

# ‘Operations – Fiscal Management – Endowment Fund and Long - Term Investment Policy’ Board Policy (4.1.8)



**Published Date:** June 2012  
**Revision Date:** January 2020  
**Review Date:** January 2023

---

## INVESTMENT POLICIES & PROCEDURES

There is a standard of care that is imposed on the directors and officers of a charity which affects the actions and activities of individuals who govern the affairs of the charity. The standard of care also addresses the extent to which the directors of a charity may delegate their responsibilities. One area of delegation involves the investment of a charity’s funds. The Trustee Act (the “Act”) of Ontario addresses the requirements for the board of directors of a charity to have an investment policy and a monitoring system to oversee the implementation of such a policy.

This investment policy sets out guidelines for the Board of Directors (the “Board”) and management to:

1. identify dollars available for investment,
2. determine the appropriate investment types and duration,
3. measure the acceptable rate of return, and
4. generally, assist the board in meeting its fiduciary duty with respect to making informed investment decisions.

The Act includes a list of seven mandatory criteria that the board of a charity must consider when making investment decisions. These seven criteria are as follows:

- General economic conditions;
- The possible effect of inflation or deflation;
- The expected tax consequences of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio;
- The expected total return from income and the appreciation of capital;
- The need for liquidity, regularity of income and preservation or appreciation of capital; and
- An asset’s special relationship or special value to the purposes of the trust or one or more of the beneficiaries.

# **‘Operations – Fiscal Management – Endowment Fund and Long - Term Investment Policy’ Board Policy (4.1.8)**



*This policy incorporates these criteria and also addresses non-financial concerns. It is intended to be consistent with all federal and provincial legislation and the best practices and ethical standards including, but not limited to, Imagine Canada, Canadian Council of Christian Charities, Canadian Council for International Co-operation, the Association of Fundraising Professionals & the Canadian Association of Gift Planners.*

## **Investment Considerations**

World Vision Canada has created and is marketing and managing perpetual and long-term endowment funds. Each source of funds identified for investment must be invested in accordance with this Policy and as outlined below.

## **Investment Objectives**

Prior to the amendments to the Trustee Act (1999), the primary investment objective for charities was “security of capital” and investments of a charity’s funds were restricted to a prescribed list of qualified investments. The amended Act has eliminated the list of qualified investments and replaced it with the “prudent investor rule”. As a result of this change and the shift in public investment return expectations, the “security of capital” objective needs to be balanced with the “return on investment” objective. To balance these two primary objectives, management will have to consider such factors as liquidity, inflation and capital growth.

## **Investment Term**

Funds should be invested for terms appropriate to the timing of the need for the proceeds.

## **Types of Investments**

The appropriateness of the investment instrument is dependent on the investment term, market conditions and inflation outlook.

Both actively managed funds and passive index funds are permitted investments.

Business areas in which entities make a significant portion of their revenue from activities related to tobacco, weapons, gambling, pornography and exploitative credit (interest rates significantly above market average, usury, predatory lending) are designated as ‘excluded sectors’. Any funds with significant exposure to such excluded sectors are ineligible as a permitted investment (“Excluded Funds”). For purpose of this Policy, significant means 5% or more, of revenue.

# ‘Operations – Fiscal Management – Endowment Fund and Long - Term Investment Policy’ Board Policy (4.1.8)



Where WVC has accepted a specific gift or bequest in accordance with its Gift Acceptance Policy, WVC shall ensure that any investment of the funds complies with the terms and conditions set out in the gift instrument, provided that under no circumstances will WVC invest in Excluded Funds. Such terms and conditions shall take precedence over all other aspects of this Policy, save and except the ability to invest in Excluded Funds.

## Investment Limits

Aggregate fund investments will have asset allocation targets as follows:

		Target	
1.	Cash equivalents	0% to 100%	5%
2.	Fixed income	0% to 60%	50%
3.	Equity	0% to 60%	45%

Funds that will be needed within a 12-month period will be invested in fixed income and cash equivalents.

Foreign Equity investment shall not exceed 45% of a given fund source with a target of 30%.

## GOVERNANCE

### Portfolio Management

To simplify the investment portfolio, management shall set up one or more investment funds. Every source of investment funds which is permitted to be commingled with other similar funds shall be invested in the fund designed to accommodate such investments.

The overall investment portfolio of each fund must be constructed in accordance with the investment considerations described above and must be diversified by type, geographic distribution and sector concentration.

Rates of return shall be measured against standard benchmarks.

### Reporting

Management shall ensure that the books of account adequately reflect the purchases, sales, gains/losses, and investment income as required by generally accepted accounting principles.

Management will ensure that the investment portfolio and performance is in full compliance with the letter and intent of this Policy. Management will issue quarterly reports to the Board of Directors.

# **‘Operations – Fiscal Management – Endowment Fund and Long - Term Investment Policy’ Board Policy (4.1.8)**



The Board of Directors will review quarterly reports and recommendations and take appropriate action.

## **Review of Performance and Policy**

Management shall review the quarterly reports to determine if appropriate changes are required.

The economy, the investment environment and the investment opportunities/challenges that the organization faces are constantly changing. To that end, this Policy shall be reviewed at least every three years at a meeting of the Board to ensure that it is still appropriate for the circumstances then present.