

A black and white photograph of a city street, likely in New York City, looking down a wide avenue. Tall buildings line both sides of the street, with a prominent skyscraper featuring a dome and spire in the distance. Pedestrians are crossing the street in the foreground, and a delivery truck is visible on the left. The text "Investment Policy Statement" is overlaid in the center.

Investment Policy Statement

Social Capital
Healthcare Endowment Fund

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Statement of Purpose

The intent of this Investment Policy is to articulate our investment strategy and framework of the investable assets (“Endowment”) of Social Capital Foundation, Inc (“Social Capital”). This statement includes specific parameters that uphold the mission and vision of the fund as defined by its Board of Directors. It provides a framework for the management, deployment, liquidity, and diversification of the funds. Additionally it explains how the Board will supervise and monitor the investments of the fund.

Social Capital is a 501(c)3 non-profit Endowment Fund that connects the generosity of donors to promote access and opportunities to areas of need. We care deeply about the challenges that we as humans face (i.e., opportunity, food, and resource scarcity) which directs us to partner to support individuals and organizations. Specifically, we are building our fund to make room for excess capital gains in the entirety of the principle and the large majority of the capital gains remain solely in the hands of intended beneficiaries. In doing so we maximize the impact with ensuring a long-term factor. The Board of Directors will monitor and manage the Endowment in accordance with our mission and this Investment Policy statement. Although these investment policies and objectives are intended to govern the investment activity, they are also intended to be sufficiently flexible in order to be constructive and attentively set forth reasonable risk control parameters for the assets of Social Capital. The investments of the Endowment will be diversified to help minimize the overall risk of the portfolio.

The policy addresses the following issues:

- Oversight of the Endowment, goals and objective, the management and investment program
- Fundraising objectives, asset allocation, liquidity policy, spending and restrictions.
- Phases of our fund and how this impacts capital investments

Goals and Objectives

The goal for the investment program for the Social Capital Endowment Fund is to provide average sized returns focused on long-term and low-risk investments. These investments will provide stable returns which both maintain the integrity of the original principle along with the consistent returns of capital gains. Redistributions are always made in alignment with our mission. The returns from investments will preserve the charitable power of the fund with minimal management costs. We're also open to private investments in healthcare related organizations that we can be actively involved which allows us to direct the investment while providing a return for our foundation.

Traditional Investments: We invest in a diversified portfolio of stocks, bonds, and other assets to ensure the long-term growth and stability of the fund.

Direct Healthcare Investments: We identify and actively support private healthcare organizations, providing them with guidance and resources to help them thrive and expand their impact.

We do not have fixed costs that other funds experience (i.e., overhead or general utilities); thus, we avoid specific cost basis to cover management. As the fund grows the management costs will come solely from a portion of the capital gains and will charge no management fees. The Board of Directors and directors are paid only on the basis of excess returns of capital gains, then we share a typical percentage of the gains (i.e., 25%) to cover all salaries, fund management, and relevant fees. The structure of this fund is intentional with a low operating budget which allows for maximal returns that are structured to last long-term. We are excited to offer a charitable fund that requires no consistent fees, giving the entirety of the donated capital directly to the cause while only sharing in the capital gains to retroactively pay for our operating costs.

*Note, it is typical for funds similar to ours to have administration fees that cost around 1 ~ 2.5% of net funds which limit the ability to grow the endowment fund. We have committed to not touch any invested capital but to only take 25% of capital gains (e.g., carry) which will allow our fund to produce returns to charity, pay management fees, while still having a compounding rate. This is all while protecting the endowment funds invested capital at all times.

Investment Program Policies and Procedures

Responsibilities

The Board of Directors will have a direct oversight role regarding all decisions that have an impact on the Fund. The Board will assume all fiduciary responsibilities pertaining to the proper management of the Fund's capital. Responsibilities that need to be considered are mentioned below.

- Recommendation on both long and short term investment policies and objectives for the Fund including the study and selection of asset classes, asset allocation ranges and setting performance objectives
- Monitoring and evaluation on the performance of all investments
- Periodically evaluate whether the investment policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the Fund
- Oversee of the day to day operations of investment activities
- Compliance with accounting and auditing principles regarding due diligence and ongoing monitoring of investments
- Prepare and issue periodic status reports to the Board
- Ensuring that appropriate policies governing the management of the portfolio are in place and that they are implemented
- Safeguarding the assets of the portfolio
- Settlement of securities bought and sold, collecting dividends and interest payments from the securities in the portfolio
- Providing monthly and annual accounting reports

Investment Management Policies, Guidelines, and Restrictions

Strategic Asset Allocation

The Board has set a predetermined monetary goal to reach before any investing can occur with donations/capital received for the Fund. The Fund’s first phase is to grow and raise \$1,000,000 and once this goal has been achieved the raised capital will be implemented to the Fund’s investment strategy. The second phase is focused on maintenance, investment, and reallocation of the funds in this phase we’ll use 85% of capital gains for *core activities* and 15% towards an *emergency fund*. During the process of raising capital all funds will be secured in a money market account as a way to improve capital appreciation while taking on a low risk approach.

To achieve optimal asset allocation that aligns with the investment objective, the Fund will allocate among several asset classes. The Fund will leverage both equity and fixed income investments due to the low-risk they provide. Asset allocation will be the main focus of the Fund to enhance returns, mitigate risk and offer a broader investment opportunity set. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced. The Funds long-term strategic asset allocation is presented in the following table below which also list the long-term policy target allocation for each asset category, the permissible ranges of actual investment exposure and their respective benchmarks for performance comparison. Before making any investment decisions related to the Fund’s capital, each of the following factors will be considered, and properly documented, in the minutes or other records of the applicable decision making body:

- General economic conditions
- Possible effect of inflation or deflation
- Expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- Expected total return from the income and appreciation of investments
- Other resources of the organization
- The needs of the organization and the fund to make distributions and preserve capital
- An asset’s special relationship or special value, if any, to the organization’s purpose

Liquidity Policy

Liquidity is defined as the ability to easily convert investments to cash. The Fund has a long-term investment horizon with relatively low liquidity needs. Due to this aspect, the Fund can tolerate short and intermediate term volatility provided that long term returns meet or exceed its investment objective. To ensure adequate liquidity for distributions and to facilitate rebalancing, The Board will conduct ongoing reviews of total fund liquidity on a quarterly basis and discuss further actions.

Performance Evaluation Benchmarks

Benchmarks are useful to gauge the performance of the fund, but they are best viewed over longer periods of time. Benchmarks for each of the broad asset classes are presented in the table below. The Fund will be compared to its Policy Benchmark, which represents the optimal “Policy Portfolio”. The Policy Benchmark is defined as the sum total of all the policy target weights for each of the asset classes multiplied by the returns of their respective benchmarks.

Asset Class	Policy Taret	Policy Range	Benchmark	Goal
Global Equities	60.00%	55.00-75.00%	S&P 500 Index	Exceed the average annual return of the index over a full market cycle (3-5 years)
Fixed Income	40.00%	35.00%-50.00%	-Bloomberg Aggregate Bond Index -Bloomberg Capital U.S. Treat	Exceed the average annual return of the index over a full market cycle (3-5 years)
Cash & Cash Equivalents	0.00%	0.00%-10.00%	Citigroup 90 Day T-bill Index	N/A

Performance Evaluation

Quarterly performance reports will be prepared and reviewed amongst the Board on a quarterly basis to evaluate the performance of the Fund. The Board will evaluate the success of the Fund in achieving the investment objective outlined throughout the Policy Statement over a three to five year time horizon and a full market cycle. Performance will be reported in terms of rate of return and changes in dollar value. The level of risk and standard deviation will be evaluated after twelve months of performance history has been collected.

Rebalancing

The Board will review the Fund's asset allocation periodically on a quarterly basis. The Board understands that market fluctuations and high volatility can affect the market value of the portfolio so review of any deviations from the asset class policy targets outside of the allowable ranges at any point in time will be monitored and if necessary, rebalancing may occur. In general, the Fund's average asset allocation should match the targets listed in the table above. Cash receipts shall be invested as soon as practical and in accordance with the current asset allocation policy, unless otherwise approved.

Spending Policy

The Board will initially discuss and vote for an annual spending percentage and will periodically review the spending rate based off market conditions and expected investment returns to determine if any changes will be made. The Fund will take into account net returns when it comes to determining spending parameters. As permitted by UPMIFA, the Board will decide case by case whether to continue the current spending rate from the endowment. All decisions related to the disbursements of funds must assess the uses, benefits, purposes and duration for which the Fund was established, and, if relevant, will consider these factors:

- The duration and preservation of the institutional fund
- General economic conditions
- Possible effect of inflation or deflation
- Expected total return from income and appreciation of investments
- Other organizational resources
- All applicable investment policies

Investment Restrictions

Investments that go against the mission of the Fund will not be included in the portfolio. The Board will review all investment decisions and discuss how the impact of each investment will reflect on the long-term goals set out by the Fund to determine if all parties share a common goal and interest. The Board will complete proper due diligence on incoming donors to ensure the Fund does not accept donations with donors who have a strong connection with the investment restrictions the Fund has set in place. The Fund will implement investment restrictions against individual companies whose main business activity involves controversial weapons, tobacco, fossil fuel or alcohol. The Board will do periodic reviews and updates which could lead to more companies being included on the Funds restricted list.

Global Equity

Assets that provide ownership claims on the growth opportunities provided by both U.S. and Non-U.S. public corporations and are included in the portfolio for a long-term goal of capital appreciation. Investment in equities has historically outperformed fixed income vehicles over a long period of time and these investments typically provide a long-term hedge against inflation.

Fixed Income

Assets that provide ownership claims on the growth opportunities provided by both U.S. and Non-U.S. public corporations and are included in the portfolio for a long-term goal of capital appreciation. Investment in equities has historically outperformed fixed income vehicles over a long period of time and these investments typically provide a long-term hedge against inflation.

Cash and Cash Equivalents

Specific types of assets that are highly liquid and provide little to no returns. The Fund will not enforce a target goal to this asset class given the opportunity cost of holding too much. Cash and cash equivalents will be held in the portfolio to cover any overhead expenses the Fund might incur. All cash reserves will be held within either a money market fund, short-term maturity Treasury securities or insured savings instruments of commercial banks and savings. The Board will determine if an adjustment needs to be made towards the holding percentage of this asset class based on budget projections.

Money Market Funds

The money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The money market instruments that are selected will be those rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. All funds will be held inside of the money market accounts until the Fund has reached its financial goal.