



ALIGNING OUR VALUES AND OUR DOLLARS



INTRODUCTION

- Our mission is to protect and improve the health and wellness of the people of California by increasing access to health care, quality education, good jobs, healthy environments and safe neighborhoods.
- We are committed to leveraging our financial and human resources, along with our internal and external business practices to further our mission, reinforce our values and serve our communities.



OUR VISION FOR IMPACT INVESTING

- Align our \$1 Billion endowment with our values
- Fully integrate diversity, equity and inclusion practices into our investment practices
- Innovate, influence and build the impact investing field
- Upend the notion that you can't make money if you're doing good. We are committed to managing our assets so they do no harm, and demonstrating that you can “do good and make money.”



Our MRI Journey



CAMBRIDGE ASSOCIATES



2015

Board and staff learning journey
Consultant support for board and staff education

2017
MRI Implementation
Cambridge selected as advisors
Investment Policy Statement revised
First investments approved



2020

Developed \$50M allocation to diverse investment managers



2014

Know what we own



2016

Building Board and staff knowledge
Board approved \$50M carve-out and guidelines



2017

MRI Implementation
Cambridge selected as advisors
Investment Policy Statement revised
First investments approved



2018 - 2019

Built out MRI carve-out
Developed impact reporting framework. Emphasis on selecting diverse asset managers for all portfolios
Angeles incorporated ESG screens, diverse asset managers for the \$1B Main portfolio.



2021

Expand the PRI allocation
Issued RFP for one advisor to manage both Main and MRI portfolios

2022

Eliminate carve-outs
Consolidate to one portfolio that is mission-aligned

How We Implement Our MRI Strategy

Our MRI strategy has four primary components:





Market Rate Impact Investments

- We invest in public and private market funds that align with our mission.
- We also favor investment managers using environmental, social and governance criteria.
- We invest in Diverse Asset Managers.





Diverse Asset Managers

- Systemic barriers related to race and gender persist in the investment sector. Over 90% of assets under management are managed by men, and 84% of those men are White.
- Cal Wellness has a strong commitment to seeing more resources in the hands of diverse managers (women and people of color), and we incorporate that commitment into our due diligence process.
- We're looking for women and people of color to have ownership and management of these funds as well as be represented throughout the rest of the team.



Diverse Asset Managers, con't.

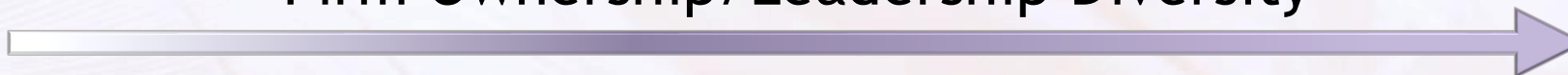
- We also look for diverse managers who have a commitment to invest in diverse entrepreneurs.
- Over the past 6 years, we've grown our investment in diverse managers. 43% of all of our investment managers are diverse managers.



MANAGER DIVERSITY:

First Pillar of Cal Wellness Mission-Aligned Investing

Firm Ownership/Leadership Diversity



	Significantly Diverse (>33% Women/POC)	Majority Diverse (>50% Women/POC)	Majority People of Color (>50% POC)
Impact	Bolster diverse talent pipeline in industry	Build a portfolio that reflects the diversity of our society	Allocate capital to & build wealth in historically underserved racial/ethnic groups
	Allow diverse founders to transition ownership to next gen	Address continued racial/ethnic and gender under-representation in positions of authority	



We Track Cross-Sectional Gender/Racial Ethnic Data for Cal Wellness Managers

- There's a pervasive myth that managers will not provide this data. But it's available!
- We request this information as part of our due diligence when determining where to invest.
- We use this granular level of detail to track progress in meeting our “diverse managers” goal.

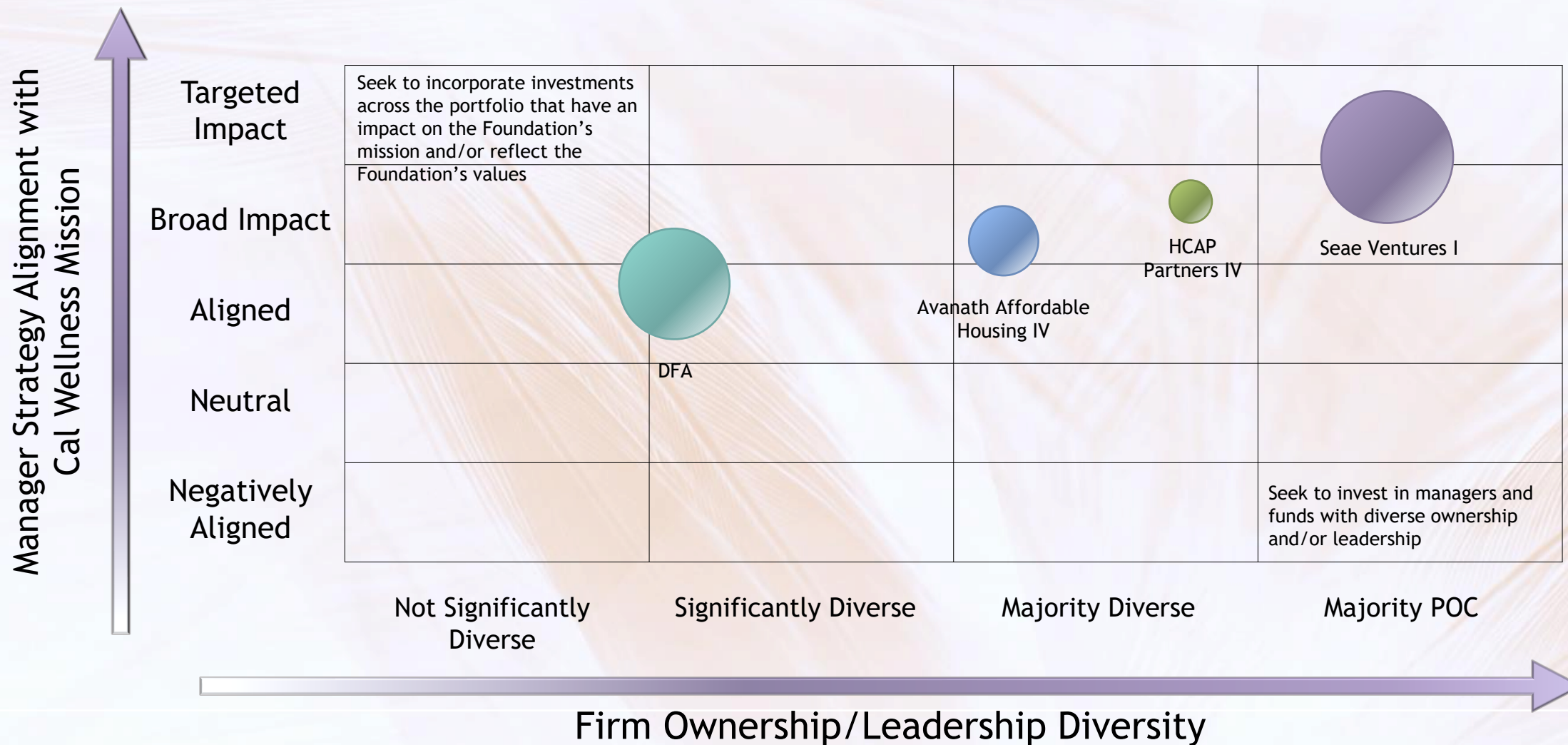


Manager Strategy Alignment that Focuses on Social Impact: Second Pillar of Cal Wellness Mission-Aligned Investing

Score	Strategy Alignment	Description
3	Targeted Impact	Investments seeking positive impact in one of the Foundation's key strategic priorities around social equity.
2	Broad Impact	Investments that seek net positive social or environmental contributions, through corporate engagement or the products, services or business practices of underlying portfolio companies.
1	Aligned	Definition in current MRI IPS: Investments aligned with the mission and values of the Foundation. Strategy authentically integrates environmental, social or governance (ESG) criteria into investment decision
0	Neutral	Investment strategy is neither in conflict with nor intentionally aligned with the Foundation's mission and core values.
-1	Negatively aligned	Portfolio has exposure to tobacco, firearms or other products/business practices that Cal Wellness deems antithetical to its mission and values



Mapping the Two Primary Pillars





PROGRAM RELATED INVESTMENTS

(Established 2018)

2018: \$10M initial allocation

2021: Increased to 3-5% of the Endowment value (roughly \$30 - \$50M)

Cal Wellness PRI's

- Reinforce rather than reduce our grantmaking.
- Support the goals of our four Advancing Wellness grantmaking portfolios and/or the mission and values of the foundation.
- Provide capital at below-market terms or higher risk levels than conventional investments.
- Contribute investment capital for nonprofit and for-profit entities to revitalize the infrastructure of disinvested communities.
- Address systemic barriers related to race and gender in the financial sector.



Loans

- Nonprofit and for-profit organizations
- Direct and Intermediary



Loan Guarantees



Equity Investments

- For-profit organizations
- Direct investments
- Funds to support diverse managers

INVESTMENT TYPES



Social Impact Bonds



Shareholder Engagement

- We are committed to partnering with people and institutions that are aligned with our values.
- We continually ask managers for updated statistics and information about their commitment to diversity, demonstrating to them that we value and are paying attention to how they incorporate DEI in their business practices.
- Over the last two years, we have voiced and acted upon our values by having hard conversations with managers when there are questions about values alignment.
- Over the next two years we will establish a shareholder engagement strategy aligned with our vision to deepen our efforts in this area.

BUILDING THE IMPACT INVESTING FIELD

- The goal: drive the growth of the impact investing market and disrupt the systemic barriers related to race and gender that persist in the financial sector.
- In 2021, we established a \$300K grantmaking portfolio to support organizations and projects that advance mission-related investments and diverse investment managers.
- In addition to grantmaking, we
 - contribute advice and strategic thinking to other philanthropic colleagues;
 - raise our voice to promote mission investing and diverse managers; and
 - seek to catalyze mission-related investment practices among our foundation peers and our investment partners.



WE'RE DISRUPTING ORGANIZATIONAL SILOS

- The finance and program teams partner to identify potential PRIs.
- This partnership disrupts a common dynamic between foundation program and finance teams in which the mindsets governing the finance team's work of growing the funds differs from the mindsets governing the program team's work of making grants.

