Marguerite Casey Foundation

1425 4th Avenue, Suite 900
Seattle WA 98101
(206) 691-3134

www.caseygrants.org

Marguerite Casey Foundation Investment Policy Statement

Purpose

Marguerite Casey Foundation (the “Foundation”) supports leaders, scholars, and initiatives focused on shifting the balance of power in society—building power with communities that continue to be excluded from shaping how the U.S. works and from sharing in its rewards and freedoms. This commitment includes positioning the Foundation’s investments to promote racial justice. We aim to incorporate a racial equity lens across asset classes and investment types to redress inequities and promote opportunities for historically marginalized communities by making sure that our capital is not only supporting managers and entrepreneurs of color but also by making sure that our investments are not working against the well-being of these communities.

Marguerite Casey Foundation firmly believes we can meet our long-term financial objectives while advancing our racial equity goals.

Our values are the following:

- Belonging & Representation: We are intentional and vigilant about identifying and undoing racism and white supremacy, on every level, in order to create an environment where acceptance, dignity and justice are experienced by all.
- Mutual Respect: We recognize the inherent value of all people and the sanctity of relationships. We aim to be direct, clear and timely in our communication, to approach our relationships and interactions with openness and understanding, and to treat everyone with care, consideration and compassion.
- Trust: We believe that successful movements are rooted in trust, and that trust is earned. We are committed to earning trust by keeping the promises we make, by practicing honesty and transparency in everything we do, and by taking responsibility for our assumptions, words and actions—including our mistakes.

The purpose of the Foundation’s investment program is to provide financial support to achieve its mission, primarily through grantmaking. The purpose of this Investment Policy Statement ("IPS") is to assist the Foundation in effectively managing, monitoring and evaluating the investment of the Endowment and seeks to leverage the Foundation's investments to support its mission and values. It is the intention of the Board of the Marguerite Casey Foundation that the Foundation's investments be managed in accordance with this IPS, the Foundation's conflict of interest policy, as well as all applicable laws. This policy statement is designed to allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable parameters to ensure prudence and care in the execution of the investment program.

Implementation of the Foundation's investment program is accomplished through a carefully planned and executed program. The guidelines for this program are embodied in this Investment Policy Statement, which incorporates our mission, purpose, values, goals, action, strategy, levers and results, as well as our long-term asset allocation plan and implementation program for fulfilling our fiduciary obligation to manage the Foundation's assets.

With respect to investments, the purpose of the Board of Directors is to ensure that the fiduciary responsibilities of the Foundation are fulfilled, that the investment structure, operation and results of the individual porfolios are consistent with investment objectives established for them, and to ensure competence, integrity, and continuity in the management of the Foundation's financial resources.

Investment Policy
It shall be the investment policy of the Foundation to:

- Create a fully mission-aligned investment program for the Foundation, which utilizes a variety of asset classes to provide return opportunities that are consistent with its risk tolerance.
- Ensure that the investment program complies at all times with applicable county, state, and federal regulations.
- Manage the assets on a total return basis. While the Foundation recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns over the long-term (usually 5 years or more).
- Adhere to a strategic asset allocation plan for the Foundation's assets, which balances return and risk, and takes into account the Foundation's overall asset base.
- Review the strategic asset allocation for the Foundation periodically and make appropriate allocation changes accordingly.
- Avoid a market timing approach that makes dramatic shifts in asset allocation over short time spans based on emotional or ad hoc decision-making.
- Complies with Uniform Prudent Management of Institutional Funds Act (UPMIFA).

- Utilize highly qualified investment managers who have demonstrated skill in a particular asset class according to the investment manager selection criteria outlined in this document.
- Make use of passive management in asset classes or sub-asset classes where market efficiency is high, such that active management is unlikely to result in excess returns over the long-term.
- Delegate full investment discretion to each manager, subject to this Investment Policy Statement and any other written investment guidelines that the Foundation may establish for a manager.
- Monitor the performance of each investment manager and the total funds relative to the Foundation's objectives and appropriate benchmarks.

Time Horizon
It is the intention of the Board that the Foundation operates in perpetuity.
The Endowment's investment guidelines are based upon an investment horizon of greater than ten years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the strategic asset allocation is based on this long-term perspective. Short-term liquidity requirements consist of funding the budgeted spending for charitable programs plus administrative costs.

Risk Tolerance
The Board recognizes the difficulty of achieving the Endowment's investment objectives in light of the uncertainties and complexities of investment markets. It also recognizes that some risk must be assumed to achieve long-term investment objectives. In establishing risk tolerance, the Board has considered the Foundation's ability to withstand short and intermediate term variability and concluded that the Endowment can tolerate some interim fluctuations in market values and rates of return in order to achieve its long-term objectives of preserving and, if possible, increasing, the purchasing power of its assets to support grant making over the long term.

Performance Expectations
The performance objectives for the Endowment are as follows:

- Produce an annualized, net of fee rate of return on assets that is more than 5.5 percentage points greater than the rate of inflation as measured by the Consumer Price Index (CPI) over a full market cycle.
- Produce an annualized, net of fee rate of return on assets that exceeds a custom benchmark, composed of the benchmark for each asset class weighted by the policy weight for each asset class, over a full market cycle.

The Board realizes that market performance varies and that a 5.5 percent real rate of return may not be achievable during short-term periods.

Mission and Value Alignment

The Foundation is committed to utilizing and leveraging the entirety of its financial resources to further its mission and align with its values. Over time, the Foundation seeks to incorporate all investments in all asset classes that have an impact on the Foundation's mission and/or reflect the Foundation's values while earning a market rate return and contributing to the Foundation's long-term financial stability and growth.

The Foundation seeks to utilize mission related investments (MRI) in addition to its grantmaking strategies to advance the Foundation's mission and values as well as to catalyze these practices with its peers and investment partners.

The Foundation's guiding principles are as follows:

- Aspiration: Align all our investments with our mission and values
- Financial Impact Objective: Maintaining our investment's long-term purchasing power in order to provide stable funding for grantmaking
- Social Impact Objective: Increase net positive contribution to our mission and values
- The following are examples of MRIs that the Foundation may employ over time:
    - Environmental, Social, and Governance (ESG) market rate strategies: ESG factors are non-financial factors that may have a material financial impact on corporate behavior. While not exposing the Foundation to excessive costs and maintaining appropriate levels of diversification, ESG strategies can include negative and positive screens.
        - Negative ESG screens may be employed to avoid investing in companies whose products and business practices are incompatible with our values. In the case of the Foundation, negative screens would entail, but are not limited to, exclusion of companies involved in:
            - predatory lending,
            - prison funding and labor,
            - immigrant detention,
            - citizen and immigrant surveillance,
            - civilian firearm production,
            - oil, gas, and consumable fuels
            - and noncompliance with the Community Reinvestment Act (CRA).
        - Positive ESG screens may be employed that seek to own profitable companies that demonstrate a commitment to racial equity. This commitment will be evidenced, but not limited to, such factors as:
            - diversity and inclusion policies,
            - board representation,
            - and fair labor practices.

- Diversity: The Foundation seeks to invest in managers and funds with diverse ownership, investment teams and/or leadership. We will target a minimum of 50% of the overall value of the Foundation assets for management by qualified diverse managers before the end of calendar year 2025. We define a diverse manager as an asset manager that is at least 51% owned, controlled, or operated by members of a historically underrepresented racial group in the United States. Members of these groups may have experienced discrimination and exclusion due to unequal power relationships across economic, political, social, and cultural dimensions.

In general, the following definitions apply:

  - Owned - At least 51% of the firm or firm equity is owned by members of a historically underrepresented racial group with an interest in supporting women of color in these roles.
  - Controlled - At least 51% of the decision-makers for the proposed investment strategy are members of a historically underrepresented racial group with an interest in supporting women of color in these roles.
  - Operated - At least 51% of the day-to-day firm operations are directed by members of a historically underrepresented racial group with an interest in supporting women of color in these roles.
- Shareholder Advocacy and Corporate Stewardship: The Foundation will join with others to encourage companies (and related asset managers), when appropriate, to either modify practices that are antithetical to the Foundation's mission or to improve products and services to advance its mission to build a truly representative economy. The Foundation will direct its MRI separate account managers to vote proxies in alignment with its values and mission.
- Private Impact Funds: Private impact funds are defined as higher impact social or environmental strategies that seek to generate market returns or better, and are invested in companies or real estate properties that are not publicly held. The Foundation will seek private impact funds that positively impact the Foundation's mission to build sustainable wealth in low-income communities and address systemic social challenges. Similar to traditional private equity and private real estate, private impact funds will be illiquid and capital committed to each fund can be locked up for 10 years or more.
  - Private equity impact funds entail, but are not limited to, opportunities focused on clean tech, information technology, sustainability, and healthcare that seek to strengthen low income communities.
  - Private real asset impact funds entail, but are not limited to, opportunities providing workforce housing, affordable housing, and/or environmental improvements.

- Community Impact Notes are fixed-income investments that will target loan activity in geographies aligned with our grantmaking commitments.

It is the Foundation's expectation and intention that all new investment strategies and commitments shall fall under one of the above strategies and align with the Foundation's mission and values to some extent.

Asset Allocation

The Foundation has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long-run perspective of capital markets. The Board has evaluated the various investment asset classes available, considering the historical and projected rates of return and relative levels of risk associated with each. The Board recognizes that, over the long term, the allocation among various asset classes may be the single most important determinant of the Endowment's investment performance.

The Board has determined that the asset classes and allocations among them, as described in **Appendix A,** are appropriate.

The asset allocation plan is adopted to provide for diversification of assets in an effort to maximize the investment return consistent with market conditions.
The Foundation's assets will be managed on a total return basis. While the Foundation recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns over the long-term. The asset allocation plan shall be predicated on the following:

- Foundation's payout policy for grants and administrative overhead, including liquidity needs for capital calls;
- Historical and expected long-term capital market risk and return behavior;
- Time horizon (perpetual in the case of the Foundation);
- The perception of future economic conditions, including inflation and interest rate levels; and,
- The Board's risk tolerance.

Due to the fluctuation of market values across asset classes, allocations within a specified range are acceptable and constitute compliance with the policy. It is anticipated that a period of time may be required to fully implement changes in the asset allocation and that periodic revisions may be required.

Rebalancing

Assets will be rebalanced whenever asset allocation exceeds the allowable range or significant cash flows occur. Due to fluctuation of market values across asset classes, allocations within a specified range are acceptable and constitute compliance with this policy. Also, it is anticipated that a period of time may be required to fully implement changes in asset allocation and that periodic revisions may be required.

Asset Classes

The Board realizes that over the long run, total returns to equities will be higher than returns to fixed income securities, but may be subject to substantial volatility over shorter periods.

The Foundation will utilize the following porfolio components to fulfill the asset allocation targets and total fund performance goals established in this document.

Global Public Equity

The purpose of the global public equity allocation is to provide capital appreciation that exceeds inflation. It is recognized that pursuit of this objective could entail the assumption of greater market variability and risk. This segment of the porfolio should provide broad market exposure to the U.S. and non-U.S. equity markets. The Foundation may choose to utilize passive or enhanced passive management to gain exposure to this asset class.

Private Equity

The purpose of the private equity allocation is to provide capital appreciation that exceeds inflation. Further, the expectation is that in return for the accompanying liquidity constraints, private equity will provide returns that exceed that of the public equity markets by 300 basis points over a full private equity market cycle. Private equity investing is a long term commitment where capital committed can be locked up for 10 years or longer. Distributions typically do not happen for the first 3 to 5 years or more, during which reported results exhibit lower returns due to the "j-curve" effect. Venture capital, buyouts, mezzanine, international, distressed, private credit, co-investments, secondaries and other opportunistic private equity investments may be held as part of this asset class. The private equity porfolio is expected to provide porfolio diversification by investing in assets with lower correlation to public equity markets. The investment consultant will establish and annually update the "Strategic Plan for Private Equity," which will recap the status of the private equity program and achievement of goals, as well as identify investment initiatives for the future. The "Strategic Plan for Private Equity" will be recommended to the Finance & Investment Committee for approval on an annual basis and reported to the Board thereafter.

Fixed Income

This asset class shall consist of diversified fixed income securities. The primary purpose of this segment of the porfolio is to provide a hedge against deflation and prolonged economic contraction, reduce overall volatility of returns, contribute to overall porfolio returns, and provide diversification benefits through lower correlation with public equity markets. This asset class may include international fixed income securities including developed and emerging market securities. In addition, this asset class may include inflation linked as well as high yield securities.

Real Assets
The purpose of the real asset porfolio is to act primarily as an inflation hedge with superior return potential than fixed income while maintaining lower correlations with the equity markets. Public and private, core and value-added/opportunistic, open-end and closed real estate investment products are candidates for this asset class. The real asset porfolio may also include natural resource funds (energy/timber) and infrastructure on an opportunistic basis.

The porfolio is to be diversified by property type and geography, and is designed to provide return from both income and capital appreciation. The Foundation recognizes the illiquid, long-term nature of the private real asset holdings. The investment consultant will establish and annually update the "Strategic Plan for Real Assets," which will recap the status of the real asset program and achievement of goals, as well as identify investment initiatives for the future. The "Strategic Plan for Real Assets" will be recommended to the Finance & Investment Committee for approval on an annual basis and reported to the Board thereafter.

Investment Managers
The Foundation will retain external investment managers to manage porfolio assets. The managers will have broad discretion and authority for determining investment strategy, security selection, and timing subject to this IPS as well as any other guidelines specific to their porfolio. Investment actions are expected to comply with "prudent person" standards.

The investment managers will be expected to acknowledge in writing that they are fiduciaries and will have discretion and authority to determine investment strategy, security selection and timing within their assigned mandate, and subject to IPS guidelines and any other guidelines specific to their porfolio. Performance of each porfolio will be monitored and evaluated on a regular basis relative to a suitable benchmark and, where appropriate, relative to a peer group of managers with similar investment styles.

The Foundation, with the assistance of the investment consultant, will also review each investment manager's adherence to its investment policy, and any material changes in the manager's organization (e.g., personnel changes, new business developments, etc.) or its investment process. The investment managers retained by the Foundation will be responsible for informing the Foundation in writing of such material changes.
Investment managers under contract to the Foundation shall have discretion to establish and execute transactions through accounts with one or more securities broker/dealer(s) as a manager may select. The investment managers will obtain the best available price and

most favorable execution with respect to all of the porfolio transactions.

The following transactions will be prohibited: short sales, selling on margin, writing options other than covered options, “prohibited transactions” as defined under the Employee Retirement Income Security Act of 1974 (ERISA), and transactions that involve a broker acting as a “principal,” where such a broker is also the investment manager who is making the transaction.

Selection Criteria for Investment Managers
Criteria will be established for each manager search undertaken by the Foundation and will be tailored to the Foundation’s needs in such a search. In general, eligible Investment Managers will possess attributes including, but not limited to, the following:

- The firm must be experienced in managing money for institutional clients in the asset class/product category specified by the Foundation. Any firm with less than a five-year track record can utilize track records established at prior firms when performance can be clearly attributed to the porfolio management team for the proposed investment solution. If no such track record exists, we will consider alternatives such as leadership team prior experience, investment sourcing capabilities, domain expertise, and alignment with MCF’s mission and values.
- The firm must display a record of stability in retaining and attracting qualified investment professionals, as well as a record of managing asset growth effectively, both in gaining and retaining clients. We will factor years together and asset growth at prior institutions in this evaluation for firms in operation for less than 3 years.
- The firm must have at least $10 million in the proposed investment style and have at least one additional tax-exempt account under management in the proposed investment style.
- The firm must demonstrate adherence to the investment style sought by the Foundation, and adherence to the firm’s stated investment discipline.
- The firm’s fees must be competitive with industry standards for the product category.
- The firm must be willing and able to comply with the “Duties of the Investment Managers” outlined herein.
- For ESG strategies, the firm must be experienced in ESG criteria and for impact strategies, the firm must have experience working in the specific impact or MRI style they utilize.
- The Foundation will seek managers and funds who share the Foundation’s commitment to diversity, equity and inclusion.

The above criteria may not apply in all circumstances and indeed there may be situations in which the evaluation of additional criteria may be appropriate.

Criteria for Investment Manager's Termination

The Foundation reserves the right to terminate an investment manager for any reason. Grounds for investment manager termination may include, but are not limited to, the following:

- Failure to comply with the guidelines agreed upon for management of the Foundation's porfolio, including holding restricted issues.
- Failure to achieve performance objectives specified in the manager's guidelines, if applicable.
- Significant deviation from the manager's stated investment philosophy and/or process.
- Loss of key personnel.
- Evidence of illegal or unethical behavior by the investment management firm.
- Lack of willingness to cooperate with reasonable requests by the Foundation for information, meetings or other material related to its porfolios.
- Loss of confidence by the staff or Board in the investment manager.
- A change in the Foundation's asset allocation program that necessitates a shift of assets to a different investment style.

The presence of any one of these factors will be carefully reviewed by the Foundation, but will not necessarily result in an automatic termination. Investment managers which run afoul of these or other factors will require a greater level of attention and monitoring until the issues are resolved or the manager is terminated.

Roles and Responsibilities Duties of the Board of Directors

- Approves investment policy statement.
- Annually reviews and adopts the Foundation's asset allocation policy and spending rate.
- Ratifies investment manager retention and dismissal decisions of the Finance & Investment Committee.
- Actively participates in continuing education opportunities in the investment arena (e.g., topical investment presentations made to the Board, reading materials provided by the investment consultant, etc.).
- Delegates to Investment Officer full discretionary investment authority consistent with the provisions of the Investment Policy Statement, the Managers' Guidelines (if applicable) and the individual contracts.
- Monitors the performance of Investment Managers with the assistance of an Investment Consultant.

- Encourage board members to leverage relevant plaforms to showcase, promote and support MCF investments and partners with appropriate approval.

Duties of the Finance and Investment Committee

- Recommends investment policy and asset allocation changes to the Board.
- Reviews the IPS regularly, generally once per year.
- Implements investment policy with the assistance of Investment Officer.
- Approves the selection and dismissal of investment managers subject to the investment discretion of private equity and real asset investments outlined below.
- With the assistance of the investment consultant, approves the custodian, as necessary.
- Approves the selection of the investment consultant.
- Evaluates and reports to the Board on investment activity, performance and compliance. Reviews investments that are underperforming expectations and key metrics as outlined in Appendix B.

Duties of the Investment Officer

- Recommends to the Committee: Investment managers proposed for retention or termination
    - Changes in asset allocation policy
    - Changes in the investment policy statement
- The President/CEO and Investment Officer shall have investment discretion to make private equity and real asset capital commitments up to $10 million per individual fund assuming the discretionary investments fall within the scope of the private equity and/or real asset "Strategic Plans," and subject to approval by the President/CEO.
- Maintains direct relationship with underlying investment managers and meets with them periodically.
- Ensures, through the investment consultant and custodian, that the investment managers conform to the terms of their contracts.
- Supervises the work of the investment consultant and investment custodian, and makes recommendations to the Committee regarding the retention of the consultant and custodian.
- Rebalances porfolio to maintain allocations within their appropriate ranges.
- Oversees investment accounting.
- Administers the investments of the Foundation in a cost-effective manner, to include management and custodial fees, consulting fees, transaction costs and other administrative costs chargeable to the Foundation.
- As it relates to shareholder engagement opportunities, the Investment Officer shall determine which shareholder resolutions are appropriate for the Foundation to file, subject to approval by the President/CEO and assuming the shareholder resolution falls within the scope of the Foundation's mission and priorities.

- On an annual basis, the Investment Officer will prepare an impact report capturing at a minimum the progress on diverse managers' allocation, shareholder advocacy, and mission-aligned investments.

<u>Duties of the Investment Consultant</u>

- Makes written recommendations to the Investment Officer regarding any investment related issue, including investment policy, performance, strategic asset allocation, and manager selection and retention.
- Performs investment manager searches, associated due diligence & fee negotiation.
- Prepares annual Strategic Plan report for private equity and real assets.
- Interview and present to Investment Officer at least one qualified diverse manager for all investment manager searches as a potential investment solution. In the event that no such candidate can be identified, the Investment Officer will receive a description of the effort to locate qualified diverse candidates within the target search criteria and the rationale for why the search was unsuccessful.
- Monitors existing investment managers for changes in personnel, ownership, investment process, etc.
- Prepares and presents performance reports to the Investment Officer and Board.
- Assists in the selection of a qualified custodian if necessary.
- Assists in administering the investments of the Foundation in a cost-effective manner, including evaluating the services and negotiating fees of investment managers, the custodian, the performance measurement provider, and other investment-related services providers.
- Disclose annually the total number of searches that included a diverse manager as well as the number of recommended managers for selection by the consultant's investment committee.
- Disclose the total dollar amount of investments made annually to diverse managers.

<u>Duties of the Investment Custodian</u>

- Provides Global Custody Services.
- Provides safekeeping for securities purchased by managers on behalf of the Foundation.
- Provides for timely settlement of securities transactions.
- Maintains short-term investment vehicles for investment of cash not invested by the managers and sweeps all manager accounts daily to ensure that all available cash is invested.
- Collects interest, dividend and principal payments as soon as they become available.
- Prices all securities regularly and post transactions daily.
- Provides electronic access to accounting and performance reporting systems.

- Provides monthly, quarterly, and annual accounting reports and year-to-date summary of investment activity in a timely manner.
- Manages a securities lending program to enhance income if directed by the Foundation.
- Provides other services, as determined necessary by the Foundation, that assist with the monitoring of managers and investments, including monitoring the porfolio for compliance with policy.
- If custodian also provides performance measurement, calculates and provides performance reporting on managers, the total fund, and asset class composites on a monthly basis, and provides these reports to the Investment Consultant and to the Foundation. The performance measurement provider may be the Foundation's custodian or another qualified third party, as designated by the Foundation.

Duties of the Investment Managers

Manages the underlying assets for the Foundation in accordance with guidelines established in writing.

- Provides the Foundation with proof of liability and fiduciary insurance coverage.
- Is a SEC-Registered Investment Advisors or exempt from registration, and recognized as providing demonstrated expertise over a number of years in the management of institutional, tax-exempt assets and having a defined investment specialty.
- In the case of active managers, adheres to the investment management style concepts and principles for which they were retained, including, but not limited to, developing porfolio strategy, performing research, developing buy, hold and sell lists, purchasing securities and voting proxies.
- Executes all transactions for the benefit of the Foundation with brokers and dealers qualified to execute institutional orders on an ongoing basis at the best net cost and execution to the Foundation.
- For separate accounts, reconciles every month accounting, transaction and asset summary data with custodian valuations, and communicates and resolves any significant discrepancies with the custodian.
- Maintains frequent and open communication with the Investment Officer, the investment consultant, and with the Board of Directors through the Finance & Investment Committee on all significant matters pertaining to the Investment Plan, including, but not limited to, the following:
- Major changes in the Investment Manager's investment outlook, investment strategy and porfolio structure;

Significant changes in ownership, organizational structure, financial condition or senior personnel;

a) Any changes in the Porfolio Manager or other personnel assigned to the Foundation;
b) Each significant tax-exempt client that terminates its relationship with the Investment Manager, within 45 days of such termination;
c) All pertinent issues which the Investment Manager deems to be of significant interest or material importance; and,
c) Meet with the Investment Officer and/or Finance & Investment Committee on an as-needed basis.

<u>**Duties of the President and CEO**</u>

- Attends all Committee meetings.
- Responsible for overseeing the implementation of the investment program, pursuant to the Committee's direction.
- Signs all investment manager agreements.
- Supervises the work of the Investment Officer regarding implementation of investment decisions. The President/CEO shall retain final approval for all discretionary private equity and real asset investments recommended by the Investment Officer. These discretionary investments may be approved up to $10 million in capital commitments per individual fund and must fall within the scope of the private equity and/or real asset "Strategic Plans." The President/CEO shall retain final approval for all shareholder resolutions filed by Foundation.

Investment Monitoring and Accounting

For purposes of performance measurement, the returns of the endowment will be measured against a custom benchmark composed of indices that serve as reasonable proxies for the asset classes contained in the policy porfolio. The performance of individual managers within the asset classes may be measured against more specific style or sector indices as appropriate. The total porfolio is expected to outperform the custom benchmark over complete market cycles and/or rolling five year periods. A summary investment performance report will be produced on a monthly basis. More detailed reports will be produced on a quarterly basis.

All investment assets should be held and/or reported through an independent investment custodian. A reconciliation of investment balances to the accounting records of the Foundation should be performed on a monthly basis. The Foundation should pay only reasonable and necessary expenses related to the management of the endowment porfolio, and those expenses should be appropriately recorded.

The Foundation will also request each mission related investment manager to provide impact reporting. In the event the Investment Manager does not have existing impact reporting, the Foundation will encourage the manager to consider producing a report. The Foundation will evaluate annually the overall impact of the mission related investments.

Program Related Investments
Marguerite Casey Foundation makes program related investments (PRIs) to achieve charitable purposes in alignment with its mission. In 2015, the Board of Directors approved a $10M allocation to be invested in program related investments (PRIs). PRIs have two objectives:

- Positive social impact in the following areas:
- Build sustainable wealth in low-income communities
- Address systemic social challenges
- Empower low-income communities for advocacy
- Positive financial impact focusing on capital preservation (i.e., return of the capital invested)

The primary objective of the PRI program is its positive social impact and alignment with the Foundation's mission. The financial return is secondary.

Accounting Policy
Fixed Income Investments: Note receivables are recorded at net present value, discounted using a risk-free rate of return. As fixed income PRIs will typically have a below market interest rate, imputed interest is recognized over the term of the note receivable based upon the principal outstanding. Valuation allowance is evaluated annually and recorded as necessary.

Equity Investments: Equity investments are recorded at fair value. Because there are usually limited investors in these equity investments, and they are not typically publicly traded, market value is based on the capital account balances reported by the investment managers. The Foundation reviews reports from the managers and evaluates for impairment annually to determine whether a write down is necessary.

Appendix A
The Foundation’s Asset Allocation Targets and Allowable Ranges

The asset allocation that follows contains guideline percentages, at market value, of the Foundation’s total assets to be invested in various asset classes. Actual allocations may deviate from guideline percentages at any specific period in time due to market conditions, including the gradual implementation of the private equity and real asset porfolio.

Asset Class	**Target Allocation (%)**	**Allowable Range (%)**	**Benchmark**
Global Public equity	40%	30-65%	MSCI All Country World Investable Market Index (MSCI ACWIMI)
Private equity Total equity	30% 70%	5-35% 45-85%	Cambridge Associates US Private Equity Index
Fixed income	15%	45-85%	Custom Benchmark of Underlying Indices
Core Real Estate	5%	0-10%	NCREIF Open-End Diversified Core Equity (ODCE) Index
Non-Core Real Assets	10%	0-15%	Burgiss Real Assets Index (Vintage-adjusted, quarter-lagged), (“Private Real Assets Benchmark”)
Total Real assets	15%	5-20%	Custom Benchmark of Underlying Indices
Total Fund	**100%**	**N/A**	**Policy Weighted Index***: 40% MSCI ACWIMI, 30% Cambridge Associates US Private Equity, 15% Barclays Aggregate Intermediate, 5% NCREIF ODCE, 10% Burgiss Real Assets Index Inflation Linked Benchmark: CPI plus 5.5% per annum

Asset allocation targets approved May 2022

*As the illiquid asset classes, e.g., private equity and real assets, are implemented, the constituent weightings in the policy benchmark will adjust accordingly to the long term policy targets.

Shifting Power. Powering Freedom.

Appendix B
Process for Review of Underperforming Investments

Any investment that materially underperforms its relevant benchmark(s) or peer comparison(s) for a meaningful period of time will be required to be reviewed by the Finance & Investment Committee.

Key performance metrics for the private investments may include among others:

- Private market equivalent (PME), which compares private investment results to public market indices while accounting for the timings of the fund cash flows. Private investment funds that have a "meaningful" (e.g., of sufficient time, normally at least 3- 5 years, to have had multiple realizations, i.e., sales or disposals, in the fund) track record and underperform the PME will trigger review by the Finance & Investment Committee.
- Peer comparisons of the same vintage year for internal rates of return (IRR), distributions to paid in capital (DPI), and multiples of invested capital (MOIC). Private investment funds that have a "meaningful" track record and rank in the bottom quartile of relevant peers will trigger review by the Finance & Investment Committee.