

**POLICY NUMBER:** 2.14.200**EFFECTIVE DATE:** 10/4/16**TITLE:** Bond Market Fund**SUPERSEDES:** 9/17/15**BOARD ADOPTION:** 9/17/15**APPROVED:** **PURPOSE**

This document outlines the investment policy and guidelines for the Bond Market Fund. These guidelines allow for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that will ensure prudence and care in the execution of the investment program.

**Background**

The Bond Market Fund is a commingled investment fund created by the Washington State Investment Board (WSIB) in accordance with Revised Code of Washington (RCW) 43.33A.170 and available for any of the assets under trusteeship of the WSIB. The trust is established to invest primarily in intermediate maturity credit bonds. It will be valued daily and open daily for deposits and redemption.

This trust is suitable for qualified and non-qualified assets for which an intermediate credit bond investment is desired.

**POLICY****Standard of Care**

Under RCW 43.33A.170, the WSIB is authorized to establish commingled trusts for any of the assets under the WSIB trusteeship. Further, under RCW 43.33A.030, trusteeship of the funds under the authority of the WSIB is vested in the voting members of the Board. The Legislature has established a standard of care for investment of all WSIB funds in RCW 43.33A.140. Additionally, the Board and its staff must comply with other state laws, such as the Ethics in Public Service Act, Chapter 42.52 RCW, as it makes its investment decisions and seeks to meet the investment objectives listed below.

**Investment Objectives**

The fund will be actively managed to meet or exceed the return of the Bloomberg Barclays Capital Intermediate Credit Index given a similar level of risk.

The fund will be managed in a consistent manner and to a high level of quality to ensure investor confidence in the fund. Any action likely to violate investor confidence and trust will be deemed contrary to the spirit of this policy.

## **Investment Approach**

### Permissible Fixed Income Investments

Any and all fixed income securities are permissible unless specifically prohibited, including, but not limited to, the following:

1. Credit Bonds.
2. U.S. Treasury and Government Agencies.

### Duration

The fixed income portfolio duration range shall not exceed plus or minus 15 percent of the Barclays Capital Intermediate Credit Index.

### Liquidity

The portfolio shall be made up of large, liquid credit bonds to provide for daily pricing and to meet all participant withdrawals.

## **Risk Constraints**

- A. All assets under management by the WSIB are to be invested to maximize return at a prudent level of risk (RCW 43.33A.110 and RCW 43.33A.140).
- B. RCW 43.33A.140 prohibits a corporate fixed income issue's cost from exceeding 3 percent of the fund's market value at the time of purchase and its market value from exceeding 6 percent of fund's market value at any time. The WSIB will manage this fund with a more restrictive concentration constraint than required by the cited RCW. Exposure to any corporate issuer will not exceed 3 percent of the fund's market value.
- C. Although fixed income securities that are rated below investment grade may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. "Investment grade is defined by the Bloomberg Barclays Capital Global Family of Fixed Income Indices.

## **Reporting**

- A. A management information system is to be used for reporting internally to the Chief Investment Officer (CIO) or his/her designee on the implementation of this policy. This report is prepared monthly to include, but is not limited to, current market value and portfolio characteristics compared to policy guidelines and index characteristics. Delinquencies and defaults will be reported to the CIO immediately.
- B. An executive management report will be provided to the Board quarterly showing market values and performance.
- C. Annual reports will be provided to major stakeholders.

## **RESPONSIBILITIES**

### **Washington State Investment Board**

The Washington State Investment Board is responsible for approving the fund's investment policy and reviewing the structure, strategy, and performance of the fund.

### **Public Markets Committee**

The Committee is responsible for reviewing the investment policy and recommending any revisions to the Board.

**Staff**

Staff is responsible for recommending to the Public Markets Committee enhancements and changes to the investment policy, implementing the policy, managing the fund, ensuring effective and efficient daily pricing and establishing a net asset value (NAV), and reporting performance and policy compliance to the Board. Staff is also responsible for providing annual reports to major stakeholders.

**POLICY REVIEW**

The Board shall review this policy at least once every three (3) years to ensure that it remains relevant and appropriate.

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Policy Adopted 7/20/00  
Revised 3/30/01 (Supersedes SIB Policy 2.15.500, 7/20/00)  
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