

**MINORITY-AND WOMEN-OWNED BROKERAGE AND
INVESTMENT MANAGEMENT FIRMS USE
FY 2025**

**Maryland Automobile Insurance Fund
September 2025**

Governor's Office of Small, Minority & Women Business Affairs

Use of Minority- and Women-owned Brokerage and Investment Management Firms by the State of Maryland

ANNUAL REPORT SUMMARY STATEMENT – FY2025

Reporting Department/Agency: Maryland Automobile Insurance Fund
Fiscal Year: 2025

IN THE ATTACHED DOCUMENTS, MY AGENCY HAS REPORTED THE FOLLOWING INFORMATION:	YES	NO
1. The identity of the minority business enterprise brokerage and investment management services firms used by the Agency in the immediately preceding fiscal year;	X	
2. The percentage and dollar value of the assets under the custody of the Agency that are under the investment control of minority business enterprise brokerage and investment management services firms; and	X	
3. The measures the Agency undertook in the immediately preceding fiscal year to increase the percentage and dollar value of the assets under the investment control of minority business enterprise brokerage and investment management services firms.	X	

Agency Head/Secretary Name: Al Redmer, Jr., Executive Director
(Please Type/Print Here)

Agency Head/Secretary Signature:


Signed by: 172E13E8ECD446A

(Please Sign Here)

Use of Minority- and Women-owned Brokerage and Investment Management Firms by the State of Maryland

Annual Report Guidance – FY2025

STATEMENT OF COMMITMENT

The Maryland Automobile Insurance Fund (MAIF) (hereinafter “Maryland Auto”) has embraced both the spirit and the law in Insurance Article §20-303. Since the law’s passage, Maryland Auto has placed between 17% – 33% of its total portfolio with minority investment manager firms. Additionally, Maryland Auto has reached out to the minority investment community to establish relationships when future opportunities become available. The outreach program and retention efforts have proven to be a strong social model and good business practice.

1. Describe investments and mechanisms through which your organization invests.
 - a. Include all asset allocations and services, i.e. real estate, hedge funds private equity, brokerage services, passively managed assets, account sweeps, and services used during *transitions*.

Maryland Auto, through the use of investment managers, invests in equities and fixed income securities. Maryland Auto has included its assets allocations on the attached spreadsheets.

- b. Identify which services are retained directly by your internal staff/board.

Maryland Auto investments are tracked, reconciled, and recorded by internal staff. Overall changes in investment strategy are determined by Maryland Auto’s Financial Management Committee and by management relying on recommendations from Maryland Auto’s investment advisor.

- c. Identify which services are retained indirectly by a consultant/advisor/manager.

Maryland Auto does retain services indirectly through its investment managers and outside investment advisor.

- i. ***Investment managers are responsible for investment decisions within the confines of their specific strategy with the objective of providing growth and/or income for Maryland Auto. Investment managers are also responsible for proxy voting with the best interests of Maryland Auto in mind.***
 - ii. ***Maryland Auto’s investment advisor is responsible for the review and analysis of investment managers inclusive of performance, organizational structure, and fees as well as assistance in the***

identification of suitable replacements of strategies should there be a need for change.

2. Describe current policies regarding the utilization of minority and women owned firms in the investment and or fund management aspects of your operations.

Any new investment manager selection process includes at least one minority owned firm if available for consideration. In Fiscal Year 2025, Maryland Auto continued to use minority and/or women owned investment firms.

3. Describe marketing strategies, if any, in the area of investment services.

When Maryland Auto intends to hire new investment managers, Maryland Auto issues a Request-For-Proposal (“RFP”), all of which are posted on eMaryland Marketplace and Maryland Auto’s website. Minority business enterprises are encouraged to bid.

4. Describe the policy for dealing with investment firms that “cold call” with offers of financial management services.

Maryland Auto relies on its Investment Advisor to handle “cold calls” from investment firms.

5. Describe the role, if any, a “board of trustees” or “investment board” plays in the organization’s investment policy and decisions.
 - a. Describe any differences between the mechanisms used for various funds and/or asset classes, brokerage services, etc.

Pursuant to Maryland law, Insurance Article §20-303, Maryland Auto’s Financial Management Committee approves all Maryland Auto investment policies, asset allocations, and investment managers.

Maryland Auto does not utilize different mechanisms for the various funds and/or asset classes, brokerage services, etc.

6. Identify if an outside *managing consultant* used to find suitable investment services firms.

Maryland Auto uses a single outside Investment Advisor to assist with finding suitable investment services firms.

- a. If so, describe the selection process for choosing *managing consultants*. This would include a comprehensive description of the procurement process used, e.g., the solicitation’s specifications, evaluation factors used in the selection process, as well as contract execution and assessment procedures.
 - i. Identify who has final the decision over which *managing consultant* is chosen.

Maryland Auto's Financial Management Committee, which consists of Maryland Auto's Executive Director and two Maryland Auto Board of Trustees, chooses the Investment Advisor through the RFP process (all RFPs are posted on eMaryland Marketplace and Maryland Auto's website). Maryland Auto's Financial Management Committee has the final decision over which Investment Advisor is chosen.

- b. Describe the specific responsibilities of the *managing consultant*.
- i. Does the *managing consultant* have complete autonomy in choosing which firms are chosen to manage/invest the organization's funds?

Maryland Auto's Investment Advisor aids in determining the asset class mix and developing the organization's "Statement of Investment Policy." The Investment Advisor also attends Financial Management Committee meetings, prepares monthly and quarterly portfolio performance reports, analyzes investment manager performance, and makes recommendations regarding retention of investment managers. Maryland Auto staff prepares RFPs with input from the Investment Advisor when Maryland Auto is choosing new investment managers.

- ii. Identify parameters, if any, given to the *managing consultant* in terms of choosing/enlisting firms.

Preliminary screening is completed by the Investment Advisor and presented to the Financial Management Committee to determine the manager candidates to be interviewed. The Financial Management Committee has the responsibility for deciding which firms are ultimately chosen.

1. Is the *managing consultant* encouraged to find minority and women owned firms?

The Investment Advisor is strongly encouraged to pursue minority candidates during the search for new managers. The Investment Advisor proactively reaches out to minority and women owned firms when an RFP is posted in order to improve the prospects of a bid award to a minority or women owned firm.

- c. Identify the person who manages and/or evaluates the *managing consultant's* performance.

Maryland Auto's Financial Management Committee evaluates the Investment Advisor's performance.

- d. Include hire dates and duration of the consultant's contract.

Maryland Auto hired a new Investment Advisor during FY 2023. The bid was awarded pursuant to an RFP, and the contract term is from September 1, 2022 through August 31, 2027.

7. State the total amount of assets being managed by minority and women owned firms during this fiscal year.
- Identify the asset classes, including a break down within racial and gender classifications.

FYE	Total Assets	Asset Class	Classifications
2025	\$23,239,794	Short-Term Fixed Income	African American
2025	\$14,415,717	Equity	Women Owned

8. State the number of minority and women owned investment firms retained **directly** by your organization in this fiscal year.
- Provide a list of all such firms, indicating the amount of assets being managed.

FYE	Number	Manager Name	Classifications
2025	1	Loop Capital Asset Mgmt	African American
2025	2	Barksdale Investment Mgmt	Women Owned

9. State the number of minority and women owned investment firms retained **indirectly** by your organization in this fiscal year.

None retained indirectly.

10. State the total amount of money management fees, including brokerage commissions, paid to minority and women owned firms in this fiscal year.
- List each firm by name, ownership classification (minority owned or woman owned), and how much was paid.

FYE	Mgmt Fees	Manager Name	Classifications
2025	\$33,544	Loop Capital Asset Mgmt	African American
2025	\$66,845	Barksdale Investment Mgmt	Women Owned

11. State the total amount of commissions paid to minority and women owned investment **brokers** for this fiscal year. (Include “steps-outs” if necessary.)
- Provide a list of all firms, indicating the amount of commissions paid by your organization.

No brokerage fees are paid.

12. Detail total annual fees for this fiscal year into the following categories—asset management¹, financial institutions², and professional services³.

¹ *Asset management fees* refer to any fees paid to external investment managers, regardless of racial or gender categorization.

Category	Total Annual Fees
Asset Management	\$364,846
Financial Institutions	\$35,817
Professional Services	\$134,396

- a. Identify, if any, special fee structures particular to asset classes (e.g. real estate).

Not applicable.

13. Identify how investment brokers have been retained (e.g., **directly or indirectly**) by your organization in this fiscal year?

No investment brokers are retained, either directly or indirectly.

14. Identify the number of minority and women owned investment brokers retained **directly and indirectly** in relation to the organization's total for this fiscal year.

No investment brokers are retained, either directly or indirectly.

15. Identify the percentages of funds/assets allocated to Maryland-headquartered minority and women owned firms in this fiscal year.

- a. List each firm by name, ownership classification (MBE or WBE), and indicate the amounts of funds/assets.

None of the minority or women owned firms with funds under management are headquartered in Maryland.

16. Submit a copy of your organization's most recent *Investment Policy Statement*.

Attached.

17. OPTIONAL: Provide a brief summary detailing any information not adequately captured by your numerical data or within this questionnaire.

²Financial institution fees refer to broker/dealers, custody operators, securities lending, operational bank account fees, and other asset servicers.

³Professional Services Providers refers to investment and risk management consultants, portfolio analytics software providers, and etc.

MINORITY INVESTMENT MANAGER ANNUAL REPORT TEMPLATE - FY 2025

Asset Management

Agency	FY 2021			FY 2022			FY 2023			FY2024			FY 2025		
	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%
Maryland Automobile Insurance Fund	\$189.9	\$34.7	18.3%	\$134.9	\$23.5	17.4%	\$133.1	\$28.2	21.2%	\$152.7	\$34.7	22.7%	\$162.3	\$37.7	23.2%
Total	\$189.9	\$34.7	\$0.2	\$134.9	\$23.5	\$0.2	\$133.1	\$28.2	\$0.2	\$152.7	\$34.7	\$0.2	\$162.3	\$37.7	\$0.2

MBE Investment Managers Utilized

Agency	FY 2021	FY 2022	FY 2023	FY2024	FY2025
Maryland Automobile Insurance Fund					
Emerging MBE Managers	1	1	2	2	2
Emerged MBE Managers	0	0	0	0	0
Total	1	1	2	2	2

Definitions: Emerging Investment Manager = a qualified minority owned business of female owned business with total assets under management of at least \$10 million but less than \$2 billion. Emerged Investment Manager = a qualified minority owned business or female owned business with total assets under management of more than \$2 billion.

Brokerage Services

Agency	FY 2021			FY 2022			FY 2023			FY2024			FY 2025		
	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%
Maryland Automobile Insurance Fund	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%
Total	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%

Total MBE Investment Brokers Utilized

Agency	FY 2021	FY 2022	FY 2023	FY2024	FY2025
Maryland Automobile Insurance Fund	0	0	0	0	0
Total	0	0	0	0	0

MINORITY INVESTMENT PORTFOLIO TEMPLATE - FY 2025

Portfolio by Asset Class	Market Value (\$ millions)	Actual Allocation	Strategic Allocation	Emerging MBE Managers	Emerged MBE Managers
Domestic Large Cap	18.3	11%	-	-	-
Domestic Small/Mid Cap	3.9	2%	-	-	-
Total Domestic Equity	-	-	-	-	-
Core Fixed Income	70.5	43%	-	-	-
Corporate - Oriented	46.4	29%	-	-	-
Convertible Bonds	-	-	-	-	-
Total Domestic Fixed Income	-	-	-	-	-
International Fixed Income & Equity	23.2	14%	-	-	-
Total	162.3	100%	-	-	-

Emerged MBE Investment Managers Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Subtotal	0.0	0.0	-

Emerging MBE Investment Manager Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
Loop Capital Asset Management	23.2	0.03	-
Barksdale Investment Management	14.5	0.07	-
-	-	-	-
-	-	-	-
Subtotal	37.7	0.1	-
Total	\$37.70	\$0.10	

MINORITY BROKERAGE SERVICES TEMPLATE - FY 2025

Commissions	
MBE Investment Broker Name	Paid
-	-
-	-
Total	\$0.0

Statement of Investment Policy
Maryland Automobile Insurance Fund
Revised July 8, 2025

Table of Contents

I.	Scope and Purpose	3
	Responsibility	3
II.	Investment Objective	5
III.	Risk Tolerance	6
IV.	Investment Constraints.....	6
	Liquidity:.....	6
	Time Horizon:	6
	Regulatory/Legal Restrictions:	6
	Taxes:	7
	Unique Needs:.....	7
V.	Asset Allocation.....	7
	Liquidity Pool	8
	Investment Pool	8
VI.	Policies for Cash, Bonds, and Equities	9
	Short-Term Investments.....	9
	Core and Intermediate Fixed Income Securities.....	10
	Equities	11
VII.	Consolidated Portfolio Administration	13
	Management of the Individual Portfolios:	13
VIII.	Performance Evaluations Standards	13
IX.	Approval	14
	Monitoring of Objectives and Results	14

I. Scope and Purpose

This Statement is intended to specify the investment policy and the objectives for the Maryland Automobile Insurance Fund (“MAIF”, the “Fund” or the “Company”) investment portfolio for the Insured Division and the Uninsured Division. The purpose of this policy for MAIF’s investment funds is to establish direction for the management of this portfolio, and to establish the basis for communication between the Company and the external investment manager(s) and advisor. This statement is adopted by the Financial Management Committee of MAIF to govern the investment of assets of MAIF pursuant to Section 20-303 of the Insurance Article of the Annotated Code of Maryland.

This Statement also identifies the broad investment strategy to be followed in the investment of MAIF’s assets and the limitations on the discretionary authority to be given to internal and external investment manager(s).

The primary objective of the Fund is to generate consistent and stable current income to buffer positive and negative experiences in the underwriting cycle. While still important, the secondary objective is portfolio growth.

This investment policy reflects MAIF’s objective of achieving a return on MAIF’s assets that shall provide:

- Adequate liquidity/capital to meet the organization’s fiduciary responsibility to policyholders.
- A predictable level of coupon and dividend income to assist in the rate stabilization process.
- A solid capital foundation for long-term stability.
- A stable cash flow stream while managing investment risk based on the organization’s total risk profile.

[\(Return to Table of Contents\)](#)

Responsibilities

The Financial Management Committee (“FMC”) is responsible for review and consideration of current investment strategies and reports as required to the Board of Trustees. Upon approval of the FMC and Board, outside investment advisors will be retained to assist MAIF staff with the management of investments.

It is management’s responsibility to implement daily operational and tactical activities of the portfolio and to execute the strategic directions of the FMC.

The following is a description of the primary investment-related responsibilities of various parties as they relate to the Fund. This summary is meant to serve as a guide and a communications aid for the parties with responsibilities related to the investment program.

Responsibilities of the Investment Consultant

- Provide advice to the Trustees to determine the most effective investment program and the allocation of assets among the various investment choices.
- Measure investment performance results, evaluate the investment program, and advise the FMC and Board as to the performance and continuing appropriateness of each investment manager.
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate.
- Promptly inform the FMC and Board regarding significant matters pertaining to the investment of the plan's assets.

Responsibilities of the Investment Manager(s)

- Comply with all applicable laws, regulations, and rulings.
- Manage the portion of the plan's investments under their control in accordance with the policy objectives and guidelines as established.
- Exercise full investment discretion within the policies and standards as established as to buy, hold, and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the plan's custodian.
- Promptly inform the FMC, Board, staff, and the investment consultant regarding significant matters pertaining to the investment of the plan's assets, including, but not limited to changes in ownership, organizational structure, investment strategy, portfolio design, or configuration of the investment team.

Responsibilities of Custodian

- Act in accordance with relevant trust agreement.
- Hold, safeguard, and accurately price the assets of the Fund.
- Collect the interest, dividends, distributions, redemptions, or any other amounts due.
- Report all financial transactions to company representatives and the investment consultant.
- Prepare periodic summaries of transactions, asset valuations, and other related information as deemed appropriate.
- All cash, interest earned, and dividend payments shall be swept on a daily basis into an investment-grade short-term money market fund.
- Perform any and all duties as detailed in the respective custodial agreement.

[\(Return to Table of Contents\)](#)

II. Investment Objective

MAIF has multiple investment objectives for its portfolio. The principle objective is to achieve a risk adjusted return with investments that are oriented to safety of principal, liquidity, and a stable level of current income. The secondary objective is growth of surplus by investing in vehicles that provide opportunities for portfolio and surplus growth. These objectives are to be accomplished within state and other regulatory requirements. From time to time, MAIF may choose between an income or growth strategy depending on the financial condition, competition, market share, etc.

This policy is intended to provide flexibility to management to adjust the investment allocation, within a predetermined range, and limit the types of securities depending on the business, strategic, and financial needs of MAIF.

To affect the stated objectives, the investments shall be structured into asset classes containing the following characteristics:

Investment Portfolio Principle Asset Class Characteristics		
	Asset Class	Characteristics
Liquidity Pool	Short Term Funds	• Very liquid money market securities. • High quality short-term paper.
	Short, Intermediate and Core Bonds	• Dominated by investment grade securities. • Controlled duration around benchmark. • Benchmarked against an appropriate intermediate or core bond index.
Investment Pool	Equities	• Diversified by market capitalization, geography and style. • Aggregate benchmarked against the S&P 500 Index or appropriate index.

For purposes of asset allocation, a portion of the portfolio may be segregated from the remainder of the portfolio and may occur when well defined and highly predictable obligations are expected to become due in the future. An example may be known cash needs for operations for the following three months.

[\(Return to Table of Contents\)](#)

III. Risk Tolerance

Risk tolerance must be considered in conjunction with the risk from business operations. Thus, investment risk is part of the organization's total business risk. Negative business experiences should encourage less investment risk and vice versa.

The total acceptable level of risk is largely a function of the financial soundness of MAIF and the political climate. Various business factors which influence the organization's risk tolerance, such as financial ratios, competitive pressures, underwriting cycle, etc. are significant determinants when evaluating the organizations risk tolerance. The factors are quantitative and qualitative in nature and should address business and investment issues.

[\(Return to Table of Contents\)](#)

IV. Investment Constraints

There exist certain boundaries on investment decision-making that must be stated and respected. The boundaries are formally called investment constraints and include liquidity, time horizon, regulation/legal restrictions, taxes, and unique needs of the organization.

[\(Return to Table of Contents\)](#)

Liquidity:

The level of liquidity, in part, determines the organization's capability to fund its operating requirements such as claims paying and administrative obligations. To ensure that these cash flows are met, the availability of cash must be addressed prior to allocating funds to longer-term assets. In addition to short term operating needs, from time to time the Liquidity Pool levels may increase to accommodate non-reoccurring expenditures such as anticipated expenditures associated with technology, etc.

[\(Return to Table of Contents\)](#)

Time Horizon:

While the organization is a going concern and invests in a fashion consistent with a long-term horizon, the investment portfolio must also accommodate the requirements of the immediate need of cash for claim administrative requirements. Accordingly, the investable assets of the firm can be categorized as immediate needs (Liquidity Pool), and those investable assets available for portfolio income and growth (Investment Pool). Each pool fulfills a unique role with each Pool having distinguishing characteristics.

[\(Return to Table of Contents\)](#)

Regulatory/Legal Restrictions:

The primary regulator of investing activities is the State of Maryland's Insurance Administration. Regardless of the regulatory entity, the organization shall comply with **all** statutory regulations.

MAIF shall attempt to use, to the greatest extent feasible, minority business enterprises to provide brokerage and investment management services to the FMC and the Board as required by Insurance Article, § 20-303 of the Annotated Code of Maryland.

[\(Return to Table of Contents\)](#)

Taxes:

MAIF does not pay state or federal income taxes.

[\(Return to Table of Contents\)](#)

Unique Needs:

As with any state created institution, MAIF has its own character that makes it different from other insurance institutions. Therefore, the organization must consider its uniqueness when making investment decisions. Needs that must be addressed should include:

- The nature of its creation and considerations of enabling legislation.
- Public policy
- Recognition of the fact that MAIF funds are generated by its Maryland only policyholders

[\(Return to Table of Contents\)](#)

V. Asset Allocation

More than any other factor, the asset allocation decision determines the risk and return of a portfolio. Since the investing function is closely integrated with the business function, asset allocation decisions cannot be made without first considering the results and expectations of business operations. Once those characteristics are identified and analyzed, investment decisions can then be made.

Consistent with the primary objective of high levels of coupon income to stabilize rates along with the secondary objective of portfolio growth, the portfolio shall be allocated into two distinct portfolios each with its own characteristics. Each portfolio will have an allocated range and a target level. From time to time, management may transition the portfolio to a more/less conservative position, depending on the items addressed in section IV.

The purpose and determination of size for each pool is summarized below.

[\(Return to Table of Contents\)](#)

Liquidity Pool

A. Purpose:

Serves as a source of liquidity to meet short-term operating requirements and provide funds for anticipated near-term capital expenditures.

B. Size:

Sufficient to attain objectives of meeting daily claims and administrative expenses and anticipated near-term capital expenditures.

[\(Return to Table of Contents\)](#)

Investment Pool

A. Purpose:

The Investment Pool is considered in excess of the liquidity pool investable assets that the Company can invest in a fashion to meet its goals. When the goals of the firm are to increase coupon income, then this Pool shall be predominately bonds. When the objective of the organization is to grow surplus, the equity allocation will increase. In the normal state, the Investment Pool shall have both bonds and equities. This Pool shall serve as the primary source of portfolio growth through the use of portfolio enhancing opportunities in fixed income and equity securities.

B. Size:

The size of this Pool shall be MAIF's investable assets in excess of the Liquidity Pool. Allocation within the range shall be a function of the results of a determination of the Company's financial strength and the opportunities in the capital markets.

Like the Policy itself, these allocations are intended to provide flexibility to management to adjust within the prespecified range, the allocation limits depending on the business, strategic, and financial needs of MAIF.

	Target	Allowable Range	Benchmark
Short, Intermediate and Core Fixed Income	83%	75-95%	Weighted average of each strategy's benchmark ¹
Equities	17%	5-25%	Weighted average of each strategy's benchmark ²
Total	100%		

¹ Fixed Income Benchmarks as of 9/30/22: 80% Bbg Intermediate Credit / 20% Bbg MBS, Bbg US Gov't / Credit Intermediate Term

² Equity Benchmarks as of 9/30/22: Russell 1000 Value, Russell 1000 Growth, CRSP US Small Cap, FTSE All Cap Global Ex US

For risk budgeting, management has established a target for equity and fixed income holdings relative to total assets. This target and allowable range is based on management's knowledge of MAIF's operating cycle, cash flow needs, and historical

performance. Should the allowable range be exceeded for six consecutive months, a rebalance will be taken. This will provide flexibility to avoid forced liquidations due to short-term moves in the capital markets and operating cash needs.

The overall allocation and implementation will consider initiatives of the state of Maryland legislative bodies.

[\(Return to Table of Contents\)](#)

VI. Policies for Cash, Bonds, and Equities

To ensure the characteristics of the Portfolio are aligned with the expected characteristics of the asset classes, precise identification of permissible security types is necessary. Investments shall be limited to the securities that satisfy the following characteristics for stocks, bonds and cash.

Short-Term Investments

A. Objective:

Serves as a source of liquidity to meet short-term operating requirements and provide funds for anticipated near-term capital expenditures.

B. Permitted Holdings:

Due to the short-term nature of the portfolio, most of the assets shall reside in pooled vehicles offered by the custodian bank, other banks, or other providers. Generally, the Liquidity Pool shall be dominated by money market type securities issued by the U.S. Government, its agencies, and U.S. based corporations. Liquidity and quality shall be the principle characteristics of the holdings. The candidate investment vehicles may include the following type of securities.

1. Repurchase Agreements (collateralized by securities of the U.S. Gov't. and agencies).
2. Treasury and Agency Bills, Notes and Bonds including zero coupon securities issued by the U.S. Treasury (STRIPS) or by security dealers and backed by direct U.S. Treasury obligations (Treasury Receipts).
3. Commercial Paper
4. Certificates of Deposit
5. Bankers Acceptances
6. FNMA Notes
7. Money market funds and its permitted holdings
8. Corporate medium-term notes
9. Corporate and U.S. Government Agency fixed and floating rate notes
10. Other investments approved by the FMC

C. Quality and Other Restrictions:

The quality and other restrictions on the STIF are summarized as follows:

1. Commercial paper shall be limited to issues with a minimum rating of A-1 by Standard and Poor's and P-1 by Moody's.

2. Bankers acceptances and certificates of deposit shall be limited to paper issued by banks and bank holding companies whose commercial paper qualifies for purchase or in the case of institutions without commercial paper ratings only those with long-term debt rated A or better by both Standard and Poor's and Moody's.
3. A maximum of up to the current FDIC insurance limit may be invested in certificates of deposit issued by Maryland banks, which do not meet the minimum rating requirements. FMC approval is required for any investment in excess of the current FDIC insurance limit in certificates of deposit issued by Maryland banks, which do not meet the minimum rating requirements.
4. Corporate fixed and floating rate and medium-term notes must be rated A or better by Standard and Poor's and Moody's.
5. Due to the short nature of the portfolio, investments failing to meet the quality restrictions after purchase may be held to maturity.
6. A maximum security duration of two years at time of purchase.

[\(Return to Table of Contents\)](#)

Short, Intermediate and Core Fixed Income Securities

A. Objective:

The objective of the Short & Intermediate Bond Segment is to outperform (after fees) an appropriately weighted Bloomberg Intermediate Government/Credit Bond Index (or appropriate index). The objective of the Core Bond Segment is to outperform (after fees) the Bloomberg Aggregate Bond Index (or appropriate index).

B. Permitted Holdings:

Generally, the Short, Intermediate and Core portfolios shall be dominated by fixed income securities issued by the U.S. Government, its agencies, and U.S. based corporations. These security types are approved for use in the Short, Intermediate Bond Segments and Core:

- 1) Bond and Notes issued, assumed or guaranteed by the U.S. Government;
- 2) Bonds issued by U.S. Government Agencies
- 3) Bond and Notes issued, assumed or guaranteed by any state, county, municipality or political subdivision;
- 4) Corporate notes and bonds;
- 5) Asset Backed Securities;
 - (i) CLO's restricted to AAA rating and a maximum overall position of 5% for each applicable investment manager strategy
- 6) Convertible bonds (that trade in line with the underlying bond value);
- 7) Mortgage pools and mortgage related securities;
- 8) Securities Eligible for the Short-Term Investment Fund;
- 9) Yankee Bonds (Dollar Denominated Sovereign and corporate debt);
- 10) Guaranteed investment contracts used to match duration of the liabilities;

11) Other investments approved by the FMC.

The quality and other restrictions on the for the bond portfolios are as follows:

1. All of the restrictions listed for short-term investments.
2. All corporate notes and bonds, municipal notes and bonds and preferred stocks must be rated Baa or BBB or better by any National Recognized Statistical Rating Organization such as Standard and Poor's, Fitch or Moody's at time of purchase. If a security is rated by only 2 agencies and is split rated (e.g., securities rated BBB by one rating agency and BB by another) then the security shall be considered for allocation purposes the **lower** of the two ratings. If a security is rated by all three agencies and is split rated, then the security shall use the **middle** rating for allocation purposes.
3. Convertible bonds must be rated BBB or higher. Convertible bonds shall not exceed 10% of the fixed income portfolio.
4. A maximum of 5% at market value of an investment manager's portfolio may be invested in any one company. No restriction exists for U.S. Government debt.
5. Companies restricted are as follows (separate account only):
 - Alcohol
 - Casinos
 - Tobacco
6. Portfolio variances of duration and holdings around the benchmarks are permitted. The degree to which duration and holdings can deviate from the benchmark shall be articulated in the Supplemental Restrictions for each manager.
7. The weighted average quality rating of the entire bond portfolio shall be A- or higher and shall comply with the constraints of this section.

[\(Return to Table of Contents\)](#)

Equities

A. Objective:

1. The objective of the actively managed portion of the Equity Fund is to outperform the equity market (net of fees) as measured by the S&P 500 Stock Index (or other Index) over a full market cycle. The objective of the passively managed portion of the fund is to match the performance of its stated benchmark.
2. The Equity Fund shall be diversified according to economic sector, industry, number of holdings and other investment characteristics.

B. Permitted Holdings:

Generally, the fund shall be large capitalization common stocks issued by U.S. corporations having a significant portion of their operations in the U.S. Mid-cap, small-cap, developed market international and emerging market securities are encouraged for purposes of diversification. Permitted holdings include:

1. Common and Preferred Stock,
2. Convertible Bonds, Preferred Stocks, and Adjustable Rate Preferred Stocks,
3. Mutual Fund Shares or other commingling vehicles, including ETF's,
4. American Depositary Receipts (ADRs),
5. Other investments approved by the FMC Investment Committee.

From time to time, the manager(s) may invest in cash or cash equivalents. Cash of the equity manager may be invested in short-term investments of high quality as outlined above in Permitted Investments of the Short Term portfolio.

C. Quality and Other Restrictions:

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other tools employed by active managers are left to broad manager discretion, subject to the usual standards of fiduciary prudence and the quality and other restrictions as follows:

1. All of the restrictions listed for short-term investments.
2. No more than 5%, at market, of the equity portfolio may be invested in any single security.
3. Companies restricted are as follows (separate account only):
 - Alcohol
 - Casinos
 - Tobacco
4. MAIF may impose restrictions on realizing net investment gains or losses during any period.
5. There shall be no direct engagement in short sales, purchases on margin, or investments in commodities or transactions of a similar or speculative nature (only as permitted in an investment fund approved by the FMC).
6. Investments in private placements and restricted stocks are prohibited.
7. The FMC may impose additional constraints on the portfolio, which relate to particular circumstances; e.g. investing in socially responsible stocks.

MAIF acknowledges that it will not have the ability to impose the above restrictions on its investments made through shares of mutual funds or other commingling vehicles.

[\(Return to Table of Contents\)](#)

VII. Consolidated Portfolio Administration

Management of the Individual Portfolios:

- A. Generally, MAIF's staff shall manage the Liquidity Pool internally or it will be managed by one of the custodian banks while the Investment Pool assets shall be managed by external investment managers. Other arrangements are possible if approved by the FMC.
- B. This Statement of Investment Policy shall be provided to each investment manager retained to manage the assets. While individual portfolios may not conform to each characteristic, the asset classes (equities, core bonds, etc.) shall fully conform with policy.
- C. Investments failing to meet any restrictions after purchase **may** be held with approval of MAIF's staff. Maintained investments which are failing to meet restrictions shall be reviewed on a semi-annual basis by the investment manager, investment consultant and MAIF staff. Any such decisions should be conveyed to the FMC at their next regularly scheduled meeting.
- D. Managers may be subject to Supplemental Restrictions which articulate further restrictions on permitted holdings, benchmarks, and performance expectations.
- E. If MAIF staff identifies a security it believes meets the criteria requiring reporting on Schedule BA (Schedule BA filed by MAIF in accordance with the National Association of Insurance Commissioners (NAIC)), manager and MAIF staff will discuss the classification and determine whether any action should be taken to sell the security under review.

[\(Return to Table of Contents\)](#)

VIII. Performance Evaluations Standards

MAIF maintains open communication with investment managers. The focus of these exchanges shall be on understanding the manager's expectations for the economy and capital markets and how these are reflected in the portfolio. A necessary part of the communication process is the evaluation of the progress of the portfolio and, to this end, investment results shall be reviewed quarterly.

Performance evaluation of investment managers shall include, but are not limited to, the following factors:

- Return net of transaction costs and/or fees,
- Return relative to an appropriate benchmark index for each asset class,
- Where applicable, strategy must follow specific Supplemental Restrictions provided by MAIF,
- If an active strategy, performance shall be favorable to its benchmark over a full market cycle or a three-year period, whichever is shorter,
- If a passive strategy, performance should fall closely in line with its benchmark though not necessarily match the benchmark due to management fees.

Investment managers are not expected to outperform market indices and peer groups every quarter or year. Analysis of performance shall always be within the context of the prevailing investment environment and the investment manager's particular investment style.

External investment managers or advisors shall be expected to meet with MAIF's management periodically to review the investment outlook, structure of their portfolios, and past results.

[\(Return to Table of Contents\)](#)

IX. Approval

This policy as approved by the Board of Trustees of MAIF shall be provided to each internal and external investment manager along with Supplemental Restrictions drafted by staff.

Monitoring of Objectives and Results

The dynamics of the insurance industry and the capital markets require flexibility and adaptability in investment decision making and practices. To promote flexibility and adaptability, the investment policy shall be continuously reviewed for appropriateness by MAIF's staff. Modifications to the investment policy may be proposed from time to time. However, to enforce the principles of flexibility and adaptability, MAIF's staff shall review the need for any changes at least annually and make a recommendation to the FMC.

Ultimate responsibility for initiating and approving modifications to the document rests with the FMC.

[\(Return to Table of Contents\)](#)

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