ILLINOIS METROPOLITAN INVESTMENT FUND
INVESTMENT POLICY – IMET CONVENIENCE SERIES
MAY 16, 2014

The Illinois Metropolitan Investment Fund (*"IMET"* or *"Fund"*) is an actively managed investment fund for Illinois local governments. IMET's Convenience Series ("Convenience Series") is a short-term vehicle for use exclusively by members of IMET. This policy applies to the investment of Convenience Series funds. The Convenience Series is designed as an investment vehicle for: a) near-term investment of funds intended for eventual placement into the IMET 1-3 Year Series, b) the investment of bond proceeds, and c) any purpose deemed necessary and beneficial by Fund participants.

1.0 GOVERNING AUTHORITY

It is the policy of IMET to invest public funds of Illinois governments in a manner which seeks to provide the best return while pursuing the preservation of capital. The Convenience Series will conform to Illinois state statutes governing the investment of public funds.

2.0 FUNDS

Monies invested in this Convenience Series will be those of participating Illinois governments whose treasurers become members of IMET. Any funds that an Illinois government can invest in under Illinois statutes are eligible for investment in the Convenience Series.

3.0 PRUDENCE

The standard of prudence to be used for all investment activities shall be the following "prudent person" standards, as stated below, and shall be applied while conducting all investment transactions.

Investments shall be made with judgment 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.

4.0 OBJECTIVE

This portfolio will be invested in certain fixed income securities and cash equivalents. In summary, the investment objectives of the Convenience Series are:

A. Preservation of Principal: Preservation of principal is the foremost objective of the Convenience Series. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

B. Liquidity: The Convenience Series will seek to remain sufficiently liquid to accommodate Convenience Series members and will otherwise remain sufficiently liquid in accordance with prudent fund management.

C. Return on Investment: The Convenience Series' assets will be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing monetary environment. See also "Performance Standards" herein.

5.0 Delegation of Authority

The Board of Trustees of IMET and of the Convenience Series (the *"Board"*) seeks to employ financial institutions possessing established capabilities in the management of assets of the Council of Governments' governmental bodies. The Board further requires the financial institution(s) selected and working on its behalf to meet the following set of conditions.

A. To take, in its discretion, to the extent allowed by the financial institution's agreement with IMET, actions which in its best professional judgment are in the best interests of the Convenience Series, in accordance with this Investment Policy distributed by IMET, to meet Convenience Series investment objectives. Such actions include but are not limited to (A) the allocation of funds among alternative types of investments; (B) specific investment opportunities regarding the acquisition, retention, or disposition or investments; and (C) the recommendation of the addition, deletion, or modification of authorized investments.

B. To execute all investment transactions on behalf of the Convenience Series at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities and/or valuable information with respect to the economy and the affairs of corporations at the lowest cost to the Convenience Series.

C. Additional responsibilities as detailed in each financial institution's agreement with the Board.

6.0 Ethics and Conflicts of Interest

Officers and employees of the Convenience Series involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Board chairperson any material financial interests in financial institutions that conduct business with IMET and the Convenience Series, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Convenience Series, particularly with regard to the time of purchases and sales.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The financial institution(s) will make investments only in those investments specifically authorized in the Public Funds Investment Act of the State of Illinois (30 ILCS 235/1) (the "*Investment Act*") and by this Investment Policy. The financial institutions(s) shall perform its duties in conformance with the IMET Declaration of Trust, the IMET By-Laws, and the Convenience Series Investment Policy. The distributor shall be competent and fully qualified under federal and state securities laws and the rules and regulations of the Comptroller of the Currency or the National Association of Securities Dealers, as applicable, to engage in marketing and sales efforts.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The investments permitted by the policy are those defined by the Investment Act, including, without limitation, the definition of "agency" contained therein. In seeking to achieve its investment objective, the Convenience Series intends to invest under normal market conditions at least fifty percent (50%) in (i) interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act, or (ii) money market mutual funds that are permitted investments under the Investment Act, or (iii) securities now or hereafter issued that constitute direct obligations of the U.S. Treasury which are guaranteed by the full faith and credit of the United States of America as to principal and interest, or (iv) other similar obligations of the United States of America or its agencies, or (v) interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. In circumstances when the investment advisor believes that market conditions indicate that the Convenience Series should adopt a defensive position, the Convenience Series may invest up to one hundred percent (100%) in bank obligations and/or such money market mutual funds.

The Convenience Series portfolio is restricted to a maximum dollar weighted-average maturity of one year or less, under normal conditions. The Convenience Series will be managed so as to maintain a stable $1.00 share price, although there is no guarantee that it will do so.

The following are additional investment restrictions:

(i) All fixed income securities (other than obligations of the U.S., treasury, agencies, instrumentalities, repurchase agreements, or obligations of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or any other state, or of any political subdivision or agency of the State of Illinois or of any other state) at the time of purchase shall be rated at the highest rating classification established by at least two standard rating services (without regard to any refinement or gradation of rating category by numerical modifier or otherwise). However, issues that are reclassified after purchase so that they are no longer at the highest classifications established by at least two standard rating services may be sold by the financial institution(s) maintaining the Convenience Series after the date of the security's reclassification or held to maturity, in either case based on the financial institution's discretion.

(ii) All interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, or any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law at the time of purchase shall be rated within the four highest general classifications (i.e. obligations rated A or higher by Standard & Poor's or A or higher by Moody's, without regard to any refinement or gradation of rating category by numerical modifier or otherwise) established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions.

(iii) 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. There are three major types of such agency pass-throughs, guaranteed by three organizations: Government National Mortgage Association (*"Ginnie Mae"*), Federal Home Loan Mortgage Corporation (*"Freddie Mac"*), and Federal National Mortgage Association (*"Fannie Mae"*). Pass-through securities or collateralized mortgage obligations of Fannie Mae are not permitted investments under Illinois law. In addition, privately structured and issued mortgage pass-through securities or collateralized mortgage obligations are not permitted investments.

(iv) All investments are required to be made in compliance with the Investment Act, including, without limitation, the definition of "agency" contained therein.

The following transactions are prohibited in the portfolio:

1. Reverse repurchase agreements.

2. Common or preferred stocks.

3. Futures and options.

4. Margin purchases or intentional use of leverage.

5. Private or direct placements.

6. Commodities.

7. Direct ownership of real estate or mortgages.

8. Non-U.S. dollar denominated securities.

9. Stripped mortgage backed securities (*i.e.*, interest-only (IO) and principal-only (PO) securities.

10. Convertible notes or bonds.

11. Purchase, participation, or other direct interest in gas, oil, or other mineral exploration or development programs.

12. Collateralized mortgage obligations.

13. Lending of Convenience Series securities.

14. Structured notes—however, the Portfolio may invest in Federal government agency securities whose coupon rates are scheduled to "step up" (*i.e.* increase) one or more times before they mature.

15. Investments not allowed under the Investment Act.

The financial institution(s) shall indemnify and make whole the Convenience Series and its shareholders for any losses incurred by the Convenience Series as a result of the financial institution's own or any subadvisor's gross negligence or its failure to comply with the provisions of the Investment Act as those provisions are communicated to the financial institution in writing by the Convenience Series or by the Convenience Series' Legal counsel.

9.00 COLLATERALIZATION

The obligations of financial institutions with respect to the Convenience Series' deposits which exceed the sum of the Federal Deposit Insurance Corporation's insurance limitation (the *"Overage Amounts"*) that are collateralized by government securities will be collateralized by such financial institutions in an amount equal to at least 105% of such Overage Amount.

Other collateral used by financial institutions for such purposes shall be in a form and amount (but not less than 100%) deemed acceptable by the Board, including, but not limited to, letters of credit, guaranteed loan pools and FDIC insurance. The financial institution will monitor the collateral on at least a daily basis, and make adjustments as necessary.

10.00 SAFEKEEPING AND CUSTODY

Securities purchased for the Convenience Series, as well as collateral for repurchase agreements, shall be delivered against payment and held in a custodial safekeeping account with a broker or bank acting as custodian. The custodian will be designated by the Board and all transactions will be evidenced by safekeeping receipts or confirmations.

11.0 DIVERSIFICATION

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

a. No more than 50 percent of the portfolio may be invested beyond 12 months, and the weighted-average maturity of the portfolio generally shall not exceed one year.

b. The following instruments may be used without limitation:

   i. Interest-bearing savings accounts, interest-bearing certificate of deposit or interest-bearing time deposits, or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act.

   ii. Money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations of the U.S. Treasury and its agencies as defined by Illinois law.

12.0 Maturities

At least 50 percent of the Convenience Series' investments are expected to mature in the short-term (397 days or less), and the dollar-weighted average portfolio maturity of the Convenience Series will not exceed one year under normal conditions. Individual securities may have remaining maturities of greater than one year, but in any event not greater than five years from the date of the Convenience Series' purchase thereof. The remaining life of any agency mortgage pass-through security will be determined based on the weighted-average life of the security.

13.0 INTERNAL CONTROL

The financial institution(s) shall establish a system of internal controls, which shall be documented in writing. The controls shall be annually reviewed by their auditor and shall be designed to prevent losses of public funds arising from failure to comply with the provisions of the Investment Act, fraud, employee error, misrepresentation by third parties or imprudent actions by employees and officers of the firm. The financial institution(s) shall at all times have in place a fidelity bond or bonds covering the actions of its employees and officers relating to fraud, theft, dishonesty, and other willful acts which may result in the loss of Convenience Series assets. Such bond or bonds shall be maintained in amounts not less than $5,000,000 per occurrence and $10,000,000 in the annual aggregate, covering its duties. The financial institution(s) will also maintain a fidelity bond against employee theft, dishonesty, and related risks, and cover its duties in an amount not less than $10,000,000 in the annual aggregate.

14.0 Performance Standards

The Convenience Series; investment strategy is designed so that the Convenience series may maintain a stable $1.00 per share price, although there is no guarantee that it will do so. The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of regularly meeting or exceeding the selected performance benchmark of Fed Funds gross of fees. The index is considered a benchmark for lower risk investment transactions and, therefore, comprises an appropriate standard for the portfolio's rate of return.

15.0 REPORTING

The financial institution(s) shall report to the Board at least quarterly on:

a. Performance as compared to the benchmark.

b. Asset allocation and duration as compared to the benchmark.

c. Any deviation from the guidelines herein established.

d. Significant changes in the portfolio under their management during the quarter.

e. Economic and investment outlook for the near and long term.

f. Monthly purchase and sale transactions.

g. Any change in key personnel.

16.0 INVESTMENT POLICY ADOPTION

The Convenience Series' investment policy shall be adopted by resolution of the Board. The policy shall be reviewed annually by the Board and any modifications made thereto must be approved by the Board.