

Approved April 25, 2017

Oakland Hills Portage Condo Association

Investment Guidelines

The Board of Directors of the Oakland Hills Portage Condo Association (OH) has approved the investment of the Reserve Fund to be managed by Ken Lampos from Raymond James. The goal of investment is to modestly grow the account value over the long term to outpace savings rates and inflation. With dual objectives of both moderate growth and capital preservation, the overall investment return goal is expected to be in the 3-5 percent range annually over the long term. The OH Board of Directors has approved a strategy which involves three different accounts described below. For communication purposes, OH Investment Representatives from the Board will be Board President, Board Treasurer and/or the chair or representative from the Finance Committee. Any change in the philosophy described below must be approved by the OH Board of Directors.

Raymond James - Ken Lampos  
125 S. Kalamazoo Mall, Ste. 201  
Kalamazoo, MI 49007  
269-3349-7744/800-842-0099

Raymond James will manage three separate accounts for OH. Two accounts are investment portfolios and the other is a money market account.

Account I

60% of the investable assets will be invested in Account I. Investments will primarily consist of investment grade or guaranteed individual fixed income, laddered over a period of time. Investments include, but are not limited to corporate or government bonds, CD's, preferred stocks and fixed annuities. Preferred stocks may not exceed 20 % of Account I's account value. Account I will be commissioned based.

Account II

40% of the investable assets will be invested in Account II. Mutual funds are the product of choice. The ideal allocation for Account II is 60% equities and 40% fixed income providing broad diversification. Account II will be a fee-based account.

Account III - Money Market Account

**Investment Definitions**

- A. Equity Investments - Equity investments shall be diversified in mutual funds, with the intent to minimize the risk of large losses to the invested assets. Consequently, the total portfolio will be constructed and maintained to provide prudent diversifications with regard to the concentration of holdings in individual issues, corporations or industries. Funds will include both domestic and foreign.
- B. Fixed Income – Fixed income investments may be invested across both investment grade and non-investment grade bonds. The vast majority of these investments should provide investment grade and prudent diversification across different industries.
- C. Mutual Funds – Mutual funds shall be the investment vehicle of choice for both equities and fixed income securities. Dividends and interest will be reinvested.
- D. Individual Securities – The purchase of individual equity securities is prohibited unless unanimously approved by the Board of Directors. Individual equity securities greatly increase volatility and risk without proper diversification and investment experience.

Approved April 25, 2017

## **Asset Allocation**

- A. The Board believes it is prudent to diversify the investment throughout the capital markets in order to minimize the risk of large losses.
- B. Asset Classes – Asset classes are held for the following reasons:
  - a. Equities - Superior long-term return
  - b. Bonds – Source of income; liquidity; deflation hedge
  - c. Foreign Equities – Provide diversification and reduction of market volatility.
  - d. Cash - To provide liquidity needs.
- C. Any change in asset allocation between and within funds of greater than 10% should result in immediate rebalancing by Raymond James.
- D. When a rebalance is required, withdrawal of funds from the asset class above their maximum allocations will be invested in at the asset class that is the most under weighted. Rebalancing will be done within the same mutual funds family when appropriate to save on costs. OH Investment representatives will be informed prior to moving any funds.

## **Responsibilities and Review Process**

### **1. Board of Directors**

- Approve OH Investment Guidelines and all subsequent changes.
- Authorize all withdrawals from the RJ investment accounts, i.e. expenditures for Long Term Capital Replacements Reserve.

### **2. OH Investment Representatives**

Review monthly the RJ investment fund statements and GMC reports related to the LT Capital Reserve account.

- Quarterly, review with Board, via email or Board meeting, the status of Reserve funds invested in our RJ accounts.
- Approve additions and transfers within the established guidelines

### **3. GMC**

- Transfer portion of Association Dues budgeted for the Reserve, to the RJ accounts as instructed by the Board.
- Maintain \$50,000 minimum of the total Reserve cash in a GMC controlled Cash account.

### **4. Ken Lamos Financial Advisor (RJ)**

- Manage OH Reserve investments within Board approved OH Investment Fund Guidelines, including required re-balancing.
- Based on Board approval, transfer funds required for LT Capital expenditures planned for the next 12 months to the RJ money market account. Also, 30 days prior to payment, transfer needed cash to our GMC disbursement account.
- Ensure all OH funds are invested and held in separate RJ accounts and not comingled with any other investors' accounts.
- Request approval of transfers and additions within the established guidelines via an email or contact with the Board President who will gain consensus approval from the established representatives: President, Board Treasurer and Finance Committee Chair or Representative.
- At least once each year, provide to the OH Board a summary report of the investment activities and the current status of our Reserve funds in the RJ investment accounts.