‘Operations – Fiscal Management – Endowment Fund Investment’
Board Policy (4.1.8)

Published Date: June 2012

Revision Date: Jan. 2013

Review Date:

<u>Board Policy 4.1.8</u>

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”), the Investment Committee (the “Committee”) 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.

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, , Association of Fundraising Professionals & the Canadian Association of Gift Planners.

Investment Considerations

World Vision Canada has created, is marketing and managing perpetual and long term endowment funds. Each source of funds identified for investment, whether by way of funds beneficially owned, or from funds under administration, must be invested in accordance with the policy outlined below. The organization has different sources of funds - these are funds beneficially owned to pursue the organization’s own charitable purposes and funds which it administers as trustee for specific purposes, or for others.

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, the committee will have to consider such factors as liquidity, inflation and capital growth.

Investment Term

To support the dual objectives of “security of capital” and “return on investment”, funds should be invested for the longest term possible subject to the market conditions at the time that investment funds become available. The length of time that funds can be tied up in particular investment instruments needs to be considered in determining the appropriate investment mix. The various terms are:

Very short term (cash or near cash)	Less than 1 year
Short term (low tolerance instruments)	1 - 3 years
Medium term (medium tolerance instruments)	3 - 10 years
Long term (high tolerance instruments)	10 years or more

‘Operations – Fiscal Management – Endowment Fund Investment’
Board Policy (4.1.8)

Types of Investments

The appropriateness of the investment instrument chosen for particular funds available is dependent on the investment term, market conditions and inflation outlook.

No direct investments shall be made in corporations that are directly engaged in the production and distribution of products or services that would be in conflict with the primary purpose of the organization. Such unacceptable investments would include, but are not limited to, investments in corporations which produce or distribute products or services such as tobacco products, weapons and support of conflicts, mind altering substances without prescriptions, gambling, corruption, infringement of internationally recognized human rights , immoral exploitation of the human body, exploitation of the underprivileged or disabled, and degradation of the environment

Wherever possible, professional fund managers that are engaged will be encouraged to avoid these types of investments.

Investment Limits

For funds that will not be needed within a 12-month period, the aggregate fund investments will have an asset allocation as follows:

1.	Cash equivalents	0% to 100%
2.	High yield security and bond funds	0% to 60%
3.	Equity and low yield equity funds	0% to 60%

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

No direct investment in an individual corporate security shall exceed 10% of the market value of the total investment portfolio.

Any investment in fixed income investments shall be rated at least BBB or equivalent (DBRS, Fitch)

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

GOVERNANCE

Portfolio Management

To simplify the investment portfolio management, the Committee 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 fund shall be unitized to permit each investment source to acquire and dispose of such fund units to accommodate its specific needs.

The investments of each fund shall be valued, at least weekly and the value of each outstanding unit shall be determined at that time. Based on the unit value determined in that way, additional units may be assigned to, or redeemed by specific investment sources.

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.

Investment Advisor

The Committee shall retain and oversee the services of an Investment Advisor who shall advise the Committee, at least two times per year:

- on any changes to be recommended to the Board regarding this Investment Policy,
- on the effectiveness of the Committee’s directions given to the Investment Manager in compliance with this Investment Policy and the seven criteria prescribed by the Act, and
- on the performance of the Investment Manager in respect of agreed upon standard benchmarks.

Meetings of the Committee may take place by means of electronic communication.

Committee Membership

The Committee shall be made up of four individuals holding the following offices:

- CFO
- Controller, and
- Two additional members appointed at the discretion of management, including a representative of the Gift Planning area

Investment Manager

The Investment Manager is a firm or individual who is neither the investment advisor nor any other member of the investment committee. They shall invest in accordance with the general directives given to them by the Committee. Specific target rates of return will be established with the Investment Manager at the beginning of their appointment and on an annual basis thereafter. Such rates of return shall be measured against standard benchmarks.

‘Operations – Fiscal Management – Endowment Fund Investment’
Board Policy (4.1.8)

Reporting

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

The Controller shall also prepare a quarterly report to the Committee outlining the relevant quantitative measures of each fund.

The Committee shall review the report from the Controller and the report from the Investment Advisor to ensure that the investment portfolio and performance is in full compliance with the letter and intent of this Investment Policy. The Committee will issue quarterly reports to the Board of Directors.

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

Review of Performance and Policy

The Committee shall, within ninety days of the fiscal year end, meet with the Investment Advisor to review the results of the investment portfolio to determine whether the performance benchmarks as set out at the beginning of the year have been met. If, in the opinion of the Committee, the performance benchmarks have been met and if the performance of the Investment Manager has otherwise been satisfactory, the Committee may reappoint the Investment Manager for the ensuing year. If the Committee determines that a replacement Investment Manager needs to be retained, a suitable replacement shall be made. The reappointed or replacement Investment Manager shall be evaluated with respect to the investment benchmarks agreed to for the ensuing year.

The economy, the investment environment and the investment opportunities/challenges that the organization faces are constantly changing. To that end, this Investment 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.