

5. Investment Objectives, Asset Allocation, Risk Tolerance, Investment Strategy, Benchmarks, Liquidity, and Rebalancing.

Investment Objectives

5. Investment Objectives, **Risk Tolerance, Investment Strategy, Asset Allocation, Liquidity, and Rebalancing.**

The primary investment principle is to maintain the safety of GVR’s assets.

The secondary investment principle is to have invested operating cash and **Reserve Funds** available when needed by GVR’s operations without incurring an unwarranted loss of value or costs. The maturity horizon for each **Fund** shall be determined by each **Fund’s** purpose, use, and needs. The third investment principle is to achieve return on investments exceeding benchmarks, while meeting safety and liquidity principles.

Asset Allocations

TSpecifically, the target **Asset Allocations** and anticipated allocation ranges for each **Fund** are below:

A. Operating Cash Investment Account

| <u>Investment Type</u> | <u>Target</u> | <u>Range</u> |
|------------------------|---------------|--------------------|
| <u>Cash</u> | <u>40%</u> | <u>30% to 50%</u> |
| <u>Fixed Income</u> | <u>60%</u> | <u>40% to 70%</u> |
| <u>Equities</u> | <u>0%</u> | <u>Not Allowed</u> |

B. Initiatives Reserve Fund

| <u>Investment Type</u> | <u>Target</u> | <u>Range</u> |
|------------------------|---------------|--------------------|
| <u>Cash</u> | <u>10%</u> | <u>0% to 20%</u> |
| <u>Fixed Income</u> | <u>80%</u> | <u>80% to 100%</u> |
| <u>Equities</u> | <u>10%</u> | <u>5% to 20%</u> |

C. Maintenance Repair/Replace Reserve Fund

| <u>Investment Type</u> | <u>Target</u> | <u>Range</u> |
|------------------------|---------------|-------------------|
| <u>Cash</u> | <u>5%</u> | <u>0% to 10%</u> |
| <u>Fixed Income</u> | <u>70%</u> | <u>60% to 80%</u> |
| <u>Equities</u> | <u>25%</u> | <u>15% to 35%</u> |

D. Emergency Reserve Fund

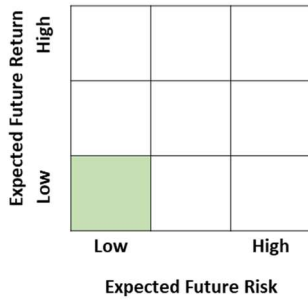
| <u>Investment Type</u> | <u>Target</u> | <u>Range</u> |
|------------------------|---------------|-------------------|
| <u>Cash</u> | <u>0%</u> | <u>0% to 15%</u> |
| <u>Fixed Income</u> | <u>30%</u> | <u>15% to 35%</u> |
| <u>Equities</u> | <u>70%</u> | <u>60% to 80%</u> |

Risk Tolerance

Risk tolerance for each investment fund is as follows:

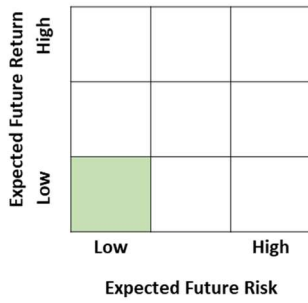
A. Operating Cash Investment Account:

Low Risk/Low Return



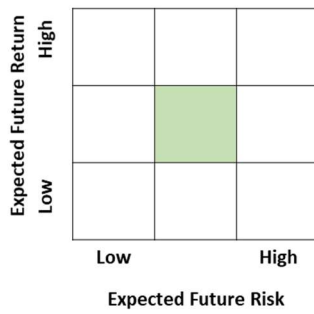
B. Initiatives Reserve Fund

Low Risk/Low Return



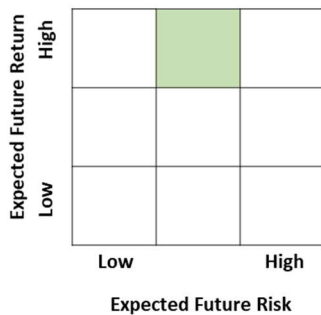
C. Maintenance Repair/Replace Reserve Fund

Medium Risk/Medium Return



D. Emergency Reserve Fund

High Return/Medium Risk



Investment Strategy

| Fund A (Initiatives Reserve Fund) | Target | Range |
|--|---------------|--------------|
| Equities | 10% | 5-20% |
| Fixed Income | 80% | 80-100% |
| Cash | 10% | 0-20% |

| Fund B (Maintenance Repair/Replace Reserve Fund) | Target | Range |
|---|---------------|--------------|
| Equities | 25% | 15-35% |
| Fixed Income | 70% | 65-75% |
| Cash | 5% | 0-10% |

| Fund C (Emergency Reserve Fund) | Target | Range |
|--|---------------|--------------|
| Equities | 70% | 60-80% |
| Fixed Income | 30% | 15-35% |
| Cash | 0% | 0-15% |

A specific **Risk Tolerance** to match the purpose and use of operating cash investments and each **Reserve Fund** shall be determined.

Within the constraints of the primary and secondary investment principles and **Risk Tolerance**, the following written Investment Strategies for operating cash investments and each Reserve Fund has been crafted and implemented to achieve the following, a written Investment Strategy for operating cash investments and each Reserve Fund shall be designed, constructed and implemented to achieve the following:

- a. Match the purpose and use of operating cash investments and each **Reserve Fund**.
- b. Provide a relatively predictable and growing stream of annual income and **Capital Appreciation** after inflation, taxes, if any, fees and costs while minimizing the impact of market Volatility.
- c. ~~Investments in any one single security shall not exceed \$500,000 of any Fund's assets.~~ Excluding Treasury securities, investments in any one security shall not exceed 10% of the value of a reserve fund.

Benchmarks

The following benchmarks will be utilized for the investment funds:

- Waiting for benchmark proposal from John Roberts of SBH for the three funds they manage
- Need to discuss benchmark requirement and reporting with JPM

A. Operating Cash Investment Account

The Benchmark for the Operating Cash Investment Account will be a blended benchmark as follows:

- a. 40% JP Morgan Prime Money Market Fund, VPMXX (a money market fund)
- b. 40% JP Morgan Managed Income Fund L, JMGIX (a bond mutual fund)
- c. 20% JP Morgan Floating Rate Income Fund, JPHSX (a bond mutual fund)

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

B. Initiatives Reserve Fund

The Benchmark for the Initiatives Reserve Fund will be a blended benchmark as follows:

- a. TBD
- b. TBD
- c. TBD

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

C. Maintenance Repair/Replace Reserve Fund

The Benchmark for the Initiatives Reserve Fund will be a blended benchmark as follows:

- a. TBD
- b. TBD
- c. TBD

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

D. Emergency Reserve Fund

The Benchmark for the Initiatives Reserve Fund will be a blended benchmark as follows:

- a. TBD
- b. TBD
- c. TBD

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

Liquidity

~~Liquidity of all investments shall be trade date plus two (2) business days ("T+2").~~

Maintaining sufficient liquidity to meet operational needs is one of GVR's key investment objectives. At each quarterly review of investments with the Investment Advisor, the IC will assess the liquidity position of each fund as to being within the ranges set forth in the asset allocation tables. Also, the IC will monitor the trends from these quarterly reports and determine whether a range adjustment is appropriate. If so, the IC will propose the recommended adjustment to the GVR Board of Directors for approval to revise the IPS.

Rebalancing

Portfolios shall be **Rebalanced** as appropriate but at least ~~annually~~quarterly.

~~Liquidity of all investments shall be trade date plus two (2) business days ("T+2").~~