



## **EDGE Investment Policy**

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**Effective January 2024**

## Introduction

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COLOTRUST is a statutory trust organized and existing under the laws of the state of Colorado in accordance with the provisions of the Investment Funds Local Government Pooling Act (Part 7, Article 75, Title 24, C.R.S.), the Funds Legal Investments Act (Part 6, Article 75, Title 24, C.R.S.), and the Public Deposit Protection Act (Articles 10.5 and 47 of Title 11, C.R.S.). COLOTRUST is registered with the Securities Commissioner of the State of Colorado as required by the Local Government Investment Pool Trust Fund Administration and Enforcement Act (Part 9, Article 51, Title 11, C.R.S.)

COLOTRUST currently offers three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE.

COLOTRUST EDGE is designed to complement the daily liquidity offered by COLOTRUST PRIME and COLOTRUST PLUS+. The general objective of EDGE is to seek to generate a high level of income for Participants while preserving capital by investing only in investments authorized by the Statutes. EDGE offers longer dated, fixed-income investments seeking to enhance returns while providing intermediate liquidity to its participants. EDGE is intended to be a longer-term investment and in contrast to COLOTRUST PRIME and PLUS+ is not suitable for daily liquidity needs.

No assurance can be given that COLOTRUST will achieve its investment objective or that any benefits described in the information statements will result from the investment of moneys in COLOTRUST.

COLOTRUST is specifically designed for Colorado local governments. Accordingly, COLOTRUST has limited its portfolios by investing only in instruments permitted under the Legal Investments Act (Permitted Investments). The COLOTRUST Board of Trustees maintains investment policies for COLOTRUST that are, by nature, more restrictive than the Legal Investments Act. Participants receive 30 days prior notice of any changes in the investment policies.

## EDGE Investment Policy

This Investment Policy restricts the COLOTRUST EDGE portfolio to the following:

Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment:

- The maximum final maturity per fixed and floating United States Treasury investment is 5 years from the date of trade settlement.

Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The Federal Farm Credit Bank, the Federal Land Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Export-Import Bank, the Tennessee Valley Authority, the Government National Mortgage Association, the World Bank, or an entity/organization that is not listed in this paragraph but is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the Federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph. No subordinated security may be purchased pursuant to this paragraph.

- The maximum final maturity per U.S. government related/guaranteed fixed or floating-rate investment is 5 years from the date of trade settlement.

Repurchase agreements and tri-party repurchase agreements with member banks of the Federal Reserve System

and/or dealers in U.S. Government Securities in accordance with C.R.S. 24-75-601.1.

A Master Repurchase Agreement (e.g. The Bond Market Association standard agreement, 1996 version) and applicable COLOTRUST annexes must be signed by all parties and on file prior to executing any transaction.

Tri-party repurchase agreements are permissible with COLOTRUST Board approved counterparties and third-party custodians (acting for both the party and the counterparty). These third-party custodians are not permitted to hold deposits for COLOTRUST and are therefore not required to meet the Colorado PDPA requirements.

Written Tri-party custodian agreements (in addition to The Bond Market Association 1996 standard repurchase agreement) must be signed by all parties and on file prior to executing any transaction.

Collateral (purchased securities) shall be limited to the following and shall be indicated as such on Schedule 1 'Schedule of Eligible Securities' of the Tri-party custodian agreement: U.S. Treasuries (bills, bonds, notes, strips), Federal National Mortgage Association (FNMA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), GNMA I/II Single Family, GNMA I/II Others-Fixed Rate, GNMA I/II Others, Adjust Rate and Agency Mortgage Backed

(Pass-Through Fixed Rate and Pass-Through Adjustable Rate). The collateral subject to the repurchase agreement may have a maturity in excess of five years.

Term repurchase agreements (TRA) are considered eligible investments under the following conditions:

- TRAs shall not exceed 5 years from the date of trade settlement.
- TRAs shall fulfill all requirements of the 1996 version of The Bond Market Association master repurchase agreement.

The Repurchase Agreements between COLOTRUST and the various approved counterparties require that the aggregate market value of all purchased securities from any particular counterparty be at least 102% (the margin) of the aggregate purchase price of the purchased securities.

The Board recognizes that market fluctuations constantly increase or decrease the value of securities; that there is value in maintaining ongoing positive relationships between COLOTRUST and the various counterparties; that the accepted practice in the industry allows minor deviations from strict application of margins; and that there is a cost of changing collateral securing repurchase agreements. For those reasons, the portfolio manager may use discretion before directing that a counterparty supply additional purchased securities until such time as the margin falls below 101.5%. If the aggregate collateral level of the counterparty falls below 101.5%, the portfolio manager shall notify the counterparty to provide sufficient additional securities to restore the margin

to at least 102%. The portfolio manager will require additional collateral to return the margin to at least 102% on the next business day.

Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, any territorial possession of the United States, or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. At the time of purchase, the security must be rated in one of its two highest rating categories by two or more NRSROs that regularly rate such obligations.

- The maximum final maturity per municipal investment is 5 years from the date of trade settlement.

Any corporate or bank security denominated in United States dollars that, at the time of purchase, carries at least two credit ratings from any of the NRSROs that is not rated below 1) A1, P1, or F1 if the security is a money market instrument or 2) AA- or Aa3 or their equivalents if it is any other kind of security. These rating requirements first apply to the security being purchased, and then, if the security itself is unrated, to the issuer provided that the security contains no provisions subordinating it from being a senior debt obligation of the issuer.

- The maximum exposure to corporate or bank securities for the portfolio is 100%.

- The maximum exposure per corporate or bank security issuer is 5%.
- The maximum final maturity per corporate or bank security fixed or floating rate investment is 3 years from the date of trade settlement.

Commercial paper or bankers' acceptances denominated in United States dollars that, at the time of purchase, carry at least two credit ratings from any of the NRSROs and are not rated below A-1, P-1, or F-1.

An Approved Commercial Paper List will be maintained by the investment advisor designating those commercial paper names that are eligible for investment by COLOTRUST EDGE. All additions to this list must be approved by the Board of Trustees.

At the time commercial paper is purchased:

- The portfolio may not own over 5% of any issuer's total commercial paper program at the time of purchase.

Any deposit that meets the requirements in the Public Deposit Protection Act under CRS 11-10.5-107, et seq.

Any interest in any local government investment pool organized pursuant to the Local Government Pooling Act.

Any money market fund that is registered as an investment company under the Federal Investment Company Act of 1940, as amended if, at the time COLOTRUST invests in such fund:

- The investment policies of the fund include seeking to maintain a constant share price;

- No sales or load fee is added to the purchase price or deducted from the redemption price of the investment;
- The investments of the fund consist only of securities with a maximum remaining maturity as specified in Rule 2a-7 under the Federal Investment Company Act of 1940, as amended or any successor regulation under such act regulating money market funds, so long as such Rule 2a-7 is not amended to or such successor regulation does not increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more or has the highest current credit rating from one or more NRSRO;
- The dollar weighted average portfolio maturity of the fund meets the requirements specified in Rule 2a-7 under the Federal Investment Company Act of 1940, as amended or any successor regulation under such act regulating money market funds so long as such Rule 2a-7 is not amended to increase the dollar weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.

*Adopted March 5, 2021*

*Revised October 1, 2021*

*Approved December 1, 2023*

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