



Investment Policy

A. PURPOSE

The purpose of this Investment Policy (Policy) is to outline the principles and guidelines under which the endowed funds of the Kenora and Lake of the Woods Regional Community Foundation (Foundation) shall be invested.

B. ROLE OF THE FINANCE COMMITTEE (where and after referred to as the “Committee” for the purposes of this policy).

The Committee of the Foundation is chaired by a Foundation Board member who reports to the Board on the Committee’s behalf. The Committee consists of no less than three individuals, two of which must be Board members, with the remainder as selected by the Nominations Committee.

“The Committee’s duties and responsibilities are as follows:

- a) The Committee has oversight responsibility for managing the Foundation’s investments. In particular the duties are to:
 - i) develop an Investment Policy and review it as necessary, but at least every three years;
 - ii) make recommendations on the selection of an investment manager(s) and custodian, as appropriate;
 - iii) through an established system of reporting by the investment manager, ensure that the investment activities and strategies being carried out are in accordance with this Policy;
 - iv) regularly monitor the investment performance of the endowed funds (making use of an established system of reporting by the investment manager, as appropriate);
 - v) ensure that the manager, through a formalized process, is regularly made aware of the liquidity and cash flow requirements of the endowed funds;
 - vi) annually review the performance of the investment (s), taking into account the factors listed in section “G. SELECTING AN INVESTMENT MANAGER”
 - vii) meet no less than once every three months.

- viii) annually review the performance of the investment manager (s); taking into account the factors listed in section G. “SELECTING AN INVESTMENT MANAGER”.
- b) The Committee has other/administrative responsibilities as assigned by the Executive Committee. In particular, the duties are to:
- i) review a draft copy of the audited annual financial statements
 - ii) review a draft copy of the annual management letter from the Auditor
 - iii) assure compliance with all reporting requirements, including the filing of the annual tax return
 - iv) assist the Treasurer, upon request, with other financial related matters

The Committee shall bring to the Board, for the Board’s approval, any recommendation on the development of an investment policy, or changes to the investment policy and on the selection of an investment manager(s) and/or a custodian.

C. INVESTMENT OBJECTIVES

The overriding premise guiding the investment of endowed funds is the need to preserve the capital of the Foundation through conservative and prudent investment practices.

An element of investment in assets whose capital values may fluctuate is acceptable in view of the higher expected return of such investments relative to fixed income investments.

The maintenance of a moderate level of liquidity to meet unanticipated funding requirements is also desirable.

D. ASSET ALLOCATION AND ELIGIBLE INVESTMENTS

The endowed funds of the Foundation shall be invested at all times in a prudently diversified manner in the asset classes noted below.

Asset Class	Minimum Weight (%)	Maximum Weight (%)
Cash and Short-Term	0	20
Bonds	30	50
Equities	40	70
Non-Canadian equities	20	60

Cash and short-term securities will include cash, money market funds, short-term deposits, treasury bills and government bonds with terms to maturity of less than one year.

Both corporate and government bonds may be held in the portfolio. The purchase of bonds having a credit rating below *BBB* is prohibited and no more than ten percent of the holdings in the bond section may be invested in bonds rated *BBB*. The average quality rating of all of the holdings in the bond section shall be *A* or better.

Not more than 20 percent of the total market value of the bond section shall be invested in any one generally recognized industry group, except utilities (40%) and finance (40%). Not more than 20 percent of the total market value of the bond section shall be invested in foreign currency issues.

The equity portfolio shall include common and preferred stocks listed on the Toronto Stock Exchange or on another major stock exchange.

As a general rule, no more than 20 percent of the total market value of the Canadian equity section shall be invested in equity or quasi-equity securities of companies within any one generally recognized industry group. The Foundation may invest up to a level of no more than the index industry group weight plus an additional ten percent.

No more than ten percent of the total market value of the Canadian equity section shall be invested in the equity or quasi-equity securities of any one company.

No more than ten percent of the equity portfolio will be represented by small-capitalization stocks (those having a market capitalization of \$500 million or less).

The investment in non-Canadian stocks shall not exceed 60 percent of the total fund while the entire investment in all non-Canadian securities (debt and equity) shall not be more than 65 percent of the total portfolio

Preferred stocks in the equity portfolio will have a credit rating of “P2” or better.

Within the bond and equity portfolios, pooled and mutual funds may be used in place of, or in conjunction with, individual securities as appropriate. Where pooled or mutual funds are used, the manager (and ultimately the Committee) shall monitor their practices to ensure they are consistent with the objectives contained in this Policy.

E. PROHIBITED INVESTMENTS

Any investment activity that would be considered speculative according to generally accepted principles of conservative investment management is prohibited. To this end, investments in labour-sponsored mutual funds, penny stocks, real estate, hedge funds and commodities are also specifically prohibited.

F. RECEIVING DONATIONS OF “IN-KIND” SECURITIES AND OTHER ASSETS

The Committee will normally defer to the advice of the investment manager in regards to whether the actual donated securities continue to be held, or whether they are liquidated and the proceeds re-invested by the investment manager.

When other assets that fall within the “prohibited” category are donated to the Foundation, the Committee will avail itself of specialized expertise as may be appropriate, and will then make recommendations to the Board on how those assets should be dealt with.

G. SELECTING AN INVESTMENT MANAGER

When selecting an investment manager to recommend to the Board, the Committee will take into account a number of factors, including the following:

- the availability and accessibility of the investment advisor for consultation by the Committee and the Board;
- whether the investment advisor has ready access to the types of securities that the Foundation will normally invest in;
- whether the investment advisor is comfortable following the investment approach required by this policy;
- the investment advisor’s depth of experience in recommending the types of investments that are central to this investment policy and the investment advisor’s specific expertise in recommending investments for foundations and other non-profit organizations; and
- the investment advisor’s past performance track record.

H. PERFORMANCE GOALS

The goals are to:

- 1) achieve an annual real rate of return of three percent (i.e. after inflation as measured by the Consumer Price Index) on income from interest and dividends and net capital gains; and
- 2) achieve an annualized rate of return, over four – year moving periods, after fees, which meets or exceeds the following benchmark portfolio
 - 30% S&P TSX Composite Total Return
 - 12.5% S&P 500 Total Return Index (in Canadian dollars)
 - 12.5% MSCI-EAFE Total Return Index (in Canadian dollars)
 - 40% Scotia Capital Universe Bond Index
 - 5% 91-day T-Bill Index.

I. SPENDING POLICY

The ultimate purpose for having a prudent investment policy is to maximize annual income over the long-term for grant-making.

The amount to be spent on grant-making is to be calculated by reference to the following:

The time-weighted rate of return on the Foundation's Endowment Funds for the calendar year is to be obtained from the Investment Manager by January 31st of the following year. The dollar amount to be made available for grant-making will be determined by the Board but will not exceed the time-weighted rate of return minus one percentage point multiplied by the average value of the Endowment Funds (exclusive of the Operating Endowment Fund) at the end of the current and previous two calendar years.

The above calculation will be restricted by the condition that the dollar amount available for grant-making can never be less than three and one-half percent of the average value of the Endowment Funds (exclusive of the Operating Endowment Fund) at the end of the current and previous two calendar years and by the condition that the dollar amount available for grant-making can never be more than eight percent of the average value of the Endowment Funds (exclusive of the Operating Endowment Fund) at the end of the current and previous two calendar years.

The results of the above calculations will be subject to the condition that the dollar amount available for grant-making can never be less than an amount sufficient to satisfy Canada Revenue Agency's Disbursement Quota (currently calculated as three and one-half percent) of the average value of the Endowment Funds at the end of the

current and previous calendar year.

The committee will enquire of the Grants Committee as to when during the current calendar year the funds need to be available for disbursement.

Committee Members

Rob Aitken, Chair, Board Member

Diane Pochailo, Treasurer, Board Member

Don Parfitt, CA Partner BDO Canada LLP, President, Board Member

Jerome Delorme, CA, The Standard Insurance

Don Viinikka, CA Retired Partner BDO Canada LLP

Rick Moore, Director Kenora Campus, Confederation College

Dennis Alvestad, CEO, Copperfin Credit Union, Board Member

Paul Reishel, Financial Consultant, Investors Group Financial Services, Board Member

Amended by Finance Committee on April 16, 2013

Approved by Board of Directors on April 26, 2013