

# APPENDIX A

## Pokagon Band of Potawatomi Indians



**September 2, 2015**

### **Investment Policy Statement**

This Investment Policy shall govern the following portfolios:  
Government Reserve, Grant Reserve, Building Maintenance Reserve,  
Burial, Economic Development and Minors Trust.

# Pokagon Band of Potawatomi Investment Policy Statement

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## **I. Purpose of this Investment Policy Statement**

A. This Investment Policy Statement (IPS) is set forth by the Pokagon Band Finance Board in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the Pokagon Band's investment goals, objectives, and philosophy.
3. Offer guidance and limitations to all investment managers regarding the investment of assets.
4. Establish a basis for evaluating investment results.

## **II. Introduction**

A. The Pokagon Band of Potawatomi Indians is a federally-recognized Tribe located principally in Southern Michigan and Northern Indiana with administrative offices at 58260 Sink Road Dowagiac, Michigan.

B. This IPS is intended to cover the investments in the following portfolios: Minors Trust, Government Reserve, Grant Reserve, Building Maintenance Reserve, Burial Fund, Economic Development Fund.

C. Type of Client: Federally recognized Native American Tribe.

D. Tax Status: Tax Exempt (Federal and State).

E. Time Horizon: Long Term (More Than 5 years).

F. Investment Objective Income. Growth/Income

G. Return Expectations: Exceed benchmark after expenses.

H. Governing Entity: Pokagon Finance Board.

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### **III. Duties and Responsibilities**

#### **A. Finance Board**

1. The Pokagon Finance Board (“Board”) is responsible for administrative oversight regarding the investment of Pokagon Band assets.
2. The Board has the responsibility to act honestly and in good faith with a view to the best interest of the Pokagon Band.
3. Exercise the care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances.
4. The Board shall approve, monitor, and review the Pokagon Band Investment Policy Statement.
5. Monitor portfolio performance on a quarterly basis.
6. Monitor the Investment Manager(s).
7. Select, engage or dismiss Investment Manager(s), Investment Advisor and Custodian.
8. Formulate specialized instructions and mandates for each Investment Manager. These instructions and mandates will be Consistent with the provisions of this Investment Policy Statement.

#### **B. Investment Advisor**

1. Provide the Finance Board with recommended investment policy statements and/or specialized Investment Manager instructions and mandates as necessary.
2. On an annual basis or as appropriate, provide the Board with advice on the advisability of re-approving or amending the Pokagon Investment Policy Statement as well as any specialized instructions and mandates provided to the Investment Managers.

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3. Monitor asset allocation and provide recommendations to the Board with respect to rebalancing assets among investment Managers and/or assets classes.
4. Provide administrative assistance with respect to moving assets between Investment Managers as well as the receipt or disbursement of monies to/from the portfolio and act as a liaison between The Pokagon Band and the Investment Managers and/or Custodian.
5. Provide regular performance reports as well as economic and capital market updates to the Finance Board.
6. Provide information and advice to the Finance Board with respect to developments that might affect the Investment Manager(s) performance, risk characteristics and service capabilities.
7. Negotiate investment management and/or custodian fees on behalf of the Pokagon Band.
8. Meet with the Finance Board on a regular basis, as determined by the Board's requirements.
9. Meet with Finance Director as needed to facilitate communication with the respect to the manager(s) and portfolio(s).
10. Periodically check with Investment Manager(s), between quarterly reviews, as to portfolio changes and updates.

C. Investment Manager(s)

1. Has full discretion based on IPS for assets under management.
2. Has the authority to vote all proxies and, in exercising this authority, act prudently and solely in the interest of the Pokagon Band.
3. Provide quarterly investment reports to the Finance Board.
4. Provide advice and counsel when called upon to do so by the Finance Board.
5. Exercise the care, skill and diligence that can reasonably be expected of a prudent person.

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6. Follow instructions regarding any pledge or other type of arrangements.
7. Provide to Finance Board annual capital market projections, investment outlook, and portfolio strategy recommendations.

#### D. Custodian(s)

1. Provide safekeeping for Investment assets.
2. Process transactions as directed by the Investment Manager(s)
3. Collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities.
4. Provide adequate communication to all parties involved (Finance Board, Finance Director, Investment Advisor, Trustee, Investment Manager(s).
5. Deposit funds and pay expenses as directed by the Pokagon Band.
6. Maintain a record of all transactions.
7. Provide regular reports to the Pokagon Band.
8. Provide the Investment Manager(s) and other agents of the Pokagon Band with information required to fulfill their duties, or as directed by the Pokagon Band.
9. Provide applicable information as may be requested by Auditors.

## **IV. Statement of Objectives and Philosophy**

A .The Investment Objectives of the Pokagon Finance Board are:

1. Preserve Capital.
2. Strive for consistent returns.
3. Exceed blended benchmark.
4. Focus on a total return with emphasis on growth and to a lesser extent income. i.e. Growth/Income Objective.
5. Avoid unnecessary security risk and volatility.

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B. The Investment philosophy of the Pokagon Band is to focus on a growth/income approach to the investment management of its funds. Transparency of each security is extremely important and the use of publically traded stocks, bonds, cash, and alternative investments are the accepted investment vehicles.

## **V. Investment Guidelines**

### **A. Asset Allocation Framework**

1. The Finance Board recognizes that the strategic allocation of assets across broadly defined financial asset and sub-asset categories with varying degrees of risk, return and return correlation will be the most significant determinant of long-term investment returns and asset value stability.
2. The Finance Board expects that actual returns and volatility may vary from expectations for short periods of time. While the Finance Board wishes to retain flexibility with respect to making periodic changes to the asset allocation, it expects to do so only in the event of material changes to capital market and economic forecasts.
3. Assets will be managed as a growth/income portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of equity investments will be to maximize long-term real growth of assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a volatile equity market.

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4. Cash investments will, under normal circumstances, only be considered as a temporary holding and will be used for liquidity needs or to facilitate a planned program of dollar-cost averaging into investments in either both of the equity and fixed income asset classes. Cash may also be used by the Investment Manager to reduce risk if the capital market and economic outlook reflects increased market value risk.
  
5. Outlined below are the asset allocation guidelines, determined by the Finance Board to be the most appropriate, given the long-term objective.

**Asset Allocation Guidelines**

<u>Asset Class</u>	<u>Sub-Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>
Equity	U.S. Non-U.S.	60% 50% 10%	40-70%
Fixed Income	Investment Grade Below Investment Grade	40% 35% 5%	20-50%
Alternatives	Real Estate, Market Neutral Funds, Long Short Funds, Absolute Return Funds, Commodities	0%	0-15%
Cash	Money Market Funds	0%	0-30%

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6. While there is not a specific target allocation for alternative investments within this policy, these securities may be used for investment purposes but should not comprise more than 15% of total portfolio assets. All alternative assets must be publically traded.
7. The Investment Manager is expected to tactically over or under weight asset classes within the portfolio should capital market and economic forecasts change to either produce opportunity or reduce risk.

## B. Diversification Policy

1. Diversification across and within asset classes is the primary means by which the Finance Board 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 Investment Manager shall take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:
  - a) No individual security shall represent more than 5% of total portfolio assets (see exception below).
  - b) With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total assets.
  - c) With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher). Mutual funds are permitted below investment grade but limited to 5% of portfolio.

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2. The Finance Board retains the option to select an Investment Manager that manages to a specific asset class and in that case the Finance Board is charged with maintaining the overall portfolio investment objective of growth & income.

### C. Prohibited Securities

Without the prior written approval of the Finance Board, the Investment Manager shall not invest the assets of the portfolio in the following securities:

1. Venture capital.
2. Commodities, except through mutual funds or exchange-traded funds.
3. Precious metals or gems.
4. International securities, except through ADRs, mutual funds or exchange-traded funds.
5. Real estate, except through mutual funds or exchange-traded funds.
6. Short sales.
7. Private placements.
8. Puts, calls, straddles or other option strategies, with the exception of covered call writing.
9. Non-publically traded security.

### D. Liquidity Requirements

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet liquidity requirements, the Finance Board will periodically provide the appropriate parties with an estimate of expected cash requirements. The Board will notify the appropriate parties in a timely manner to allow sufficient time to build up necessary liquid reserves.

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## **VI. Monitoring Portfolio Performance**

The Finance Board will monitor the investment performance against the stated investment objectives on a calendar quarter basis.

A. The portfolio's composite investment performance (net of fees) will be judged against a composite benchmark consisting of the following unmanaged blended market indexes weighted according to expected target asset allocations stipulated by this Investment Policy Statement.

1. U.S. Equity (Russell 3000 Index (50%))
2. Non-U.S. Equity (MSCI all World Ex U.S. Index (10%))
3. Investment Grade Fixed Income: (Barclays Capital U.S. Aggregate Bond Index (40%))

B. Specific Asset Class Managers Evaluations Criteria:

Benchmark indices used for evaluating separately managed accounts and mutual fund performance, include the following:

- Large Cap Equity Funds: **(S&P 500 Index)**
- Mid Cap Equity Funds: **(S&P 400 Index)**
- Small Cap Equity Funds: **(Russell 2000 Index)**
- International Equity Funds: **(MSCI All World Ex-U.S. Index)**
- Emerging Market Equity Funds: **(MSCI Emerging Markets Index)**
- Domestic Bond Funds: **(Barclay's Intermediate Gov't/Corp Index and Barclay's Aggregated Bond Index)**
- International Bond Funds: **(Barclay's Intermediate Global Index)**

C. If the Finance Board selects a manager to manage funds to a specific asset class, that manager is charged with exceeding its respective index as listed above. This performance should be net of fees.

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## **VII . Approval**

This investment policy statement supersedes all previously executed documents.

Approved and adopted this 2nd day of September, 2015 by the Pokagon Band Finance Board.

\_\_\_\_\_ Eugene Magnuson \_\_\_\_\_ Chairman

\_\_\_\_\_ Robert J. Moody, Jr. \_\_\_\_\_ Secretary

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