



# Shuswap Community Foundation

## Investment Policy

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### **Investment Committee**

The Foundation's permanent capital fund will be managed by the Investment Committee (the "Committee") in accordance with the Foundation's Investment Policy.

The Committee shall consist of five members who are appointed annually by the directors of the Foundation at the first regular directors' meeting following the Foundation's Annual General Meeting. In addition to the five appointed members, the Foundation's President is an ex officio member of the Committee.

A minimum of three appointed members on the Committee shall also be directors of the Foundation. The Committee may include up to two appointed members who are volunteers from the community and who have investment expertise. The appointment of a volunteer member shall be in accordance with the Foundation's by-laws and policy.

The Committee will choose its own chairperson who shall be a director of the Foundation.

The Committee may invite other directors of the Foundation to attend Committee meetings as observers. Observers may contribute to general discussion at a meeting but shall not participate in the discussion or vote on any motion duly made and seconded.

The Committee's decisions shall be a simple majority and shall be recorded by the Committee.

The Committee shall review the Foundation's investment portfolio at quarterly meetings of the Committee. In addition to quarterly meetings, the Committee shall meet whenever necessary or advisable at the call of the chairperson.

The Committee will report to the directors of the Foundation at each regular meeting of the board.

### **Committee's Objective**

To invest the Foundation's permanent capital fund to generate investment income and capital gains in order to provide the Foundation with a stable flow of income for distribution in perpetuity.

### **Definitions**

For the purpose of the investment policy the following definitions apply:

**"Cash"** means cash and interest bearing investments with maturities from 1 day to 1 year that are readily cashable.

**"Equity"** means investments in publicly traded shares, income trusts or royalty trusts, limited partnership units, convertible debentures, convertible preferred shares, structured products with equity components and pooled funds containing any of the aforesaid instruments.

**"Fixed income"** means interest bearing investments with maturities where interest is payable at least annually. Bond investments will have a minimum Dominion Bond Rating Service (DBRS) or Standard and Poor's (S&P) rating of A. Preferred shares will be considered to be "fixed income" investments. Preferred shares shall have a minimum DBRS or S&P rating of P-2.

**“Portfolio Manager”** means the professional person appointed by the directors from time to time to provide professional investment advice and management of the Foundation’s investment portfolio in accordance with the investment policy for an agreed upon compensation.

### **Asset Allocation**

The investment portfolio will include cash, fixed income and equity instruments within the following parameters:

Cash	0 – 35%
Fixed income	60 – 100%
Equity	0 – 35%

The Foundation’s endowment fund held by the Vancouver Foundation (contributed capital of \$110,000) is excluded from the above asset allocation. The Committee does not have any control over funds placed with the Vancouver Foundation.

### **Constraints**

The Committee shall not purchase any single investment for an amount greater than \$100,000 without first obtaining approval from the directors of the Foundation, with the exception of short term cash investments (less than 1 year) placed by the Committee pending appropriate investment opportunities.

If the Foundation receives a donation of a security that does not meet the investment criteria established by this policy, the Committee may retain the donated security as part of the Foundation’s investment portfolio if the Committee is of the opinion that it is advisable and prudent to do so.

If a fixed income investment is “downgraded” in quality such that it no longer satisfies the investment criteria, the Committee shall re-consider that investment and may retain the investment as part of the Foundation’s investment portfolio for such period of time as the Committee decides is advisable and prudent.

### **Equity Investments**

#### **1. The Prudent Investor Rule**

The Committee shall be governed by the Foundation’s investment policy and the “Prudent Investor Rule” when making equity investment decisions. The Prudent Investor Rule requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation, but in the context of the portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suited to the portfolio.

#### **2. Diversification**

Diversification is an important strategy for managing and controlling portfolio risk. For balanced portfolios, diversification strategies should include asset allocation amongst different classes of investments. The Foundation has established the asset allocation set out above with a view to managing portfolio risk amongst different classes of investments.

Further diversification is advisable within the equity portion of the portfolio. The Committee shall seek to control risk by diversifying the equity portion of the portfolio across industry groups/sectors.

### 3. The Portfolio Manager's Role

The Foundation has determined that the management of the equity portion of its investment portfolio requires the expertise and attention of a professional investment fund manager. Accordingly, the Foundation may engage the services of a Portfolio Manager to advise the Committee on investments and to assist the Committee with the management of the equity portion of its investment portfolio. The Committee is authorized to negotiate the terms of the Portfolio Manager's engagement, subject to approval by the directors of the Foundation.

The investment policy will govern the Portfolio Manager's investment recommendations to, and decisions on behalf of, the Committee.

The Committee and the Portfolio Manager shall work together to invest the equity portion of the Foundation's portfolio as follows:

- a) A separate investment account shall be established with the Portfolio Manager for the equity portion of the investment portfolio. The Committee shall determine the amount of the investment portfolio (not exceeding 35%) to be placed in the separate account.
- b) All equity investments will be classified into the industry sectors recognized by the TSX (i.e. energy, materials, gold, metals/mining, industrials, consumer discretionary, consumer staples, health care, finance, real estate, information technology, telecommunications, and utilities). The Committee and the Portfolio Manager may consolidate some of the sectors for greater efficiency in managing the equity portfolio.
- c) The Committee and the Portfolio Manager shall meet to establish ranges for investment of the equity portfolio in each sector for each fiscal quarter and set or confirm the maximums for individual equity holdings within the portfolio. The ranges and maximums shall be reviewed by the Committee with the Portfolio Manager at the beginning of each quarter.
4. The Portfolio Manager shall purchase and sell equities for the Foundation's portfolio in accordance with the ranges and maximums for each industry sector set at the beginning of each quarter.
5. The Portfolio Manager shall report the results of the equity portfolio transactions to the Committee quarterly or more frequently as may be required by the Committee.
6. The Portfolio Manager shall communicate with, and seek instructions from, the chairperson of the Committee (or her/his designate) as may be necessary for the day to day administration of the equity portfolio.
7. The Portfolio Manager shall be compensated on a commission basis per transaction in accordance with an agreed upon schedule.
8. The performance of the equity portion of the portfolio shall be compared to the TSX benchmark annually. The Committee and the Portfolio Manager shall review the terms of the engagement annually. After the first year of the engagement the Foundation may decide to terminate the Portfolio Manager's engagement upon one month's written notice.

**General**

From time to time, the Committee may seek approval of its investment decisions from the Foundation's directors by email in which case approval shall be deemed to have been given upon receipt of an affirmative reply from a majority of current directors.

Approved by Directors August 11, 2007