

Brooklyn Org

DRAFT Investment Policy Statement

March 2024

This Investment Policy Statement ("Policy") is intended to govern the investment practices of the assets of Brooklyn Community Foundation DBA Brooklyn Org ("Brooklyn Org"), so that all individuals with either direct or indirect responsibility may understand and manage the investment assets, hereafter referred to as the "Long-Term Portfolio" or "Portfolio".

The Portfolio will support the activities of Brooklyn Org. The Portfolio consists of restricted and unrestricted gifts. These are commingled for investment purposes in order to achieve Brooklyn Org's investment objectives. In addition to the Portfolio, there is a Donor Advised Pool comprised of individual donor-advised fund (DAF) accounts.

A. Philosophy

Portfolio assets will be managed on a total return basis (i.e., yield plus capital appreciation), while considering the level of liquidity required. While Brooklyn Org recognizes the importance of the preservation of capital, they also adhere to the principle that varying degrees of risk are generally rewarded with commensurate returns over full market cycles (5-10 years).

B. Roles & Responsibilities

The Finance & Investment Committee (the "Committee") is authorized by the Board of Directors ("Board") to act on its behalf subject to this Policy Statement. The Committee, in turn, is authorized to delegate certain responsibilities to professional experts in various fields, including the flexibility to retain, terminate, or replace an Outsourced Chief Investment Officer ("OCIO"). This delegation of authority allows for sufficient flexibility in the management process to capture investment opportunities as they arise.

The Finance & Investment Committee is responsible for:

1. Establishing and maintaining the Policy and target asset allocation.
2. Monitoring the performance and risk profile of the Portfolio as a whole.
3. Reviewing the OCIO's implementation of the investment program.
4. Hiring, terminating, or replacing the OCIO.
5. Reviewing and addressing all potential conflicts of interest.

The OCIO is responsible for:

1. Selecting, rebalancing, terminating, and making tactical shifts between investment managers.
2. Monitoring the appropriateness of each investment manager's strategy given Brooklyn Org's overall investment strategy, philosophy, and objectives.
3. Monitoring the investment performance of each investment manager compared to the reference index established for that investment manager.
4. Overseeing the investment assets and reporting on the status of the investments to the Committee and/or Board.
5. Managing "investment cash" which includes all Portfolio cash such as cash received from an investment liquidation or distribution awaiting reinvestment.

C. Investment Objectives & Guidelines

The Portfolio's investment goal is to support the current and future mission of Brooklyn Org, with the following objectives:

1. Provide sufficient liquidity for planned or required annual distributions. There is the potential for increased draws in the future or one-off strategic capital needs.
2. Grow capital in inflation-adjusted terms with moderate risk of permanent capital impairment over the long-term investment time horizon of the Portfolio. Over long periods the objective is to grow the Portfolio in excess of inflation and draws. Over 3- to 5-year rolling periods of time the Portfolio performance is intended to exceed a 65%/35% mix of global stocks and U.S. bonds. All returns will be measured net of fees.

To meet the above objectives, management of the Portfolio will seek to adhere to the following guidelines:

1. Diversification across asset classes and drivers of return are important. The focus will be on building a portfolio of differentiated and complementary investment managers. Manager proliferation should be avoided.
2. The Portfolio has a long investment horizon and consequently the overall portfolio can generally tolerate some illiquidity and volatility. Appropriate risk management will be incorporated to limit the probability of significant portfolio drawdowns that would undermine the Portfolio's ability to support annual distributions.
3. Liquidity structure and management fees are important considerations in evaluating investment managers or opportunities.

D. Asset Allocation

The Committee will evaluate asset allocation ranges for the Portfolio annually. From time to time, the actual asset allocation may fall outside target ranges due to substantial flows and/or market movements.

	Long-Term Target Ranges	Near-Term Target ¹	Comment
Cash & Fixed Income	10-20%	15%	Source of liquidity
Public Equities	35-55%	45%	Long-term growth
Alternative Assets (Hedge Funds)	5-15%	10%	Growth assets with lower volatility than public equities
Hybrids	5-15%	5%	Primarily illiquid credit
Private Equity & Venture Capital	10-30%	20%	Long-term, with expected returns greater than public equities
Real Assets	0-10%	5%	Cash flow & inflation hedge
Total	100%	100%	

¹ Near-term targets reflect consideration of substantial unfunded commitments from private equity investments made in 2020-2023. Current private equity allocation is 13% and is expected to increase materially as capital calls are paid. Current unfunded commitments are approximately equal to 16% of total Portfolio assets. As such, private equity may surpass the long-term target allocation at certain points in time.

Liquidity is required to meet annual distributions and operating expenses, unanticipated needs, capital calls for hybrid and private investments, and to take advantage of unforeseen market opportunities. Approximately two to three years of anticipated liquidity needs should be maintained in cash and fixed income.

E. Benchmarks

The performance of the Portfolio will be evaluated against 3 benchmarks over time: (1) an absolute benchmark equal to spending plus inflation; (2) a simple, or passive, benchmark; and (3) a more complex, composite market benchmark. All returns will be measured net of fees.

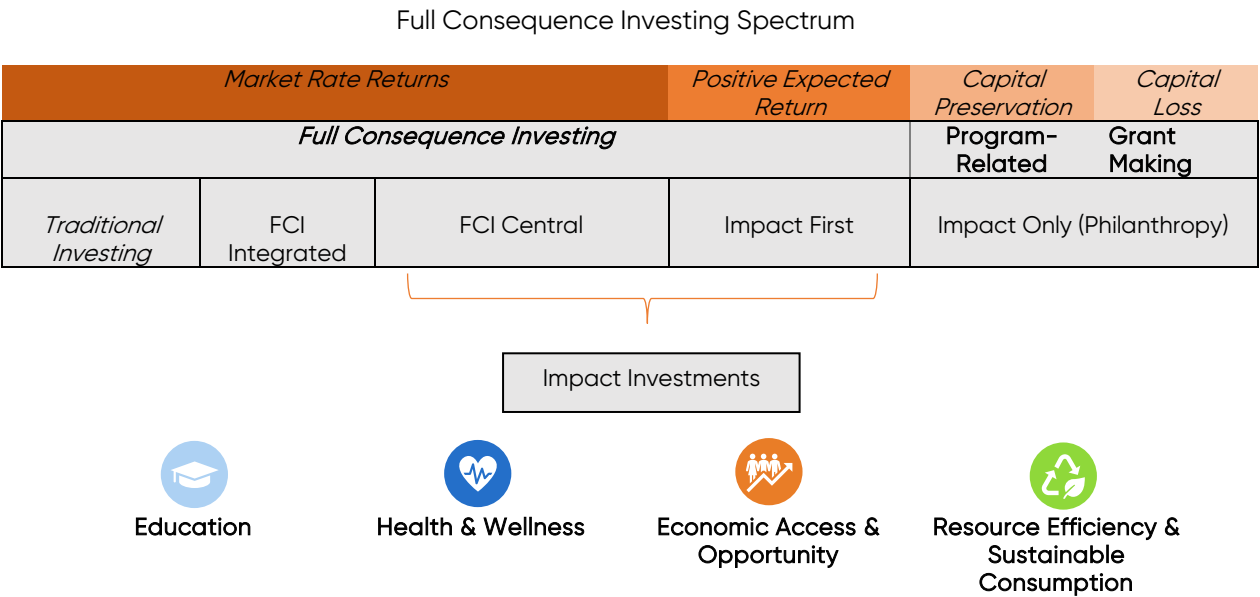
1. The Portfolio should seek to generate returns over rolling five-year periods in excess of its long-term spending rate, including operating expenses and grant-making, plus the rate of inflation, or 5% plus the Consumer Price Index ("CPI").
2. The Portfolio should seek to generate returns over rolling five-year periods in excess of an easily investible index of stocks and bonds, or 65% MSCI All Country World Index Free and 35% Bloomberg US Aggregate Bond Index, with comparable volatility (rebalanced quarterly). Consistent grant-making requires managing volatility of the portfolio as a whole over time, while also generating investment returns.
3. Finally, the Portfolio should seek to generate returns over rolling five-year periods in excess of a composite market index that represents the style and asset allocation of the Portfolio's overall investment structure, with comparable volatility (rebalanced quarterly). Given the planned evolution of the asset allocation over time, the composite market benchmark will be infrequently adjusted to ensure it remains representative of the Portfolio's investments. The OCIO will work with the Committee to determine the components and weights of this benchmark.

Asset Class	Composite Market Index (reference benchmark)
Cash and Equivalent	ML 30-day T-bills
Fixed Income	Bloomberg Intermediate Aggregate
Global Equities	MSCI All Country World Index
Hedge Funds	HCP Blended Hedge Fund Benchmark 50% BofAML US High Yield, 25% MSCI All Country World Index, and 25% ML 3-month T-Bills
Hybrid	Cambridge Private Credit Benchmark
Private Equity	Cambridge Composite (65% US PE, 35% US VC)
Real Assets	Cambridge Real Estate Benchmark

F. Incorporation of Full Consequence Investing

The Portfolio helps support Brooklyn Org's mission in pursuing strategies that create resilient communities, rich with diversity and opportunity. As a result, the Portfolio should seek to be invested in a way that is consistent with Brooklyn Org's values.

As a part of its manager selection efforts, the OCIO will apply a Full Consequence Investing (“FCI”) lens, a wholistic framework that reflects a core conviction that the pursuit of financial returns and thoughtful consideration of environmental and social investment outcomes are not only compatible, but mutually accretive. Each investment will be assessed regarding the extent to which the fund manager evaluates business model sustainability, environmental, social, and governance related factors as part of their investment process. FCI should be viewed as a spectrum, with investments that may fall within one of the categorizations outlined below, however, it is expected that the Brooklyn Org Portfolio will seek to primarily invest in FCI Integrated and FCI Central investments as defined below.



- FCI Integrated** strategies incorporate social and/or environmental considerations into the investment process and make investments that reflect the ESG analysis, seeking market rate returns.
- FCI Central** strategies integrate social and/or environmental considerations into the investment process with intentionality and incorporate that lens to identify opportunities, aiming to generate positive measurable impact while seeking market rate returns.

The primary criterion for the selection of Portfolio investments is to maximize return within defined risk parameters, which in turn, maximizes the financial support for Brooklyn Org. To achieve this goal, the Committee is committed to incorporating the financial objectives of the Portfolio with the social priorities and mission of the broader Brooklyn Org community. Incorporation of the FCI framework is viewed as necessary for value enhancement and/or risk mitigation. This approach does not imply acceptance of below-market returns.

Impact Investments may be categorized as either **FCI Central** or **Impact First** based on expected return potential. Priority may be given to fund managers that pursue positive impact in education, economic access & opportunity, and health & wellness alongside financial returns. As Brooklyn Org’s Portfolio continues to scale, it is expected that impact investments will be majority FCI Central seeking market rate or above returns. If specific one-off compelling opportunities arise, such as those highly aligned with Brooklyn Org’s mission and objectives, Impact First investments may be given consideration for inclusion in the Portfolio. Given the Portfolio’s current size, illiquidity and concentration are key diligence factors.

Socially Responsible Investing (SRI) within the Passive Equities Portfolio

The Portfolio will maintain a passive equity separately managed account (SMA) managed by Aperio. The OCIO and the Committee will work together to develop a framework for Aperio to apply towards investing in equities. This approach will screen out certain sectors and specified issue areas (i.e. predatory lending, private prisons, companies with no Racial or Ethnic Minorities on US Company Board, etc.) and tilt towards racial justice and equity considerations. This framework will serve as a starting point and can be adjusted at any point in the future.

G. Policy on Diversity, Equity, and Inclusion Considerations

Brooklyn Org is committed to supporting investment managers that strive for diversity, equity, and inclusion, both within their businesses and how they invest. Diversity, equity, and inclusion will be considered by the Committee and OCIO when selecting investment managers across all asset classes and will serve as an ongoing diligence discussion with investment managers over time. It is the belief of both the Committee and the OCIO that diversity of thought and perspective across a variety of factors leads to better investment outcomes.

H. Management of Donor Advised Funds

Individuals may contribute cash, publicly traded securities, bonds, or mutual funds and private or restricted stock, real estate or other assets to their individual donor advised funds. Brooklyn Org will liquidate non-cash assets as quickly as reasonably possible, proceeds will be credited to a donor advised fund net of applicable fees and expenses such as brokerage commissions.

Collectively, the individual donor advised funds are referred to as the Donor Advised Pool. Brooklyn Org currently utilizes Vanguard for the investment of the Donor Advised Pool. Individual donors are provided with specified mutual fund options to accommodate different risk tolerances. The OCIO will review investment options for the Donor Advised Pool and provide suggestions for investment options including those that are values-aligned.

In addition to the above, donors may establish a donor advised fund which will invest pro-rata alongside the Portfolio managed by the OCIO. Due to administrative costs associated with recording keeping and illiquid nature of private investments in the Portfolio, a minimum threshold of \$1 million will be required to participate alongside the Portfolio.

Separate from the commingled Portfolio donor advised funds, donors may elect their own investment advisor to manage their donor advised fund. Brooklyn Org staff will be responsible for tracking flows and notifying the OCIO of new accounts. For the Committee to have a holistic view, the OCIO will include the total figure of outside donor advised funds in the quarterly reporting.

I. Board and Investment Committee Conflict of Interest Policy

In the event it is determined that any Board or Committee member has an affiliation with an investment manager, such determination shall be disclosed to the full Board. The Board shall determine if such affiliation is appropriate and under what restrictions such affiliation may be permitted.

A. Meeting Schedule

The OCIO will provide detailed, quarterly written reports including performance, asset

reconciliation and pro forma balance sheets. The Committee and OCIO will meet in person or via conference call to review the performance and Portfolio's compliance with objectives and guidelines at least four times per year.

Asset Class Descriptions

Cash & Fixed Income

The general purposes of the Cash and Fixed Income allocation are to (i) be the principal source for annual liquidity needs as well as capital calls and potential opportunistic investments if applicable, (ii) create some measure of diversification, and (iii) provide current income. As a result, both credit quality and preservation of principal are emphasized for this allocation.

Equities

The purpose of the allocation to Equities is to provide long-term capital appreciation. Equity managers will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to seek to generate average annual compounded returns higher than the relevant broad market indices (i.e., the MSCI AC World, S&P 500, Russell 1000, and MSCI EAFE), net of fees, over full market cycles (approximately 5-10 years).

Alternative Assets (Hedge Funds)

The Alternative Asset allocation may include both absolute return strategies and long/short equity strategies. Absolute return strategies generally include event-driven, stressed and distressed credit, and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. Such strategies incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they generally seek to produce returns which exhibit relatively low correlation to equity market indices and lower volatility over longer time horizons. Long/short equity managers typically make both long and short investments and produce returns that can generally be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies. However, such long/short strategies often seek lower volatility than traditional long-only equity managers, particularly over multi-year time periods.

Investments in Alternative Assets are typically subject to an initial lock-up of 12-24 months or longer, and thereafter, investors may be able to withdraw quarterly or annually subject to certain conditions. In aggregate, the Alternative Assets portfolio will seek to generate returns in the 6-8% range with lower volatility than public equities over the long-term. However, at the individual fund level there is dispersion of return and volatility expectations driven by the different risk/reward attributes of various investment strategies.

Private Equity

Private Equity investments encompass diverse strategies including: buyout, growth, venture capital and control-oriented distressed. These illiquid investments generally have 4-6 year investment periods and approximately 10-year or longer fund lives. Given their illiquidity, private equity investments are generally expected to generate higher returns than public market strategies. Within Private Equity, Hall Capital targets managers who we believe have a differentiated ability to add strategic and/or operational value rather than managers who rely heavily on financial engineering to generate returns. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only manager, strategies and geographies but also "vintage years."

Real Assets

The purpose of Real Assets allocations is to offer: (i) attractive risk-adjusted total returns generated through a mix of current income and capital appreciation, (ii) different drivers of return that provide diversification benefits, (iii) some measure of inflation hedging characteristics to protect long-term purchasing power.

Real Assets investments include real estate, infrastructure, and natural resources. These strategies may be accessible through the public markets (e.g., listed REITs) or private markets (e.g., closed-end or open-end partnerships). We believe the long-term and physical nature of real asset investments make FCI considerations especially important.²

- Real estate is comprised of commercial properties across property types, such as multifamily, office, industrial, retail and hospitality. Managers may execute a variety of strategies targeting different points of the risk-return spectrum (e.g., core, core-plus, value-added or opportunistic) that are characterized by varying degrees of development, repositioning, leasing and/or leverage.
- Infrastructure consists of assets and networks used to transport, store and distribute goods, energy, people and information. This includes a range of acquisition or development opportunities across sectors such as renewable power generation, energy storage, electric transportation infrastructure, toll roads and airports, and digital infrastructure (data centers, towers, fiber or wireless spectrum).
- Natural resources include basic goods such as sustainable crops, timberland, water, metals and minerals, and traditional energy sources such as oil and natural gas.

Hybrid / Multi-Asset Class

Investment opportunities arise that may not fit neatly within any of the above categories either due to the structure or nature of the investments. As a result, they are often not captured by investors with more rigid asset allocation frameworks. These investments tend to be heavily long-biased and often have less liquidity than public equity funds or hedge funds, but exhibit shorter duration than traditional private equity and real assets funds. Return expectations are typically somewhere between alternative assets and private equity. Examples range from illiquid, complex credit strategies to public equities (perhaps with an activist element) with a longer lock-up and different fee structure.

Multi-Asset Class funds employ diversification across various investment strategies, asset classes, industries, vintages, and geographies. Funds in this category can invest across capital structures and security types to find attractive risk/return opportunities.

Other Investments

Other Investments may include investments which do not fit into any specific asset class or which apply to the portfolio as a whole. Other Investments are intended to capture investments such as portfolio level hedges (if/when we elect to implement them), non-USD currency positions or crypto-currency positions. The investments may be either transitory or longer term in nature and, as a result, we do not necessarily expect that portfolios will have investments in this category at any given time.

² HCP's Full Consequence Investing™ framework reflects our view that the pursuit of financial returns and thoughtful consideration of environmental and social investment outcomes are not only compatible, but can be mutually accretive. We seek to apply our FCI Framework across all investments and assess the extent to which managers evaluate environmental, social and governance related factors as part of their investment process.