

**Canada Hills Community Association**  
**Financial Investment Policy**

**1. Purpose**

- 1.1. The purpose of the Financial Investment Policy (“FIP”) is to define a strategy that can guide the investment management of the financial assets (“Fund”) of the Canada Hills Community Association toward desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

**2. Goals**

- 2.1. Acknowledge that the Board of Directors of the Canada Hills Community Association is the fiduciary responsible for directing and monitoring the Fund
- 2.2. Establish reasonable and consistent investment objectives, policies and guidelines that shall direct the investment of the Fund’s assets
- 2.3. Prudently and diligently select qualified investment professionals, as required
- 2.4. Determine the Fund’s risk tolerance and time horizon
- 2.5. Regularly evaluate the performance of the Fund to assure adherence to policy guidelines
- 2.6. Recommend proposed changes and revisions to the FIP, as required

**3. Definitions**

3.1. Risk

- 3.1.1. The probability of losing principal over the Fund’s investment time horizon, and
- 3.1.2. The probability of not meeting the Fund’s return-on-investment objectives

3.2. Risk Tolerance

- 3.2.1. The ability to tolerate interim fluctuations in market value and rates of return in order to achieve long-term objectives

3.3. Liquidity

- 3.3.1. The ability to meet planned and unplanned expenses in a timely manner and with minimal loss of principal and minimal expenses associated with forced sale of securities.

3.4. Moving Average Method

- 3.4.1. A forecasting method to determine year-to-year spending in order to smooth out the effects of distributions from the Fund.
- 3.4.2. The Fund will use a three-year moving average, with a budgeting lead of one year.

3.5. Performance Expectations

- 3.5.1. Recognizing market volatility, a rolling 5-year rate-of-return will be set annually, and subsequently assessed annually relative to an agreed performance indicator, such as One Year T-Bill or LIBOR.

### 3.6. Asset Allocations

- 3.6.1. To meet long-term investment goals, as well as short-term expenses, the Fund shall be allocated among the following assets: cash and cash equivalents and liquid securities.
- 3.6.2. Target allocations shall be determined by the results of the Moving Average study

## 4. Investment Guidelines

### 4.1. Policy Statement

- 4.1.1. The Board of Directors specifically requires that the Fund's principal value not be placed at risk.

### 4.2. Securities

- 4.2.1. The Fund shall consist of insured CD's and/or US Treasury and US Government agency securities.
- 4.2.2. The exposure of the Fund to any one issuer, other than securities of the US government or agencies, shall not exceed 20 % of the market value of the Fund and shall not exceed \$100,000 at maturity.
- 4.2.3. The weighted-average maturity of the Fund shall not exceed three years, and the maturity of any one issue shall not exceed four years.
- 4.2.4. Holdings of individual issues shall be large enough for easy liquidation.

### 4.3. Cash and Cash Equivalents

- 4.3.1. Cash and cash equivalent reserves should consist of secured cash instruments.
- 4.3.2. Any idle cash shall be invested in an interest-bearing vehicle, such as a money market instrument, in a timely manner.
- 4.3.3. Sweep accounts are recommended.

### 4.4. Fund Restrictions

- 4.4.1. Prohibited investments include, but are not limited to the following: corporate bonds, registered and unregistered securities, commodities, futures contracts, private placements, derivatives, etc.
- 4.4.2. Prohibited transactions include, but are not limited to the following: margin transactions, short selling, uncovered put or call options, etc.

## 5. Fund Management

- 5.1. The Board of Directors of Canada Hills Community Association, or a specific Board Member of its choosing, may serve as the Fund Manager.

## 6. Control Procedures

### 6.1. Duties and Responsibilities of the Fund Manager

- 6.1.1. Manage the assets of the Fund in accordance with the FIP and with separate written agreements when deviation is deemed prudent and desirable
- 6.1.2. Exercise investment discretion within the FIP

