City of Bellemeade Investment Committee
Recommendation

<u>COMMITTEE MEMBERS</u>
James Martin
Herb Scales
Josh Allgeier
Jeff Gullett
Barry Blalock
City Treasurer Geri Huff (Non-Voting Member)

On September 14, 2020 the City of Bellemeade Commission passed a resolution to form a committee of residents to explore whether the city's financial reserves could be earning a higher rate of return in a safe and responsible way. Mayor James Martin served as the chair of the committee, along with committee members Herb Scales (214 Bellemeade Rd), Josh Allgeier (216 North Chadwick), Jeff Gullett (211 Holliswood Rd), and Barry Blalock (208 Dorchester Road).

The Investment Committee met at the Steel Technologies Building at 700 North Hurstbourne Parkway (in person or via Zoom) on the following dates:

Monday, January 11, 2021 – 6:00 pm – 7:00 pm
Monday, February 8, 2021 – 6:00 pm – 7:00 pm
Monday, March 8, 2021 – 6:00 p.m. – 7:00 pm

The meetings were advertised in the City of Bellemeade Newsletter which is mailed to all city residents. Below is a summary of those meetings:

1) <u>January 11, 2021</u> - All members were present with Allegeier and Gullett attending via Zoom.

- Treasurer Geri Huff provided the committee with an excel spreadsheet containing an itemization of the city's then existing financial accounts. (Attached as Exhibit 1). The accounts can be summarized as follows:

Money Market Accounts	$485,741.01
[redacted] Road Fund	$230,502.65
[redacted] Account	$81,768.89
TOTAL	**$798,012.55**

- It was discussed by the committee that the Money Market Accounts are essentially a rainy-day savings fund with no designated or earmarked purpose. The road fund is for eventual road repairs. The [redacted] account is used for city annual budgetary expenditures. Treasurer Huff explained that tax receipts generally cover the city's current annual budget.

- Member Blalock presented graphs demonstrating S & P 500 Index long term growth over many decades.

2) February 8, 2021 - Martin, Huff, Blalock, Scales attended in person. Gullett attempted to join via Zoom but Mayor Martin was unable to get Zoom to function. Allgeiers was unable to attend but provided his thoughts for the committee via an email which was read by Mayor Martin. Several members of the public (city commissioners) attended.

- Mark Synder Vice President / Sr. Investment Advisor PNC Institutional Asset Management came to the meeting to present about the Kentucky League of City's Investment Pool. The Kentucky League of Cities has provided a fact sheet regarding Kentucky House Bill 69 which expanded Kentucky cities' investment options (Exhibit 2). KLC also has provided its members KLC's sample investment policy. (Exhibit 3). The Kentucky League of Cities Investment Pool (KLCIP) has been established to give local governments new investment options including corporate bonds and equities. The KLC Investment Pool is administered by KLC, governed by a Board of Trustees comprised of Kentucky local leaders, and managed and advised by PNC Institutional Asset Management. The cost for KLCIP is .35 percent. Money is liquid and can be withdrawn at anytime.

- Copies of KRS 66.480 were printed and available at the meeting. (Exhibit 4). This statute lays out the available investments to Kentucky cities. These generally are:
  a) U.S. government obligations and instrumentalities including obligations subject to repurchase, if delivery of these obligations is taken directly or through an authorized custodian. KRS 66.480(1)(a).
  b) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest. KRS 66.480(1)(b).
  c) Federal Agency or U.S. government-sponsored enterprises (GSE) obligations, participations or other instruments. KRS 66.480(1)(c).
  d) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds, permitted by KRS 41.240. KRS 66.480(1)(d).
  e) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency. KRS 66.480(1)(e).
  f) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency. KRS 66.480(1)(f).
  g) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization. KRS 66.480(1)(g).
  h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. KRS 66.480(1)(h).
  i) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency. KRS 66.480(1)(i).
  j) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
  k) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

l) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

3) March 8, 2021 - All members were present, with Gullett attending via Zoom.

- The committee members discussed their understanding that at least 60% of the city's funds have to be invested in sections (a) - (d), above, which essentially include, money market accounts, government bonds, and CDs. These are the safest financial products since they have a fixed rate of return. The committee discussed its understanding that insurance annuities do not fit under the categories of (a) – (d) and therefore are not permissible investment options under the statutory framework.

- The committee members discussed their belief that 40% of total holdings can be in section (j) (ETFs and mutual funds) because (j) investments are given special status among the other categories. This was explained to Mayor Martin by Steven Pickarski, Municipal Finance Analysist at Kentucky League of Cities. Some confusion regarding this point existed as Mark Synder had stated at the previous meeting that only 20% could be placed in ETFs and mutual funds. KRS 66.480(2)(a) states a city shall not put more than 20% into sections (e), (f), (g), (k), and (l). Section (j) is conspicuously absent from that restriction. Therefore, the committee discussed its understanding that investments under section (j) is not limited to 20% like the other investments under (e), (f), (g), (k), and (l) are.[1]

- Member Blalock presented a recommendation that the city invest at least $250,000 of its funds in Beacon Vantage 2.0 portfolios, which are all ETF portfolios. He estimated that the cost would be 1.27%. He explained that he personally would not be voting on any recommendation related to the Beacon Vantage portfolios since the product is offered through his company, PNC Investments. Copies of the summary of this investment option were available for review. (Exhibit 5). The purported advantages of this option include:

    - The investments are equally weighted across the 11 U.S. equity market sectors. This is in contrast to standard S & P 500 weight which invests more heavily in technology sectors and therefore may be more susceptible to market volatility.

    - The Beacon Vantage 2.0 uses a trailing stop loss trigger. A trailing stop triggers when the 11 Vanguard Sector ETFs benchmark drops 10% from its high water mark. At that point, the investment is automatically converted to more conservative Vanguard Short-term Bond ETFs, Vanguard Intermediate-term Bond ETFs, and Vanguard Long-Term Bond EFTs. The buy back mechanism is designed to prevent a "dead cat bounce." A dead cat bounce is market jargon for a situation where an index experiences a short-lived burst of upward movement in a largely downward trend. Algorithms have been run to demonstrate that the buy back mechanism would have been successful in avoiding the dead cat bounce in the vast majority of historical market declines.

- The committee members then unanimously voted to recommend that the city invest approximately 60% of its current assets in whichever reputable money market accounts that the city can locate with the highest rate of return. The committee suggested that the city possibly explore internet-

[1] While two committee members are attorneys, both members made clear that they do not intend their understanding of the statute to constitute legal advice and the committee would request that the city attorney confirm the committee's understanding of the law.

only banks. If government bond rates start yielding better rates of the return in the coming years, the city could consider converting some of these investments to bonds. The committee believes that current CD rates of return are simply too low to justify the maturity dates which require the money to be locked up for months or even years.

- The committee members then voted to recommend that the remaining 40% of the city's assets be invested in the Beacon Vantage 2.0 portfolio. This investment requires at least $250,000 of initial funding. Committee members were especially impressed with the trailing stop loss trigger which they believed may offer some protection to city assets during widespread market downturns. Member Blalock abstained from this vote since his company at PNC Investments markets the Beacon Vantage 2.0 product. Members Scales, Gullett, and Allgeiers voted to recommend that the Beacon Vantage 2.0 product be utilized. Member Martin voted to recommend that the KLCIP investment pool program be utilized.

- The committee then voted unanimously to recommend that the city utilize the Kentucky League of Cities' sample investment policy with any modifications the city commission deems advisable.

James Martin, Chair	3/24/21 Date
Herb Scales	3/24/21 Date
Josh Allgeier	3/24/21 Date
Jeff Gullett	3/24/21 Date
Barry Blalock	3/24/21 Date

Financial Institution	Interest	Percent Return	Total Account	
[redacted]	12.3	0.0085%	145201.68	Money Market
[redacted]	187.43	0.0721%	259963.94	Money Market
[redacted]	0.17	0.0008%	20290.53	Money Market
[redacted]	1.53	0.0025%	60284.86	Money Market
	201.43	Total Interest	485741.01	

[redacted] Road Fund				
Road Interest	3.88			
Road Interest	3.88			
Total Road Interest	7.76	0.0034%	230002.65	Road Fund Balance
Road Fund	1431.00		500	Credit Card Amount
	1438.76	Total Road Fund	230502.65	

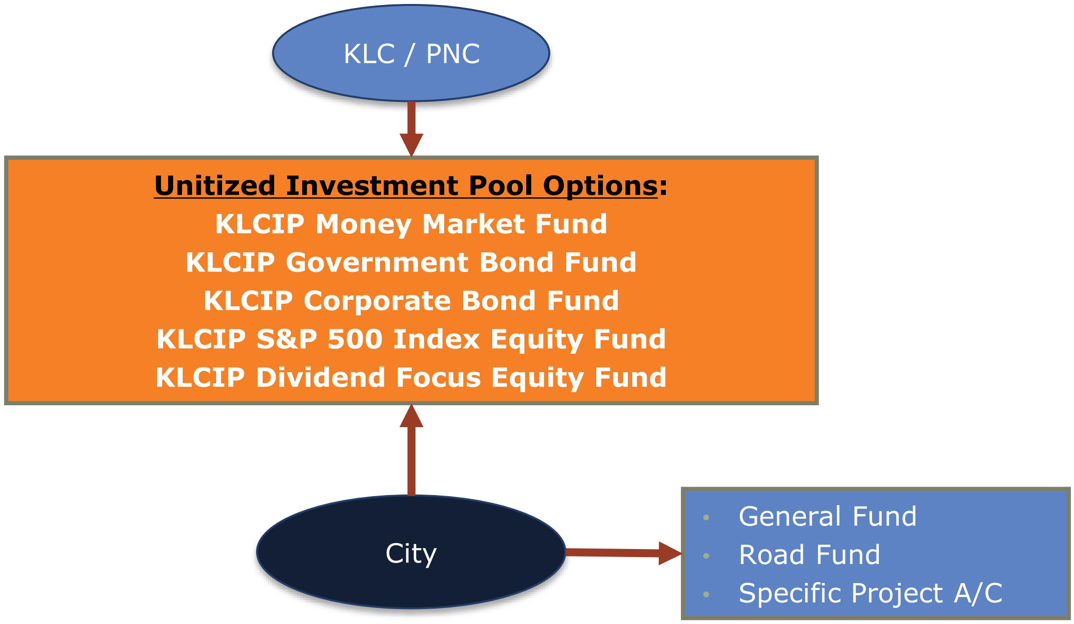
[redacted] Checking Acct $81,768.89

EXHIBIT 1

KLC Investment Pool Plus Program (KLCIP)

Program Overview

With the enactment of House Bill 69 (July 2019), you now have some additional investment options that you can utilize to diversity your overall investment portfolio and increase revenue for your city.



KLCIP Highlights:

- **Ensure compliance with House Bill 69**
- **Do business with an organization that supports all cities in Kentucky**
- **Program will evolve based on your input to meet changing needs**
- **Utilize as a complement to your existing investment program to gain diversification**
- **It costs nothing to establish an account so that you have investment options available when needed**
- **No minimum investment amount required to establish an account**
- **No transaction fees for additions, withdrawals or transfers between investment funds**
- **Establish a target asset allocation for each individual sub-account**
- **Investment funds are valued daily**
- **Income is allocated to each account on a monthly basis**
- **On-line access provided to view all account activity & receive monthly statements**
- **Resources available to assist you in developing customized investment strategies**

EXHIBIT 2

KLC Investment Pool Plus Program

Investment Fund Summary

Investment Pool Options	Investment Pool Characteristics
KLCIP Money Market Fund	Investment seeks protection of principal while providing a competitive current yield by investing primarily in obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities and repurchase agreements. **Stable Net Asset Value (NAV)**
KLCIP Government Bond Fund	Investment seeks a higher current yield than the Money Market Fund by investing in short and intermediate-term U.S. Treasury Bonds. The portfolio targets a weighted average duration of less than 4 years with maturities ranging from between 1-7 years. **NAV fluctuates daily based on market returns**
KLCIP Corporate Bond Fund	Investment seeks a higher level of current income and capital appreciation than the Government Bond Fund by investing in a diversified mix of Corporate Bonds with credit ratings of A or better and maturities of less than 10 years. **NAV fluctuates daily based on market returns**
KLCIP S&P 500 Equity Index Fund	Investment seeks long-term capital appreciation by investing in the common stock of U. S. companies that are included in the S&P 500 Index. The key risk is the volatility that comes with its full exposure to the large cap stock market. **NAV fluctuates daily based on market returns**
KLCIP Dividend Focus Equity Fund	Over time, this strategy is designed to participate in equity market advances but also to protect in market declines, while delivering an attractive dividend yield, growing income stream, and potential for positive earnings surprises. **NAV fluctuates daily based on market returns**

Program Contacts:

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EXHIBIT 2

<u>MODEL INVESTMENT POLICY</u>

(1) GENERAL INVESTMENT POLICY

It is the policy of the (City) to invest public funds in a manner which will provide the maximum security and highest investment of principle while meeting the daily cash flow demands on the (City) and conforming to both KRS 91A.060 and KRS 66.480. This investment policy applies to all financial assets held directly by the (City). These financial assets are accounted for in the (City) annual financial report and include all moneys in investment fund accounts.

(2) SCOPE

This investment policy applies to all financial assets held directly by the city. These financial assets are accounted for in the city's annual financial report and include all moneys in the following funds:

- General Fund
- Special Revenue Fund
- Capital Projects Fund
- Enterprise Fund
- Utility Depreciation Fund
- Agency Fund
- Any new fund created by the governing body

Financial assets of the city held and invested by trustees or fiscal agents are excluded from these policies; however, such assets shall be invested in accordance with state laws applicable to the investment of local government funds and in accordance with the (City)'s primary investment objectives.

(3) INVESTMENT OBJECTIVES

The (City)'s primary investment objectives, in order of priority, are the following:

<u>3.1 Safety</u>

Safety of principle is the foremost objective of the (City)'s investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk

<u>3.2 Liquidity</u>

The (City)'s investment portfolio shall remain sufficiently liquid to enable the (City) to meet all operating requirements which might be reasonably anticipated.

<u>3.3 Return on Investment</u>

The (City)'s investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into

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account the (City)'s investment risk constraints and the cash flow characteristics of the portfolio.

(4) INVESTMENT AUTHORITY

Management's responsibility for the (City)'s investment program is the joint responsibility of the Designated Officials which shall be the (Mayor) and the (City Treasurer). Both shall share the authority, subject to the approval of the governing body, to establish additional specific written procedures for the operation of the investment program that are consistent with this investment policy. The procedures shall include explicit delegation of authority, if any, to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Designated Officials. These Designated Officials shall be ultimately responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and employees. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by officers and employees. The Designated Officials shall maintain all records related to the entity's investment program.

(5) STANDARDS OF CARE

5.1 Prudence

The actions of the Designated Officials in the performance of their duties as manager of the (City)'s funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital, as well as, the probable income to be derived. The Designated Officials, acting in accordance with written procedures, this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

5.2 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the city.

5.3 Delegation of Authority

a) Governing Body

The governing body will retain ultimate fiduciary responsibility for the portfolios. The governing body will receive monthly reports, designate Designated Officials and review the investment policy making any changes necessary by adoption.

b) Designated Officials

Authority to manage the investment program is granted to the (Mayor) and the (City Treasurer), hereinafter referred to as Designated Officials as designated by this city ordinance. Responsibility for the operation of the investment program is hereby delegated to the Designated Officials who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Officers will prepare monthly investment reports and other special reports as may be deemed necessary. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

c) Investment Adviser

The city may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with the city's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. Such managers must be registered under the Investment Advisers Act of 1940.

(6) AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKERS/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

6.1 The Designated Officials shall determine which financial institutions are authorized to provide investment services to city. Institutions eligible to transact investment business with city include:

- Primary government dealers as designated by the Federal Reserve Bank;
- Nationally or state-chartered banks;
- The Federal Reserve Bank;
- Direct issuers of securities eligible for purchase; and
- Kentucky League of Cities Investment Pool Plus.

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6.2 Selection of financial institutions and broker/dealers authorized to engage in transactions with the (City) shall be at the sole discretion of the city.

6.3 All brokers/dealers who desire to become qualified for investment transactions must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- Proof of state registration;
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties);
- Certification of having read and understood and agreeing to comply with the entity's investment policy; and
- Evidence of adequate insurance coverage.

6.4 All financial institutions who desire to become depositories must supply the following (as appropriate):

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines;
- Proof of state registration; and
- Evidence of adequate insurance coverage.

6.5 A periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Designated Officials.

a) Minority, Emerging and Community Financial Institutions
From time to time, the Designated Officials may choose to invest in instruments offered by minority, emerging, and community financial institutions. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with Kentucky law and city ordinance.

b) Competitive Transactions
(1) The Designated Officials shall obtain competitive bid information on all purchases of investment instruments purchased on the secondary market. A competitive bid can be executed through a bidding process involving at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
(2) If the city is offered a security for which there is no readily available competitive offering on the same specific issue, then the Designated Officials shall document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required

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as all dealers in the selling group offer those securities as the same original issue price.

(3) If the city hires an investment adviser to provide investment management services, the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.

(7) SAFEKEEPING AND CUSTODY

7.1 Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the entity's safekeeping institution prior to the release of funds.

7.2 Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by the (City). All securities will be evidenced by safekeeping receipts in the name of the (City). The safekeeping institution shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011).

7.3 Internal Controls

Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the city.

(8) SUITABLE AND AUTHORIZED INVESTMENTS

8.1 Investment Types and Credit Guidelines

Consistent with the GFOA Policy Statement and Kentucky laws and city ordinances concerning investment practices, the investments as defined by KRS 66.480, are allowed. KRS 66.480 (2) restricts overall investment in (e), (f), (g), (k), and (l) of the following types of securities to 20% of total local government investments:

a) U.S. government obligations and instrumentalities including obligations subject to repurchase, if delivery of these obligations is taken directly or through an authorized custodian. KRS 66.480(1)(a).
b) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest. KRS 66.480(1)(b).
c) Federal Agency or U.S. government-sponsored enterprises (GSE) obligations, participations or other instruments. KRS 66.480(1)(c).
d) CDs issued by or other interest-bearing accounts of any bank or savings

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and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds, permitted by KRS 41.240. KRS 66.480(1)(d).

e) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency. KRS 66.480(1)(e).
f) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency. KRS 66.480(1)(f).
g) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization. KRS 66.480(1)(g).
h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. KRS 66.480(1)(h).
i) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency. KRS 66.480(1)(i).
j) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).
k) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).
l) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

IMPORTANT NOTE: If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Designated Officials shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Designated Officials will apply the general objectives of safety, liquidity, yield and legality to make the decision.

8.2 Collateralization

Where allowed or required by Kentucky law full collateralization will be required on all demand deposit accounts, including checking accounts and negotiable (as authorized by respective state statutes) and non-negotiable certificates of deposit. Acceptable collateral for bank deposits and repurchase agreements shall include only:

- Obligations of the U.S. government, its agencies and GSEs, including mortgage-backed securities; or
- Obligations of any state, city, county or authority rated at least AA by two nationally recognized statistical rating organizations.

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(9) INVESTMENT PARAMETERS

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The city shall mitigate credit risk by adopting the following:

- It is the policy of the (City) to diversify its investment portfolios within the restrictions of state and federal law. KRS 66.480(2)(a) limits local government investment in securities to 20% of total investment with no more than 5% of total investment in a single issuer absent exceptions in KRS 66.480(2)(d)(1-4). Furthermore, local governments are restricted from investing 40% of allowed securities investment total in mutual funds and exchange traded funds, individual equity securities, and individual high-quality corporate bonds by KRS 66.480(2)(b).

(10) PERFORMANCE STANDARDS/EVALUATION

The city's investment management portfolio shall be designed with the levels of risk appropriate to conform to performance benchmarks while meeting cash flow demands and comply with state law.

(11) REPORTING/DISCLOSURE

The Designated Officials shall submit, at least, quarterly an investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall include an appendix that discloses all transactions during the past quarter. The report shall be in compliance with Kentucky law and shall be distributed to the investment committee and others as required by law. Each quarterly report shall indicate any areas of policy concern and suggested or planned revision of investment strategies. Copies shall be transmitted to the independent auditor. Within 40 days of the end of the fiscal year, the Designated Officials shall present a comprehensive annual report on the investment program and investment activity. The annual report shall include both 12-month and quarterly comparisons of return and shall suggest policies and improvements that might be made in the investment program. Alternatively, this report may be included within the annual Comprehensive Annual Financial Report.

(12) POLICY CONSIDERATIONS

12.1 Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

12.2 Amendments

This policy shall be reviewed on an annual basis. Any changes must be approved by the Designated Officials and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

(13) APPROVAL OF INVESTMENT POLICY
The investment policy and any modifications to that policy shall be formally approved and adopted by the governing body of the (City).

(14) MISCELLANEOUS
The following documents, as applicable, are attached to this policy. This will be city specific and many cities will not have some of the below documents:

- Listing of authorized personnel
- Relevant investment statutes and ordinances
- Listing of authorized broker/dealers and financial institutions
- Internal controls
- Investment Guidelines Manual

EXHIBIT 3

66.480 Investment of public funds -- Limitations -- Written investment policy -- Duties of state local debt officer -- Investment pool -- Rating agency.

(1) The governing body of a city, county, urban-county, charter county, school district (provided that its general procedure for action is approved by the Kentucky Board of Education), or other local governmental unit or political subdivision, may invest and reinvest money subject to its control and jurisdiction in:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a competent rating agency;

(g) Commercial paper rated in the highest category by a competent rating agency;

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(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a competent rating agency;

(j) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

2. The management company of the investment company shall have been in operation for at least five (5) years; and

3. All of the securities in the mutual fund shall be eligible investments pursuant to this section;

(k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager that:

1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;

2. Have a standard maturity of no more than ten (10) years; and

3. Are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.

(2) The investment authority provided by subsection (1) of this section shall be subject to the following limitations:

(a) The amount of money invested at any time by a local government or political subdivision in any one (1) of the categories of investments authorized by subsection (1)(e), (f), (g), (k), and (l) of this section shall not exceed twenty percent (20%) of the total amount of money invested by the local government;

(b) The amount of money invested at any one (1) time by a local government or a political subdivision in the categories of investments authorized in subsection (1)(j), (k), and (l) of this section shall not, aggregately, exceed forty percent (40%) of the total money invested;

(c) No local government or political subdivision shall purchase any investment authorized by subsection (1) of this section on a margin basis or through the use of any similar leveraging technique; and

(d) At the time the investment is made, no more than five percent (5%) of the total amount of money invested by the local governments or political subdivisions shall be invested in any one (1) issuer unless:

1. The issuer is the United States government or an agency or instrumentality of the United States government, or an entity which has its obligations guaranteed by either the United States government or an entity, agency, or instrumentality of the United States government;
2. The money is invested in a certificate of deposit or other interest-bearing accounts as authorized by subsection (1)(d) and (e) of this section;
3. The money is invested in bonds or certificates of indebtedness of this state and its agencies and instrumentalities as authorized in subsection (1)(h) of this section; or
4. The money is invested in securities issued by a state or local government, or any instrumentality or agency thereof, in the United States as authorized in subsection (1)(i) of this section.

(3) The governing body of every local government or political subdivision that invests or reinvests money subject to its control or jurisdiction according to the provisions of subsection (1) of this section shall by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision. The written investment policy shall include but shall not be limited to the following:

(a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;

(b) A list of the permitted types of investments;

(c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;

(d) Standards for written agreements pursuant to which investments are to be made;

(e) Procedures for monitoring, control, deposit, and retention of investments and collateral;

(f) Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;

(g) Standards for the qualification of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government or political subdivision; and

(h) Requirements for periodic reporting to the governing body on the status of invested funds.

(4) Sheriffs, county clerks, and jailers, who for the purposes of this section shall be known as county officials, may invest and reinvest money subject to their control and jurisdiction, including tax dollars subject to the provisions of KRS Chapter 134 and 160.510, as permitted by this section.

(5) The provisions of this section are not intended to impair the power of a county

official, city, county, urban-county, charter county, school district, or other local governmental unit or political subdivision to hold funds in deposit accounts with banking institutions as otherwise authorized by law.

(6) The governing body or county official may delegate the investment authority provided by this section to the treasurer or other financial officer or officers charged with custody of the funds of the local government, and the officer or officers shall thereafter assume full responsibility for all investment transactions until the delegation of authority terminates or is revoked.

(7) All county officials shall report the earnings of any investments at the time of their annual reports and settlements with the fiscal courts for excess income of their offices.

(8) The state local debt officer is authorized and directed to assist county officials and local governments, except school districts, in investing funds that are temporarily in excess of operating needs by:

(a) Explaining investment opportunities to county officials and local governments through publication and other appropriate means; and

(b) Providing technical assistance in investment of idle funds to county officials and local governments that request that assistance.

(9) (a) The state local debt officer may create an investment pool for local governments, except school districts, and county officials; and counties and county officials and cities may associate to create an investment pool. If counties and county officials and cities create a pool, each group may select a manager to administer their pool and invest the assets. Each county and each county official and each city may invest in a pool created pursuant to this subsection. Investments shall be limited to those investment instruments permitted by this section. The funds of each local government and county official shall be properly accounted for, and earnings and charges shall be assigned to each participant in a uniform manner according to the amount invested. Charges to any local government or county official shall not exceed one percent (1%) annually on the principal amount invested, and charges on investments of less than a year's duration shall be prorated. Any investment pool created pursuant to this subsection shall be audited each year by an independent certified public accountant, or by the Auditor of Public Accounts. A copy of the audit report shall be provided to each local government or county official participating in the pool. In the case of an audit by an independent certified public accountant, a copy of the audit report shall be provided to the Auditor of Public Accounts, and to the state local debt officer. The Auditor of Public Accounts may review the report of the independent certified public accountant. After preliminary review, should discrepancies be found, the Auditor of Public Accounts may make his or her own investigative report or audit to verify the findings of the independent certified public accountant's report.

(b) If the state local debt officer creates an investment pool, he or she shall establish an account in the Treasury for the pool. He or she shall also establish

EXHIBIT 4

a separate trust and agency account for the purpose of covering management costs, and he or she shall deposit management charges in this account. The state local debt officer may promulgate administrative regulations, pursuant to KRS Chapter 13A, governing the operation of the investment pool, including but not limited to provisions on minimum allowable investments and investment periods, and method and timing of investments, withdrawals, payment of earnings, and assignment of charges.

(c) Before investing in an investment pool created pursuant to this subsection, a local government or county official shall allow any savings and loan association or bank in the county, as described in subsection (1)(d) of this section, to bid for the deposits, but the local government or county official shall not be required to seek bids more often than once in each six (6) month period.

(10) (a) With the approval of the Kentucky Board of Education, local boards of education, or any of them that desire to do so, may associate to create an investment pool. Each local school board which associates itself with other local school boards for the purpose of creating the investment pool may invest its funds in the pool so created and so managed. Investments shall be limited to those investment instruments permitted by this section. The funds of each local school board shall be properly accounted for, and earnings and charges shall be assigned to each participant in a uniform manner according to the amount invested. Charges to any local school board shall not exceed one percent (1%) annually on the principal amount invested, and charges on investments of less than a year's duration shall be prorated. Any investment pool created pursuant to this subsection shall be audited each year by an independent certified public accountant, or by the Auditor of Public Accounts. A copy of the audit report shall be provided to each local school board participating in the pool. In the case of an audit by an independent certified public accountant, a copy of the audit report shall be provided to the Auditor of Public Accounts, and to the Kentucky Board of Education. The Auditor of Public Accounts may review the report of the independent certified public accountant. After preliminary review, should discrepancies be found, the Auditor of Public Accounts may make his or her own investigative report or audit to verify the findings of the independent certified public accountant's report.

(b) The Kentucky Board of Education may promulgate administrative regulations governing the operation of the investment pool including but not limited to provisions on minimum allowable investments and investment periods, and methods and timing of investments, withdrawals, payment of earnings, and assignment of charges.

(11) As used in this section, "competent rating agency" means a rating agency certified or approved by a national entity that engages in such a process. The certification or approval process shall include but not necessarily be limited to the following elements the subject rating agency must possess:

(a) A requirement for the rating agency to register and provide an annual updated filing;

(b) Record retention requirements;

(c) Financial reporting requirements;

(d) Policies for the prevention of misuse of material nonpublic information;

(e) Policies addressing management of conflicts of interest, including prohibited conflicts;

(f) Prohibited acts practices;

(g) Disclosure requirements;

(h) Any policies, practices, and internal controls required by the national entity; and

(i) Standards of training, experience, and competence for credit analysts.

Effective: June 27, 2019

History: Amended 2019 Ky. Acts ch. 11, sec. 1, effective June 27, 2019. -- Amended 2009 Ky. Acts ch. 10, sec. 58, effective January 1, 2010. -- Amended 1998 Ky. Acts ch. 554, sec. 3, effective July 15, 1998. -- Amended 1996 Ky. Acts ch. 362, sec. 6, effective July 15, 1996. -- Amended 1994 Ky. Acts ch. 275, sec. 1, effective July 15, 1994; and ch. 508, sec. 39, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 291, sec. 2, effective July 13, 1990; and ch. 476, Pt. V, sec. 298, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 393, sec. 3, effective July 15, 1988. -- Amended 1986 Ky. Acts ch. 261, sec. 1, effective July 1, 1986. -- Amended 1982 Ky. Acts ch. 57, sec. 1, effective March 9, 1982. -- Created 1966 Ky. Acts ch. 205, sec. 1.

Legislative Research Commission Note (7/15/94). This section was amended by 1994 Ky. Acts chs. 275 and 508. Where these Acts are not in conflict, they have been codified together. In cases where stylistic changes made in Acts ch. 508 conflict with substantive changes in Acts ch. 275, the provisions of Acts ch. 275 have prevailed. Cf. KRS 7.123(1).

Legislative Research Commission Note (7/13/90). The Act amending this section prevails over the repeal and reenactment in House Bill 940, Acts ch. 476, pursuant to section 653(1) of Acts ch. 476.

EXHIBIT 4

ENVESTNET®
PMC™

Beacon Vantage 2.0 Portfolios

March 2020

Summary

The Beacon Vantage 2.0 portfolios offer conservative investors with solutions that focus on providing consistent returns while also protecting principal in times of market duress. The defensive nature is ideally suited for investors already in retirement or those that are soon to be that they cannot afford to suffer large drawdowns in their portfolios but still need growth from equities. Given that the portfolios are U.S centric, they also would be best used as complementary investments to investors strategically globally diversified portfolios.

Since being founded in 2002, Beacon Capital Management has progressed from a buy and hold passive management firm to one whose focus, and investment objective is on reducing large drawdowns and managing risk. By combining Eugene Fama's efficient market theory and Robert Shiller's field of behavioral finance, they seek to capture market gains while minimizing market risks.

The Beacon Vantage 2.0 Portfolios are tactical, multi-asset investment strategies. Based on their target equity/fixed income allocations, there are three individual portfolios: Beacon Vantage 2.0 Aggressive (100/0), Beacon Vantage 2.0 Balanced (70/30), and Beacon Vantage 2.0 Conservative (40/60). They are all-ETF portfolios that will equally-weight the Vanguard sector and fixed income ETFs. Within their fixed income allocations, and when the portfolios are defensively positioned, they will invest equally between Vanguard Short-term Bond ETF (BSV), Vanguard Intermediate-term Bond ETF (BIV), and Vanguard Long-term Bond ETF (BLV). To protect during times of market duress, they use a mechanical trailing stop loss trigger to get out of the market.

Asset & Business

- Beacon began as primarily a one-person RIA led by Chris Cook, its founder, President, and CEO. In 2008 they built their Turnkey Asset Management Program (TAMP), which has been the primary driver of growth along with its model business.
- Approximately 77% of 'Beacon's assets come from direct accounts through their TAMP operations and 18% from its model business (Envestnet, Lockwood Advisors, LPL, Adhesion Wealth Management, and Trust Company of America). Its sub-advisory business as been declining and accounts for approximately 5%.
- Beacon has been able to take advantage of the movement to fee-based financial planning by supporting advisors through its clear, automates portfolio solutions that aim to protect client assets from severe market corrections like during the financial crisis.

Investment Team

- The small, but capable, three-person investment team includes Chris Cook, President & CEO; Brandon Bianchi, Director of Operations, CCO; and Dan Baccarini, Managing Director & Head of Distribution.
- Chris Cook is responsible for the research and development of the model strategies, calculation of model performance, and has final say over the 'firm's overall investment philosophy and model management. Key-man risk is a concern, as Mr. Cook is essentially a one-person team, and Brandon Bianchi and Dan Baccarini are more focused on operations and sales and 'don't have the expertise in investment management.
- Although the team is small, the mechanical rules-based investment decision-making process requires less day-to-day management or monitoring.

Investment Philosophy & Process

- Beacons' transparent and straightforward rules-based investment approach helps remove the emotions from investing while also assisting investors to side-step significant market corrections.
- The equity portion of the strategies follows a simple design and is equal-weighted across 11 U.S. equity market sectors. The equal weighting of the sectors helps them avoid overweighting sectors that have become overvalued and provides broader diversification.
- Beacon employs a passive, buy-and-hold approach to managing the portfolios, making no portfolio changes unless their mechanical stop-loss mechanism is triggered.
- The stop-loss mechanism is triggered when their internal benchmark, comprised of the 11 Vanguard Sector ETFs, drops 10% from its high-water mark, and their system will sell out of all the equity positions.
- The buyback period is a function of time and loss. The buy trigger can range from 15% to 25% from the internal benchmarks low-watermark.

Performance

- The portfolios' inherent value tilt drives performance due to their equally weighted sector methodology that overweight's small value sectors like utilities and consumer staples, while underweighting the more growth-orientated sectors like information technology and healthcare.
- During prolonged bull markets, as we have experienced, the Beacon Vantage 2.0 portfolios are susceptible to underperformance as its process depends on the markets experiencing significant sustainable drawdowns for their rules-based system to demonstrate the benefit for investors. Like most quantitative systems, they are also prone to whipsaw during specific market conditions as their mechanical system can take time to get back into the market.

EXHIBIT 5

Beacon Vantage 2.0 Aggressive

EXHIBIT 5

Product Description

Investor Objectives

Vantage 2.0 Portfolios are for investors seeking consistent results. These portfolio are designed to avoid significant losses and enhance long-term returns. Investors are willing to sacrifice the highest possible returns in the market for a high level of risk control.

Asset Allocation

The Vantage 2.0 Portfolios are highly diversified across 11 different market sectors. Rather than attempt to predict which sector, such as technology, health care or energy, is going to be in favor, these portfolios invest in all sectors.

Risk Management

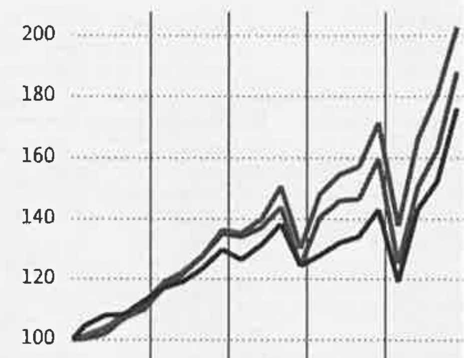
The Vantage 2.0 Portfolios utilize Beacon's proprietary stop-loss strategy that automatically withdrawals investors from their equity positions if an investment loss hits a predetermined tolerated amount. This approach provides a safety valve during extreme bear markets when diversification is not enough to protect investors.

Firm Overview

Beacon Capital Management, Inc. ("BCM") was founded in July of 2000 with the goal of creating a superior turnkey asset management program that would help advisors streamline their business. BCM's mission is to fundamentally improve the science of investing for fee-based financial advisors and the clients they serve. BCM is a next-generation registered investment advisory firm that offers long-term investors innovative portfolio management solutions that work to capture gains while striving to limit losses from today's market volatility. In addition,

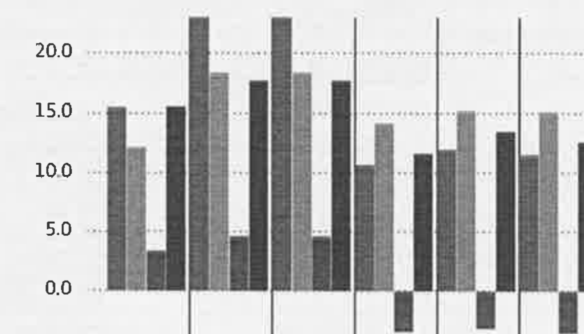
Continued on Page 3

Performance: Growth of $100



	2016	2017	2018	2019	2020
Product (Gross)	12.79	15.21	-4.11	14.96	23.00
Benchmark	11.96	21.83	-4.38	31.49	18.40
Relative Returns	0.83	-6.62	0.28	-16.52	4.60
Risk Benchmark	9.85	23.09	-7.83	28.28	17.69

Performance Highlights (%)
Total Annualized Return for Periods Ending 12/31/20



	MRQ	YTD	1 Yr	3 Yr	5 Yr	ITD
Product (Gross)	15.51	23.00	23.00	10.68	12.00	11.58
Benchmark	12.15	18.40	18.40	14.18	15.22	15.17
Relative Returns	3.36	4.60	4.60	-3.49	-3.22	-3.59
Risk Benchmark	15.57	17.69	17.69	11.64	13.48	12.61

Risk-Return Statistics [1]	Product 3 Yr	Product 5 Yr	Bench 5 Yr
Std. Deviation (%)	16.56	13.11	15.26
Sharpe Ratio	0.55	0.83	0.92
Alpha (%)	-1.01	0.25	--
Information Ratio	-0.55	-0.49	--
Up Capture (%)	0.77	0.74	--
Down Capture (%)	0.87	0.79	--

Total Return (%)	Product	Bench
Best Qtr(04/20-06/20)	20.18	20.54
Worst Qtr(01/20-03/20)	-16.71	-19.60
Best Year (2013)	27.93	32.39
Worst Year (2015)	-6.35	1.38

Risk Statistics [1]	3 Yr	5 Yr
Active Return (%)	-3.49	-3.22
Batting Average (%)	38.89	36.67
Beta	0.83	0.78
Tracking Error	6.34	6.54
R Squared	89.02	81.81

Quick Facts (as of Dec 31, 2020)

Style Classification :	Asset Allocated
Benchmark :	S&P 500 TR
Risk Benchmark [2] :	Blend [3]
Risk Rating :	Aggressive
Risk Score :	85 (out of 100)
Product AUM(MM) :	$426
Portfolio Inception :	September 2011
Current # Holdings :	11
Avg. Annual Turnover :	222%
Website :	www.beaconinvesting.com

The performance quoted represents past performance. Past performance is not indicative of future results. Performance and performance related statistics presented are as of Dec 31, 2020. 4
The value of an investment and the return on invested capital will fluctuate over time and, when sold or redeemed, may be worth less than its original cost.
Performance is shown gross of fees, except for the internal expenses of any investment products and does not reflect the effect of income taxes on the investment returns. Actual performance results will be reduced by fees including, but not limited to, investment management fees and other costs such as custodial, reporting, evaluation and advisory services. Performance reflects the reinvestment of dividends, income and capital appreciation. For more information on fees, see the Notes section. 5
Benchmark indices reflect the reinvestment of dividends and income and not deductions for fees, expenses or taxes. Indices are unmanaged and not available for direct investment. 6
The information is based on data received from the investment strategy manager and/or other sources, such as reporting service providers, but has not been independently verified. All performance results are composite returns as of the date noted showing total returns that are calculated assuming reinvestment of dividends, income and capital appreciation.

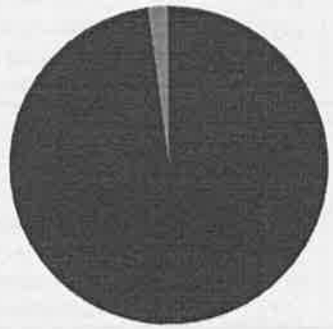
EXHIBIT 5

Beacon Vantage 2.0 Aggressive

Portfolio Characteristics [7]

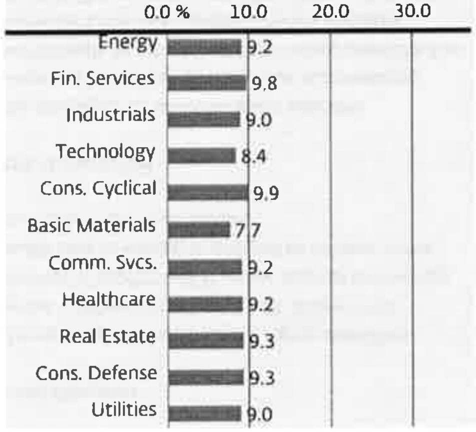
(Actual investor holdings will vary)	
Average Market Cap (MM)	56,233
Median Market Cap (MM)	49,869
Adjusted Price/Earnings Ratio	26.92
Price/Book Ratio	2.75
Return On Equity (1yr)	15.13
EPS Growth-Past 5 yrs	13.14%
Debt to Total Capital	46.26
Current Yield (%)	1.99 [8]
Weighted Avg Gross Expense Ratio [9]	0.10%
Weighted Avg Net Expense Ratio [10]	0.10%

Asset Allocation



Style (top allocations)	%
Large Cap	62.37
• Large Cap Growth	26.73
• Large Cap Blend	8.91
• Large Cap Value	26.73
Mid Cap	17.82
• Mid Cap Blend	8.91
• Mid Cap Value	8.91
Other Equity	17.81
• REIT	8.91
• Natural Resources	8.90
Cash	2.00
• Cash	2.00

Equity Sector Distribution



Holdings

Security	%
Vanguard Energy ETF	8.91
Vanguard Health Care ETF	8.91
Vanguard Consumer Staples ETF	8.91
Vanguard Utilities ETF	8.91
Vanguard REIT ETF	8.91
Vanguard Telecommunication Services ETF	8.91
Vanguard Industrials ETF	8.91
Vanguard Financials ETF	8.91
Vanguard Information Technology ETF	8.91
Vanguard Consumer Discretionary ETF	8.91
Vanguard Materials ETF	8.90

The data presented is based on a snapshot of the holdings in the portfolio as of Mar 7, 2021 and may change at any time. Other data is calculated based on the reported holdings and data received from third party data sources, as of the most recent date provided to Envestnet. The information is believed to be accurate, however Envestnet cannot guarantee the accuracy, completeness, or timeliness of the data as it has not been independently verified. Specific securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients, and may not reflect any restriction a client may have placed on a portfolio. The portfolio holdings may vary depending on strategy employed by the investment manager. Holdings information should not be considered a recommendation to buy or sell a particular security. It should not be assumed that any investments in securities identified and described were or will be profitable, and diversification does not ensure a profit or protect against loss.

EXHIBIT 5

Beacon Vantage 2.0 Aggressive

Continued from Page 1
BCM also provides advisors and clients with advanced back office support systems and a superior level of service and technology.

1 ***Alpha*** *- A measure of a stock's risk-adjusted performance, considering the risk due to the specific stock, rather than the overall market. Alpha can be thought of as how the stock performed if the market has had no gain or loss. A large alpha indicates that the stock or mutual fund has performed better than would be predicted given its beta (volatility).* ***Beta*** *- A measure of a manager's performance relative to the market (benchmark index). A manager with a beta coefficient of 1.00 has experienced up and down movements of roughly the same magnitude as the market. Higher betas are associated with higher risk levels, while lower betas are associated with lower risk levels.* ***Capture Ratio*** *- Up(Down) Capture Ratio is a measure of managers' performance in up(down) markets relative to the market itself. An up market is one in which the market's quarterly return is greater than or equal to zero. The higher the manager's up-market capture ratio, the better the manager capitalized on a rising market. For example, a value of 1.10 suggests that the manager captured 110% of the market gain (performed ten percent better than the market) when the market was up. A down-market capture ratio of 0.90 suggests that the manager captured only 90% of the market loss when the market was down.* ***R-squared*** *- A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100.00. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.* ***Sharpe Ratio*** *- A measure of risk-adjusted return. To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) is divided by the asset's standard deviation.* ***Standard Deviation*** *- A gauge used to measure risk, or volatility. It is a number indicating the variability of a set of numerical values about their arithmetic average. For example, a $1 million portfolio with a quarterly standard deviation of 5% will fluctuate $50,000 (5% of $1 million) or less per quarter two-thirds of the time. The lower the manager's standard deviation, the more stable the portfolio's performance. High standard deviation suggests a portfolio with more fluctuation and volatility.*

2 *The secondary risk benchmark is shown for informational purposes only. It is based on the overall risk score of the product only.*

3 *65% Russell 1000 TR, 25% MSCI EAFE GR, 6% Russell 2000 TR, 4% MSCI EM TRG USD*

4 *Note:* ***Performance Inception*** *Sep 1, 2011*
Performance returns & statistics are calculated using monthly returns data as of date noted and is the most recent data made available by the asset manager. Unless otherwise noted, portfolio performance returns are provided by a third-party data provider or the asset manager directly.

5 *Actual fees will vary depending on, among other things, the applicable fee schedule, the time period, investment performance and account size. For example, if $100,000 were invested and experienced a 10% annual return compounded monthly for 10 years, its ending value, without giving effect to the deduction of advisory fees, would be $270,704 with annualized compounded return of 10.47%. If an advisory fee of 0.95% of the average market value of the account were deducted monthly for the 10-year period, the annualized compounded return would be 9.43% and the ending dollar value would be $246,355. For a description of all fees, costs and expenses, please refer to your financial advisor's Disclosure Brochure. Past performance is not indicative of future results.*

6 *Reported benchmarks are not intended as direct comparisons to the performance of the portfolio. Instead, they are intended to represent the performance of certain sectors of the overall securities market (e.g. equities, bonds, etc.). Respectively, the volatility and performance of the reported benchmark may be greater than or less than the volatility and performance of the investment portfolio.*

8 *Yield is an indication of the current estimated dividends and interest vs. the current market value of the holdings. The yield represents the current amount of income that is being generated from the portfolio without liquidating the principal or capital gains on the portfolio. However, the yield will fluctuate daily and current or past performance is not a guarantee of future results*

9 *The weighted average of the gross expense ratios of the funds and/or ETFs used in the portfolio.*

10 *The weighted average of the net expense ratios of the funds and/or ETFs used in the portfolio. The fund net expense ratios reflect fee waivers by the underlying fund management companies, which may not be permanent.*

Beacon Vantage 2.0 Aggressive

Advisor Use Only

EXHIBIT 5