

## **INVESTMENT POLICY**

### **I. PURPOSE**

This Investment Policy Statement applies to the investment assets (“The Fund”) held by YWCA Vancouver (the “Association”). The purpose of this Investment Policy Statement (“the Policy”) is to outline the procedures and policies to effectively manage and monitor the Fund. The Fund will be managed in accordance with all applicable legal requirements. Any investment manager (“the Manager”) or any other agent or advisor providing services in connection with the Fund shall accept and adhere to this Policy.

### **II. RESPONSIBILITIES**

#### **A. Board of Directors**

Refer to Board of Directors Manual Tab A-8

#### **B. Finance, Audit and Investment Committee**

Refer to Board of Directors Manual Tab B-4

#### **C. Investment Managers**

The Manager is responsible for:

- i) Maintaining an understanding and advising the Committee of key legal and regulatory requirements and constraints applicable to the Fund;
- ii) Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Policy;
- iii) Providing the Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- iv) Attending meetings of the Committee at least once per year, and additionally as required, to review performance and to discuss proposed investment strategies;

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- v) Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Policy and what actions will be taken to remedy this situation; and
- vi) Advising the Committee of any elements of this Policy that should prevent attainment of the Fund's objectives.

### **III. FUND OBJECTIVES**

#### **A. Investment Objectives**

The Fund consists of funds from the YWCA Board Designated Endowment Fund, the different Donor Designated Endowment Funds, and the Board Designated Reserve Fund.

The purpose of the Board Designated Endowment Fund is to set aside resources for the future needs of the organization as determined by the Board of Directors. Annually, the income from the fund will be used to fund YWCA operations (if required) after allowing for an inflation adjustment.

The Donor Designated Endowment Funds are funds set up through donor donations that are marked for specific use. The principal amounts are held in perpetuity and only the incomes from the funds are distributed for use in accordance with the purposes stipulated by the donors.

The Board Designated Reserve Fund will be used for the maintenance and replacement of major capital assets; e.g. furniture, equipment and building components. This fund is not to be used for the acquisition or replacement of land or buildings.

The overall investment objectives of the Fund are to:

- i) preserve capital, in real terms;
- ii) maintain liquidity necessary to meet cash requirements;
- iii) maximize the rate of return, within acceptable risk levels.

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### B. Asset Allocation Guidelines

To diversify risk and enhance expected returns, equity and debt investments are allocated among the following broad asset classes and maintained within the corresponding ranges, at the discretion of the Manager, expressed as a percentage of the market value:

<u>Asset Class</u>	<u>Target</u>	<u>Permitted Range</u>
Cash and short-term	5%	0% - 20%
Bonds	50%	30% - 60%
Equities	45%	30% - 60%
Canadian	15%	
U.S.	15%	
International	15%	

### C. Performance Expectations and Benchmark

The Fund is expected to earn a post-fee rate of return in excess of the benchmark return over the most recent four-year rolling period. The performance objective is to add value, through active management, over the returns that would have been realized through passive investment in index funds combined in a long-term asset allocation, which is perceived to carry a reasonable but prudent degree of risk. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly and will be calculated as time-weighted rates of return. The benchmark is composed of:

- i) 5% SC 30 Day T-Bill Index
- ii) 40% SC Universe Bond Index
- iii) 10% ML Global Government Bond II Index
- iv) 15% S&P/TSX Composite Index
- v) 15% S&P 500 Total Return Index (in Canadian dollars)
- vi) 15% MSCI EAFE (Net Dividends) Index (in Canadian dollars)

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### **IV. AUTHORIZED INVESTMENTS**

Outlined below are the general investment criteria as understood by the Committee. If pooled funds are used the Committee requests the Manager to notify it, in writing, prior to any changes to the policy of one of these pooled funds. At that time, the Committee may re-evaluate its continued investment in the pooled funds and make a recommendation to the Board.

The portfolio will be managed in accordance with principles of socially responsible investing. All issues will be assessed and screened by the investment manager and eliminated from the universe of eligible securities if they do not meet standards of environmental, workplace, and product practices. Companies involved in the production of tobacco, nuclear energy, and weapons will be excluded.

#### **A. List of Permitted Investments**

- i) Short-term instruments:
  - a) Cash;
  - b) Demand or term deposits;
  - c) Short-term notes;
  - d) Treasury bills;
  - e) Bankers acceptances;
  - f) Commercial paper; and
  - g) Investment certificates issued by banks, insurance companies and trust companies
- ii) Fixed income instruments:
  - a) Bonds
  - b) Debentures (convertible and non-convertible); and
  - c) Mortgages and other asset-backed securities;
- iii) Canadian equities:

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- a) Common and preferred stocks; and
- b) Rights and warrants.
- iv) Foreign equities:
  - a) Common and preferred stocks;
  - b) Rights and warrants; and
  - c) American Depository Receipts and Global Depository Receipts.

### **B. Derivatives**

Investment in derivative instruments may be used for hedging purposes to facilitate the management of risk or to facilitate an economical substitution for a direct investment. Under no circumstances will derivatives be used for speculative purposes or to create leveraging of the portfolio.

### **C. Pooled Funds**

With the approval of the Committee, the Manager may hold any part of the portfolio in one or more pooled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized by the Committee that complete adherence to this Policy may not be entirely possible; however, the Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Policy.

## **V. RISK GUIDELINES:**

All allocations are based on market values.

### **A. Cash and Cash Equivalent**

At least R1, using the rating of the Dominion Bond Rating Service (“DBRS”)

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**B. Fixed Income**

- i) Maximum and minimum holdings of the fixed income portfolio by credit rating are:

<u>Credit Quality</u>	<u>Maximum in Bond Portfolio</u>	<u>Minimum in Bond Portfolio</u>	<u>Maximum Position in a Single Issuer</u>
Government of Canada	100%	30%	No limit
Provincial Governments	60%	0%	25%
Municipals	25%	0%	10%
Corporates	50%	0%	10%
AAA	100%	0%	10%
AA	70%	0%	5%
A	50%	0%	5%
BBB	15%	0%	2%
BB and less	5%	0%	1%

- 1 Percentage of portfolio at market value
- 2 Includes government-guaranteed issues
- 3 Does not apply to Government of Canada or Provincial issues
- 4 Ratings are at time of purchase

- ii) Maximum holdings of the fixed income portfolio by type:
- a) 20% for asset-backed securities;
  - b) 20% for mortgages or mortgage funds;
  - c) 20% for bonds denominated for payment in non-Canadian currency; and
  - d) 10% for real return bonds.
- iii) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS)., Standard & Poors' or Moody's. If a rating change causes a maximum to be exceeded or not in compliance, the Manager shall sell the security as soon as is practical to the

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extent required for compliance or obtain approval to continue to hold the security from the Committee.

### **C. Equities**

- i) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.
- ii) There will be a minimum of 30 stocks in each equity (pooled fund) Fund.
- iii) No more than 5% of the market value of an equity portfolio (pooled funds) may be invested in companies with a market capitalization of less than \$100 million at the time of purchase

## **VI. REPORTING & MONITORING**

### **A. Investment Reports**

- i) The following are to be submitted by the investment manager:
  - a) monthly valuation of the portfolio
- ii) Each quarter, the Manager will provide a written investment report containing the following information:
  - a) portfolio holdings at the end of the quarter;
  - b) portfolio transactions during the quarter;
  - c) rates of return for the portfolio with comparisons with relevant indexes and benchmarks; and
  - d) confirmation that the asset allocation guidelines have been maintained.

### **B. Monitoring**

At the request of the Committee, but no less than once annually, the Manager will meet with the Committee regarding:

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- i) the rate of return achieved by the Manager;
- ii) the Manager's future strategies and other issues as requested; and
- iii) the filing of compliance reports.

### **C. Annual Review**

It is the intention of the Association to ensure that this Policy is continually appropriate to the Association's needs and responsive to changing economic and investment conditions.

## **VII. STANDARD OF CARE**

The Manager is expected to comply, at all times and in all respects, with the code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Manager will manage the Fund with the care, diligence and skill that an investment Manager of ordinary prudence would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

## **VIII. CONFLICT OF INTEREST**

All fiduciaries shall disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Board of Directors of the Association. The Chair will, in turn, table the matter at the next Board meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities if documented and approved by the Board.

A conflict of interest, whether perceived or actual, is defined as any event in which the YWCA, or any of its staff or volunteer, or any party directly related to the foregoing, may benefit materially from knowledge of, or participation in, by virtue of an investment decision or management of the portfolio.

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Should a conflict of interest arise, the party in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the YWCA. Any such party will thereafter abstain from decision-making with respect to the area of conflict. A written record of the conflict shall be kept.

The YWCA shall satisfy themselves that an appropriate policy regarding conflicts of interest exists. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply.

### **IX. PROXY VOTING RIGHTS**

- A.** Proxy voting rights on Fund securities are delegated to the Manager. However, in the case of segregated holdings, the Committee reserves the right to exercise voting rights on Fund securities when it deems appropriate.
- B.** The Manager maintains a record of how voting rights of securities in the Fund were exercised.
- C.** The Manager will exercise required voting rights in the best interests of the Fund. In case of doubt as to the best interests of the Fund, the Manager will request instructions from the Committee and will act in accordance with such instructions.