THE CHARLEVOIX COUNTY COMMUNITY FOUNDATION
INVESTMENT POLICY STATEMENT

APRIL 18, 2023

PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for The Charlevoix County Community Foundation (hereinafter, "Foundation"). This document will further describe the standards that will be utilized by the Investment Committee in monitoring investment performance, as well as serve as a guideline for any investment manager retained.

The purpose of the Foundation is to accumulate a pool of assets sufficient to build community capital for future use with the corresponding obligation to support current and future community needs. These assets are to be invested in a manner consistent with statutory fiduciary responsibilities.

SCOPE

This Investment Policy Statement applies only to those assets for which the investment manager and the Investment Committee have discretionary authority. The assets include the Long-Term Investment Pool and the ESG (Environmental, Social, Governance) Pool. The Long-Term Pool represents funds for long-term investment that are broadly diversified in public equity and fixed income investments. The ESG Pool represents funds focused on a commitment to positive environmental, social, and corporate governance (ESG) tenets. Investments are broadly diversified across public equity and fixed income with investment managers that integrate environmental, social, and corporate governance factors into the investment decision-making process. The Long-Term Pool and ESG Pool both have a long-term focus and a similar asset allocation approach.

INVESTMENT COMMITTEE

The Investment Committee is responsible for recommending investment policies and strategies, trustees, investment managers and/or advisors, and other fiduciaries, and monitoring the performance of the trustees, managers, advisors, and other fiduciaries.

IMPLEMENTATION OF INVESTMENT POLICIES

The investment policies of the Foundation will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, judgment regarding the allocation of The Foundation's assets among different kinds of investment opportunities, identification of appropriate investment vehicles, and the making of specific investment decisions.

STANDARD OF INVESTMENT JUDGMENT

In seeking to attain the investment objectives set forth in this statement, the Investment Committee shall exercise prudence and appropriate care.

SPENDING POLICY

The Board of Trustees, subject to donor intent expressed in a gift instrument, utilizes the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to guide spending rate decisions, in accordance with the following factors:

- the duration and preservation of the endowment fund;
- the purposes of the institution and the endowment fund;
- general economic conditions;
- the possible effect of inflation or deflation;
- the expected total return from income and capital appreciation;
- other resources of the institution; and
- the investment policy of the institution.

The spending policy shall apply to all permanently endowed funds.

The amount that may be appropriated for expenditure is determined by a total return system. The maximum amount that may be appropriated for expenditure in the coming year is calculated each September 30th and is reviewed and approved by the Investment Committee annually. The calculation is as follows:

a. A 12-quarter rolling average of the applicable fund's market value is determined.
b. The average market value calculated in "a," above, is multiplied by a spending rate, as follows:
   - The maximum amount that may be appropriated for expenditure in fiscal years 2022 and 2023 for all fund sub-types except scholarship funds will be 4.75% of the average market value calculated in "a," above.
   - The maximum amount that may be appropriated for expenditure in fiscal years 2022 and 2023 for scholarship funds will be 5% of the average market value calculated in "a," above.

The amount that is actually appropriated for expenditure may, at the discretion of the Board of Trustees, be less than the maximum amount stated above.

INVESTMENT OBJECTIVES

The primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus will be on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the Investment Committee seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation adjusted purchasing power of the Foundation's assets, while also considering the current spending requirements. In pursuing this objective, the Investment Committee endeavors to achieve total returns that, over time, are better than the relevant market averages. The Investment Committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved.

TIME HORIZON

Due to the inevitability of short-term market fluctuations, it is intended that the following Specific Performance objectives will be achieved by the investment manager(s) over a 5-year moving period, net of investment management fees. Nevertheless, the Investment Committee reserves the right to evaluate and make any necessary changes regarding the investment manager over a shorter term using the criteria established in the "Evaluation of Investment Manager" section of this statement.

SPECIFIC PERFORMANCE OBJECTIVES

Total Foundation

1. The total return shall exceed the Consumer Price Index plus the Foundation's spending rate plus the Foundation's administrative fees. .

2. The total return of the Long-Term Pool shall exceed a target Balanced Index composed of: 37.5.% of the S&P 500 Index (Domestic Large Cap Equity), 12.5% of the Russell MidCap Index (Domestic Mid Cap Equity), 12.5% of the Russell 2000 Index (Domestic Small Cap Equity), 7.5%, Morgan Stanley Capital International EAFE Index (Developed International Equity), 2.5% Morgan Stanley Capital International Small Cap Index (Small Cap International Equity), 2.5% Morgan Stanley Capital International Emerging Markets Index (Emerging International Equity), 17.5% of the Bloomberg U.S. Aggregate Bond Index (Fixed Income), 2.5% Bloomberg U.S. TIPS Index, and 5% of the S&P Global REIT Index (net div.) (Real Estate). The total return of the ESG Pool shall exceed a target balanced index of 60% Russell 3000 Index (Domestic All Cap Equity), 20% MSCI EAFE Index (International Equity, and 20% Bloomberg U.S. Aggregate Bond Index (Fixed Income)

3. The total return of the Long-Term Pool shall exceed a target Secondary Broad Benchmark composed of: 67.5% of the Russell 3000 Index (Broad Domestic Equity), 12.5% of the Morgan Stanley Capital International All Countries World Free ex US (Broad International Equity & International Real Estate), and 20% of the Bloomberg U.S. Aggregate Bond Index (Fixed Income).

Equity Managers, Real Estate

1. The total return for each actively managed equity manager shall exceed the total return of the relevant equity benchmark: Domestic Large Cap - S&P 500 Index, Domestic Mid Cap – Russell MidCap Style Index, Domestic Small Cap - Russell 2000 Style Index, Developed International Equity - Morgan Stanley Capital International EAFE Index, International Small Cap Equity – Morgan Stanley Capital International Small Cap Equity, Emerging International Equity - Morgan Stanley Capital International Emerging Markets Index, International Real Estate – S&P Developed ex-U.S. Property Index..

2. The manager's return will be expected to rank above the median return of the appropriate Manager Universe

3. The manager will be expected to maintain a beta (volatility) no greater than 1.20 versus the relevant equity benchmark. Beta compares a manager's volatility to the benchmark (the benchmark's beta is 1.00). If the manager's beta is greater than 1.00, the manager should expect to outperform the benchmark when the market rises and underperform the benchmark when the market declines. Conversely, if the manager's beta is less than 1.00, the manager should expect to underperform the benchmark when the market rises and outperform the benchmark when the market declines.

4. The risk-adjusted performance (alpha) is expected to be positive. A positive alpha implies the manager outperformed relative to the risk (as defined by beta) taken.

Fixed Income Manager(s)

1. The total return for each fixed income manager shall exceed the total return of the Bloomberg U.S. Aggregate Bond Index (core fixed income) or the Bloomberg U.S. TIPS Index (TIPS Manager).

2. The manager's return will be expected to rank above the median return of the Fixed Income Manager Universe.

.

EVALUATION OF INVESTMENT MANAGERS

The investment managers will be reviewed on an ongoing basis and evaluated upon the following criteria:

1. Ability to meet or exceed the performance objectives stated in this Investment Policy Statement.

2. Adherence to the philosophy and style that were articulated to the Investment Committee at, or subsequent to, the time the investment manager was retained.

3. Continuity of personnel and practices at the firm.

The investment manager shall immediately notify the Investment Committee in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.

ASSET ALLOCATION

Deliberate management of the asset mix among classes of investments available to the Foundation is both a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is a highly desirable objective. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and of the factors that may influence them.

In making asset allocation judgments, the Investment Committee is not expected to seek to "time" subtle changes in financial markets or make frequent or minor adjustments. Instead, the Investment Committee is expected to develop and adopt expressed guidelines for broad allocations on a long-term basis, in light of current and projected investment environments.

To ensure broad diversification in the long-term investment portfolios among the major categories of investments, asset allocation, as a percent of the total market value of the total long-term portfolio, will be set with the following target percentage and within the following ranges:

	Total Foundation		Equity/ Manager	Fixed Income Manager
Type of Securities	**Target**	**Range**	**Range**	**Range**
Equities				
Domestic Large Cap	37.5%	25.0- 45.0%	90-100%	0%
Domestic Mid Cap	12.5	7.5-17.5	90-100	0
Domestic Small Cap	12.5	7.5-17.5	90-100	0
International	7.5	2.5-15	90-100	0
International-Emerging	2.5	0-7.5	90-100	0
International – Small Cap	2.5	0-7.5	90-100	0
REIT	5	0-10	90-100	0
Fixed Income – Core	17.5	15.0-30.0	0	90-100
Fixed Income – TIPS	2.5	0-7.5	0	90-100
Cash	-	-	0-10	0-10

To ensure that the portfolio does not take on unnecessary risk, when an asset class reaches the range limits, the portfolio should be rebalanced back to the target allocations. On such occasions when an asset class reaches a range limit, the investment consultant (Fund Evaluation Group) will work with the Foundation to bring the portfolio back into balance by working with all custodians and investment managers. In addition, upon large inflows and outflows resulting trades will be entered to bring the portfolio as close to target as possible.

INVESTMENT MANAGER REQUIREMENTS

1. In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the Investment Committee's investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be made. Therefore, it is the process by which investment strategies and decisions are developed, analyzed, adopted, implemented, and monitored, and the overall manner in which investment risk is managed, which determines whether an appropriate standard of reasonableness, care and prudence has been met for The Foundation's investments.

2. Although there are no strict guidelines that will be utilized in selecting investment managers, the Investment Committee will consider the length of time the firm has been in existence, its track record, fees, assets under management, and the amount of assets the Foundation already has invested with the firm.

3. The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Foundation. Although the Investment Committee cannot dictate policy to pooled/mutual fund investment managers,

the Investment Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this policy statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives.

4. Unless prior written approval is obtained from the Investment Committee to the contrary:

   a. The investment managers shall be evaluated on a quarterly basis and should be prepared to meet with the Investment Committee at least annually.

   b. The investment manager shall handle the voting of proxies and tendering of shares in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein.

   c. With the exception of the fixed income allocations, the investment managers shall not utilize derivative securities to increase the actual or potential risk posture of the portfolio. Subject to other provisions in this Investment Policy Statement, the use of primary derivatives, including, but not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), principal only (PO) or interest only (IO) strips, inverse floating securities, futures contracts, options, short sales, margin trading and such other specialized investment activity is prohibited.

      Moreover, the investment managers are precluded from using derivatives to affect a leveraged portfolio structure (if options and futures are specifically approved by the Investment Committee, such positions must be offset in their entirety by corresponding cash or securities).

   d. There shall be no investments in non-marketable securities, except for Rule 144a securities (with or without registration rights). Rule 144a securities shall not exceed 20% of a fixed income manager's portfolio.

   e. For diversification purposes, the equity portion of each investment manager's portfolio should have in excess of 20 positions.

   f. Each investment manager must assure that no position of any one issuer shall exceed 8% of the manager's portfolio at market value, with the exception of securities issued by the U.S. government and its agencies.

   g. Each investment manager must assure that no more than 25% of its portfolio is invested in any one industry sector, with the exception of securities issued by the U. S. government and its agencies.

   h. The investment manager shall not affect a purchase which would cause a position in the portfolio to exceed 5% of the issue outstanding at market value.

   i. The fixed income manager will be expected to maintain an average duration within $\pm$ 25% that of the Bloomberg U.S. Aggregate Bond Index.

   j. The bond portfolio must have an overall weighted average credit rating of "A" or better by Moody's and Standard & Poor's rating services. In addition, there shall be no bond investments below B.

INVESTMENT CONSULTANT REQUIREMENTS

The Investment Consultant is responsible for assisting the Foundation in all aspects of managing and overseeing the Foundation's investment portfolio. The consultant is the primary source of investment education and investment manager information. On an ongoing basis the consultant will:

a. Provide the Foundation with quarterly performance reports within 30 days following the end of the quarter;

b. Meet with the Foundation quarterly (conference call or in person), and more frequently as needed;

c. Monitor the activities of each investment manager or investment fund;

d. Supply the Foundation with other reports or information as reasonably requested.

e. Recommend engaging and terminating investment managers.

f. Review the Investment Policy Statement and the Asset Allocation with the Foundation at least annually.

CONCLUSION

This statement of investment policy shall be reviewed annually. The investment performance will be reviewed on a quarterly basis and the report will be provided by an independent third party. The manager may provide any suggestions regarding appropriate adjustments to this statement or the manner in which investment performance is reviewed.

DocuSigned by:
051078048517480...
Acknowledged on behalf of
Charlevoix County Community Foundation

4/28/2023
Date

DocuSigned by:
Jeff Weisker
A4CEE5485D7B400...
Acknowledged on behalf of the
Fund Evaluation Group, LLC

5/9/2023
Date

Endorsed by Investment Committee Members

DocuSigned by:
Fay Keane
BF8BBB350BD441C...
Fay Keane

DocuSigned by:
Frederick Malpass
5999B35CC697494...
Frederick Malpass

DocuSigned by:
CFE68A450C9C4A4...
James Howell

DocuSigned by:
John Doskoch
D059D071727B4CB...
John Doskoch

Appendix

Valuation Policy

The Foundation has a long-term investment horizon, and therefore, will invest in funds that are illiquid in nature, with returns to be achieved over a multi-year period. The Committee understands that any interim "fair market" valuation of such investments may have a lower "current" value due to the inability to sell an investment mid-term. This interim valuation is likely to reflect the incomplete nature of the investment (e.g., selling a real estate development that is partially finished), but may also reflect current, unfavorable market conditions, or other factors. FAS 157 requires that all investments be valued based on the "current" state of the investment and "current" market conditions.

In accordance with GAAP and the adoption of FAS 157, all investments will be stated at fair value using the three-tiered hierarchy level outlined in this standard. Generally speaking these categories are:

- **Level 1**: Marketable securities listed on a national securities exchange are valued at the last sale price on the date of valuation.
- **Level 2:** Investments not listed on a national securities exchange, but that derive their pricing from exchange traded securities or other market-based measures, are priced at an appropriate "exit" value; valuation may be determined by trading of comparable securities, appraisal, or other model-based methods with direct market inputs.
- **Level 3**: Private investments are valued at estimated fair value based on meaningful third-party transactions, comparable public market valuations, and/or the income approach. An investment may be carried at cost if deemed the most appropriate estimate of fair value.

Under the FAS 157 guidelines, investments in private funds are expected to be classified as "Level 3" holdings. The fund manager is generally expected to have the best information available to value these investments. As such, the Foundation anticipates using the fund's audited and interim net asset values (NAVs) as the most appropriate value of an investment. In cases where a fund is not compliant with GAAP accounting, an appropriate valuation method will have been established.

Whenever available, quotations from securities exchanges are used as the basis for fair value. Manager valuation methodologies vary, but the Foundation will implement an ongoing review process of the managers' policies and procedures in order to provide appropriate oversight of the investments. Generally this process is conducted in conjunction with the consultant.