



POLICY: Investment Policy –~~Long Term~~

POLICY NUMBER: 2.01

ISSUING AUTHORITY: Community Foundation of  
Portage and District Inc.

APPROVED: October 18, 2016

LAST REVIEWED: ~~April 19, 2022~~ June 2022

NEXT REVIEW: ~~April 2025~~ June 2025

**Purpose:** The goal of the ~~long-term~~ investment policy is to outline ~~the Foundation~~ CFPD's investment principles and provide guidelines to maximize return on investment in a prudent and diversified manner that will provide adequate income while ensuring requirements for distributions to qualified donees, administrative fees and the preservation of the value of capital over the long term are carried out. The investment policy shall also ensure that ~~the Foundation~~ CFPD conforms to the requirements of applicable Federal and Provincial Statutes and Legislation and the Income Tax Act (Canada) including the Trustee Act.

#### **Policy Statement:**

##### **A) Roles and Responsibilities**

The ultimate responsibility for managing the investment portfolio of the Community Foundation of Portage and District (CFPD) is vested with the **Board of Directors** with the guidance of the Investment and Finance Committee and the advice of the contracted Investment Manager.

The **Investment and Finance Committee** is a standing committee of the Foundation with the committee chair and members appointed each year by the Board. The committee shall meet according to the schedule prescribed in their Terms of Reference. Generally, the Committee will review the results and performance of the portfolio and ensure overall compliance with the contracted investment policy.

The **Investment and Finance Committee** shall formally review the overall performance of the investment manager each year using criteria which includes targeted portfolio performance, investment fees, reporting, and overall service and satisfaction.

The Committee shall then formally recommend to the Board whether to continue with the present investment manager(s) or whether a process should be initiated to seek an alternative / new investment counsel(s). The Committee is responsible for the process of recruiting and setting of criteria for new investment counsel(s), with a recommendation to the Board for approval. The criteria should include: understanding of the requirements of the investment manager, applicable investment fees, and reports to be prepared, performance and experience in managing funds, broad investment approach and services to be offered.

The Committee shall ensure qualified investment firms are notified of the bidding process; however preferential treatment will not be given. ~~The Investment Manager will be required to comply with the Asset Management Code of Professional Conduct as adopted by the Chartered Financial Analyst Institute (CFA).~~

The **Investment and Finance Committee** shall meet with the Investment Manager on an annual basis (or more often if the situation dictates) and review the contracted investment policy in order to respond to market changes, the need to reach certain returns for granting and operations, and the assessment of overall risk. Recommended changes to the investment approach shall result in the re-signing of the investment contract after formal approval by the Board. ~~The investment contract must be signed by two of the Foundation officers. The chair of the committee shall submit a report of these meetings to the next scheduled Board meeting.~~

The **Investment Manager** shall invest assets of the Foundation according to applicable legislation and the investment guidelines agreed to in the contracted investment policy. The Investment Manager will have full discretion in the day-to-day management of the portfolio. The Investment Manager shall provide a comprehensive review of the fund performance as well as expectations on the economic and financial market outlook and related investment strategies on a quarterly basis (or sooner if the market situation changes and demands more timely intervention in the portfolio). The Investment Manager will also provide monthly portfolio valuations and transaction reports. ~~The committee chair shall present this information to the next Board meeting.~~

The **Investment Manager** will participate in the establishment and review of the contracted investment policy, and any amendments thereof. As part of the services they offer, it is expected that the Investment Manager will be responsible for ensuring that the Investment and Finance Committee is knowledgeable about new asset classes or investment instruments, changes in the same, investment opportunities, and their potential impact on the Fund's objectives. ~~The Investment Manager is required to provide a letter of compliance detailing any guideline of the investment contract which has been breached and / or confirming compliance in each quarterly report.~~

~~The **Custodian** shall be responsible for providing safekeeping for the portfolio assets, process transactions as directed by the investment manager, collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities. The custodian will inform the portfolio investment manager of pending corporate actions (such as mergers etc) and process instructions related to such matters.~~

~~The **Custodian** will facilitate the deposit of funds and payment of expenses as directed by CFPD, maintain a record of all transactions, provide an annual report to CFPD detailing all transactions, and provide the Investment Manager and other agents of CFPD with information required to fulfill their duties, or as directed by CFPD. The annual report from the custodian shall be reviewed by the Investment and Finance Committee and reported to the Board.~~

## **B) Fund Investment Objectives and Total Return Expectation**

The **overall objective** of the investments held by the Foundation is to achieve a maximum rate of return consistent with prudent investments in order to meet the guidelines of the Disbursement of Funds (Spending) Policy and the Spending and Capital Preservation Policy. The goal is to reach those objectives along with covering the operational expenses of the Foundation (see Administrative Fee Policy).

~~Accordingly, the Foundation is willing to accept a medium level of **risk tolerance** in its investment strategy. CFPD funds are to be kept in perpetuity so therefore the time horizon is long which favours taking on some risk as long as there are reasonable long-term returns. Market fluctuation will be buffered by reserve accounts (see Spending and Capital Preservation Policy).~~

~~The **return objective** shall be continually assessed by the Investment and Finance Committee and the contracted investment manager in the context of: a) ensuring the safety of capital by being conservative enough to reduce exposure to undue volatility and market risk, b) ensuring adequate liquidity to meet the periodic and projected spending needs of the Foundation, and c) ensuring the stability and maximization of current income consistent with the need and opportunity for long term capital growth. The return objective is recognised as being a moving target with time and the strategies in dealing with the target must be agreed to by the Committee and Board.~~

### **C. Asset Classes Eligible for Investment**

The Investment Manager will make recommendations to the Investment and Finance Committee as to the types of asset classes appropriate for the portfolio funds to be held in. The Committee will ensure that these asset classes are included in the contractual investment policy agreed to by the Board, and that any suggested changes be brought to the Board for ratification.

The Foundation portfolio may include any or all of the following asset classes (subject to CRA regulations or limitations):

- **Canadian equities** – publically traded common stocks, convertible preferred securities or other common share equivalent
- **Canadian Fixed Income** – bonds, debentures, notes or other debt instruments, including mortgage loans, asset-backed securities and mortgage-backed securities of governments or corporations; private placements, whether debt or equity, of governments or corporations
- **Money Market** – guaranteed investment certificates, term deposits or similar financial instruments of insurance companies, trust companies, banks or other corporate issuers; cash or money market securities issued by governments or corporations
- **US and International Equities** – publically traded common stocks, convertible debentures, preferred securities, convertible preferred securities or other common share equivalent

- **International Bonds** – bonds, debentures or other debt instruments of non-Canadian governments or corporations where debt is rated A or higher by Standard & Poor's or Moody's or the equivalent rating
- **Emerging Markets Equities** – publically traded common stocks, convertible debentures, preferred securities, convertible preferred securities or other common share equivalent

~~It is recognized that the Foundation portfolio will evolve over time and begin to include other assets as the size of the portfolio increases and as other investment opportunities become available (for example real estate outside of a REIT or stock options). The Investment and Finance Committee must evaluate each new investment strategy with regards to risk and returns of the portfolio, keeping in mind the long-term nature of the endowment fund. High risk investment strategies such as hedge funds and certain types of derivatives, for example, would be deemed inappropriate for the Foundation. Board approval would be required for any changes in investment strategy and asset classes other than those listed above, along with the necessary alteration of this policy to reflect the change.~~

~~The Investment and Finance Committee may evaluate new investment opportunities with the Investment Manager~~

#### **D. Asset Allocation(s)**

The contracted investment policy will include notes regarding asset allocations and asset class ranges for the portfolio Fund, with a minimum and maximum percentage of a range based on market value. A target or preferred percentage within the range(s) will also be noted. The ranges will be established and / or changed by the Investment and Finance Committee with the advice of the Investment Manager, and ratified by the Board.

~~The Investment Manager will use these guidelines to gain maximum performance of the portfolio with changing market conditions.~~

#### **E. Portfolio Diversification and Constraints**

~~The Investment Manager is required to ensure an appropriate level of diversification of the portfolio not only with regards to asset class and mix but also within each asset class. The investment contract signed with the Investment Manager and firm will establish the targeted rate of return for the portfolio. The agreement will also set parameters for asset mix, amounts held in each asset class, and acceptable investment risk to achieve the target return. The minimum credit rating for cash, short term and fixed income securities shall be noted in the agreement.~~

#### **F. Administrative Matters**

With regards to **loans and borrowings**, no part of the Foundation investment portfolio will be loaned directly to any individual or company; or lending of its securities through the Custodian.

With regards to **voting rights or proxies** acquired through the investments of the Fund portfolio, the exercise of such is delegated to the Investment Manager.

~~With regards to **conflict of interest**, if any member of the Foundation Board, staff or committee member is to benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund, the member must disclose the conflict in accordance with the Foundation's Conflict of Interest Policy and Declaration.~~

~~With regards to **valuation of investments**, publically traded securities are to be valued at their closing market value on the last day of each month.~~

~~With regards to **fees**, the investment manager and custodian fees are deducted by agreement from source. Investment returns are expressed as gross amounts prior to calculation of these deductions.~~

With regards to the **Investment Manager**;

- The Investment Manager is required to submit a statement of broad investment philosophy and approach indicating the general direction in which funds will be placed in various categories, themes of investment, and the areas in which particular emphasis is to be placed in adding value through active management. Changes in the style of approach are to be communicated to the Foundation through the Investment and Finance committee.
- The Investment Manager is required to promptly notify the Investment and Finance committee in writing of any significant changes in the policies, procedures, personnel, ownership or any similar areas within the investment firm.
- The Investment Manager is required to inform the Investment and Finance committee if the manager at any time feels that the performance expectations cannot be met or if any guidelines contained in this policy restrict performance.
- The Investment Manager is to disclose any material interest in any investment or proposed transaction.
- The Investment Manager is to provide a letter of compliance annually, detailing and explaining any investment guidelines contained in the contracted investment policy which has been breached and / or confirming compliance.
- The Investment Manager is required to meet with the Investment and Finance Committee at least annually and be generally available to the committee chair, to discuss the performance and investment statements of the investment portfolio, changes to the portfolio / investment policies recommended by either party, and answer any questions or concerns.
- The Investment Manager is required to adhere to their firm's policies and procedures for conflict of interest and professional standards.

With regards to the **contracted Investment Policy** statement, it shall include reference to the following:

- Overall net return objective, measured on a five (5) year moving average basis, to achieve a maximum rate of return consistent with prudent investments in order to meet disbursements, spending and capital preservation guidelines.

- Provision of income for distribution while addressing the Foundation's administrative fee and the preservation of capital.
- Consideration of safety of capital, liquidity and long-term capital growth.
- Identification of eligible asset classes, asset allocation, and appropriate level of diversification.
- Performance benchmarks in each asset class.
- Terms of communication agreed to in order to allow continuous evaluation of the portfolio performance in order to better guide the decision-making process.

#### **G. Monitoring and Policy Review**

~~The Board of Directors has delegated the responsibility of monitoring and review of the performance of the Foundation's investment portfolio to the Investment and Finance Committee. The chair shall give a report to each Board meeting outlining the performance, cash flow, concerns identified and compliance with the contracted investment policy, after receipt of the monthly and quarterly reports. Over the summer months when there are no scheduled Board meetings, the chair of the committee will report any concerns to the Foundation Chair or Executive Committee.~~

The chair of the committee shall report ~~quarterly at the committee minutes to the next~~ Board meeting. The chair shall be responsible for general communication with the investment manager and channel the flow of pertinent information to the Executive and Board.

The Investment and Finance Committee shall also review the yearly report from the Custodian of the portfolio and subsequently report their deliberations to the next scheduled Board meeting.

The contracted investment policy shall be reviewed every 12 months and changes made within the context of this policy. The revised contracted investment policy shall be approved by the Board prior to signing by the appropriate Foundation officers.

This policy, namely the CFPD Long Term Investment policy, shall be formally reviewed by the Treasurer and the Investment and Finance Committee every 3 years or as needed.

**Responsibility:** Review, and revision of this policy if required, with subsequent recommendation to the Board for approval, shall be the purview of the Treasurer, and the Investment and Finance Committee.