

Adopted Policy by Board 12:06 pm  
11/30/16

**North Carolina Petroleum & Convenience Marketers**  
**INVESTMENT POLICY**

**I. INTRODUCTION**

The purpose of this document is to provide guidelines for the management of investment portfolio (The Fund(s)) of North Carolina Petroleum & Convenience Marketers (NCPCM). The investment policy seeks to translate the investment goals and objectives of NCPCM into a cohesive, long-term investment framework that is consistent with the overall mission of NCPCM.

"The Funds" shall include equities, all cash, cash investments and cash equivalents. This does not include real and business personal property assets.

Nothing contained herein is intended to alter the ultimate authority of the Board of Directors and/or the Executive Committee as set forth in the Association By-laws or the General Statutes of North Carolina.

**II. PURPOSE OF POLICY**

The purpose of this statement is to establish the investment policy for the management of The Fund of NCPCM. This statement of investment policies is set forth in order to:

1. Establish and document the investment objectives, philosophy, policies, guidelines and goals for the investment funds of NCPCM.
2. Provide the Board of Directors and the Finance Committee, with a written document and understanding of said investment objectives, philosophy, policies and goals of The Fund.
3. Clearly communicate to the Board and the Finance & Insurance Committee their role, and the duties and responsibilities. The Finance & Insurance Committee is responsible for making recommendations to the Board of Directors regarding the investments of the Association based on:
  - investment reports
  - performance of investments and funds
  - changes to the investment policy
  - other items pertaining to the Association finances and investments

The Finance & Insurance Committee has the authority to make recommendations to make additions to or withdrawals from The Fund-Funds.

4. Establish the basis for evaluation of the investment performance of the NCPCM portfolio and of any investment manager servicing the portfolio.

This statement is meant to be sufficiently specific to be meaningful, but also flexible enough to attain the objectives to be outlined, allowing for changing economic conditions and securities markets.

### III. CONTEXT OF POLICY

In developing the Investment Policy, the Finance & Insurance Committee and Board recognize the following:

- fluctuating rates of return are a characteristic of the investment markets: and,
- performance cycles cannot be accurately predicted as to their beginning, end or magnitude.

Therefore, the asset allocation decisions set forth in this policy are based on a careful examination of:

- The mission and goals of NCPCM.
- Historical review of various asset categories and investment plans

### IV. INVESTMENT GOALS AND OBJECTIVES

This policy addresses the Funds for NCPCM as defined in Section I, Paragraph 2. ~~one Fund for NCPCM.~~ NCPCM should review on a semi-annual basis the total asset allocation in this Fund. The target for the NCPCM holdings should be 30% equities and 70% fixed income and cash equivalents.

#### INVESTMENT PORTFOLIO:

The primary investment objective of NCPCM's investment portfolio is to produce a favorable investment return. NCPCM seeks long term principal growth while preserving capital by means of minimizing the risk of substantial loss in asset value through investment in a diversified portfolio of quality investment securities.

The Board recommends that the primary investment goals be:

- growth of The ~~Fund~~ Funds corpus
- income sufficient to meet projected distribution requirements
- preservation of principal

## V. PERFORMANCE GOALS

NCPCM expects to achieve competitive results on its investment portfolio. The following performance goals have been established to provide a basis upon which to judge the effectiveness of the investment objective and those responsible for implementing investment decisions on a day-to-day basis.

- Meet or exceed investment results for various asset classes as measured by the following base line indices:
  - Standard & Poor 500 and 400 Mid Cap
  - Dow Jones Industrial Average
  - Barclays Government/Corporate & Intermediate
  - 90 day U.S. Treasury Bills
  - Other indices, mutually agreed on by the Finance & Insurance Committee, Board and the investment manager, which provide a better match for the manager's investment style or strategy (i.e. MSCI EAFE).

## VI. INVESTMENT GUIDELINES

**Asset Allocation:** The asset allocation of the investment portfolio will be maintained within the target range of 30% equities and 70% cash and fixed income.

Equity Tolerance:	20% Minimum	40 % Maximum
Cash and Fixed Income Tolerance:	60% Minimum	80% Maximum
<del>Cash Tolerance</del>	<del>0% Minimum</del>	<del>15% Maximum</del>

The Finance & Insurance Committee and Board recognize that a rigid asset allocation would be both impractical and to some extent, undesirable under various market conditions. Therefore, the allocation of NCPCM's investment portfolio assets may vary from time to time without being considered an exception to this investment policy.

### **Permitted Investments:**

1. **Cash Equivalents:** all cash and equivalent investments shall be made with utmost concern for quality. Therefore, investments will be limited to U.S. Treasury bills, commercial paper rated P-1, and insured certificates of deposit. Other securities that reflect similar quality as those described above including, but not limited to, money market mutual funds which meet such parameters, are permissible also.
2. **Fixed Income:** fixed income securities shall include securities issued by the U.S. government and its agencies and securities issued by U.S. corporations. The average quality of NCPCM's fixed income portfolio must be at least "A" rated. Fixed income mutual funds, which meet such parameters, are permissible.

3. Equities: equities shall include common stocks, preferred stocks and bonds convertible into common stock. Investments in equities shall be limited to securities of corporations listed on the U.S. exchanges, the NASDAQ market or American Depository Receipts. Adequate diversification shall be maintained within the purchased equity portfolio so that no single security comprises more than 10% of the total value of the equity portfolio. Donated stocks may be exempted from these criteria, at the discretion of the Board of Directors. Mutual funds, which meet the investment parameters, are permissible.

**Prohibited Investments:**

The following categories of securities and other investment activity are not permitted for investment without the prior written approval of the Board.

- Unregistered or restricted stock
- Foreign securities not traded on U.S. or NASDAQ exchange
- Commodities, precious metals or tangibles
- Private placements
- Initial public offerings (must have two year trading history)
- Uncovered options
- Futures trading
- Short selling
- Margin trading
- Hedge Funds

## VII. MANAGER PERFORMANCE REVIEW

**Reporting and Review:**

North Carolina Petroleum & Convenience Marketers Finance & Insurance Committee shall meet ~~semi~~-annually to review the returns of NCPCM versus its performance objectives on both absolute and relative return basis and report to the NCPCM Board of Directors.

The Finance & Insurance Committee shall establish criteria for assessing performance of The ~~Fund~~ Funds and assure appropriate retention of records to substantiate recommendations/actions taken by the Committee and/or Board.

It is the responsibility of the investment managers of all invested funds to supply the Finance & Insurance Committee and Board with periodic statements no less often than quarterly which detail the specific assets of the account.

**Performance Measures:**

Manager performance will be evaluated according to the long term asset allocation goals, fees and guidelines specified in this policy.

## VIII. POLICY REVIEW AND MODIFICATION

The Board will review periodically the investment objectives and restrictions for NCPCM. The Board will also use its periodic investment performance evaluations as occasions to also consider whether and elements of the existing policy are either insufficient or inappropriate. In particular, the Board will review the following.

- NCPCM's ongoing ability to tolerate downturns in asset value (function of financial and cash flow considerations)
- Any changes in NCPCM's liquidity requirements
- Any changes in NCPCM's income requirements
- Any changes in NCPCM's rate of return objectives
- Changes in NCPCM's priorities
- Areas found to be important but not covered by policy

## IX. Policy Adoption

This investment policy was recommended by the Finance & Insurance Committee and approved at an NCPCM meeting of the Board of Directors on Wed. Nov. 30, 2016.