

Cabot Community Investment Fund (CCIF) Investment Policy and Objectives

November 2019

A. INTRODUCTION

This statement of investment policies and objectives is submitted in order that:

1. There is a clear understanding of the combined investment policies for all invested funds of the Cabot Community Investment Fund.
2. The investment managers are given guidance and limitations as to what is expected of them.
3. There is a basis for evaluation of the investment performance of the investment managers.

It is the intent of this statement to establish an attitude and/or philosophy which will guide the investment manager toward the performance desired. It is intended that the objectives be sufficiently specified to be meaningful, but significantly flexible to be practical.

B. PURPOSE

The purpose of this statement is to communicate to the investment manager a clear understanding of the CCIF Committee's investment policies and objectives. This statement will outline an overall philosophy that is specific enough for the manager to know the CCIF Committee's expectations, but sufficiently flexible to allow for changing economic conditions and securities markets. The policy will provide realistic risk policies to guide the manager toward long-term rate-of-return objectives, which will serve as standards for evaluating investment performance. The policy also will establish the investment restrictions to be placed upon the manager, and will outline procedures for policy and performance review.

C. RESPONSIBILITY OF THE MANAGER

Investments will be made for the safety of principle while taking into consideration current investment objectives, while also providing growth for the future. The assets must be invested with the care, skill and diligence that a prudent individual acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability and diversification mandated by controlling statutes.

To achieve the investment goals of the CCIF Plan, the CCIF Committee choose to have the portfolio manager develop a **Balanced investment objective** as defined in the Target Asset Mix Table.

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Target Asset Mix Table

Investment Objective	Equities	Fixed Income & Bonds	Cash & Equivalents
Growth	90% (+/- 10%)	10% (+/- 10%)	0-20%
Growth and Income	70% (+/- 10%)	30% (+/- 10%)	0-20%
Balanced	50% (+/- 10%)	50% (+/- 10%)	0-20%
Income and Growth	30% (+/- 10%)	60% (+/- 10%)	0-20%
Capital Preservation	10% (+/- 10%)	90% (+/- 10%)	0-20%

The manager is to maintain the weights of each asset class within the ranges shown in the Target Asset Mix Table. (Note that all convertible securities are treated as equity, preferred stocks are treated as fixed income securities and senior debt securities with under one year to maturity are treated as cash equivalents.)

Because security market conditions can vary greatly throughout a market cycle, the Manager is granted full discretion to change the asset mix within the above ranges, for the purpose of increasing investment return and/or reducing risk. The portfolio performance will be compared to the:

1. Standard & Poor's 500 Equity Index
2. Russell 1000 Equity Index
3. Bloomberg Barclays Intermediate Government Corp. Index
4. 3-Month Treasury Bill

Appropriate weighting to each index as it relates to the portfolio mix will be reviewed to determine risk as well as return.

It is expected that the portfolio managers will provide an overall portfolio return in the historic range of balanced portfolios, believed to be in the **5-9% annualized range**. A long-term horizon should be taken so that no excessive risk is taken to deliver the "expected return" in a given year. The CCIF Committee will evaluate management of investments over a 3-5 year market cycle. However, any meaningful variations from objectives or guidelines or excessive poor performance may be cause to change investment managers.

The CCIF Committee anticipate annual returns at approximately **4% above the inflation rate**. Although this return is not required each quarter or each year, the trend

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should approximate the objective. The portfolio should be invested to minimize the likelihood of low or negative returns, which means, any net negative return over four consecutive quarters.

D. INVESTMENT GUIDELINES

1. Specific Investment Guidelines

In order to give investment managers a clear picture of the feeling of the CCIF Committee, it has been determined that the CCIF Committee's attitudes as to markets are as follows:

- a. **Liquidity:** The CCIF Committee will be responsible for providing the investment managers with an estimate of the net payout from the account for the coming year in order to avoid any force sales of securities to meet required payment. The CCIF Committee does not require any portion of the portfolio be in cash at all times, unless it is specifically stated to the investment manager.
- b. **Safety of Principal:** It is believed that the criterion of safety of principal should be imposed on the fixed income portion as a stated objective. The equity portion of the portfolio should be structured over the long-term with an attitude to maximize growth of principal, understanding there will be a moderate level risk tolerance.
- c. **Income Requirements:** Income is distributed based on the individual bequest guidelines. These requirements will be shared with the investment manager.

2. Delegation of Authority

The investment managers will be held responsible for making all investment decisions regarding the assets in their respective accounts and will be accountable for the objectives indicated specifically to their accounts, with the exception of (1) any specific limitations set forth in the Management Agreement and (2) provided that the CCIF Committee observe the guidelines and philosophies stated herein.

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3. Types of Assets

In order to provide the investment managers with the freedom to invest in various types of assets, the following types are expressly approved for investment:

COMMON STOCKS
EXCHANGE TRADED FUNDS
MUTUAL FUNDS
PREFERRED STOCKS
CONVERTIBLE PREFERRED STOCKS
WARRANTS
RIGHTS
OPTIONS
U.S. GOVERNMENT SECURITIES
CORPORATE BONDS
MONEY MARKET FUNDS OR SIMILAR CASH EQUIVALENTS

The following types of assets are expressly prohibited for investment:

LIMITED PARTNERSHIPS
COMMODITIES
PENNY STOCKS
NAKED PUTS/CALLS
JUNK BONDS
SECURITIES IN A CURRENCY OTHER THAN THE US DOLLAR

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable.

Put and Call Options strategies may be used to increase portfolio income and/or reduce volatility, if deemed appropriate by the investment managers.

Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 10% of the market value.

Only corporate or municipal debt issues that have or exceed an investment grade rating from Standard & Poor's and/or an A rating from Moody's, may be purchased.

Preferred stocks must be rated A or better by Moody's and/or Standard & Poor's at the time of purchase.

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The manager is prohibited from investing speculatively in fixed income or interest rate futures.

4. Diversification of Equity Securities

The investment managers will have discretion as to the degree of concentration on any industry up to a maximum limit of 20% in any one industry (at cost) and not more than 10% in any one company.

5. Investment Markets - Equities

In order to broaden the investment opportunities for the investment managers to achieve the objectives set forth herein, they are permitted to invest in equity securities listed on the New York Stock Exchange, the American Stock Exchange, Principal Regional Exchanges, and Over-The-Counter securities for which there is a strong market to provide liquidity of the specific security.

6. Investment Markets - Fixed Income

It is the philosophy of the CCIF Committee that fixed income securities should be actively monitored and managed. The following list of types of assets are expressly approved for fixed income investments:

**CORPORATE BONDS NOT LOWER THAN A RATED
GOVERNMENT BILLS**

NOTES AND BONDS (length of bond maturity should not be longer than 20 years)

CERTIFICATES OF DEPOSIT (maximum FDIC insurance per bank = \$250,000)

7. Investment Markets - Cash Equivalents

With emphasis placed on growth of capital, the CCIF Committee's philosophy is that cash assets may be held in the account whenever the investment manager feels it is prudent to do so to protect capital. The account may hold in cash up to the maximum percentage specified in the Target Asset Mix Table, or contain no cash at all.

The manager may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the account's principal value. All such assets represent maturities of one year or less at time of purchase. Standard & Poor's and Moody's must rate commercial paper assets A-1 or P-1, respectively. The Manager may not purchase short-term

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financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Manager also may not invest more than 5% of the account's market value in obligations of a single issuer, with the exception of the U.S Government and its agencies. Uninvested cash reserves should be kept to minimum levels. Within the limitations mentioned above, the Manager has complete discretion to allocate and select short-term cash and equivalent securities.

8. Other Assets

The Manager will not purchase assets other than those mentioned above without consent. Investments not specifically addressed by this statement are forbidden without written consent.

E. REVIEW MEETINGS

It is the desire of the CCIF Committee to have annual meetings with the Investment Manager and more often, when deemed necessary, by the CCIF Committee. The annual meetings should be used to review the performance of the portfolios with respect to the investment objectives and to have a general understanding as to strategy of the Investment Managers.

While the CCIF Committee recognize that performance for any interval as short as one year or less is normally not a fair basis for evaluation of the performance of the investment managers, the CCIF Committee reserve the right, for any reason, to change the investment managers at any time.

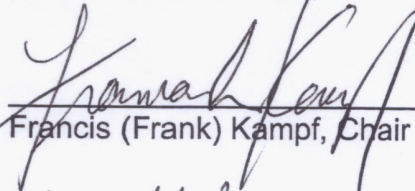
F. ACKNOWLEDGMENT

By acknowledging in writing the receipt of this statement, the manager agrees to its terms and conditions. Should the Manager believe at any time that changes, additions, or deletions to this statement are advisable, the manager will be responsible for communicating these in writing for review. This statement shall be reviewed on an annual basis. Any modifications to this policy shall be reviewed with the manager prior to the implementation.

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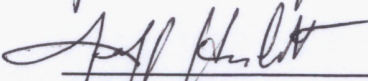
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The foregoing policy is hereby adopted by the CCIF Committee of the Town of Cabot, this 10th day of December, 2019, and is effective as of this date until amended or repealed.



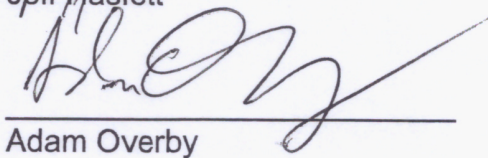
Francis (Frank) Kampf, Chair

Greg Burt, Vice-Chair



Jeff Haslett

Oliver Welters



Adam Overby