

Monhegan Plantation Trusts and Investments Policy and Guidelines

PURPOSE OF THIS INVESTMENT POLICY AND GUIDELINES

This Investment Policy is intended to provide guidelines for the prudent investment of Trust Funds bequeathed to Monhegan Plantation. The Policy should allow the Assessors, Municipal Administrator and Members of the Investment Committee to provide effective and consistent oversight of the Trust Funds and the Outside Manager of those Funds.

Role of the Investment Committee

As voted on by the Assessors of Monhegan Plantation February 9th, 2021 the Investment Committee will consist of 3 (non-plantation employees) with investment knowledge or experience and the Municipal Administrator, with open attendance by all Assessors.

The Committee shall:

- Monitor the Funds' investments and returns/performance by meeting at least twice per year, preferably shortly after June 30th and December 31st of each year.
- Meet whenever deemed necessary by the Outside Manager or market conditions.
- Report to the Assessors regarding these meetings.
- Recommend to Assessors for their vote – any changes to the Long-Term Investment Asset Allocation when appropriate.
- Recommend to the Assessors for their vote - the Outside Investment Manager of the Funds when appropriate.

ASSET ALLOCATION GUIDELINES AND RETURN OBJECTIVE

The overall Objective of the Trust Fund Portfolios is capital preservation and capital appreciation over the long term. Total Returns should be maximized within a relatively conservative risk profile. All investments will be either Mutual Funds, ETFs, Bank CDs or US Treasuries/Bonds and managed by an Outside Investment Manager. All investments, where possible, should be managed in a framework of environmental, social and governance (ESG) factors. All Funds should be well diversified.

ASSET ALLOCATION TARGETS AND RANGES

	<u>TARGET*</u>	<u>RANGE</u>
EQUITIES	45%	35 – 50%
FIXED INCOME	45%	35 - 50 %
CASH	10%	5 – 15%

The Asset Classes shall be reviewed no less than annually and rebalanced at least once per year and after Investment Committee and Outside Manager discussion and agreement.

INVESTMENT SELECTION PARAMETERS

Equities: The equity component of the portfolio will be diversified with regard to stock size, industry exposure, and style. Broadly diversified mutual funds or exchange traded funds should be utilized to limit the overall exposure of the portfolio to one segment of the market. In addition to diversification, fund selection should also focus on low expense ratios and transaction costs. As noted above, ESG funds are preferred.

Fixed Income: The fixed income component of the portfolio will be implemented using a combination of diversified Mutual Funds, ETFs, Certificates of Deposit, and individual U.S. government bonds/ US-backed Government Agency Bonds. Fund selection should focus on diversification, but also have low expense ratios and transaction costs. Not more than the FDIC insured limit should be invested in a certificate of deposit at any one bank. ESG funds preferred when possible.

Cash and Equivalents: The following cash and equivalent securities are permissible investments: FDIC insured bank accounts, short term treasury bills, certificates of deposit, and money market mutual funds. Not more than the FDIC insured limit should be invested in a certificate of deposit at any one bank.

LIQUIDITY REQUIREMENTS

While emergency needs cannot be planned for, from time-to-time temporary loan requirements should be anticipated by holding a 10% cash reserve. Requests for large amounts would typically involve a planning cycle that would allow for organized and planned raising of cash over a specific period of time.

INVESTMENT CONSTRAINTS

Investments in individual stocks, bonds (noting US Treasury/Agency exception) or non-diversified investment products are prohibited. Moreover, the use of leverage is expressly prohibited. The use of any options, futures, and/or forwards on stocks, bonds, currencies, and/or indices is prohibited.

PERFORMANCE MEASUREMENT

It is expected that the Outside Manager will provide the appropriate benchmarks in the quarterly reports for near and long-term comparisons. A longer-term perspective will be used in reviewing individual Funds performance and their contributions to Total Return.

ADMINISTRATION & REPORTING

Investment reports (including but not limited to; portfolio holdings, realized gains/losses, unrealized gains/losses, portfolio yield, performance, etc.) shall be generated and provided by the Outside Manager quarterly. The Investment Committee should review these reports each quarter and meet twice per year, preferably shortly after June 30th and December 31st, with the Outside Manager presenting to the Investment Committee at least once per year.

INVESTMENT POLICY REVIEW

The Investment Committee shall review and approve this Investment Policy at least annually. Any recommended changes to the Policy will be discussed with the Outside Manager and presented to the Assessors for their vote on the recommendation.