

SELKIRK & DISTRICT COMMUNITY FOUNDATION INC.

Statement of Investment Policy

The **Asset Management Governance Policies** of the Selkirk and District Community Foundation is a companion document.

Appendix: Conflict of Interest Policy

OVERVIEW

1.1 Definitions provided in the Asset Management Governance Policy of the Foundation apply to this Statement of Investment Policies and Guidelines.

1.2 This statement of investment policies and guidelines (the “**Policy**”) applies to the assets held by the Selkirk and District Community Foundation (the “**Foundation**”). It contains investment objectives, investment guidelines, and monitoring procedures.

1.3 The Foundation’s Invested Funds (the “**Fund**”) will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary which might be construed from the Policy.

1.4 With respect to any portion of the Fund invested in pooled funds, provisions of the investment policy statement of such pooled fund shall prevail over those of the Policy to the extent that they are in conflict.

RESPONSIBILITIES

2.1 The responsibility for the investment of the Fund lies with the Board of Directors of the Foundation and its Investment Committee as set out in the Asset Management Governance Policy.

2.2 The Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents and advisors. In particular, the services of one or more investment managers (the “Investment Manager”) are retained. The Committee maintains an active role with respect to the following:

- (i) Formulation of the Policy and manager mandates;
- (ii) Appointment and monitoring of agents and advisors; and
- (iii) Evaluation of performance.

2.3 Any person to whom the Committee delegates responsibilities with respect to the investment of the Fund must adhere to the provisions of the Policy.

CONFLICTS OF INTEREST

- 3.1 The conflict of interest policy of the Foundation shall apply. (See Appendix).
- 3.2 A conflict of interest, whether actual or perceived, is defined for the purposes of this policy as any event in which the Directors, an employee of the Foundation, any Investment Manager or delegate or any person directly related to the foregoing, may benefit materially from the knowledge or participation in, or by virtue of, an investment decision.
- 3.3 Should a conflict of interest arise, the person in the actual or perceived conflict of interest shall immediately disclose the conflict in writing, with all relevant details, to the Chair of the Committee who, in turn, discloses it to all Committee members at the appropriate time. Any such party will thereafter abstain from decision-making with respect to the area of conflict.
- 3.4 Any person having discretionary authority over the investment of the Fund is a fiduciary. This generally includes, but is not limited to, the Board of Directors and a member of an Investment Committee or any employee, agent or advisor of the Selkirk and District Community Foundation.
- 3.5 No part of the Fund shall be loaned to any Director or employee of the Foundation or to any person directly related thereto.

ADEQUATE RATE OF RETURN

- 4.1 The Foundation is a registered charity as defined by the Income Tax Act.
- 4.2 Part of the Foundation's mission is to provide for ongoing grant making to meet certain community needs; thus an adequate rate of return on investments is required on the Fund to meet the Foundation's spending policy objectives.

INVESTMENT OBJECTIVES

- 5.1 The Foundations ultimate goal is to provide for grant making in perpetuity. In order to attain this goal, the Foundation pursues the following investment objectives.

- (i) The Foundation seeks to earn sufficient total returns to allow for annual disbursements that meet or exceed the disbursement quota required by Canada Revenue Agency (CRA). The CRA disbursement quota currently (2012) requires 3.5% of average market value for grant making and program costs. The Foundation earns administrative fees that are outlined in the Spending Policy. The returns are net of any investment management fees paid. The Foundation monitors its performance against this objective by comparing actual total annual returns over moving four-year periods against 6.0%.
- (ii) A further objective is that total annual returns over moving four-year periods should be at least 1% greater than a passive benchmark return that could

have been earned by investing solely in the indices that make up the benchmark. The benchmark shall consist of 25% S&P/TSX Composite Total Return Index; 17% S&P 500 Composite Index Total Return Index (C\$); 13% EAFE Total Return Index (C\$); 40% FTSE TMX Canada Universe Bond Index 5% 91 Day Treasury Bills.

(iii) The final objective is that over the longer term total returns should be sufficient to grow the asset base to maintain the purchasing power of the investment portfolio. That is, net of spending and new contributions, the objective is to grow the aggregate portfolio value at least at the rate of inflation. The Foundation monitors its performance against this objective by comparing the growth of portfolio value against the consumer price index using 2008 as a base year.

5.2 Investment decisions shall be made without distinction between principal and income; the decisions to realize investment gains or losses are strictly based on the investment factors involved.

5.3 Investment returns are maximized given the level of risk deemed appropriate by the Committee.

5.4 An Investment Manager provides active management and has full discretion in the selection of securities, portfolio structure and asset allocation subject to the constraints of this Policy.

PERMITTED INVESTMENTS

6.1 The Fund may only be invested in the following asset categories:

- (i) Cash;
- (ii) Demand or term deposits;
- (iii) Short term notes;
- (iv) Treasury bills;
- (v) Bankers' acceptances;
- (vi) Commercial paper;
- (vii) Investment certificates issued by banks, insurance companies or trust companies;
- (viii) Bonds and non-convertible debentures;
- (ix) Mortgages and other asset backed securities;
- (x) Convertible debentures;
- (xi) Common and preferred stocks;
- (xii) Trust units
- (xiii) Real estate through "open-end" pooled, mutual or other funds
- (xiv) Group annuity contract and other similar instruments regulated by the Insurance Companies Act or comparable provincial law, as amended from time to time
- (xv) Pooled funds, closed-end investment companies and other structured vehicles invested in any or all of the above asset categories.

6.2 All investments must qualify as permitted investments that life insurance companies can make under the Insurance Companies Act.

6.3 The Fund may not hold derivative financial, commodity or currency-related instruments such as forward contracts, options, futures, or swaps except for replication and/or hedging purposes or in accordance with a program accepted in writing by the Committee. The use of leverage in holding these instruments will not be permitted.

6.4 Borrowing on behalf of the Fund is not permitted; the Fund will not be used to guarantee any borrowing. However, unanticipated temporary overdrafts when cash is not sufficient to settle a purchase are expected to occur.

6.5 The Foundation holds capital contributions in a savings account before turning these funds over to the Investment Manager. These funds are turned over to the manager if not required to meet the Foundation's Spending Policy.

ASSET ALLOCATION

7.1 The Fund's benchmark asset allocation and allowable ranges are as follows:

Asset Class	Long-Term Median	Range
Equities		
Canadian	25%	20 – 45%
U.S.	17 }	
International	13 }	20 – 45
	55%	40 – 65%
Fixed Income (incl. Real Estate)		
Money Market	0	0 – 25%
Mortgages	10	5 – 15
Bonds (Canada & Foreign)	25	10 – 35
Real Estate	10	0 – 25
	45%	35 – 60%
Total	100%	

7.2 The benchmark asset allocation has been determined in order to relate the Committee's or the Investment Manager's performance to the returns that would have been generated had the assets been invested in passive index funds according to the benchmark weights.

7.3 Bonds, mortgages and all fixed income securities (other than money market instruments) have a maturity of one year and more when issued. Nonconvertible preferred shares should be included in this category.

7.4 Eligible stocks must be traded on a recognized exchange identified by the Investment Manager.

- 7.5 Canadian stocks include common stocks and convertible securities of Canadian issuers.
- 7.6 U.S. stocks include common stocks and convertible securities of U.S. issuers.
- 7.7 International stocks include common stocks and convertible securities of non-Canadian and non-U.S. issuers
- 7.8 Trust Units include all trust units of Canadian issuers.
- 7.9 Securities held in a pooled fund are classified on the basis of the assets comprising the major portion of such pooled funds.
- 7.10 Derivative instruments along with any collateral held thereon where specifically approved by the Committee in writing are included in the asset class comprising the securities whose return or price serves as the basis for the pricing of such derivative instruments.

INVESTMENT RISK

8A Diversification Within Asset Classes

- 8.1 Diversification between asset classes is provided through the asset allocation guidelines set forth in this Policy.
- 8.2 Diversification within each asset class is provided by limiting the percentage of the market value of Fund assets invested in a single security not guaranteed by the government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.
- 8.3 No more than 20% of the Canadian or Foreign equity portion of the Fund will be invested in the securities of a single issuer, except index funds.
- 8.4 No more than 20% of the mortgage portion of the Fund will be invested in the securities issued or guaranteed by any one corporation.
- 8.5 No more than 20% of the bond portion of the Fund will be invested in the securities issued or guaranteed by any one corporation or municipality.
- 8.6 No more than 40% of the bond portfolio will be invested in securities issued or guaranteed by the government of a single Canadian province.
- 8.7 No more than 50% of the bond portfolio will be invested in corporate and municipal issues. Written permission from the Investment Committee will be required in order to increase these percentages.

8B Interest Rate Risk

- 8.8 The duration of the bond portfolio will be between one and a half years either side of the duration of the FTSE TMX Canada Universe Bond Index.
- 8.9 For the purpose of calculating the duration of the bond portfolio, short-term investments may be included, at the Committee's or the Manager's discretion. The Manager will indicate how this calculation is made in all compliance reporting to the

Committee.

8C Liquidity

8.10 Liquidity is enhanced by not allowing direct investments in real estate, venture capital, and resource properties as specified in the asset allocation guidelines set forth in this Policy.

8D Quality

8.11 Short-term investments will have a minimum credit rating of R-1* or its equivalent when purchased.

8.12 90% of the bond portfolio investments will have a minimum credit rating of A** or its equivalent when purchased. Up to 10% of the bond portfolio may be invested in bonds with a BBB rating.

8.13 The weighted average credit rating of the bond portfolio will be maintained at or above A+.

8.14 The Manager will notify the Committee and take immediate action to correct the situation when:

- (i) more than 5% of the market value of short term securities has a credit rating lower than R-1* or its equivalent; or
- (ii) more than 10% of the market value of bond portfolio investments has a credit rating lower than A** or its equivalent.

8.15 Unrated bonds will be assumed to fail all of the credit ratings referred to in this section.

* Credit ratings used by the Dominion Bond Rating Service

** Credit ratings used by the S&P Canada Bond Rating Service

8E Currency

8.16 Currency risk is controlled by limiting the investment in foreign stocks as specified in the asset allocation guidelines set forth in the Policy.

8.17 No more than 20% of the market value of the bond portfolio will be denominated in foreign currencies.

8.18 No more than 10% of the market value of the mortgage portfolio will be denominated in foreign currencies.

SHORT TERM FUNDS

9. The Foundation also operates a Savings account for the purpose of earning income on cash that is expected to be used in the foreseeable future. The Savings account may hold cash available for granting, flow through funding, administrative funds, capital, which is

temporary or permanent capital, which has not yet been turned over to the long term investment manager.

VOTING RIGHTS

10.1 Voting rights on Fund securities are delegated to the Investment Manager. However, the Committee reserves the right to exercise voting rights on Fund securities when it deems appropriate.

10.2 The Investment Manager maintains a record of how Fund voting rights have been exercised.

10.3 In case of doubt as to the best interests of the Fund, the Investment Manager requests instructions from the Committee and acts in accordance with such instructions.

10.4 The expectation of the Investment Manager is to provide SDCF with their ethical screening process when requested.

STATEMENT REVIEW

11.1 This policy is to be reviewed every three years.

11.2 Material changes in the following may cause a revision:

- (i) Long-term risk/return trade-off in the capital markets;
- (ii) Foundation Spending Policy;
- (iii) Risk tolerance; and
- (iv) Legislative environment.

This policy is to be reviewed every three years.

ADOPTED at a meeting of the Board of Directors of the Foundation:

DATE: June 12, 2018

SIGNED: Chair _____ **Gord Henrikson**

Secretary _____ **Michele Polinuk**

Original Statement of Investment Policies & Guidelines

Approved by Board of Directors on November 9th, 2004

with Amendments Approved February 14, 2006 and January 9, 2007 and June 2018.

Acknowledged and agreed to GLC Asset Management Group Ltd.

Per _____
Rick L. Lewis

Date _____