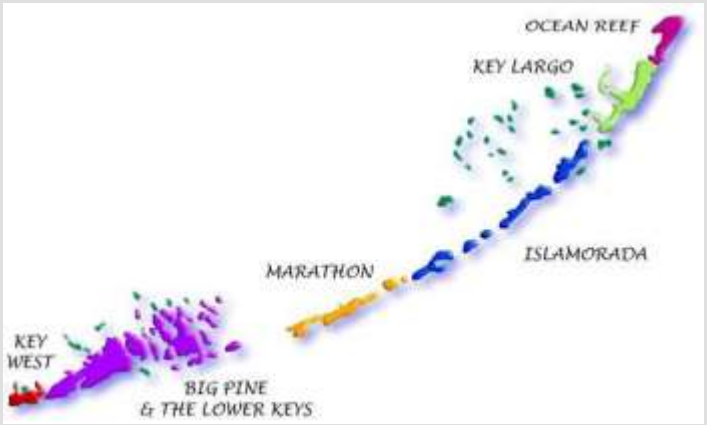
LOWER FLORIDA KEYS HOSPITAL DISTRICT
INVESTMENT POLICY



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LOWER FLORIDA KEYS HOSPITAL DISTRICT
INVESTMENT POLICY

I. PURPOSE

The purpose of this Investment Policy (the "Policy") is to set forth the investment objectives and parameters for the management of public funds of the Lower Florida Keys Hospital District (the "District"). The Policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

II. POLICY STATEMENT

This document provides a set of general guidelines that will permit the District's Finance Committee, serving as an investment committee, to oversee the investment of assets of the District. It details the authority and responsibility for the safekeeping and effective management of its funds and other assets of the District. These guidelines serve a fourfold purpose. First, they constitute the plan for investment the District's fund assets. Second, they serve as a communication tool between the District Board of Commissioners (the "Board") and the Investment Advisor(s). Third, they provide a framework to measure the performance of the investments. Fourth, they will help define the spending policies of the District.

III. SCOPE

This Policy was developed in accordance with Chapter 218.415, Florida Statutes. The Policy applies to all funds held by or for the benefit of the District. For the purpose of this Policy, the term "surplus funds" is defined as funds in any general or special account or fund of the District held or controlled by the governing body of the District, which funds in reasonable contemplation will not be needed for the purpose intended within a reasonable time from the date of such investment. However, the Policy shall not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect for such funds.

This Policy reflects objectives and constraints of the District. The main investment objective of the District is to achieve long-term growth of assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the District's current and long-term obligations.

The purpose of this Policy is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for District's assets.

2. Establish an appropriate investment strategy for managing all District assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the District.

3. Establish investment guidelines to control overall risk and liquidity.

4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.

5. Comply with all fiduciary, prudence, due diligence and legal requirements for District assets

IV. INVESTMENT AUTHORITY

Responsibility for the investment program is vested with the Board. Responsibility for the administration of the investment program is hereby delegated to the Finance Committee, who shall maintain an Investment Procedures and Internal Controls Manual based on this policy. The Finance Committee shall be responsible for monitoring internal controls, administrative controls and to regulate the activities of the District's staff involved with the investment program. In implementing the Policy, the Board may delegate certain functions to:

1. An Investment Advisor to assist the District in the investment process and to maintain compliance with the Policy. The Investment Advisor may assist in establishing investment policy, objectives, and guidelines; selecting Investment Managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The Investment Advisor may also select Investment Managers with discretion to purchase, sell, or hold specific securities that will be used to meet the District's investment objectives. The Investment Advisor must be registered with the Securities and Exchange Commission.

2. A custodian to physically maintain possession of securities owned by the District, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. The custodian will also provide regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the District. As recommended by the Finance Committee, and approved by the Board, the custodian may pay invoices drawn out of the earnings from the investment portfolio.

3. Additional specialists such as attorneys, auditors, actuaries and others to assist the District in meeting its responsibilities and obligations to administer District assets prudently.

V. INVESTMENT AND FIDUCIARY STANDARDS

1. The standard of prudence to be used by the Finance Committee shall be the *Uniform Prudent Management of Institutional Funds Act ("UPMIFA")* and shall be applied in the context of managing an overall portfolio. The Finance Committee acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

   Uniform Prudent Management of Institutional Funds Act ("UPMIFA") key responsibilities include the following:

   1. Give primary consideration to donor intent as expressed in a gift instrument,
   2. Act in good faith, with the care an ordinarily prudent person would exercise,
   3. Incur only reasonable costs in investing and managing public funds,
   4. Make a reasonable effort to verify relevant facts,
   5. Make decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy,
   6. Diversify investments unless due to special circumstances, the purposes of the portfolio are better served without diversification,
   7. Dispose of unsuitable assets, and
   8. In general, develop an investment strategy appropriate for the portfolio and the organization

2. The Investment Advisor shall prudently select appropriate Investment Managers to manage the assets of the District, but the Investment Advisor shall retain ultimate authority for such determinations. Investment Managers must meet the following criteria:

   - The Investment Manager must be a bank, insurance company, or investment advisor as defined by the Investment Advisers Act of 1940.
   - With respect to District assets in a mutual fund, the Investment Managers must provide historical quarterly performance data for the mutual fund compliant with Securities and Exchange Commission ("SEC") and National Association of Securities Dealers ("NASD") standards.
   - The Investment Managers must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS"), calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net of fees.
   - The Investment Managers must provide detailed information on history of the firm, key personnel, support personnel, key clients, and fee schedule (including most favored nation clauses). This information can be a copy of a recent Request for Proposal ("RFP") completed by the Investment Manager.
   - The Investment Managers must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
   - The Investment Managers for portfolios other than Pooled Vehicles (see Guidelines for Portfolio Holdings) must confirm that it has received, understands and will adhere to the policy and any manager specific policies by signing a consent form provided to the Investment Manager by the Investment Advisor prior to investment of District assets.

3. Investment Manager(s) are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to "golden parachutes," "super majorities," "poison pills," "fair price" provisions, staggered boards of directors, and other tactics. Investment manager(s) should vote proxies with the interest of preserving or enhancing the security's value.

4. The Investment Manager(s) of a commingled trust or mutual fund that holds the assets of the District along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible vote the proxies to reflect the policies in proportion to each fund's interest in the pooled fund.

VI. INVESTMENT OBJECTIVES

The investment objectives and strategy shall call for disciplined, consistent management philosophy so as to achieve the highest possible return consistent with the following objectives. Under the terms of these guidelines, "highest possible return" shall include both those investments made to produce current income, i.e. money market accounts, certificates of deposit, municipal bonds, corporate and government fixed income vehicles, and those investments made to pursue "growth of principal".

Safety of Principal The foremost objective of this investment program is the safety of the principal of those funds within the portfolio. Investment transactions shall seek to be consistent with the other investment objectives, which are to keep capital losses minimized, whether they are from securities defaults or erosion of market value.

Maintenance of Liquidity The portfolio shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodical cash flow analyses will be completed in order to ensure that the portfolios are positioned to provide sufficient liquidity.

Return on Investment 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 and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Diversification The investment portfolio shall be diversified to the extent practicable to control risk of Loss resulting from over concentration of assets in any specific maturity or maturity type.

VII. ETHICS AND CONFLICTS OF INTEREST

Staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, employees involved in the investment process shall disclose to the District any material financial interests in financial institutions that conduct business with the District, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's portfolio.

VIII. REPORTING

On a quarterly or annual basis, the Finance Committee shall provide to the District with quarterly investments reports. Schedules in the quarterly report should include the following:

A. A listing of individual securities held at the end of the reporting period

B. Percentage of available funds represented by each investment type

C. Coupon, discount or earning rate

D. Average life of duration and final maturity of all investments

E. Par value, and market value

On an annual basis, the Finance Committee shall prepare and submit to the Board a written report on all invested funds. The annual report shall provide all, but not limited to, the following: a complete list of all invested funds, name or type of security in which the funds are invested, the amount invested, the maturity date, earned income, the book value, the market value and the yield on each investment.

The annual report will show performance on both a book value and total rate of return basis and will compare the results to the above-stated performance benchmark. All investments shall be reported at fair value per **GASB** standards. Investment report shall be available to the public.

There shall be no deviation from the District's adopted Policy; however in case of an error in the application of the District's Policy the Investment Advisor shall immediately notify the Finance Committee.

IX. INVESTMENT GUIDELINES

1. Operational Cash

The District's investment objectives for Operational Cash are to provide Safety, Liquidity and Yield. Operational Cash is considered to be funds that will need to be accessed during the fiscal year for operational and program expenses. The Finance Committee will recommend to the Board an appropriate amount. Operating cash needed for daily operations will be deposited in a local financial institution. Funds not required for daily operations may be segregated and invested for 0-3 years in the following securities.

a. Non-negotiable interest-bearing time certificates of deposit or interest bearing accounts in financial institutions organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Federal Deposit Insurance Corporation. Additionally, the financial institution shall not be listed with any recognized credit watch information service.

b. United States Treasury Securities: maximum of 100% of the portfolio

c. Federal Instrumentality Securities: maximum of 100% of the portfolio

d. Government Agency Securities: maximum of 50% of the portfolio

e. Corporate Bonds: maximum of 25% of the portfolio
maximum of 5% per issuer
Issuers must have a long term debt rating, at the time or purchase, at a minimum "A" category by Moody's or a minimum long term debt rating of "A" category by Standard & Poor's.

f. Municipal Securities: maximum 50% of the portfolio
maximum 10% per issuer
Issuers must be rated at least a minimum "A" category by Moody's or a minimum long term debt rating of "A" category by Standard & Poor's for long-term debt, or rated at least "VMIG2" by Moody's or "A-2" by Standard & Poor's or equivalent rating by another nationally recognized statistical rating organization ("NRSRO") for short-term debt.

g. Money Market Mutual Funds: maximum 50% of the portfolio
Funds must be AAAm rated by Standard & Poor's and registered with the SEC.

It is anticipated that any investments that do not provide daily liquidity will be held to maturity in order to avoid having to sell securities at a market price that will result in recognizing a loss.

2. Growth

a. Time Horizon

The District's investment objectives are based on an average 3-10 year investment horizon. Interim fluctuations should be viewed with appropriate perspective. The District's Board has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

b. Liquidity and Diversification

Investment shall be diversified with the intent to minimize the risk of investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent

diversification with regard to the concentration of holdings in individual issues, issuers, sectors, countries, governments, or industries.

c. Asset Allocation

The District's Board believes that to achieve the greatest likelihood of meeting the District's investment objectives and the best balance between risk and return for optimal diversification, the investment assets will be invested in accordance with the targets for each asset class as follows:

Investment Assets	**Asset Weightings**	
Asset Classes	**Range**	**Target**
Growth Assets		
Domestic Equity	32% - 52%	42%
International Equity	11% - 31%	21%
Other Growth	0% - 17%	7%
Income Assets		
Fixed Income	10% -50%	30%
Other Income	0% - 10%	0%
Real Return Assets	0% -10%	0%
Cash Equivalents	0% - 20%	0%

The Investment Managers shall have discretion to temporarily invest a portion of the assets in cash equivalents when they deem it appropriate. The Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

d. Rebalancing Philosophy

The asset allocation range established by the Policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the Policy ranges. When these divergences occur, the Investment Advisor will rebalance the asset mix to its appropriate targets and ranges. Similarly, if the cash requirement to handle liquidity needs falls to a level where near-term distributions (over the following six months or less) cannot be met and no contributions are anticipated, the Investment Advisor will rebalances the fund to its appropriate targets and ranges.

When the Investment Advisor is notified of new contributions, the Investment Advisor will review the District allocation and fill any liquidity needs first and the remaining investment allocations last.

e. Risk Tolerance

The District will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the District's investment objectives

f. Performance Expectations

Over the long-term, a rolling ten year period, the performance objectives for District assets will be to achieve an average total annual rate of return that is equal to or greater than the District's hurdle

rate, a combination of expected spending and inflation. Spending shall be defined as the funds expected to be distributed from the investment earnings during the fiscal year. Inflation is defined as the annualized change in the Consumer Price Index ("CPI"). Investment performance will be reviewed quarterly and adjusted by the District as spending requirements and market conditions warrant. Additionally, it is expected that the annual rate of return on District assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual District investments and blended benchmark comparisons for the District in its entirety.

X. GUIDELINES FOR PORTFOLIO HOLDINGS

The Investment Advisor shall make every effort to prudently select funds that follow the guidelines listed below.

1. Pooled Vehicles

   Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with the Policy (as outlined in the following sub-sections of the Guidelines for Portfolio Holdings. However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between the Policy and the objectives of these pooled vehicles. A commingled fund or mutual fund will not be included in the District portfolio unless it complies with the Investment Company Act of 1940's diversification requirement.

2. Cash Equivalents

   Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

3. Equities

   No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

   Domestic Equities. Other than the above constraints, there are no quantitative guidelines as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the Manager.

   International Equities. The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

   In order to maintain an effective money management structure that is style neutral, the target growth to value allocation in all market capitalizations is one-to-one. However, in no case will the growth value allocation for market capitalizations exceed two-to-one. Conversely, value shall not exceed growth by the same ratio.

4. Fixed Income

   Fixed income investments shall be high quality with a preponderance of the investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, (2) investment grade corporate issues including convertibles, and (3) sovereign debt of foreign countries.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization ("NRSRO").

5. Other Assets

Real Assets: Real assets are typically physical assets that have intrinsic worth due to their substance and properties. Real assets are primarily used for their lower correlation to traditional assets (i.e. stocks and bonds) and their inflation hedging properties. Categories of real asset investments include, but are not limited to, real estate, infrastructure, land, farmland, timberland, precious metals, and commodities. The benefit of lower correlation investments is that, when implemented correctly, these investments can potentially improve a portfolio's expected risk-adjusted return over the long-term. The real assets category can be extended to include other forms of assets that offer similar inflation hedging properties such as pooled vehicles holding: commodities contracts, Treasury Inflation Protected Securities ("TIPS"), index-linked derivative contracts, certain forms of intellectual property, and the equity of companies in businesses thought to hedge inflation. For purposes of asset allocation targets and limitations, real assets may be categorized as "Other" under either the Growth Assets or Income Assets category or in the Real Return Assets category, depending on the nature and risk/return profile of the investment.

6. Prohibited Investments

The following securities and transactions and not authorized and shall not be purchased; letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities); derivatives, options or futures for the purpose of portfolio leveraging are also prohibited, issues of or by instrumentalities deemed to be in violation of the prohibited transactions standards of the prudent man rule. Natural resource properties such as oil, gas or timber may not be held except by purchase of publicly traded securities. The purchase of collectibles is also prohibited.

7. Safekeeping

All securities shall be held by a custodian appointed by the Board for safekeeping. The custodian shall produce statements at least monthly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Fund held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts

XI. CONTROL PROCEDURES

1. Review of Investment Objectives

The Investment Advisor shall review annually the appropriateness of the Policy for achieving the District's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

2. Review of Investment Performance

The Investment Advisor shall report on a quarterly basis to the District Board to review the total District investment performance. In addition, the Investment Advisor will be responsible for keeping the District Board advised of any material change in Investment Managers, and other pertinent information potentially affecting performance of the District. The Investment Advisor will not make changes in investment strategy without approval of the District Board.

The Investment Advisor shall compare the investment results on a quarterly basis to appropriate benchmarks, as well as market index returns in both equity and debt markets. Examples of primary

benchmarks and indexes that will be used include but not limited to: Russell 3000 Index for U.S. equities , MSCI All World Countries ex US. ("AWCI ex US") for international equities, MSCI U.S. REIT for Real Estate Investment Trusts, FTSE Global Core Infrastructure for Infrastructure, Bloomberg Aggregate Bond Index for fixed income securities, and the U.S. 91 Day Treasury-Bill Index for cash equivalents.

3. Voting of Proxies

Investment Managers selected by the Investment Advisor are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to: "golden parachutes", "super majorities", "poison pills", "fair price" provisions, staggered boards of directors, and other tactics. Proxies should be vigorously voted with the interest of preserving or enhancing the security's value.

The Investment Manager(s) of a commingled fund or mutual fund that holds the assets of the District along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible, vote the proxies to reflect policies in proportion to each fund's interest in the pooled fund.

XII. THIRD-PARTY CUSTODIAL AGREEMENTS

All securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by; the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The Finance Committee will execute on behalf of the District, third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements may include letters of authority from the District, details as to the responsibilities of each party, method of notification of security purchases, sales, delivery, procedures related to repurchase agreements and wire transfers, safekeeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps and describing the liability of each party.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Finance Committee and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping, shall be permitted unless by such a duly authorized person.

The custodian shall provide the District with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

XIII. INVESTMENT POLICY ADOPTION

The Policy shall be adopted by resolution of the Board. The Policy shall be reviewed annually by the Finance Committee and any proposed changes shall be submitted to the Board for its approval. Once adopted, any changes will be delivered to each Investment Manager, as appropriate, by the Investment Advisor.

Duly adopted this 4th day of February 2025.

Chairman of the Board of Commissioners
The Lower Florida Keys Hospital District