

Whitney Oaks Community Association  
Investment Policy Statement (IPS)  
December 27, 2012

I. Overview:

The Whitney Oaks Community Association Board of Directors (Directors) recognizes their fiduciary responsibility to manage the reserve assets in a prudent matter. Accordingly, the Directors have set forth an investment strategy, security selection criteria, and control and review procedures to pursue the stated objectives and goals.

The policy is based on the historic rates for bonds, money market instruments, equities, inflation for consumers and building costs. The Directors expect that over longer periods of time the strategy will produce results consistent with history and therefore meet the reserve fund's specific goals.

II. Goals & Objectives:

The Whitney Oaks Community Association capital replacement reserve assets shall be invested in an effort to achieve the following prioritized objectives:

- Maintain liquidity in the portfolio and to assure availability of assets for reserve analysis anticipated needs of distribution.
- Achieve year over year investment performance that either exceeds the Consumer Price Index (CPI) by 1-3% and/or its respective bench mark (Approved by the Board) whichever is greater net after all fees and net after tax liability. Additionally, the Directors recognize that CPI does not always reflect the inflation of building supplies and costs and may be more or less to the inflation of building supplies and costs.
- To maximize total portfolio return that includes dividends and capital appreciation within the risk level of "Income" as defined by Morningstar. This risk level is partially defined as a portfolio that holds no greater than 20% growth allocation with the balance focused on income and capital preservation.
- All positions are monitored to a maximum loss tolerance of 6% from its most recent high share price. The loss tolerance is defined as a point any position declines since its most recent high equal to or greater than 6% at which time the positions will be entirely sold from the portfolio as reasonably determined by the portfolio manager.
- The portfolio is invested in publicly traded securities with high liquidity that includes but is not limited to individual bonds and stocks, Exchange Traded Funds (ETF), and mutual funds. In addition, the portfolio can purchase Certificates of Deposits, money market fund, and other forms of cash equivalents

- Considerations and standards used to support decision-making regarding selection and monitoring of Plan's investment options may be both qualitative and quantitative in nature. Broadly defined, these include, but are not limited to, the following:
  - ❖ Comparative performance within investment style classification
  - ❖ Risk assessment, adjustment and measurement
  - ❖ Competitive fees associated with investment management, fund operations and administration
  - ❖ Fund portfolio management style and manager tenure
  - ❖ Business reputation and a position in good standing with regulators
  - ❖ Lack of material pending legal issues or concluded legal actions
  - ❖ Oversight policies of fund investment advisors and fund boards (directors or trustees)
- Additional considerations may include such factors as general economic and financial market conditions and trends, overall diversification of the investment program, and/or the financial needs of the Association.

### III. Investment Strategy:

To develop an investment portfolio within the Income category risk level that meets all of the parameters listed in Section II. The portfolio investment selection and management is based on the following priorities in order of importance:

- Income
- Capital Preservation
- Capital Appreciation

The committee recognizes that to maintain the portfolio's total return net after fees and tax liabilities that meets or exceeds the CPI and/or its benchmark (whichever is greater) the portfolio may fluctuate in value on a day to day basis. The committee expects the portfolio manager to strictly monitor each position to the Loss Tolerance provision defined in Section II.

### IV. Review, Reporting and Control

- The Finance Committee of the Whitney Oaks Community Association shall review on a monthly basis the investments of the association, advise the Board of Directors regarding the quality and performance of the investments, and provide a recommendation regarding the status of those investments. The performance of the investments will be documented in Finance Committee monthly meeting minutes.
- Portfolio Manager will provide Monthly statements of the Whitney Oaks Community Association reserve investments including detailed accounting of current values, income

and transactions will be delivered to the manager and all other designated parties as assigned by the WOCA Board of Directors. Customized, analytical reports will be available upon request.

- Portfolio Manager to meet with the Finance Committee quarterly to review the holdings, performance net after expenses, and outline of expenses. During same meeting, the Portfolio Manager provides a review of prior strategy and proposed investment forecast and strategy for near term (1 – 3 months) and mid-term (3 – 12 months). At a minimum the Finance Committee will meet with the Board annually to ensure the continued relevance of the IPS guidelines, objectives, and markets expectations
- Portfolio Manager will review each holdings to ensure they stay within the Loss Tolerance limit.

Approved by the Whitney Oaks Community Association Board of Directors during an Open Meeting on January 2, 2013.

Attested by:   
Rick Jordan  
Whitney Oaks Community Association, BOD President

Date: 1/2/13

Attested by:   
Bob Jones  
Whitney Oaks Community Association, BOD Secretary

Date: 1/2/13

NOT TO BE USED FOR TRANSFER OR RESALE