

Investment Policy



Version 2.7 – April 7, 2017

Charitable Registration No: 872708367 RR0001

1. Introduction

- 1.1 The Christian School Foundation (the Foundation) is a federally incorporated public foundation with charitable status whose purpose is to financially support its member schools.
- 1.2 The purpose of this policy is to set forth the general guidelines under which the assets of the Foundation are managed by the Board of Directors. The Board of Directors shall not be limited to investments authorized by laws for Trustees, provided such investments are reasonable, prudent and show good judgement and keen discernment under the circumstances and do not constitute, either directly or indirectly, a conflict of interest.
- 1.3 The long-term success of the management of Foundation funds is enhanced by the input and monitoring of this activity by competent/qualified individuals and professionals. Such individuals can provide broad guidance and oversight that would be difficult to develop within the Foundation Board of Directors as a whole. Therefore, an Investment Committee (the Committee) is appointed and made up of qualified individuals and functions as follows:
 - a. Provides regular performance reports
 - b. Is accountable to the Foundation Board via the Board's Executive Committee and
 - c. Makes use of outside professional investment managers/advisors as necessary.
- 1.4 The Foundation's Board of Directors has delegated routine decision making on investment matters to the Committee. Non-routine matters, as described under 5.1 will be considered by the Committee, with corresponding recommendations developed for review and consideration by the Foundation's Executive Committee as the agent for the Board of Directors.
- 1.5 No member of the Committee may have any material pecuniary interest in, or benefit from, directly or indirectly, any matter in which the funds under management are concerned.

2. Investment Objectives

- 2.1 The Foundation's investment objectives are:
 - a. To ensure safety of capital while realizing a competitive rate of return based on the objectives for each investment sleeve.
 - b. to realize a competitive return on investments in order to produce adequate earnings to cover projected or committed distributions to member schools
 - c. to provide operating revenue (as part of management fees assessed) and preserve the value of the gifted capital where endowments have been established as permanent Funds

- d. to make sound and secure investments that will be in keeping with prudent and professional portfolio management
- e. to earn a reasonable return relative to the expected life-span of each particular Fund
- f. to invest the funds in a manner that is in keeping with the time frame the funds are to be utilized
- g. to invest the funds in a manner consistent with the values of the Foundation

3. Risk

3.1 Attitude to risk

The Foundation relies on the investment return in part to fund the making of gifts and grants to its member schools. A key risk to the long term sustainability of the Foundation is inflation, and the assets should be invested to mitigate this risk over the long term.

3.2 Assets

Appropriate assets may be invested in the following way:

- a. Fixed Income
 - GIC's with institutions of high quality.
 - Canadian, Provincial and Municipal bonds and treasury bills
 - Investment grade corporate bonds
 - Real return bonds
 - High yield bonds
 - Pooled fixed income funds
- b. Equities
 - Canadian and Foreign high quality equities
 - Mutual Funds, Segregated Funds and Pooled funds
 - Exchange traded funds
 - Index Funds
- c. Balanced funds, third party or self-developed.
- d. Alternative Investments
 - Mortgages and mortgage pooled funds
 - Revocable Deposit Agreements specific to Christian Stewardship Services
 - Real Estate
- e. Life Insurance, cash value and life time (life to 100) life insurance policies assigned to the Foundation

The Committee will aim to utilize a range of allocation for each investment pool. Funds for various needs and projects should have an asset allocation that is in keeping with the time frame in which the funds are to be utilized. The Foundation's Asset Allocation Chart will be developed and maintained as a separate document and used to guide diversification as needed.

In order to reduce volatility and exposure, the Committee will ideally utilize multiple investments within a pool (i.e. diversified). Therefore, the investment pools are expected to utilize differing investments and allocations, providing diversification.

As a means to staying true to its Mandate, the Committee will make as part of its default practice the use of Fund/Portfolio Managers for the placement of investment assets.

Special circumstances may exist from time to time which may warrant deviation on a temporary basis from the standard investment guidelines. Any deviation from standard guidelines requires Executive Committee approval.

3.3 Currency

The base currency of the investment portfolio is the Canadian dollar.

3.4 Credit

The Foundation's cash balances should only be deposited with financial institutions, such as chartered banks and credit unions, with the highest of ratings (for example, as available through the Dominion Bond Rating Service, Standard & Poor's or the Canadian Deposit Insurance Corporation). For unrated investments the credit worthiness will be determined independently by the Foundation's investment committee.

3.5 Other

The Foundation will request of Christian Stewardship Services that they notify the Foundation of any changes to their investment policy as part of their annual reviews. This critical component to satisfying the Foundation's fiduciary responsibilities is based on the recommendation from a Public Guardian & Trustee's Office lawyer that the Foundation's investment policy not be more restrictive than that of Christian Stewardship Services.

The Foundation will not enter into Life Income Agreements as it is not positioned to take on any debt obligations. As such, all *Charitable Gift Annuity* contracts are arranged through a third party such as Christian Stewardship Services.

4. Asset Allocation

- 4.1 As the funds to be invested have many different characteristics and end purposes, there are a number of investment sleeves through which both externally and internally restricted funds are accounted for and are managed accordingly. Note: The unrestricted cash to operate the Foundation is held in the bank account and not considered here for investment purposes. The same is true for strictly flow-through funds/gifts.

The primary investment sleeves are as follows:

- a. Short term sleeve – for funds required in two years or less
- b. Intermediate term sleeve – for funds required between two and five years
- c. Long-term sleeve – for funds to be held for longer than five years but short of ‘in perpetuity’
- d. Fixed term sleeve – where funds have been designated to be held for a specific number of years – eg. a gift designated to be distributed as a blend of capital and principal over 25 years similar to that of an annuity – or – a gift where the principal sum is designated to be held intact for a specified period of time and thereafter a blend and capital and earnings disbursed.
- e. *In Perpetuity* sleeve – for funds designated as permanent endowments where the underlying capital can never be encroached upon for disbursement purposes.

The Committee approves guidelines for the appropriate investment vehicles for each of the deposits. Safety of principal is given great consideration in all circumstances.

It is possible that different sleeves have a similar investment objective for portions of their portfolio. When this is the case, funds from more than one pool may be placed in the same investment or with the same portfolio manager.

5. Gift Acceptance

- 5.1 At times, gifts of assets other than cash are received directly from donors. In addition to the importance for the Foundation staff to consult where prospect gifting circumstances are outside of what would be considered straightforward ‘cash’ gifts, the following guidelines also govern:
- a. Publicly traded stocks or other securities are transferred in-kind to the Foundation’s Brokerage Account at CIBC Wood Gundy for immediate sale. Only under special circumstances, and as supported by the Committee and approved by the Executive Committee or Board, will transferred stocks or securities be held for a later redemption if requested by a donor.
 - b. Non-publicly traded securities – input is sought from the donor as to preferences regarding how and when the securities can be converted to useable funds. A potential gift must be reviewed and approved prior to acceptance as these securities may present some unforeseen problems. A review should be

conducted by the Committee with recommendations made to the Executive Committee as to the appropriateness of accepting any such gift.

- c. Real Estate – none can be accepted until approved by legal counsel. Details such as information about any liens, litigation and/or environmental issues, among others (i.e. ownership structure, tax information, required Environmental Phase I assessment, appraisal by registered individual, etc.) will be needed. There may not be positive cash flow for the Foundation in all cases. The goal is to convert such donations to cash as soon as possible to minimize the management and monitoring responsibilities as well as the vulnerability to a loss in value.
- d. Gifts of Life Insurance Policies may be retained and held until the death benefit is realized (especially if requested by donor). Each gift is to be assessed independently and thoroughly to mitigate any risks and liabilities, in particular for situations where there is a potential need to supplement premium payments in the longer term.

6. Investment Restrictions

- 6.1 This section to eventually be transitioned into a mandate document customized for each fund manager engaged.
- 6.2 The Committee will aim to not place investments in companies which are not compatible with the values or mission of the Foundation.
 - a. Not more than 5% of any pool can be invested in one company, excepting:
 - i. There is no limit on Government of Canada securities
 - ii. Investments in mutual funds, which do not violate this standard if they include a broad base of assets in the fund.
 - b. The investment policy makes no provision for the placement of funds in private investments. When such investments are donated, it shall be the practice to liquidate such gifts as soon as feasible.
 - c. No warrants, options, or commodity futures.
 - d. No purchases on margin, and securities will not be sold short.

7. Environmental, Social & Governance Considerations

- 7.1 Also known as Socially Responsible Investing – and will be considered together with our fiduciary responsibilities around current and future beneficiaries of the Foundation’s investment assets.
- 7.2 The consideration of environmental, social and governance (ESG) factors that may have an impact on the financial performance of the asset pool is consistent with our fiduciary duty to our donors and member schools, in that it aims to both maximize returns and yet protect the assets from downside risks. Our Christian world-view may however rule out participation in certain investments even though they provide a good return.

7.3 The Foundation will incorporate ESG factors in its investment practices by the following means:

a. Based on our Christian principles

To the best of its ability, the Investment Committee will review the listing of individual investments within its asset pool on a (minimum) semi-annual basis in light of our Christian beliefs and standards. We understand that any decision to exclude or include certain assets will always be a judgement call however, there will be obvious investments where the predominance of their products and revenue generated is from activities that we would find unpalatable. The role of the Committee is to monitor the listing of investments for performance, composition and adherence to our policies and provide feedback to the manager where, in the opinion of the committee, changes are warranted.

b. Investment/Portfolio Manager Selection

The integration of ESG factors in the investment determination process will be an additional criterion in the selection and retention of the portfolio/investment managers. Alongside financial, economic and other risks, investment/portfolio managers should weigh in relevant risks and opportunities posed by ESG factors on the value of our investment assets over both the short and long term horizons.

c. Proxy Voting

The Committee views proxy voting to be an important component of engagement. Investment/Portfolio managers are required to provide the Committee with access to their proxy voting record, and to report on their proxy voting history on an annual basis. The Committee expects of any investment/portfolio manager to consider shareholder proposals on ESG issues on a case-by-case basis, and to support proposals where disclosure practices in the area of ESG matters need to be improved to properly assess prospects for long-term value.

d. Investment/Portfolio Manager Monitoring:

In addition to standard financial reporting, our investment/portfolio managers will be asked to report annually on their responsible investment initiatives. The Committee is to receive a report on a (minimum) semi-annual basis from the manager which the committee will monitor and provide feedback to the manager regarding portfolio makeup as decided by the committee members.

8. Management, Reporting and Monitoring of Medium and Long-term Funds

8.1 The investment of funds requires specific skill and expertise. As such the use of external investment advisors or portfolio managers will be the preferred practice.

8.2 The Committee selects the fund managers to manage funds assigned to them. The investment results of each manager or advisor is compared at least annually with

appropriate benchmarks for the type of manager and investment. The benchmarks are agreed upon between the Committee and each advisor at the point of hiring.

8. Approval and review

This Investment Policy Statement was prepared by the Investment Committee of the Christian School Foundation to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

Version 2.6 recommended for by the Investment Committee for adoption as of February 17, 2017

Version 2.7 adopted by the Executive Committee as of April 7, 2017

Approved by the Board of Directors as of May 2/3, 2017