

Investment Management

The purpose of this Investment Policy Statement (IPS) is to assist the Parkview Hills Community Association (Association) establish guidelines for managing the Association's investments and to provide a framework for making consistent investment decisions in accordance with the stated objectives, risk tolerance, and time horizon of the Association. The Association's investment program is defined in the various sections of the IPS by:

- (1) Stating in a written document the Association's attitudes, expectations, objectives and guidelines for the investment of the Association's assets.
- (2) Setting forth an investment structure for managing the Association assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the investment time horizon.
- (3) Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio so that the Association investments in total are managed in accordance with the stated objectives.

The IPS has been arrived at upon consideration by the Association of the financial implications of a wide range of policies, and describes the prudent investment process that the Association deems appropriate.

Definitions

Treasurer - The Treasurer has responsibility for the management of the Association's assets. The Treasurer shall discharge duties solely in the interest of the Association with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. The Association Board, with the Treasurer as lead, is the fiduciary responsible for directing and monitoring the investment management of the Association's assets. As such, the Treasurer is authorized to delegate certain responsibilities to professional experts in various fields, as described below.

Custodian - The Custodian will physically maintain secure possession of securities owned by the Association, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the accounts.

Statement of Objectives

The objectives have been established in conjunction with a comprehensive review of the Association's financial requirements, including the Association's attitudes, goals, expectations, and ability to tolerate risk, and the Association's investment time horizon, present investment allocation, and financial liquidity requirements.

Our objectives are:

- To maximize return within reasonable and prudent levels of risk.
- To emphasize income with stability of principal in our portfolio.

- To control costs of administering and managing Association investments.
- To maintain adequate cash reserves.
- To monitor investments periodically in order to make timely decisions as to policy and strategy.
- To provide adequate safeguarding of the Association's assets by utilizing independent custodians.

Guidelines and Investment Policy

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years; Short-term liquidity requirements are to be monitored and adjustments to the investment policy made as needed.

Risk Tolerance

It is important to recognize the difficulty in achieving the objectives in light of the uncertainties and complexities of contemporary investment markets. The Association recognizes and acknowledges that some risk must be assumed in order to achieve our long-term investment objectives.

In establishing risk tolerance, the ability to withstand short and intermediate term variability was considered, leading us to conclude that our **risk tolerance is low**. The Association desires a portfolio that emphasizes lower risk investments with lower price fluctuations, *and is willing to accept lower returns*.

Asset Allocation

The Association has reviewed the long-term performance of various asset classes, focusing on balancing the risks and rewards of market behavior. Based on the Association's time horizon, risk tolerance, performance expectations, and asset class preferences, the Association's investments shall include only the fixed income asset classes.

The Association shall maintain a cash reserve of at least 3 months anticipated expenditures, held exclusively in bank checking or savings accounts or money market mutual funds.

Investments not part of the cash reserve defined above shall be held in a certificate of deposit and mutual fund portfolio with an average aggregate maturity of less than 5 years.

No more than 10 percent of the portfolio shall consist of securities in less than investment grade corporate bonds.

Securities Guidelines

The Association intends to implement this policy with certificates of deposit and mutual funds.

Each mutual fund selected is expected to adhere to the terms and conditions set forth in its prospectus. Each mutual fund selected should have sufficient assets under management so that the Association's position within the mutual funds does not represent more than 5% of the mutual fund's assets.

Mutual funds should meet the following minimum criteria:

- (1) Funds should hold more than 95% of their market value in securities corresponding to the asset classes outlined in the IPS.
- (2) The fund's manager should have been in place for three years or more, or should have a long-term track record managing assets with a similar style at another mutual fund or investment management firm.
- (3) The funds should have been following the same investment strategy for at least three years (or the fund manager should have been following the same strategy for at least three years).
- (4) Fund expenses and sales fees reduce net returns and accordingly, such costs should be minimized.

The following securities and transactions are not authorized: common stocks, real estate investment trusts, antiques, coins, stamps, artwork, precious metals, oil and gas interests, equipment leases, letter stock and other unregistered securities, commodities, or other commodity contracts, short sales or margin transactions, securities lending, pledging or hypothecating securities. Options and futures are restricted, subject to prior approval.

Reporting and Monitoring Requirements

Investment custodians should provide monthly statements of assets and transactions.

The Treasurer shall review independent fund research, such as Morningstar, no less than quarterly and report findings to the Association's Board of Directors. Change in fund's objective, investment philosophy, manager or performance below the fund's peer group (bottom 50%) for a period of more than 12 months is cause for thorough review of a fund's selection but not necessarily requiring a change in fund selection.

Certificates of deposit shall be limited to domestic banks, savings and loans, and credit unions. Deposits shall be maintained so as to provide federal deposit insurance on the full balance of all deposits.

Statement Review/Authority

This IPS should be reviewed by the Treasurer at least annually and recommendations for changes presented to the Association Board, as needed. It is not expected that the IPS will change frequently. In particular, short-term changes in financial markets should not require adjustments to the IPS. Changes to the IPS may only be made by the Association Board of Directors.

Approved April 2004