

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

Designated Cash Fund Investment Policy

(DRAFT – 4/25/24)

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

Introduction

The nature of KICA's economic model is to collect member assessments at the beginning of the year and incur associated operating expenditures throughout the year. This results in periodic excess operating cash being held by the Association for short periods of time. In addition, there are certain designated items that are supported by cash that can be managed outside the normal daily operations of the Association (examples include the "Named Storm Reserve" and the "Accumulated Depreciation Reserve").

As a result, KICA strives to generate additional return for certain cash balances by placing them with third party Investment Advisors and investing in short-term, high grade, highly liquid fixed income securities. This policy governs those assets ("Designated Cash Fund") placed with the third-party Investment Advisor.

This policy is separate and distinct from the "Reserve Fund Investment Policy Statement" which governs the reserve fund for the major repairs and replacement (MR&R) program, and the requirements of the Financial Controls Manual, which governs the management of daily cash needed to run the Association.

Purpose

The purpose of the Designated Cash Fund Investment Policy is to define the investment policies, guidelines, and objectives of KICA's designated cash placed with third party advisors, and to create a framework for evaluating performance. These policies and objectives are intended to govern investment activity and are designed to be sufficiently flexible and practical.

Objective

The objective of the Designated Cash Fund is to achieve a total return equivalent to or greater than the annualized return of the six-month Treasury Bill. This objective seeks to balance achieving a reasonable return with the need for capital preservation and recognizes the shorter-term nature of cash needs by the Association.

Delegation of Responsibilities

The KICA Board of Directors (the "Board") has sole authority for all decisions that shape the investment policy and strategy.

The Finance Committee (the "Committee"), acting in a fiduciary capacity, is accountable to the Board and is responsible for recommending Investment Advisors and Investment Policy guidelines and objectives and reviewing and evaluating investment Advisor and portfolio performance.

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

Delegation of Responsibilities (continued)

The Investment Advisor, acting in a fiduciary capacity, is responsible for assisting the Board and the Committee in the development of investment policies, guidelines, and objectives; recommending a blend of liquid, short term fixed income assets for investment, preparing and issuing quarterly performance evaluation reports and attending the Committee meetings at the request of the Board or the Committee; and notifying the Committee of any significant changes in composition. The Investment Advisor will be a discretionary advisor to the Board and the Committee. The Investment Advisor is responsible for managing the assets as directed by the Board, the Committee, and the Investment Policy Statement guidelines.

The Investment Advisor may operate within the acceptable ranges outlined in the “Investment Policy Statement Guidelines” section and rebalance at their discretion in concert with the KICA Director of Finance. KICA’s Director of Finance will receive confirmations of any transactions that occur. Additionally, the Investment Advisor will notify the Committee if there is any breach of the investment portfolio policies below and will have 5 (five) business days to remedy this breach, unless approved in writing by the Committee.

Investment Policy Statement Guidelines

The Designated Cash Fund will diversify its holdings within the asset classes noted below, with benchmarks, target weight, and acceptable asset allocation range as follows:

Asset Class	Benchmark	KICA Target	Acceptable Range
Cash	90 Day Treasury Bill	2%	0-5%
US Treasuries	6 Month Treasury Bill	85%	75-100%
Commercial Paper/Other	6 Month Treasury Bill	13%	0-20%

Permitted Investments include:

- Commercial paper with less than a six month maturity
- Treasury Bills and Notes with less than a two year maturity
- Money Market Funds
- Cash

Limitations include:

- No Commercial Paper with a rating less than A1/P1
- No single investment in Commercial Paper shall comprise more than 10% of the Designated Cash Fund portfolio assets
- No single investment in US Treasuries shall comprise more than 20% of the Designated Cash Fund portfolio assets

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

No leverage or use of derivatives is allowed, and all other investments other than those listed in the Permitted Investments section are prohibited.

Measurement Objectives

The Designated Cash Fund assets should be reviewed at least annually and should seek to achieve an annualized return equal to or greater than the rate of return defined in the Objective.

Over a 2-year rolling period the assets should strive to achieve an annualized return, net of fees, equal to or greater than that of the benchmark.

DRAFT