Alaska Municipal League Investment Pool

Series II

Investment Policies and Restrictions

The Series seeks to achieve its investment objectives by limiting its investments to instruments and restrictions described below. All investments must comply with the statutory requirements of the Alaska Investment Pool Act of 1992.

This policy applies to all money that comprises the Series II portfolio within Alaska Municipal League Investment Pool (AMLIP). The purpose of Series II is to provide an additional investment program along with Series I to be utilized by political subdivisions of Alaska.

I.) Investment Objective and Strategy

To accomplish the purpose of the Series, the Series will have the following prioritized investment objectives:

1.) Preservation of capital – seeking to preserve the capital investment of all participants through prudent management and adoption of investment policies and restrictions;

2.) Liquidity – seeking to meet the needs of participants for cash by maintaining a high level of portfolio liquidity and investing in readily marketable securities; and

3.) Investment return - seeking to attain the highest level of return consistent with the objectives of preservation of capital and liquidity.

The strategy of Series II is to invest in high-quality securities with greater risk and potential return than Series 1, having a portfolio target weighted average life 120-180 days with a variable rate net asset value.

II.) Permissible Investment

The Series is to be invested in accordance with the Alaska Investment Pool Act of 1992, including:

1.) Obligations of the United States and of an agency or instrumentality of the United States.

2.) Repurchase and reverse repurchase agreements secured by the Treasury of the United States and obligations of an agency or instrumentality of the United States.

   a. The aggregate amount of all repurchase agreements with any single dealer shall not exceed 25% of series assets on the trade date. If there are multiple repurchase agreements with a single dealer outstanding at any time, compliance shall be measured from the latest trade date;

   b. The aggregate amount of all repurchase agreements exceeding seven days to maturity shall be limited to no more than 10% of the series assets on the trade date unless the Pool holds an unconditional put providing for liquidity within seven days;

c. The margin requirement for securities for collateral should be 102%;

d. Where cash flows require an exception to (2a) or (2b) (above), the Investment Adviser and the Board President will be notified immediately;

3.) Certificates of deposit, bankers' acceptances, and other similar obligations of a bank domiciled in the United States that has;

a. outstanding debt rated A or higher by at least one of the nationally recognized rating services, including dollar-denominated obligations issued by a United States branch of a foreign bank if the debt of the parent is rated A or higher; and

b. a combined capital and surplus aggregating at least $500,000,000;

4.) Commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating by at least two nationally recognized rating services;

5.) Obligations of a corporation domiciled in the United States or obligations of a municipality that are taxable under federal law if the obligations are rated A or higher by at least two nationally recognized rating services at the time of investment;

6.) Certificates of deposit that are issued by a state or federally chartered financial institution that is a commercial or mutual bank, savings and loan association, or credit union and if the institution's accounts are insured through the appropriate federal insuring agency of the United States, regardless of whether the institution meets the requirements of (3) of this section;

7.) Money market funds in which the securities of the fund consist of obligations listed in this section and otherwise meet the requirements of this chapter;

8.) Other cash equivalent investments with a maturity date of one year or less after date of the investment that is of similar quality to those listed in (1) - (7) of this section are rated A or higher by at least one of the nationally recognized rating services and are approved by the public entities participating in that investment pool; and

III.) Portfolio Diversification and Restrictions

1.) The management and investment of assets by the Series will be created with the care, skill, prudence, and diligence under the circumstances then prevailing that an institutional investor would use in the conduct of an enterprise of a like character and with like aims;

2.) The Series will only purchase securities with a remaining final maturity date within 13 months after the date of purchase, except that floating rate securities with a final maturity date that is longer than 13 months may be purchased if they are subject to at least an annual reset;

3.) Weighted average life will have a maximum of 210 days at the time of purchase;

4.) A minimum of 30% invested in high-quality securities such as cash, obligations of the United States and an agency or instrumentality of the United States, and overnight repurchase agreements;

5.) At the time of purchase, no more than 5 percent of the series net assets will be invested in securities of any one issuer unless the securities are an obligation of or guaranteed by the United States. The issuer will be defined at the parent level;

6.) No more than 30 percent of total investments in securities of companies whose principal business is in the same industry;

7.) No transactions in futures, options, derivatives, or short sales;

8.) A financial institution will not release, assign, sell, mortgage, lease, transfer, pledge, or grant a security interest in, encumber, substitute, or otherwise dispose of or abandon all or any part of pledged collateral without the prior written authorization of the Board;

9.) The Series invests only in those issuers whose creditworthiness and compliance with the applicable statutes and policies have been reviewed and found satisfactory by the Investment Manager; and

10.) The Custodian may engage in securities lending for the Series when the Series can benefit.

IV.) Breaches and Cure Period

Breaches of a portfolio can imply weak investment management or changing market/portfolio conditions. An active breach occurs when a manager makes a portfolio decision independent of other developments in the portfolio that directly result in the violation of the investment policy. A passive breach occurs when the portfolio becomes out of compliance with the investment policy by an externally initiated development. The following policy applies:

1.) In the event of an active or passive breach of Permissible Investments or Portfolio Diversification and Restrictions, the Investment Manager will immediately notify the Investment Advisor.

2.) In general, the cure period for breaches will be ten business days. If the portfolio is not able to be or it is not advisable to be cured within ten business days, the Investment Manager and Investment Advisor will review the risk of the breach and come to an agreement on how to bring the portfolio back into compliance.

3.) It is the intent of this policy to recognize that a passive breach is possible due to market conditions and unforeseen cash flows or portfolio conditions. A forced sale of an investment security that will be a detriment to the net asset value of the portfolio is not warranted if a prudent investment plan is agreed to by the Investment Manager and Advisor.

4.) The Investment Advisor will have the final say in disagreements.

5.) The Investment Advisor will notify the Board President when breaches occur.

V.) Benchmarks and Reports

Performance will be measured against the Intercontinental Exchange Bank of America (ICE BofA) U.S. 3-month U.S. Treasury Bill Index and the yield compared to the S&P AAA & AA Rated GIP Tax 30-Day Yield Index.

On an annual basis the board shall be provided with Series II performance and benchmark by the Investment Manager and/or Custodian for all relevant time periods.

The Investment Manager and/or the Custodian will provide the following to the Investment Advisor or Board:

1.) Daily Net Asset Value;

2.) Daily Gross and Net Yield;

3.) Daily Weighted Average Maturity and Life;

4.) Monthly report that includes:

   a. Portfolio by Security type;
   b. A liquidity summary;
   c. Portfolio by credit rating;
   d. Securities listed by issuer exposure and percentage of market value; and
   e. Portfolio by Industry.

5.) A monthly stress test that shocks the portfolio Net Asset Value

<u>Amendments/Adopted</u>

Adopted by the AMLIP board on November 9th, 2022. Terry Eubank, President