

Amendment #1

GUAM ECONOMIC DEVELOPMENT AUTHORITY



INVESTMENT POLICY STATEMENT AGENCY RESERVE FUND

Background:

The Guam Economic Development Authority (GEDA) is a public corporation (12GCA Chapter 50) with broad responsibility for the centralized direction, control and supervision of an integrated plan for the economic development of Guam.

Through 12 GCA 50103(k), GEDA was mandated as the Central Financial Manager and Consultant for those agencies or instrumentalities of the Government of Guam requiring financial guidance and assistance. GEDA wishes to develop an investment program, the Agency Reserve Fund, for interested government agencies to invest idle funds. The investment program seeks to take advantage of volume investing and GEDA's expertise to earn a competitive rate of return at the lowest overall cost to the group as a whole.

Scope:

This Investment Policy Statement (IPS) reflects the policies, objectives, and constraints for all idle and surplus funds of participating agencies in the *Agency Reserve Fund* (herein referred to as the Fund) administered by GEDA.

Agency Reserve Fund

The Agency Reserve Fund is a pooled investment fund administered by GEDA that allows eligible Government of Guam agencies to invest idle and surplus funds in the strategy funds identified in Appendix A. Each strategy fund will maintain a portfolio of investments consistent to its investment objectives. The strategy funds will be valued on a unitized basis, with each unit representing a fractional undivided ownership interest in the respective portfolio. Unit values shall be calculated, at minimum, on a monthly basis.

Purpose:

This policy statement is intended to assist the Investment Committee in making decisions about the Fund's investments. Specifically, this IPS:

1. Defines the roles and responsibilities of all assigned parties
2. Establishes investment objectives and goals for the Fund's assets
3. Identifies authorized investments of the Fund
4. Establishes a basis for selecting, monitoring and evaluating Fund performance

The IPS will be reviewed at least annually, and if appropriate, can be amended to reflect changes in the capital markets, Fund objectives, or other factors relevant to the Fund.

Investment Objectives:

The objectives of the Fund's Investment Policy are to:

- Establish separate Strategy Funds with differing risk/return parameters for investment
- Define investment objectives for respective Fund investment
- Preserve capital of the Fund
- Maximize return within reasonable and prudent levels of risk

Delegation of Authority:

The Board of Directors has a fiduciary responsibility to GEDA and is responsible for selecting and monitoring the investments for the Fund. As such, the Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

❖ Investment Committee

The committee will supervise the investment of assets of the Fund and make all decisions concerning selection and retention of investment options available under the Fund. The committee shall have authority to both select and monitor funds, and to appoint investment managers. Furthermore, the committee will be responsible for all administrative functions regarding the accounting of Fund accounts, including but not limited to: opening and closing of accounts, record keeping, recording investment transactions, and securing all documents relative to such transactions.

❖ Investment Advisor

The investment advisor will be responsible for guiding GEDA through a disciplined and rigorous investment process and assist in managing the investments of the Fund. As a fiduciary to GEDA, the investment advisor will be responsible for valuing the respective strategy fund's holdings and pricing the unit value at least monthly. The specific duties and responsibilities of the investment advisor include but are not limited to:

1. Establish and maintain this investment policy statement
2. Draft formal procedures for:
 - a. Receiving contributions
 - b. Paying distributions
 - c. Calculating fees and expenses
 - d. Allocation of income, gains and losses
 - e. Daily valuation of the funds
 - f. Calculation of unit values
3. Provide sufficient asset classes with different and distinct risk/return profiles so as to prudently diversify the Fund
4. Prudently select investment options

5. Control and calculate fees and expenses
6. Monitor and supervise all investment managers and investment options
7. Avoid prohibited transactions and conflicts of interest
8. Provide performance measurement reports to the investment committee and participating agencies on a monthly basis. Such report should include at minimum the beginning balance, account activity, realized gains, unrealized gains, fees and ending balance.
9. Meet with the Board of Directors to review investment performance and recommend changes or actions to take with respect to the investment portfolio
10. Make asset allocation and investment recommendations and/or validate current recommendations to the investment committee at least semi-annually.

❖ Investment Manager

The investment manager will be responsible for making investments decisions (security selection and price decisions) for the respective Portfolio. The specific duties and responsibilities of the investment managers include but are not limited to:

1. Manage the assets of the Fund in accordance with the guidelines and objectives outlined in their respective Service Agreements, Prospectus, or Trust Agreement.
2. Exercise full investment discretion with regard to buying, managing, and selling assets held in the portfolios
3. Communicate all significant changes, such as changes in ownership, organizational structure, financial condition and professional staff, to the firm promptly.
4. Effect all transactions for the Portfolio subject "to best price and execution".
5. Use care, skill, prudence, and due diligence in executing investment decisions.

❖ Custodian

The custodian will be responsible for holding and safeguarding the Fund's assets. The specific duties and responsibilities of the custodian include but are not limited to:

1. Maintain separate accounts by legal registration
2. Value the holdings
3. Collect all income and dividends owed to the portfolio
4. Settle all transactions
5. Receive contributions
6. Pay distributions
7. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.

- ❖ Additional specialists such as attorneys, auditors, and others may be employed by the Board of Directors to assist in meeting its responsibilities and obligations to administer Fund assets prudently.

Authorized Investments:

- ❖ **Equities:**
Common stock, preferred stock, and American Depository Receipts (ADR).
- ❖ **U.S. Fixed Income:**
Bonds issued by U.S. Corporations, U.S. Treasury or U.S. Government Agencies.
- ❖ **International Fixed Income:**
Bonds issued by foreign corporations.
- ❖ **Cash & Cash Equivalents**
Money market funds, Treasury bills, certificates of deposit, and commercial paper registered in the United States.
- ❖ **Alternatives:**
Investments that fall out of the traditional asset classes. These investments include but are not limited to, real estate, metals, commodities, materials, and long/short strategies.
- ❖ **Local Investment Pool:**
Investments in local companies and debt arrangements that are consistent with the underlying agencies mission statement.

Investment Monitoring and Reporting:

The Plan is intended to provide an appropriate range of investment options that span the risk/return spectrum. The Board of Directors will monitor the performance of each investment manager and the overall performance of the Fund on a periodic basis.

The Investment Consultant/Financial Advisor shall prepare a performance report of the Fund at a minimum of once per quarter to assess whether the investment policy guidelines and objectives continue to be appropriate and are met. Such report should include an assessment of each investment manager to a comparative benchmark.

The Board of Directors may place an investment manager on a "Watch List" and conduct a thorough review and analysis of the investment if and when any of the following occurs:

1. An investment options' performance falls below the median of their peer group's one-, three-, and five-year annualized returns.

2. There is a change in the professional management of the portfolio
3. There is a significant decrease in the investment manager's assets
4. There is an indication that the investment manager is deviating from his/her stated style and/or strategy
5. An extraordinary event occurs that may interfere with the investment manager's ability to fulfill their role in the future

Notwithstanding the foregoing, the ultimate decision to retain or terminate an investment manager cannot be made by formula. It is the Board of Director's confidence in the investment manager's ability to accomplish stated objectives and the extent to which such objectives are consistent with the investment goals and philosophy of the Plan that will determine whether an investment manager will be retained.

Rebalancing:

Recognizing that daily market movements can result in a deviation from the Fund's overall asset allocation strategy, the Board of Directors retains the right to rebalance the portfolio at any time.

Prudence:

Investments shall be made with judgment and care. The standard of prudence to be used shall be the "prudent person" standard and shall be applied by all parties in the context of managing the Fund investments.

Ethics & Conflicts of Interest:

Directors and executives involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Investment Policy Review:


The Board of Directors shall review this policy at least annually to determine whether stated investment objectives are still relevant, and the continued feasibility of achieving the same. The Board may amend this Investment Policy Statement as it deems necessary from time to time. As changes occur in the Fund Strategy options of this plan, the Board shall amend Appendix A accordingly.

Adoption:


This Investment Policy Statement was adopted on September 20, 2012 and supersedes any previously adopted Investment Policy Statement and shall remain in force until amended or revoked.



Ricardo Duenas
Chairman, Board of Directors



Karl A. Pangellnan
Administrator



Ramona L.E. Jones
Secretary, Board of Directors

Appendix A

Conservative Strategy Fund

Current Assets: _____

Time Horizon: 0 -3 years

Target Return:

Risk Tolerance: Low

Investment Objective: The primary investment objective of the Conservative Strategy Fund is capital protection and liquidity. Investors in this Fund require stable growth and/or annual income. Investors in this Fund require access to their investments with three years.

Asset Allocation:

Benchmark:

Appendix A

Moderate Strategy Fund

| | |
|-----------------------|---|
| Current Assets: | _____ |
| Time Horizon: | 3-5 years |
| Target Return: | |
| Risk Tolerance: | Moderate |
| Investment Objective: | The primary investment objective of the Moderate Strategy Fund is capital growth and income. Investors in this Fund can tolerate some fluctuations in the value of their investments in anticipation of the highest possible return over a 3 to 5 year period. Investors in this Fund require some annual income and are prepared to invest for no more than 5 years. |
| Asset Allocation: | |
| Benchmark: | |

Appendix A

Progressive Strategy Fund

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| Current Assets: | _____ |
| Time Horizon: | Greater than 5 years |
| Target Return: | |
| Risk Tolerance: | Aggressive |
| Investment Objective: | The primary investment objective of the Progressive Strategy Fund is long-term capital growth. Investors in this fund can tolerate substantial fluctuations in the value of their investments in the short-term in anticipation of the highest possible return over a period of 5 years or more. Investors in this Fund do not require income annually and are prepared to invest for 5 years or more. |
| Asset Allocation: | |
| Benchmark: | |