

ILLINOIS METROPOLITAN INVESTMENT FUND
INVESTMENT POLICY - IMET CORE SERIES
DECEMBER 8, 2022

1. SCOPE

The IMET Core Fund / Series (“Core”) is an investment fund offered by the Illinois Metropolitan Investment Fund (“IMET”). IMET was formed to provide Illinois public entities with safe, liquid, attractive investment options. This investment policy governs the Core Series. The Core Series has a fluctuating net asset value (“NAV”) and an average maturity of one-to-three years. Designed for public funds that may be invested for more than one year, the IMET Core Series invests primarily in government-backed securities. The Core Series invests only in investments that are permissible under the Illinois Public Funds Investment Act (30 ILCS 235) (the “Public Funds Act”).

Monies invested in this Series will be those of participating Illinois public agencies. Any funds that an Illinois public agency can invest under Illinois statutes are eligible for investment in the Core Series. This is an intermediate investment fund, however, and short-term monies that are or will be needed for immediate liquidity demands should not be invested in this Series.

2. GOVERNING AUTHORITY

The Core Series will conform to Illinois state statutes governing the investment of public funds, including the Public Funds Act.

3. PRUDENCE

The standard of prudence to be used for all investment activities will be the “prudent person” standard.

“Investments will be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable preservation of their capital as well as the probable income to be derived.”

4. OBJECTIVES

The objectives of the Core Series are:

- i. **Safety.** The safety and preservation of principal is the foremost objective of the Core Series.
- ii. **Liquidity.** IMET will seek to remain sufficiently liquid to accommodate Core Series withdrawals, and to be in accord with prudent fund management.
- iii. **Return on Investment.** The Core Series will seek to obtain an appropriate market rate of return in relation to the prevailing environment.

5 SUSTAINABILITY

Consistent with achieving the investment objectives set forth in the Objectives herein, IMET will seek to prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership in furtherance of the Core Series' goals to fulfill its fiduciary duty, to maximize anticipated financial returns, minimize risk.

IMET will evaluate its sustainability efforts annually, in conjunction with review of this investment policy.

6 DELEGATION OF AUTHORITY

The Board of Trustees of IMET (the "*Board*") appoints an Executive Director to manage the day-to-day activities of the Core Series. The Executive Director serves as the Chief Investment Officer of the Series.

The Board will engage an investment adviser that it deems capable for the management of the Core Series. The Board will undertake a rigorous evaluation process periodically to ensure the engagement and retention of an appropriate provider. The investment adviser will be held to the prudent expert standard.

The Board may engage additional financial institutions for various activities as it deems appropriate.

7 ETHICS AND CONFLICTS OF INTEREST

Employees of IMET involved in the investment process of the Core Series will refrain from activity that could conflict, or give the appearance of a conflict, with proper execution of the investment program, or which could impair their ability to make impartial decisions affecting the Core Series. Employees of IMET will disclose to the Board chairperson any material interests in financial institutions that conduct business with IMET and the Core Series, and they will further disclose any personal financial/investment positions that could be related to the performance of the Core Series. Employees of IMET will subordinate their personal interests to those of IMET and the Core Series when those interests may compete or be in conflict.

8 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

IMET will engage financial institutions that it deems capable for the Core Series. The Board will undertake a rigorous evaluation process periodically to ensure the engagement of appropriate financial institutions. Financial institutions may include broker-dealers, banks, investment advisers, and custodians.

The Board will also engage an administrator that will perform its duties in conformance with the Declaration of Trust, By-Laws, and Investment Circular of IMET.

9 AUTHORIZED AND SUITABLE INVESTMENTS

The investments permitted by this Policy are those defined by the Investment Act. In seeking to achieve its investment objective, the Fund intends to invest under normal market conditions at least fifty percent (50%) in, subject to the Diversification parameters in Section 11, Diversification:

- i. U.S. Treasury Obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- ii. Bonds, notes, debentures, mortgage backed securities, or any other obligation or security issued by U.S. Federal Agency or instrumentality.
- iii. commercial paper and/or obligations of corporations organized in the United States.
- iv. money market mutual funds that are permitted investments under the Public Funds Act,
- v. taxable and tax-exempt municipal obligations

10 INVESTMENT PARAMETERS

- i. In extraordinary circumstances, such as when the investment advisor believes that market conditions indicate that the Series should adopt a temporary defensive position, the Series may invest up to one hundred percent (100%) in cash and/or such money market mutual funds.
- ii. Pursuant to Illinois law, commercial paper must be:
 - a. Organized in the United States with assets exceeding \$500 million
 - b. Maximum maturity of 270 days
 - c. Cannot exceed 10% of issuing corporation's outstanding obligations
 - d. Such obligations must be rated, at the time of purchase, in one of the two highest ratings categories, by at least two Nationally Recognized Statistical Rating Organizations (NRSROs). The two highest ratings for commercial paper are P-1 and P-2.

- iii. Pursuant to Illinois law, corporate bonds/notes:
 - a. Organized in the United States with assets exceeding \$500 million
 - b. Cannot exceed 10% of the issuing corporation's outstanding debt
 - c. Maximum maturity of three year from the date of purchase
 - d. Such obligations are rated at the time of purchase at one of the three highest classifications established by at least two NRSROs.
- iv. Municipal obligations, at the time of purchase will be rated within the four highest general classifications (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) established by an NRSRO.
- v. US agency securitized assets must be issued by an agency of the United States government. Securities issued by only the Government National Mortgage Association ("Ginnie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Federal National Mortgage Association ("Fannie Mae") are permitted.
- vi. Portfolio duration of the Core Series is to be maintained no greater than 25% above or 50% below that of the Bloomberg Barclay's 1-3 Year Government Total Return Index.
- vii. Individual securities may have remaining maturities of greater than five years, but in any event not greater than ten years from the date of the Fund's purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

11 DIVERSIFICATION

Fixed income securities in the Core Series will have the following characteristics:

- i. United States Treasury, agency and agency securitized assets may be used without limitation. Under normal market conditions, such obligations, along with money market mutual funds that are permitted investments under the Public Funds Act, will constitute at least 50% of the portfolio. The Fund will have no more than one-third (in total) of its monies invested in commercial paper and/or corporate obligations
- ii. At no time may the portfolio own more than 5% of any one fixed income issue (other than securities of the United States Government or its agencies, or money market fund) or have more than 7% of its total assets invested in the securities of any permissible fixed income issuer (other than securities of the United States government, its agencies, or money market fund) without prior notification and approval of the Board.

12 COLLATERALIZATION

All Core Series deposits, above amounts insured by the Federal Deposit Insurance Corporation, will be collateralized in an amount equal to at least 105% by securities listed

in Section 9 with the exception of commercial paper. The collateralizing financial institution will monitor the collateral on, at least, a daily basis, and make adjustments as necessary.

Collateral for deposits of the Core Series will be held by a third-party safekeeping agent, the agency relationship of which will be evidenced by a third party or tri-party safekeeping agreement.

Other collateral used by financial institutions for such purposes will be in a form and amount (but not less than 100%) deemed acceptable by the Board, including, but not limited to, Federal Home Loan Bank letters of credit.

13 SAFEKEEPING AND CUSTODY

All securities purchased for the Core Series will be settled on a delivery-versus-payment basis and held in a custodial safekeeping account by a duly evaluated, selected and engaged custodian. The custodian will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

14 MATURITIES

Portfolio duration of the Core Series is to be maintained no greater than 25% above or 50% below that of the Bloomberg Barclay's 1-3 Year Government Total Return Index. The portfolio's dollar weighted-average maturity will not exceed three years. Individual securities may have remaining maturities of greater than five years, but in any event not greater than ten years from the date of the Fund's purchase thereof. The remaining life of any agency securitized asset will be determined based on the weighted-average life of the security.

15 INTERNAL CONTROL

IMET will establish a system of internal controls, that will be documented in writing. The control will be annually reviewed by the firm's auditor and will be designed to prevent losses of public funds.

16 PERFORMANCE STANDARDS

The Core Series' investment strategy is targeted active management. The performance objective for the Core Series portfolio is to meet or exceed the return of an index similar credit and liquidity characteristics, prior to the payment of Series expenses. The Bloomberg Barclay's 1-3 Year Government Total Return Index meets these requirements and is the benchmark for the Core Series.

17 REPORTING

The adviser will provide monthly reports to the Board. The report will include the following statistics:

- i. performance compared to the benchmark.
- ii. asset allocation and duration compared to the benchmark.
- iii. any deviation from the guidelines herein established.
- iv. significant changes in the portfolio under their management during the period.

On a quarterly basis, the report also will include:

- i. Economic and investment outlook for the near and long term.
- ii. Purchase and sale transactions.
- iii. Adviser firm updates, including key personnel changes, firm growth patterns, any litigation.

18 INVESTMENT POLICY ADOPTION

The investment policy of the Core Series will be adopted by motion of the Board. The Policy will be reviewed annually by the Board and any modifications made thereto will be approved by the Board.

Reviewed and approved, December 8, 2023