ANTHEM PARKSIDE COMMUNITY ASSOCIATION
INVESTMENT POLICY

STATEMENT OF PURPOSE

This policy is to be used for purposes which the Anthem Parkside Community Association (APCA) Board deems beneficial to the general good and welfare of Anthem. This investment policy statement describes the investment objectives of the APCA, establishes investment principles and creates guidelines for evaluating investment decisions. This document also establishes guidelines for communication between the APCA Board, the Financial Advisory Committee, Management Company, financial advisors and managers assigned to manage assets of the APCA.

STATEMENT OF RESPONSIBILITY

The APCA Board of Directors serve as the fiduciaries on all of the assets listed in this investment policy statement. The Financial Advisory Committee on behalf of the Board serves as the money manager on all of the assets listed in this investment policy statement. All Financial Advisory Committee considerations and decisions shall be for the sole benefit of APCA and are in accordance with the "Prudent Investor" rule as follows:

> Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere, exercising judgment and care, under the circumstances prevailing, considering the needs of both income and preservation of capital.

The Financial Advisory Committee will consist solely of members in good standing with the APCA. Their responsibilities include the following:

- Selecting investment managers;
- Establishing guidelines for investment managers;
- Monitoring the performance of investment managers; and
- Reporting, at least annually, to the Board of Directors.

Members of the Financial Advisory Committee are expected to change periodically. The APCA Board will provide an accurate listing of the Financial Advisory Committee members upon request.

INVESTMENT GOALS AND OBJECTIVES

Preservation of capital and current income are the primary objectives. The asset value of the fund, exclusive of contributions or withdrawals, should grow in the long run and earn, through approved investments, a rate of return at least consistent with the appropriate market index.

To develop, implement and monitor prudent investment management of capital market assets in order to secure, over time, inflation and risk adjusted, acceptable total rates of return for the individual asset classes authorized for investment. The target asset allocation will be a blend of fixed income and cash investments as defined by the Investment Guidelines.

INVESTMENT GUIDELINES

Acceptable Investments

- Cash and Cash Equivalents: Acceptable investments are U.S. Treasury Bills, money market funds and FDIC covered certificates of deposit. The certificates of deposit are not to exceed 100% of the current FDIC insured amount per issuer and/or the guaranteed amount. These investments are to provide income, liquidity for expense payments, and preservation of the portfolio's principal value.

- Fixed Income: Acceptable investments are U.S. Government, U.S. Government Agency fixed income securities, or other investment high grade securities. These investments are to preserve the portfolio's principal value and provide income.

PERFORMANCE REVIEW AND EVALUATION

To ensure continued compliance with the objectives of this investment policy statement, periodic reviews of the plan's investment options will be conducted on at least a quarterly basis. The results of the review and the evaluative material used in the review process will become part of the records maintained by the plan fiduciaries conducting the review. The documents will include reasons for investment selection and advisor reviews.

- Performance results for investment manager(s) will be measured on a quarterly, semi-annual, and annual basis.

- Total portfolio performance will be measured against a benchmark composed of commonly accepted indices weighted to match the long term asset allocation policy of the investment plan.

- Investment performance of each asset class will be measured against commonly Accepted benchmarks both in terms of risk and return to match the long term asset allocation policy of the investment plan.

Appropriate & Acceptable Benchmarks

Benchmarks		
Asset Class	Primary	Secondary
Cash and Short Term Bonds	Treasury Bill	bankrate.com AZ rates
Fixed Income	Treasure Note or Treasury Bond with matching maturity	bankrate.com AZ rates

LIQUIDITY OF FUNDS

The Reserve Fund is designed to meet short and long-term obligations of the APCA. The investment portfolio shall remain sufficiently liquid to meet all reserve requirements that may be reasonably anticipated. To ensure that adequate funds are available to pay the APCA projected financial obligations; investments shall be made that reasonably match the anticipated cash disbursements of the APCA, as planned for in the Reserve Study.

At times, unexpected expenses may result in early liquidation of an investment. If the liquidation will incur a loss or result in a surrender fee the investment with the shortest term and/or loss should be selected.

COMMUNICATION

Communication is an integral part of the management process. This section addresses the need for regular and continued communication between the Board of Directors of the APCA, Financial Advisory Committee, Management Company, and any investment managers or advisors. It establishes the reporting requirements and the frequency of review meetings.

Advisors Communication with APCA:

- Statements – Monthly statements showing transactions, cost and market values.
- Online Client Viewing - wherein a limited audience is designated to view through specific password access.
- Quarterly performance reviews.
- Annual meeting to discuss performance and allocations.
- Review past investment performance, evaluate the current investment outlook, and discuss investment strategy.
- Provide information regarding adherence to the investment policy.

Communication between the Financial Advisory Committee, Management Company and Outside Financial Advisors

- On a timely basis, Financial Advisory Committee should provide information regarding material changes in the APCA financial situation that may have an effect on investment policy.
- The APCA Board of Directors shall designate the individual(s) who are authorized to communicate with, and/or transact business with the Investment Advisor(s). Investment decisions should be reviewed and approved by at least the APCA President, or Treasurer, or in their absence, the Board designated individual from the Financial Advisory Committee. Full copies of monthly and/or quarterly investment portfolio composition shall be made available to the Financial Advisory Committee.
- Review and discuss any modifications and changes to the investment objectives, goals, and guidelines.
- Any other matters which may bear upon the investment of the assets.

DUE DILIGENCE WITH INVESTMENT ADVISORS

Prudent due diligence should be performed on any investment advisor who is considered as a business partner to the APCA. This should include, at a minimum (a) a careful reading of all customer agreement documents relative to the rights, restrictions of use and security of the funds which will be invested by the APCA with the Investment Advisor's organization; (b) a statement from the investment advisor's organization, signed by an authorized party which specifically states that the investment organization cannot, under any circumstances, borrow or deploy customer funds, or pledge customer funds, and that customer funds are kept segregated from the investment organizations' funds; and (c) appropriate verification of the credentials of the investment advisor(s) who will be managing the funds of the APCA.

GLOSSARY

Basis Point - 100 Basis Points = 1%

CPI/Consumer Price Index: Consumer prices of a fixed basket of good bought by a typical consumer.

Fiduciary Indicates: The relationship of trust and confidence where one person (the fiduciary) holds or controls property for the benefit of another person (i.e. the relationship between a trustee and the beneficiaries of the trust). Any person who (1) exercises any discretionary authority or control over the management of a plan or the management or disposition of its assets, (2) renders investment advice for a fee or other compensation with respect to the funds or property of a plan, or has the authority to do so, or (3) has any discretionary authority or responsibility in the administration of a plan.

Geometric Return: A method of calculating returns which links portfolio results on a quarterly or monthly basis. Suppose a $100 portfolio returned +25% in the first quarter (ending value is $125) but lost 20% in the second quarter (ending value is $100). Over the two quarters the return was 0% - this is the geometric return. However, the Arithmetic Return calculation would simply average the two returns: (+25%) (.5) + (-20%) (.5) = +2.5%.

High Grade Investments: Are investment vehicles which have a minimum rating of: Moody's Rating of Aa or above; or a Standard & Poor's Rating of A or above; or a Fitch Rating of AA or above.

Intermediate Bond: Fixed income funds of investment grade securities that have duration of more than 3.5 but less than 6.0 years or an average effective maturity of more than 4.5 but less than 7.0 years.

Modern Portfolio Theory (MPT): Essential to portfolio theory is the relationship between risk and return and the assumption that investors must be compensated for assuming risk. This portfolio approach shifts emphasis from analyzing the characteristics of individual investments to determining the statistical relationships among the individual securities that comprise the overall portfolio.

Risk Free Rate of Return: The return on 90 day Treasury bills. This is used as a proxy for no risk due to its US Government issuance and short-term maturity. The term is really a misnomer since nothing is free of risk. It is utilized since certain economic models require a “risk free” point of departure.

Short Bond Fixed: Income funds of investment grade securities that have duration of more than 1.0 but less than 3.5 years or an average effective maturity of more than 1.0 but less than 4.0 years.

Systematic Risk Attributable to common macroeconomic factors and sometimes referred to as market risk. It is the part of a security's total risk that is related to movements in the market portfolio and therefore cannot be diversified away.

Unsystematic Risk: A risk pertaining to one element in a large environment or system. The risk of one stock is unsystematic, while the risk of the entire market of which it is an element is systematic. See Systematic Risk.