

**INTEGRATED INVESTMENT
POLICY STATEMENT**

 Hidden Leaf Foundation

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OVERVIEW

The assets of Hidden Leaf Foundation (HL) are intended for long-term philanthropic purposes consistent with the organization’s mission, vision and values. Although Hidden Leaf was founded in 1988, HL’s first Investment Policy Statement (IPS) was crafted in 2015 shortly after the foundation became fully endowed. In recent years, the Board of Directors has developed a philosophy and approach to better align HL’s investments with its commitment to being a bold and visible experiment in liberatory philanthropy. This revised IPS articulates that approach.

Purpose of this Statement

This Investment Policy Statement is intended to serve as a fiduciary and ethical compass, with clear goals and guidelines regarding the management of Hidden Leaf’s liquid assets. HL’s real estate assets¹ are not addressed in this statement. The purpose of this statement is multifold:

- To foster a clear understanding of Hidden Leaf’s investment and impact objectives, policies, and guidelines among all involved parties;
- To clarify new investment terms and traditional investment terms we may use somewhat differently than traditional investors;
- To articulate our collective understanding of the new asset classes we are exploring; and
- To be specific enough to be meaningful, but flexible enough to be practical.

Investment Objectives

HL intends to be a long-term, though not necessarily a perpetual, institution. The foundation is structuring its investment goals and policies with this in mind. The overall investment goal is to establish and maintain an appropriate balance between the following objectives:

- 1) Promoting and pursuing Hidden Leaf’s core vision and mission;
- 2) Supporting grantees and allies with their capital needs;
- 3) Preserving capital to ensure we meet long-term program goals; and
- 4) Supporting short-term cash flow needs.

Gratitude

With sincere appreciation for partnership, we have drawn language and ideas from the following sources in crafting this IPS:

- Kataly Foundation
- Full Spectrum Capital Partners & Full Spectrum Advisors
- Maera Fund Donor Advisors IPS
- Arch Community Fund IPS
- RBC Wealth Management
- Hall Capital’s “Creating an Investment Policy for Endowments and Foundations” shared with us by Abacus Wealth Management
- Movement Generation’s and Justice Funders’ guiding work around a Just Transition

¹ As of the end of 2022, about 40% of Hidden Leaf’s capital portfolio is held by Reynolds & Brown — a commercial real estate firm — as a long-term, relatively illiquid set of assets with significant distributions that directly support Hidden Leaf’s programs. We intend to maintain this portion of the portfolio in commercial real estate for the foreseeable future. Given this, the IPS refers to the liquid portion of our portfolio and not Hidden Leaf’s assets held at Reynolds & Brown.

Investment Philosophy

This IPS is to be understood in light of Hidden Leaf's overall mission:

Hidden Leaf's mission is to expand inner awareness within social change organizations in order to enhance the effectiveness of the social and environmental movements. We envision a world that centers love, regeneration, and interdependence – where everyone has access to the resources they need to live liberated, well-resourced lives on a flourishing planet. We promote transformative approaches to change within movements; this work combines inner awareness with personal and collective practices to shift our thinking and actions to replace structures of oppression with structures of resilience, sustainability, and liberation. At Hidden Leaf, we center and understand racial justice as integral to catalyzing lasting change in our world and are committed to dismantling systems of oppression in philanthropy.

As a foundation, we are capital stewards. As capital stewards, we are pursuing an investment strategy that both 1) invests in companies, systems, and communities that serve the public good and promote a healthy relationship with the environment and 2) divests from the systems that drive inequality, racial injustice, and unsustainable environmental practices. This strategy involves balancing the **impact investments** of our **ESG** portfolio within the current economy with a new portfolio committed to what many of our grantee partners and field leaders call a **Just Transition** to a new, restorative and regenerative economy. As shorthand, we use the terms “**current economy**” and “**new economy**” to refer to this balance.

For our investments in the current economy, RBC Wealth Management manages Hidden Leaf's impact ESG portfolio using a best-in-class investing approach through which we are invested in public equities, fixed-income and private equities. Our aim is for these assets to generate long-term financial returns for Hidden Leaf while also helping shift the current economy to become more just and sustainable.

To support our commitment to a Just Transition to a new economy, we have developed two new categories of investments:

1. **Deep Impact Investments** – Investments that support organizations and efforts aligned with HL's mission and values. They will have high impact, will likely incur moderate to low financial returns, and might be regarded as higher risk by traditional investing standards. These funds are currently managed by Full Spectrum Advisors.
2. **Community Investments** – Program-related investments that directly support Hidden Leaf grantees, allies and programs. They will have high value for our grantee community, high impact and alignment with our mission, and low to negative financial returns. They will be integrated into our program portfolio. These funds will be managed directly by Hidden Leaf staff with support from Full Spectrum Advisors.

In managing how we allocate the foundation's assets, decision making will balance future financial returns with the social and environmental impact of the various investments and the value of our grantmaking dollars.

Clarifying Our Use of Some Terms

Given our non-traditional approach to some of our investing, it seems prudent to clarify our use of some traditional terms. See [Appendix D](#) for more definitions.

Broadly speaking, to “invest” means “the act of putting money, effort, time etc into something to make a profit or get an advantage.” In financial parlance, this involves “the investing of money or capital in order to gain profitable financial returns.” With public markets ESG investing, investors are hoping to move corporations and markets to integrate environmental, social and governance factors as well as monetary returns. For Hidden Leaf (and many others), we are taking it a step further. We consider our grants an investment in the public good with very high social impact and a negative 100% financial return to Hidden Leaf. Likewise, we are placing a portion of our assets in investments that accrue high social and environmental impact and either moderate or even negative financial returns.

This changes our relationship with the idea of monetary [return](#). As we invest, we are considering who is reaping the monetary return on the investment. With our more traditional investments, we want to secure a strong monetary return for Hidden Leaf. With our New Economy investments, we are also concerned that our partner investees are receiving a return as well, often prioritizing our partners' financial returns over Hidden Leaf's in the pursuit of building a regenerative economy.

Given the above, we also have a different relationship with [risk](#). In traditional investing, the expected return should adequately compensate the investor for the risk undertaken with the investment. If the expected return matches the amount of risk, the investment is considered fairly priced. At Hidden Leaf, we are considering multiple pools of investments where the expected return is less than the amount of risk assumed. In this way, we are providing concessionary capital (financing that offers more favorable terms than commercial capital for the recipient) from grants (100% concessional) to debt with below-market or negative returns so that the recipient reaps a higher level of benefit.

The chart below provides some guidance on our expectations for impact, financial return, and risk.

Table 1. Values Aligned Investments

	NEW ECONOMY			CURRENT ECONOMY	
	Grants	Community Investments	Deep Impact Investments	Impact Investments	Cash Equivalents
Definition	Provides multi-year general operating support to a thriving ecosystem of transformational change initiatives.	Builds the economic power and assets of core grantee partners and aligned efforts to build community wealth. PRI -like.	Uses investment to create new, local, restorative, & regenerative economies and build community wealth. MRI -like.	ESG investing. Uses capital as a tool to make the existing economy more fair & just and less harmful & extractive.	Cash equivalents are a principal source of HL's liquidity.
Impact	High social impact.	High social impact. Low - high toward building the new economy.	High impact toward building the new economy.	Moderate - high impact toward shifting the existing economy.	Low impact
Expected Financial Return to HL and investees	No financial return to HL. 100% resources transfer to grantees. No financial return to grantees.	Any financial return to HL recirculates into more Community Investments. Variable financial return to communities, social enterprises, cooperatives, businesses, funds, etc.	1.5%-5% to HL. High return to aligned investees.	8% return to HL. Variable financial return to enterprises, cooperatives, businesses, funds, etc.	1.5% - 5% to HL.
Risk	No financial risk since no expected return of capital or interest.	Willing to risk 100% of financial capital in return for high social and environmental impact.	Low to high risk, but we are still developing our approach to assessing risk. Willing to accept high risk for grantees and aligned allies.	Overall, the portfolio is moderate risk with low risk for fixed income and very high risk for private equities.	Low risk.

INVESTMENT GUIDELINES FOR EACH ASSET CLASS

Hidden Leaf has a long-term investment horizon of over 10 years. All assets shall be properly diversified and rebalanced appropriately no less than annually based upon Hidden Leaf's

investment strategy and allocation model. We expect all financial advisors working in all asset classes to provide periodic reports and recommendations to guide Hidden Leaf in complying with all fiduciary, prudence, and due diligence obligations and applicable laws, rules, and regulations while also being attentive to our commitment to positive social impact and harm reduction.

In all asset classes we will invest in alignment with our values as often as possible and will strive never to invest in overtly extractive and unjust sectors/corporations. That said, we recognize that some believe that all capital growth is extractive; we aim to invest for growth in the least extractive ways possible.

The asset class guidelines are currently laid out under the “Current Economy” and the “New Economy” with hopes that they become less and less differentiated over the years!

Please see [Appendix A](#) for details on Roles and Responsibilities for pursuing these guidelines.

Traditional Investments in the Current Economy

We invest in the current, dominant economy both to provide long-term capital accumulation for Hidden Leaf and to support ESG progress toward developing a more affirmative economy. We are willing to accept periods of volatility in order to achieve greater growth potential over the long-term. The Foundation is focused on **risk-adjusted returns** over **absolute returns** when considering investment managers. In general, we encourage our advisors to consider long-term, aggressive investments that recycle the gains into the portfolio. (We will cover a significant portion (about half) of our program and operating budget through distributions from our real estate assets.)

Cash and Cash Equivalents

Cash and cash equivalents are intended to serve as the principal source of liquidity for operating cash flow for the foundation. It will be invested in only the safest, highly liquid assets and will generate a decent return when possible. Liquidity is required to meet operating costs, program and grantmaking expenses, and capital calls to private equity and real estate, and to take advantage of unforeseen opportunities and meet unanticipated needs.

Impact Investments that are Shifting the Current Economy

This portion of the portfolio should reflect the foundation’s values wherever possible and integrate environmental, social, and governance (ESG) factors in accordance with Hidden Leaf’s **RBC Investment Values Statement** in order to contribute to long-term investment success and positive impact. Through these asset classes, we intend to use Hidden Leaf’s capital as a tool to make the current economy more just and sustainable and less harmful and extractive. To

further support HL's core vision through our investments, Hidden Leaf has asked RBC to assure that managers [vote proxy](#) on Hidden Leaf's behalf.

Further details for each section are available under [Appendix B](#).

Fixed Income

The purposes of the fixed income allocation are to: 1) provide current income to support operating cash flow as needed and 2) create a measure of diversification and stability. As a result, both credit quality and preservation of principal are a core emphasis of this allocation. A concern with cash and fixed income is the possibility of negative real returns (returns which are less than the rate of inflation). Investment advisors are to advise regarding this concern.

Public Equity Investments

Hidden Leaf's public equities will be diversified by asset class, investment managers, investment style, geographic region, economic sector, industry, and market capitalization. The objective for our public equities and in selecting equity managers is to generate average annual compounded returns higher than those of relevant broad market indices, net of fees, over full market cycles (3 - 5 years).

Private Equity Investments

Hidden Leaf's private equity investments should have a positive social and/or environmental impact and more directly uphold the foundation's mission and values (as compared with our public equity portfolio which will tend to apply more negative screens). Our private equities are typically illiquid investments and generally have 4 - 6 year investment periods and 10-year fund lives. Given their illiquidity and often higher risk, we expect private investments to generate higher financial returns than public market strategies. Our intention is to invest in private equities that generate a financial return of 4 - 6 percentage points above long-term public equity markets. Investments in this asset class require diversification across managers, strategies, geographies, and vintage (when the fund is launched) years.

Investments that are Helping Build the New Economy

Through Hidden Leaf's New Economy investments, we hope to support the building of a world that prioritizes people and planet over profits — one that nurtures a just and regenerative economy for the sake of human and planetary flourishing. As noted previously, with these investments we will advance a Just Transition by shifting resources toward the creation of new local economies that build community wealth and promote green alternatives to our currently extractive economy. To this end, this capital will be directed to the people and communities who have been denied access and who have had land, labor and capital stolen and extracted.

Toward the New Economy, we are investing in three distinct tranches: Deep Impact Investments, Community Investments, and Grants. Within each tranche, we will prioritize support for the transformative work of our grantees and their allies. Second priority will go to those that are working in alignment with our mission but aren't necessarily grantees. We hope these investments support movement leaders to heal, re-imagine, and transform their relationship to capital.

Additional priorities for HL investing include:

- Supporting Hidden Leaf's own learning and transformation.
- Partnering with other funders to learn together and build philanthropic relationships to serve movements.
- Providing catalytic opportunities that help investees unlock access to more capital.
- Embracing a spirit of experimentation -- staying open to investments in projects that are not yet perfectly fleshed out (as we do with our grantmaking).
- Supporting grantees in their early work to develop investable projects perhaps through seed funding grants or other capital support.

Deep Impact Investments

Hidden Leaf's Deep Impact Investments will directly serve our vision for the world as described under the New Economy introduction. These investments will fill financing gaps, address market failures, and promote innovative ideas (particularly in Hidden Leaf's program areas), thereby filling a role traditional capital may consider too risky. We will also invest in restorative and regenerative projects that are outside our programmatic approach when appropriate for reaching our financial return expectations.

Deep Impact Investment Details and Criteria

- We are allocating \$500,000 of HL's endowment to this class in 2023 and will consider additional funding in future years.
- We will develop a portfolio that provides an overall monetary return of at least 1.5% and ideally more. Returns will recirculate back into the Deep Impact portfolio.
- We are developing an approach to assessing risk and return, to communities and to investors, that delivers both monetary returns and deep impact.

Deep Impact Investment Risk & Return Assessment

As noted previously, low risk investments typically generate low returns, and high risk demands high expected returns within traditional investing. With Hidden Leaf's Deep Impact portfolio, we are developing new ways of assessing risk. We accept that our traditional investment advisors would consider our Deep Impact Investments high risk given that 1) these projects may have a shorter financial track record with which to review past and predict future performance, 2) the managers and actors generating the revenues and returns have a shorter financial track record with which to review past performance, and 3) the investments may include innovative and untested business models.

Given the traditional market analysis of risk, many investees are not able to access traditional markets. In order to fulfill HL's intention to deliver capital to those who are often denied access, it is necessary to approach due diligence differently and to potentially accept returns that are below-market rates. For this tranche, we will expect and accept financial returns similar to fixed income, likely 1.5% - 5%.

Hidden Leaf's advisors at Full Spectrum Wealth Management are developing protocols for due diligence and risk assessment that have roots in microlending and relationship-based lending and investing – traditions with a long history. They will apply a strategy that combines meaningful and rigorous financial analysis with information about the role, standing and trust of investees or enterprises in their community or sector. We will add more about assessing risk as our approach evolves.

Community Investments

Our Community Investments will be in complete alignment with our programmatic work and will be given akin to program-related investments that directly support Hidden Leaf grantees and programs. We are particularly interested in work that focuses on advancing solutions to climate with a racial justice lens and marries the inner and outer work (bringing a transformative lens and practice to community wealth building). In addition, we wish to invest in projects and partnerships that increase the ability of our partners to deepen their transformational impact by making their work more economically sustainable and decreasing their dependence on philanthropy. We hope this type of non-extractive investment will advance a transformative approach for the sake of greater progressive movement building.

Through these Community Investments, we are experimenting with an integrated capital strategy. We hope that a range of financial tools, including recoverable grants, investments, seed funding, loans and loan guarantees, will support our grantees in developing a strong relationship with these forms of capital. We have consulted and will continue to consult with our grantees as we seek to identify investment opportunities that support the democratization of wealth and power. These investments will fill financing gaps, address market failures, and promote innovative ideas particularly in Hidden Leaf's program areas thereby filling a role traditional capital may consider too risky.

Community investments are not just about shifting capital, but about shifting power.

By taking up an integrated capital approach, we are moving out of a charity model and into one that more resembles mutual aid or symbiosis. By building the capacity of organizations to take on loans in ways that work for them and are aligned with Hidden Leaf's values, we move into a more transformative relationship with our partners.

Community Investment Details and Criteria

- In 2022, Hidden Leaf committed approximately \$2 million to Community Investments. We have earmarked \$1.5 million for 2023.
- For the next four years, we are committed to providing 1% - 3% of our endowment to Community Investments. This is part of our program strategy and in alignment with our 5-year increased payout, ending in 2027.
- We will accept projected monetary returns of between -100% and 5%. Any returned capital and investment returns will circulate back into HL's fund with Amalgamated Foundation and circulate out to more Community Investments.
- We are developing an approach to assessing risk and return that prioritizes returns to community partners and allows HL to shoulder more of the financial risk (in process).

Community Investment Risk & Return Assessment

With Hidden Leaf's Community Investments, we are willing to risk a -100% return on our investments in return for high social and environmental impact. Any accumulated capital from our Community Investments will be re-invested in service to Hidden Leaf's programs and allied communities. They will not bring a financial return to the foundation's endowment but are intended to regenerate assets back into the community.

Traditional Grants

We consider our grants "philanthropic investments" where social and environmental impact outweigh any consideration for financial return. Hidden Leaf is committed to providing \$2 million to \$3 million annually (in the near future) as "non-recoverable" investments/grants. With our combined programs and grants, we payout significantly more than the IRS-required 5%.

Hidden Leaf's Grantmaking Strategy Framework details the five strategic pillars which guide our grantmaking and demonstrate our strongest alignment with our mission and values:

1. Transformation for the Sake of Building Power
2. Anchoring the Depths
3. Influence and Networks
4. An Integrated Capital Approach
5. Relational Funding

Asset Allocation and Expected Returns

Table 2. Asset Allocation and Expected Returns

	Asset Allocation	Expected Financial Rate of Return
Cash and Cash Equivalents*	4% - 7%	0% - 5%*
Fixed Income*	8% - 12%	2% - 8%*
Public ESG and Screened Equities*	20% - 35%	7% - 13%*
Private ESG and Screened Equities*	5% - 15%	10% - 20%*
Deep Impact	1% - 3%	1.5%+
Community Investments	1% - 3%	-100% - 5%
Grants	5%	-100%
Real Estate	35% - 45%	5 - 10%

See additional details in [Appendix B: Details for Investment Managers](#).

Note: Overall investment in the current economy shall target at least an 8% return. An 8% average return in the current economy allows Hidden Leaf to grant 5%, use 1% for expenses, and another 2% to cover inflation. (Long-run inflation expectations are still underneath 3%.) That said, Hidden Leaf has decided to increase our payout (including grants and community investments) to 8% for five years (starting in 2022) which will have the effect of diminishing our endowment but not risking the ability to exist for the long-term.

ACKNOWLEDGEMENT

By acknowledging in writing the receipt of this Statement, Hidden Leaf's Board of Directors and Hidden Leaf's investment advisors agree to its terms and conditions. Should the Board believe at any time that changes, additions, or deletions to the Statement are advisable, it will be the Board's responsibility to communicate such changes to the investment advisors.

This Statement shall be reviewed on an as needed basis. Any modifications to this policy shall be reviewed by the Board's Investment and Finance Committee and HL's investment advisors prior to implementation.

The Board hereby affirms that the information contained in this Investment Policy Statement accurately reflects its investment objectives and goals.

The signatures below affirm that this statement has been read, understood, and accepted.

On behalf of Hidden Leaf:

As a board member, I understand that the risk tolerance and investment goals stated in this questionnaire are only objectives. There are no guarantees that losses will be limited to or that returns will equal the objectives stated in this questionnaire.

Print name: _____

By: _____
Hidden Leaf Foundation, Authorized Representative Date

On behalf of RBC Wealth Management:

Print name: _____

By: _____
RBC, Authorized Representative Date

On behalf of Full Spectrum Capital Managers:

Print name: _____

By: _____
Full Spectrum, Authorized Representative Date

APPENDIX A: IPS ROLES AND RESPONSIBILITIES

Board of Directors

The board retains ultimate discretion for the investment strategy as well as the selection of the Investment and Finance Committee and Investment Advisors. Below are the specific responsibilities of the board:

- 1) Approve and oversee production of this IPS and review it bi-annually.
- 2) Elect members of the Investment and Finance Committee (IFC).
- 3) Evaluate, select and retain (with guidance of ED) the Investment Advisors to assist in education about, research on, analysis of, implementation of, and monitoring of the investment strategy and portfolio.

Investment and Finance Committee

The Investment and Finance Committee (IFC) (which includes members from both board and staff) reviews and monitors HL's finances and reviews and approves HL's investment decisions on behalf of the board. Below are the specific responsibilities of the IFC as related to the IPS:

- 1) Investment policies and strategy:
 - a. Ensure funds are prudently managed in accordance with this IPS.
 - b. Monitor the IPS and make recommendations for modifications to the board at least bi-annually (and otherwise as needed).
 - c. Review and refine investment strategy annually.
- 2) Investment Advisors:
 - a. Review and approve investments recommended by advisors.
 - b. Review and respond to quarterly reports of the Investment Advisors.
 - c. Review portfolio performance in the context of established standards of performance against policy targets, benchmarks and this policy statement.
 - d. Monitor the Investment Advisors' effectiveness and make recommendations to the board as to the ongoing suitability.
- 3) Report annually to Board of Directors re financial health and investment management.

The Investment Working Group

The Investment Working Group (IWG) (which includes staff, board and advisors) is currently a subset of and reports to the IFC. The IWG has been doing much of the strategizing about and review of Deep Impact and Community Investments. As we clarify our IPS and our overall investment approach, the IWG will no longer be necessary and the IFC will take over any lingering IWG tasks. The current Investment Working Group is tending to the following:

- 1) In partnership with investment advisors, developing our investment strategy toward a New Economy which includes a) identifying, researching and assessing investment opportunities for Hidden Leaf's Deep Impact and Community Investments and b)

making investment recommendations to the Investment and Finance Committee of the Board.

- 2) In partnership with investment advisors and grantees, developing and providing ongoing review of Hidden Leaf's integrated capital strategy.
- 3) Building and nurturing the relationship with Full Spectrum Capital (one of our investment advisors -- see below).

Investment Advisors

In recognition that the Board and the Investment and Finance Committee may not possess the resources, time, experience, or expertise to most appropriately guide the investment strategy, the foundation will delegate a portion of the related responsibilities to independent advisors. Specifically, the advisors will provide guidance and feedback in the following arenas detailed below.

- 1) Oversight – Coordinate the day-to-day oversight of the assets and implement strategy and policy.
- 2) Investment Policy Statement – Review the foundation's Investment Policy Statement and suggest appropriate changes for IFC consideration to meet the portfolio's objectives. Make recommendations, when deemed necessary, about objectives and policy provisions based upon material and sustained changes in the capital markets or the foundation's needs.
- 3) Asset Allocation – Evaluate and recommend the appropriate portfolio weightings among asset classes. This will include periodic rebalancing of asset weightings as capital market movements cause the actual weightings to diverge significantly from the target weightings.
- 4) Selection, Monitoring, and Termination of Investment Vehicles or Managers
 - a. Recommend the hire, retention or termination of Investment Managers, pooled funds, mutual funds, or other appropriate investment vehicles.
 - b. Oversee selected managers for compliance with investment policies and report back to the IFC on such information.
 - c. Review qualitative factors concerning each manager's organization, philosophy, ESG factors, account and personnel growth and turnover and any other issues that may affect the manager's ability to meet the foundation's objectives.
 - d. Communicate the foundation's investment objectives, guidelines and standards (including any material changes that may occur) to the Investment Managers or other Fund providers and generally act as the primary contact between the Investment Managers and the foundation.
 - e. Given the foundation's mission and commitment to racial justice, the Investment Advisors will include people of color and women managed/owned investment managers when recommending the mix of managers.

- 5) Performance Evaluation – Conduct quarterly performance evaluations of the portfolio and its component parts. Provide written report to the Committee following the close of the quarter (which will include time-weighted returns over various periods, performance according to appropriate benchmark indices, asset allocation, and manager review). Portfolios will be reviewed for compliance with the objectives, targets and policy guidelines specified in this Policy.
- 6) Annual Meetings – Investment Advisor(s) are required to attend the Winter Finance Board Meeting to review economic market conditions, review current allocation vs. allocation target, discuss any recommended portfolio changes, reflect on alignment of the IPS within the portfolio, and another other key investment issues. Investment Advisor(s) may be invited to attend quarterly Investment and Finance Committee meetings as needed.
- 7) Documentation of Registration – Annually or upon material revision, provide a copy of the Securities Exchange Commission Registration Form ADV, Part II.
- 8) Investment and Finance Committee Education – Investment Advisor(s) shall keep the foundation up to date not only on financial market conditions and market outlook, but also on trends and issues facing the ESG and impact investment space. This is consistent with the foundation’s goal to evaluate the entire portfolio against ESG criteria.

Hidden Leaf currently works with two investment advisors: RBC Wealth Management (Thomas Van Dyke and Farralon Udom) and Full Spectrum Capital (Taj James and Rachel Burrows).

Staff

The staff is primarily responsible for the day-to-day operations of managing the endowment. Specific responsibilities of the staff include:

- 1) Continuing to assess the alignment between the investment strategy, the IPS, and Hidden Leaf’s long-term program strategy and reporting out to relevant parties as appropriate.
- 2) Monitoring and managing of the endowment funds.
- 3) Managing the grants portfolio and relationships with grantees.
- 4) Facilitating clear communication with and information sharing amongst all the players (board, advisors, committee, staff).
- 5) Gathering information for and crafting quarterly investment updates for Hidden Leaf’s Quarterly IFC Meetings.
- 6) Planning and preparing for board investment meetings.

APPENDIX B: DETAILS FOR HIDDEN LEAF'S CURRENT ECONOMY INVESTMENT MANAGERS

(Note: Below we provide additional details for HL's investments in the current economy.)

Traditional Investments in the Current Economy

Cash and Cash Equivalents

All cash and equivalent investments should be made with concern for quality. To that end, investments will be limited to commercial paper rated "A-1" (by Standard & Poor's Corporation) or "P-1" (by Moody's Investors Service), certificates of deposit of well rated U.S. banks, securities issued or guaranteed by the U.S. Government, and perfected repurchase agreements. The maximum amount of cash to be invested in the commercial paper or certificates of deposit of any one issuer will be 5% of the total portfolio. This diversification requirement does not pertain to investments in the short-term investment fund of the custodial bank or a money-market mutual fund and is independent of the bond diversification guideline discussed in Section VII.A.1.

Impact Investments that are Shifting the Current Economy

Fixed Income

Advisors will follow the below protocols:

1. Diversification – No more than 15% of an investment manager's bond portfolio at market shall be invested in the securities of any one issuer except as noted as follows. There shall be no limit on U.S. Treasury securities. Government National Mortgage Association ("GNMA") securities, or collateralized mortgage obligations ("CMO's") that are collateralized entirely by GNMA securities, shall be limited to 50% of the total fixed income assets for each investment manager. Unless approved in advance by the Investment and Finance Committee as part of a bond manager's investment profile, no more than 25% of an investment manager's bond portfolio at cost shall be invested in securities issued by the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), Federal Farm Credit Agency and other securities not fully guaranteed by the U.S. Government, but issued by U.S. Government sponsored Agencies.
2. Quality - Any issue may be held whose rating is considered at least "investment grade" by either Standard & Poor's Corporation (BBB) or Moody's Investors Service (Baa) or higher. No more than 15% of the bond portfolio shall be in issues rated below investment grade at time of purchase.
3. Duration and Maturity – Bond managers will be selected based on factors including their stated duration and asset holding profile. Each manager's performance will be

targeted to a benchmark. Managers will not deviate over or under 25% of that benchmark's duration and asset holding profile.

4. Volatility – The volatility of returns for the fixed income component shall be consistent with bond market statistics like standard deviation. In addition, the alpha (risk-adjusted performance) is expected to be positive over the long run.

Public and Private Equities

Private Equity Investments

Advisors will follow the below protocols:

1. Diversification – In general, managers should not invest more than 15% of the market value of the manager's portfolio in the security of one company. Each equity manager is expected to limit their cash position to less than 10% of total assets, focusing on maintaining a fully invested portfolio at all times. All exceptions shall be discussed with the Investment and Finance Committee or its representative. Managers are expected to structure their portfolio based upon their stated investment style and strategy.
2. Portfolio Turnover – There shall be no specific guidelines with regard to portfolio activity. By not restricting turnover, the managers are given the flexibility to adjust their asset mix and security selection to changing market expectations.
3. Market Risk Exposure – The volatility of returns for each equity manager shall be considered. In addition, the alpha (risk-adjusted performance) is expected to be positive over the long term.
4. Holdings Not Permissible Without Prior Written Approval from Investment and Finance Committee
 - Margin purchases or borrowing funds
 - Letter stock, private or direct placements
 - Commodities
 - Securities of the investment manager, the custodian, their parent or subsidiaries (excluding money market funds) unless waived by the Investment and Finance Committee.
 - Stock loans
 - Non-marketable securities

Fund managers will follow the following performance standards:

1. Time Horizon – Progress of the Organization against its return objectives should be measured over at least a full market cycle. However, market cycles may differ markedly in length, and there is no standardized measure for a market cycle's term. The Investment and Finance Committee expects most market cycles to last from three to five years. Due to the uncertainty of the time period, investment performance shall be measured over a five-year rolling period. Shortfalls relative to the return objectives for the Organization may be tolerated over portions of this time period; however, the Organization reserves the right to evaluate and make any necessary changes regarding the manager over a shorter term basis, using the criteria established in this document.
2. Return Goal – The total annualized rate of return for the organization is also expected to exceed a customized benchmark index over a five-year rolling period. This index will be

constructed by combining, as appropriate, the returns of the appropriate benchmark indices. The weighting for each of the components of this customized index will equal the corresponding target weightings for the relevant asset classes.

3. Benchmark Indices

Asset Class	Benchmark Index
Large Cap U.S. Equity	S&P 500, Russell 1000, Russell 3000 (growth and value)
Small/ Medium Cap U.S. Equity	S&P 500, Russell mid/small cap indices (growth and value), Russell 2000 (growth and value), and Russell 2500 (growth and value)
International/Global Equity	MSCI EAFE or MCSI World
Emerging Markets	MSCI Emerging Market Indices
Domestic Fixed Income	Barclays, Citibank or Merrill Lynch bond Indices
Global Fixed Income	Barclays, Citibank or Merrill Lynch bond Indices
Cash and Cash Equivalents	T-Bills

Proxy Voting

Proxy voting is when someone gives someone else permission to vote on their behalf. In our case, Hidden Leaf has asked RBC to assure that managers vote proxies to serve Hidden Leaf's intentions. The custodian bank will forward all proxy materials to the appropriate third-party investment manager. Managers will be asked to vote proxies according to ISS Social proxy voting policies. Where the managers have developed their own ESG or social proxy voting guidelines, they may vote according to that criteria.

Asset Allocation and Expected Returns

Allocation According to Class

Note: In addition to the details in the IPS, RBC makes use of the additional details of asset allocation:

Asset Category	Near Term Target Allocation	Long Term Target Allocation	Permitted Range
Large Cap	20%	25%	15-40%
International	15%	20%	5-30%
Small/Mid Cap	5%	10%	0-15%
Emerging Markets	5%	10%	0-15%
Real Estate	50%	30%	0-60%
Private Equity	5%	5%	0-15%

APPENDIX C: HL'S RBC INVESTMENT VALUES STATEMENT

(Note: Hidden Leaf's priority values have been stated in the full IPS; these details are to guide our RBC advisors more explicitly.)

Hidden Leaf encourages investments in all asset classes that promote our goals, values and mission. We recognize that investment alignment with our values will be most direct within our New Economy Investments classes (and have defined our priorities further in those sections), but we intend that these values be actively considered for all asset classes. To this end, Hidden Leaf encourages investments in companies that are "best in class" for the following:

- Finance housing, small businesses, and community economic development.
- Democratize capital.
- Promote asset building in historically oppressed communities.
- Develop alternative energy.
- Decrease pollution.
- Promote "good governance" which includes diversity of executives, appropriate CEO compensation, and strong management of corporate and board governance.
- Implement policies that promote the welfare of their employees and the environment.
- Have strong labor rights and supply chain management records
- Hold high standards for product quality and safety.
- Promote gender and racial equity.
- Freely disclose and implement exemplary human and labor rights' policies.
- Freely disclose and implement exemplary environmental codes of conduct.
- Strive for a sustainable environment through the goods and services provided.
- Pursue a positive impact on society through their products and services.

Hidden Leaf chooses, whenever possible, to not invest in companies that:

- Violate regulations of the U.S. Environmental Protection Agency, Equal Employment Opportunity Commission, or the National Labor Relations Board.
- Are involved in the extraction of carbon-based resources.
- Discriminate on the basis of race, gender, sexual orientation, or perceived disability.
- Have ties to private prisons and the system of mass incarceration.
- Produce weapons or are prime defense contractors.
- Violate or deny basic human and labor organizing rights of workers.
- Operate intentionally or unintentionally to support and strengthen authoritarian regimes in which human rights abuses are blatant.
- Have a main line of business, or who are complicit with the government that, is impeding human rights, democratic empowerment, freedom of expression, and the right to dissent.

We provide further details about these values below.

Racial Equity – Diversity, Equity, Inclusion

Hidden Leaf will apply a “Best of Sector” racial equity screen to all aspects of the investment portfolio. Specifically, investments will be considered for purchase that have demonstrated positive leadership in eradicating systemic racism.

Given that systemic racism is intrinsically woven into all aspects of American life and that dismantling structural racism requires intentionality and commitment from everyone, Hidden Leaf intends to encourage companies to advance racial equity and justice by applying the guidelines noted below. (Recognizing that data measuring companies’ racial equity programs and guidelines are limited and evolving, Hidden Leaf seeks to best apply these guidelines within the context of available information.)

Recognizing that data measuring companies’ racial equity programs and guidelines is limited and evolving, the Committee seeks to best apply these guidelines within the context of available information.

Our investments should encourage these trends:

- Policies and programs supporting racial inclusion and equity in recruitment, hiring, promotion, and compensation at all levels, including leadership and governance
- Establishment of diversity/equity/inclusion officers or departments that integrate racial equity in all facets of business operations, including leadership and governance, and are transparent in publicly reporting diversity goals and achievements.
- Tying executive compensation to diversity and inclusion goals.
- Record of responsible engagement with stakeholders of color and avoidance of business relationships with entities that further white supremacy.
- Participation in and advocacy specifically for Black, Latinx, Native, and indigenous people and recent immigrants in this country, as well as communities of historically exploited and marginalized peoples in other countries, in these areas:
 - Employment, ownership and wealth creation opportunities, including financing entrepreneurs, cooperatives, community development projects, and community land trusts, and supporting the participation of communities of color in the carbon transition
 - Public policy to close historical racial and ethnic gaps in income, wealth, employment, political representation, access to housing, education, finance, longevity, and health and safety
 - Addressing mental health, addiction, homelessness, and other problems endemic to underprivileged and underserved communities with alternatives to criminalization, policing, and incarceration

Our funds should discourage these trends:

- Companies whose operations or public policies promote or facilitate militarization of police forces, state violence, discriminatory criminalization or incarceration, or privately-owned prisons or immigration detention operations.

- Companies in technology, communications, news gathering and financial sectors that become complicit in state violence.
- Companies with a history of environmental racism, targeting communities of color with unhealthy levels of toxic materials and unhealthy byproducts from their products or manufacturing processes.
- Companies engaged in payday or predatory lending that disproportionately target communities of color.

Environmental Sustainability & Natural Resource Use

Hidden Leaf will apply a “Best of Sector” environmental screen to all aspects of the investment portfolio. Specifically, companies will be considered for purchase that have demonstrated the ability to positively manage the environmental risks associated with their business activities when compared to industry/sector peers.

As Hidden Leaf works to invest in companies and sectors that are considered environmentally progressive, we will pay particular attention to companies that:

- Research or market energy efficiency technologies that reduce emissions of greenhouse gasses;
- Research, develop, or market renewable and alternative energy sources, e.g., wind, solar, hydrogen, and geo-thermal;
- Manufacture organic products and/or products with proven environmental benefits;
- Significantly reduce waste streams through recycling or closed-loop technologies;
- Develop innovative ways to reduce the emission of toxic or chemical waste; and
- Demonstrate long-term commitments to the reduction of negative environmental impacts in their business operations;

The Foundation wishes to apply a Fossil Fuel Free Portfolio by excluding companies involved in fossil fuel reserves (including coal and consumable fuels; oil and gas exploration and production; and integrated oil and gas) and fossil fuel supply chain industries (including oil & gas refining, marketing and transportation; fossil-fuel equipment services; and fossil-fuel utilities that burn coal, oil and gas). With a fossil fuel sector exclusion, the foundation’s portfolio hopes to achieve a net zero carbon dioxide emissions.

Fossil Fuel Free Portfolio	
Fossil Fuel Reserves	Fossil Fuel Supply Chain
Coal and Consumable Fuels	Oil & Gas Refining and Marketing & Transportation
Oil & Gas Exploration and Production	Energy Equipment and Services
Integrated Oil & Gas	Fossil-fired Utilities

The foundation may hold fossil fuel companies exclusively for shareholder engagement opportunities which will be held under separate accounts with our investment advisors for shareholder action only. (Thus far, Hidden Leaf has not engaged in this way.)

In addition, Hidden Leaf chooses to minimize our engagement with companies and sectors that pose any other significant threats to the environment.

Labor Rights & Supply Chain Management

The Committee prefers to invest in companies with strong labor rights and supply chain management records and will therefore apply a **Best of Sector** screen to its portfolio for this category.

This filter includes screening for companies which address and/or avoid corporate and employee violations domestically and internationally by:

- Developing and implementing improved policies and programs;
- Making publicly available a worker Code of Conduct;
- Offering employee benefits such as healthcare, profit sharing, domestic partner benefits, paid parental leave (maternity/paternity leave), 401(k) matching, etc.;
- Maintaining and adhering to policies and programs to support the recruitment, retention and professional development of women and people of color; and
- Maintaining diversity amongst executives and board members, including adequate representation of women and people of color.

High Performance Workplace

- As an additional positive indicator, emphasis will be placed on companies that foster high-performance workplaces. Characteristics include:
- Good employee benefits that include such programs that help employees balance work and family concerns, wellness, health insurance, etc.;
- Diversity in C-suite and board members;
- Representation of women and minorities at all levels of the company;
- Compensation based on performance;
- Employee stock ownership programs;
- Significant worker involvement and participation in management decision-making; and
- Job training for employees at all levels.

Human Rights & Community Impact

The Committee wishes to apply a Best-of-Sector screen for its portfolio in the Human Rights & Community Impact category. Companies that demonstrated leadership in the management of the human rights and community impact risks associated with their business activities when

compared to industry/sector peers may be considered for purchase. Companies that have significant concerns of human rights, human trafficking, and community impact will not be considered for purchase into the portfolio.

Product Quality & Safety

The Committee wishes to apply a **Best of Sector** screen for its portfolio in the Product Quality & Safety category. The products that companies produce are often subject to regulatory standards to protect human health and safety. A company's ability to manage risks associated with the products they produce have an impact on their brand and can impact positively or negatively on future opportunities for growth. The Committee wishes to invest in companies that demonstrate leadership relative to industry standards and have fewer liabilities than the worst performers in the same sector. Companies with egregious violations in major product liability or product safety cases will be screened out from the portfolio.

Corporate Governance

The Committee wishes to apply a **Best of Sector** screen for its portfolio in the Corporate Governance category. Strong management of corporate and board governance concerns is vital to strong financial performance. Mismanagement of corporate governance risks may lead to increased legal sanctions and result in significant fines from regulatory agencies. These fines and sanctions can in turn have a negative impact on company performance and subsequently shareholder return. Negative indicators include price fixing, accounting fraud, and antitrust and/or corruption violations. Positive indicators include executive compensation tied to long-term company and personal performance metrics, independent board members, independent audit committees, and separation of roles of CEO and Board Chairman. Additionally, transparency in political disclosures, e.g., lobbying, trade association memberships, and political donations, are considered important indicators. All of these factors and others are considered when evaluating a company's corporate governance performance. Bearing this in mind, the Committee will invest in companies whose corporate governance performance is considered to be better than their industry/sector peers.

Defense & Weapons

The Committee wishes to **avoid companies that derive 5% or more of their revenue** (see table below) from the manufacture of firearms, conventional weapons or conventional weapons systems, non-conventional weapons, nuclear weapons or nuclear weapons systems, and product or services that are not directly weapons related but are critical to the execution of military. This screen does not include companies that are involved in non-weapons related defense business segments (e.g. technology, infrastructure). This screen also does not include companies that manufacture or provide support for non-weapons related combat vehicles or combat aircraft and components.

Defense and Weapons	
Subcategories	Revenue Threshold
Firearms (manufacturers of assault/hunting rifles, pistols, shotguns and ammunitions)	≥ 5%
Conventional Weapons (ammunitions, missiles or weapons systems, manned combat aircraft and submarines)	≥ 5%
Non-Conventional Weapons (unmanned aerial vehicles, cluster bombs, lasers, electronic warfare)	≥ 5%
Nuclear Weapons	≥ 5%
Product/Services (not directly weapons related but considered critical to military combat operations)	≥ 5%

Private Prisons & Detention Facilities

The Committee will **avoid investing in companies that are directly involved in the private prison industry**. Companies that own, manage, finance, or operate private for-profit prisons and detention centers instead of by government agencies will be excluded from the portfolio. Issuers of bail bonds that are exploitative in nature will also be filtered out from the portfolio. This screen does not include companies that provide ancillary services (for example, telephone and food service companies that service the prison).

Shareholder Advocacy & Engagement

Under Securities and Exchange Commission (SEC) rules, shareholders may engage in dialogue with companies to adopt more progressive, environmental, social, and governance practices. The Committee is interested in exercising this right as a shareholder and has indicated an interest in the following areas:

- Labor Policy/Union Relations
- Civil Rights/Political Freedoms
- Workplace Diversity
- Money in Politics

The Committee may hold otherwise restricted companies for purposes of shareholder engagement opportunities which will be held under separate accounts at RBC.

APPENDIX D: DEFINITION OF TERMS

(Refined in August 2023)

Community Investments: Build the economic power and assets of core grantee partners and aligned efforts to build community wealth. Medium to high social/environmental impact. No financial return to HL's endowment. Variable financial return to communities, social enterprises, cooperatives business, funds, etc. These are PRI-like investments in that they directly serve our programmatic strategy (though Hidden Leaf will not always apply them to our IRS 5% qualification).

Current Economy: The current dominant economy is based on a profit-driven, growth-dependent, industrial model. It is rooted in the myth of white supremacy, heteropatriarchy, consumerism, and ableism and severely undermines the life support systems of the planet. It is our understanding that an economy based on extracting from a finite system faster than the capacity of the system to regenerate will eventually come to an end – either through collapse or through our intentional re-organization.

Deep Impact Investments: Investments that help build new, local, restorative, and regenerative economies and build community wealth. We expect 1.5%-5% monetary return to HL endowment and variable financial returns to communities, social enterprises, cooperatives business, funds, etc. These are MRI-like investments. They are often not a part of our programmatic strategy, but they support our vision for a just a world.

Endowment: A fund set up to provide long-term support for a particular organization or cause.

ESG (Environment, Social, & Governance) Investment Protocol: Investment approaches that use environmental, social and governance criteria and data to evaluate the risks and opportunities of an investment.

ESG Impact Investments: Investments that use capital as a tool to make the existing economy more fair & just and less harmful & extractive. We imagine a moderate to high impact on transforming the existing economy. We aim for an 8% return to HL's endowment and assume variable financial return to enterprises, cooperatives business, funds, etc.

Impact Investments: Investments made with the intention of generating positive social and environmental impact alongside a financial return.

Integrated Capital is the coordinated use of different forms of financial capital and non-financial resources to support an enterprise that's working to solve complex social and environmental problems. (Excerpted from RSF Social Finance materials)

Invest: The act of putting money, effort, time etc into something to make a profit or get an advantage." In financial parlance, this involves "the investing of money or capital in order to gain profitable financial returns."

Just Transition: Just Transition is a set of principles, processes, and practices that build economic and political power to shift from an extractive economy to a regenerative economy. It is grounded in the understanding that our current economy – based on extracting from a finite system faster than the capacity of the system to regenerate -- will eventually come to an end either through collapse or through our intentional reorganization. Transition is inevitable. Justice is not. (Excerpted from Movement Generation materials)

“Long-term” with regard to foundation life: We are not aware of a definition for a foundation’s length span that isn’t either “perpetuity” or “spend down.” We are not aiming for Hidden Leaf to exist forever, but we are also not aiming to spend down in the near future. Perhaps we will aim at “seven generations” since this is aligned with our indigenous allies perspective. We are both casting back to understand our lineage in the past seven generations and we are casting forward.

“Long-term” with regard to investment horizon: Typically indicates, and in this case for HL, a horizon of over 10 years.

MRI (Mission-Related Investment): Any investment activity that furthers the investor's organizational mission (though not necessarily their programmatic goals). (Hidden Leaf’s Deep Impact Investments are akin to MRIs. See below.)

New Economy (shorthand for the New Restorative and Regenerative Economy): An economic system that prioritizes people and planet over profits – one that nurtures a just and regenerative economy for the sake of human and planetary flourishing. The move toward a New Economy is often framed as a “just transition” and aims to shift resources toward the creation of new local economies that build community wealth and promote green alternatives to our currently extractive economy. Capital investments in the new economy will be directed to the people and communities who have been denied access and who have had land, labor and capital stolen and extracted.

Philanthropic Investments/Grants: Investments in which social and environmental impact outweigh any consideration for financial return. These are 100% resource transfers/investments with high social/environmental impact through multi-year general operating support to a thriving ecosystem of transformational change initiatives. No financial return to HL’s endowment. No financial return to grantees.

PRI (Program-Related Investment): A type of mission or social investment that foundations make in order to achieve their philanthropic goals. Like grants, PRIs are vehicles for making inexpensive capital available to organizations that are addressing social or environmental concerns. For a PRI, the primary purpose is to accomplish one or more of the foundation’s exempt purposes. The production of income or appreciation of property is not a significant purpose. The key differentiator between MRIs and PRIs is that PRIs are essentially a program activity for tax and compliance purposes and must primarily be made to advance the charitable purpose of the foundation, and not to achieve an investment return. (Hidden Leaf’s Community Investments are akin to PRIs. See below.)

Restorative Economics is a term developed by Hidden Leaf guide and colleague, Nwamaka Agbo, which refers to a community-centered approach to addressing the racial wealth gap and transforming extractive and exploitative financial systems. Restorative economic approaches prioritize investments into projects that are led, owned and governed by Black, Indigenous and communities of color and encourages investments in projects that are collectively owned and managed as a strategy to build models for community wealth that help us transition towards a more just and equitable economy for all. (Excerpted from Kataly's Restorative Economies Fund materials).

Returns

- **Absolute Return** refers to the amount of funds that an investment has earned. Also referred to as the total return, the absolute return measures the gain or loss experienced by an asset or portfolio independent of any benchmark or other standard.
- **Risk-Adjusted Return** is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it. The risk is measured in comparison to that of a virtually risk-free investment – usually U.S. Treasuries.
- **Monetary Return:** Typically, a measure of an investment's total interest, dividends and capital gains, expressed as a financial gain or loss over a specific timeframe, returned to the investor. At Hidden Leaf, we are also considering who is reaping the monetary return on the investment. In our more traditional investments, we want to secure a strong monetary return for Hidden Leaf. With our New Economy investments (including Deep Impact and Community investments), we are also concerned that our partner investees are receiving a return as well, often prioritizing our partners' financial returns over Hidden Leaf's in the pursuit of building a regenerative economy

Risk: In traditional investing, an investor accepts a return in exchange for the risk inherent in the investment. The return is often considered the payment for the amount of risk undertaken. At a minimum, the expected return should adequately compensate the investor for the risk undertaken with the investment. If the expected return matches the amount of risk, the investment is considered fairly priced. At Hidden Leaf, we are considering multiple pools of investments where the expected return is less than the amount of risk assumed. In this way, we are providing concessionary capital (financing that offers more favorable terms than commercial capital) from grants (100% concessional) to debt with below-market or negative returns (in our Deep Impact and Community Investments). Our allies at Full Spectrum Capital are currently exploring new ways of assessing risk that will guide HL's investing. We will continue to update our definition of "risk" as our own understanding evolves.