

# THE GREATER SAINT JOHN COMMUNITY FOUNDATION INC.

Statement of Investment  
Policies and Procedures (IPS)

Effective: March 1, 2021

It is hereby certified by the undersigned that this Statement of Investment Policies and Procedures was adopted by the Board of Directors of The Greater Saint John Community Foundation Inc. on February 23<sup>rd</sup>, 2021



Dr. Michael Simon  
Chairperson



Kelly Evans  
Executive Director

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### SECTION I ----- INTRODUCTION

1.1 This document constitutes the Statement of Investment Policies and Procedures (the “Policy”) applicable to the assets (the “Fund”) held in respect of the Old Ladies Home Fund, the Common Fund of The Greater Saint John Community Foundation Inc. and any other related funds of the Foundation which was established by the Board of Directors of The Greater Saint John Community Foundation Inc. (the “Foundation”) to provide monies to operate the Foundation and make gifts to deserving organizations while preserving the capital of the Fund.

- 1.2 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures which are appropriate to the needs and objectives of the Fund, in a manner conforming to best practice.
- 1.3 Any investment manager or other party providing services in connection with the investment of the Fund shall accept and adhere to this Policy.

#### Foundation's Background, Mission and Values Statement

The Foundation is a Canadian, New Brunswick based charitable foundation created by an Act of the Legislature of the Province of New Brunswick, "an Act to incorporate The Saint John Foundation Inc." 1976 and as amended by "An Act to Amend the Greater Saint John Community Foundation Inc". An Act of the New Brunswick Legislature in 2001.

***The mission & vision statements of the Greater Saint John Community Foundation are:***

*Mission: To serve as a trustee of gifts, support charitable organizations and inspire community leadership.*

*Vision: To ensure a sustainable future and improve the quality of life in Greater Saint John.*

## **SECTION II -----ADMINISTRATION**

- 2.1 The Foundation through its Board of Directors (the "Board") is the administrator of the Fund. The Board has established a governance structure and delegated to the Finance Committee (the "Committee") certain aspects of the Fund's operations.
- 2.2 In fulfilling its responsibilities, the Committee may delegate to or otherwise utilize employees of the Foundation where appropriate. The Committee shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel. Any reference in the Policy to Committee shall be interpreted as referencing the appropriate delegate.
- 2.3 The custodian of the Fund (the "Custodian") shall be a bank, trust company, investment dealer or other company authorized to act as a trustee or custodian in one or more provinces in Canada. All investments and assets of the Fund shall be held by the Custodian and invested:
  - (a) in a name that clearly indicates that the investment is held in trust for the Foundation and, where the investment is capable of being registered, registered in that name; or
  - (b) in the name of the Custodian, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Foundation; or
  - (c) in the name of The Canadian Depository for Securities Limited, or a nominee thereof, in accordance with an agreement with the Custodian that clearly indicates that the investment is held for the Foundation.
- 2.4 The Fund will invest in securities, segregated funds of an insurance company, pooled funds or mutual funds eligible for trust fund investment ("Pooled Funds") and in guaranteed investment certificates.
- 2.5 Neither the Committee nor any employee of the Foundation shall select securities on behalf of the Fund except for the selection of Pooled Funds, guaranteed investment certificates, annuities or short-term deposits with banks or trust companies. The Committee shall retain one or more independent professional investment managers (the "Investment Manager(s)") to invest the Fund.
- 2.6 The Committee may rely on independent experts for certain aspects of the Fund's operations where expert knowledge is required or desired or where a potential or actual conflict of interest exists.
- 2.7 Funds

The Foundation's permanent endowment fund ("Fund") is comprised of:

- (a) funds owned by the Foundation which are received primarily by way of gifts and bequests and which may include:
  - (i) Designated (restricted) Funds (i.e. a qualified charity or charitable field-of-interest as specified by the donor), which funds may include the Foundation's administrative endowment fund, and
  - (ii) Community (unrestricted) Funds, which are sometimes referred to as the "undesigned (unrestricted) funds" (i.e. the Foundation has full discretion to choose the qualified charity); in addition,
- (b) funds may also be held on behalf of others under Managed Fund agreements (i.e. Managed Funds).

## 2.8 Other

The Foundation is subject to the requirements of the *Income Tax Act* (Canada) relating to public charitable foundations. Revenues are non-taxable.

The fiscal year-end of the Foundation is October 31.

## SECTION III -----PERMITTED CATEGORIES OF INVESTMENT

3.1 From time to time, and subject to this Policy, the Fund may invest in any or all of the following asset categories. For purposes of this Policy, "governments" includes supranational, Canadian federal, provincial or municipal governments, and securities guaranteed by these governments.

- (a) **Canadian Equity:** common stocks, convertible debentures, share purchase warrants, share purchase rights or preferred shares of Canadian public and private companies and units in publicly traded income trusts.
- (b) **Foreign Equity:** common stocks, convertible debentures, preferred shares, share purchase warrants, share purchase rights or American depositary receipts of publicly traded non-Canadian companies.
- (c) **Fixed Income:**
  - bonds, debentures, mortgages, notes, or other debt instruments of governments or Canadian corporations (public and private)
  - asset-backed securities and mortgage-backed securities
  - guaranteed investment contracts or equivalent financial instruments of Canadian insurance companies, trust companies, banks or other eligible issuers
  - annuities, deposit administration contracts or other similar instruments regulated by the Insurance Companies Act (Canada) or comparable provincial law, as amended from time to time
  - term deposits or similar instruments of Canadian trust companies and banks
- (d) **Cash or Cash Equivalents:**
  - deposits with banks or trust companies
  - money market securities issued by governments or Canadian corporations (public and private)
    - term to maturity of one year or less.

Derivatives:

- 3.2 Any use of derivative investments must be in accordance with a program that has been specifically considered and approved by the Committee.
- 3.3 Derivative instruments may not be used to create exposures to securities that would not otherwise be permitted under this Policy.

Other Investments:

- 3.4 The Fund may not invest in categories of assets or instruments not specifically provided for in this section including, but not limited to, commodities, precious metals, mineral rights, bullion or collectibles.

#### SECTION IV ----- POLICY ON INVESTMENT OPTIONS

##### 4.1 Asset Allocation

The following asset allocation has been determined to provide a diversified portfolio that should meet the long-term return expectations of the Foundation within acceptable levels of risk. It is important to note that returns may differ significantly from the long-term expectations over shorter time periods.

##### Classes:

	Strategic Allocation Target	Permitted Deviations	Benchmark
Cash/cash equivalents	5%	+/-5%	FTSE 91-day T-BILL
Fixed Income	35%	+/-10%	FTSE Universal/Bond Index
Equities	60%	+/-10%	
Total	100%		
Canadian Equities	20%	+/-10%	S&P TSX Composite
US Equities	20%	+/-10%	S&P 500
International Equities	20%	+/-10%	MSCI EAFE

##### Permitted Deviations:

Modest deviations from benchmark are permitted to allow the Investment Manager to maximize returns and limit potential losses by taking advantage of relative pricing opportunities amongst asset classes. Deviations have been set based on a determination of the maximum levels needed to help provide value added targets.

##### Benchmarks:

Each of the benchmarks selected is recognized by the investment industry as an independent and credible representation of the investment opportunity.

##### New Asset Classes:

The Finance Committee and the Investment Manager will explore the potential to add a new asset class that will increase the diversification of the Fund's assets without compromising return expectations. No new asset classes will be implemented without prior approval of the Board through an amended IPS.

##### Rebalancing:

Any inadvertent drift outside the Permitted Deviations will be reported to the Investment/Finance Committee Chair immediately and to the Board of Directors at its next meeting. When necessary, the Investment Manager shall re-balance the portfolio to bring the allocation within the Permitted Deviation range in a manner it considers prudently appropriate, which may include:

- (a) using any cash deposits or withdrawals that may occur, and
- (b) selling portions of an asset class that has relatively "over-performed" and adding the sale proceeds to the asset class that has relatively "under-performed".

## Investment Options

4.2 As a minimum, the following Investment Options will be considered:

- Balanced fund
- Canadian Equity fund
- US Equity fund
- International Equity fund
- Fixed Income fund
- Money Market fund

The above Investment Options will be managed with a core investment style, where core is defined to be an investment management style where returns are not expected to deviate significantly from those of a representative broad market index.

4.3 Additional core and non-core funds may be added from time to time.

## Portfolio Diversification

4.4 The Investment Manager shall ensure that there is an appropriate level of diversification and that the portfolio is constructed so as to be consistent with the objective, style and approach outlined in the investment policy.

## Risk and Return Expectation

4.5 The long-term objective of the Fund is to earn an amount equal to or greater than the rate of inflation plus four percent (4%) net of all brokerage expenses and management/custodial fees. In the short term it is the objective of the Fund to earn a rate of return equal to the appropriate market indices plus an added value for active management where applicable.

4.6 The risk inherent in each Investment Option over a market cycle (a five to ten-year period) is three-fold. There is a risk that the market returns will not be in line with expectations. To the degree that an active management style is employed, there is a risk that the added return expected of active management over passive management will not be realized or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected return (such return may also be negative).

## **SECTION V ----- PORTFOLIO DIVERSIFICATION AND CONSTRAINTS**

5.1 For greater certainty, in respect of each Investment Option:

(a) No more than 10% of the book value of the Fund shall be invested in any one entity or group.

5.2 In respect of the Canadian and Foreign Equity Investment Options:

(a) North American holdings shall be diversified by stock, capitalization and industry, having regard to the relative sizes of industry sectors in the applicable stock market indices.

(b) Non-North American holdings shall be diversified by stock, region, industry and country, having regard to the relative sizes of economic activity and stock market capitalization.

(c) Not more than 5% of any equity Fund shall be invested in unlisted securities or private placements.

5.3 In respect of any Fixed Income Securities:

(a) Securities rated below "BBB (low)" or equivalent at the time of purchase are not permitted. If a security's credit rating falls below "BBB (low)" after the time of purchase, the Manager shall remove it from the portfolio as soon as practicable.

(b) Asset-backed securities shall be rated by a U.S. rating agency as AAA (e.g. Standard & Poors) or better.

- 5.4 All Cash equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of “R-1 (low)” or equivalent.
- 5.5 For purposes of this section, all debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.
- 5.6 The Investment Manager shall not purchase securities on margin or engage in short sales. Instalment receipts may not be purchased unless Cash or highly liquid, high quality short-term securities equal to the unpaid purchase price are also held.
- 5.7 Each Investment Manager shall be responsible for directing trades and paying the investment brokerage commissions. The Investment Manager is responsible for choosing brokers to execute investment transactions in the most effective manner and in the best interests of the Fund.

#### **SECTION VI ----- LOANS AND BORROWING**

- 6.1 No part of the Fund shall be loaned to any party, other than through the purchase of securities which otherwise meet the requirements of this Policy for Fixed Income or Cash Equivalent investments.
- 6.2 Money shall not be borrowed on behalf of the Fund and the Fund’s assets shall not be pledged or otherwise encumbered in respect thereof.
- 6.3 The lending of securities is permitted, subject to applicable legislation and review of the arrangement by the Committee.

#### **SECTION VII ----- VOTING RIGHTS**

- 7.1 The responsibility of exercising and directing voting rights acquired through Pooled Fund investments shall normally be delegated to the Investment Manager, who shall at all times act prudently and in the best interests of the Fund’s beneficiaries. The Investment Manager shall provide a copy of their voting rights policy to the Committee.
- 7.2 Any voting rights related to Pooled Fund units shall be the responsibility of the Committee, who shall vote in the best interests of the Fund’s beneficiaries.

#### **SECTION VIII ----- VALUATION OF INVESTMENTS**

- 8.1 Investment in Pooled Funds primarily comprised of publicly traded securities shall be valued according to the unit values calculated at least monthly by the custodian of the Pooled Funds. The custodian shall be responsible for requesting and recording the unit values on a monthly basis.
- 8.2 Investments in guaranteed investment contracts, or Pooled Funds primarily invested in guaranteed investment contracts, may be valued at book value or at market value, at least monthly.

#### **SECTION IX ----- RELATED PARTIES AND CONFLICTS OF INTEREST**

##### **9.1 Definition of Related Party**

- (a) For the purposes of this Policy, “Related Party” shall have the meaning attributed thereto in securities legislation.

##### **9.2 Related Party Transactions**

- (a) The assets of the Fund shall not be used to invest in securities of Related Parties or lent to any Related Parties unless such securities are publicly traded and selected by an Investment Manager acting independently on behalf of all that Investment Manager's discretionary accounts or Pooled Funds having mandates similar to that of the Fund. Where applicable, an Investment Manager shall provide the Committee with its internal guidelines on purchasing securities of the members of the Investment Manager's organization or affiliates.

### 9.3 Conflicts of Interest

- (a) If a member of the Committee, or any agent of or advisor to the Committee, or any person employed in the investment or administration of the Fund has or acquires any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, the person involved shall as soon as practicable disclose this conflict of interest to the Chair of the Committee. The Chair shall then immediately advise all members of the Committee, and the Committee shall decide upon a course of action. Any such person will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the Committee.
- (b) Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Committee meeting.
- (c) The failure of a person to comply with the procedures, described in this section, shall not of itself invalidate any decision, contract or other matter.
- (d) The Committee shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Investment Manager. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Association for Investment Management and Research shall be expected to apply to such Manager.

## SECTION X ----- MONITORING INVESTMENT PERFORMANCE

### 10.1 Reporting

The Investment Manager and/or Custodian shall provide at least the following to the Finance Committee:

- (a) monthly statements to include, at least, the Fund's cost and market values and cash transactions;
- (b) quarterly (based on a fiscal year quarter) performance reports outlining, the Fund's rates of return, the benchmark rates of return and inflation rates (New Brunswick Consumer Price Index) for periods as the Foundation may consider appropriate; and
- (c) any necessary information that may be required for the preparation of the Foundation's annual financial statements.

The performance measurements and reports shall be in accordance with the standards of the Association of Investment Management and Research (AIMR).

### 10.2 Monitoring

- (a) Quarterly (based on a fiscal year quarter) performance shall be evaluated to test progress toward the attainment of longer-term targets (with particular emphasis on three year moving time periods). Such evaluation shall include, but not necessarily be limited to:
  - (i) the Investment Manager's adherence to, and performance with respect to, this IPS;
  - (ii) comparison of the Investment Manager's performance to appropriate indices for each asset class and the benchmark index stated in this IPS;
  - (iii) comparison of the Investment Manager's performance on a risk adjusted basis for each asset class and the benchmark index stated in this IPS;

- (iv) comparison of the Investment Manager's performance with a universe of other investment managers that employ a similar investment style (i.e. balanced portfolios); and
  - (v) comparison of the Fund's performance with a universe of other community foundations that employ a similar investment style (i.e. balanced portfolios).
- (b) The Foundation and the Investment Manager shall personally meet not less frequently than annually to review the investment performance and to determine the continued feasibility of achieving the Fund's investment objectives and the appropriateness of this IPS for achieving those objectives.
- (c) This IPS shall be reviewed periodically by the Foundation in order that it continues to be appropriate. It is not expected this IPS will change frequently; in particular, short-term changes in the financial markets should not require adjustments to this IPS. It is the intention of the Foundation to ensure that this IPS is continually appropriate to the Foundation's needs and responsive to changing economic and investment conditions.

## **SECTION XI ----- POLICY REVIEW**

- 11.1 The Policy shall be reviewed at least annually in order to determine whether any modifications are necessary or desirable. Such review shall consider whether there has been:
- (a) a fundamental change in the Foundation's circumstances
  - (b) significant revisions to the expected long-term trade-off between risk and reward on key asset classes or within individual Pooled Funds
  - (c) shortcomings of the Policy that emerge in its practical operation
  - (d) significant recommendations by a Manager
  - (e) changes in applicable legislation