



EHDEWRITNY INVESTMENT POLICY

OWNER

EHDEWRITNY INVESTMENT COMPANY LIMITED

KIA 30390
AIRPORT ACCRA

EHDEWRITNY SAMPLE INVESTMENT POLICY

I. Introduction

The intent of the Investment Policy of Ehdewritny Investment Company is to define the parameters within which funds are to be managed. In methods, procedures and practices, the policy formalizes the framework for the Ehdewritny investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the Ehdewritny funds. The guidelines are intended to be broad enough to allow the investment officer to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

II. Governing Authority

The investment program shall be operated in conformance with state, and other legal requirements, including the Securities and Exchange Commission (SEC) and the Ghana Stock Exchange (GSE) subsequently.

III. Scope

This policy applies to activities of Ehdewritny Investment Company with regard to investing the financial assets of all funds; however, all funds are subject to regulations established by the state of Ghana. The covered funds, and any new funds created by the Ehdewritny Investment Company, unless specifically exempted by this policy, will be defined in Ehdewritny Investment Company's Comprehensive Annual Financial Report.

Except for funds in certain restricted and special funds, the Ehdewritny Investment Company commingles its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

The primary objectives, in priority order, of investment activities shall be:

Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal will be to mitigate credit risk and interest rate risk.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity needs.

Special Considerations

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the country.

V. STANDARD OF CARE

The Ehdewritny Investment Company seeks to promote local economic development through various programs and activities.

1. *Prudence* : The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an

individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The "prudent person" standard states that,

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

[This section should be modified to reflect standard specified in state statute if higher than prudent person.]

2. *Ethics and Conflicts of Interest* Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the Ehdewritny Investment Company

3. *Delegation of Authority and Responsibilities*

Governing Body

The governing body will retain ultimate fiduciary responsibility for the portfolios. The governing body will receive monthly reports, designate investment officers and annually review the investment policy making any changes necessary by adoption.

Investment Officers

Authority to manage the investment program is granted to [designated official by title] hereinafter referred to as investment officer as designated by [governing body or Code citation, ordinances, charters or statutes].

Responsibility for the operation of the investment program is hereby delegated to the [e.g. Treasurer, Investment Officer, etc.] who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. Officers will prepare monthly investment reports and other special reports as may be deemed necessary.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or otherwise may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

Investment Committee

The Ehdewritny Investment Company may seek to establish an investment committee to provide guidance to investment officers.

Investment Adviser

The Ehdewritny Investment Company may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the entity's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. *Authorized Financial Institutions, Depositories, and Broker/Dealers* a list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a

list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include ‘primary’ dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The investment officer shall determine which financial institutions are authorized to provide investment services to Ehdewritny Investment Company. Institutions eligible to transact investment business with Ehdewritny Investment Company include:

1. Primary government dealers as designated by the Federal Reserve Bank
2. Nationally or state-chartered banks
3. The Federal Reserve Bank
4. Direct issuers of securities eligible for purchase

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with Ehdewritny Investment Company shall be at the sole discretion of Ehdewritny Investment Company

C. All broker/dealers who desire to become qualified for investment transactions must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines

- Proof of GSE securities course certification or any other qualified and approved securities certification.

- Proof of state registration

- Certification of having read and understood and agreeing to comply with Ehdewritny Investment Company investment policy.
 - Evidence of adequate insurance coverage.
- D. All financial institutions that desire to become depositories must supply the following , as appropriate: Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines Proof of state registration Evidence of adequate insurance coverage.
- E. A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer.

Minority, Emerging and Community Financial Institutions

From time to time, the investment officer may choose to invest in instruments offered by minority, emerging and community financial institutions. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law.

Competitive Transactions

- A. The investment officer shall obtain competitive bid information on all purchases of investment instruments purchased on the secondary market. A competitive bid can be executed through a bidding process involving at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
- B. If Ehdewritny Investment Company is offered a security for which there is no readily available competitive offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities. When purchasing original issue securities, no competitive offerings will be required as all dealers in the selling group offer those

securities at the same original issue price.

- C. If Ehdewritny Investment Company hires an investment adviser to provide investment management services; the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request. (OPTIONAL)

VII. Safekeeping and Custody

1 Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in Ehdewritny Investment Company's safekeeping institution prior to the release of funds.

2. Third-Party Safekeeping

An independent third-party safekeeping institution selected by Ehdewritny Investment Company will hold securities. Safekeeping receipts in Ehdewritny Investment Company's name will evidence all securities. The safekeeping institution shall annually provide a copy of its most recent report on internal controls - prepared in accordance with the State and Custodial Regulations.

3. Internal Controls

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of Ehdewritny Investment Company are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an ***investment procedures manual*** that shall be reviewed and updated periodically by the Investment Officers.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable

assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Staff training and
- Review, maintenance and monitoring of security procedures both manual and automated. The external auditor shall provide an annual independent review to ensure compliance with state law, policies and procedures.
- *Alternative sample language:* Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of Ehdewritny Investment Company

VIII. Suitable and Authorized Investments

1. Investment Types and Credit Guidelines

(YET TO BE WRITTEN)

- **Time deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with state law
- **Negotiable certificates of deposit**
- **Commercial** paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized statistical rating organization
- SEC registered money market mutual funds
- Local government investment pools. **IMPORTANT NOTE:** If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity, yield and legality to make the decision.
- *Collateralization* : Where allowed or required by state law and in accordance with full collateralization will be required on all demand deposit accounts, including checking accounts and negotiable (as authorized by respective state statutes) and non-negotiable certificates of deposit.

Authorized Collateral: Acceptable collateral for bank deposits and repurchase agreements shall include only:

- Obligations of the U.S. Government, its agencies and GSEs, including mortgage backed securities
- Obligations of any state, city, county or authority rated at least AA by two nationally recognized statistical rating organizations.

IX. Investment Parameters

- Mitigating credit risk in the portfolio: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the inability of the issuer to repay its debt. Ehdewritny Investment Company shall mitigate credit risk by adopting the following:
 - *Diversification* : The investments shall be diversified by:
 - Limiting investments to avoid overconcentration in securities from a specific issuer or business
 - Sector (excluding U.S. Treasury securities),

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- Limiting investment in securities that have higher credit risks,
 - Investing in securities with varying maturities, and
 - Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

NOTE *Alternative samples:*

A. Diversification

It is the policy of Ehdewritny Investment Company to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, maturity, issuer, and class of security shall diversify assets in all Ehdewritny Investment Company funds. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds.

B. Mitigating market risk in the portfolio

Market risk is that the portfolio value will fluctuate due to changes in

the general level of interest rates. Ehdewritny Investment Company recognizes that, over time, longer-term/core portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. Ehdewritny Investment Company shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Ehdewritny Investment Company further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk

X. Performance Standards/ Evaluation

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken and the benchmarks shall have a similar weighted average maturity and credit profile as the portfolio.

Alternative sample:

Ehdewritny Investment Company cash management portfolio shall be designed with the objective of regularly meeting or exceeding a selected performance benchmark, which could be the average return on three-month U.S. Treasury bills, the state investment pool, a money market mutual fund [specify] or the average rate of Federal funds. These indices are considered benchmarks for lower risk investment transactions and therefore comprise a minimum standard for the portfolio's rate of return.

Alternative sample

The performance of investments will be measured against the performance of a combination of benchmarks: the Local Government Investment Pool, using monthly net yield of both portfolios as the

yardstick. Preservation of capital and maintenance of sufficient liquidity will be considered prior to attainment of market return performance. Given these considerations, Ehdewritny Investment Company's portfolio should provide a net yield that is equal or better to that attained by the Local Government Investment Pool over interest rate cycles. Additionally, a market benchmark (i.e.: 0-3 or 0-5 Treasury or Agency Index) may be determined that is appropriate for longer-term investments based on Ehdewritny Investment Company's risk and return profile. Return comparisons of the portfolio to the market benchmark will be calculated on a monthly basis. When comparing the performance of Ehdewritny Investment Company's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

XI. Reporting/Disclosure

1. Methods

The investment officer shall prepare an investment report at least quarterly [*or monthly*], including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter [*or month*]. This management summary will be prepared in a manner, which will allow Ehdewritny Investment Company to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to Ehdewritny Investment Company's chief administrative officer, the legislative body, the investment committee and any pool participants. The report will include, at a minimum, the following:

- a. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate
- b. Average maturity of the portfolio and modified duration of the portfolio
- c. Maturity distribution of the portfolio

- d. Average portfolio credit quality
- e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months, year to date, and since inception compared to the benchmark Index returns for the same periods;
- f. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
- g. Distribution by type of investment.

Annual reports

1 The investment policy shall be reviewed at least annually within 120 days of the end of the fiscal year to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

2. A comprehensive annual report shall be presented in conjunction with the investment policy review. This report shall include comparisons of Ehdewritny Investment Company's return to the benchmark Index return, shall suggest policies and improvements that might enhance the investment program, and shall include an investment plan for the coming year.

Annual audit

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

Alternative sample:

1. The investment officer shall submit quarterly an investment report that summarizes recent market conditions, economic developments and

anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter: The report shall be in compliance with state law and shall be distributed to the investment committee and others as required by law.

Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. Copies shall be transmitted to the independent auditor. Within 40 days of the end of the fiscal year, the investment officer shall present a comprehensive annual report on the investment program and investment activity. The annual report shall include 12-month and separate quarterly comparisons of return and shall suggest policies and improvements that might be made in the investment program. Alternatively, this report may be included within Ehdewritny Investment Company's Comprehensive Annual Financial Report.

ALTERNATIVE

The Investment Officer will retain and periodically, at a minimum annually, provide the Governmental Board with investment reports. The reports also will be available upon request. Securities holdings, cash balances and market values in the investment portfolio will be provided on the month-end reports.

Holdings Report (including mark to market)

Transactions Report

Weighted Average Maturity or Duration

Compliance Report

XII. Policy Considerations

Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

Alternative sample:

Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy. Investments must come in conformance with the policy within six months of the policy's adoption or the governing body must be presented with a plan through which investments will come into conformance.

Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

XII. Approval of Investment Policy

The investment policy and any modifications to that policy shall be formally approved and adopted by the governing body of Ehdewritny Investment Company.

XIII. Miscellaneous

List of Attachments

The following documents, as applicable, are attached to this policy:

- Listing of authorized personnel,
- Relevant investment statutes and ordinances,
- Listing of authorized broker/dealers and financial institutions,
- Internal Controls
- Investment Guidelines Manual
- Glossary

Other Documentation

- Safekeeping agreements,
- Wire transfer agreements,
- Sample investment reports,
- Methodology for calculating rate of return,
- Ehdewritny Investment Company Best Practices and Advisories.
- Government Relationships with Securities Dealers

Glossary

Commercial Paper* that is rated A1/P1 and has long term bonds which have a minimum rating of AA- by Standard and Poor's and Aa3 by Moody's

Bankers' acceptances, if the bankers' acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution; (ii)

Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

For the purposes of this paragraph, “qualified financial institution” means: (i) A financial institution that is located and licensed to do banking business in the State; or (ii) A financial institution that is wholly owned