

Review and Update of City's Investment Policy

- Current Investment Policy last updated June 2022
- Policy states that policy shall be reviewed and approved annually by the City Council
- Staff had prepared 2023 update for consideration by the City Council in 2023l however this was put on hold pending hiring of City's new Finance Director.
- Areas of Investment Policy to be updated:
 - Technical corrections – reviewed in conjunction with City's Investment Advisor, Chandler Asset Management:
 - Updated consistent with applicable Government Code
 - Best Practices Review:
 - Prohibited Investments
 - Investment Pools/Mutual Funds
 - Maximum Maturity
 - Risk Management / Diversification
 - Collateralization
 - Updating Portfolio Benchmark
 - For purposes of reporting “performance”
 - Best practices ties benchmark to index that mirrors characteristic of the portfolio (per Management Directive 12/29/22)
 - Management Directive (December 29, 2022) related to investments in issuers whose primary business revenue is derived from exploration, extraction, and processing of fossil fuels.

December 29, 2022

William Dennehy II, CFA, *Co-Chief Investment Officer*
Carlos Oblites, *Senior Portfolio Strategist*

Chandler Asset Management
6225 Lusk Boulevard
San Diego, CA 92121

RE: Client Directive Regarding Management of the City of San Rafael Investment Program

Dear Messrs. Dennehy and Oblites,

The City of San Rafael entered into a discretionary investment advisory agreement with Chandler Asset Management, a SEC-registered investment advisor, to manage a portion of the City's investment assets in a disciplined, active manner that complies with the City's primary objectives of safety, liquidity and return on investment, as stated in the City of San Rafael Investment Policy.

After a recent consultation with Chandler's investment team, the City agreed to implement a strategy for its core funds that invests in a diversified portfolio of US dollar-denominated fixed income securities managed in compliance with the City's investment policy.

- Chandler will make best efforts to maintain the City's market risk, as measured by modified duration, within +/- 10% of the duration of the **ICE BofA 1-3 Year US Treasury & Agency Index**.
- Chandler will implement the strategy incrementally, as market changes provide opportunities to position the target duration.
- Until further notice, Chandler Asset Management will refrain from making any direct investments in issuers whose primary business revenue is derived from the exploration, extraction, and processing of fossil fuels.

This directive is in effect as of the date of this memo and will remain in effect until it is replaced by a revised directive.

Respectfully,



Nadine Atieh Hade
Administrative Services Director
City of San Rafael, California