

ILLINOIS METROPOLITAN INVESTMENT FUND
INVESTMENT POLICY – IMET CONVENIENCE SERIES
NOVEMBER 25, 2020

1. SCOPE

The IMET Convenience Fund / Series (“Convenience”) 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 Convenience Series. The Convenience Series is designed for public funds that may be required in the short-term and for liquidity purposes. The Convenience Series invests primarily in bank deposits and government securities as permissible under the Illinois Public Funds Investment Act (30 ILCS 235) (the “Public Funds Investment Act”), the Illinois Public Deposit Act (30 ILCS 225/) (the “Public Funds Deposit Act”), and the Local Government Debt Reform Act (30 ILCS/350/) (the “Debt Reform Act”).

The Convenience Series will be managed to maintain a stable \$1.00 share price, although there is no guarantee that it will do so.

2. GOVERNING AUTHORITY

The Convenience Series will conform to Illinois state statutes governing public funds, specifically the Public Funds Investment Act, the Public Funds Deposit Act, and the Debt Reform Act.

3 PRUDENCE

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

“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. OBJECTIVES

The investment objectives of the Convenience Series are:

- **Safety.** The Convenience Series will seek safety and preservation of principal as the foremost objective.

- **Liquidity.** The Convenience Series will seek to remain sufficiently liquid to accommodate Convenience Series withdrawals, and to be in accord with prudent fund management.
- **Return on Investment.** The Convenience Series will seek to obtain an appropriate market rate of return in relation to the prevailing investment environment.

5. SUSTAINABILITY

Consistent with achieving the investment objectives set forth in Section 3. Objectives, 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 Convenience Series' goals to fulfill its fiduciary duty, to maximize anticipated financial returns and 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 Convenience Series. The Executive Director serves as the Chief Investment Officer of the Convenience Series.

7. ETHICS AND CONFLICTS OF INTEREST

Employees of IMET involved in the investment process of the Convenience 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 Convenience Series. Employees of IMET will disclose to the Board chairperson any material interests in financial institutions that conduct business with IMET and the Convenience Series, and they will further disclose any personal financial/investment positions that could be related to the performance of the Convenience Series. Employees of IMET will subordinate their personal interests to those of IMET and the Convenience Series when those interests may compete or be in conflict.

8. AUTHORIZED FINANCIAL INSTITUTIONS

In pursuing the objectives of the Convenience Series, the Board may engage financial institutions. Such financial institutions will agree to the following conditions:

- i. act in the best interest of the Convenience Series
- ii. execute transactions on a best execution basis
- iii. undertake additional responsibilities as detailed in its agreement with the Board.

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 Public Funds Investment Act.

In seeking to achieve its investment objectives, the Convenience Series will diversify its holdings of the following investments, subject to market conditions:

- 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,
- ii. money market mutual funds that are permitted investments under the Public Funds Investment Act,
- 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
- iv. other similar obligations of the United States of America or its agencies,
- 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.

10. INVESTMENT PARAMETERS

- i. In circumstances when the Board 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.
- ii. 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 a Nationally Recognized Statistical Rating Organizations (NRSROs).
- 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. 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.

11. DIVERSIFICATION

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 these are government money market mutual funds as defined in this act.

12. COLLATERALIZATION

All Convenience Series deposits, above amounts insured by the Federal Deposit Insurance Corporation, will be collateralized. Acceptable collateral are pledges of securities listed in Section 9.0, and Federal Home Loan Bank Letters of Credit. If the collateral is in the form of pledge securities, the market value of the collateral must be at least 105% of the value of the deposits secured. The collateralizing financial institution will monitor the collateral on, at least, a daily basis, and make adjustments as necessary, subject to IMET approval. If the collateral is in the form of a Letter of Credit of a Federal Home Loan Bank, the amount of collateral must be no less than the value of the deposits and accrued interest secured.

Any securities pledged as collateral for deposits of the Convenience 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.

13. SAFEKEEPING AND CUSTODY

Securities purchased for the Convenience Series, will be delivered against payment and held in a custodial safekeeping account with an independent third-party custodian. The custodian will be designated by the Board, evidenced by a safekeeping agreement, and all transactions will be evidenced by safekeeping receipts or confirmations.

14. MATURITIES

The Convenience Series portfolio is restricted to a maximum dollar weighted-average maturity of one year or less.

Individual securities may have remaining maturities of greater than one year, but not greater than five years from the date of purchase by the Convenience Series. No more than 50 percent of the portfolio may be invested beyond 12 months. 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 Convenience Series will be managed with the objective of regularly meeting or exceeding the selected performance benchmark of the effective Federal Funds Rate.

17. REPORTING

The Executive Director will provide reports to the Board, the frequency of which will be determined by the Board. The reports will include, at a minimum, the following:

- i. performance as compared to the benchmark
- ii. collateral positions
- iii. asset allocation and duration
- iv. any deviation from the guidelines herein established
- v. significant changes in the portfolio

18. INVESTMENT POLICY ADOPTION

The investment policy of the Convenience 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