



POLICY: FINANCIAL MANAGEMENT	NUMBER: 2.4	Page: 1 of 10
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Definitions:

Diversification - A fundamental investment principle that reduces risk by diversifying the maturity terms and the types of investments held within the portfolio

Income – The total return of the Portfolio, including all interest, dividends distributions and capital gains (realized and unrealized).

Investment Manager - The individual(s) or team(s) assigned to oversee the management of the Foundation portfolios and provide direct feedback to the CEO, Financial Stewardship Committee, and the Board of Directors.

Fund Capital - Each gift to the Fund (which, for greater certainty, includes the Initial Gift) or any property substituted for it, and it is to be held permanently as an endowment fund.

Liquidity - In the context of a firm, liquidity is the ability to meet its financial obligations as they become due or cost. In the context of investments, liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal, or accrued interest.

Market Value - The price at which a security is currently trading and therefore presumably purchased or sold for.

Portfolio - A collection of securities owned by the investor.

Portfolio Manager - The individual(s) or team(s) assigned with recommendation and/or direction to the investment advisor to manage the portfolios according to the guidelines of the Investment Policy of the Foundation. Selection of individual securities lies with the Portfolio Manager.

Rate of Return - The gain or loss on an investment over a specified period, expressed as a percentage increase over the initial investment cost.

Gains on Investments - Considered to be any income received from the security plus realized and unrealized capital gains.

Non-arm's-length Transaction – Refers to a business deal in which buyers and sellers have an existing relationship, whether business-related or personal.

1.0 Background

Northwestern Alberta Foundation (“Foundation”) was established in 1996 as a registered charity and a Not-for-profit Corporation under the Companies Act of Alberta Part 9. The Foundation builds and prudently invests permanent endowments and other types of funds to benefit registered charities in their communities and beyond. Using a broad view of community needs and opportunities, the Foundation makes grants to a wide range of registered charities (Qualified Donees) to address short-term and long-term priorities across many fields.

This Investment Policy (“Policy”) identifies the key factors considered when constructing and managing the Foundation’s portfolio(s) and provides a set of written guidelines for stewardship. The objective of this Policy is to define guidelines for each of Foundation’s portfolios. The Foundation’s Policy for the endowment portfolio is designed to optimize total returns, maximize distributions, recover the cost of managing and administering the funds, and at the same time protect the capital against inflation. Whereas, flow-through and administrative portfolios are designed for capital preservation and liquidity.

2.0 Roles and Responsibilities

The Board is advised by the Financial Stewardship Committee (“FSC”), to which it has delegated much of its authority over investment activities. Day to day oversight of the funds shall be the responsibility of the Chief Executive Officer, in consultation with the FSC.

Board of Directors

The Foundation is managed by the Board of Directors (the “Board”). The Board has ultimate responsibility for the investment of the Foundation’s assets. The Board will:

- Approve the Investment Policy and provide oversight into its implementation;
- Hire and terminate Investment Managers (based on recommendations from the Financial Stewardship Committee); and
- Adhere to this and all related policies.

Financial Stewardship Committee

The Financial Stewardship Committee is established by the Board. The FSC shall be chaired by a member of the Board of Directors. The Treasurer of the Board of Directors shall serve as a committee member. Review this Investment Policy at least once every two years and make recommendations for changes to the Board, as needed; 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 this Policy and make appropriate amendments;
- Recommend to the Board to select, engage or dismiss the Portfolio Manager(s), Investment Advisor(s) and/or Custodian(s);
- Monitor the Portfolio’s performance on a quarterly basis;

- Monitor the Portfolio manager's or managers' (the "Portfolio manager(s)") performance and compliance with this Policy as well as each Portfolio manager's compliance with any specialized instructions and mandates they have been given;
- Formulate specialized instructions and mandates for each Portfolio manager, in the event that more than one Portfolio manager is engaged. These instructions and mandates will derive from, reflect and be consistent with the provisions of this Policy. The Investment Advisor(s) may assist in this regard;
- Take appropriate steps to ensure that a strategy is in place to rebalance the Portfolio, as necessary, per Section 9 of this Policy;
- Take appropriate steps to resolve conflict of interest issues as provided for in the Conflict of Interest Policy; and;
- Report the Financial Stewardship Committee's activities to the Board.
- Review whether to conduct an RFP once every five years

Chief Executive Officer

- Implement the policy and reporting requirements;
- Transfer monies securely to the Investment Manager, as approved by the Foundation's signing authorities;
- Notify the Investment Manager of any material changes in risk tolerance, time horizon or spending plans; and
- Adhere to this and all related policies

An external professional investment manager shall be appointed by the Board when satisfied to their suitability and competence to act as an agent for the organization. The investment manager should be a professional discretionary portfolio manager, registered by the provincial Securities Commission, or such regulatory body with applicable jurisdiction. In addition, said manager should hold a Chartered Financial Analyst Institute (CFA Institute) Designation and be bound by the CFA Code of Ethics and Standards of Conduct.

Investment Manager

The Investment Manager will:

- Accept discretionary day to day management of the portfolio;
- Notify the Chief Executive Officer and the FSC of material changes impacting the portfolio. Material changes include any information relative to the economic environment or portfolio holdings that could reasonably prompt a shift in investment strategy;
- Provide the FSC with quarterly reports including:
 - Performance, fees, valuation, commentary and material changes in the portfolios;
 - Ad hoc portfolio analysis upon request;
 - Signed confirmation of compliance with this Policy;
- Meet in person with the Finance Committee at least annually to review the investment strategies employed and provide an update on economic and market conditions;
- Be available for discussion and consultation on an ad hoc basis;
- Notify the FSC of any additions or removals in investment staff involved in the management of the portfolio;
- Provide support and consultation regarding maintenance and ongoing suitability of this Policy;

- Work with The Chief Executive Officer to ensure the Foundation has all information related to investments for all reporting requirements in a timely manner; and
- Adhere to this and all related policies.

3.0 Type of Funds

Endowment Fund

Purpose: To provide income to further the impact of donor contributions, held in perpetuity, aimed to support causes through registered charities and organizations across northwestern Alberta.

Return Objective: The endowment portfolio is designed to optimize total returns, recover the cost of managing and administrating the funds, protect the capital against inflation, and grow a reserve to protect against future market downturns.

Risk Objective: These funds are considered to have an above average risk tolerance and will accept a moderate amount of volatility in market value as a trade off for an increased probability of long-term growth.

Time Horizon: These funds are considered long term as they are meant to be held in perpetuity.

Liquidity: Anticipated cash requirements from the portfolio and any liquidity requirements will be discussed with the Investment Manager on a timely basis. The portfolio will be invested with an appropriate liquidity profile to accommodate recurring and one-off withdrawal needs.

Administrative Fund

Purpose: To support the operations of the Foundation and fund small grants from time to time.

Return Objective: The primary objective of the portfolio is to maintain capital preservation with an appropriate liquidity profile. A secondary consideration is to increase the yield on funds designated as surplus within the fund.

Risk Objective: The funds are considered to have a low risk profile and will be invested to minimize volatility.

Time Horizon: These funds are considered short term, typically to be spent on grant within 1 to 3 years.

Liquidity: The Investment Manager will work with The Chief Executive Officer to continually monitor the appropriate liquidity profile of the portfolio to ensure liabilities are met appropriately.

Flow-Through Fund

Purpose: To provide an option to donors to be able to donate to the Foundation, and then the Foundation donates to registered charities on their behalf.

Return Objective: The flow-through portfolio is designed for capital preservation and liquidity.

Risk Objective: The funds are considered to have a low risk profile and will be invested to eliminate volatility.

Time Horizon: These funds are very short term, typically to be spent within one year but may be held for a longer time horizon in line with the Donor’s directions.

Liquidity: The Investment Manager will work with The Chief Executive Officer to continually monitor the appropriate liquidity profile of the portfolio to ensure liabilities are met appropriately.

4.0 Asset Mix

The funds shall be invested with the following target asset mixes:

Endowment Fund:

Asset Class	Minimum	Target	Maximum
Cash & Equivalents	0%	5%	10%
Fixed Income	20%	25%	40%
Total Cash & Fixed Income	20%	30%	40%
Canadian Equity	15%	25%	35%
US Equity	12%	22.5%	33%
International Equity	12%	22.5%	33%
Total Equity	60%	70%	80%
Total		100%	

Administrative Fund:

Asset Class	Minimum	Target	Maximum
Cash & Equivalents	0%	25%	100%
Fixed Income	0%	75%	100%
Total		100%	

Flow-Through Fund:

The Flow Through Funds are only to be invested in Cash & Equivalents, unless a longer term donation is received. In the case of a longer time horizon asset, an acceptable investment will be recommended by the Investment Manager for approval by the FSC.

Restrictions- All Funds

General Restrictions:

Investments in the following are prohibited unless approved by the Board:

- Private placements, limited partnerships or other non-marketable equity or debt instruments;
- Short positions;
- Leveraged positions;
- Direct real estate investments;
- Derivatives other than for hedging purposes;
- Cryptocurrencies; and
- Any investment activity that would be considered speculative in nature.

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

Cash & Equivalents Restrictions:

- All holdings in the cash management accounts must be only be invested in 100% principal protected securities.

Fixed Income Restrictions:

- A maximum of 10% of the portfolio may be invested in a single issuer other than the Government of Canada or a province of Canada having an AA credit rating by a recognized rating agency.

Equity Restrictions:

- Equity investments must be broadly diversified across most major industries. At least seven of the eleven sectors will be represented (as classified by the Global Industry Classification System sectors); and
- All securities of the equity portfolio must be regularly traded on a recognized stock exchange or through an organized facility upon which market prices are readily available and may include convertible or preferred shares.

5.0 Monitoring & Rebalancing

- The FSC and the Investment Manager will meet at least annually to review the investment performance, determine the continued feasibility of achieving the Foundation's investment objectives and the appropriateness of this policy for achieving those objectives.
- Annually the FSC will formally review the portfolio to assess the Investment Manager's performance (evaluation questionnaire in Appendix 1).

Performance Evaluation

- Quarterly performance and comparison to benchmarks will be evaluated to test progress toward the attainment of longer-term targets (with particular emphasis on 3- & 5-year rolling time periods).

The Endowment Fund will be measured against relevant index performance in the same proportion as their target asset mix. The Administrative and Flow-Through Funds will be

measured against relevant index performance in the same proportion as the actual values because the allocations to Cash and Fixed Income are dictated by the liquidity profile and are not an investment decision. The following indices will be utilized in the reporting of performance:

Asset Class	Indices
Cash	FTSE TMX Canada 91 Day T-Bill TR
Fixed Income	FTSE TMX Canada Universe Bond TR
Canadian Equity	S&P TSX Composite Index
US Equity	S&P 500 (Canadian Dollars)
International Equity	MSCI EAFE (Canadian Dollars)

The benchmark index indicates the return that a passive investor before costs (i.e., one who invests in market indices) would earn by consistently employing the benchmark asset allocation.

The Portfolio Manager’s overall investment performance will be measured net of investment management fees and is expected to:

- Exceed the return of the benchmark index over rolling 3 and 5 year periods; and
- Comply with the provisions of this Policy and any amendments thereto as well as any specialized instructions and mandates issued by the Foundation; and
- Provide satisfactory reporting and client service.

Rebalancing

The market value of holdings in each individual asset class must be within the policy minimum and maximum investment limits. Should market conditions move the portfolio out of compliance ranges due to variations in returns earned in different asset classes, the portfolio will be rebalanced back to the approved range within one month of the quarter end.

6.0 Other Considerations

- Donation of marketable securities will be sold immediately once received except under specific circumstances.
 - Donations of thinly traded shares are shares that trade on very low volumes or infrequently. Depending on the specific situation, the sale of the shares may have a negative effect on the proceeds of the donation and an alternative liquidation strategy may be required. In these situations, the Chief Executive Officer will consult with the Investment Manager to develop the liquidation strategy. Donations accepted must meet the Gift Acceptance Policy and must adhere to CRA requirements.
- Proceeds of donations will be invested in accordance with the approved investment strategy by the Investment Manager in a timely manner unless specifically directed by the Chief Executive Officer to withdraw the funds.

- When granting out of the Endowment Fund, the Foundation cannot disperse funds from the fund capital.
- The Foundation allows donors to establish permanent endowment funds that are invested outside of the Foundation’s pooled assets and excluded from assets under advisement by the Investment Advisor as per section 2 of this Policy. Such arrangements can be accepted consideration of the gift’s impact to the overall implementation of the Foundation’s Endowment Fund:

ELIGIBILITY

- To qualify for a donation receipt under the Income Tax Act (Canada), the donor must transfer ownership and legal control of their portfolio assets to the Community Foundation of Northwestern Alberta. The definition of a “gift” in the Act must be met to protect both the donor and the Community Foundation of Northwestern Alberta. This means that the investment firm’s contractual relationship shifts from the client/donor to the Community Foundation of Northwestern Alberta.

APPROVAL OF EXTERNAL PARTY INVESTMENT ADVISOR

- External investment advisor and portfolio managers must satisfy the eligibility requirements outlined in section 2 and will be evaluated according to the same standards. All advisors or manager interested in participating in this program will be asked to also submit information based on their firm’s history and organization, portfolio construction, professional staff and past performance data. The Chief Executive Officer and the Chair of the Financial Stewardship Committee will review this information to determine whether they should proceed. If the determination confirms that further investigation is warranted, the next step is a site visit by members of the Financial Stewardship Committee and the Chief Executive Officer to collect more information on the manager’s investment style and their potential to reach the desired level of assets under administration.
- Final approval of External party managers is granted by the Board of Directors following a recommendation by the Financial Stewardship Committee. Managers must have a minimum of \$1,000,000 of donation assets to qualify for this program. The combined assets can be from one or more donors and will be named and controlled as one fund.

7.0 Reference

1.5	Governance	Conflict of Interest Policy
1.9	Governance	Code of Ethics and Confidentiality Policy
2.3	Financial Management	Endowment Fund Spending and Preservation of Capital
3.1	Financial Management	Gift Acceptance Policy

Several Foundation committee terms of references and other Foundation policies refer to the investments. Specific to the investments, in the case of a conflict between this and other governance documents, this policy supersedes all other references.