

HEART AND STROKE FOUNDATION OF MANITOBA POLICY STATEMENT

POLICY #: FA 9.1

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POLICY NAME: Investment Policy

POLICY CATEGORY: Finance and Audit

Board Policy **Management Policy** **Federation Policy**

Date Approved: June 16, 2010

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HEART AND STROKE FOUNDATION OF MANITOBA, INC.
INVESTMENT POLICY
Approved June 16, 2010
Amended and Approved March 16, 2011

1. Definitions

- “Bank Investments” means a debt security issued directly by one of the following Canadian Chartered banks: Royal Bank of Canada, Bank of Montreal, Bank of Nova Scotia, Toronto Dominion Bank, Canadian Imperial Bank of Commerce, or National Bank of Canada.
- “Board” means the Board of Directors of the Heart and Stroke Foundation of Manitoba, Inc.
- “Canadian Equities” means securities from the Dow Jones Canada Titans 60 Index.
- “CEO” means the President and Chief Executive Officer of the Heart and Stroke Foundation of Manitoba, Inc.
- “Foundation” means the Heart and Stroke Foundation of Manitoba, Inc., which is a non-profit organization and registered charity incorporated pursuant to the laws of the Province of Manitoba.
- “Funds” means monies belonging to the Foundation, which are available to be invested.
- “Government Investments” means a security issued by a federal, provincial or territorial government of Canada.
- “Liquidity” means a measure of how quickly an investment can be sold at a fair price and converted to cash. For instance, an investment that is highly liquid could be sold quickly at, or near, its market value and converted to cash.
- “Secure Investments” means Government Investments and Bank Investments.
- “Stabilization Funds” means reserve funds that have been established at the discretion of the Board to fund office premise upkeep and improvements (\$400,000) and to support service levels and operations in special circumstances for continuation of core operations where special circumstances cause a significant decrease in resources available (\$1,200,000).
- “Treasurer” means the Treasurer of the Foundation Board of Directors.
- “Unrestricted Assets” means the accumulation of annual operational surpluses and deficits that are not assigned to a designated purpose.

2. Objectives

The Foundation Investment Policy has the following objectives:

- To establish and maintain a policy for investment of surplus funds of the Foundation that will balance return on investment with liquidity, risk, security and preservation of capital which are of paramount importance.
- To realize invested asset growth at a reasonable rate of return that takes into consideration inflation and the desire to preserve capital.
- To provide an income stream that will support the Foundation in meeting its mission statement: “the Heart and Stroke Foundation, a volunteer-based health charity, leads in eliminating heart disease and stroke and reducing their impact through the advancement of research and its application, the promotion of healthy living, and advocacy.”
- To make investments which will be in products and services that support and enhance the Foundation’s mission.

3. Roles and Responsibilities

3.1 The Board of Directors

As per Article 27.1 of the Foundation Bylaws – *“The Board shall have the responsibility for the governance and management of the Foundation, including its assets, all funds, and intellectual or other property, and the management and control of its affairs and business and, in particular, shall have exclusive control of any real property of the Foundation and the income of all permanent funds including gifts for special or general purposes, and gifts, and bequests of endowment or trusts”* The roles and responsibilities of the Board of Directors are to:

- Develop and approve investment philosophy, guidelines, objectives and provide for general fund administration
- Delegate authority to the CEO
- Appoint a Finance and Audit Committee, chaired by the Treasurer of the Board of Directors
- Review all other reports and recommendation of the CEO and the Finance and Audit Committee and take appropriate action
- Approve the securing and hiring of an Investment Manager
- Monitor investment results

3.2 The President and Chief Executive Officer

As per Article 43 of the Foundation Bylaws – *“The Chief Executive Officer shall, subject to the authority and direction of the Board, be responsible for the overall administration of the affairs of the Foundation and for implementing policies, procedures and programs as directed by the Board, which shall be communicated through the Chair of the Board or his designate.”* The roles and responsibilities of the CEO (or designate) are to:

- Develop investment strategies and philosophies
- Set investment objectives and decisions
- Recommend asset mix targets and ranges to the Finance and Audit Committee
- Secure, hire and terminate investment managers
- Maintain adequate supervision of all persons to whom duties are delegated, and of all organizations appointed to provide services to the Foundation
- Be responsible for implementing the policy for the investment of funds of the Foundation;
- Evaluate all investments each quarter in consultation with the Finance and Audit Committee and make changes pursuant to their recommendations, and the Foundation’s cash flow requirements;
- Provide a listing of all investments to the Finance and Audit Committee and Board each quarter
- Evaluate investment manager performance
- Review the portfolio each quarter to ensure compliance with this investment policy

3.3 The Finance and Audit Committee

As per the Terms of Reference dated September 10, 2008, *“The purpose of the Committee is to advise the Board of Directors. The Finance and Audit Committee’s role is to assist the Board in fulfilling its oversight responsibilities in the areas of financial reports, internal control systems, management of financial risks, the annual audit process, and compliance with laws, regulations, and codes of conduct along with a recommendation for a course of action”* including:

- “review of investment policies on an annual basis
- review of current investments on an annual basis (as a minimum)
- make appropriate recommendations to the Board regarding any and all financial policies”

3.4 Investment Manager

The Board shall approve the hiring of a competent, external, professional as Investment Manager, who will report directly to the CEO (or designate). To be considered for appointment, the Investment Manager should have a confirmed successful track record, demonstrated financial stability, low turnover of personnel, capacity to undertake the account and a performance record of at least two years of relevant experience and expertise. The

roles and responsibilities of the Investment Manager are to:

- Manage the Foundation's portfolio in accordance with the asset mix stipulated in Section 7 of this investment policy
- Have full discretion in day-to-day investment management of the Foundation's portfolio subject to this investment policy and any amendments thereto as well as any specialized instructions and mandates issued by the Board
- Ensure that all transactions are completed on a "best" practices basis
- Provide monthly reports to and meet annually (as a minimum) with the CEO, Finance and Audit Committee and/or the Board
- Recommend to the CEO and Finance and Audit Committee any changes to this investment policy or specialized instructions and mandates
- Provide advice and counsel with respect to the portfolio
- Exercise the care, skill and diligence that can reasonably be expected of a prudent investment manager and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct

4. Return on Investment Targets and Risk Tolerance

4.1 Return on Investment

Building on the objectives stated in Section 2, the return on investment must be sufficient to preserve the capital of the portfolio, meet the operational requirements of the Foundation's mission, recover the costs of maintaining and administering the portfolio, and provide for inflationary influences. To allow for fluctuations in market, the return on investment will be evaluated annually on a rolling three year average. In order to arrive at a total return of investment and a benchmark for the evaluation of the portfolio, the following calculation should be used in setting targets.

% Income required for spending plan
+ % Growth required to protect the portfolio from inflation
+ % Growth required for capital appreciation
+ % Required for administrative expenses
= Required Return on Investment

4.2 Risk

The portfolio should be structured and managed so as to provide for the generation of its targeted return on investment while assuming the lowest possible risk. The level of risk to which the portfolio is exposed will be controlled by diversifying the portfolio's holdings, not only in terms of asset class, but also in terms of holdings within each asset class.

5. Classification, Diversification and Constraints

5.1 Components of Funds

The portfolio must reflect the fact that the Foundation has the following three components of funds for investment:

- Operational Requirements – short-term with liquid investments
- Stabilization Funds – medium-term with preservation of capital being key
- Unrestricted Assets

5.2 Types of Investment

The investments in the portfolio are restricted to the following types of investments:

- Cash or Cash Equivalents – all with a term-to-maturity of less than one year
- Secure Investments
- Canadian Equities

5.3 Constraints

Investments shall follow the following constraints:

- Bank Investments will not include indirect securities issued or guaranteed by a Canadian Chartered bank, including, amongst other things, asset backed securities and derivatives.
- No investments in the tobacco industry or corporate bonds/debentures.
- Investment instructions may be given to the Investment Manager by way of telephone and must be confirmed in writing. A written copy of such instructions shall be provided to the Board during their next meeting.
- A registered broker / agent must be used for all transactions, except those related to a savings account and the like. Any account holding securities for the Foundation must be in the name of the Foundation.
- Confirmation of such holdings or any securities delivered to the Foundation shall be stored in the Foundation's locked safe.

6. Quality Restrictions

6.1 Cash and Cash Equivalents

- Cash equivalents will consist of securities with terms to maturity of less than 12 months.
- At all times, the portfolio must contain a balance of \$500,000 in cash or cash equivalents to meet operating cash flow requirements of the Foundation.
- Cash and Cash equivalents may be maintained in any of the following investment vehicles
 1. Chequing or savings account with the banks listed in Section 1.
 2. Cash accounts within the investment company represented by the investment manager, as long as they are not private mutual funds.
 3. Commercial paper with an R1 rating.
 4. Government of Canada treasury bills.
 5. Guaranteed investment certificates with the banks listed in section 1.

6.2 Secure Investments

- No more than 65% of the market value of the portfolio can be invested in Secure Investments as defined in section 1 and must be rebalanced at least quarterly.
- Secure Investments as defined in section 1 will consist of securities with terms to maturities of less than 120 months and at least an A rating as measured by the Dominion Bond Rating Service.
- Secure Investments shall be made according to opportunities identified within the policy to maximize return while providing safety of capital. To that end, Secure Investments shall be invested so that, when all funds are fully invested, the investments shall be "laddered" with an approximately equal amount of funds invested in different maturities.

6.3 Canadian Equities

- No more than 35% of the market value of the portfolio can be invested in Canadian Equities as defined in section 1 and must be rebalanced at least quarterly.
- Canadian Equities must be selected from the Dow Jones Canada Titans 60 Index.
- Canadian Equities cannot include issuers with less than a 3 star rating as rated by a party independent of the Investment Manager.
- Canadian Equities cannot include issuers who have a negative 5 year % of change in market price.

7. Asset Mix

Asset Class	Minimum	Target	Maximum
Cash and Cash Equivalents	\$500,000	10%	No maximum
Secure Investments	\$1,900,000 ¹	60%	65%
Canadian Equities	No minimum	30%	35%
Total		100%	

8. Rebalancing

In each fiscal quarter of the Foundation, the total portfolio will be reviewed for compliance with the ranges established in Section 7. At that time, if required, the portfolio will be rebalanced.

9. Conflict of Interest

A conflict of interest is defined as any event in which any member of the Board or the Finance and Audit Committee, the CEO, staff, or any other related party may benefit materially from the knowledge of or participation in an investment decision or holding of an investment. In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest in and for the benefit of the present and future of the Foundation. In the event of a conflict of interest, real or perceived, the CEO must be advised immediately.

10. Amendments

- (i) Any amendment from the Finance and Audit Committee and/or CEO requires specific authorization by the Board Chair and the Treasurer.
- (ii) The Board shall be informed of such amendment at the next scheduled meeting.

Signature:

¹ Subject to changes in reserve accounts by the Board