



## Klaas Investment Portfolios (KIP) Investment Policy Statements

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***The Klaas Investment Portfolios (KIP) are offered by Klaas Financial Asset Advisors, LLC, a registered investment adviser registered with the United States Securities and Exchange Commission (SEC). Investors should be aware that all investments involve risk, including the loss of principal. Investors should consult a financial advisor to determine the appropriate asset allocation for them based on their financial resources, financial goals, time horizon and risk tolerance.***

# Klaas Investment Portfolios

## Investment Policy Statement (IPS): Purpose

- Establish the investment objectives and investment guidelines for the portfolios.
- Define our investment philosophy.
- Provide a framework for the target asset allocation and re-balancing procedures.
- Establish a basis for measuring and evaluating risk, return, and portfolio results.

This IPS is intended to serve as a decision-making tool, discipline framework, and communication link. It is intended to be sufficiently specific, yet flexible enough to be practical. Having and making use of an investment policy guides the plan for management of assets and seeks to maximize the probability of satisfying your investment goals.

## Investment Objectives

The primary investment objective is determined by the asset allocation between Global Equities and Fixed Income. Clients will work with their adviser to determine an appropriate portfolio based upon information gathered and discussed during meetings. Desired portfolios may be employed at a household level, leading to different portfolios across multiple accounts, or may be employed in the same manner consistently with every account.

As the asset allocation mix increases the proportionate weight to Global Equities, the primary investment objective of the portfolio will be focused on long-term growth of capital with some emphasis on current income. Investment of the assets will aim to produce total return primarily from capital appreciation and then income in the form of interest or dividends.

As the asset allocation mix increases the proportionate weight to Fixed Income, the primary investment objective of the portfolio will be focused on current income with less emphasis on long-term growth of capital. Investment of the assets will aim to produce total return primarily from income in the form of interest or dividends and then capital appreciation.

## Asset Allocation

Our methodology is anchored in the academically rigorous investment principles of Modern Portfolio Theory and Asset Allocation as the key determinant of portfolio returns. Foundational to this philosophy is:

- Recognition of an integral relationship between risk and return;
- Diversification across asset classes and portfolio risk sources; and
- Time-tested effectiveness of a long-term investment strategy.

## Asset Class Guidelines

We utilize asset classes as the building blocks that seek to capture a target level of return and risk exposure based upon your goals, objectives, and constraints. The strategic asset allocation targets and ranges are based upon the allowed variation in the overall risk profile of the portfolio.

- 1) The purpose of the allocation to **Global Equities** is to provide long-term capital appreciation, with returns that are subject to significant variability (risk). Global Equity investments, over long periods, aim to produce return premiums that are higher than the Fixed-Income and Cash counterparts. The global equity allocation utilizes “sub-asset classes” to construct a portfolio diversified by geography, sector, industry, and market capitalization size.
- 2) The purposes of the **Fixed Income** allocation are (i) to provide a degree of current income and (ii) provide some measure of diversification and stability relative to Global Equities. Fixed Income sub-asset classes vary according to maturity/duration (e.g. short-, intermediate-, or long-term); type of issuer (e.g. government, corporate, municipal); and credit quality.
- 3) **Cash** is intended to serve as the principal source of liquidity, utilizing Treasury bills and money market instruments. The focus is on stable, highly liquid assets as opposed to generating significant yield.

## Klaas Investment Portfolio Asset Allocations

Asset Class	Long-Term Equity Target (%)										
	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Global Equities	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Fixed Income	98%	88%	78%	68%	58%	48%	38%	28%	18%	8%	0%
Cash / Liquidity	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Total Asset Allocation</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**\*\*Each asset class may drift from its indicated target overtime. If the account has Global Equities, Fixed Income, or Cash / Liquidity drift beyond ~ 6% from the asset class target weight, a rebalance may be required. Considerations other than percentage of account may be considered when analyzing account drift (e.g. Cash for distributions, capital gains tax implications, restricted positions, etc.)**

## Rebalancing

Over time the portfolio asset mix may fluctuate. Divergence from the policy targets may require rebalancing the asset allocation across asset classes/strategies, or shifting allocations within the ranges. Ongoing monitoring and rebalancing will align actual asset mix with the strategic asset allocation targets, within a reasonable tolerance level.

Rebalancing need not occur at predetermined time intervals each calendar year (EG quarterly). The established policy drift ranges allow for flexibility and may help to minimize unnecessary portfolio turnover, taxes, and transaction costs that occur from rebalancing.

If rebalancing is required, investment yield and net cash inflows will be used to meet the strategic asset allocation targets. If cash flow is insufficient to meet the target allocation for an asset class, it may be necessary to effect trade transactions in order to rebalance the portfolio, which may generate taxable capital gains.

## Performance & Risk: Measurement, Evaluation

Defining and referencing a benchmark is a critical component of building and managing a successful investment program. The blended market-based index is appropriately selected for the agreed-upon investment objectives and the normal investment characteristics of the portfolio. It is simple, understandable, and practical. The policy benchmark provides a framework to measure the performance and risk of the actual portfolio over long time periods.

## Blended Policy Benchmark

Index	Weight (%)										
	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
MSCI All Country World Investible Market Index	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Bloomberg Barclays US Aggregate Bond Index	98%	88%	78%	68%	58%	48%	38%	28%	18%	8%	0%
Bloomberg Barclays US Treasury Bills Index	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>*See appendix for index descriptions</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The portfolio seeks to achieve and maintain a level of risk as measured by volatility or variability of return comparable to the benchmark as defined above. In keeping with the portfolio's overall long-term financial objective, performance should be evaluated over a suitable time horizon of 5 years, and generally across market cycles.

## Review and Update

This IPS will be reviewed on an annual basis and updated as necessary. Reviews and updates may occur more frequently if necessary, based on factors such as current market conditions.

This IPS is accurate as of the publication date, and is subject to change without notice. The current version can be viewed at any time by visiting: <https://klaasfinancial.com/multimedia/downloads/>

## Appendix - Policy Benchmark Index Definitions

### Global Equities

Global Equities are represented by the MSCI All Country World Investible Market Index (IMI). The MSCI ACWI Investible Market Index (IMI) is MSCI's flagship global equity index and is designed to represent performance of the full opportunity set of large, mid and small cap equities across the globe in Developed Markets (DM) and Emerging Markets (EM) countries. The index is market capitalization weighted using MSCI's Global Investible Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, marketcap sizes, sectors, style segments and combinations. The index is comprehensive, covering approximately 99% of the global equity investment opportunity set, with a strong emphasis to create an investable index that can be replicated for investment and for performance measurement and attribution.

### Fixed Income

Fixed Income is represented by the Bloomberg Barclays US Aggregate Bond Index: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

### Cash / Liquidity

Cash / Liquidity is represented by the Bloomberg Barclays US Treasury Bills Index: The Bloomberg Barclays US Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, and are rated investment grade.

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# KIP - Enhanced Short Maturity - Fixed-Income

## Investment Policy Statement (IPS): Purpose

- Establish the investment objectives and investment guidelines for the portfolios.
- Define our investment philosophy.
- Provide a framework for the target asset allocation and re-balancing procedures.
- Establish a basis for measuring and evaluating risk, return, and portfolio results.
- Ensure that exposures are intentional, well understood.

This IPS is intended to serve as a decision-making tool, discipline framework, and communication link. It is intended to be sufficiently specific, yet flexible enough to be practical. Having and making use of an investment policy guides the plan for management of assets and seeks to maximize the probability of satisfying your investment goals.

## Investment Objectives

The primary investment objective of the portfolio is liquidity management and short-term income generation. The KIP Enhanced Short Maturity - Fixed-Income portfolio seeks to earn a higher yield versus money market and cash equivalents from taking incrementally higher maturity and credit risk.

Under normal conditions the portfolio is designed for relative price stability commensurate with capital preservation. However the portfolio can experience a decline in principal value, and is not a stable value Cash equivalent.

Clients are assigned to an appropriate portfolio based upon information we gather through interviews and discussions with them, or from questionnaires or documents provided by them.

## Asset Allocation

Our methodology is anchored in the academically rigorous investment principles of Modern Portfolio Theory and Asset Allocation as the key determinant of portfolio returns. Foundational to this philosophy is:

- Recognition of an integral relationship between risk and return;
- Diversification across asset classes and portfolio risk sources; and
- Time-tested effectiveness of a long-term investment strategy.

## Asset Class Guidelines

We utilize asset classes as the building blocks that seek to capture a target level of return and risk exposure based upon your goals, objectives, and constraints. The strategic asset allocation targets and ranges are based upon the allowed variation in the overall risk profile of the portfolio.

- The purposes of the **Short Maturity Fixed Income** allocation are (i) to provide a degree of current income and (ii) provide some measure of diversification and stability relative to Global Equities. Fixed Income sub-asset classes vary according to maturity/duration (e.g. short-, intermediate-, or long-term); type of issuer (e.g. government, corporate, municipal); and credit quality.
  - The portfolio invests in debt obligations, diversified across many different issuers and sectors, including U.S. government and other public sector entities, Asset-backed obligations, and Corporate debt.
  - Short Maturity Fixed Income assets are generally expected to be less sensitive to changes in the overall level of interest rates as compared to intermediate and longer maturity bonds typically used in strategic asset allocation.

## KIP - Enhanced Short Maturity - Fixed-Income

Asset Class	Long-Term Target	Range
Short Maturity Fixed Income	98%	+/- 2%
Cash / Liquidity (Custodian Money Market)	2%	+/- 2%
<b>Total Asset Allocation</b>	<b>100%</b>	

*\*In certain instances, individual client account(s) may hold a higher percentage of Custodian Money Market than indicated above based upon unique needs or requirements as applicable. Examples include holding additional cash for a planned distribution or recurring distributions from the account(s).*

## Rebalancing

Over time the portfolio asset mix and sub asset category percentage weights within the account may fluctuate, and may require rebalancing across asset classes or shifting allocations within the ranges. Ongoing monitoring and rebalancing will align actual asset mix with the desired portfolio allocation targets, within a reasonable tolerance level.

Rebalancing need not occur at predetermined time intervals each calendar year. Tolerance drift ranges may avoid or minimize unnecessary portfolio turnover, taxes, and transaction costs that occur from rebalancing.

If rebalancing is required, investment yield and net cash inflows will be used to meet the strategic asset allocation targets. If cash flow is insufficient to meet the target allocation for an asset class, it may be necessary to effect trade transactions in order to rebalance the portfolio, which may generate taxable capital gains.

## Performance & Risk: Measurement, Evaluation

Defining and referencing a benchmark is a critical component of building and managing a successful investment program. The blended market-based index is appropriately selected for the agreed-upon investment objectives and the normal investment characteristics of the portfolio. It is simple, understandable, and practical. The policy benchmark provides a framework to measure the performance and risk of the actual portfolio over long time periods.

## Blended Policy Benchmark

Index	Weight (%)
Bloomberg Barclays US Treasury Bills Index	20%
Bloomberg Barclays US Treasury 1-2 Yr Index	20%
ICE BofA 1-3 Yr US Corporate & Government Index	50%
Bloomberg Barclays US High Yield 1-3 Yr Index	10%
<b>*See appendix for index descriptions</b>	<b>100%</b>

The portfolio seeks to achieve and maintain a level of risk as measured by volatility or variability of return comparable to the blended benchmark as defined above. In keeping with the portfolio's overall long-term financial objective, performance should be evaluated over a suitable time horizon of 5 years, and generally across market cycles.

## Review and Update

This IPS will be reviewed on an annual basis and updated as necessary. Reviews and updates may occur more frequently if necessary, based on factors such as current market conditions.

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## Appendix - Policy Benchmark Index Definitions

### Short Maturity Fixed Income

**Bloomberg Barclays US Treasury Bills Index:** The Bloomberg Barclays US Treasury Bill Index includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, and are rated investment grade.

**Bloomberg Barclays US Treasury 1-2 Yr Index:** The Bloomberg Barclays US Treasury 1-2 Yr Index is an unmanaged index tracking US short-term government securities that have a remaining maturity of less than 2 years and more than 1 year.

**ICE BofA 1-3 Yr US Corporate & Government Index:** The ICE BofAML 1-3 Year Short-Term Corporate and Treasury Index is an unmanaged index tracking short-term government securities and investment grade corporate bond issues with maturities between 1 and 2.99 years.

**Bloomberg Barclays US High Yield 1-3 Yr Index:** The Bloomberg Barclays US High Yield 1-3 Yr Bond Index is an unmanaged index comprised of high yield, fixed-rate corporate bonds with maturities between 1 and 2.99 years.

Average effective maturity is a weighted average of all the maturities of the bonds in a portfolio, measured in years. A longer-maturity horizon for a bond or portfolio of bonds is generally considered to be more interest-rate sensitive, meaning that prices of the bonds or portfolio will fluctuate depending on upward or downward movement in the general level of interest rates.

Fixed-Income credit quality ratings are determined by private independent rating agencies such as Standard & Poor's, Moody's, or Fitch, among others. Bonds rated BBB and above (up to AAA) are deemed investment grade, and are generally considered to have less risk that the borrower will default. Bonds rated BB and below are sometimes referred to as "High Yield" or "Junk" bonds, and are generally considered to carry greater risk of default by the borrower.

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# KIP - Diversified - Fixed-Income - Muni

## Investment Policy Statement (IPS): Purpose

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- Establish a basis for measuring and evaluating risk, return, and portfolio results.

This IPS is intended to serve as a decision-making tool, discipline framework, and communication link. It is intended to be sufficiently specific, yet flexible enough to be practical. Having and making use of an investment policy guides the plan for management of assets and seeks to maximize the probability of satisfying your investment goals.

## Investment Objectives

The primary investment objective of the portfolio is current income with less emphasis on long-term growth of capital. Investment of the assets will aim to produce total return, primarily in the form of interest or dividends.

Clients are assigned to an appropriate portfolio based upon information we gather through interviews and discussions with them, or from questionnaires or documents provided by them.

## Asset Allocation

Our methodology is anchored in the academically rigorous investment principles of Modern Portfolio Theory and Asset Allocation as the key determinant of portfolio returns. Foundational to this philosophy is:

- Recognition of an integral relationship between risk and return;
- Diversification across asset classes and portfolio risk sources; and
- Time-tested effectiveness of a long-term investment strategy.

## Asset Class Guidelines

We utilize asset classes as the building blocks that seek to capture a target level of return and risk exposure based upon your goals, objectives, and constraints. The strategic asset allocation targets and ranges are based upon the allowed variation in the overall risk profile of the portfolio.

- 1) The purposes of the **Fixed Income** allocation are (i) to provide a degree of current income and (ii) provide some measure of diversification and stability relative to Global Equities. Fixed Income sub-asset classes vary according to maturity/duration (e.g. short-, intermediate-, or long-term); type of issuer (e.g. government, corporate, municipal); and credit quality.
- 2) **Cash** is intended to serve as the principal source of liquidity, utilizing Treasury bills and money market instruments. The focus is on stable, highly liquid assets as opposed to generating significant yield.



## KIP - Diversified - Fixed-Income - Muni

Asset Class	Long-Term Target	Range
Fixed Income	98%	+/- 2%
Cash / Liquidity	2%	+/- 2%
<b>Total Asset Allocation</b>	<b>100%</b>	

*\*In certain instances, individual client account(s) may hold a higher percentage of Cash than indicated above based upon unique needs or requirements as applicable. Examples include holding additional cash for a planned distribution or recurring distributions from the account(s).*

## Rebalancing

Over time the portfolio asset mix may fluctuate. Divergence from the policy targets may require rebalancing the asset allocation across asset classes/strategies, or shifting allocations within the ranges. Ongoing monitoring and rebalancing will align actual asset mix with the strategic asset allocation targets, within a reasonable tolerance level.

Rebalancing need not occur at predetermined time intervals each calendar year. The established policy drift ranges may avoid or minimize unnecessary portfolio turnover, taxes, and transaction costs that occur from rebalancing.

If rebalancing is required, investment yield and net cash inflows will be used to meet the strategic asset allocation targets. If cash flow is insufficient to meet the target allocation for an asset class, it may be necessary to effect trade transactions in order to rebalance the portfolio, which may generate taxable capital gains.

## Performance & Risk: Measurement, Evaluation

Defining and referencing a benchmark is a critical component of building and managing a successful investment program. The blended market-based index is appropriately selected for the agreed-upon investment objectives and the normal investment characteristics of the portfolio. It is simple, understandable, and practical. The policy benchmark provides a framework to measure the performance and risk of the actual portfolio over long time periods.

### Blended Policy Benchmark

Index	Weight (%)
S&P National AMT-Free Municipal Bond Index	98%
Bloomberg Barclays US Treasury Bills Index	2%
<b>*See appendix for index descriptions</b>	<b>100%</b>

The portfolio seeks to achieve and maintain a level of risk as measured by volatility or variability of return comparable to the benchmark as defined above. In keeping with the portfolio's overall long-term financial objective, performance should be evaluated over a suitable time horizon of 5 years, and generally across market cycles.

## Review and Update

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## Appendix - Policy Benchmark Index Definitions

### Fixed Income

Fixed Income is represented by the S&P National AMT-Free Municipal Bond Index is a broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index.

### Cash / Liquidity

Cash / Liquidity is represented by the Bloomberg Barclays US Treasury Bills Index: The Bloomberg Barclays US Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, and are rated investment grade.

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