

Investment Policy Statement May 2025

I. Preamble

It is the mission of the AJL Charitable Foundation (“Foundation”) to invest in the people, programs and movements that benefit Colorado’s families and youth. The Board of the Foundation views the assets held by the Foundation (“Portfolio”) as funds intended for long-term philanthropic purposes consistently responsive to the human needs in the served communities.

It is the policy of the Board of Directors (“Board”) of the AJL Charitable Foundation (“Foundation”) that all assets, including funds that are legally unrestricted, be held in a fiduciary capacity for the sake of accomplishing the Foundation's mission and purposes. The following investment and impact objectives, directions, and policy statements are to be judged and understood in light of that overall sense of stewardship. When applicable, the Foundation will prioritize investments that support the mission and the Sustainable Development Goals 10 and 11, Reduced Inequalities and Sustainable Cities and Communities. The basic investment standards applied shall be those of a prudent investor as articulated under Colorado state laws.

II. Purpose

The purpose of this Investment Policy Statement (“IPS”) is to foster a clear understanding of the Foundation's investment and impact objectives, policies, and guidelines among all involved parties. The intent herein is to be specific enough to be meaningful, but flexible enough to be practical. The assets covered are the Foundation's financial resources, which are invested for long-term total financial return and positive impact and are designated as such.

III. Roles and Responsibilities

a. Board

The Board retains ultimate discretion for the investment strategy and the selection of the Investment Advisor (“Advisor”). Below are the specific responsibilities of the Board.

- i. Approving the IPS and reviewing it annually.
- ii. Electing members of the Finance and Investment Committee (“Committee”) for the purpose of direct oversight of the investment strategy.
- iii. Retaining the Advisor to assist in education, research, analysis, implementation, and monitoring of the investment strategy.

b. Finance and Investment Committee

As an extension of fulfilling its fiduciary responsibility, the Board delegates a

portion of the day-to-day responsibility for monitoring the investment strategy to the Committee. The specific responsibilities of the Committee are:

- i. Monitoring the IPS and making recommendations for modification to the Board as needed for approval, at a minimum once per year.
- ii. Working with the Advisor to set asset allocation targets within the guidelines of this IPS.
- iii. Reviewing the Advisor's selection of liquid Investment Managers and approving the Advisor's recommendations for illiquid Investment Managers to meet the asset allocation targets and the Foundation's impact goals.
- iv. Reviewing at least quarterly the status of the Portfolio.
- v. Continuing to assess the alignment between the investment strategy, the IPS, and the Foundation's strategic plan for grant-making.
- vi. Monitoring the Advisor's effectiveness and making recommendations to the Board as to the suitability of the Advisor.

c. Investment Advisor

In recognition that the Board and Committee may not possess the resources, time, experience, or expertise to most appropriately guide the investment strategy; the Foundation may delegate a portion of its investment related responsibilities to an independent Advisor.

Specifically, the Advisor shall be primarily responsible for:

- i. Providing recommendations related to governance and implementation of the IPS.
- ii. Assisting the Board and Committee in clarifying investment and impact objectives and setting the asset allocation.
- iii. Selecting appropriate liquid Investment Managers and providing recommendations for illiquid Investment Managers considered appropriate for implementing the asset allocation.
- iv. Providing ongoing research, performance, and due diligence on Investment Managers for implementing the asset allocation targets and impact goals.
- v. Providing performance reports at least quarterly for the Committee and as needed by the Board.
- vi. Providing ongoing education on topics relevant to investment strategy for private foundations.

d. Staff

The Staff is primarily responsible for the day-to-day operations of the Portfolio. Specific responsibilities of the Staff include the following:

- i. Continuing to assess the alignment between the investment strategy, the IPS, and the organization's long-term grant-making strategy.
- ii. Monitoring the implementation and trading of the Portfolio.
- iii. Informing the Advisor of cash flow events.

- iv. Monitoring the effectiveness of the Advisor and making recommendations to the Committee and Board as to the suitability of the Advisor.

- e. **Investment Manager**

The Foundation may use Investment Managers utilizing different investment structures (e.g. separate accounts, mutual funds, exchange traded funds, private placements, etc.) to buy and sell securities within the Portfolio and execute on a specific investment strategy. The Investment Managers shall be primarily responsible for:

- i. Authority over a specific investment strategy
- ii. Accepting limited fiduciary responsibility

IV. Investment Beliefs

These investment beliefs enumerate fundamental investment principles that guide the establishment of policies for the investment and management of investment funds under control of the Advisor and Investment Managers.

- a. **Strategic Asset Allocation**

- i. Strategic asset allocation is the dominant determinant of return, risk, and long-term success and therefore should be made judiciously and receive special emphasis and attention. A long-term focus allows investors to best structure Portfolios to benefit from a broad set of investment opportunities.
- ii. Management of the risk of long-run real capital losses is our key consideration rather than shorter term measures of risk such as performance variability versus a benchmark. This means we are attracted to an approach that minimizes the chances of an adverse total Portfolio outcome even though we may run what might appear to be higher risks in some specific asset classes.

- b. **Dynamic Asset Allocation**

- i. While it might be possible to tactically over/under weight asset classes, we do not believe that intentional deviations from our strategic allocation can be employed consistently through time to improve the return of the Portfolio. This encourages us to continuously monitor whether the strategic weight to each type of investment in our Portfolio is ideal to achieve our desired outcomes.

- c. **Public Markets**

- i. Inefficiencies may exist in certain segments of the public markets. While largely efficient, select segments of the capital markets can sometimes be exploited by skilled active management. However, we believe that consistently identifying those Investment Managers in advance is very difficult.

- ii. The Committee will maintain an appropriate balance between active and passive strategies given market and impact conditions. In highly efficient asset classes, passive investment management in public markets will outperform the median active manager in public markets over time. Accordingly, active management should be a deliberate choice and applied only to those public investment strategies and Investment Managers in which the advisors to the Committee have a high degree of confidence that such Investment Managers will generate better risk- adjusted returns over the long-term, net of all fees and related transactions costs. Given that all active managers will experience periods of short-term underperformance, the Committee should be willing to maintain exposure to those Investment Managers as long as the Committee and the Advisor continue to have long-term confidence in them.

d. Private Markets

- i. While inefficiencies may exist in private markets that provide skilled fund managers with excess return opportunities relative to public markets, our strategy is to consider investing in private companies and/or limited partnerships to pursue positive impact.

e. Costs

- i. All fees, expenses, commissions, and transaction costs should be diligently monitored and managed in order to maximize net investment returns. While all costs should be monitored and controlled, costs should be evaluated relative to both expected and realized returns.

f. Values

- i. To the extent possible, investments should reflect the Foundation's values and the integration of environmental, social, and governance (ESG) factors should contribute to long-term investment success. When applicable, the Foundation will prioritize investments that support the mission and the Sustainable Development Goals 10 and 11, Reduced Inequalities and Sustainable Cities and Communities.

V. Investment and Impact Objectives

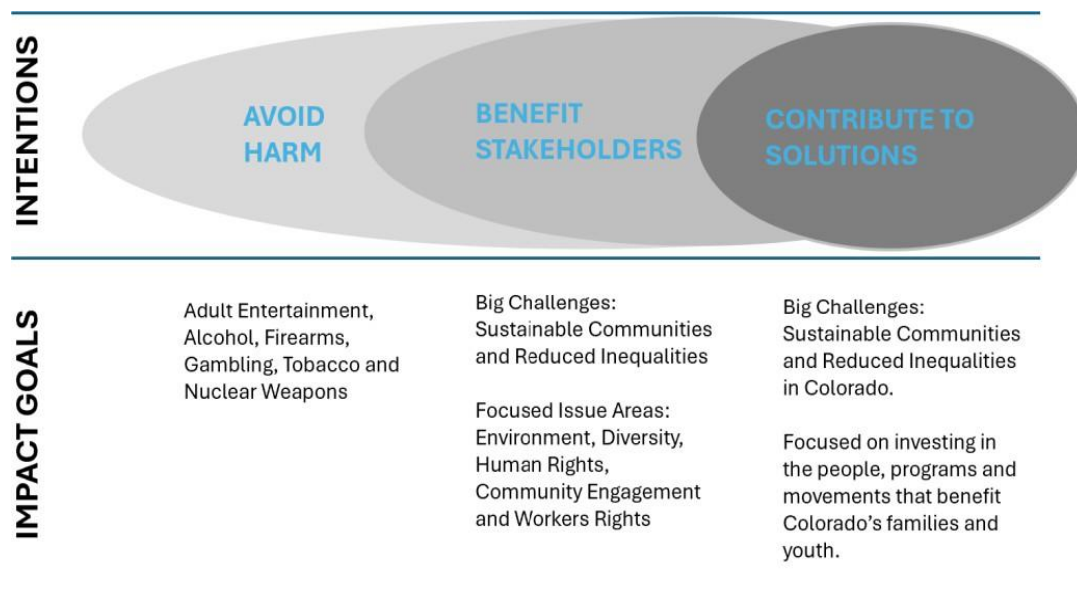
The Foundation will evaluate both investment and impact objectives when making investment decisions. The Foundation recognizes that by evaluating both objectives it can further the Foundation's mission, reduce both financial and impact risks and also take advantage of economic opportunities. The Foundation seeks to build a Portfolio that can avoid harm, benefit stakeholders, and contribute to solutions.

A. Investment Objectives

The primary long-term financial objectives of the Foundation are to preserve the real (inflation- adjusted) assets of the Foundation's funds and keep up with the Foundation's spending, recognizing that the Foundation can do the most good by existing into perpetuity, while also maximizing investments for positive impact. These objectives should be achieved over rolling five to ten-year periods on a total return basis. The Foundation's payout requirement is the minimum amount that private foundations must spend each year for charitable purposes. The amount is paid in the form of qualifying distributions, which include grants and, within certain limits, the administrative cost of making grants. Currently, the Foundation must meet or exceed an annual payout requirement of five percent (5%) of the average market value of its net investment assets. Therefore, the primary financial investment objective is for the Foundation's invested assets to earn an average annual real total return, adjusted for inflation (e.g. Consumer Price Index), and net of management expenses, that meets or exceeds the annual spending for the Foundation.

B. Impact Objectives

The overall impact objectives of the Foundation are to meet the grant-making needs of the Foundation without compromising the future generation's needs and evaluating opportunities that avoid harm, benefit stakeholders, and contribute to solutions.



C. View of Risk

The Foundation wishes to mitigate and manage all risk, both financial and impact, and will seek to achieve this through the following measures.

a. **Asset Class Diversification**

The Foundation strives to diversify its asset class exposure in such a manner as to pursue its target return objective with reasonable volatility. Such asset class diversification should also reflect an attention to other investment risks such as risks due to interest rate fluctuation, limited liquidity or transparency, sector or security concentration, currency and other macro-economic factors, and geopolitical and catastrophic event risk.

b. **Environmental, Social, and Governance (ESG) Integration**

The Foundation will prioritize investing in companies with good governance, integrity and accountability to both people and planet. The Foundation believes that by prioritizing ESG integration alongside rigorous financial analysis, the Portfolio may have lower risk and may outperform over the medium to long term¹. Specifically, the Foundation will emphasize investment in companies that score well in Pollution, Environmental Innovation, Climate Change Disclosure, Environmental Policies and Disclosure, Community and Politics, Diversity, Human Rights, Sexual Orientation, Workforce, Board Oversight and Structure, and CEO Compensation as per MSCI Environmental, Social, and Governance Ratings (Exhibit I: Values Scoring).

c. **Investment Managers and Management Teams**

The Foundation will evaluate all factors including the demographics of investment managers and/or management to improve financial performance of the portfolio and ensure better decision-making with the Foundation's assets. McKinsey found that companies in the top quartile for gender diversity were 15% more likely to have above average profitability²³.

¹ [MSCI Sustainability Institute, to understand sustainability and performance, tape this table to your wall, Linda Eling Lee, March 25, 2025](#)

² [McKinsey, Diversity wins: How Inclusion Matters, May 19, 2020](#)

³ [Forbes, One More time: Why Diversity Leads to Better Team Performance](#)

d. **Avoiding Portfolio Management Team Concentration**

The Foundation also considers the risk of concentrating assets with a single Portfolio Management Team. In general, the Foundation strives to allocate no more than 15% to any one Portfolio Management Team, unless the Portfolio Management Team is implementing a passive strategy that mimics the performance of specified market index. At the discretion of the Committee, the Foundation may exceed the 15% threshold if it satisfies the investment and impact objectives of the Foundation.

VI. Asset Allocation Guidelines

The Foundation and its Advisor shall consider the asset classes (outlined below). Additionally, the Foundation and its Advisor shall respect the asset class restraints described below for each broad asset class.

A. Asset Allocation Bands

ASSET CLASS	INVESTMENT PORTFOLIO	
	Min (%)	Max (%)
Global Equities (US and non-US)	50%	80%
Global Fixed Income (>3 yrs.)	10%	40%
Short-term Fixed Income (<3 yrs.)	0%	10%
Real Assets	0%	20%
Impact First & Program Related Investments	0%	0%
Alternative Investments	0%	25%
Cash and Cash Alternatives (<1 yr.)	0%	5%

B. Target Asset Allocation

At all times, the Foundation and its Advisor(s) shall define a target asset allocation(s) consistent with the Foundation's investment objectives for the Portfolio and the guidelines presented in this IPS, asset allocation bands.

The target allocation(s) shall be documented as Exhibit III to this IPS. As the target allocation(s) is modified by the Committee, it shall be updated in Exhibit III without requiring a re-approval of these investment policies.

Monthly and quarterly reports shall document the Foundation's target allocation and compare it to the actual allocation.

C. Rebalancing

At least quarterly, the Advisor shall provide the Foundation a comparison of the

actual asset allocation to the target asset allocation as defined in Exhibit III of this document.

Should the actual allocation to any asset class deviate by more than 10% from the target allocation for that asset class, then the Committee shall discuss the appropriateness of rebalancing that asset class in light of both macro-economic factors and the Foundation's activities as well as impact goals.

When the Foundation makes significant withdrawals or deposits to the Portfolio, the Investment Advisor shall provide a recommendation of how those monies should be deposited or withdrawn in order to further align the Portfolio with the target allocation(s) in Exhibit III.

D. Asset Allocation Guidelines

Cash/Cash Equivalents:

Cash/Cash equivalents can appropriately include overnight custodial cash funds, money market mutual funds, and/or individual money market instruments.

Fixed Income:

Fixed income consists of government, corporate, municipal, asset-backed, and collateralized mortgage securities. Traditional fixed income managers may purchase unrated bonds and bonds rated below investment grade if the average credit rating is "BBB" or better as rated by the major credit rating agencies. Global fixed income will have a duration of 5 – 7 years and short-term fixed income will have a duration of 5 years or less. International fixed income investments may be owned in mutual fund or ETF formats.

Global Equities:

Equity Investments will focus on high quality large and mid-capitalization growth and value stocks. However, small-capitalization stocks may also be utilized. The Fund may hold high quality and marketable equity securities, and equity oriented mutual funds or ETFs.

Within the International Equity portion, there will typically be further diversification among managers, countries, and investment style. Most often, both emerging market and developed market options will be considered.

Real Assets

Real assets represent tangible assets such as real estate, natural resources, or collectables. The Advisor shall consider the suitability of such investments based on the investments ability to meet the return, impact and risk management objectives of the Portfolio. In addition, the Advisor will consider liquidity, transparency, fees, regulatory oversight, the use of leverage, and other potential liabilities. The Advisor may not make direct investments in real estate or permit the lending, mortgage, pledge or hypothecation of any of the Foundation's assets except at specific direction

of the Board of Directors.

Alternative Investments

The Advisor may consider for recommendation the inclusion of strategies to improve risk management and help strive to meet return and impact objectives. Such investments might include hedge funds strategies, strategies based on financial futures, currencies, rates, derivatives, equities, fixed income, arbitrage, or other niche trading strategies. Prior to investment in such strategies, the Advisor will consider liquidity, transparency, fees, regulatory oversight, the use of leverage, and other potential liabilities. Investments with longer than a 15-day redemption clause shall not be made in the public markets without prior approval of the Committee. Speculative and venture capital stock investments require advance approval of the Board of Directors.

Transaction Requirements

All transactions will be for cash and should be entered into on the basis of best execution which means best realized net price.

VII. Investment Strategy Guidelines

a. Strategies

The Advisor will incorporate the investment strategies detailed below when constructing the Portfolio and choosing Investment Managers. The Committee will decide which investment strategies best meet the impact objectives of the Foundation.

PORTFOLIO		
Exclusionary Screening	ESG Integration	Thematic/Lens Investing
Adult Entertainment Alcohol and Tobacco Firearms Gambling Nuclear Weapons	Targeting investments best positioned to benefit from the integration of ESG factors and broad-based macro trends.	Focus on issue areas where social and/or environmental needs offer commercial growth opportunities for market rate return.

B. Shareholder Activism

The Foundation will use its position as an equity investor to advocate for the issue areas outlined in Exhibit I: Values Scoring. The Foundation may also work in coalition with others, pushing to influence corporate behavior from within. Voting on the proxies, co-filing, and filing shareholder resolutions are

all part of this effort. Proxies shall be voted in accord with the concerns stated in the policy guidelines.

If possible, the Board directs the Advisor to vote proxies under the most current ISS SRI U.S. Proxy Voting Guidelines. If this is not possible for select equities, the Advisor will forward the Proxy to the Co-Executive Director for voting.

Proxies voted, after careful consideration of the facts, shall be voted responsibly, and shall attempt to negatively view the following corporate board characteristics and actions:

- incentive payments unrelated to financial performance
- increasing salaries and options for executives that far exceed salary increases for average company employees
- boards composed mostly of “inside directors”
- nominating and compensation committees that are not composed exclusively of independent directors
- board nominees who serve on multiple (more than 3) boards, when the boards have many of the same people
- lack of representation of all communities within the board
- golden parachutes for executives
- pension plans for non-employee directors

VIII. Performance Benchmarks

Asset Class Benchmarks	
Fixed Income and Cash	
Cash	3M Treasury Bills
Global Fixed Income	Bloomberg Barclays Global Aggregate Index
Equities	
US Equities	Russell 3000
Large Cap Core	S&P 500
Mid Cap Core	Russell Midcap
Small Cap	Russell 2000
International Equity	MSCI ACWI ex-US
Emerging Markets Equity	MSCI Emerging Markets Index

Real Assets	
Public Real Estate	FTSE EPRA/NAREIT Global Index
Public Market Infrastructure	S&P Global Infrastructure Index
Alternative Investments	
Hedge Fund Strategies	HFRI Equity Hedge Index
Private Equity	Cambridge PE Index
Private Credit	Cliffwater Direct Lending Index
Short Term Fixed Income	Bloomberg Barclays Bond Fund 1-5 yr Govt/Cred
Global Equities	MSCI ACWI Net
Private Real Estate	NCREIF Property Index
MLP	Alerian MLP Index
Commodities	Bloomberg Commodity Index

IX. Investment Manager Search and Selection

a. Investment Manager Selection

The Advisor will evaluate the following criteria for each Investment Manager and Direct Investment. When evaluating impact for PRIs and Impact First investments, the Advisors and Staff will assess the same metrics and standards used in the grant-making Portfolio.

- Company/Fund Manager (e.g., impact intent, financial sustainability, stage of company, company-wide alignment)
- Team (e.g., compelling leadership/diversity, support of strategy, ethical conduct, implementation ability/continuity)
- Strategy (e.g., measured impact, profitable proposition, business model + opportunity set, sound and repeatable strategy)
- Impact (e.g., impact thesis or purpose, measurement & reporting, path to achieving impact, mission perception and drift)
- Performance (e.g., history of adding risk-adjusted value, repeatable & consistent returns, investment instrument, operational expenses)
- Investment Structure (e.g., seniority, investment terms, liquidity and exit potential, cost)

b. Investment Manager Review

Investment Managers shall go on “Review” when the Advisor is concerned about a material change in any of the following factors:

- Company (e.g., changes in ownership, new strategic direction, loss of assets)
- Team (e.g., new Portfolio manager, high analyst turnover, lack of succession plan)

- Strategy (e.g., change in methodology, deviation in implementation, no longer relevant)
- Impact (e.g., thesis changes, mission drift, impact no longer relevant or declining)
- Financial Condition (e.g., deteriorating financial ratios, lack of repayment, declining cashflow)
- Performance (e.g., persistently poor security selection, failure to compensate for risk, delinquency)

When an Investment Manager is on “Review,” the Advisor shall work to monitor the ongoing suitability of the investment in question, both on its own merits and in relation to other investments in the same asset style that may be more suitable.

X. Reporting and Review

a. Advisor Reporting

The Advisor will provide monthly written reports containing all pertinent transaction details to the Foundation and its specified agents on a timely basis. These reports will include but not be limited to total return (time-weighted basis) for both the total account and for equity and fixed-income portions net of commissions and fees, purchases, sales, yields, income. In addition, the Advisor will meet with the Board of Directors, as requested, to review economic outlooks, investment strategies, investment performance and other matters of interest to the Foundation.

The Advisor will provide a written report on a quarterly basis that contains the following information:

- Portfolio overview
- Investment performance compared to the corresponding benchmarks
- Investment strategy being used stated in a brief and understandable format (includes Decision-based Attribution Evaluation)
- View of the markets and economy as it relates to their investment decisions
- Investment recommendations that require Foundation approval
- Disclosure of account-level management fees on each asset class held in the Portfolio; external manager fees on equity, fixed income, alternative or hedge funds held in the Portfolio
- Other information relevant to the Foundation's interests
- Information regarding relevant ESG (Environmental, Social and Governance) reviews and rankings for relevant individual and mutual fund holdings
- Identify any known investment strategies that conflict with the Foundation’s social and environmental beliefs

b. Foundation Obligations

The Foundation will advise the Advisor of its cash withdrawal requirements from the Portfolio as soon as they are known in a manner that is timely for responsible

account management. The Foundation's Board will maintain a six-month forward outlook on cash requirements, updated monthly, and will make this available to the Advisor as requested.

The Foundation's Board will inform the Advisor of any concerns, questions, or issues with regard to performance or standards immediately when such concerns, questions or issues are identified. A meeting or other appropriate action will be initiated to resolve these issues as quickly as mutually feasible.

EXHIBIT I: Values Scoring

AJL will emphasize investment in companies that score well in the following categories:

Environment	
Pollution	We are very interested in investing in companies that are effectively minimizing their environmental impacts. Their performance on issues like toxic chemicals, fossil fuels, and chemical spills, environmental fines, and energy and waters usage is extremely important.
Environmental Innovation	We are extremely interested in companies that generate revenue from businesses involving alternative energy, clean technology, sustainable water, green building, and pollution prevention.
Climate Change Disclosure	A company's management of their carbon footprint through policies or disclosures is very important.
Environmental Policies and Disclosure	Whether a company is proactive in disclosing environmental information about their operations is very important. We are very interested in whether a company is active in developing environmental policies and management systems.
Social	
Community and Politics	We are very interested in supporting companies that are proactive in their communities. Transparency in political engagement and lobbying efforts is very important.
Diversity	We are very interested in supporting companies that improve performance by ensuring that all communities are represented in the workplace at all levels.
Human Rights	We are extremely interested in supporting companies that have proactive policies addressing human rights policies on topics such as child labor and sweatshops. It is extremely important to avoid investments in companies that operate in countries where human rights abuses are endemic.
Sexual Orientation	Whether a company treats LGBTQ employees the same as heterosexual employees is very important to our investment decisions.
Workforce	We are very interested in investing in companies who support organized labor. It is very important that companies have a good track record for treatment of their employees and no or few instances of discriminatory activities.
Governance	
Board Oversight and Structure	We are very interested in investing in companies who follow "good governance" practices. The boards' assumption of full responsibility for environmental and social policies is very important.
CEO Compensation	The appropriateness and structure of CEO compensation packages is important to our investment choices.

EXHIBIT II: Diverse Investment Manager Policy

August 2020

AJL's core values include diversity and inclusion and it is our intention to invest alongside those values. With that in mind, AJL makes it a priority to invest with investment managers who are from underrepresented communities in the finance industry.

AJL acknowledges that there are persistent barriers to accessing investment capital for investment firms that are owned and led by people who are currently and have historically been underrepresented because of discrimination. Indeed, [the Knight Foundation reported in September 2021 that only 1.4% of the total US based assets under management are managed by diverse -owned firms.](#) The Knight Foundation's study also identified that there is no statistical difference in risk-adjusted returns between diverse owned investment firms and their non-diverse owned peers. At the same time, even top quartile performing diverse owned firms manage substantially smaller asset pools leading to a potential investment opportunity for the AJL Foundation⁴.

These barriers continue to exist even when investment managers meet or exceed rigorous due diligence criteria, including performance.

Investment Guidelines

As part of building the investment portfolio, AJL in conjunction with their investment advisor will seek and engage investment managers from underrepresented communities in the finance industry and meet the rigorous criteria outlined in the investment manager search and selection process outlined in Section IX. (below).

Ownership

- Where individuals who are from underrepresented communities in the finance industry account for at least 30% of the firm's economics.

Leadership

- Where 30% of the voting members of the Investment Committee and/or Portfolio management team are individuals from underrepresented communities in the finance industry.

Diversity and Inclusion Practices

- Where the firm has hiring policies to attract, retain, and train people from underrepresented communities at all levels in the firm with a focus on entry level and mid-management
- Where the firm provides data, as available, to demonstrate the impact of these policies.

Outcomes

- The firm's investment strategy does not intentionally invest in industries that exploit people from underrepresented communities.

⁴ [Knight Foundation, Diversity of Asset Managers Research Series: Asset Management Industry](#)

EXHIBIT III: Target Allocation
Adopted July 2020

Asset Pool
Portfolio

Client Objective Benchmark
CPI + 5%

Asset Class (Sub)	Asset Class (Broad)	Target Allocation	Rebalancing Range
US Equity	Global Equities	47.30%	42.57% - 52.03%
Non-US Equity	Global Equities	22.80%	20.52% - 25.08%
SI - Environmental Opps	Global Equities	5.00%	4.50% - 5.50%
Private Equity	Alternative Investment	0.00%	0.00% - 0.00%
Private Debt	Alternative Investment	0.00%	0.00% - 0.00%
Listed Real Estate	Real Assets	0.00%	0.00% - 0.00%
Private Real Estate	Real Assets	0.00%	0.00% - 0.00%
Hedge Fund Strategies	Alternative Investment	0.00%	0.00% - 0.00%
Global Fixed Income	Fixed Income	15.00%	13.50% - 16.50%
Short Term Fixed Income	Fixed Income	5.00%	4.50% - 5.50%
Cash Alternatives	Cash	5.00%	4.50% - 5.50%