



Colorado Surplus Asset Fund Trust



INVESTMENT POLICY FOR THE COLORADO CORE FUND

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CSAFE: Introduction and Overview

Introduction

The Colorado Surplus Asset Fund Trust (CSAFE) is a statutory trust organized and existing under the laws of the state of Colorado, established in accordance with comprehensive state investment regulations including the Investment Funds Local Government Pooling Act, the Funds Legal Investments Act, and the Public Deposit Protection Act. As a state-regulated investment pool registered with the Securities Commissioner of Colorado, CSAFE operates under the strict oversight requirements of the Local Government Investment Pool Trust Fund Administration and Enforcement Act.

Since 1988, CSAFE has served as Colorado's original local government investment pool, developed by Colorado local governments specifically for Colorado local governments. This unique heritage reflects our deep understanding of the distinct needs, challenges, and regulatory environment facing Colorado's public entities.

Overview

CSAFE provides a professionally managed investment program exclusively designed for Colorado public entities. Our primary mission is to serve government entities across Colorado by meeting their daily cash management needs through a disciplined approach that prioritizes safety of capital, liquidity of funds, and optimal investment yield—in that precise order.

Investment Philosophy

CSAFE's investment strategy is built on the foundation of capital preservation and liquidity maintenance. We achieve this by investing exclusively in instruments permitted under Colorado's Legal Investments Act, with our Board of Trustees maintaining investment policies that are intentionally more restrictive than state statute requirements. This conservative approach ensures that participant funds are protected while generating competitive returns appropriate for public funds.

Exclusive Focus on Colorado

As an investment pool specifically designed for Colorado local governments, CSAFE limits participation to Colorado public entities only. This exclusive focus allows us to tailor our services, investment strategies, and operational procedures to the unique requirements of Colorado's regulatory environment, public funds investment statutes, and the specific needs of our state's municipalities, counties, special districts, and other governmental entities.

Transparency and Governance

CSAFE maintains the highest standards of transparency and Participant communication. All participants receive notice of any changes to investment policies, ensuring full transparency in our operational approach. Our commitment to open communication and Participant engagement reflects our foundational principle that CSAFE exists to serve the Colorado governmental community.



Professional Management

Through our experienced investment advisory team and comprehensive administrative services, CSAFE delivers institutional-quality investment management specifically calibrated for the unique requirements of public fund stewardship. Our professional management approach combines rigorous risk management with the pursuit of optimal returns within our conservative investment mandate.

While CSAFE strives to achieve its investment objectives, no assurance can be given that these objectives will be met or that any specific benefits will result from investment participation. Past performance does not guarantee future results.



Investment Policy for the Colorado Core Fund

1. SCOPE: This Investment Policy shall apply to funds under the control of Trust in relation to the Colorado Core.
2. CONTROLLING DOCUMENTS: Certain other documents are incorporated into this policy by reference.
 - A. Required Credit Analysis Beyond Nationally Recognized Statistical Rating Organizations
 - i. Requirements of the Fitch Ratings Global Bond Fund Credit Rating
 - ii. Independent evaluations of approved credit lists
 - B. Colorado Revised Statutes:
 - i. Colorado Public Deposit Protection Act (PDPA) C.R.S. 11-10.5-101 et seq.
 - ii. Local Government Investment Pool Trust Fund Administration and Enforcement Act (C.R.S. 11-51-901 et seq.)
 - iii. Colorado Local Government Investment C.R.S. 24-75-601 et seq.
 - iv. Colorado Local Government Pooling Act C.R.S. 24-75-701 et seq.
 - v. Colorado Local Government Pooling Act C.R.S. 24-75-703 et seq.
 - C. Colorado State Securities Commissioner:
 - i. Rule 3 CCR 704-1 519.4(B) - Written policies and procedures to ensure that the LGIP complies with GASB Statement No. 79, Certain External Investment Pools, and Pool Participants, if the LGIP elects to report on an amortized cost basis. An LGIP that does not comply with GASB Statement No. 79 may continue to operate as a stable Net Asset Value pool but must use fair value for financial reporting purposes in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, or FASB Accounting Standards Codification 820, Fair Value Measurement.
 - ii. Rule 3 CCR 704-1 519.4 (C) requiring written investment policies and procedures that define the credit, liquidity, maturity, and diversification objectives of the LGIP and the means to achieve these objectives. These policies and procedures shall, at a minimum, address:
 - a. Safety of capital as a priority to ensure preservation of principal;
 - b. Sufficient liquidity be maintained to enable funding of all reasonably expected cash needs given the participant composition and history as well as economic and market conditions;
 - c. Investment return, taking into consideration a pool's cash flow expectations;
 - d. Diversification of investment, including deposits adequate to reduce portfolio risks from an over concentration in any specific maturity, issuer, counterparty, depository, security, or class of securities;



- e. Defining, monitoring, and controlling interest rate risk; and,
- f. Compliance with section 24-75-601.1, C.R.S.

D. CSAFE Indenture of Trust

E. Government Accounting Standards Board (GASB) Statement 31

F. Government Account Standards Board (GASB) Statement 72

3. **INVESTMENT OBJECTIVES:** The general investment policy and objective of the Trustees shall be to provide to the Participants of the Trust safety of capital, liquidity of funds, and highest investment yield, in that order, by investing in Permitted Investments in accordance with applicable provisions of Statutes and Law (source CSAFE Indenture of Trust Section 4.1).
4. **PERFORMANCE MEASUREMENT:** Rule 3 CCR 704-1 519.4(C)3 requires that the fund seek “investment return, taking into consideration a pool’s cash flow expectations.” Therefore, Colorado Core shall seek investment returns benchmarked against the 90-day average of the CME Term SOFR 3 Month (Bloomberg symbol: TSFR3M).
5. **FUNDSTRESS TESTING:** Rule 3 CCR 704-1 519.4(F) requires “written policies and procedures requiring LGIPs to perform and maintain the results of, and assumptions used in connection with, monthly, or more frequent, stress testing. Such written policies and procedures shall further require the board of trustees and investment adviser of the LGIP to review the results of each stress test performed.” The Trust shall produce and archive for its records, monthly stress testing results utilizing Fitch Ratings WARF and MRF Stress Tests as well as internally developed Stress Test modeling of change in share price resulting from withdrawals, credit spread widenings, and interest rate changes.
6. **PRUDENCE AND ETHICAL STANDARDS:** Investments should be made with judgment and care, under circumstances then prevailing, 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 from the investment.
7. **AUTHORIZED INVESTMENTS AND REQUIREMENTS:** CSAFE may not make any investment other than a permitted investment as defined below. A Security means any bill, note, bond, bankers’ acceptance, commercial paper, repurchase agreement, reverse repurchase agreement, securities lending agreement, guaranteed investment contract, guaranteed interest contract, annuity contract, funding agreement, certificate of indebtedness or other evidence of indebtedness, or interest in any of the foregoing. No foregoing instrument shall be convertible to equity or represent any equity interest. All foregoing instruments shall be denominated in the currency of the United States (source C.R.S. 24-75-601(3)).

A. U.S. TREASURY AND AGENCY SECURITIES

Any security issued by, fully guaranteed by, or for which the full credit of the United States Treasury is pledged for payment:

- i. The maximum exposure with full credit of the U.S. Treasury is 100%.
- ii. The maximum final maturity per fixed U.S. Treasury investment is 2 years (762 days).
- iii. The maximum final maturity per floating U.S. Treasury investment is 2 years (762 days).



B. U.S. GOVERNMENT INSTRUMENTALITIES

Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The Federal Farm Credit Bank, the Federal Lank Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Export-Import Bank, the Tennessee Valley Authority, the Government National Mortgage Association, the World Bank, or an entity/organization that is not listed in this paragraph but is created by, or the creation of which is authorized by, legislation enacted by the United States Congress and that is subject to control by the Federal Government. No subordinated security may be purchased pursuant to this paragraph.

- i. The maximum exposure per U.S. Government related/guaranteed issuer is 35%.
- ii. The maximum final maturity per U.S. Government related/guaranteed fixed-rate investment is 2 years (762 days).
- iii. The maximum final maturity per U.S. Government related/guaranteed floating rate investment is 2 years (762 days).

C. MUNICIPAL SECURITIES

Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, any territorial possession of the United States, or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. At the time of purchase, the security must be rated in one of its two highest rating categories by two or more NRSROs that regularly rate such obligations.

- i. The maximum exposure per municipal issuer is 5%.
- ii. The maximum final maturity per municipal investment is 2 years (762 days).

D. REPURCHASE AGREEMENTS

Repurchase agreements and tri-party repurchase agreements with member banks of the Federal Reserve System and/or dealers in U.S. Government Securities in accordance with C.R.S. 24-75-601.1.

- i. Master Agreement Requirements: A Master Repurchase Agreement (e.g., The Bond Market Association standard agreement, 1996 version) and applicable CSAFE annexes must be signed by all parties and on file prior to executing any transaction.
- ii. Tri-Party Repurchase Agreements: Tri-party repurchase agreements are permissible with CSAFE Board approved counterparties and third-party custodians (acting for both the party and the counterparty). These third-party custodians are not permitted to hold deposits for CSAFE and are therefore not required to meet the Colorado PDPA requirements. Written tri-party custodian agreements (in addition to The Bond Market Association 1996 standard repurchase agreement) must be signed by all parties and on file prior to executing any transaction.
- iii. Eligible Collateral: Collateral (purchased securities) shall be limited to the following and shall be indicated as such on Schedule 1 'Schedule of Eligible Securities' of the tri-party custodian agreement: U.S. Treasuries (bills, bonds, notes, strips), Federal National Mortgage



Association (FNMA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Banks (FFCB), GNMA I/II Single Family, GNMA I/II Others-Fixed Rate, GNMA I/II Others, Adjust Rate and Agency Mortgage Backed (Pass-Through Fixed Rate and Pass-Through Adjustable Rate).

- iv. Margin Requirements: The Repurchase Agreements between CSAFE and the various approved counterparties require that the aggregate market value of all purchased securities from any particular counterparty be at least 102% (the margin) of the aggregate purchase price of the purchased securities, marked-to-market no less frequently than weekly. The Board recognizes that market fluctuations constantly increase or decrease the value of securities; that there is value in maintaining ongoing positive relationships between CSAFE and the various counterparties; that the accepted practice in the industry allows minor deviations from strict application of margins; and that there is a cost of changing collateral securing repurchase agreements. For those reasons, the portfolio manager may use discretion before directing that a counterparty supply additional purchased securities until such time as the margin falls below 101.5%. If the aggregate collateral level of the counterparty falls below 101.5%, the portfolio manager shall notify the counterparty to provide sufficient additional securities to restore the margin to at least 102%. The portfolio manager will require additional collateral to return the margin to at least 102% on the next business day.

E. REVERSE REPURCHASE AGREEMENTS

As further restricted by C.R.S. 24-75-601.1(1) (j.5)

F. SECURITIES LENDING AGREEMENTS

As further restricted by C.R.S. 24-75-601.1(1) (j.7)

G. MONEY MARKET FUNDS

Any money market fund that is registered as an investment company under the Federal Investment Company Act of 1940, as amended if, at the time, CSAFE invests in such fund:

- i. The investment policies of the fund include seeking to maintain a constant daily share price.
- ii. No sales or load fee is added to the purchase price or deducted from the redemption price of the investment.
- iii. The investments of the fund consist only of securities with a maximum remaining maturity as specified in Rule 2a-7 under the Federal Investment Company Act of 1940, as amended or any successor regulation under such act regulating money market funds, so long as such Rule 2a-7 is not amended to or such successor regulation does not increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more or has the highest current credit rating from one or more NRSRO.
- iv. The dollar weighted average portfolio maturity of the fund meets the requirements specified in Rule 2a-7 under the Federal Investment Company Act of 1940, as amended or any successor regulation under such act regulating money market funds so long as such Rule 2a-7 is not amended to increase the dollar weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.



- v. No more than 10% of the portfolio may be invested in any single AAAM rated money market fund that meets the above criteria.
- vi. Shares in other Colorado Local Government Investment Pool Funds inclusive of other funds offered by the Trust as allowed for by Colorado Revised Statutes C.R.S. 24-75-601.1(1)(i). If shares in another of the Trust's fund are purchased no administrative, advisory fees, and Board of Trustee Fund Expense Fees share be charged to the investing fund. No more than 30% may be invested in any single LGIP.

H. CORPORATE OR BANK SECURITIES

- i. Any corporate or bank security denominated in United States dollars that, at the time of purchase, carries at least two credit ratings from any of the NRSROs that is not rated below 1) A1, P1, or F1 if the security is a money market instrument or 2) AA- or Aa3 or their equivalents if it is any other kind of security. These rating requirements first apply to the security being purchased, and then, if the security itself is unrated, to the issuer provided that the security contains no provisions subordinating it from being a senior debt obligation of the issuer.
 - a. The maximum exposure to corporate or bank securities for the portfolio is 100%
 - b. The maximum exposure per corporate or bank security issuer is 5% - the maximum final maturity per corporate or bank security fixed or floating rate investment is 2 years (762 days)
- ii. Commercial paper or bankers' acceptances denominated in United States dollars that, at the time of purchase, carry at least two credit ratings from any of the NRSROs and are not rated below A-1, P-1, or F-1. An Approved Commercial Paper List will be maintained by the investment advisor designating those commercial paper names that are eligible for investment by CSAFE. All additions to this list must be approved by the by the Credit Committee and ratified by the Board of Trustees. At the time commercial paper is purchased:
 - a. No more than 5% of the portfolio may be invested in any single commercial paper issuer.
 - b. CSAFE will not invest participant dollars in issuers that are domiciled in or generate a substantial revenue stream from Cuba, Iran, North Korea, Russia, or China. CSAFE will utilize the guidelines of the OFAC sanctions list as a guideline for exclusion from the portfolios.
- iii. Guaranteed investment and other annuity like contracts (GIC) as defined by C.R.S. 24-75-601.1(1) (I).

I. DERIVATIVE STRUCTURES

- i. As allowed for in C.R.S. 24-75-601.1.3, and except as provided in Subsections (1)(a) and (1)(b) of this section, public funds must not be invested in any security on which the coupon is not fixed, or a schedule of specific fixed coupon rates is not established, from the time the security is settled until its maturity date, other than shares in qualified money market mutual funds, unless the coupon rate is:
 - a. Established by reference to the secured overnight financing rate, the federal funds rate, or other reference rates which are similar to the, the secured overnight financing rate, the cost of funds index, or the prime rate as published by the Federal Reserve; and



- b. Expressed as a positive value of the referenced index plus or minus a fixed number of basis points.
- c. A municipal index may be used for the investment of bond or note accounts from issues with the coupons linked to the same index.
- d. For purposes of this section, “maturity date” means the last possible date, barring default, that principal can be repaid to the purchaser.

J. PDPA COLLATERALIZED DEPOSITS

PDPA collateralized deposits in eligible banks, compliant with C.R.S. 11-10.5.

K. NEGOTIATED CERTIFICATES OF DEPOSITS

Negotiated Certificates of Deposits, and other bank securities issued by banks with credit ratings conforming to C.R.S. 24-75-601.1(m).

L. RECIPROCAL FDIC STACKING DEPOSITS

As permitted by applicable law and regulation.

8. DIVERSIFICATION: Rule 3 CCR 704-1 519.4(C)4 requires the “diversification of investment, including deposits adequate to reduce portfolio risks from an over concentration in any specific maturity, issuer, counterparty, depository, security, or class of securities.” The Trust will achieve conformity with the rule by adherence to the following standards:

A. GENERAL ISSUER LIMITS

- i. Maximum exposure to any single corporate, supranational, or municipal issuer: 5% of the total fund portfolio. This limit shall be inclusive of rollup exposures contained in asset-backed securities.

9. PORTFOLIO COMPOSITION AND LIQUIDITY REQUIREMENTS: The investment portfolio will be structured in such manner to provide sufficient liquidity to pay expected redemptions. Rule 3 CCR 704-1 519.4(C)(2) requires that “sufficient liquidity be maintained to enable funding of all reasonably expected cash needs given the participant composition and history as well as economic and market conditions.”

A. LIQUIDITY REQUIREMENTS

- i. At least 90% of the fund’s portfolio shall be comprised of highly liquid investments and deposits. Liquid investments include investments that can be redeemed or sold within five business days at approximately the value attributed to it by the fund.
- ii. The fund shall maintain minimum 5% overnight and 10% five business day liquidity.

10. MATURITIES, DURATION, AVERAGE LIFE & INTEREST RATE RISK

A. MAXIMUM MATURITY LIMITS

- i. The Trust will only acquire a security or other investment if the investment has a remaining maturity of 2 years or less.

B. MATURITY DETERMINATION



- i. The maturity of a security or other investment should be the period remaining until the date on which the total or remaining principal amount is required to be unconditionally repaid in accordance with the terms of the investment.

C. DEMAND FEATURES

- i. If a security or other investment is subject to a demand feature and the qualifying external investment pool is not relying on that demand feature, that demand feature should be disregarded for the purposes of determining maturity.
- ii. If a security or other investment is subject to a demand feature and the qualifying external investment pool is relying on that demand feature the put date should be the maturity date.

D. WEIGHTED AVERAGE MATURITY (WAM)

- i. The portfolio shall maintain a weighted average maturity of 90 days or less.
- ii. A weighted average maturity measurement expresses investment time horizons—the time when investments become due and payable—in this case, days weighted to reflect the dollar size of individual investments. Certain maturity shortening features, such as interest rate resets, should be taken into account.

E. WEIGHTED AVERAGE LIFE (WAL)

- i. The portfolio shall maintain a weighted average life of 180 days or less.

F. FLOATING INTEREST RATE SECURITIES

- i. If a security or other investment has a floating interest rate (one that changes based on an index or other market conditions, which may reset daily or at another frequency) and its carrying value approximates fair value, the maturity calculation for WAM should be determined as follows:
 - a. The maturity of a U.S. Government security, including its agencies and instrumentalities, and any certificates of deposit insured by the U.S. government or its agencies and instrumentalities and for which the principal amount is due in 397 calendar days or less should be the shorter of the period remaining until the interest rate resets or the maturity date of the investment.
 - b. The maturity of an investment that is not a U.S. government security and for which the principal amount is due in 397 calendar days or less should be the shorter of the period remaining until the interest rate resets or the maturity date of the investment.
 - c. The maturity of an investment that is not a U.S. government security and for which the principal amount is due in more than 397 calendar days should be the shorter of the period remaining until the interest rate resets or the maturity date of the investment.

G. REPURCHASE AND SECURITIES LENDING AGREEMENTS

- i. The maturity of a repurchase agreement or a portfolio lending agreement should be either (a) the period remaining until the date on which the repurchase (or return) of the underlying securities is scheduled to occur or (b) the duration of the notice period applicable to a demand for repurchase (or return) of the securities, such as a put option.



H. MONEY MARKET FUND INVESTMENTS

- i. The maturity of an investment in a money market fund or in another external investment pool should be the period within which the fund or the pool is required to make a payment upon redemption.

11. COUNTER-PARTY RISK

- A. The Trust trades with the investment manager's approved counterparties.

12. THIRD PARTY CUSTODIAL AGREEMENTS

- A. Securities should be held with a third-party custodian; and, all securities purchased by, and all collateral obtained by, the unit of local government should be properly designated as an asset of the unit of local government. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by an authorized staff member of the unit of local government. Securities transactions between a broker-dealer and the custodian involving 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.

13. MASTER REPURCHASE AGREEMENT

- A. All approved institutions and dealers transacting repurchase agreements shall adhere to the requirements of the Master Repurchase Agreement.

14. BID REQUIREMENT

- A. Securities will be purchased through a competitive bid process when available and practical to obtain best execution.

15. INTERNAL CONTROLS

- A. Colorado Core and its Fund Administrator and Investment Advisor shall maintain written internal controls as a part of operational procedures. These procedures are reviewed by the Trust's independent auditors as a part of the annual financial audit and are designed to prevent losses of funds which might arise from fraud, misrepresentation by third parties, error, or imprudent actions by employees.

16. REPORTING

- A. The Fund Administrator shall prepare monthly reports for submission to Colorado Core's Board of Trustees which shall include securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

17. PROHIBITED TRANSACTIONS

- A. CSAFE may not buy securities from or sell securities to the Administrator, the Investment Advisor, or any member of the Board of Trustees, or with any affiliate, officer, director, employee, or agent of any of them.

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