

# Investment of Reserve Funds

Procedure Number	003	Version 001
Submitted by:	Buz Carrade	
Approved by:	HOA Board	ROB NICHOLS, Pres.
Last date revised:		<i>not revised as of approval date</i>
Date of Origination:	2/14/2008	
Date approved:	4/16/2008	

**PURPOSE:**

This Operating Procedure provides for governing the investment of the *Montreux HOA Reserve Fund Investments*. The purpose of this procedure is to provide a clear and concise understanding by the Board Members and the Investment Advisor (should one be hired by the Board) of the portfolio investment procedure, goals, objectives and guidelines.

*Note: It is expected that the portfolio specifics will be modified to address investment related circumstances however, all modifications will be submitted in writing and approved by the Board.*

**REFERENCE:**

1. NRS 116.31152
2. NRS 116.31153
3. NRS 116.3115, sec. 2 para. b.
4. Article III, section 3. *Montreux CCRs*.
5. Exhibit A: Investment Goals
6. Exhibit B: Asset Allocation
7. Exhibit C: Performance Monitoring and return Expectations

**RESPONSIBILITY:**

**HOA Board and Treasurer.**

1. *Define and to communicate investment guidelines, goals, objectives and limitations to the Investment Advisor should one be employed by the Board.*
2. *Approve asset allocations..*
3. *Determine the need, selection and subsequent hiring of an Investment Advisor.*
4. *Negotiate and/or monitor investment expenses.*
5. *Monitor the portfolio on an ongoing basis.*
6. *Conduct and approve all NRS required reserve studies for budget incorporation.*

**Investment Advisor.**

1. *Act in an advisory capacity to the Board and Treasurer.*
2. *Oversee the investments of the Fund.*

3. *Recommend to the Board and Treasurer a specific asset allocation.*
4. *Monitor the portfolio on an ongoing basis.*
5. *Report to the Board and the Treasurer on a quarterly basis portfolio performance and other information the Board may request, e.g., compliance to guidelines and objectives.*
6. *Provide the Treasurer and the Board an annual review addressing;*
  - a. *The investment forecast for the following year.*
  - b. *The effect of that outlook on the attainment of the objectives.*

**MATERIALS:**

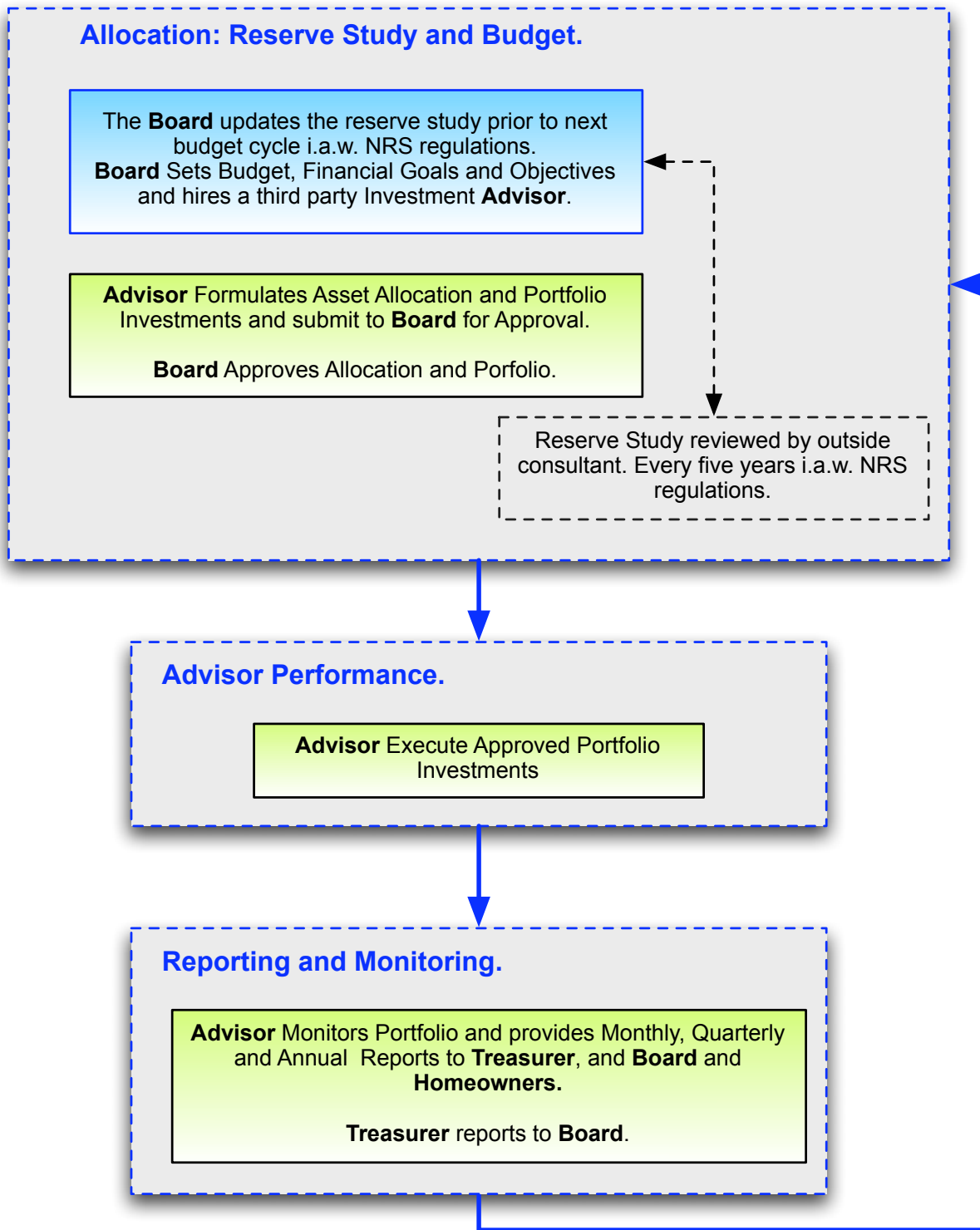
1. None Required.

**FORMS and WEB PAGES:**

1. None Required.
2. [WEB PAGE: NRS: Chapter 116](#)
3. [WEB PAGE: Montreux HOA Documentaion Download](#)

**CONTACTS:**

	<b><i>Name</i></b>	<b><i>Phone</i></b>	<b><i>email address</i></b>
<i>HOA Board Members</i>	Rob Nichols, Pres.		
	Bus Carrade, Treas.		
<i>Investment Advisor(s)</i>			



**SPECIAL PROVISIONS AND GUIDELINES:**

**Exhibit A:** *Investment Goals*

1. **Safety of Principal** both in the long and short term.
2. **Liquidity and Accessibility:** investment funds should be readily available for projected or unforeseen expenditures, assuming adherence to guidelines that require reasonable margins of error in estimates used for budget projections regarding maintenance activities.
3. Invested funds should represent the **Highest Level of Return**. Note that levels should be consistent with the guidelines of preserving principal purchasing power and accumulated interest.
4. **Minimal Investment Costs** are to be maintained, e.g., redemption fees, commissions and transactional fees.
5. **Competent Investment Advisor** retained; a reputable firm and an individual skilled in the aforementioned goals.

**Exhibit B: Asset Allocation**

<b>Class</b>	<b>Authorized Investment Types</b>	<b>Target Allocation</b>	<b>Ranges</b>	<b>Notes</b>
<b>Government Backed Securities</b>		<b>90%</b>	<b>85%-95%</b>	
	<i>Certificates of Deposit</i>			1
	<i>Money Market Deposit Accounts</i>			2
	<i>U. S. Treasuries</i>			
	<i>U. S. Government Bond Funds</i>			
	<i>U. S. Government Bonds</i>			
	<i>Federal Instrument Securities</i>			3
<b>Other Types of Securities</b>		<b>10%</b>	<b>5%-15%</b>	
	<i>Debentures, discount notes and call-able securities</i>			4
	<i>Mutual Funds</i>			5
	<i>Exchange Traded Funds</i>			6

**Notes:**

1. *Limited to \$100,000 per institution or current FDIC maximum.*
2. *Must be covered by FDIC.*
3. *Or mutual funds limited to debentures, discount notes and call-able securities issued by only the FNMA, FFCB, FHLB and FHLMC.*
4. *Issued by private mortgage Institutions or REITS pending scrutiny i.a.w. goals and guidelines.*
5. *Must meet all of the following restrictions;*
  - a. *Domestic funds rated by Morningstar as 4 or 5,*
  - b. *Broad based funds or sector funds limited to utilities or REITS,*
  - c. *Market Index funds classified by Morningstar as Value Funds, and*
  - d. *No load funds, e.g., no initial fees or exit fees.*
6. *Must meet all of the following restrictions as categorized by the AMEX;*
  - a. *Limited to domestic stock exchanges holdings,*
  - b. *Broad based funds or sector funds limited to utilities or REITS,*
  - c. *Limited to markets;*
    - i. *NYSE Composite, Nasdaq Composite,*
    - ii. *S & P 500 (large cap), S & P 600 (small cap), S & P 400 (mid cap),*
    - iii. *Russell Indices, and Wilshire 5000.*

**Exhibit C: Performance Monitoring and Return Expectations**

The total fund will be reported on monthly. A Standard financial position and performance report is expected. The total fund will be evaluated quarterly and a yearly report regarding allocation, performance by same, recommended changes and issues is to be constructed by the Advisor and delivered to the Treasurer and Board for review and report to the general HOA membership.

Specific performance objectives include, but may not be limited to, the following:

1. No erosion of the principal is demonstrated over the investment cycles.
2. Funds demonstrate liquidity should a call for funds be made during the review period.
3. Levels of return for Government backed securities demonstrate a rate of return equal to at least the rate of inflation or better by 5 percent over the investment cycles as measured by the Consumer Price Index.
4. Minimal investment costs are incurred. *This is a comparative measure between those incurred by the fund and those proposed by a competing Investment Advisor.*
5. There are no significant Advisory staff changes that affect investment performance during any reporting period.

*Note: Market cycles is defined as an investment period lasting three and five years.*