

Frey Foundation

INVESTMENT POLICY STATEMENT

(IPS)

INTRODUCTION

The Frey Foundation (“Foundation”) was established in 1974 by Edward J. and Frances T. Frey out of a deep love of community and their commitment to philanthropy. The Mission of the Frey Foundation is to invest collaboratively in Western and Northern Michigan to create a better place to live by strengthening its communities, protecting its natural environment, enhancing the arts, and transforming the lives of individuals and families.

PURPOSE OF WRITTEN INVESTMENT POLICY STATEMENT

The primary purpose of this policy statement is to summarize the purpose, objectives, and investment practices of the Frey Foundation. The statement is intended to assist the Foundation Investment Committee in managing and evaluating the investment activities of the Foundation. The Investment Policy Statement is to be reviewed on a bi-annual basis, or as appropriate, for continued suitability.

SCOPE, PORTFOLIO DESCRIPTION, AND DECISION-MAKING AUTHORITY

The portfolio is governed by the Investment Committee, which has responsibility for making all investment-related decisions for the Foundation. The Investment Committee will seek out and utilize appropriate investment management expertise, whether internal to the Committee or through an independent investment consultant (“Consultant”), to assist in carrying out its responsibilities. The primary responsibilities of the Investment Committee, which is supported by the external Consultant and staff includes:

1. Deciding on an investment strategy and asset allocation for the portfolio;
2. Maintaining and refreshing the Foundation’s Investment Policy Statement;
3. Deciding on investment recommendations introduced by the Consultant and staff;
4. Monitoring performance, risks, and program costs;
5. Overseeing the selection and performance of the Consultant and staff.

INVESTMENT OBJECTIVES AND RISK TOLERANCE

Investment Objective

The Foundation seeks to both preserve invested capital and achieve long-term real growth of the assets entrusted to the Foundation’s stewardship. The overall long-term financial goal of the Foundation is to meet the net operating expenses of the Foundation while maintaining the Foundation’s purchasing power (inflation-adjusted market value). Therefore, the investment objective is to generate a return in excess of spending plus inflation over a full-market cycle.

Time Horizon

The Foundation portfolio is assumed to operate in perpetuity. This long timeframe corresponds to an asset allocation that is equity-biased, but prudently diversified for capital preservation. In general, the potential for, and timing of, withdrawals of investment corpus determine an investment horizon. The longer the investment horizon, the greater the amount of short-term volatility of returns the portfolio can absorb. Recognizing that a certain amount of volatility is required to achieve return objectives over time, the portfolio will incur a prudent level of overall portfolio volatility and variability of return.

Unanticipated corpus draws on the Foundation are likely to be minimal. Therefore, investment guidelines are based upon an investment horizon of greater than five years. Interim fluctuations

should be viewed with appropriate perspective. Similarly, the Foundation's strategic asset allocation is based upon this long-term perspective.

Spending Policy

Annual charitable distributions from the portfolio are expected to be at least 5%, as dictated by the law and regulations governing private foundations. The amount to be spent in the coming year is calculated each December 31 (based on the year's twelve-month average) and is reviewed and approved by the Frey Foundation Board annually. It is the goal of the Foundation Board to spend no greater than 5.5% annually (0.5% includes Foundation expenses) of spendable income.

Withdrawals from the portfolio should be taken with priority given to cash equivalents. When projected withdrawals necessitate trimming from additional asset classes of the investment portfolio, the Consultant will make recommendations to the Investment Committee to adjust the allocation in a manner that will maintain the integrity of the asset allocation and manager position sizing while also avoiding excessive transaction activity.

Liquidity Requirements

Illiquid investments, including both private equity and private credit, are expected to be utilized in the portfolio due to the long-time horizon and equity orientation of the portfolio. However, due to the potential spending needs required of the Foundation, total illiquid investments (those investments with greater than one year's liquidity) will be monitored on a quarterly basis by the Consultant. In addition, unfunded commitments will be reviewed in order to understand future cash flow expectations and needs.

Impact Investing

While the Foundation may make program-related investments (PRI) from grant allocations, the Foundation also desires to be intentional about considering mission-related investments (MRI) for the endowment's investment portfolio.

Because the Foundation does not believe impact investing and market rate returns are mutually exclusive, let it be explicit the Foundation does not seek concessionary returns, and doing so would be in opposition to our fiduciary duty. As such, the expectation is the Consultant will recommend best investment options with the greatest expected investment returns. With this preface, the Foundation values environmental, social, governance (ESG), and diversity attributes, both among the investment managers themselves and/or an investment manager's investment strategy. When a potential investment opportunity has a similar risk/reward profile as comparable options, preference may be given to the opportunity with an investment manager demonstrating a higher level of diversity and/or commitment to ESG.

The Foundation stands in partnership with its investment managers in an effort to grow the investment portfolio and achieve impact in grantmaking.

For guidelines regarding opportunities generated outside of our investment consultant and PRI guidelines, please see Appendix A for the Foundation's Impact Investing Statement.

Monitoring of MRIs will follow our stated oversight of investment manager protocol stated below.

ASSET ALLOCATION

Asset allocation is among the Foundation's most important responsibilities. The Investment Committee, with recommendations from the Consultant, has decided that a simplified structure for the investment portfolio is a benefit to the manager selection process. By adopting a global equity allocation, there is flexibility to retain best in class investment managers without regard to strict adherence to detailed

asset class designations. This allows the Consultant flexibility to recommend the best investment managers across asset classes while avoiding being forced to allocate to asset sub-classes that may not be compelling at a given point in time. In light of this simplified, over-arching structure, the following strategic asset allocation best meets the investment objectives and risk tolerance of the Foundation's portfolio.

Asset Class	Target Policy Allocation	Long Term Policy Range	Benchmark
Global Equities	55.0%	40.0% - 70.0%	
- <i>Large Cap U.S.</i>	25.0%		S&P 500 Index
- <i>Small/Mid Cap U.S.</i>	7.5%		Russell 2000 Index
- <i>International Developed</i>	15.0%		MSCI EAFE Index
- <i>Emerging Markets</i>	7.5%		MSCI Emerging Markets Index
Hedge Funds	10.0%	0.0% - 20.0%	
- <i>Hedged Equity</i>	10.0%		HFRX Equity Hedge Index
Private Equity	15.0%	5.0% - 25.0%	Associates U.S. Private Equity Index
Private Credit	10.0%	0.0% - 20.0%	50% S&P/LSTA U.S. Leveraged Loan 100 Index / 50% CSFB High Yield
Fixed Income & Cash	10.0%	0.0% - 25.0%	3 Year U.S. Treasury Index

Rebalancing

Actual asset allocation may vary from the targets within the Investment Committee-approved tactical ranges.

Whenever the allocation of an asset class moves outside of the bounds of its specified tactical range, the Investment Committee shall rebalance the asset mix to bring the asset class back into conformity with policy within a reasonable time frame. However, the timing of the rebalancing can be influenced with liquidity considerations, manager availability, transaction costs, and expectations of other portfolio transactions. The Investment Committee will always attempt to rebalance in the most cost-effective and efficient manner and shall have full discretion to determine the timing of the rebalancing.

Oversight of Investment Managers

The Investment Committee, the Consultant, and staff will identify appropriate benchmarks, indices, and comparables for assessing the performance of the overall portfolio and the underlying investments. The Consultant will systematically report on and monitor the performance and risk profile of each investment manager using appropriate benchmarks, indices, and comparables. The Investment Consultant will be responsible for monitoring the appropriateness of all investments on an ongoing basis, including the risk characteristics of the underlying investment managers. The Investment Committee and staff will oversee the Consultant's performance of this duty, as well as the overall performance of the portfolio. The Investment Committee and staff will meet quarterly with the Consultant to review performance.

Fiduciary Duty

The Frey Foundation Board, Investment Committee, and Consultant shall exercise prudence and appropriate care as fiduciaries in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). All investment actions and decisions must be based solely in the interest of the

Foundation. Fiduciaries shall provide full and fair disclosure to the Investment Committee of all material facts regarding potential conflicts of interests.

Conflict of Interest Policy

Individuals who serve on the Investment Committee are charged with the responsibility for recommendations and decisions, which in their judgement best serves the long-range interest and objectives of the Foundation. From time to time, the Investment Committee may consider matters in which members of the Investment Committee, or persons affiliated with or related to them, have a direct or indirect financial interest. In order to resolve any questions of conflict of interest, whether real or apparent, the Investment Committee shall adopt the following procedures:

1. Members of the Investment Committee shall disclose any relevant facts which might give rise to a conflict of interest with the respect to any matter under consideration by the broader group.
2. Members so affected shall abstain from the Committee discussion and votes on any transactions and abstentions shall be recorded in the minutes of the meeting.
3. The affected members, if requested to do so, shall withdraw from the meeting during consideration of the relevant factors.
4. Members of the Investment Advisory Committee may not be employed by firms managing investments for the Foundation.

ROLES OF THE INVESTMENT COMMITTEE, FOUNDATION STAFF, AND INVESTMENT CONSULTANT

Investment Committee

The investments of the Frey Foundation portfolio are overseen by the Investment Committee. The Investment Committee is responsible for working with the Frey Foundation staff and the Consultant to achieve the long-term return objectives. This includes establishing and monitoring asset allocation guidelines and quality standards, as well as overall compliance with objectives specified in this document.

In addition to the above stated duties, the Investment Committee will initiate various reviews which may include a comprehensive review of IPS (every 2 years), 3rd party peer review of portfolio (5-7 years), and/or conduct a review of current investment advisor that may result in a comprehensive request for proposal (RFP) process (7-10 years).

Foundation Staff

The specific responsibilities of the Foundation's staff include:

- Oversight of day-to-day activities to monitor, invest, and control the assets and implementation of any changes approved by the Investment Committee;
- Periodic reporting to the Investment Committee and Board; and
- Maintain adequate documentation of due diligence and ongoing monitoring of all investments to meet audit requirements.
- Carry out Investment Committee's requests for various policy and portfolio reviews as well as RFPs.

Investment Consultant

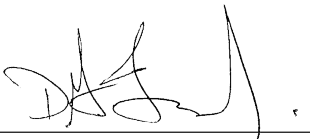
The Consultant is responsible for assisting the Investment Committee and the Frey Foundation staff in all aspects of managing and overseeing the investment portfolio. The Consultant is the primary source of investment education and investment manager information. On an ongoing basis, the Consultant is responsible for:

- A periodic review of the IPS and objectives;
- Identifying and recommending managers;
- The measurement and evaluation of the Fund, and ongoing monitoring of investment managers currently employed in the Frey Foundation portfolio; and
- Reporting on developments that have had, or may have, a material impact on Fund performance.

REVIEW

The Investment Committee will review this policy and the underlying strategic targets as needed, but at least every two years, making any appropriate revisions and advising the Foundation Board of any such revisions. Any exceptions to these policies must be approved by the Investment Committee.

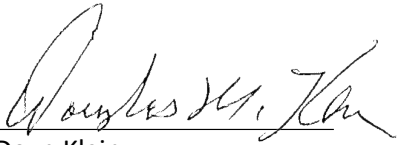
This Investment Policy Statement was fully ratified by the Frey Foundation Trustees on the 12th day of August 2022 and signed by Frey Foundation leadership, making it effective as of the date stated above.



David G. "Tripp" Frey, Jr.
Chair, Frey Foundation



Mary Frey Bennett
Treasurer, Frey Foundation



Doug Klein
Chair, Investment Committee



Holly Johnson
President, Frey Foundation

APPENDIX A

FREY FOUNDATION

Frey Foundation Impact Investing Statement

The Frey Foundation (the “Foundation”) was founded to continue the legacy of Edward J. and Frances T. Frey, who combined their strengths to establish the thoughtful business practices and collaborative philanthropy for which our work is known. As the Foundation nears its half-century milestone, this statement articulates the principles and strategies by which we intend to integrate their legacy and mobilize investment capital to amplify our mission as we steward the Foundation for the future.

The Foundation’s impact investing approach will:

- 1) Honor our fiduciary role and strengthen our long-term grantmaking capacity;
- 2) Complement the purpose, mission and values that drive our grantmaking;
- 3) Balance long-term intentionality with timely action as opportunities arise;
- 4) Build on lessons learned by peer institutions and our own experiences;
- 5) Evolve in a measured, cautious, and gradual way;
- 6) Affirm the Foundation’s leadership as a collaborative community partner; and
- 7) Measure our impact to refine our strategy over time.

Guided by these principles, the Foundation aims to leverage impact investing through program-related investing and by increasing the alignment of our corpus with our mission and values over time. We will balance rigorous due diligence with a flexible, opportunistic approach.

Our program-related investing will build on the Foundation’s past experiences, leveraging investing tools, in addition to grantmaking, to achieve our charitable goals. These tools may include but are not limited to: Community Development Financial Institution (CDFI) investments, bridge loans, loan guarantees, recoverable grants, and catalytic or early grants to organizations. These tools may be used alone and/or in combination. This approach will allow us to investigate requests for capital that come to us through the community and to collaborate proactively with community organizations to identify the forms of capital that will most effectively maximize impact.

We believe that the Foundation’s corpus can also be a vehicle for impact. Within our fiduciary role, we aim to identify investment opportunities that align more with our values so long as they meet the fiduciary standard and return expectations of our portfolio overall. These parameters may include but are not limited to geography, environment, gender, race, and industry sector.

We as a board authorize the staff and investment committee to build on the Foundation’s past experiences in impact investing and seek out other opportunities to mobilize capital to meet the needs of our communities. The board intends to review this statement, as part of our overall Investment Policy Statement, on an annual basis.

Guidelines

Program Related Investments made from program budget used to meet the foundation’s annual RMD, should not exceed a collective 20% of the RMD at any time.

Mission Related Investments made outside of the foundation’s traditional investment portfolio should not exceed 1% of the endowment corpus.

Approved: 8/12/2022