

TOWN OF BELGRADE

Unified Investment Trust (UIT) Investment Policy

PURPOSE:

The Town of Belgrade's Unified Investment Trust (UIT) is the Town's investment vehicle for funds that have been, or may in the future be, accepted by the Town for dedicated Town purposes. Examples of uses might include education, cemeteries, history, library, memorials, recreation, parks, lakes, open space, trails, etc. New additions to the UIT must be for defined purposes and accepted by a vote of the Town. A general sub-account may be added to receive funds for unnamed Town improvement purposes as determined by the Board of Selectpersons (Selectboard).

RESPONSIBILITIES:

The Town retains a professional registered Investment Advisor to manage the Unified Investment Trust assets in accordance with this policy statement. The Investment Advisor shall issue written monthly reports and written quarterly performance benchmark reports to the Selectboard; those reports will be shared with the Town's Budget Committee. The Investment Advisor meets with the Selectboard at least annually to discuss investment returns, outlook and strategy.

The Investment Advisor shall be registered, and in good standing, with the U.S. Securities and Exchange Commission (SEC).

The Town will maintain an up-to-date list of authorized recipients for UIT fund distributions. During the first month of each fiscal year, the Selectboard will advise such recipients of the maximum amounts available for distribution based on 90 percent of each recipient's UIT proportional results for the prior year, according to the custodian's report of Dec. 31 for that year.

INVESTMENT GUIDELINES:

The UIT is to be invested in accordance with a Trustee's standard of care and performance as contained in the Maine Uniform Prudent Management of Institutional Funds Act. To meet the stated objectives, a portion of the UIT portfolio should be dedicated to common stocks in order to produce long-term appreciation of the UIT's principal. The remaining portion should be committed to fixed income in order to provide liquidity and reduce total portfolio volatility.

Unified Investment Trust funds shall be invested on a total return basis; that is, the aggregate return from capital appreciation and dividend and interest income. The primary investment objectives of the UIT are:

1. To preserve the real (inflation-adjusted) value of the assets; and
2. To pay a reasonable and stable current income to the various owners of the Endowment assets, which increases over time at least with the rate of inflation.

Operating within the parameters set forth below, the UIT Investment Advisor shall have the discretion to allocate funds to stocks, bonds, or cash reserves with an eye to managing both risk and return.

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Asset Allocation Guidelines. Investment management of the Fund shall be in accordance with the following broad asset allocation guidelines at market value:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	55%	70%	65%
Fixed Income	30%	45%	35%

- A. The portfolio may hold common stocks publicly traded on U.S. Exchanges, NASDAQ listed stocks and securities convertible into such stocks. Stock investments will be in companies with revenues of at least \$500 million. Individual stocks will be limited to 5% of total stocks at cost and 10% at market. Industry exposure will be limited to 10% at cost and 20% at market.
- B. International stock mutual funds may be held to the extent they do not exceed 20% of the equity portfolio at market value.
- C. Bonds will be rated Investment Grade (BAA or BBB) or better by the major credit rating firms. Bond maturities will be limited to within 10 years. Individual bonds that are not backed by the full faith and credit of the U.S. government will be limited to 10% of total bonds at market value. Maximum exposure to a single industry will be 25%. Maximum maturities in any one year will be 20% of total bonds at market value.
- D. Prohibited assets and transactions include commodities, private placements, option contracts, derivative securities, selling short and use of margin credit.
- E. Investments in cash equivalents shall be limited to U.S. Treasury Bills, U.S. Government agency notes, commercial paper, repurchase agreements, or money market mutual funds whose investments are limited to the aforementioned cash equivalents.

SPENDING POLICY:

Annual fund earnings (dividends plus interest minus custodial charges) will be transferred to the Town or retained in the UIT as follows during the first quarter of each fiscal year, based on prior year's proportional results and distributed as follows:

- Up to 90% of earnings or less as requested by each authorized sub-account recipient.
- Retain 10% or more of earnings permanently within the UIT.
- Earnings are not transferrable between sub-accounts.

EVALUATION AND MONITORING OF INVESTMENT ADVISOR:

Performance benchmarks will be used to evaluate overall performance in each area of the portfolio allocation. The benchmark for Equities will be the S&P 500 Composite Index's largest 500 companies, weighted by capitalization. The benchmark for Fixed Income will be the BofA/Merrill Lynch U.S. Corporate and Government 1-10 year, A-rated Bond Index. The total portfolio benchmark will be a 65% Equity-35% Fixed Income weighted average of these two components. The portfolio manager(s) will issue monthly results, quarterly written performance reports to the Selectboard, and respond to requests for further information via a

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personal meeting, videoconferencing or further written communication. The UIT Investment Advisor will meet with the Selectboard at least annually to discuss investment returns, outlook and strategy.

The Town Manager, Budget Committee and Treasurer shall establish a process of reviewing the entire portfolio and the selected institution(s) that is managing the portfolio on a regular basis, but not less than annually. Further, the Town shall request an annual audit of performance, as well as policies and procedures, by an independent external auditor.

UNIFIED INVESTMENT TRUST INVESTMENT POLICY ADOPTION:

The Town's Unified Investment Trust investment policy shall be adopted by a vote of the Board of Selectpersons. This policy shall be reviewed annually by the Town Manager, the Budget Committee and Treasurer, and any modifications made thereto must be approved by the Board of Selectpersons.

Adopted by the Board of Selectpersons at their regular Selectpersons' meeting on March 16, 2021.

Melanie Jewell, Chair

Rick Damren, Vice Chair

Ernst Merckens

Kathleen Wall

Daniel Newman