LocalTrust℠
Texas

# LocalTrust Texas Government

# Investment Policy Statement

**August 20, 2026**

# PURPOSE AND OBJECTIVES

## Purpose

LocalTrust Texas Government (the "Pool") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, as amended, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Act"). The purpose of the Pool is to provide a safe, efficient, and liquid investment vehicle for Texas local governmental entities (the "Participants"), in accordance with the Act.

## Organization and Service Providers

The Pool is governed by a Board of Trustees (the "Board") and a Trust Indenture.

The Board has agreements with the following service providers for the Pool:

**Investment Advisor**: Cavanal Hill Investment Management, Inc.

**Custodian and Administrator**: BOKF, NA

**Transfer Agent**: FIS

**Distributor**: BOK Financial Capital Markets (municipal securities dealer)

Day-to-day investment management authority is delegated to the Investment Advisor by the Board.

## Investment Objectives

The investment objectives of the Pool in the order of priority are:

Suitability;

Preservation and safety of principal;

Liquidity;

Marketability if liquidation is needed;

Diversification; and

Yield.

Additionally, the Board's intent is to maintain a net asset value ("NAV") of $1.00 price per share. The Board may amend such practice by adopting an amendment to this Investment Policy and making conforming changes to the Information Statement relating to the Pool. Details related to this objective can be found in the Monitoring of the Market Value portion of this Investment Policy.

## Standard of Care

The Investment Advisor must make investment decisions on behalf of the Pool in accordance with this Investment Policy using the judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

# PORTFOLIO STRATEGY AND CONSTRUCTION

## Investment Strategy

The general investment strategy for the Pool shall be to invest all funds to accomplish the stated investment objectives, consistent with the Act. The Pool's portfolio shall be constructed to:

Meet Pool and Participant cash flow needs;

Provide same-day or next-day liquidity under normal conditions; and,

Maintain a high level of credit quality.

## Portfolio Construction

To manage both interest rate risk and liquidity risk, the following portfolio constraints apply to the Pool:

At minimum of 90% of the Pool's portfolio shall be highly liquid (can be redeemed or sold within 5 business days) investments and deposits.

A minimum of 10% of the Pool's portfolio shall be daily liquid assets and 30% shall be weekly liquid assets, as defined by GASB Statement 79.

Weighted Average Maturity ("WAM"): ≤ 60 days.

Weighted Average Life ("WAL"): ≤ 90 days.

Maximum Remaining Maturity (of any single security): 397 days; provided that if an investment has a demand feature and the Pool is not relying on that demand feature, then the demand feature can be disregarded for purposes of determining maturity; and provided further that the maturity of a repurchase agreement should be either (a) the date on which the or return of the underlying securities is scheduled to occur or (b) the duration of the applicable notice period for demand such as a put option.

Diversification by market sector and security types, as well as maturity, may be used in order to mitigate the Pool's market risk and credit risk as well to aid in achieving liquidity requirements.

# AUTHORIZED INVESTMENTS

Unless specifically prohibited by law or elsewhere by this Investment Policy, the Pool's funds may be invested and reinvested only in investments authorized from time to time by the Act including (but not limited to) the following types of investments:

## Government Securities

The Pool may invest in Government Securities as authorized by Section 2256.009(a) of the Act. As of the date hereof, Section 2256.009 (1) authorizes (a) obligations, including letters of credit, issued by the United States or its agencies and instrumentalities (including Federal Home Loan Banks), (b) obligations issued by the State of Texas, its agencies and instrumentalities, (c) obligations of states, agencies, counties, cities and other political subdivisions that are rated at least “A” or its equivalent by a nationally recognized rating agency.

U.S. government agencies or instrumentalities include: The Federal Farm Credit Bank, the Federal Land 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 that is at least as extensive as that which governs an entity or organization listed in this paragraph. No subordinated security may be purchased pursuant to this paragraph.

### Policy Guidelines

A maximum of 100% of the Pool’s assets may be invested in Government Securities, provided that a maximum of 33% of the Pool’s assets may be invested in securities issued by any one US government agency.

The maximum final stated maturity of any individual security may not exceed 397 days, other than floating or variable rate government obligations of the United States, its agencies, or instrumentalities. The final stated maturity of securities that are not obligations of the United States, its agencies, or instrumentalities, is the earlier of the contractual final maturity date or the next date on which full repayment of principal can be obtained through exercise of a demand feature.

## Repurchase Agreements

The Pool may invest in Repurchase Agreements as authorized by Section 2256.011 of the Act. As for the date hereof, Repurchase Agreements include a fully collateralized repurchase agreement and a fully collateralized reverse repurchase agreement if the repurchase agreement:

Has a defined termination date;
Is secured by a combination of cash or obligations of the United States, its agencies, or its instrumentalities or, if authorized by the Act;
Is being purchased or cash held by the Pool to be pledged to the Pool either directly or through a joint account approved by the Pool, held in the Pool's name either directly or through a joint account approved by the Pool, and deposited at the time the investment is made with the Pool or with a third party selected and approved by the Pool; and
Is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.

### Policy Guidelines

A maximum of 100% of the Pool’s assets may be invested in Repurchase Agreements.

Repurchase Agreement includes a Term Repurchase Agreement (a Repurchase Agreement with more than seven (7) calendar days remaining to maturity or to the next put option that allows the Pool to liquidate its position at par (principal plus accrued interest).

Collateral must be equal to at least 102% of the total market value of the Repurchase Agreement, including accrued interest.

All Repurchase Agreement transactions must be evidenced by a Bond Market Association (BMA) or Securities Industry and Financial Markets Association (SIFMA) approved Master Repurchase Agreement or Master Reverse Repurchase Agreement.

The maximum final maturity on Repurchase Agreements may not exceed 365 days. For purposes of calculating the weighted average maturity of the portfolio, the maturity date of a Term Repurchase Agreement is the put option notice period.

## Money Market Mutual Funds

The Pool may invest in no-load money market funds, as authorized by Sections 2256.014(a) and 2256.014(b) (i), (ii) of the Act. Money market funds must be registered with and regulated by the Securities and Exchange Commission ("SEC") and provide a prospectus and other information required by the Securities Exchange Act of 1934 and the Investment Company Act of 1940 and comply with SEC Rule 2a-7. Money market funds must have an objective of maintaining a stable net asset value of $1 per share and must be rated "AAA" or its equivalent by at least one nationally recognized rating service.

### Policy Guidelines

A maximum of 15% of the assets of the Pool may be invested in AAA or equivalently rated money market funds.

# PROHIBITED INVESTMENTS

As provided by Section 2256.009 of the Act, the Pool cannot invest in the following:

Obligations whose payment represents only the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal (e.g., interest only);

Obligations whose payment represents only the principal stream of cash flow from the underlying mortgage-backed security collateral and bear no interest (e.g., principal only);

Collateralized mortgage obligations that have a stated final maturity date of greater than ten years; and

Collateralized mortgage obligations, the interest rate of which are determined by an index that adjusts inversely to changes in a referenced market index (i.e., inverse floaters).

Additionally, the Pool shall not invest in derivatives (instruments that have embedded features that alter their character or income stream or allow holders to hedge or speculate on a market or spreads between markets that are external to the issuer or are not correlated on a one-on-one basis to the associated index or market).

# ADMINISTRATIVE GUIDELINES

## Monitoring Market Price and Ratings

Through the Administrator, the Pool shall account for transactions and shall mark-to-market the Pool's holdings daily using independent pricing services or third-party broker-dealers. The market prices shall be checked daily for current data and the validity of the information. In addition, a reasonability test shall be performed to determine if the prices received are within a set tolerance range. If any of the prices fall outside of the set tolerance range, then these prices shall be investigated. As a further check, the Investment Advisor also shall monitor the prices of securities held in the Pool, to independently determine reasonableness and validity.

If at any point the ratio of the market value of the portfolio divided by the book value of the portfolio (market valued/book value) is less than 0.995 or greater than 1.005, the Investment Advisor will take any appropriate action necessary to maintain the ratio between 0.995 and 1.005 provided that the Investment Advisor shall eliminate or reduce, to the extent reasonably practicable, any dilution or unfair results to existing Participants.

The Investment Advisor shall periodically monitor the credit ratings of the Pool's investments and, to the extent required under Section 2256.005(f) of the Act, take all prudent measures to liquidate any of the Pool's investments that fail to meet any minimum rating requirement for such investments set forth in Section 2256.021 of the Act.

## Deposit and Withdrawal Deadlines

See separate LocalTrust Information Statement for detailed deposit and withdrawal deadlines for Participants.

## Settlement Basis

All purchases of investments, except investments in mutual funds, shall be made on a delivery- -versus-payment basis. The safekeeping entity for all the Pool's investments and collateral pledged to secure the Pool's funds shall be approved by the Board.

## Investment Officers

The Board shall act as Investment Officer. To the fullest extent allowable by law, the Investment Officer is authorized to delegate to the Investment Advisor the authority to deposit, withdraw, invest, reinvest, transfer, and otherwise manage the assets of the Pool.

The Investment Officers shall attend at least one training session from an independent source approved by the Board or a designated investment committee containing at least 10 hours of instruction relating to the officer's responsibilities under the Act within 12 months after taking office or assuming duties; and thereafter shall attend an investment training session not less than once in a two-year period that begins on the first day of LocalTrust Texas's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to the officer's responsibilities under the Act from an independent source approved by the Board.

At least quarterly, the Investment Officer shall cause to be prepared by the Investment Advisor and shall review and sign a written report concerning the investment transactions of the Pool for the preceding quarter, describing in detail the investment position of the Pool as of the date of the report. Each report shall be presented to the Board at the next meeting following preparation of a report.

# AUTHORIZED PERSONNEL

The Investment Advisor must deliver to the Pool a written acknowledgment that the Investment Advisor has received and reviewed this Investment Policy Statement and has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized hereby, except to the extent that an investment decision requires interpretation of subjective investment standards. All Investment Advisor personnel authorized to buy and sell investment instruments, send, and receive securities, make fund transfers, and other types of related investment transactions shall be directly supervised by senior management personnel of the Investment Advisor r.

## Authorized Broker-Dealers

The list of authorized broker-dealers with whom the Pool may engage in investment transactions shall be maintained by the Investment Advisor. The Board will review this list annually and revise it as needed.

## Documentation

Reasonable documentation and audit trails shall be maintained for all investment transactions.

## Reporting and Disclosure

Section 2256.016 of the Act requires that public fund investment pools provide certain information regarding the Pool's investments and operations. The Pool shall provide the investment officer, or other authorized representative of a Participant, disclosure information in an Information Statement or other similar document. **The Information Statement should be reviewed carefully before making an investment decision**. The required disclosure items are detailed in Section 2256.016(b) of the Act. This information shall be provided to all Participants.

Further, the Pool shall furnish investment confirmations and a monthly report disclosing the information required by Section 2256.016(c) of the Act.

The Pool is audited annually by an independent auditor.

## Conflicts of Interest

The Investment Advisor and its staff who are involved with making investment decisions for, or executing trades on behalf of, the Pool shall disclose in writing any "personal business relationship" with a business organization offering to engage in an investment transaction with the Pool any individual seeking to sell an investment to the Pool, as required by the Act. The existence of a "personal business relationship" shall be determined in accordance with Section 2256.005(i) of the Act. Such disclosure statement shall be filed with the Board and the Texas Ethics Commission.

The Investment Advisor renders investment advice to varied clients. The Investment Advisor and its officers, agents, and/or employees may render similar or differing investment advisory services to clients and may give advice or exercise investment responsibility and take such other action with respect to any of their other clients that differs from the advice given or the timing or nature of action taken with respect to another client or group of clients. It is the Investment Advisor's policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period on a fair and equitable basis. One or more of the Investment Advisor's other client accounts may at any time hold, acquire, increase, decrease, dispose, or otherwise deal with positions in investments in which another client account may have an interest from time to time. The Investment Advisor has adopted policies and procedures relating to personal securities transactions, insider trading, and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding preclearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, the Investment Advisor has implemented monitoring systems designed to ensure compliance with these policies and procedures.

Certain employees of the Distributor and the Investment Advisor may also serve as officials of LocalTrust Texas.