

## **Town of Brunswick Trust Funds**

85 Union St.  
Brunswick, ME 04011

### ***Trust Fund Advisory Committee Investment Policy Statement***

#### ***Statement of Purpose***

The purpose of this Investment Policy Statement (IPS) is to assist the Trust Fund Advisory Committee (the Committee) for the Town of Brunswick Trust Funds in effectively supervising and monitoring its investment activities. This IPS will also provide guidance to the Investment Advisor employed to manage assets on behalf of the Town of Brunswick Trust Funds. This statement shall be reviewed annually to ensure that it continues to reflect the appropriate expectations, goals and objectives for the Trust Funds.

#### ***Responsibility***

Under the Resolution adopted by the Brunswick Town Council on December 19, 1994, the Committee has responsibility for reviewing the Trust Funds investments and making recommendations to the Town Council and Town Treasurer. The Committee is authorized to establish investment objectives and make Trust management recommendations in accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

The Chairman of the Town Council Trustees and Town Treasurer are authorized to execute agreements and delegate the authority for selecting individual investments and portfolio construction of the investment portfolio to an Investment Advisor.

The Investment Advisor will have full discretion of the investment selection and portfolio construction subject to the limits and constraints outlined in this Investment Policy Statement.

#### ***Investment Objective***

The overall investment objective for the Trust Fund Portfolio (the Portfolio) is to support the defined mission of existing and hereafter acquired Trust Funds. The Portfolio should endeavor to provide a total return that is stable enough to predictably support the short-term funding objections, while also growing the principle with the goal of protecting the purchasing power of the assets in the long term. Outside of funding near term objectives, the time horizon for the Portfolio is long-term given the perpetual nature of the underlying Trust Funds. The Portfolio should be managed for consistent long-term appreciation and not short-term performance. Dividend and interest income will comprise an important part of the total return realized on the portfolio over time. It is expected that the Investment Advisor will maintain well-diversified equity and fixed income portfolios, comprised of cost-efficient, liquid marketable securities.

#### ***ESG Integration***

Consistent with achieving the investment objectives set forth herein, the Trust Fund Portfolio investment policy will be implemented with environmental, social and governance factors as compulsory components of portfolio construction. All non-government stocks, bonds, ETF's, or mutual funds held in the Portfolio should be screened for high ESG scores. Actively managed ETF's and Mutual funds should have well-articulated ESG guidelines integrated into the selection process. Passive ETF and mutual funds should have an ESG screened index as their primary benchmark.

#### ***Investment Policy***

To achieve the investment objectives, the Trust Funds must have a long-term investment horizon. The Trust Funds shall be allocated across several investment classes to provide diversification. The Portfolio should

be balanced between equities having long-term growth potential and fixed income securities, which provide current income. To achieve this objective, the Investment Advisor may invest in the primary asset classes defined below and alter the asset allocation within the specified ranges in the table below:

### **Target Asset Allocation Table**

<u>Asset Class</u>	<u>Minimum Allocation</u>	<u>Target Allocation</u>	<u>Maximum Allocation</u>	<u>Representative Index</u>
Equities	65%	75%	85%	80% Russell 3000 ESG Enhanced Target Exposure Index /20% MSCI ACWI x USA Selection Index
Fixed Income	15%	20%	30%	Barclays US Aggregate Index
Cash	0%	5%	10%	U.S. 30 Day T-bill

The Investment Advisor is advised to make recommendations to the Committee if such asset allocation ranges seem contrary to the long-term objective of the portfolio or impede the implementation of the investment strategy. In addition, the Investment Advisor shall retain discretion of the need to rebalance an asset class whenever the class maximum is exceeded.

### ***Investment Constraints***

#### **Equities (Stocks):**

The Equity portion of the portfolio will consist of liquid securities that are listed on domestic exchanges or actively traded in the over-the-counter market. These securities will include individual equity securities as well as investments in Mutual Funds and Exchanged Traded Funds (ETF's), or similar pooled investments, provided these securities have sufficient liquidity to be converted to cash within a 3-day settlement period.

It is expected that the equity allocation of the portfolio will be diversified across market capitalization geographies and economic sectors. Equity portfolios should allocate across large, mid and small – capitalization companies. Companies with a market capitalization of less than \$10 billion should not exceed 30% of the equity allocation. Investments in equity securities of companies domiciled outside of the US, in total, may not exceed 35% of the equity allocation of the portfolio. Emerging market equities should not exceed 10% of the target equity allocation. Given the above parameters, the table below summarizes the broad parameters of the Equity Portfolio sub-asset class baseline positioning and allowable ranges:

<b>Equity</b>	<b>Baseline</b>	<b>Range</b>
U.S. Large Cap	65%	45-85%
U.S. Mid Cap/Small Cap	15%	0-30%
International Developed	15%	0-25%
Emerging Markets	5%	0-10%
Liquid Alternatives	0%	0-10%

### Fixed Income (Bonds):

Given the small size of the Portfolio is expected that the allocation to Fixed Income will be implemented with a diversified mix of low cost, liquid mutual funds and ETF's. The Fixed Income portfolio should be diversified by market sector, maturity, credit quality. Underlying bonds should be limited to U.S. issuers.

Except for US Treasury and government agency securities, all individual issuer fixed income securities must be rated "BBB" or better by one of the nationally recognized rating agencies at the time of the purchase. Portfolio exposure to High yield bonds (those rated below BBB) will only be allowed through diversified mutual fund or exchange traded funds (ETF's) and should not exceed 15% of the fixed income portfolio. Given the above parameters, the table below summarizes the broad parameters of the Fixed Income Portfolio sub-asset class baseline positioning and allowable ranges:

Fixed Income	Baseline	Range
U.S. Investment Grade	92.5%	70-100%
U.S. High Yield	7.5%	0-15%
International	0%	0-10%
Emerging Market	0%	0-5%
Liquid Alternatives	0%	0-10%

### Cash and Equivalents:

It is expected that the primary cash allocation in the Portfolio will be implemented via a high quality, liquid money market mutual fund in compliance with SEC Rule 2a-7. Utilizing the Certificate of Deposit Registry Service (CDARS) would be allowed for a portion of the cash position. Certificates of deposit for a single lending institution would be considered up to the FDIC insured limit only after consultation with the Committee.

### Illiquid Assets:

Investments that are not traded on a public exchange, are limited in the ability to trade or convert to cash within a three-day period, or do not have an observable daily market value will be considered an illiquid asset. Examples of such investment vehicles would include Private Equity partnership interests, non-marketable hedge-funds, absolute return fund of funds, direct real estate holdings, venture capital, or private promissory notes. Any investment in illiquid assets should be approved by the Committee in writing and should not exceed 5% of the total portfolio value at the time of purchase.

### ***Leverage and Derivatives***

The use of leverage is expressly prohibited. The use of any options, futures, and/or forwards on stocks, bonds, currencies, and/or indices is prohibited. It is the general policy of the Committee that "derivatives" not be used in the management of the Portfolio, although it realizes that the exact definition of a derivative is not universally recognized. By way of example, fixed income securities such as "interest only" securities, "inverse floaters", etc. are not acceptable investments for the Portfolio. Any uncertainty as to the appropriateness of an individual security should be presented to the Committee prior to any purchase.

### ***Spending Policy***

Disbursements from the Town of Brunswick Trust Funds will occur annually. The timing of the disbursement will be determined by the Town Finance staff. Disbursements will be used in a manner consistent with the stated purpose of the specific underlying fund. The Annual withdrawal rate for each fund will target 4% of the average market value as of the last day of the past 20 calendar quarters (March 31, June 30, September 30, December 31). For any given year the Trust Advisory Committee may

recommend distributions that are less than or greater than the long term 4% target. However, distributions in any single fiscal year should not exceed 5% of the moving average.

### Measurement and Reporting

- The Investment Advisor shall meet at least annually with the Committee to review the asset allocation and performance of the funds.
- The Committee will review the Fund's performance at least semi-annually.
- The Investment Advisor shall make reports on the performance of the Portfolio available to the Committee at least quarterly.

It is expected that the Investment Advisor will outperform over a complete market cycle, assumed to be 3-5 years, the "market" benchmark allocated in a similar manner to that of the Fund. Such "market" portfolio should reflect the various investment policy guidelines set forth herein. For measurement purposes, the following indices will be used: 80% Russell 3000 ESG Index and 20% MSCI All Country ex US Selection Index, Barclays US Aggregate Index, and the US 30-day Treasury Bill (cash). The Investment Advisor should be available for periodic meetings with the Committee, as needed.

The Investment Advisor must affirm how the portfolio is aligned with these investment guidelines annually.

As it pertains to performance measurement the effective inception date for Harpswell Capital Advisors will be March 31, 2019.

Performance measurement should follow the Performance Measurement Standards mandated by the CFA Institute.

### ***Administration***

The Committee shall review and approve the investment policy at least annually. Any changes must be submitted in writing and approved by 2/3 of the Committee.

Approved by the Trust Investment Advisory Committee on: April 4, 2017

Amended (spending policy section added) on: September 7, 2018

Amended (sub-asset class ranges and spending policy flexibility) on: March 20, 2019

Amended (benchmark clarification) on: February 28, 2020

Amended (ESG objective added and asset allocation adjusted) on July 28, 2021

Amended (benchmark table, and clarify inception date for performance measurement) on February 28, 2023

Amended (Full ESG Integration, Benchmark changes to ESG compliant benchmarks, eliminate non-US bond exposure) on March 17, 2025