



EFFECTIVE: JANUARY 1, 2023

Investment Policy Statement

POLICY 3.0

APPROVED BY THE BOARD OF DIRECTORS, NOVEMBER 24, 2022



**THE COMMUNITY
FOUNDATION**
building a greater saint john

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Section 1 – Definitions, Goals and Purpose

Definitions

1.1 In this policy:

- a) **Benchmark Portfolio** means the portfolio described in section 6.2 of this Policy Statement
- b) **Board** means the Board of Directors of the Foundation.
- c) **Consolidated Investment Fund (Fund)** means the aggregate of the assets which the Foundation holds, to include the Old Ladies Home of Saint John Fund, as investment capital or as re-invested Investment Earnings in each individual endowment fund
- d) **Custodian** means the custodian(s)/trustee(s) appointed by the Foundation to hold the Fund.
- e) **Foundation** means The Greater Saint John Community Foundation Inc.
- f) **Finance Committee** means a standing committee of the Foundation's Board
- g) **Investment Earnings** means the gross return on investment obtained on the Fund including interest and dividends received, accrued interest, and realized and unrealized capital gains/losses, net of transaction and custodial fees, applied on a proportional basis to each endowment fund.
- h) **Investment Manager(s)** means the Manager(s) appointed by the Foundation to manage the Fund.
- i) **Policy Statement** means this Statement of Long-Term Investment Policies and Goals.

Goals & Purpose

1.2 This document constitutes the Statement of Investment Policies and Procedures applicable to the Consolidated Investment Fund and any other related funds of the Foundation which was established by The Board of Directors of the Foundation to provide monies to operate the Foundation and make gifts to deserving organizations while preserving the capital of the Fund.

1.3 The primary goal of the Foundation is to provide its beneficiaries with a reasonably stable flow of income that maintains its purchasing power over the long term.

1.4 The purpose of this Policy Statement 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.

1.5 This Policy Statement applies only to the Foundation's Fund and addresses the manner in which the Fund shall be invested. The Foundation has prepared this Policy Statement to ensure continued prudent and effective management of the Fund. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation. This Policy Statement also defines the management structure and other procedures adopted for the ongoing operation of the Fund.

1.6 Any Investment Manager or other party providing services in connection with the Fund shall accept and adhere to this Policy Statement.

1.7 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 2 – Fund Administration and Governance, the Finance Committee, Manager(s) & Custodian(s)

Fund Administration and Governance

- 2.1 The Foundation, through its Board, is the administrator of the Fund. The Board has established a governance structure and delegated to the Finance Committee certain aspects of the Fund's operations.
- 2.2 In fulfilling its responsibilities, the Finance Committee may delegate to or otherwise utilize employees of the Foundation where appropriate. The Finance 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 the Finance Committee shall be interpreted as referencing the appropriate delegate.
- 2.3 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 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 Categories of Funds
- a) funds owned by the Foundation which are received primarily by way of gifts and bequests and which may include:
 - Designated (restricted) Funds (i.e., grantee to include but not limited to a registered charity, social purpose, non-profit or charitable field-of-interest as specified by the donor), which funds may include the Foundation’s administrative endowment fund, and
 - Community (unrestricted) Funds, which are sometimes referred to as the “undesigned (unrestricted) funds” (i.e. the Foundation has full discretion to choose the grantee); in addition,
 - b) funds may also be held on behalf of others under Managed Fund agreements (i.e. Managed Funds).

The Finance Committee

- 2.8 The Finance Committee shall:
- a) Establish and adopt the Policy Statement;
 - b) Review the Policy Statement at least annually, and confirm or amend it as needed;
 - c) Recommend to the Board a Custodian to hold the Fund;
 - d) Recommend to the Board a Manager to manage the Fund;
 - e) Periodically review and evaluate the Manager(s) and its performance, including:
 - (i) A bi-annual evaluation of the rates of return achieved and a comparison of them to the objectives established;
 - (ii) A bi-annual evaluation of the degree of risk assumed in the pursuit of investment returns; and
 - (iii) At least every three years a review of the Manager(s) in the context of the criteria used for its appointment;
 - f) Delegate tasks relating to the overall management of the Fund to select employees of the Foundation and/or to select agents retained for that purpose; and
 - g) Report to the Board regarding the completion of its responsibilities at least bi-annually.

The Investment Manager(s)

2.9 The Investment Manager(s) shall:

- a) Manage the Fund, subject to all relevant legislation and the constraints and directives contained in this Policy Statement and in any supplementary document provided by the Finance Committee;
- b) Provide quarterly written reports of investment performance results with a minimum of bi-annual meetings;
- c) Identify provisions in this Policy Statement that may need to be revised due to new investment strategies or changes in the capital markets.

The Custodian(s)

2.10 The Custodian(s) shall:

- a) Perform the regular duties required of a Custodian(s)/trustee(s) by law;
- b) Perform the duties required of a Custodian(s) pursuant to agreements entered into from time to time with the Foundation; and
- c) Provide the Finance Committee with periodic portfolio reports of all assets of the Fund and transactions during the period.

2.11 Fiscal Year

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

Section 3 - Foundation Overview and Investment Implications

Foundation Overview

3.1 The Foundation is a registered charity as defined in the *Income Tax Act*. The Foundation utilizes a disbursement formula (see Income Distribution Policy #3.6), as may be amended periodically, in order to provide grants to certain beneficiaries perpetually into the future. Generally it is expected that this disbursement formula will be based on the expected investment return net of inflation, applied to the Fund. Under this arrangement current and future beneficiaries bear the investment risk.

Investment Implications

3.2 The level of volatility of disbursements to beneficiaries will depend on the volatility of returns and the disbursement formula (see Policy #3.6) that is used. Therefore, to assess the risk tolerance of the Foundation, it is important to consider the risk tolerance of its beneficiaries and any risk mitigating impact that the disbursement formula may provide. In addition, consideration needs to be given to the preferences of the donors. The asset mix is expected to

reflect the risk tolerance of a range of beneficiaries and the expectations of a range of donors. The Finance Committee has undertaken to invest the Fund in conformity with this Policy Statement, and neither the Board nor the Foundation will be responsible to the donors or the beneficiaries for any loss suffered by the Fund so long as the Finance Committee invests and manages the Fund in conformity with this Policy Statement, exercising the care, skill, diligence and judgement that a prudent investor would exercise.

Section 4 - Investment Objectives, Philosophy and Responsible Investing

Investment Objectives

The Foundation's primary investing goals are to generate returns sufficient to provide current and future funding for its granting, programs and services; ensure financial stability in the event of an unexpected shortfall; and ensure, whenever possible and prudent, the investment portfolio is invested to support the Foundation's purpose and values using responsible investing through Environmental, Social, Governance ("ESG") screening and direct impact investments. In particular, the Foundation strongly supports that the portfolio incorporate the following factors:

Diversity & inclusion, including gender equality: Diversity, equity and inclusion are not only central to the Foundation's values and mission, but we believe that they also generate better investment results over the long term.

Climate: We believe that our investment objectives are also best met, and our mission truly achieved, if they are consistent with a goal of net-zero carbon emissions by 2050, consistent with the Paris Climate Accord.

Indigenous Peoples: We adhere to active stewardship and investment practices that are aligned with the United Nations Global Compact on Human Rights and the United Nations Declaration on the Rights of Indigenous Peoples throughout the World, with a particular focus on reconciliation and respect for the rights of First Peoples in Canada.

To achieve the Foundation's objectives, the **target** real rate of return for the combined portfolio, net of investment management fees, is 7.0% per annum. This target rate of return incorporates the Government of Canada's proposed new minimum distribution requirement of 5.0% and the Foundation's administration costs of 2.0%.

The Foundation's target rate of return, net of investment management fees, is the proposed new minimum distribution requirement of 5%. This rate of return may not be achieved in each and every year; however, the portfolio is expected to generate this minimum return on investments over rolling 5-year periods.

It should be noted that for the portfolio's direct impact investments, the primary objective is to generate an impact that aligns with the Foundation's values, with the secondary objective being financial returns. The Foundation will strive to generate an impact locally but recognizes that it may not always be possible to find appropriate investments. The Foundation will therefore also consider impact investments that generate impacts at the national and global level, provided they are aligned with the Foundation's values.

Investment Philosophy and Approach

- 4.4 The Finance Committee will from time to time review and confirm its investment philosophy and approach:
- a) Equity investments provide greater long-term risk-adjusted returns than fixed income investments, although with greater short-term volatility;
 - b) It is prudent to diversify the Consolidated Investment Fund across the major asset classes;
 - c) Investment Managers with active mandates can enhance risk-adjusted returns through security selection and asset allocation strategies;
 - d) Investment Managers with active balanced mandates can reduce portfolio risk below the risk of a portfolio with a static asset mix and should add value through security selection and asset allocation strategies;
 - e) The Finance Committee has the resources and skill to identify and recommend investment managers to the Board; and
 - f) The Finance Committee considers asset management fees as part of the overall investment decision-making process.

Responsible Investing

Responsible Investing

The Finance Committee is guided by certain principles as they relate to responsible investing:

- a) That the Fund must be invested to achieve the best possible risk-adjusted rate of return on the Fund's assets
- b) That portfolio diversification is necessary to achieve these returns
- c) That responsible corporate behaviors with respect to environmental, social and governance (ESG) factors can have a positive effect on long-term financial performance (to varying degrees across companies, sectors, regions, assets classes and time)
- d) That consideration of ESG issues may better align the portfolio with the interests of our stakeholder.
- e) That imposing constraints on portfolio investments may increase risk or reduce returns or both

These principles are consistent with the United Nations Principles for Responsible Investment (UNPRI) which are considered best practice in the area of responsible investing.

The principles will be applied by :

- a) Encouraging investment counsel and other service providers to incorporate ESG issues into investment analysis and decision making,
- b) Requiring annual disclosure by Investment counsel of the processes by which ESG factors are incorporated into the investment decision making process.

Section 5 - Permitted Categories of Investment and Derivatives

Permitted Categories of Investment

- 5.1 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 depository 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
 - Canadian Preferred shares must have a minimum DBRS credit rating of PFD-2 or an equivalent rating by another well-established rating agency
 - 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.
 - e). **Alternatives - NEW**

Alternative investments are permitted within the portfolio and will be classified as equity regardless of the investments held with the alternative investment fund.

 - Real Estate, including direct investment in commercial projects
 - Fixed Income alternatives
 - Infrastructure investments through P3 projects with provincial and federal governments
 - Alternative assets should be liquid. No investments will be made with lock up periods greater than 6 months.

Derivatives:

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

Section 6 - Asset Allocation, Classes, Permitted Deviations and Benchmarks

6.1 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.

6.2 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%		
55% Equity Breakdown			
Canadian Equities	20%	+/-10%	S&P TSX Composite
US Equities	20%	+/-10%	S&P 500
International Equities	20%	+/-10%	MSCI EAFE
Alternatives	0%	+/-10%	
Emerging Markets	0%	+/-10%	

Permitted Deviations:

6.3 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:

6.4 Each of the benchmarks selected is recognized by the investment industry as an independent and credible representation of the investment opportunity. The portfolio will be evaluated by the investment committee based on the strategic Asset Allocation Targets and their respectable benchmarks listed above in section 6.2

Section 7 - New Asset Classes, Rebalancing and Portfolio Diversification

New Asset Classes

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 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

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.

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

Section 8 – Portfolio Diversification, Constraints, Risk and Return Expectation and Loans and Borrowing

Portfolio Diversification

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.

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.

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.

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.

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.

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.

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.

Risk and Return Expectations

The long-term objective of the Fund is to earn an amount equal to or greater than the rate of inflation plus five percent (5%) 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.

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).

Loans and Borrowing

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 Statement for Fixed Income or Cash Equivalent investments.

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.

The lending of securities is permitted, subject to applicable legislation and review of the arrangement by the Finance Committee.

Section 9 – Voting Rights and Conflict of Interest

Voting Rights

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.

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.

Conflict of Interest

Those Governed

This Policy Statement applies to the Foundation, the Board, the Finance Committee and other sub-committees of the Board, the Manager(s), the Custodian, and any employee, agent, or third party retained by any of the foregoing to provide services to the Foundation.

Conflict of Interest

Any person or group listed above may not exercise their powers in their own interest or in the interest of a third person, nor may they place themselves in a situation of conflict or potential conflict between their personal interest and their duties with regard to the investment of the Fund. Board and staff members must also adhere to the Foundation's Conflict of Interest Policy #1.4.

Any person or group listed above shall disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Fund. Without limiting the generality of the foregoing, this would include material benefit from any asset held in the Fund, or any significant holding, or the membership on the boards of other corporations, or any actual or proposed contracts with the any agent of the Foundation.

Procedure on Disclosure

Any person or group listed above shall disclose in writing the nature and extent of his or her interest to the Foundation immediately upon first becoming aware of the conflict. The disclosure must be made orally if the knowledge of the conflict arises in the course of discussion at a meeting.

If the party disclosing the conflict has the capacity to participate in or to make decisions affecting the investment of the Fund, the party may only continue to participate with the approval of the Foundation. The party may elect not to participate with respect to the issue in conflict. If the party disclosing the conflict has voting powers, the party may continue to participate with respect to the issue only with the unanimous approval of the other participants with voting rights. The party's notification shall be considered a continuing disclosure on that issue for purposes of the obligations outlined by this policy.

Section 10 – Valuation of Investments

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.

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 11- Investment Manager Structure, Evaluation and Termination

Investment Manager Structure

The Finance Committee has retained an Investment Manager(s) and shall invest in the Investment Manager's pooled funds (the "Pooled Funds") to achieve the Fund's rate of return objectives. Copies of the Investment Manager's investment policy statements for the Pooled Funds are attached as Appendix A or subsequent appendices, and the Finance Committee adopts the guidelines of those statements.

Quantitative Evaluation

The primary, overall performance objective for the Investment Manager(s) shall be to exceed the returns that could have been earned by passively investing in the component benchmark indices of the relevant Benchmark Portfolio over a five-year rolling period.

For the purpose of measuring rates of return of the Fund, all returns shall be measured before investment management fees, but after transaction costs, and over a rolling five-year period. All index returns shall be total returns. All foreign index returns shall be Canadian dollar returns.

Qualitative Evaluation

The Finance Committee shall evaluate the Investment Manager(s) on qualitative criteria with the following frequency:

- a) Overall adherence to this Statement; bi-annually
- b) Consistency of the Investment Manager's portfolio activities, style and philosophy with its stated style and strategy; bi-annually
- c) Retention of the Investment Manager's professional staff and replacement of the Investment Manager's staff lost by retirement, resignation, etc.; Annually
- d) Quality of communication with the Investment Committee; Annually
- e) Competitiveness of fees; Every three years
- f) Characteristics of the Investment Manager's firm (e.g., ownership, growth in assets under management, client retention/loss, etc.); Annually
- g) Consistency of key personnel and their role in investment decisions; Annually

Termination

The Finance Committee will consider recommending that the Board terminate the/an Investment Manager when one or more of the following circumstances prevail:

- The Investment Manager's investment performance results have been below expectations;
- The Investment Manager's short-term underperformance is due either to a change in the Manager's investment style, process or discipline which is no longer appropriate given the Portfolio's requirements or to a change in the Manager's key investment personnel;
- The Investment Manager's reporting and client service are unsatisfactory; or
- The Finance Committee has concerns regarding the Investment Manager's ethics.

Notwithstanding the above, the Board may terminate the Investment Manager for any reason that it deems appropriate.

Section 12 – Policy Statement Review

12.1 The Committee shall review the Policy Statement at least annually, taking into account whether any developments such as the following have occurred:

- a) Governance changes;
- b) Changing investment philosophy;
- c) Changing risk tolerance;
- d) Changed expectations for the long term risk/return trade-offs of the capital markets;
- e) New investment products;
- f) Changes to legislation; and
- g) Any practical issues that arise from the application of this Policy Statement.