

Fundy Community Foundation

Investment Policy Statement

Revised April 8, 2010

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Fundy Community Foundation

Investment Policy Statement

1. Background and Purpose

Fundy Community Foundation (the “Foundation”) was incorporated under the Canada Corporations Act as a registered charity and public foundation. The mission of the Foundation is to improve the quality of life for the people of Charlotte County, through developing endowment funds, making responsible grants and inspiring community leadership.

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

This IPS supersedes any existing investment policy and will be reviewed on a regular basis to ensure that it continues to reflect the Foundation’s circumstances and requirements.

2. Roles and Responsibilities

2.1 Board of Directors

The Foundation is managed by the Board of Directors (the “Board”). The Board is ultimately responsible for the Foundation’s assets, and has a responsibility to:

- Act honestly and in good faith with a view to the best interest of the Foundation;
- Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- Approve the IPS;
- Appoint or dismiss members of the Investment Committee (the “Committee”);
- On recommendation from the Committee, appoint or dismiss the Investment Manager (the “Manager”); and
- Delegate management of all financial assets, other than the Portfolio, either to the Treasurer or if unavailable to others that the Board may choose. Such funds that are beyond the immediate cash needs of the Foundation, but are expected to be required within a year, are expected to be invested in redeemable investment certificates and money market mutual funds through the corporation’s banking institution.

2.2 Investment Committee

The Committee has the responsibility to take all reasonable steps to ensure that the Portfolio is properly administered. In order to achieve this, the Board will, on behalf of the Foundation, delegate the following responsibilities to the Committee:

- Maintain an understanding of legal and regulatory requirements and constraints applicable to the Portfolio;
- On a regular basis, review the IPS and recommend appropriate amendments;
- Recommend to the Board to select, engage or dismiss the Investment Manager, as required;
- In the event that the Investment Manager does not provide custodian services for the Portfolio, recommend to the Board to select, engage or dismiss a Custodian, as required;
- Monitor the Portfolio's performance on a quarterly basis;
- Ensure that the Portfolio is rebalanced, as necessary, per Section 5.3 of this IPS;
- Formulate instructions and mandates for the Investment Manager (the "Manager"), such that these instructions and mandates will derive from, reflect and be consistent with the provisions of this IPS;
- Monitor the Manager's performance and compliance with this IPS, and with any specialized instructions and mandates;
- Co-ordinate with both the Board and the Grants Committee to ensure availability of cash needed for operating expenses and grants;
- Provide to the Manager at the beginning of each fiscal year, a budget of cash requirements required to be expended for the up-coming fiscal year for administrative expenses and grants.
- Seek advice from one or more Investment Advisors, as required;
- Manage directly those funds of the Foundation that are not managed by the Investment Manager, as per Section 10 below;
- Take appropriate steps to resolve conflict of interest issues as provided for in Section 8 of this IPS; and
- Report the Committee's activities to the Board.

2.3 Investment Manager

The Manager will:

- Have full discretion in day-to-day investment management of the Portfolio, subject to this IPS and any amendments thereto, as well as to any specialized instructions and mandates issued by the Committee;
- Ensure that the Performance Expectations are met;
- Ensure that all transactions are completed on a 'best execution' basis;
- Have the authority to vote all proxies and, in exercising this authority, act prudently and solely in the interest of the Foundation. The Committee retains the right to instruct the

Manager on how to exercise voting rights, but recognizes that this may not be enforceable if the subject investments are held within a pooled fund;

- Provide regular reports to and meet with the Committee as provided for in Section 6 of this IPS;
- Recommend changes to this IPS or to specialized instructions and mandates issued by the Foundation;
- Provide advice and counsel with respect to the Portfolio;
- 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 Committee.
- Exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA (Chartered Financial Analyst) Institute's Code of Ethics and Standards of Professional Conduct; and
- Follow instructions regarding any pledge or other type of arrangements.

3. Investment Constraints

3.1 Legal, Regulatory and Taxation Status

The Foundation is registered as a charitable organization by the Canada Revenue Agency and as such is exempt from income tax provided it meets requirements enumerated in the Income Tax Act of Canada and associated regulations promulgated by the Canada Revenue Agency. Its year-end is December 31.

3.2 Time Horizon

For planning and Portfolio structuring purposes, it will be assumed that the investment time horizon of the Portfolio is long term (i.e. greater than ten years).

3.3 Liquidity Requirements

Regular liquidity (i.e. cash) needs are required to provide operating funds for the Foundation and to make disbursements from endowment funds as per each fund agreement. Therefore, all investments must be reasonably liquid at the time of purchase and thereafter. In the event that the Manager forecast a reduction in the liquidity of an investment, the Manager will make all reasonable efforts to liquidate the investment on a timely basis.

3.4 Risk Tolerance

The risk inherent in the Portfolio can also be viewed in terms of the likelihood that it will generate investment returns, which do not meet the performance objectives. The Portfolio should be structured and managed so as to provide for the generation of the maximum rate of investment return while assuming an appropriate level of risk as determined by the Foundation.

3.5 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 Committee and the Board.

3.6 Loans and Borrowing

No part of the Portfolio shall be loaned to any party, other than through the purchase of securities which otherwise meet the requirements of this Policy. Money shall not be borrowed on behalf of the Portfolio, and the Portfolio’s assets shall not be pledged or otherwise encumbered in respect thereof.

3.7 Additional Constraints, Inclusions and Exclusions

The Board reserves the right to instruct the Manager to exclude any asset, security or category of investment and will notify the Manager by written notice in the event that such restrictions are to be imposed. Investments in the following are prohibited:

- Private placements, limited partnerships or other non-marketable equity or debt instruments;
- Lettered, legend, unregistered or other restricted stock;
- Uncovered short positions;
- Leveraged positions;
- Direct real estate investments;
- Commodities;
- Derivatives other than for hedging purposes; and
- Hedge funds and other alternative investment vehicles.

The Committee shall have the right to retain any securities, real estate, or other investments given "in kind" to the Foundation for such period of time as the Committee, in its sole discretion, shall determine, even though such investments do not qualify under the terms of the IPS, or are prohibited investments under this Section.

No investment shall be made in a non-arm's-length transaction with any member of the Committee or the Board, or any employee of, or consultant to, the Committee or the Board.

The Board may place further constraints, limitations or requirements on the Portfolio in order to achieve specific short-term objectives.

4 Investment Objectives

4.1 Return on Investments

The prudent and effective management of this Portfolio has a direct impact on the Foundation's ability to meet funding needs. The Foundation's objective is to maximize a total investment return to meet the following:

- Generation of cash to meet the expenses of the Foundation, including the Manager's fees and granting objectives;
- Preservation of the capital;
- Generation of growth in the capital value of the Portfolio's assets.

4.2 Performance Expectations

The Manager is expected to add value to the Portfolio by achieving a total rate of return that exceeds the Minimum Goal. The Minimum Goal is calculated as the sum of the following:

- the returns which would have been expected from a passively managed Portfolio (as estimated by the Benchmark Index), plus
- any management fees and other costs associated with managing the Portfolio, plus
- 1% per year.

. The Benchmark Index will be calculated as a composite index based on the following indices:

Cash and cash equivalents	Government of Canada 91 day T-bill rate	5%
Canadian fixed income	DEX Short/Mid Blend Benchmark Index	45%
Canadian equities	S&P/TSX Composite Index	30%
US equities	Standard and Poor's 500 Index	10%
Other equities	Morgan Stanley EAFE	10%
	TOTAL BENCHMARK INDEX	100%

5. Security Guidelines

5.1 Eligible Asset Classes

5.1.1 Cash Equivalents

Cash equivalents will consist of instruments with terms to maturity up to 12 months. Cash equivalents originally issued with terms to maturity of 12 months or less will have a minimum Dominion Bond Rating Service (DBRS) credit rating of R2 or an equivalent rating by another well-established rating agency at the time of purchase and thereafter.

5.1.2 Fixed Income Instruments

Investments are required in fixed income instruments such as bonds, debentures, notes, coupons and residuals, asset-backed securities and preferred shares. These may be pooled, segregated or both. Such instruments must be:

Security	% of Fixed Income Investments
Issued or guaranteed by the Government of Canada or by a province having a AA credit rating or better (using DBRS); or one of their agencies	At least 40%
Issued or guaranteed by another Canadian provincial government or one of its agencies, or by a Canadian municipality or regional government, or by a Canadian corporation	No security to comprise more than 10%
Issued by a foreign government or a foreign corporation	Less than 10%

Canadian Preferred shares must have a minimum DBRS credit rating of PFD-3 or an equivalent rating by another well-established rating agency.

For other fixed income investments, the distribution of credit rating (DBRS) should be

Credit rating (DBRS)	Maximum Allocation (as % of Fixed Income Investments)
Lower than BB	None
Lower than BBB	10%
Lower than A	20%
Lower than AA	50%

5.1.3 Equities

Investments in the following equity securities are permitted:

- Common stocks;
- Rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;
- Income trust units;
- Mutual funds;
- Exchange traded funds;
- American Depositary Receipts; and
- Global Depositary Receipts.

Individual equities or equities held within equity funds must be listed on a major stock exchange.

Investment in the securities of any single issuer should not constitute more than 10% of the market value of the equity asset class.

5.2 Asset Mix

The long-term strategic asset allocation of the Portfolio should be as follows:

	Target	Permissible Range
Cash & Equivalents	5%	0% - 15%
Fixed Income Securities	45%	35% - 60%
Total: Cash & Equivalents and Fixed Income Securities	50%	35% - 75%
Canadian Equities	30%	20% - 35%
Global Equities	20%	20% - 30%
Total: Equities	50%	40% - 65%

5.3 Rebalancing

The Portfolio's allocation among asset classes will be reviewed on a regular basis. When allocations fall outside of the ranges established in Section 5.2, the Portfolio will be rebalanced.

6. Reporting

The Manager will be available for physical meetings with the Foundation on an annual basis, and will be available for telephone conference meetings on a quarterly basis. In addition, the Manager will be available for more frequent communication and meetings with the Committee as requested.

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

On a monthly basis, the Manager will provide the Committee with statements, which will include, at a minimum:

- a) a summary and a detailed listing of assets held in the Portfolio,
- b) the book value and current market value of each asset held in the Portfolio
- c) a listing of transactions (including deposits, withdrawals, receipt of interest and dividends, purchases, sales, corporate actions and fees paid) that occurred in the Portfolio during the reporting period

At the end of each quarter of the fiscal year, the Manager shall provide the Committee with at least the following:

- a) A commentary on the investment strategy and activity/tactics employed over the past quarter as well as a brief review and outlook for the economy and capital markets;
- b) Confirmation of compliance with the IPS;
- c) A report of any significant proxy issue(s) including any vote against management or on any unusual item(s);
- d) Information pertaining to changes of investment or senior management personnel and/or ownership structure, if any;
- e) Information pertaining to changes to the Manager's investment style, process or discipline or any other philosophical, operational or organizational matter that might reasonably be expected to have a bearing on the performance or risk profile of the assets managed by the Manager;
- f) A valuation of the Portfolio as at the end of the quarter, including the market value of each security;
- g) Data and commentary on the Manager investment performance (for the past quarter as well as for the past 1-, 3-, 5-, 7- and 10- year periods (if available) and since inception, relative to performance criteria established in this IPS;
- h) The performance, on an after-fees basis, of the Portfolio. These reports will detail performance in both absolute terms and relative to the benchmark index described in Section 4 of this IPS. Performance statistics will be provided for the quarter, the year-to-date, and each annual and annualized period since inception;

- i) The risk characteristics of the Portfolio;
- j) The performance and risk characteristics of the Manager relative to appropriate peer group; and
- k) any necessary information that may be required for the preparation of the Foundations' annual financial statements.

At the end of each fiscal year, the Manager shall provide the Committee with at least the following:

- a) a signed Certificate of Compliance indicating that the assets for which the Manager has responsibility have been managed within the parameters established by this IPS or by any specialized instructions or mandates issued by the Committee.
- b) a written report on all of its proxy votes with respect to Portfolio assets under management. Such reports will identify any instances in which proxies were not voted in accordance with the Manager's share voting policy.

7. Monitoring and Termination of the Manager

On a quarterly basis, the Committee will evaluate the performance of the Manager, considering the following:

- the Manager's compliance with the provisions of this IPS and any amendments thereto as well as any specialized instructions and mandates issued by the Foundation;
- the Portfolio's investment performance, which is expected to exceed the Minimum Goal, particularly over rolling 3 year periods; and
- the Portfolio's investment performance which is expected to rank in the top 25% of comparable portfolios, particularly over rolling 3 year periods.

The Committee will consider recommending that the Board terminate a Manager when one or more of the following circumstances prevail:

- The Manager's investment performance results have been below expectations;
- The 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 Manager's reporting and client service are unsatisfactory; or
- The Committee has concerns regarding the Manager's ethics.

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

8. Conflict of Interest

No fiduciary will knowingly permit his or her interest to conflict with his or her duties or powers relating to investment of the Portfolio’s assets or to any other matter related to the Portfolio. Any actual or perceived conflict of interest must be reported to the Foundation. Such disclosure will be made when the affected individual first becomes, or ought to have become, aware of the conflict or potential conflict. The Foundation, on the advice of counsel, will be the sole arbiter in determining whether the conflict of interest exists and, if it determines that a conflict does exist, will take all necessary and appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the minutes of the relevant meeting of the Committee and the Board.

The failure of a person to comply with the requirements of this Section will not of itself invalidate any decision, contract or other matter.

9. Adoption of Investment Policy Statement

This Investment Policy Statement was approved and revised by the Board of the Fundy Community Foundation, as noted below.

EFFECTIVE DATE: April 8, 2010

APPROVED BY THE BOARD OF DIRECTORS: April 8, 2010

Hugh McKnight, President

John Anderson, Vice President

SUBJECT TO REVIEW: ANNUALLY

No.	Name	Effective Date	Last Revised	Re-Affirm Date	Review Date
	Investment Policy	08-Apr-10	08-Apr-10		Annually
	Investment Policy	09-Mar-10	09-Mar-10		Annually
	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