

PORT OF PORTLAND COMMISSION POLICY

INVESTMENTS

Policy No. 6.1.2

Readopted Commission meeting of October 11, 2023

I. PURPOSE

This Investment Policy (“Policy”) defines the parameters within which funds are to be invested by the Port of Portland (“Port”). This Policy also formalizes the framework, pursuant to Oregon Revised Statutes (ORS) 294.135, for the Port’s investment activities to ensure effective and judicious management of funds within the scope of this Policy. These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

II. GOVERNING AUTHORITY

The Port’s investment program shall be operated in conformance with the ORS and applicable federal laws. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this Policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Policy immediately upon being enacted.

III. SCOPE

This Policy applies to activities of the Port with regard to investing the financial assets of operating funds, non-operating funds, capital funds, and bond proceeds. Some funds managed by the Port are also guided by other documents, including bond documents, and all funds are subject to Oregon laws. Any investment held prior to the adoption of this Policy shall be exempted from the requirements of this Policy. At maturity or liquidation, such monies shall be reinvested as provided by this Policy.

IV. OBJECTIVES

The primary objectives, in priority order, of the Port’s investment activities shall be:

1. Preservation of Invested Capital

The primary objective of the Port’s investment program is preservation of capital. 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 (as such terms are defined in Appendix I of this Policy).

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

3. Return

The investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Investment securities may be purchased with the intention to hold until maturity with the purpose of mitigating interest rate risk. Sale of securities prior to maturity is permitted where it serves the Port’s investment objectives.

4. Sustainable Investing

The Port encourages investments in entities that support community well-being through safe and environmentally sound practices, fair labor practices, and equality of rights regardless of sex, race, age, disability, or sexual orientation. The Port's portfolio shall not include investment in companies in fossil fuel extraction, refining, and distribution industries or subindustries, as classified by a third-party source.

V. STANDARDS OF CARE

1. Prudence

The standard of prudence to be used by Investment Officers (as defined in the attached Appendix I) shall be the "prudent person" standard and shall be applied in the context of managing the Port's investment portfolio. The "prudent person" standard states:

"Investments shall 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."

Investment Officers acting in accordance with written procedures and administering this Policy in accordance with its terms shall be relieved of personal responsibility for an individual security's credit risk, market price changes, and any losses that might occur in the Port's investment portfolio.

2. Ethics and Conflicts of Interest

Investment 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 decisions. Investment Officers and employees involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the Port Commission. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officers and employees involved in the investment process shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Port. Investment Officers and Port employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

3. Delegation of Authority and Responsibilities

a) Governing Body

The Port Commission will retain ultimate fiduciary responsibility for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.155.

b) Delegation of Authority

Authority to manage investments within the scope of this Policy and operate the investment program in accordance with established written procedures and internal controls is granted to Investment Officers. No person may engage in an investment transaction except as provided under the terms of this Policy.

c) Investment Committee

The Port may establish an investment committee to provide guidance to the Investment Officer(s) and monitor Policy compliance.

d) Investment Consultant

The Port may engage the services of one or more external investment consultants to assist in the management of the Port's investment portfolio in a manner consistent with this Policy. This assistance may be in the form of an active investment manager with full discretion to make investment decisions. Conversely, it may be in the form of an investment adviser without such discretion. Any of these services may be conducted in relation to the entire investment portfolio or only to discrete portions of the portfolio. If the Port hires an investment consultant to provide full discretionary investment management services, the manager is authorized to transact with its direct dealer relationships on behalf of the Port.

VI. TRANSACTION COUNTERPARTIES, INVESTMENT ADVISORS, AND DEPOSITORIES

1. Broker/Dealers

The Investment Officers shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this Policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives.

The Port may purchase or sell securities subject to the provisions of this Policy through any of the following:

- Banks, savings and loans, and mutual savings banks authorized to do business in Oregon (not simply loan production offices).
- Primary security dealers as designated by the Federal Reserve Bank of New York and Oregon secondary dealers.
- Primary agency selling group members as designated by the U.S. agency involved.

Approved broker/dealers must meet the Oregon State Treasury's recommended guidelines for appropriate registration, licenses, and certifications prior to conducting investment transactions with the Port. The Investment Officer may impose more stringent criteria.

An annual review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by an Investment Officer. Factors to consider will include:

- Pending investigations by securities regulators
- Significant changes in net capital
- Pending customer arbitration cases
- Regulatory enforcement actions

2. Investment Consultants

The following items are required for all approved investment consultants:

a) The investment consultant firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon (note: investment consultant firms with assets under management of > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon).

b) Certification, by all of the consultant representatives conducting investment transactions on behalf of the investment consultant firm, of having read, understood and agreed to comply with this Policy.

An annual review of all authorized investment consultants will be conducted by the Investment Officer, to determine continued eligibility within the portfolio guidelines. Factors to consider will include:

- Pending investigations by securities regulators
- Significant changes in net capital
- Pending customer arbitration cases
- Regulatory enforcement actions

3. Depositories

Financial institutions utilized as depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

4. Competitive Transactions

a) Investment Officers shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally-recognized trading platform.

b) In the instance of a security for which there is no readily-available competitive bid or offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities.

c) When purchasing original-issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.

d) If an investment consultant provides investment management services, the consultant must use competitive pricing execution on each transaction.

VII. ADMINISTRATION AND OPERATIONS

1. Delivery vs. Payment and Third-Party Safekeeping

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP). Securities will be held by an independent third-party safekeeping institution selected by the Port. All securities will be evidenced by safekeeping receipts in the name of the Port. Securities acquired through repurchase agreements with the Port's custodian bank(s) may be held by the custodian bank(s). In all cases, payment shall be made only upon delivery.

2. Internal Controls

In accordance with Port Administrative Policy No. 7.2.5, *Internal Accounting Control*, ultimate responsibility lies with the Chief Financial Officer to establish and maintain an adequate internal control structure designed to reasonably assure that investable funds are invested within the parameters of this Policy and protected from loss, theft, or misuse. The established control structure shall be reviewed and updated periodically by one or more Investment Officers. However, specifics for the internal controls shall be documented in writing. Conformance to internal controls as well as State law will be audited periodically by either an internal or external auditor. Such audit will include tests deemed appropriate by the auditor.

VIII. SUITABLE AND AUTHORIZED INVESTMENTS

1. Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035, 294.040, and 294.810, with the following restrictions:

a) U.S. Treasury and Government Agency Obligations

Lawfully issued general obligations of the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government and obligations whose payment is guaranteed by the United States, the agencies and instrumentalities of the United States or enterprises sponsored by the United States Government.

b) Municipal Debt

Lawfully-issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A- or an equivalent rating or better or are rated on the settlement date in the highest category without any refinement or gradation for short-term municipal debt by a nationally-recognized statistical rating organization.

Lawfully-issued debt obligations of the States of California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating of AA- or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally-recognized statistical rating organization.

No more than 5 percent of the Port's investment portfolio shall be invested in any single municipal bond issuing authority other than the State of Oregon or one of its agencies. However, to the extent that any reserve or construction funds exist and are also subject to yield restrictions by U.S. Treasury regulations or code, such funds may be invested in municipal bonds and no more than 20 percent of such funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies.

Per ORS 294.040, permitted bonds may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

c) Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit

Bank demand deposits in qualified depository institutions are considered cash and not investments and are therefore outside the scope and restrictions of this Policy.

Pursuant to ORS 294.035(3)(d), time deposit open accounts, certificates of deposit and savings accounts in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in the State of Oregon, are considered investments and within the scope of this Policy.

Time certificates of deposit with any issuer will not exceed 30 percent of the net capital of such issuer, based on their most currently published financial report.

All bank demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

d) Bankers' Acceptances

Banker's acceptances, if they are:

- (i) Guaranteed by, and carried on the books of, a qualified financial institution;
- (ii) Eligible for discount by the Federal Reserve System; and
- (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category without any refinement or gradation by one or more nationally-recognized statistical rating organizations.

For purposes of this subsection, “qualified financial institution” means:

(i) A financial institution that is located and licensed to do banking business in the State of Oregon; or

(ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon.

An Investment Officer shall not permit more than 25 percent of the moneys of the Port that are available for investment, as determined on the settlement date, to be invested in banker’s acceptances of any qualified financial institution. Banker’s acceptances guaranteed by a qualified financial institution shall not exceed 30 percent of the net capital of such institution, based on their most currently published financial report.

e) Corporate Indebtedness

Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of Section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness described in this subsection does not include banker’s acceptances. The corporate indebtedness must be issued by a commercial, industrial or utility business enterprise, or by or on behalf of a financial institution, including a holding company owning a majority interest in a qualified financial institution.

Corporate indebtedness must be rated on the settlement date P-1 or Aa3 or better by Moody’s Investors Service or A-1 or AA- or better by S&P Global Ratings and Fitch Ratings or an equivalent rating by any nationally-recognized statistical rating organization.

Notwithstanding the prior paragraph, the corporate indebtedness must be rated on the settlement date P-2 or A3 or better by Moody’s Investors Service or A-2 or A or better by S&P Global Ratings and Fitch Ratings or an equivalent rating by any nationally-recognized statistical rating organization when the corporate indebtedness is:

(i) Issued by a business enterprise that has its headquarters in Oregon, employs more than 50 percent of its permanent workforce in Oregon or has more than 50 percent of its tangible assets in Oregon; or

(ii) Issued by a holding company owning not less than a majority interest in a qualified financial institution, as defined in subsection d) above, located and licensed to do banking business in Oregon or by a holding company owning not less than a majority interest in a business enterprise described in subsection (i) immediately above.

An Investment Officer may not permit more than 35 percent of the moneys of the Port that are available for investment, as determined on the settlement date, to be invested in corporate indebtedness, and may not permit more than five percent of the moneys of the Port that are available for investment to be invested in corporate indebtedness of any single corporate entity and its affiliates or subsidiaries.

f) Repurchase Agreements

Repurchase agreements whereby the Investment Officer purchases securities from a financial institution or securities dealer subject to an agreement by the seller to repurchase the securities. The repurchase agreement must be in writing and executed before the initial purchase of the securities that are the subject of the repurchase agreement. Only securities described in Section VIII(1)(a) above may be used in conjunction with a repurchase agreement and such securities shall have a maturity of not longer than three years. The price paid by the Investment Officer for such securities may not exceed amounts or percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund

Board.

Repurchase agreements shall not exceed a term of 30 days. Collateral provided to the Port under a repurchase agreement shall be deposited with the Port's custodian bank(s), marked to the market daily and maintained at a minimum level in conformance with ORS 294.035 (3)(j).

Repurchase agreements may be entered into with authorized dealers or institutions when a master repurchase agreement or specific written contract governs the transaction. In no case will the total of such agreements with any firm exceed 10 percent of their equity (based on their most recently published financial report).

g) Oregon Short-Term Fund (OSTF)

Investment in the OSTF is subject to the limit stated in ORS 294.810.

2. Percentage of Investments and Credit Ratings

The portfolio will be diversified so that the par value for each of the security types shown in the following table shall not exceed the maximum position indicated as a percentage of the portfolio at time of purchase:

Security Type	Maximum % Holdings	Minimum Rating
U.S. Treasury Obligations	100%	-
U.S. Agency Obligations (GSE)	100%	-
Per issuer	30%	-
Corporate Indebtedness (subject to ORS 294.035 (i))	35%	AA- or equivalent A or equivalent if the issuer meets the requirements of ORS 294.035(3)(i)(C)(i)(ii)
Per issuer	5%	
Time Certificates of Deposit (TCD) (subject to ORS 294.035 (d))	30%	-
Per institution	5%	
Bankers Acceptances (subject to ORS 294.035(h))	25%	A-1+ or equivalent
Per issuer	5%	
Repurchase Agreements Under 30 days (subject to ORS 294.035 (j))	50%	
Municipal Debt Obligations (subject to ORS 294.035 (3)(b) and (3)(c))	15%	Oregon: A- or equivalent or A-1 or equivalent
Per issuer	See Section VIII(a)(b) above	CA, WA, ID: AA- or equivalent or A-1 or equivalent
Oregon Short Term Fund (subject to ORS 294.810)	As allowed under Oregon statutes	

Investments in bankers' acceptances, TCDs and other corporate indebtedness of any

single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio.

If the portfolio falls outside of compliance with adopted guidelines of this Policy or is being managed inconsistently with this Policy, an Investment Officer shall bring the portfolio back into compliance in a prudent manner as soon as feasible. Due to fluctuations in the portfolio balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the original purchase date. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

If additional types of securities are considered for investment, in accordance with Oregon law they will not be eligible for investment until this Policy has been amended and the amended version adopted by the Port.

3. Credit Ratings

Investments must have a rating from at least one nationally-recognized statistical ratings organization and should be investment-level ratings and not issuer-level ratings (see ORS 294.035).

IX. INVESTMENT PARAMETERS

1. Diversification

It is the policy of the Port to diversify its investments. Where appropriate, investment exposure(s) will be limited by asset class; maturity; issuance, issuer, and security type. Allowed security types and investment exposure limitations are detailed in the table set forth above in Article VIII 2. above.

2. Liquidity

Liquidity risk is the risk that an investment may not be readily marketable or redeemable. In order to mitigate liquidity risk, the Port maintains funds in overnight investments or in investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.

3. Investment Maturity

Investments will be timed to meet projected cash requirements unless a shorter maturity is appropriate. Funds may be invested to a maximum maturity of five years from the date of settlement. The weighted average maturity of the portfolio, including cash and investments, shall not exceed three years and the maximum maturity shall not exceed five years.

The only exceptions to the maximum maturity limitation shall be cases where the Port is using the security as collateral on an agreement or in instances where the Port is purchasing its own bonds in the marketplace to lower outstanding debt.

4. Settlement Restrictions

Pursuant to ORS 294.145, Investment Officers are prohibited from making a commitment to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement of the purchase or sale transaction.

X. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

The Port may invest bond proceeds in compliance with ORS 294.052, notwithstanding ORS 294.135 or 294.145 or any other law or charter provision. Bond proceeds shall be invested in accordance with the parameters of this Policy and the applicable bond covenants and tax laws. Investments of bond proceeds are typically not invested for resale and are maturity matched with

outflows. Consequently, funds within the scope of ORS 294.052 are not subject to this Policy's maturity constraints as outlined in Article IX above.

XI. COMMISSION REPORTING REQUIREMENTS

Quarterly, Port staff will provide the Commission with portfolio reports showing portfolio diversification, yield and benchmarking comparisons, maturity distribution, and investment allocation, or any other report or information as the Commission may request. The Commission has review authority over the investment program.

XII. POLICY REVIEW AND READOPTION

This Policy shall be reviewed at least annually to ensure its consistency with the objectives set forth in Article IV above, and its relevance to current law and financial and economic trends. This Policy shall be readopted annually by the Commission.

APPENDIX I

Definition of Investment Officers

“Investment Officer” The title of Investment Officer, and the associated responsibilities and activities described in this Policy, means the Port’s Chief Financial Officer, the Director of Capital Finance & Debt Management, and the Debt, Cash, and Investment Program Manager.

“Credit risk” means 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 Port’s ability to repay its debt.

“Interest rate risk” means market value volatility due to the changes in the general level of interest rates over the life of the investment(s).