



## **Investment Policy Statement**

### **Overview**

The investment assets of the Boston Foundation, Inc. (the “Foundation”) are managed in accordance with the Uniform Prudent Management of Institutional Funds Act as adopted in Massachusetts as Chapter 29 of the Acts of 2009 as amended (“UPMIFA”), a copy of which is attached as Appendix C. This Investment Policy Statement outlines the investment objectives and policies for the oversight and management of all of the pooled investment assets of the Foundation. Pursuant to Section 3.11.3 of the Foundation’s by-laws, the Board of Directors of the Foundation has delegated the responsibility for the oversight and management of all of its investment assets to its Investment Committee. The Investment Committee is assisted by the Foundation’s Chief Investment Officer, who is responsible for reporting to the Board, the Investment Committee, and the President of the Foundation on the performance of the pools and such other matters as may be appropriate from time to time. The Investment Committee may utilize the services of an investment consultant to assist it as needed.

The Foundation invests its assets in four investment pools: The Balanced Plus Pool, the Balanced Pool, the Impact Pool, and the Short Term Pool. The Foundation invests the majority of its long-term endowment assets in the Balanced Plus Pool. Certain assets of the Foundation are contained in funds referred to as Donor Advised Funds (“DAFs”). In DAFs, donors recommend grants from the DAF and may also recommend an investment fund that will be utilized. Donors may recommend that their DAF be invested in any of the four investment pools. If no recommendation is received, the DAF will be invested in the Short Term Pool.

### **Balanced Plus Pool - Investment Objective**

The Foundation's investment objective for the Balanced Plus Pool (“Plus Pool”) is to achieve the highest long-term total return on assets based upon the risk tolerance of the Foundation and that is consistent with prudent investment practices. The Foundation's objective is to grow through new gifts and investment earnings, which will allow it to support the community both in the present and in future generations. The Foundation has a long-term investment horizon with relatively low liquidity needs. For these reasons, the Plus Pool can tolerate short and intermediate term volatility in the interest

of generating higher returns over the long-term. The Plus Pool is managed on a total return basis. The Foundation's Policy Index is calculated by applying the investment performance of the asset class benchmarks to the Plus Pool's asset allocation targets, rebalanced monthly. The current asset allocation for the Plus Pool is contained in Appendix A. The Plus Pool's investment objective is for its performance to meet or exceed its Policy Index.

### **Balanced Pool - Investment Objective**

The Balanced Pool is offered as an investment option for DAFs. The current asset allocation for the Balanced Pool is contained in Appendix A. The Balanced Pool's investment objective is for its performance to meet or exceed its Policy Index and do so with a reasonable level of liquidity.

### **Impact Pool – Investment Objective**

The Impact Pool is offered as an investment option for DAFs. The Foundation's investment objective for the Impact Pool is for its performance to meet or exceed its Policy Index and do so with a reasonable level of liquidity. Investments in the Impact Pool will be made in order to generate positive social global impact with an eye towards our local community. Factors that will be considered when making an investment include strong corporate governance, environment and social sustainability, shareholder advocacy, and supporting positive social impact initiatives such as affordable housing, education, energy efficiency, and others. In addition, the Impact Pool will seek to screen out investments in companies with high negative social impact. The current asset allocation for the Impact Pool is contained in Appendix B.

### **Short Term Pool**

The Short Term Pool is offered as an investment option for DAFs. Certain assets of the Foundation are also managed on a shorter term basis. The Short Term Pool will be invested in a combination of directly owned U.S. treasury securities with maturities no longer than one year and a money market fund. The money market fund utilized will invest primarily in short-term instruments issued by the U.S. government and its agencies and instrumentalities, such as is done by the Vanguard Federal or Treasury Money Market Funds. The Short Term Pool will be managed to have a weighted average maturity in the 60 to 90 day range.

### **Grantmaking Pool**

The Foundation maintains a grantmaking pool to invest amounts that have been set aside for grantmaking activities. This pool is invested in a combination of U.S. treasury securities with laddered maturities of up to ten years, and a money market fund such as the Vanguard Federal Market Fund.

### **Asset Allocation**

To achieve their investment objective, the Plus, Balanced and Impact Pools will allocate their investments among several asset classes, with a bias toward equity and equity-like investments due to their higher long-term return expectations. Asset classes may be added to these pools to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set.

The current long-term asset allocation target is presented in Appendix A and B. The actual asset mix will vary from the asset allocation target due to market movement, cash flows, and manager performance. Rebalancing towards the approved asset allocation among existing managers will be reviewed monthly and rebalancing done as deemed appropriate by the Chief Investment Officer, with the concurrence of the Chief Financial Officer.

### **Investment Managers**

The Foundation employs professional investment managers and gives them discretion, consistent with specified objectives and guidelines, to manage the Foundation's investment assets. Each investment manager operates under a formal contract, partnership agreement, or similar governing instrument that delineates the manager's responsibilities. The Investment Committee reviews the investment performance of these managers on a regular basis in order to monitor the manager's performance and compliance with the scope and terms of the Investment Committee's delegation.

Investments will be diversified among investment managers utilizing the following guidelines:

- A typical public equity manager allocation will be targeted in the 2% to 4% range, other than for index funds. An exception will be made for one manager, which can be up to a maximum of 12%.
- Flexible capital manager allocations will be targeted in the 2% to 4% range. An exception will be made for one manager, which can be up to a maximum of 8%.
- A 1% investment allocation will be targeted to new private market opportunities.

### **Spending and Distribution Policy**

The Investment Committee's responsibility is to recommend an estimated long-term real rate of return to the Board's Executive Committee for its use in determining the annual spending rate. The amount available for current grant-making (distributions) during a fiscal year is to be guided by the method commonly referred to as the Yale Spending Formula. This model combines a long-term distribution rate with a smoothing rule that adjusts spending gradually in response to changes in market values and inflation. The Foundation has adopted a current spending rate of 5.25% for discretionary and field of interest of funds, and a 5% rate for designated and donor advised funds. The spending formula is calculated by applying 30% of the spending

rate applied to the most recent calendar year-end market value of each fund and adding to this 70% of the prior year's spending amount adjusted for the prior year's actual inflation rate.

### **Standards of Care and Ethics**

The Investment Committee, Foundation staff, and the investment consultant, if retained, shall discharge the duties of their positions in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. All parties must also comply with any conflicts of interest policies adopted by the Foundation.

### **Proxy Voting**

Because of its financial interests and commitments to the values of access, diversity, fairness and respect, the Foundation adopted a policy of voting shareholder resolutions in accordance with these values, particularly on issues related to (1) good corporate governance, (2) the environment, (3) community well-being and citizenship, and (4) diversity and equity.

The Foundation has adopted a balanced approach with the goal of encouraging positive corporate behavior while enhancing shareholder returns. Although they find expression in different ways as issues arise and are the subject of shareholder concern, and do not cover the full range of resolutions filed by shareholders during recent proxy seasons, these four areas convey the Foundation's sense of public mission, and serve as a template for how it will honorably discharge its ownership responsibility.

### **Investment Restrictions**

The Plus Pool, the Balanced Pool, and the Impact Pool will not invest directly in the stock of companies that are substantially engaged in the business of tobacco. In addition, these pools will encourage their fund managers to not invest in companies that are substantially engaged in the business of tobacco.

## Appendix A

### Asset Allocation Targets

As of April 1, 2020

Asset Class	Balanced Plus Pool Policy Targets	Balanced Fund Pool Targets	Benchmark
<b>Global Public Equity</b>	<b>46%</b>	<b>40%</b>	MSCI AC World
<b>Private Equity</b>	<b>13%</b>	<b>0%</b>	All Private Equity Benchmark
<b>Flexible Capital</b>	<b>21%</b>	<b>25%</b>	HFRI Fund of Funds plus 0.75%
<b>Real Estate</b>	<b>10%</b>	<b>10%</b>	
Real Estate – Core Funds	7%	7%	NCREIF ODCE Index Net
Real Estate - Public	3%	3%	UBS Global Real Estate Investors
<b>U.S. Treasury Debt</b>	<b>10%</b>	<b>25%</b>	
U.S. Treasury Notes	6%	19%	Actual Performance
U.S. TIPs	3%	4%	IRM custom 1-10 Year Index
Money Market Funds	1%	2%	Citigroup 3 Month T-Bill

#### Illiquid Asset Allocation Target

The Balanced Plus Pool currently has a target of up to 20% to investments that are typically illiquid for up to ten years or longer. New commitments to illiquid investments can only be made if the existing percentage invested, plus 50% of any unfunded commitments, is less than 40% of the Fund's current assets.

**Appendix B**  
**Impact Pool**  
**Asset Allocation Targets**  
**As of April 1, 2020**

<b>Asset Class</b>	<b>Impact Pool Targets</b>	<b>Benchmark</b>
<b>Global Public Equity</b>	<b>63%</b>	MSCI AC World
<b>Private Equity</b>	<b>2%</b>	All Private Equity Benchmark
<b>Flexible Capital</b>	<b>15%</b>	HFRI Fund of Funds plus 0.75%
<b>Fixed Income</b>	<b>20%</b>	
Impact Fixed Income	5%	Bloomberg Barclays Aggregate
Intermediate Treasury Bonds	5%	Actual Performance
U.S. TIPs	5%	IRM custom 1-10 Year Index
Money Market Fund	5%	Citigroup 3 Month T-Bill

## Appendix C

### Chapter 29 of the Acts of 2009

#### **AN ACT PROVIDING FOR THE UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS.**

*Whereas*, The deferred operation of this act would tend to defeat its purpose, which is to forthwith provide for uniform prudent management of institutional funds, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same as follows:*

SECTION 1. The General Laws are hereby amended by striking out chapter 180A and inserting in place thereof the following chapter:-

#### **CHAPTER 180A. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS**

Section 1. As used in this chapter, the following words shall unless the context clearly requires otherwise, have the following meanings:-

“Charitable purpose”, the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose or the promotion of any other purpose the achievement of which is beneficial to the community.

“Endowment fund”, an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis; provided, however, that “endowment fund” shall not include assets that an institution designates as an endowment fund for its own use.

“Gift instrument”, a record, including an institutional solicitation, under which property is granted to, transferred to or held by an institution as an institutional fund.

“Institution”, (i) a person, other than an individual, organized and operated exclusively for charitable purposes; (ii) a government or governmental subdivision, agency or instrumentality to the extent that it holds funds exclusively for a charitable purpose; or (iii) a trust that had both charitable and noncharitable interests, after all noncharitable interests have terminated.

“Institutional fund”, a fund held by an institution exclusively for charitable purposes or a fund held by trustee for a charitable community trust, but not including: (i) program-

related assets; (ii) a fund held for an institution by a trustee that is not an institution, other than a fund which is held for a charitable community trust; or (iii) a fund in which a beneficiary that is not an institution has an interest, other than an interest that could arise upon violation or failure of the purposes of the fund.

“Person”, an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, government or governmental subdivision, agency or instrumentality or any other legal or commercial entity.

“Program-related asset”, an asset held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for investment.

“Record”, information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

Section 2. (a) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.

(b) In addition to complying with the duty of loyalty imposed by law other than this chapter, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

(c) In managing and investing an institutional fund, an institution:

(1) may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution and the skills available to the institution;

(2) except as otherwise provided by a gift instrument, shall allocate those costs on a reasonable basis to each institutional fund prior to any appropriation; and

(3) shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

(d) An institution may pool 2 or more institutional funds for purposes of management and investment.

(e)(1) Except as otherwise provided by a gift instrument, the rules set forth in this subsection shall apply.

(2) In managing and investing an institutional fund, the following factors, if relevant, shall be considered:



- (i) general economic conditions;
- (ii) the possible effect of inflation or deflation;
- (iii) the expected tax consequences, if any, of investment decisions or strategies;
- (iv) the role that each investment or course of action plays within the overall investment portfolio of the fund;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the institution;
- (vii) the needs of the institution and the fund to make distributions and to preserve capital; and
- (viii) an asset's special relationship or special value, if any, to the charitable purposes of the institution.

(3) Management and investment decisions about an individual asset shall not be made in isolation but shall be made in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

(4) Except as provided by any other general or special law, an institution may invest in any kind of property or type of investment consistent with this section.

(5) An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the fund will be better served without diversification.

(6) Within a reasonable time after receiving property, an institution shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring the institutional fund into compliance with the purposes, terms and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this chapter.

(7) A person who has special skills or expertise or who is selected in reliance upon the person's representation that the person possesses special skills or expertise shall have a duty to use those skills or that expertise in managing and investing institutional funds.

Section 3. (a) Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the institution and the endowment fund;
- (iii) general economic conditions;

- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the institution; and
- (vii) the investment policy of the institution.

(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a), a gift instrument shall specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only “income”, “interest”, “dividends” or “rents, issues or profits”, or “to preserve the principal intact” or words of similar import shall:

- (i) create an endowment fund of permanent duration unless other language in the gift instrument limits the duration of the fund; and
- (ii) not, standing alone, limit the authority to appropriate for expenditure or accumulate under subsection (a).

Section 4. (a) Subject to any specific limitation set forth in a gift instrument or in other general or special law, an institution may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances. An institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

- (i) selecting an agent;
- (ii) establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund; and
- (iii) periodically reviewing the agent’s actions in order to monitor the agent’s performance and compliance with the scope and terms of the delegation.

(b) In performing a delegated function, an agent shall owe a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegation.

(c) An institution that complies with subsection (a) shall not be liable for the decisions or actions of an agent to which the function was delegated.

(d) By accepting delegation of a management or investment function from an institution that is subject to the laws of the commonwealth, an agent submits to the jurisdiction of the courts of the commonwealth in all proceedings arising from or related to the delegation or the performance of the delegated function.

(e) An institution may delegate management and investment functions to its committees, officers or employees as authorized by any other general or special law.

Section 5. (a) If the donor consents in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, duration or purpose of an institutional fund. A release or modification shall

not allow a fund to be used for a purpose other than a charitable purpose of the institution.

(b) The court, upon application of an institution, may modify a restriction contained in a gift instrument regarding the management, investment or duration of an institutional fund if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund. The attorney general shall be made a party to any such application and resulting proceeding. To the extent practicable, a modification shall be made in accordance with the donor's probable intention.

(c) If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve or wasteful, the court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The attorney general shall be made a party to any such application and resulting proceeding.

(d) The supreme judicial court may by rule or order provide that an application otherwise subject to court approval pursuant to subsections (b) and (c), may be approved by the attorney general if the value of the fund is not greater than such amount as the court may provide or in such other situations as the court may so provide.

Section 6. Compliance with this chapter shall be determined in light of the facts and circumstances existing at the time a decision is made or an action is taken and not by hindsight.

Section 7. This chapter shall apply to institutional funds existing on or established after June 30, 2009. As applied to institutional funds existing on June 30, 2009, this chapter shall govern only decisions made or actions taken on or after that date.

Section 8. This chapter modifies, limits and supersedes the electronic signatures in the Global and National Commerce Act, 15 U.S.C. Section 7001 et seq., but does not modify, limit or supersede Section 101(c) of said act, 15 U.S.C. Section 7001(c) or authorize electronic delivery of any of the notices described in Section 103 of said act, 15 U.S.C. Section 7003(b).

Section 9. In applying and construing this chapter, consideration shall be given to the need to promote uniformity of the law with respect to its subject matter among states that enact the Uniform Prudent Management of Institutional Funds Act. To the extent that any provision of the law, rule or regulation is in conflict with this chapter, specifically to the extent that any such conflict would operate to defeat or otherwise interfere with the purposes of this chapter, this chapter shall supersede and take

precedence over any such law, rule or regulation. This act shall be construed to the maximum extent possible so as to not constitute an impairment of contract.

*Approved July 2, 2009*

<http://www.mass.gov/legis/laws/seslaw09/sl090029.htm>