

Investment Policy

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Objective:

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. The City's principal investment objectives, in priority order are: legal conformance, safety, liquidity and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Applicability:

This investment policy applies to the investment of all general and specific funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, Poudre River Public Library District, Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority.

Authorized by:

City Council, Resolutions 90-44, 2008-121, 2009-109, 2010-065, & 2012-119, 2023-017.

8.1 Policy

The City of Fort Collins, Colorado (the "City") is a home rule municipality operating under the City Charter. Article V, Part III of the City Charter assigns to the Financial Officer the responsibility of investing City funds. Funds must be placed in investments authorized by the City Council ("Council"). The Financial Officer will administer the investment program to ensure effective and sound fiscal management.

It is the policy of the City to invest public funds in a manner which will protect capital and meet liquidity needs while providing the highest investment return provide the highest investment return while protecting capital and meeting liquidity needs.

8.2 Scope

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. This investment policy applies to the investment of all general and special funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, Poudre River Public Library District, Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority. For purposes of this policy, operating funds include:

- General Fund;
- Special Revenue Funds;
- Debt Services Funds (unless prohibited by bond ordinance);
- Capital Projects Funds;
- Enterprise Funds;
- Internal Service Funds;
- Trust and Agency Funds; and
- Any newly created Fund, unless exempted by Council.

Unless specifically provided for in the bond ordinance, all bond proceeds, bond reserve funds and pledged revenues must be invested in accordance with the operating funds guidelines set forth in this Investment Policy. Guidelines for investing the funds of the City's defined benefit plan shall be included in the Investment Policy for the General Employees' Retirement Plan, which is monitored and approved by the General Employees' Retirement Committee.

8.3 Investment Objectives

The City's principal investment objectives, in priority order, are: legal conformance, safety, liquidity, and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

1. *Legal conformance:* The investment portfolio will conform to all legal and contractual requirements.
2. *Safety:* Safety of investment principal and the preservation of capital are primary objectives of the investment program. When making investment decisions, the Financial Officer will seek to ensure the preservation of capital in the overall portfolio by mitigating credit risk and interest rate risk.
 - A. *Credit Risk:* The Financial Officer will minimize the risk of loss of principal and/or interest due to the failure of the security issuer or backer by:
 - a. Limiting investments to the safest types of securities.
 - b. Pre-qualifying financial institutions, securities brokers and dealers, and advisors.

- c. Diversifying the investment portfolio to reduce exposure to any one security type or issuer.

Interest Rate Risk: The Financial Officer will minimize the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- a. Whenever possible, holding investments to their stated maturity dates.
 - b. Investing a portion of the operating funds in shorter-term securities, money market mutual funds, or local government investment pools.
3. *Liquidity:* The investment portfolio must be sufficiently liquid so as to meet all reasonably anticipated operating cash flow needs. This is accomplished by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations. Investments shall be managed to avoid, but not prohibit, sale of securities before their maturities to meet foreseeable cash flow requirements. Since all possible cash needs cannot be anticipated, the portfolio must consist largely of securities with active secondary or resale markets.
4. *Return on Investment:* The investment portfolio will be designed with the objective of maximizing the rate of return on investment while maintaining acceptable risk levels and ensuring adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment pooling may be used to maximize the City's investment income. Interest income, from pooling, will be distributed to the participating funds in proportion to each fund's level of contribution.

The Financial Officer will determine whether a security will be sold prior to maturity. The following are examples of when a security might be sold:

- a. A security with a declining credit rating may be sold early to minimize loss of principal;
- b. A security swap would improve the quality, yield, return, or maturity distribution of the portfolio;
- c. Liquidity needs of the portfolio require that the security be sold; or
- d. The Financial Officer will obtain the best rate of return on investments by taking advantage of market volatility and recognizing gains on a portion of the portfolio.

8.4 Standards of Care

1. *Prudence:* The City has a fiduciary responsibility to protect the assets of the City and to invest funds appropriately. The standard of care to be used by City officials is the “prudent person” rule as specified by CRS 15-1-304, which reads:

“Standard for investments: In acquiring, investing, reinvesting, exchanging, retaining, selling, and managing property for the benefit of others, fiduciaries shall be required to have in mind the responsibilities which are attached to such offices and the size, nature, and needs of the estates entrusted to their care and shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. Within the limitations of the foregoing standard, fiduciaries are authorized to acquire and retain every kind of property, real, personal, and mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures, other corporate obligations, stocks, preferred or common, securities of any open-end or closed-end management type investment company or investment trust, and participations in common trust funds, which men of prudence, discretion, and intelligence would acquire or retain for the account of another.”

The Financial Officer and designees, acting within the guidelines of this investment policy and written procedures, the City Charter and Code, all applicable state and federal laws and after exercising due diligence, will not be held personally liable and will be relieved of personal responsibility for an individual security’s credit risk or market price changes, or for losses incurred as a result of specific investment transactions or strategies. (CRS 24-75-601.4, et seq.)

2. *Ethics and Conflicts of Interest:* City officers and employees involved in the investment process will 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 must disclose any material interests in financial institutions with which they conduct business. They must further disclose any personal financial and investment positions that could be related to the performance of the City’s investment portfolio. In addition they must adhere to the rules of conflicts of interest as stated in Art. IV, Section 9(b) of the Charter of the City of Fort Collins, Colorado.

3. *Delegation of Authority:* The City Charter assigns the responsibility for the collection and investment of all city funds to the Financial Officer, subject to direction from Council by ordinance or resolution. The Financial Officer, subject to City Manager approval, may appoint other members of the Finance Department to assist in the investment function.

Administrative Procedures

- a. The Financial Officer is responsible for all investment decisions and activities, and must regulate the activities of subordinate employees for the operation of the City's investment program consistent with this investment policy.
- b. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Financial Officer.

A. Authorized Designees

- a. The Financial Officer will maintain a list of individuals and institutions that are authorized to transfer, purchase, sell and wire securities or funds on behalf of the City.
- b. This list will be provided to the securities broker or dealer or financial institution prior to the City conducting any investment transactions with the institution.

B. Investment Advisors

- a. The Financial Officer has the discretion to appoint one or more investment advisors, registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, to assist in the management of all or a portion of the City's investment portfolio.
- b. All investments made through such investment advisors shall be within the guidelines of this Investment Policy.

4. *Investment Committee:* The Investment Committee consists of the Financial Officer and at least 2 other employees of the City that are knowledgeable in the area of governmental investments. The Investment Committee, at the discretion of the Financial Officer, may also include up to 2 private sector investment or banking professionals. The purpose of the Investment Committee shall be to provide advice to the Financial Officer regarding the operation of the investment program.

8.5 Safekeeping and Custody

1. Authorized Securities Brokers and Dealers and Financial institutions

- A. The Financial Officer will maintain a list of financial institutions authorized to provide investment services. The Financial Officer will also maintain a list of approved securities brokers and dealers. This list may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1.
- B. All financial institutions and securities brokers and dealers who wish to provide investment services to the City must supply the following (as appropriate):
 - a. Current audited financial statements;
 - b. Completed securities broker and dealer questionnaire;
 - c. Proof of National Association of Securities Dealers certification and registration in the State of Colorado; and
 - d. Certification of their review, understanding and agreement to comply with the City’s Investment Policy.
- C. If a financial institution or securities broker or dealer wishes to enter into a repurchase agreement with the city, the institution must sign a Master Repurchase Agreement approved as to form and content by the City Attorney’s Office.
- D. The Financial Officer must conduct an annual review of the financial condition of authorized financial institutions and securities brokers and dealers.
- E. Investment transactions must be executed with an authorized financial institution or securities broker or dealer except in the following circumstances:
 - a. Commercial paper, banker acceptances and guaranteed investment contracts may be purchased and sold directly from the issuer;
 - b. Mutual funds and money market funds may be purchased, sold and held directly with the funds;
 - c. Investments in local government investment pools may be transacted directly with the pool; and
 - d. Bond refunding and lease escrow agreements will be executed as provided in the bond and lease documents.
- F. The Financial Officer will establish a safekeeping agreement with an approved financial institution to act as a third party custodian. Investment securities will be held for the City by the custodian. When applicable, the Financial Officer shall establish a separate securities lending agreement with the custodian bank. The selection of the City’s primary depository

and primary custodian will be made through the City's competitive Request for Proposals process.

2. *Delivery versus Payment:* All trades will be executed by delivery versus payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by the City's third-party custodian as evidenced by safekeeping receipts.
3. *Internal Controls:* The Financial Officer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the city are protected from loss, theft or misuse.

8-6 Suitable and Authorized Investments

As a home rule city, the City may adopt a list of acceptable investment instruments differing from those outlined in CRS 24-75-601.1. Pursuant to Article V of the City's Charter the Council has adopted the following Ordinances and Resolutions establishing the framework under which the Financial Officer must conduct his duties: Ordinance 90, 1993; Ordinance 108, 1988, Resolution 85-134; and Resolution 82-70. Council may adopt additional Ordinances or Resolutions that require modification of these investment tools.

1. *Eligible Investments:* City funds may be invested in the following:
 - A. Any securities now or hereafter designed as legal investment for municipalities in any applicable statute of the State of Colorado;
 - B. Interest-bearing accounts or time certificates of deposit, including collateralized certificates of deposit and certificates of deposit through the Account Registry Service, of financial institutions designated as depositories for public moneys by the State of Colorado;
 - C. United States Treasury obligations for which the full faith and credit of the United States are pledged for payment of principal and interest. Such securities will include but not be limited to: Treasury bills, Treasury notes, Treasury bond and Treasury strips with maturities not exceeding five years from the date of purchase;
 - D. Obligations issued by any United States government-sponsored agency or instrumentality. Maturities may not exceed five years from the date of purchase;
 - E. Obligations issued by or on behalf of the City;
 - F. Obligations issued by or on behalf of any state of the United States, political subdivision, agency, or instrumentality thereof. At the time of

purchase the obligation shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;

- G. Prime-rated bankers acceptances with a maturity not exceeding six months from the date of purchase, issued by a state or national bank which has a combined capital and surplus of at least 250 million dollars, whose deposits are insured by the FDIC and whose senior long-term debt is rated at the time of purchase at least AA- by Standard and Poor's, Aa3 by Moody's Investors Service, or AA- by Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- H. U.S. dollar denominated corporate notes or bank debentures. Authorized corporate bonds shall be U.S. dollar denominated, and limited to corporations organized and operated within the United States with a net worth in excess of 250 million dollars. At the time of purchase the debenture or corporate note shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- I. Prime-rated commercial paper with a maturity not exceeding six months issued by U.S. corporations. At the time of purchase the paper shall be rated A1 by Standard and Poor's and P1 by Moody's Investors Service. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at the time of purchase at least AA- by Standard and Poor's or Aa3 by Moody's Investors Service;
- J. Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of AA- or better from Standard & Poor's at the time of purchase;
- K. Repurchase and reverse repurchase agreements. The structure of the agreements (including margin ratios and collateralization) shall be contained in the Master Repurchase Agreements. Repurchase agreements shall include but are not limited to delivery-versus-payment, tri-party and flexible repurchase agreements;
- L. Local government investment pools authorized under the laws of the State of Colorado with a rating of AAAM; and
- M. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar denominated securities.

2. Repurchase Agreements

- A. Before any repurchase agreements shall be executed with an authorized securities broker or dealer or financial institution, a Master Repurchase Agreement approved as to form and content by the City Attorney's Office must be signed between the City and the securities broker or dealer or financial institution.
- B. The Financial Officer will maintain a file of all Master Repurchase Agreements.
- C. In addition to the straight forward repurchase agreement, wherein the financial institution or securities broker or dealer delivers the collateral versus payment to the City's custodian for a fixed term at a fixed rate, the City may enter into other types of repurchase agreements which may include but not be limited to flexible repurchase agreements, tri-party agreements and reverse repurchase agreements.
- D. Repurchase agreements must be collateralized as provided in individually executed Master Repurchase Agreements at a minimum of 102 percent.
- E. Zero coupon instruments will not be accepted as collateral.
- F. The collateralized securities of the repurchase agreement can include but are not limited to: U.S Treasuries, Collateralized Mortgage Obligations or Agency securities.

8.7 — Suitable and Authorized Investments **Diversification and Liquidity**

1. *Diversification and Asset Allocation:* It is the intent of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. Diversification strategies and guidelines shall be determined and revised periodically by the Financial Officer. The investments may be diversified by:
 - A. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
 - B. Limiting investment in securities that have higher credit risks;
 - C. Investing in securities with varying maturities; and
 - D. Maintaining a portion of the portfolio in readily available funds such as local government investment pools, money market funds or short term repurchase agreements to ensure that City liquidity needs are met.

The maximum investment allowable for each investment category as a percentage of the entire portfolio is as follows (excluding collateral for repurchase agreements):

CASH AND CASH EQUIVALENTS.....	100%
TREASURY SECURITIES	90%
GOVERNMENT-SPONSORED AGENCY SECURITIES	90%
REPURCHASE AGREEMENTS	70%
LOCAL GOVERNMENT INVESTMENT POOLS.....	60%
CORPORATE NOTES OR BONDS*	40%
BANK DEBENTURES*	25%
COMMERCIAL PAPER*	25%
BANKER'S ACCEPTANCES*	25%
LOCAL GOVERNMENT INVESTMENT POOLS	20%
MONEY MARKET FUNDS AND MUTUAL FUNDS	15%
CD ACCOUNT REGISTRY SERVICE (MAXIMUM 50 MILLION).....	15%
CERTIFICATES OF DEPOSIT	15%
GUARANTEED INVESTMENT CONTRACTS.....	5%

* A maximum of 10 percent of the portfolio may be invested in any one provider or issuer.

2. *Investment Maturity and Liquidity*

- A. A portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or short-term repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations. The City must at all times maintain 5 percent of its operating investment portfolio in instruments maturing in 120 days or less.
- B. Reserved funds may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as closely as possible with the expected use of funds.
- C. The weighted average final maturity limitation of the total portfolio, excluding pension funds and long-term reserve funds, **will not exceed 3 years.**
- D. The City may collateralize repurchase agreements with longer-dated investments, final maturity not to exceed 30 years.

8.8—Inter-agency Loan Program

- ~~1. *Purpose:* The purpose of the Inter-agency loan program is to support City services, missions, and values by making loans to outside entities such as the Urban Renewal Authority and the Downtown Development Authority while maintaining an adequate rate of return for the City.~~
- ~~2. *Eligible Applicants:* The following are examples of situations in which City loans to outside agencies may be appropriate:
 - ~~A. An entity that was created wholly or in part by the City and is in a fledgling stage and does not yet have an established credit history to access the capital markets. Examples include the Urban Renewal Authority, etc.~~
 - ~~B. An entity related to the City desires to issue debt that will be repaid over a timeframe that would be unrealistic for a private lender. Examples include bonds issued by the Downtown Development Authority for less than 10 years.~~
 - ~~C. Any other situation in which the Council deems it appropriate to meet the financing needs of an entity that is engaged in services that support the mission and values of the City.~~~~
- ~~3. *Program Guidelines:*
 - ~~A. The borrowing entity must have approval from its governing body.~~
 - ~~B. The loan must be evidenced by a promissory note.~~
 - ~~C. There must be a reasonable probability of repayment of the loan from an identifiable source such as TIF revenues.~~
 - ~~D. The interest rate assigned to the loan must be the higher of the Treasury Note or Municipal Bond of similar duration (3 year, 5 year, etc.), plus 0.5%, subject to the following minimum (floor).~~~~

FLOOR—Minimum Loan Rates

Term	Rate
0—5 years	2.75%
6—10 years	3.25%
11—15 years	3.75%

16—25 years

4.00%

- ~~E. The loans must be limited to 25 years.~~
- ~~F. City Council must review the request and approve the amount and terms and conditions of the loan.~~
- ~~G. Loans of Utility reserves must be reviewed by either the Energy Board or Water Board in advance of City Council consideration, and must meet the following additional criteria:
 - ~~a. the City Council must make a formal finding that the funds will not be needed for utility purposes during the term of the loan, and that the terms and conditions of the loan represent a reasonable rate of return to the Utility; and~~
 - ~~b. utility rates must not be increased for the purposes of funding the loan.~~~~

~~4. Limit on Funds available for Loan Program~~

- ~~A. Governmental Funds: Total loans shall not exceed 25% of the aggregate cash and investments balance of the governmental funds (i.e., General Fund and Special Revenue Funds).~~
- ~~B. Enterprise Funds: Total loans shall not exceed 5% of the aggregate cash and investments balance in the enterprise funds (i.e. Utility Funds and Golf Fund).~~
- ~~C. Operating and capital needs of the loaning funds shall not be significantly impaired by these loans.~~
- ~~D. Loans should not impact the loaning funds compliance with minimum fund balance policies, timing of intended uses, etc.~~

8.9 **8.8** Reporting

1. *Methods:* The Financial Officer will prepare an investment report on a quarterly basis. In addition, a comprehensive investment report may be published on the City's website on an annual basis. All investment reports will be submitted in a timely manner to the City Manager.
2. *Performance Standards:* The investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. The

Financial Officer will establish a benchmark yield for the City's investments equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual weighted average maturity. In order to determine the actual rate of return on any portion of the portfolio managed by an investment advisor, the Financial Officer must include all of the advisor's expenses and fees in the computation of the rate of return.

3. *Marking to Market:* The market value of the portfolio will be calculated at least quarterly and a statement of the market value will be included in the quarterly investment report.

8.10 Policy Adoption

This Investment Policy will be reviewed at least every ~~three~~two years by the Investment Committee, City Manager and the Financial Officer and may be amended by Council as conditions warrant. The Investment Policy may be adopted by Resolution of the Council.

Definitions

Agency: *A bond, issued by a U.S. government-sponsored agency. The offerings of these agencies are backed by the U.S. government, but not guaranteed by the government since the agencies are private entities. Such agencies have been set up in order to allow certain groups of people to access low cost financing, especially students and first-time home buyers. Some prominent issuers of agency bonds are Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Agency bonds are usually exempt from state and local taxes, but not federal tax.*

Average Life: *The length of time that will pass before one-half of a debt obligation has been retired.*

Bankers' Acceptance: *A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.*

Benchmark: *A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.*

Book Value: *The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.*

Broker: *An individual who brings buyers and sellers together for a commission.*

Cash Sale/Purchase: *A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.*

Certificate of Deposit (CD): *A time deposit with a specific maturity evidenced by a certificate.*

Collateralization: *Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.*

Commercial Paper: *An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.*

Coupon Rate: *The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate".*

Credit Quality: *The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.*

Credit Risk: *The risk to an investor that an issuer will default on the payment of interest and/or principal on a security.*

Current Yield (Current Return): *A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.*

Debenture: *A bond secured only by the general credit of the issuer.*

Delivery versus Payment (DVP): *A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or to their custodian.*

Diversification: *A process of investing assets among a range of security types by sector, maturity, and quality rating.*

Duration: *A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.*

Federal Deposit Insurance Corporation (FDIC): *A federal agency that insures deposits in member banks and thrifts up to \$100,000 (\$250,000 through 12/31/2013).*

Federal Funds: *Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.*

Federal Funds Rate: *The interest rate that banks charge each other for the use of Federal funds.*

Government Securities: *An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.*

Green Investments: *Mutual funds that are considered "ethical investments." These funds screen companies to ensure that they have sound environmental practices such as: maintaining or improving the environment, industrial relations, racial equality, community involvement, education, training, healthcare and various other environmental criteria. Negative screens include but are not limited to: alcohol, gambling, tobacco, irresponsible marketing, armaments, pornography, and animal rights.*

Interest Rate Risk: *The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.*

Investment-grade Obligations: *An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.*

Liquidity: *An asset that can be converted easily and quickly into cash without a substantial loss of value.*

Local Government Investment Pool (LGIP): *An investment by local governments in which their money is pooled as a method for managing local funds.*

Mark-to-Market: *The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.*

Market Value: *Current market price of a security.*

Master Repurchase Agreement: *A written contract covering all future transactions between the parties to repurchase and reverse repurchase. Establishes each party's rights in the transaction.*

Maturity: *The date on which payment of a financial obligation is due. The final state maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.*

Money Market Mutual Fund: *Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, and federal funds).*

Mutual Fund: *An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the investment company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.*

National Association of Securities Dealers (NASD): *A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.*

Net Asset Value: *The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.*

No Load Fund: *A mutual fund which does not levy a sales charge on the purchase of its shares.*

Portfolio: *Collection of securities held by an investor.*

Primary Dealer: *A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight.*

Real Estate Investment Trust (REIT): *A company that buys, develops, manages and sells real estate assets. Allows participants to invest in a professionally managed portfolio of real-estate properties. The main function is to pass profits on to investors; business activities are generally restricted to generation of property rental income.*

Repurchase Agreement (Repo): *An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.*

Reverse Repurchase Agreement: *An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement of the first party to resell the securities at a specified price to the second party on demand or at a specified date.*

Rule 2a-7 of the Investment Company Act: *Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).*

Securities and Exchange Commission (SEC): *Agency created by Congress to protect investors in securities transactions by administering securities legislation.*

Total Return: *The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends Paid) + (Capital Gains) = Total Return*

Treasury Bills: *Short-term U.S. government non-interest-bearing debt securities with maturities of no longer than one year.*

Treasury Bonds: *Long-term U.S. government debt securities with maturities of more than ten years. Currently, the longest outstanding maturity is 30 years.*

Treasury Notes: *Intermediate U.S. government debt securities with maturities of two to ten years.*

Tri-party Repurchase Agreement: *In a "normal repurchase" transaction there are two parties, the buyer and the seller. A tri-party repurchase agreement adds a custodian as the third party to act as an impartial entity to the repurchase transaction to administer the agreement and to relieve the buyer and seller of many administrative details.*

Weighted Average Maturity (WAM): *The average maturity of all the securities that comprise a portfolio.*

Yield: *The current rate of return on an investment security. Generally expressed as a percentage of the security's current price.*

Yield Curve: *A graphical representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.*

Yield-to-Maturity: *The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.*

Zero-Coupon Securities: *A security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.*