminate investment managers or sub-advisors as necessary to achieve long-term return objectives;

- Complete and execute documents required to hire and terminate investment managers;

- Administer the Fund's day-to-day investment activities, including the movement of funds within the Fund as well as inflows and outflows;

- Rebalance the Fund to maintain proper diversification in accordance with designated investment guidelines;

- Review Fund investments and exposures on an on-going basis to ensure designated investment guidelines continue to be met;

- Monitor investment returns on both an absolute basis and relative to appropriate benchmarks. Provide reports to Staff and Committee on a quarterly basis;

- Report performance in accordance with performance goals outlined by the Committee and as updated from time to time; and

- Collect and provide documentation to support audits and tax reporting for the Fund's investments.

Following the approval of this IPS, there will be an implementation window to allow for the Fund to transition from pre-existing legacy investments. During the implementation window there exists the possibility that the Fund may temporarily fall outside of the guidelines and restrictions represented in this statement. As such, these temporary deviations will not be considered violations of the guidelines or restrictions. For purpose of assessing the OCIO's performance, the official track record will begin on July 1, 2021, at which time the implementation window will end.

E. <u>Custodian Bank</u>

The custodian bank is responsible for safekeeping securities, collections, disbursements, and providing periodic accounting statements. In addition, the Custodian may also perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Foundation's accounts. In addition, the Custodian will provide monthly documentation of portfolio activity and portfolio value.

III. FUND SPENDING POLICY

The principal purpose of the Fund is to preserve its purchasing power, while providing a continuing and stable funding source to support the overall mission of the Foundation. To accomplish this objective, the Fund seeks to generate a total return that will exceed its annual spending, expenses associated with managing the Fund, and inflation (as measured by the Consumer Price Index for All Urban Consumers, "CPI-U"). A secondary objective is to attain moderate growth of capital over the long-term.

Any changes in spending policy that could impact the risk profile and long-term financial health of the Fund will be communicated by the Board to the Committee and OCIO.

IV. INVESTMENT OBJECTIVES

The Fund's primary long-term investment objective is to attain an average annual total return (net of investment management fees and inflation) of at least the spending policy over the long-term (defined as seven- to ten-year periods). Short-term volatility will be tolerated, consistent with the volatility of a comparable index benchmark. The Board understands that in order to achieve these investment objectives, the Foundation will experience volatility of returns and fluctuations in market value. The Committee will strive to achieve this objective within acceptable risk levels as outlined in this IPS.

Implementation may result in portfolio performance that deviates from policy but not so much as to alter the general characterization of risk as suggested by the policy portfolio.

V. INVESTMENT POLICIES

The below describes the governing philosophy defining the policy allocation, while policy targets and benchmarks for the Fund are contained in **Exhibit A** and **Exhibit B**. It is expected that the policy targets and benchmarks may change over time and that each will be reviewed by the Committee on an annual basis.

The Fund will be a broadly diversified portfolio with assets allocated in a manner that is intended to achieve the return objective. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total Fund. Thus, the risk level associated with the portfolio investment is reduced.

The OCIO is responsible for decisions regarding allocations among investment strategies or the addition of new investments within asset classes. The investment characteristics of an asset class – including expected return, risk, correlation, liquidity, and its expected role in the portfolio (e.g., growth driver, deflation hedge, etc.) – will be analyzed when making such decisions. It is expected that the OCIO will manage the portfolio within the guidelines specified in the Appendix, Exhibit A.

Each investment asset class has a defined role within the overall asset allocation structure of the Fund. The Fund shall be invested in assets that serve three primary roles:

Capital Appreciation Strategies (e.g., domestic stocks, foreign stocks, and private equity) are intended to provide a stream of current income and appreciation of principal that more than offsets inflation. It is recognized that pursuit of this objective could entail the assumption of significant variability in price and returns. Private equity include buyouts, venture capital, private real estate, among others.

Diversifying Strategies are intended to provide returns with lower public equity market correlation and lower levels of risk than Capital Appreciation Strategies. Diversifying Strategies are typically structured as hedge funds but may also include private investments that have diversifying characteristics and may have lower return expectations than private investments in Capital Appreciation, including shorter duration drawdown vehicles, private credit, or other yield-oriented strategies. The expected returns for any individual Diversifiers fund may range from being more bond-like to having the potential for an equity-like return.

Liquidity / Fixed Income Strategies (domestic and foreign bonds and cash) are intended to: (1) provide some asset appreciation in periods of declining interest rates (especially in periods of significant equity price deflation) and (2) provide ready liquidity.

VI. GUIDELINES & RESTRICTIONS

The Fund will be invested subject to a series of constraints, as defined in **Exhibit C**. The Committee is authorized to waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the manager and investment strategy involved.

Tobacco-Free Investing

The OCIO will not make investments on behalf of the Foundation in tobacco-related companies on a directly-held basis. The Board and Committee will work with the OCIO to assess potential impacts from tobacco-free initiatives, set appropriate benchmarks and provide guidance for the implementation.

Socially Responsible / Impact Investing

The Board and Committee recognize that potential priorities and initiatives around Socially Responsible Investing ("SRI") and aligning the Fund's investments with the Foundation's mission may arise from time to time. Any decisions to include SRI or impact mandates as part of this IPS, including the use of investment screens (both positive and negative) as well as other SRI-related practices, will require Board approval. The Board and Committee will work with the OCIO to assess potential impacts from SRI initiatives, set appropriate benchmarks and will also provide guidance for the implementation of any such mandates.

EXHIBIT A
ARCHSTONE FOUNDATION
Policy Portfolio Allocation
March 2021

Portfolio Role	Long-Term Policy Target	Allowable Range
Capital Appreciation	**70%**	**50% - 80%**
Public Equity	50%	40% - 80%
Private Equity	20%	0% - 30%
Diversifying Strategies	**15%**	**5% - 25%**
Liquidity / Fixed Income	**15%**	**10% - 25%**
Fixed Income	15%	5% - 25%
Cash	0%	0% - 10%

Due to the nature of the vehicles in which the OCIO invests the portfolio, from time to time, it may be necessary for the portfolio to temporarily exceed or fall below the allowable ranges to facilitate efficient movement between paired transactions. Such temporary deviations shall not constitute a breach of the Policy Ranges/Investment Guidelines provided that exposure deviations are rectified within three business days.

EXHIBIT B
ARCHSTONE FOUNDATION
Benchmarking
March 2021

Total Portfolio Benchmarks

Three benchmarks will be used for analyzing total portfolio performance:

1. **Long-Term Objective:** This static benchmark reflects the Foundation's long-term performance objective of total portfolio returns of at least the sum of its spending policy net of investment management fees and inflation as defined in the body of this IPS.

2. **Simple Benchmark:** This market-based benchmark represents a passive investment in a simple 70% global stock (MSCI ACWI (Net) / 30% U.S. bond (Bloomberg Barclays Aggregate Bond Index)) mix. It is intended to approximately reflect the volatility of the long-term strategic asset allocation.

3. **Policy Benchmark:** This benchmark represents a passive investment in the Long-Term Policy Target allocation described in Exhibit A. The table below defines the asset class indices which are weighted by the Long-Term Policy Target allocations at the beginning of each month.

Portfolio Role	Long-Term Policy Target	Benchmark
Capital Appreciation	**70%**	**MSCI ACWI Index (Net)**
Public Equity	50%	MSCI ACWI Index (Net)
Private Equity	20%	MSCI US Index (Net)
Diversifying Strategies	**15%**	**HFRI Fund of Funds Composite Index**
Liquidity / Fixed Income	**15%**	**Barclays Bloomberg Aggregate Index**
Fixed Income	15%	Barclays Bloomberg Aggregate Index

New private equity commitments can create a drag on Fund performance in the early years. Thus, new private equity investments will be self-benchmarked for a period of time usually lasting two to three years from the outset of the OCIO track record. The Committee and OCIO will review private equity implementation and exposure to determine the appropriate time to stop self-benchmarking.

Private Equity returns will generally report on a one-quarter lag and will receive a "0" return in both the Fund return and the Policy Benchmark until they have reported.

The Policy Benchmark target weight to Private Equity reflects desired long-term exposure. Such exposure will take time to build and in the interim, any underweight will be invested in US Public

Equity and be benchmarked to the MSCI US Index. Policy Benchmark weight to Private Equity will update on an annual basis to the expected Private Equity exposure over the following year, and the Policy Benchmark weight to US Equity will correspondingly adjust to 20% less said Private Equity exposure. For example, if the OCIO expects Private Equity exposure to increase from 4% to 8% over the next year, the benchmark weight for Private Equity will shift to 6% and the benchmark weight to US equities will decrease to 14%.

EXHIBIT C
ARCHSTONE FOUNDATION
Investment Constraints
March 2021

The Committee recognizes that significant changes in investment market values or conditions could cause the Fund to be positioned outside of these liquidity and/or concentration parameters. In the event that the Fund fails to comply with any of the investment restrictions described below, the OCIO will report the violations to the Committee immediately and take actions as agreed among the Committee, Staff and OCIO.

Liquidity Constraints

Liquidity is necessary to meet the spending policy requirements, capital calls and any extraordinary events. In many instances, investment opportunities come with liquidity constraints. The tradeoff between opportunity and liquidity will be considered throughout the portfolio construction process. Sufficient liquidity shall be maintained and monitored as follows:

- A portion of the Fund will be invested in private investments. "Private investments" include any fund with a commitment and capital call drawdown structure and private co-investments (see below). Private investments include all private equity commitments and also any other investments with a capital call drawdown structure. Secondary purchases and sales of private investments are allowed, subject to the same guidelines and restrictions as primary investments. Secondary sales of private investments will require prior communication to the Committee and Board.

- Private investments commitments will require Committee approval if their net asset value (NAV) exceeds 30% of the Fund or NAV plus unfunded commitments exceeds 45% of the Fund.

- No single private investment commitment will exceed 2.0% of the Fund's NAV at time of commitment without separate approval from the Committee.

- These illiquidity constraints are intended to reflect the Committee's *maximum tolerance* for illiquidity and do not imply the intent to reach the limit. The guideline is meant to acknowledge the possibility that private investment exposure could temporarily exceed desired levels in the event of severe market stress.

Fund Concentration

- No single, actively managed, underlying investment will be larger than 15% of the Fund.

- No single, passively managed, broad market investment will be larger than 20% of the Fund.

Firm Concentration

- Exposure to one external investment management firm will be limited to 20% of the Fund.

- In circumstances where an external firm manages assets for the Fund on a solely passive basis, exposure to that firm will be limited to 40% of the Fund.

UBTI

- The Committee acknowledges that some investments may generate UBTI (Unrelated Business Taxable Income), as defined in the U.S. Internal Revenue Code.

- The OCIO will use reasonable efforts to limit the amount of UBTI derived from investments in the Fund.

- The OCIO will not be prohibited from making investments that generate UBTI, and the Fund likely will make such investments, if the OCIO believes that the overall potential after-tax returns from such investments justify any potential UBTI costs attributable to such investments.

- The Committee understands and agrees that the realization of UBTI may result in additional administrative costs, including tax and accounting advice required for making the required state and federal tax filings.

Private Equity Co-Investments

- The OCIO may make private co-investments which will be considered a part of the private equity allocation. Co-investments are defined as investments in an operating company, in contrast to LP interests in a fund.

- Total co-investments will not exceed 3% of total assets at cost. No new co-investments will be made without Committee approval if the aggregate exposure at net asset value (NAV) to co-investments exceeds 5% of total assets of the Fund. Additionally, no new co-investments will be made without Committee approval if private investment NAV and unfunded liabilities exceed the liquidity guidelines stated in this Exhibit C.

- Individual co-investments will not exceed 0.5% of the overall Fund on a cost basis and will typically range between 0.2% and 0.5%.

- Co-investments will be included in aggregate total portfolio manager diversification limits as set out in this Exhibit C.

Derivatives

- The Committee understands that certain investment managers, chiefly those generally categorized as diversifiers, may use derivatives and/or leverage as part of their investment strategies. Before investment, the OCIO will determine that such managers have systems in place to analyze and monitor liquidity and counterparty credit risk to minimize the risks associated with the use of derivatives and/or leverage. The OCIO will continue to monitor such systems as a part of its regular monitoring.

- The OCIO may use a futures overlay manager in the Fund for the purpose of hedging investment risks and/or replicating investment positions. The use of a futures overlay manager will be evaluated on an annual basis by the OCIO. In practice, the futures overlay manager may engage in three primary activities: (1) bridging exposures to remain fully invested during manager hires and terminations; (2) equitizing cash to reduce "cash drag" on performance; and (3) utilizing a mechanistic rebalancing policy to manage market volatility. Implementation may include exchange-traded futures contracts which reference stock or bond indices. All futures positions will be fully collateralized by cash in the Fund (i.e. total notional value of futures will not exceed portfolio-level cash.). Leverage at the total Fund level is prohibited.