



Development Chenango Corporation Investment Policy

PURPOSE:

The purpose of this Statement of Investment Policy is to set forth the plan for effectively supervising and monitoring the investment of the assets of the **Development Chenango Corporation** by NBT Wealth Management. The investment program is defined by the following factors:

- Defining the account investment objectives in terms of expected portfolio return and risk tolerance.
- Providing portfolio guidelines that are consistent with the objectives of the account.
- Defining the allowable investments to be used in the investment program.
- Establishing criteria to monitor and evaluate the performance of the account's investments.
- Encouraging effective communication between NBT Wealth Management and the account's Board.
- Complying with prudence, due diligence, and other applicable fiduciary requirements and other laws, rules and regulations applicable to the account.
- These guidelines will be revised, updated and modified as appropriate on a periodic basis to reflect such factors as changes in the investment environment, manager performance, and the Fund's expectations and objectives.

OBJECTIVES:

The objective of **Development Chenango Corporation** investment policy is to invest any funds or other assets of the organization which, in the judgment of the Board of Directors, shall not immediately be required to affect the purposes of the organization, and shall be administered by the Board of Directors in such a manner as they deem sound and proper and may be invested or reinvested in securities or any other form of investment. The investment program will seek long-term capital appreciation while maintaining prudent, strategic and systematic risk controls.

The objective(s) of the Fund are as follows:

- A weighted average Total return in line with market indices.
- Real (inflation-adjusted) growth in assets.

PORTFOLIO GUIDELINES / ASSET ALLOCATION:

In establishing the Asset Allocation and in its implementation, the Board shall consider the following factors, if relevant, as required by NYPMIFA:

- General economic conditions;
- The potential impact of inflation/deflation;
- The expected tax consequences, if any, of investment decisions or strategies;
- The role of individual investments in context of the overall Portfolio;
- The expected total return from income and the appreciation of investments;
- The overall resources of Institution;
- The needs of Institution to make distributions and preserve capital; and
- The relationship of any given investment asset to the mission/purpose of the Institution.

Any investment decision shall always take into account the purposes of Institution and the funds that comprise the Portfolio. Investment decisions shall, furthermore, not be considered in isolation but on a total portfolio basis. Also, as specified below, the Portfolio shall be diversified and implemented in a cost effective way.

The investment guidelines are based upon a long-term investment horizon, so interim fluctuations should be viewed with appropriate perspective. Similarly, **Development Chenango Corporation's** strategic asset allocation is based on this long-term perspective. The Development Chenango Corporation recognizes the difficulty of achieving the investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Development Chenango Corporation further recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values) and the possibility of loss in purchasing power (due to inflation) are present to varying degrees in all types of investment vehicles. **Development Chenango Corporation's** prospects for the future, its current financial condition and several other factors suggest collectively that the organization can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

The investment objectives are expected to be achieved through a diversified portfolio. The asset allocation guidelines for the organization are as follows:

The target strategic allocation for the Development Chenango Corporation's assets will be 56% Equity/Real Assets – 44% Fixed Income & Cash.

The aggregate equity/real assets allocation will be limited to a minimum exposure of 40% and a maximum exposure of 70%. The aggregate fixed income allocation will be limited to a minimum exposure of 30% and a maximum exposure of 60%.

	<u>Minimum</u>	<u>Guideline</u>	<u>Maximum</u>
U.S. Stocks - Large Cap	14%	18%	29%
U.S. Stocks - Mid Cap	0%	3%	6%
U.S. Stocks – Small Cap	0%	2%	4%
International-Developed Countries	12%	16%	23%
International-Emerging Countries	4%	9%	13%
Global Real Estate	1%	1.5%	7%
Infrastructure	1%	1.5%	7%
Natural Resources	2%	5%	8%
U.S. Investment Grade Bonds	23%	34%	39%
Inflation Protected Bonds	1%	5%	7%
International Bonds	0%	1%	5%
U.S. High Yield Bonds	1%	2%	8%
Money Market Funds	0%	2%	15%

These asset allocation guidelines reflect the Development Chenango Corporation’s desire for investment return. They also reflect the full discretion of the investment manager to shift the asset mix within the specified ranges.

ALLOWABLE INVESTMENTS:

In order to accomplish the investment goals, **Development Chenango Corporation** believes that the investments of the account must be diversified to provide investment manager(s) the flexibility to invest in various types of assets. The following types of assets are among those approved for investment:

Equities/Real Assets

Types

- Common Stocks
- Preferred Stocks
- Convertible Securities (including Debentures)
- Stock, Real Estate, Commodity and Natural Resources Mutual Funds & ETFs

Diversification

The equity portfolio should be well-diversified to avoid undue exposure to any single economic section, industry group or individual security. No more than 7% of total account assets at market

at time of purchase shall be invested in the securities of any one issuer (i.e., with the exception of mutual funds and ETFs). No more than 20% of the total Fund assets at market at time of purchase shall be invested in any one industry. Investments of the Fund in any corporation shall not exceed 5% of the outstanding shares of the corporation.

Fixed Income

Types

- U.S. Government and Agency Securities (Bills, Notes and Bonds)
- Commercial Paper
- Certificates of Deposit
- Corporate Bonds
- High Yield Bonds (in Mutual Fund only)
- International Bonds (in Mutual Fund only)
- Master Notes
- Mortgages
- Bond Mutual Funds
- Bond ETFs
- Money Market Funds

Diversification

No limitations are placed on investments in U.S. Government guaranteed obligations (including any fully guaranteed Federal Agency obligations). Investments in any one issuer (excluding direct or indirect obligations of the U.S. Government) shall not exceed 7% of total Fund assets. Fixed Income holdings by the Fund should not represent more than 5% of a total particular issue.

PROHIBITED TRANSACTIONS:

The following transactions are prohibited unless specifically authorized, in writing, by the organization:

- Tax Exempt Securities
- Warrants
- Eurobonds
- Margin Purchase of Securities
- Short Sales of Securities
- Volatile derivatives such as those possessing elements of leverage, having risk characteristics beyond that of the underlying collateral, or with a potential duration greater than ten years, other than those needed for hedging purposes.

INVESTMENT PERFORMANCE:

Total Fund

The total fund's investment return will be compared to a total fund benchmark which is calculated by applying the asset class guideline percentage to their respective asset class index returns.

Segment Returns

In addition to the total fund comparison, each asset class segment will be compared to their respective market index as follows (subject to change based on availability of relevant market indices):

<u>Asset Class Segment</u>	<u>Market Index</u>
U.S. Stocks - Large	S&P 500
U.S. Stocks – Mid	Russell Mid-Cap Index
U.S. Stocks - Small	Russell 2000
International-Developed Countries	MSCI-EAFE
International-Emerging Market Countries	MSCI-EM
Global Real Estate	S&P Global REIT Index
Infrastructure	DJ Brookfield Global Infra Index
Natural Resources	Morningstar Global Upstream Nat Res Index
U.S. Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index
Inflation Protected Bonds	Bloomberg Barclays U.S. TIPS Index
International Bonds	Bloomberg Barclays Gbl Agg Ex USD Bond Index
U.S. High Yield Bonds	Bloomberg Barclays US Corp High Yield
Money Market Instruments	Bloomberg Barclays T-bill 1-3 Months

RESPONSIBILITIES AND COMMUNICATIONS

On a timely basis, but not less than annually, the Board of the Development Chenango Corporation and NBT Wealth Management will review the current status of the account.

This review will cover:

- Adherence to the investment policy and guidelines set forth in this document.
- Investment performance relative to the benchmarks indicated in this document.
- Review of the current investment policy guidelines to ensure they still meet the organization's objectives.

It is NBT Wealth Management's responsibility to notify the Development Chenango Corporation of a change in the risk/return profile of the asset classes used in the investment program. It is up to the Development Chenango Corporation to notify NBT Wealth Management of any changes to the Development Chenango Corporation's risk and return objectives. Either one could have a material impact on the investment policy guidelines.

In addition to annual reviews, or more frequent reviews as determined by the Board, NBT Wealth Management will provide the Development Chenango Corporation at a minimum with quarterly investment reports (if requested), which include:

- Total Fund Assets
- Asset Allocation
- Investment Strategy
- Performance
- Market Outlook

SUMMARY:

This Statement of Investment Policy sets forth the plan for **Development Chenango Corporation** to achieve its desire for investment return while controlling investment risk to an acceptable level. It is formally adopted for use commencing **June of 2019**. Material changes and/or updates will be adopted as necessary.