



**TOWN OF TOWNSEND**  
**INVESTMENT POLICY**

*LAST REVISED*  
*NOVEMBER 2022*

## **1. Scope**

This policy applies to the investment of all operating funds for the Town of Townsend. It does not cover any employee retirement/pension fund.

All investments for the Town of Townsend shall be managed by the Townsend Council, hereinafter referred to as the “Council”. At the discretion of the Council, an external agent or agencies may be engaged to manage funds of the Town; in which case, the external manager(s) shall be responsible directly to the Town of Townsend Town Council.

The investment portfolio will be managed by the Town Council or appointed agent(s), who will strive to invest with the judgment and care that prudent individuals would exercise in the execution of their own affairs, to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for the Town of Townsend. The Town of Townsend recognizes that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio’s return.

The Town of Townsend, hereinafter referred to as the “Town”, shall maintain investments through a variety of ways to maximize investment earnings.

## **2. Investment Objectives**

The fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Town. The portfolio is to preserve asset values and produce current income (dividends and interest). The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This shall be accomplished by Council’s review of past spending and portfolio asset values into its current spending decisions. The Council will review its spending assumptions quarterly for the purpose of deciding whether any changes therein necessitate amending the spending policy; structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist of securities with active secondary or resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes.

Safety of the principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The idea of safety is to mitigate risk.



The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives. To ensure long-term objectives are met, securities shall not be sold prior to maturity with the following exceptions:

- A. A security with declining credit may be sold early to minimize loss of principle.
- B. Liquidity needs of the portfolio require that the security be sold.

Providing that adequate diversification has been implemented and that the sale of a security is in the best interest of the Town.

### **3. Asset Allocation**

It is generally accepted that the most critical factor influencing future investment success is the proper allocation of a portfolio among various broadly-defined asset classes, e.g., domestic equities, foreign equities, fixed income, etc.

The asset allocation seeks to maximize the probability of achieving the investor's objectives and portfolio goals.

Within each broad class strategy, the investor may be prudent to diversify across different investment styles and strategies.

The asset allocation is meant to be strategic, in that it addresses only long-term objectives, regardless of current or anticipated market behavior. From time to time, the investor may wish to deviate incrementally from this strategic allocation based on an opinion regarding the near-term prospects for the various asset classes. This is commonly referred to as tactical asset allocation.

The portfolio may be invested using Mutual Funds, Stocks, Bonds, ETF's (Exchange Traded Funds) and UIT's (Unit Investment Trusts).

Outlined below are the long-term strategic asset allocation guidelines, determined by the Council to be the most appropriate, given the Town's long-term objectives and short-term constraints. Portfolio assets will, under normal circumstances, be allocated across broad asset and sub asset classes in accordance with the following guidelines:



<u>Asset</u>	<u>Target allocation</u>
Cash	5-100%
CDs	0-50%
Bonds	70-90%
Large Company Stocks	0-15%
Mid-size Company Stocks	0-5%
Small Company Stocks	0-5%
Foreign Stocks	0-10%

To the extent the portfolio holds investments in nontraditional, illiquid, and/or nonmarketable securities including (but not limited to) venture capital, hedge funds, and real estate investments, these assets will be treated collectively as alternative investments for purposes of measuring the portfolio's asset allocation. While not specifically considered within this policy, alternative investments may comprise no more than 10% of total portfolio assets and, to the extent they are owned, will proportionately reduce target allocations to the three primary asset classes itemized above.

#### **4. Diversification**

Diversification across and within asset classes is the primary means by which the Council expects the portfolio to avoid undue risk of large losses over long time periods. To protect the portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Council will take reasonable precautions to avoid excessive investment concentrations.

#### **5. Investment Restrictions and Prohibited Transactions**

To provide for the safety and liquidity of the Town's funds, the investment portfolio will be subject to the following restrictions:

- A. Borrowing for investment purposes ("leverage") is prohibited.
- B. Investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.
- C. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
- D. No more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer



## **6. Ethics & Conflicts of Interest**

Council and employees 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. Employees and investment officials shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investments transactions with the same individual or company with which business is conducted on behalf of the Town.

## **7. Exception**

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

## **8. Revision**

The Council and any agent(s) shall review the policy annually and shall recommend all necessary changes to the Council for consideration and adoption.

## **9. Adoption**

This policy and any changes made during the annual reviews shall be adopted by resolution by the Town of Townsend Town Council.

**Adopted 07/06/2011**

**Revised 2022**

