

**ILLINOIS METROPOLITAN INVESTMENT FUND  
IMET 1-3 YEAR SERIES INVESTMENT POLICY  
AUGUST 23, 2019**

**1. SCOPE**

The IMET 1-3 Year Series (“1-3 Year Series”) 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 1-3 Year Series. The 1-3 Year 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 1-3 Year Series invests primarily in government-backed securities. The 1-3 Year 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 1-3 Year 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 1-3 Year 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 1-3 Year Series are:

- i. **Safety.** The safety and preservation of principal is the foremost objective of the 1-3 Year Series.

- ii. **Liquidity.** IMET will seek to remain sufficiently liquid to accommodate 1-3 Year Series withdrawals, and to be in accord with prudent fund management.
- iii. **Return on Investment.** The 1-3 Year 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 1- 3 Year 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 1-3 Year 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 1-3 Year 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 1-3 Year 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 1-3 Year Series. Employees of IMET will disclose to the Board chairperson any material interests in financial institutions that conduct business with IMET and the 1-3 Year Series, and they will further disclose any personal financial/investment positions that could be related to the performance of the 1-3 Year Series. Employees of IMET will subordinate their personal interests to those of IMET and the 1-3 Year 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 1-3 Year 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. obligations issued or secured by the U.S. Government and/or its agencies,
- ii. U.S. agency mortgage-backed pass-through securities
- iii. commercial paper or obligations of corporations which mature more than 270 days but less than three years from the date of purchase
- 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. Corporate credit, pursuant to Illinois law, cannot exceed 10% of the issuing corporation's outstanding commercial paper (for maturities less than 270 days) nor 10% of its obligations (for maturities between 270 days and less than three years). 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, and for corporate obligations Aaa and Aa.
- iii. 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.
- iv. Mortgage pass-through securities must be issued by an agency of the United States government and must have a liquid market with a readily determinable market value. 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. Privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.

- v. Portfolio duration of the 1-3 Year 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.
- vi. 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 1-3 Year Series will have the following characteristics:

- i. United States Treasury, agency and agency mortgage pass-through securities 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.
- ii. The Fund will have no more than one-third (in total) of its monies invested in commercial paper (for maturities less than 270 days) and/or corporate obligations (for maturities between 270 days and less than three years).
- iii. At no time may the portfolio own more than 5% of the outstanding amount of any one fixed income issue (other than securities of the United States Government or its agencies) or have more than 7% of its total assets invested in the securities (including cash equivalents) of any permissible fixed income issuer (other than securities of the United States government or its agencies) without prior notification and approval of the Board.

## **12 COLLATERALIZATION**

All 1-3 Year 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 IX 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 1-3 Year 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 1-3 Year 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 1-3 Year 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 mortgage pass-through security 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 1-3 Year Series' investment strategy is targeted active management. The performance objective for the 1-3 Year 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 1-3 Year 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 1-3 Year 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 3, 2021*