

## Overview

The Grove Foundation believes that a foundation lives out its mission and values not only through the organizations it supports, but also by how it invests its assets. Mission-related investing is an investment strategy that considers the social and environmental consequences of investments in addition to financial returns. It enhances strategic philanthropy by leveraging all of a foundation's financial resources – its corpus and grant-making dollars – to achieve its mission and values. Through mission-related investing, The Grove Foundation can reduce conflicts that might exist between our values and our investment strategy. Moreover, we intend to use our investments to advance and amplify The Grove Foundation's mission objectives and to expand the greater field by partnering with and supporting others to leverage their assets to create positive social impact.

We take fiduciary responsibilities seriously and recognize that this responsibility does not end with maximizing return and minimizing risk. We recognize that economic growth can come at considerable cost to the community and the environment, and we believe fiduciary responsibility demands that we combine prudent financial management with social, environmental, and economic practices consistent with our mission.

## Overall Portfolio Objectives

The Grove Foundation's financial objectives are to build total portfolio value with minimal volatility to meet current grant commitments while providing for future needs. The Foundation is anticipated to spend down within a decade and should be managed with this limited investment horizon constraint. The Foundation's investments should be as consistent as possible with the Foundation's grant-making mission, and the Foundation's investment managers will be asked to adhere to mission-related principles and social screens established by the Foundation's Board and Investment Committee.

Given the portfolio objectives described above and the relatively predictable nature of fixed-income securities over other investment assets, the overall portfolio will be weighted toward fixed-income securities.

### Income

Income objectives will be met through the portfolio's investments in fixed-income securities and high yielding cash alternatives.

### Risk

Diversification of asset allocation, as well as an adherence to the investment policy, will provide for the Foundation's risk mitigation strategy.

### Liquidity

Grant payouts and administrative expenses will be estimated for a three-year period to facilitate smooth cash management. Two years' worth of Foundation spending shall be maintained in cash or secure investments in case of economic downturn.

**Roles and Responsibilities**

**The Grove Foundation Board**

The Grove Foundation Board of Directors has fiduciary responsibility for the Foundation’s assets and sets policy governing the implementation of the Foundation’s mission and programs.

The Board reviews and approves recommendations from the Foundation’s Investment Committee concerning adoption of the Investment Policy Statement, carveout strategy, and other material decisions requiring Board oversight. The Board has final authority for the review and approval of all investments, PRIs, and grants made by the Foundation.

**Investment Committee**

The Investment Committee includes the Foundation’s investment staff team and Board members and is responsible for the following: hire investment managers, review asset allocation decisions, and review portfolio financial and mission performance. The investment committee will meet twice a year at a minimum. Because the investment committee includes Board members, investment committee decisions are considered approved by the Board. The investment team staff is responsible for implementing and monitoring investment decisions.

**Payout Goals**

**Spending Policy**

The Grove Foundation Board will meet annually to establish a Spending Policy (budget) for the upcoming fiscal year which will determine available funds for support of operations and grant making. The Investment Committee will endeavor to manage resources to protect grantees from sudden reductions in funds available for granting caused by market downturns.

**Asset Allocation Strategy**

The Grove Foundation’s overall strategy will be centered around broad diversification among asset classes to enhance return, control risk, and protect spending power. Portfolio assets will be allocated and, periodically, rebalanced between cash, fixed income and equity in proportions consistent with the long-term direction of the Foundation. Adjustments to asset allocation may be strategic, tactical and/or aimed to match income to liabilities/spending. With this in mind, the following allocation ranges are presently recommended:

<b>Asset Class</b>	<b>Range</b>	<b>Current Target</b>
Cash	10-30%	20%
Fixed Income Securities	50-70%	60%
Equity Securities	0-30%	10%
Private Equity/Other Debt	5-10%	5%

**Equity Guidelines**

The Committee will work toward diversifying the equity portfolio to enhance returns and reduce risk by investing in the following general equity asset categories and investment styles:

1. Broadly diversified US equities: 60-80%

2. International equities: 20-40%

### **Investment Objectives**

1. To seek returns commensurate with an appropriate market index
2. To maintain a diversified equity portfolio
3. To maintain a high level of commitment to a mission-related investing strategy, including screening out stocks of companies that do not meet the Foundation's specifications and initiating change in companies through shareholder activism, dialogue, filing corporate resolutions, etc.

### **Portfolio Guidelines**

The portfolio shall be comprised of:

1. Stocks of high quality, not in contravention to the Foundation's principles and values
2. Equity securities listed on the principal exchanges

### **Time Horizon Guidelines**

The public equity portfolio will be phased out as the Foundation approaches its spenddown.

### **Fixed Income Guidelines**

The Committee will work to maintain a diversified fixed income portfolio which may include U.S. treasuries and agencies, corporate bonds, municipal bonds, international and supranational bonds, CDs, and other fixed income funds or vehicles that meet the Foundation's criteria and due diligence standards. Overall, the fixed income portfolio should include:

1. Broadly diversified US bonds and fixed income: 75-90%
2. International bonds and fixed income: 10-25% (whenever possible, international investments should be dollar denominated)

### **Investment Objectives**

1. To preserve capital through a high-quality bond portfolio
2. To maintain a relatively diversified fixed income portfolio
3. To maintain a high level of commitment to mission-related investing strategy, including screening out securities of companies or entities that do not meet Foundation specifications

### **Portfolio Guidelines**

The portfolio shall be comprised of:

1. High-quality bonds with a minimum quality rating of AA or the equivalent, with up to 10% allowable for bonds rated BAA/BBB or higher. Money market instruments and fixed income funds are subject to comparable quality guidelines

2. Marketable securities
3. The average maturity of the bond portfolio should not exceed six years.
4. Liquidity is to be maintained sufficient to cover estimated grant payouts and administrative expenses covering a three-year period.
5. With the exception of the US government and its agencies, no single company's securities shall represent more than 10% of the value of the total fixed income portfolio.

### **Carveout Strategy**

The Board of the Grove Foundation has approved the creation of a \$15 million impact investment "carveout" from the investment holdings of the Foundation. This carveout will be used to make investments that enhance and/or amplify the mission of the Foundation. The focus of this portfolio will be on identifying investments that are aligned with the Grove Foundation's programs, either primarily with charitable goals in mind or with a dual focus on mission and financial returns. Investments will be evaluated based on both financial returns and impact outcomes, and significant financial risk may be taken within the carveout in order to advance the Foundation's mission; an overall financial return of 80% of capital invested is targeted. Eligible impact investments include loans, bonds, recoverable grants and both public and private equity investments. This \$15M allocation may be recycled as capital invested through the carveout is returned to the Foundation, so long as the portfolio guidelines and liquidity needs of the Foundation can be met.

The carveout portfolio shall be constructed with the following guidelines:

- No more than 20% of the portfolio should comprise equity investment, due to the uncertain timing of equity exits and potential inconsistency with the Foundation's liquidity needs
- At least 80% of the portfolio should be in investments for which the return of capital target is during or prior to 2028

### **Commitment to Racial, Gender and Socioeconomic Equity**

Consistent with our overarching mission, across all asset classes, we will evaluate our investments for racial, gender and socioeconomic equity, including proactively seeking fund managers and entrepreneurs who are people of color, women, and other people historically underrepresented in the investment and finance fields. In so doing, we will consider the following factors:

- 1) Ownership of the company
- 2) Leadership of the company (Board, C-suite, investment committee, and other key decisionmaking roles)
- 3) Whether the company has a compelling and actionable diversity, equity and inclusion initiative and progress made in this area
- 4) The degree to which the company's business activities are able to be accessed by and/or provide benefits to people and communities who have been marginalized or excluded.

We will collect data on these for every new investment and will report back to the investment committee at least once per year on these data.

**Approval and Change Management**

This version of the Investment Policy Statement was approved in May 2022. The Grove Foundation Board of Directors will evaluate this policy at least once a year and adjust as necessary.