Endaoment

Investment Policy

Date of Board Resolution: April 10th, 2023

Purpose

This policy establishes investment objectives, policies, guidelines and eligible securities related to all assets held by Endaoment.org, and/or any of our subsidiary corporations, primarily for investment purposes ("**institutional funds**"). In doing so the policy:

- Clarifies the delegation of duties and responsibilities concerning the management of institutional funds.
- Identifies the criteria against which the investment performance of the organization's investments will be measured.
- Communicates the objectives to the Board, staff, investment managers, brokers, donors and funding sources that may have involvement.
- Confirms policies and procedures relative to the expenditure of institutional funds.
- Serves as a review document to guide the ongoing oversight of the management of the organizations' investments.

Delegation of Responsibilities

The Board of Directors has a direct oversight role regarding all decisions that impact Endaoment.org's institutional funds. The Board has delegated supervisory responsibility for the management of our funds to the **Investment Committee**. The Investment Committee will be composed of subject-matter experts with knowledge of investment, finance, nonprofit management, and other relevant expertise. The Investment Committee will meet quarterly to review current investment policies and procedures to ensure Endaoment.org is engaging in prudent investment management. Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of Endaoment.org's institutional funds are fulfilled through appropriate investment structure, internal and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Investment Committee, the Board shall:

- Select, appoint and remove members of the Committee.
- Approve investment policies and objectives that reflect the long-term investment-risk orientation of the Endaoment.org endowment.

Responsibilities of the Investment Committee

Members of the Investment Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to invested assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation and maintenance of all policies relative to Endaoment.org's institutional funds and shall:

- Develop and/or propose policy recommendations to the Board with regard to the management of all funds.
- Recommend long-term and short-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Determine that institutional funds are lawfully, prudently, and effectively managed with the assistance of management and any necessary investment consultants and/or other outside professionals, if any.
- Monitor and evaluate the performance of all those responsible for the management of funds.
- Recommend the retention and/or dismissal of investment consultants and/or other outside professionals.
- Receive and review reports from management, investment consultants and/or other outside professionals, if any.

- Periodically meet with management, investment consultants and/or other outside professionals.

- Convene regularly to evaluate whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of institutional funds.

Responsibilities of Management

Management shall be responsible for the day-to-day administration and implementation of policies established by the Board and/or the Investment Committee concerning the management of institutional funds. Management shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, management shall:

- Oversee the day-to-day operational investment activities of all institutional funds subject to policies established by the Board and/or the Investment Committee.

- Contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals.

- Ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of Endaoment.org; and, performance monitoring systems are sufficient to provide the Investment Committee with timely, accurate and useful information.

- Meet with any outside service providers as needed to evaluate and assess compliance with investment guidelines, performance, outlook and investment strategies; monitor asset allocation and re-balance assets, as directed by the Investment Committee and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence with respect to prudent management of institutional funds.

- Comply with applicable laws and official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to the Board and the Investment Committee.

Advisor-Managed Portfolios (AMPs) and IPS

Advisors recommending Advisor-Managed Portfolios must adopt Endaoment's Investment Policy and a default Investment Policy Statement (IPS) template as the baseline for AMP setup. Any deviations from the default IPS, including blended capital approaches or private market strategies, require prior approval from the Investment Committee before implementation. All non-AMP portfolios that deviate from this Investment Policy must be approved by the Investment Committee prior to being made available.

Investment Considerations

In accordance with Endaoment.org's understanding of California's Uniform Prudent Management of Institutional Funds Act, the Investment Committee must consider the purposes of both Endaoment.org and our assets in managing and investing institutional funds. All individuals responsible for managing and investing Endaoment.org's institutional funds must do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In making any decision relative to the management and investment of institutional funds, each of the following factors must be considered, and properly documented, in the minutes or other records of the applicable decision-making body:

1. General economic conditions;
2. Protocol security;
3. Possible effect of inflation or deflation;
4. Expected tax consequences, if any, of investment decisions or strategies;
5. The role that each investment or course of action plays within the overall investment portfolio of the fund;
6. Expected total return from the income and appreciation of investments;
7. Other resources of the organization;
8. The needs of the organization and the fund to make distributions and preserve capital; and,
9. An asset's special relationship or special value, if any, to the organization's purposes.

Definition of a Platform Asset

"**Platform assets**" are assets held within **Fund** or **Org** smart contracts deployed by Endaoment. These assets are distinct from those in Endaoment controlled wallets or centralized exchange accounts or gifts within **Fund** or **Org** smart contracts that are restricted through use of a **Donor Agreement**.

All platform assets adhere to the guidelines and constraints set forth in the Investment Policy. This includes compliance with the crypto allowable range, adherence to the protocol evaluation criteria, and alignment with the mission-centric focus of the organization.

Guidelines for Investment

These guidelines are meant to inform the way that donated capital owned by Endaoment.org smart contracts ecosystem is invested. The investment goal is to achieve a stable return, while the optionality for donors to recommend investment into the digital asset industry over time. The following guidelines apply to all investment asset classes:

Crypto Allowable Range

Minimum 0% - Maximum 30% of total platform assets, distributed across the following categories:

- **Ethereum (ETH), Bitcoin (BTC), and Wrapped Derivatives**: Maximum 25% of total platform assets. This includes Ethereum, Bitcoin, or their wrapped derivatives where the derivative is non-algorithmic and backed with a 1:1 ratio of native token reserves held in escrow. Current examples include Rocket Pool ETH (rETH), Lido Staked ETH (stETH), and Wrapped Bitcoin (WBTC++).

- **Mission Aligned Crypto Assets**: Maximum 5% of total platform assets. These are assets determined by the Board of Directors to align with our mission, prioritizing community engagement, transparency, and the public good. We recognize the transformative potential of decentralized systems and their role in creating a more equitable and democratic online world. Our focus is on projects that value decentralization and are committed to building open and transparent systems that benefit all stakeholders. This category can also include ETH, BTC, or wrapped derivatives thereof from the above category.

Our strategy in selecting mission aligned crypto assets is deeply rooted in our commitment to projects that align with our values and have the potential to create positive change. We continue to monitor developments in the cryptocurrency space and adjust our strategy to ensure that our investments are in line with our mission and values.

Endaoment.org may hold any amount of USDC, or other USD pegged, non-algorithmic stable coins backed with a 1:1 ratio of fiat reserves held in escrow that has sufficient available liquidity greater than the sum of all assets held by Endaoment. Any amount of those USD-backed funds may also be deployed into money-market interest bearing USD pegged stable coins from yield protocols that meet the Board's published **Protocol Evaluation Criteria**.

Enforcement of Guidelines

Endaoment.org will create **Deposit Caps** for each portfolio that effectively restrict its size on the platform in order to maintain conformity with the aforementioned guidelines. A **Deposit Cap** can be set at any level at or below what is permitted in accordance with the **Crypto Allowable Range** by the Endaoment.org staff, and are subject to change at any time without prior notice. All **Deposit Caps** will be publicly visible in the Endaoment.org UI.

Normal and expected market conditions can lead to investments falling outside of the **Crypto Allowable Range** (e.g. in the case of extreme growth of a portfolio's underlying asset). In the case that any portfolio's value leads to an investment falling outside of the **Crypto Allowable Range** the Board shall discuss remedies at their next quarterly Board meeting. Remedies may include but are not limited to adjusting the **Crypto Allowable Range** or force exiting any portion of any portfolio allocation.

Protocol Evaluation Criteria

Endaoment.org will employ a rigorous evaluation process for all portfolio assets to ensure stable growth and alignment with current market conditions. The Investment Committee and Management team are tasked with assessing the quality and suitability of all assets considered for inclusion in our portfolios.

Crypto Assets

- **Audit and Testing**: Only well-audited and tested crypto assets will be utilized. Assets must have undergone thorough security audits and demonstrate a proven track record.

- **Protocol Age and Accessibility**: Assets will only be considered if their underlying protocol is at least 6 months old and the underlying code is publicly accessible.

- **No Leverage**: No form of leverage will be used in any crypto investment to achieve returns.

- **Mission Alignment**: For mission-aligned crypto assets, the Committee will evaluate based on the overall mission of Endaoment.org. These assets should represent an alignment with our organization's values and have a written rationale for their inclusion, which will be shared with the Endaoment community.

Traditional Assets

- **Quality and Performance**: Traditional assets, such as index funds, money markets, and fixed income, will be selected based on their quality, historical performance, and alignment with Endaoment.org's financial goals.

- **Risk and Return Profile**: Each asset will be evaluated for its risk-return profile, ensuring it fits within the overall risk tolerance and investment strategy of Endaoment.org.

- **Diversification and Stability**: Traditional assets will be chosen to provide diversification and stability to the portfolio. This includes a mix of equities, bonds, and other asset classes as deemed suitable.

- **Regulatory Compliance**: All traditional assets will be in compliance with relevant financial regulations and standards.

- **Social and Environmental Impact**: For impact investments, the Committee will assess the potential social and environmental benefits alongside financial returns, ensuring these investments align with Endaoment.org's commitment to positive societal impact.

All assets, both crypto and traditional, must fit within the macro allocation allowances as detailed in our investment policy. The Investment Committee and/or Board of Directors will regularly review and adjust the criteria to reflect evolving market conditions and the strategic direction of Endaoment.org.

Donor Restrictions

In all instances, donor intent shall be respected when decisions are rendered concerning the investment of donor restricted funds when possible and not in conflict with internal policies. Endaoment.org retains full control of the funds and can, without notice to the donor, evacuate any investment position if it deems it to be unsafe, risky, or undesirable for any reason; provided, however, that if Endaoment.org accepts a particular gift subject to a lawful restriction on investments, it will comply with such restrictions.

Crisis Response & Emergency Action

Endaoment.org retains the right to effectively change or convert any investment or holding within any fund or organization smart contract at any time, as a response to fluctuating market conditions.

Regardless of how well any particular asset is audited, vetted, researched, etc., there always remains an inherent risk in using any form of cryptocurrency. Stablecoins can de-peg from a 1:1 redemption for their base currency; onchain investments can become insolvent; derivatives backed with native token reserves held in escrow may fall below their ideal 1:1 ratio. With this basis of understanding, Endaoment.org will act swiftly in response to any such event or threat thereof. These actions may include, but are not limited to, evacuating any portfolio position on behalf of any fund or organization; removing any portfolio from access; migrating assets to different or newly deployed smart contracts; changing the base token of the platform; temporarily suspending activity via the UI; temporarily moving assets offchain to another chain; and other blockchain and fiat transactions meant to ensure the security of the platform and value of assets.