

3/19/19

Investment Policy for The Collection AOUO

The Board of Directors ("Board") of **The Collection Association of Unit Owners** ("the Association"), acting in accordance with Hawaii Revised Statutes ("HRS"), Chapter 514B, as amended, the By-Laws of the Association, as amended, and the Declaration of Condominium Property Regime of The Collection, as amended, hereby adopts the following **Investment Policy**:

1. Purpose

This document sets forth the policies of the Board for investing the Association's reserve and operating funds and establishes procedures and guidelines for such investments.

2. Scope

This investment policy applies to Association's replacement reserve funds and the cash total of the operating funds.

3. Objectives

In order of priority, the objectives of the Association's investment program shall be:

- a. Safety: Preserve and protect the Association's reserve and operating funds against loss of principal, including diversification of investments.
- b. Liquidity: Be able to readily access funds to meet all operating requirements from the capital budget which are reasonably anticipated through portfolio liquidity and scheduling cash flows.
- c. Yield: Seek a prudent market rate of return on investments taking into account the primary objectives of safety and liquidity.

4. Ethics and Conflict of Interest

The Board shall exercise their powers and duties in good faith and with a view to the interests of the Association and consistent with the purposes set forth in the Association's Bylaws. All Board, Budget & Finance Committee members, managing agents, and Association employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and impartiality of the investment program. The Board, Budget & Finance Committee members, managing agents, and Association employees shall disclose to the Board any relationships or material interests in financial institutions that conduct business or may be under consideration to conduct business with the Association and they shall further disclose any significant personal financial/investment positions that could be related to the performance of the portfolio. Disclosures shall be kept on file at the Collection Management Office.

5. Strategy

- a. To the extent feasible, maturities of all investments should be matched to projected future cash flow needs and outlay requirements. Investments shall be made in instruments of varying terms which provide a high degree of liquidity and which meet the projected cash flow needs.
- b. To reduce overall portfolio risk while attempting to attain market rates of return consistent with the primary objectives of safety and liquidity, diversification of investment shall be encouraged across types of investments, maturities of those investments, and institutions in which those investments are made.

- c. The Association's investment portfolio will be designed to obtain an optimum rate of return given the limitations of the authorized investments, and in a manner consistent with the above Objectives and Strategy.

6. Authorized Investments

In accordance with HRS §514B-149 and the Association's Bylaws (6.20.2), all Association funds shall be invested only in:

- a. Demand deposits (e.g. checking, savings, and money market accounts);
- b. Investment certificates;
- c. Certificates of Deposit (fully insured by the FDIC);
- d. Obligations of the U.S. government, the State of Hawaii, or their respective agencies (e.g. Treasury bills, Hawaii GO bonds); or
- e. Mutual funds comprised solely of investments in the obligations of the U.S. government, the State of Hawaii, or their respective agencies.

The Association will not invest in securities maturing more than ten (10) years from the date of purchase.

7. Review and Control

- a. All investments will be purchased and held in the name of The Collection AOOU.
- b. The authorization of two Association officers from among the Board President, Treasurer, and Vice-President, is required for withdrawals or transfers of reserve funds.
- c. The Board will approve the selection of a certified and qualified financial advisor to manage Association investments.
- d. At least quarterly, the Board will review investment performance and financial statements and make adjustments as needed to ensure the Objectives are being met. Monthly reporting of investment performance will be provided.
- e. Annually, the Board will review the reserve schedule for the upcoming year and set aside funds required for expected expenditures, plus a twenty-five (25) percent cushion.
- f. The Board must approve any investments with greater than one (1) year maturity and disclose all such investments to owners at the Annual Meeting. (HRS §514B-149).
- g. This Investment Policy shall be reviewed annually by the Board through its Budget & Finance Committee.

8. Safekeeping and Custody

The Board of Directors, primarily through the Treasurer and with assistance from the Budget & Finance Committee, is responsible for ensuring that the investment portfolio is monitored and properly accounted for. In so doing, they may delegate, work with and rely on reports generated by the managing agent or financial advisor retained to manage investments.

Adopted by the Board of Directors of The Collection AOOU at its meeting of March 28, 2019.

Weki-Kay Wong

Board President

4/1/2019

Date

Frederic Funder

Treasurer

4/1/2019

Date