

## BOARD GOVERNANCE MANUAL



**SECTION:** FINANCE and FUND DEVELOPMENT  
**NUMBER:** 5.3 - Investment Policies  
**DATE APPROVED:** April 9, 2018  
**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:

#### **INVESTMENT OBJECTIVE:**

Our primary investment objective is to provide both income, and growth of capital.

#### **RISK TOLERANCE:**

**Ability to assume risk** - The ability to assume risk is measured according to the portfolio's ability to withstand fluctuations relative to our financial circumstances. This includes but is not limited to a range of factors such as, investment knowledge and experience, liquidity and time horizon.

Considering the long term nature of the mandate, our ability to take on risk with this portfolio is medium. We define medium as having a balanced portfolio with asset weighting benchmarks of between 40%-60%

**Willingness to accept risk** - The ability to assume risk differs from the comfort level associated with that level of risk. We must consider our concerns about the volatility of the portfolio and the risk of a decline in value.

**Performance Measurement** - The equity components of the Fund(s) investment performance will be measured against the S&P/TSX 60 index, the S&P 500 index, NASDAQ 100, EAFE; cash and bond components will be measured against a relevant Bond Index.

#### **ELIGIBLE SECURITIES:**

The following categories of assets are permissible investments for the portfolio.

### **Cash and Equivalents**

This portion of the portfolio may include money market vehicles such as Treasury Bills, Bankers' Acceptances, cashable Guaranteed Investment Certificates, fixed income investments with maturities less than one year, money market mutual funds and cash.

### **Fixed Income Investments**

The fixed income portion of the portfolio may include Government bonds (rated BBB or better), corporate bonds (S&P/TSX 60), floating rate notes, Mortgage Backed-Securities, strip coupons and residuals, Guaranteed Investment Certificates, fixed income mutual funds and exchange traded funds, and preferred shares. The fixed income portfolio shall be diversified to avoid undue exposure to any individual issuer (excluding obligations of the Canadian Government, any Provincial Government or their agencies).

### **Equity Investments**

The equity portion of the portfolio may include common shares, rights and warrants, Real Estate Investment Trusts, equity and balanced mutual funds, and equity exchange traded funds. Common stocks should be listed on a recognized stock exchange (S&P/TSX 60, S&P 500, NASDAQ - 100, or MSCI EAFE). The equity holdings within the portfolio shall be appropriately diversified.

Further, individual equity issues must not exceed 5% of portfolio net asset value. Investments in foreign securities may range from a minimum of 0% of portfolio net asset value to a maximum of 60%. The 5% maximum does not apply to a mutual fund or ETF or the fixed income or bond portion of the portfolio.

### **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

### **ASSET ALLOCATION:**

Asset allocation is the process of determining the percentage of investments that should be invested among the different asset classes based on our investment objective, risk tolerance and time horizon. The higher the equity allocation, the greater the portfolio's potential for capital appreciation and higher long-term returns. Conversely, the higher the fixed income allocation, the greater the portfolio's potential for a consistent income stream and stable returns.

The table below describes our recommendation for your asset allocation. The asset allocation of your portfolio should be within the asset mix guidelines. Within those guidelines, your strategic asset mix will serve as the desired long-term asset allocation. The asset allocation ranges provide the flexibility required to make tactical decisions based on our short to mid-term capital market outlook.

**General Fund**

Asset Class	Strategic Asset Mix	Asset Mix Guidelines	
		Minimum	Maximum
Cash and Equivalents	5%	0 %	60 %
Fixed Income	35 %	40 %	60 %
Equity	60 %	40 %	60 %
Foreign Exposure	10 %	0 %	60 %

**Endowment Fund**

Asset Class	Strategic Asset Mix	Asset Mix Guidelines	
		Minimum	Maximum
Cash and Equivalents	5 %	0 %	25 %
Fixed Income	35 %	40 %	60 %
Equity	60 %	40 %	60 %
Foreign Exposure	10 %	0 %	60 %

**Zoie Gardner Fund**

Asset Class	Strategic Asset Mix	Asset Mix Guidelines	
		Minimum	Maximum
Cash and Equivalents	5 %	0 %	25 %
Fixed Income	35 %	40 %	60 %
Equity	60 %	40 %	60 %
Foreign Exposure	10 %	0 %	60 %

**Rebalancing**

Portfolio asset allocation may, at times, differ from the strategic asset mix noted above due to market conditions, cash inflows and outflows, or tactical decisions by our Wealth Advisor. The portfolio allocation will be monitored and rebalancing will take place when asset classes vary outside asset mix guidelines.

**INVESTMENT CONSTRAINTS:**

**Time Constraints**

While it may not be possible to define in advance all the possible uses and related timing of our investments, our time horizon for our portfolio is in excess of 10 years.

**Income Requirements**

The Portfolio should generate a reasonable level of income for a fully invested portfolio of high quality securities.

**Liquidity**

Our need for liquidity is a function of our existing reserves set aside for emergencies and the likelihood of significant withdrawals in the short-term. Liquidity refers to the ability to convert an asset into cash without causing a significant change in the price of that asset. If the time horizon is short, an illiquid asset may not

be appropriate. Sufficient liquidity is important to allow future cash usage for an emergency or to participate in a new investment opportunity.

Accordingly, our portfolio will hold a minimum 5% cash position in case of such eventualities.

### **DIVERSIFICATION:**

Diversification is an important strategy for managing and controlling portfolio risk. The table below summarizes the three different types of diversification to be considered.

<b>Type</b>	<b>Description</b>
<b>By asset classes</b>	Diversify by asset class by combining different types of asset classes in the portfolio according to your profile.
<b>Within each asset class</b>	Diversify within each asset class by holding investments with different risk-return characteristics. For example, equities are diversified across industry sectors, and by company size (large-, mid- and small-cap equities), while bonds are diversified by credit ratings and term to maturity.
<b>Geographically</b>	Diversify geographically by investing in securities outside of Canada (e.g. the U.S., Europe and Asia).

### **REPORTING EXPECTATIONS AND PERFORMANCE EVALUATION OF PROFESSIONAL INVESTMENT INSTITUTION:**

- ◆ The Wealth Advisor will have discretionary control in the day-to-day investment management of the assets within our advisory accounts. The Wealth Advisor will provide us with advice and counsel with respect to the assets, and recommend amendments to our investment policy when warranted.
- ◆ All investment decisions will be governed by the content of this policy including any subsequent amendments made as well as any special instructions or mandates. The Wealth Advisor will ensure that all transactions are suitable, completed on a best execution basis and will exercise the care, skill and diligence that is expected of a reasonably prudent person.
- ◆ 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.

### **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.