

FUNDY COMMUNITY FOUNDATION

STATEMENT OF INVESTMENT POLICY AND PROCEDURES

**Prepared by:
The Fundy Community Foundation Investment Committee**

A. INTRODUCTION

1. Purpose

The purpose of this Investment Policy Statement (“IPS”) is to outline the procedures and policies to effectively manage and evaluate the investment of the permanent endowment fund of the Fundy Community Foundation (“Foundation”).

2. Mission Statement

The mission of the Fundy Community Foundation is to improve the quality of life for the people of Charlotte County, N.B., through developing permanent endowment funds, making responsible grants and inspiring community leadership.

B. OBJECTIVE

The prudent and effective management of this portfolio has a direct impact on the Foundation’s ability to meet current funding needs. Our return objective is to exceed our chosen benchmarks. The funds are held in perpetuity and therefore the investment portfolio will also need to ensure that its capital is preserved on an inflation-adjusted basis.

It is appropriate that the Foundation take a total return approach to earning investment income. Total return includes interest, dividends and realized and unrealized capital gains. Taking a total return approach means that the Foundation would not look only to interest and dividend income to meet its funding level and administrative expenses. There would be an expectation that capital gains would also contribute to what could be disbursed. Interest and dividend income is relatively predictable. On a short-term basis, investment income from capital gains is not predictable and in some periods, a loss may be incurred.

The ability to make distributions each year will be based in part on the total rate of return earned by the Foundation. Modest volatility in the rate of return is desirable. Sufficient flexibility to make any specific income withdrawals is also desirable.

C. GUIDELINES AND INVESTMENT POLICY

1. Time Horizon

Long-term with expected perpetual time horizon.

2. Fiscal Year

The fiscal year for the Foundation is from January 1 – December 31.

3. Risk Tolerance

The Foundation recognizes that some risk must be assumed to achieve the long-term investment objective; in that regard, the Foundation is prepared to tolerate short-term, negative fluctuations.

4. Asset Allocation

a. Classes:

	Lower Limit	Target	Upper Limit
Cash/cash equivalents	0%	5%	15%
Fixed Income	35%	45%	60%
Equities	40%	50%	65%

b. Re-balancing to strategic allocation range (“Range”): The percentage allocation to each asset class may vary as much as plus or minus 5% from the Range depending on market conditions. When necessary, the investment manager shall re-balance the portfolio to bring the allocation within the Range in a manner it considers prudently appropriate, which may include:

- i. using any cash deposits or withdrawals that may occur, and
- ii. selling portions of an asset class that has relatively “over performed” and adding the sale proceeds to the asset class that has relatively “underperformed”.

5. Liquidity Requirements

Regular liquidity (i.e. cash) needs are required to provide operating funds for the Foundation and make disbursements from endowment funds as per each fund agreement.

The Foundation will provide to the Investment Manager once annually at the beginning of each fiscal year, a budget of cash requirements required to be expended for the upcoming fiscal year for administrative expenses and grants.

6. Performance Expectations for Fund

Time-weighted, nominal rate of return (after fees) to outperform (by at least 1%) the following market-based benchmark (being a composite index based on the following indices) with particular emphasis on outperforming the benchmark over three year moving time periods:

5% Government of Canada 91 day T-bill rate (cash and cash equivalents); plus
45% DEX Short/Mid Blend Benchmark; plus
50% Equities;
60% S&P/TSX 60 (Canadian equities) plus
40% 20% Standard and Poors 500 (US equities) and 20% Morgan Stanley
EAFE [overseas equities (Europe-Australia-Far East)]
100%

“Time-weighted” rate of return considers the period-by-period rate of return without regard to cash contributions to and withdrawals from the Fund.

7. Ethical Investment Standards

It is expected that all investments will fall within the normally accepted community standards for “ethical” investments. Proposed investments where there is any question in this regard will be reviewed by the Investment Committee and the Board.

8. Conflict Of Interest

The Executive Committee and/or Investment Manager must maintain a system to monitor conflict of interest situations, including a policy for internal disclosure and a system to ensure no personal benefit is derived or is perceived to be derived from transactions made on behalf of the Fund. Any such transactions are to be reported to the Foundation’s Investment Committee.

D. SECURITIES GUIDELINES

Generally, the “prudent investor” standard shall be followed in determining the eligibility of a security for investment: namely, that which a reasonable and prudent person would consider to avoid undue loss and to obtain a reasonable return.

1. Cash and Cash Equivalents

- a. At least R2 (using the rating of the Dominion Bond Rating Service (“DBRS”))

2. Fixed Income

- a. Notes, debentures and other debt securities;
- b. Pooled, segregated or both;
- c. Canadian fixed income:

Debt Rating (DBRS)	Maximum % of Market Value of Fixed Income Portion of the Fund
BBB	10%
A	50%
AA or higher	no limit

- d. No more than 10% in debt issues of any issuer except securities fully guaranteed by the Government of Canada or a province of Canada having a AA credit rating or better (using DBRS);
- e. Securities, other than Canada and provincial bond holdings, shall not exceed 60% of the market value of the fixed income portion of the Fund at the time of purchase.

(The Scotia Canadian Corporate Bond Fund is a conservative portfolio of approximately 50 high quality corporate bonds that is currently yielding 4.77 %.)
The current mix is:

AAA	32%
AA	33%
A	20%
BBB	11%
Federal Bonds	4%

3. Equities

- a. Publicly traded (i.e. listed on the Toronto Stock Exchange or other major stock exchanges), common or preferred equities, including securities convertible into same and warrants to purchase same;
- b. Geographical;
 - i. Canada and U.S. no limit
 - ii. Non-North American (EAFE markets only): no limit
- c. No more than 10% of the market value of the equity portion of the Fund in any one corporation.
- d. No derivatives for speculative trading or to create excess leverage.

E. 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 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.

F. CONTROL PROCEDURES

1. Reporting

The investment manager and/or custodian shall provide at least the following to the Foundation:

- 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 Foundations' annual financial statements.

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

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 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: and
 - iii. Comparison of the investment manager's performance with a universe of other investment managers 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.

EFFECTIVE DATE: March 13, 2008

APPROVED BY THE BOARD OF DIRECTORS: March 13, 2008

SUBJECT TO REVIEW: ANNUALLY

Margaret Ray Peterson, President

Hugh McKnight, Chair Investment Committee

No.	Name	Effective Date	Last Revised	Re-Affirm Date	Review Date
	Investment Policy	13-Mar-08	13-Mar-08		Annually
	Investment Policy	05-Mar-05	05-Mar-05		Annually
	Investment Policy	20-Apr-02	20-Apr-02		Annually
	Investment Policy	20-Sep-01	20-Sep-01		Annually