

BOARD GOVERNANCE MANUAL



SECTION: FINANCE and FUND DEVELOPMENT
NUMBER: 5.3 - Investment Policies
DATE APPROVED: August 8, 2016
RELATES TO: Imagine Canada Standard B8 & Risk Management Section 6

INVESTMENT POLICIES

Effective portfolio management is recognized by the Board to be a specialized and ongoing task. For reasons therefore of workload, harmony, expected performance and membership/support confidence, the day to day management and administration of The Cridge Centre for the Family's investment portfolio will be made the responsibility of one or more professional investment institutions.

The Board assumes responsibility for establishing overall investment objectives and for selecting, retaining and if necessary, changing the portfolio management institution(s).

On behalf of the Board, the Treasurer or other designee, will monitor investment performance and, for the portfolio in total, adhere to the following criteria and objectives:

Risk/Reward and Performance - the equity components of the Fund(s) investment performance will be measured against the S & P/TSX 60 index and the S&P 500 index; cash and bond components will be measured against a relevant Bond Index

Eligible Securities

- ◆ Government of Canada and Provincial debt rated BBB or better
- ◆ Corporate debt of companies included in the S&P/TSX 60 rated A or better with a minimum outstanding float of \$150 million. Non-callable debt is preferable
- ◆ Equities restricted to those included in the S&P/TSX 60, S&P 500 or NASDAQ 100
- ◆ Mutual Funds to be used for any non-North American equity investment
- ◆ Covered Call options may be considered for hedging and additional income
- ◆ Margin transactions are only permitted where the securities being purchased are government bonds in order to meet short term funding needs

Social Considerations

- ◆ Through their business practices and via the products they produce, the Board recognizes that the influence of some companies may be in opposition to The Cridge Centre for the Family's Purpose. To the extent it is clear cut, the portfolio will not knowingly include the securities of companies who:
 - produce weapon systems
 - produce alcohol and tobacco products
 - produce/distribute questionable products
 - produce products with bad safety records
 - damage the environment
 - discriminate against women and minority employees
- ◆ It is recognized that certain Index trusts may at times be in conflict with the above considerations

Balance

- ◆ Individual equity issues must not exceed 5% of portfolio net asset value I.E. adherence to the prudent person rule.
- ◆ Investments in foreign equities (via mutual funds) may range from a minimum of 10% of portfolio net asset value to a maximum of 40%; in total, all equity holdings must not exceed 60% unless the portfolio is fully invested to its maximum weighting and growth in the market increases the holdings. The portfolio will be rebalanced with the prescribed maximums as prudent investment allows, but no longer than 60 days.
- ◆ The 5% maximum does not apply to a mutual fund or ETF nor the fixed income or bond portion of the portfolio.

Asset Mix - General Fund

- ◆ Recommended Asset Mix ranges are as follows:
 - Cash or Cash Equivalent - min of 0% to a max of 25%
 - Bonds - min of 25% to a max of 60%
 - Equity - min of 25% to a max of 60%
 - Foreign Equity - min of 10% to a max of 40%

Asset Mix - Endowment Fund

- ◆ To reflect a longer term investment horizon of the Endowment Fund the Asset Mix may be:
 - Cash or Cash Equivalent - min of 0% to a max of 25%
 - Bonds – min of 40% to a max of 60%
 - Equity – min of 40% to a max of 60%
 - Foreign Equity – min of 10% to a max of 40%

Asset Mix – Zoie Gardner Fund

- ◆ Recommended Asset Mix ranges are as follows:
 - Cash or Cash Equivalent - min of 0% to a max of 20%
 - Bonds - min of 40% to a max of 60%
 - Equity - min of 40% to a max of 60%
 - Foreign Equity - min of 10% to a max of 40%

Liquidity

- ◆ The Finance Committee may set annual cash withdrawals from the 'Endowment Fund' to match the current level of interest rates in order to fund endowment disbursements.

Reporting Expectations and Performance Evaluation

- ◆ Once authorized by the Board, and subject to the preceding criteria, the investment institution(s) may make changes to the securities they manage without approval or knowledge of the Board. It is required however, that a copy of all transactions, or a statement of it, be forwarded to the Board's representative within a month of the transaction;
- ◆ Additionally, the management will be expected to provide quarterly reports detailing securities held and current market values. It is highly desirable that such reports show the annualized time-weighted rate of return for the period (i.e. the return adjusted for any withdrawals or payments made by the Centre during the period.);
- ◆ Through telephone or personal contact, the investment institution will provide information concerning the portfolio's performance and the firm's current investment thinking; and
- ◆ Once a year consultation will be held between the Board or the Finance Committee and the investment institution(s) to discuss performance and consider overall changes to strategy and/or investment policy.

Investment Policy for the Endowment Fund

- ◆ Funds in the Endowment Fund shall be invested in order to achieve a desired growth rate at least equal to the rate of return as measured against those indices outlined above.

Review of Financial Services

- ◆ The providers of all financial services which The Cridge Centre for the Family requires for operations will be reviewed on a regular basis by the Finance Committee.
- ◆ There will be a Board review every 5 years of the investment houses, insurance agents, auditors and The Cridge Centre for the Family's financial institution and if needed, tenders will be invited.

If tendering, the process will be:

- a) CEO, in consultation with the Finance Committee, create RFQ/RFP, Interview Questions and Scoring Criteria
- b) RFQ/RFP goes out to a minimum of three prospects
- c) Shortlist
- d) At least three appointed representatives evaluate responses
- e) Interviews performed with evaluation criteria/scoring
- f) Scoring tabulated by third party
- g) Results discussed, references checked
- h) Recommendation presented to Board of Directors and motion made to award tender
- i) Performance evaluated after six months if new vendor

Deposits and Withdrawals – General Fund

- ◆ To make the most of the Cridge's financial assets, the CEO may from time to time transfer operating funds to the portfolio and withdraw such funds as needed. The CEO will report such portfolio deposits and withdrawals to the board at the next Board meeting.
- ◆ Withdrawals of operating funds will be without interest.
- ◆ No withdrawals of non-operating funds may be made without prior board approval.

Deposits and Withdrawals – Endowment

- ◆ The CEO may make interest withdrawals from the endowment portfolio when the market value is higher than the cost value and produces an interest income. These funds will be allocated to operational endowment expenditure lines based on the proportional value of the individual endowment funds.

