

## Policy: Investment

### 1.0 Policy Framework

The Friends of The Moncton Hospital Foundation (the “Foundation”) raises funds to help The Moncton Hospital deliver exceptional healthcare and promote wellness to meet the needs of our communities. It is the philanthropic arm of The Moncton Hospital and works to inspire giving to help fund new technologies and equipment, redevelop existing and build new spaces, support staff education.

### 2.0 Purpose

This Investment Policy Statement (“IPS”) was adopted by the Foundation’s Board of Directors (the “Board”) to provide for the creation of guidelines for the management of funds held by the Foundation (the “Fund”) and to assist the Finance and Risk Committee (the “Committee”) in effectively supervising, monitoring and evaluating the management of the Foundation’s Investment Portfolios (the “Portfolio”). In general, the purpose of this IPS is to:

- 2.1 State in a written document the Board's attitudes, expectations, objectives, and guidelines for the investment of the Fund.
- 2.2 Encourage effective communications between the Board and all parties involved with the investment management decisions including the Committee and any investment manager(s) or advisor(s) to ensure prudent investment and operation of the Fund.
- 2.3 Establish formal criteria to select, monitor, evaluate, and compare the performance results achieved by the Portfolio on a regular basis.

### 3.0 Scope

Applies to the Board of Directors, Finance & Audit Committee Members and Foundation staff involved in decisions related to the management of the Fund held by the Foundation.

### 4.0 Roles and Responsibilities

#### 4.1 Finance & Audit Committee

The Board has established the Finance & Audit Committee with delegated responsibility for overseeing the Fund. The assets are to be administered by the Committee to ensure prudent investment and operation of the Fund. The Committee is responsible for all aspects of the investment of the Fund, including recommending an appropriate Investment Advisor(s), asset mix as well as monitoring the investment results. The Committee will recommend to the Board changes or modifications to this Policy from time to time. The primary responsibilities of the Committee are to:

- 4.1.1 Recommend the appropriate investment advisor(s) to carry out the IPS.
- 4.1.2 Approve the custodian arrangements for securities.
- 4.1.3 Provide input into investment plan and strategies.
- 4.1.4 Provide a summary of all funds and the primary objective, secondary objectives, risk tolerance, term, and types of investments considered appropriate.
- 4.1.5 Annually review the fees charged by the Advisor.
- 4.1.6 Annually review the IPS and make changes where appropriate.

- 4.1.7** Quarterly review investment performance.
- 4.1.8** Annually review written confirmation from the Advisor in adherence of the IPS.
- 4.1.9** Approve specific investment decisions, as recommended by the Advisor, consistent with this policy.
- 4.1.10** Approve amounts in the Short-Term Portfolio held in the bank, Guaranteed Investment Certificates or loans to subsidiaries.
- 4.1.11** Approve transfers into and out of the Short Term and Long-Term Portfolios based on cashflow estimates prepared by management.

The Committee shall exercise the degree of care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person.

Committee members who possess, or because of their profession or business ought to possess, a particular level of knowledge or skill relevant to their responsibilities to the Fund, shall employ that particular level of knowledge or skill in the interest of the Fund.

#### **4.2 Investment Advisor**

The Foundation shall retain one or more Investment Advisor (the “Advisor”) to manage the Portfolio. Advisors for the Portfolio must be registered and in good standing with the provincial regulator (FCNB.ca) and for international assets must be registered and in good standing with the Securities and Exchange Commission in the United States or other appropriate jurisdiction. Should the registration of an Advisor be declined or revoked, the Advisor shall immediately notify the Committee and the Board.

The primary responsibilities of the Advisor are to:

- 4.2.1** Read this Policy and manage the Portfolio in a manner that is compliant with it.
- 4.2.2** Be accountable to the Committee for the overall investment performance of the Portfolio and for adherence of investment activity to the IPS
- 4.2.3** Quarterly, report to the Committee on the performance of the Portfolio
- 4.2.4** Seek prior approval from the Committee for any investment change likely to have a significant effect on asset allocations or plan.
- 4.2.5** Have an appropriate level of expertise that permits the assumption of responsibility by senior members for investment decisions within the guidelines set out by this Policy. The Advisor is responsible for the implementation and management of asset strategies consistent with Portfolio objectives as stated in this Policy, as well as the maintenance of appropriate records
- 4.2.6** Carry fiduciary and errors and omissions liability insurance in the amount equal to the total portfolio
- 4.2.7** Quarterly, provide a report providing details of investment transactions, analysis of the characteristics of the Portfolio under administration and commentary upon market conditions and asset strategy to the Committee.

#### **5.0 Measurement of Results**

The Advisor's performance will be measured against industry standards as agreed to by the Committee and the Advisor from time to time.

## **6.0 Portfolios**

To ensure the prudent oversight and investment of the Fund, three investment portfolios have been established by the Foundation: Short-term Portfolio, Long-Term Portfolio and Endowed Portfolio. These three investment portfolios are managed on behalf of the Foundation by the Advisor. The Endowed Portfolio holds endowed funds, which are designated and are intended to generate a stream of income to fund a particular purpose. The specified and unspecified funds are held in the Short-term and Long-Term Portfolios pending ultimate disbursement.

The overall objective of the three portfolios is the protection and enhancement of the donated capital through prudent management and the application of appropriate risk management practices in keeping with the requirements of the Foundation.

Each of the three portfolios will have specific objectives, time horizons, liquidity or income requirements, asset mix and benchmarks, investment guidelines and approved investment types.

## **7.0 Risk Tolerance**

The Committee recognizes that some risk must be assumed to achieve the investment objectives of the Portfolio. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. The stated time horizon, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

## **8.0 Short-Term Portfolio**

### **8.1 Objectives**

The investment objective of the Short-term Portfolio is to protect the capital value of donations ensuring sufficient liquidity to meet projected disbursement requirements. The performance objective of the fund will be over a four-year rolling period to meet or exceed return of a Target Benchmark comprised of a proportionate blend of the broad market indices for each asset class as shown in the asset mix and benchmarks (section 8.4), net of investment fees.

### **8.2 Time Horizon**

The investment guidelines are based upon a short-term investment horizon of 1 to 4 years. In cases where expected net returns of the Short-Term Portfolio or specific asset classes of the Short Term Portfolio are expected to be lower than bank account interest, Guaranteed Investment Certificates or loans to subsidiaries of the Foundation, all or part of this portfolio may be held in those instruments. Said amounts shall be held outside the advisor managed portion of the Short-Term Portfolio.

### **8.3 Liquidity or Income Requirements**

There will be requirements to fund disbursements and/or operations. Generally, management will recommend these amounts to be transferred out of the Short-Term Portfolio into the bank account when expected to be required within 12 months.

## 8.4 Asset Mix and Benchmarks

Asset Class	Target	Range	Target Benchmark
Cash and Equivalents	50%	35-65%	FTSE Canada 30 day T-Bill Index
Fixed Income	50%	35-65%	
Short Term Bonds	40%	30-55%	FTSE Canada Short Term Overall Bond Index
High Yield Bonds	10%	0%-25%	FTSE Canada Universe Bond Index

## 8.5 Investment Guidelines

- 8.5.1** The duration of the Short-Term Portfolio shall not exceed four years.
- 8.5.2** No single issuer, other than federal or provincial governments and their agencies, shall represent more than 10% of the market value of the assets of a single pooled fund.

## 8.6 Approved Investment Types

- 8.6.1** Cash, investment certificates issues by banks, insurance companies and trust companies and loans to subsidiaries of the Foundation when said loans are at market rates.
- 8.6.2** Term deposits and short-term paper of Schedule I and Schedule II Canadian Banks, including Bankers' Acceptances and any other obligation fully guaranteed by such banks. The minimum credit rating for the Schedule I and Schedule II Canadian Banks should be at least R1 (Low).
- 8.6.3** Investments in asset-backed Commercial Paper rated at least R1 (Low) or other equivalent, by a majority of recognized ratings agencies.
- 8.6.4** Fixed-income securities issued or guaranteed by the Government of Canada, Province or municipality of Canada, the United States Government or their agencies, and other foreign governments.
- 8.6.5** Fixed income securities issued by Canadian, United States and foreign corporations.
- 8.6.6** Total foreign security exposure, excluding securities issued by the United States Government and corporations, is limited to 5% of portfolio assets.
- 8.6.7** Mortgage-backed securities issued by CMHC.
- 8.6.8** First mortgages on high quality income producing commercial, residential, and industrial properties located in Canada.
- 8.6.9** Derivatives may be used for currency hedging purposes only.
- 8.6.10** Units designated for use by institutions in mutual or pooled funds, available for distribution in Canada, that invest in any of the approved asset classes outlined in the Target Asset Mix Policy above.

## 9.0 Long-Term Portfolio

### 9.1 Objectives

The purpose of this portfolio is to hold and protect capital pending its ultimate disbursement, while generating returns in the interim. The investment objective of the Long-Term Portfolio is to protect the capital value of donations and generate reasonable

and consistent investment returns. As disbursement of the capital in this portfolio has a longer-term time horizon than the Short-Term Portfolio, the Long-Term Portfolio may be positioned to generate a higher return within acceptable risk tolerance levels as determined by the Board of Directors. The performance objective of the fund will be over a four-year rolling period to meet or exceed return of a Target Benchmark comprised of a proportionate blend of the broad market indices for each asset class as shown in the asset mix and benchmarks (section 9.4), net of investment fees.

## 9.2 Time Horizon

The investment guidelines are based upon an investment horizon of 5 or more years.

## 9.3 Liquidity or Income Requirements

Generally, there will not be requirements to fund disbursements and/or operations directly from this fund. Management will recommend amounts to be transferred out of the Short-Term Portfolio when expected to be required within 5 years.

## 9.4 Asset Mix and Benchmarks

Asset Class	Target	Range	Target Benchmark
Cash & Equivalents	0%	0-10%	FTSE Canada 30-day T-Bill Index
Fixed Income	40%	30-55%	
Core Fixed Income	30%	20-45%	FTSE Canada Universe Bond Index
Short Term Bonds	10%	0-25%	FTSE Canada Short Term Overall Bond Index
Equities	45%	30-55%	
Canadian Equities	20%	15-30%	S&P/TSX Composite
Global Equities	25%	15-30%	MSCI World Net
Alternatives	15%	0-25%	
Direct Real Estate	7%	0-17%	Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps
Commercial Mortgages	8%	0-18%	FTSE Canada Short Term Overall Bond Index

## 9.5 Investment Guidelines

- 9.5.1 The duration of the fixed income asset class will be restricted to a tolerance of +/- 2.5 years, in relation to the duration of the FTSE Canada Universe Bond Index.
- 9.5.2 No single issuer, other than Canadian federal or provincial governments and their agencies, shall represent more than 10% of the market value of the assets of a single pooled fund.
- 9.5.3 Investments in derivative instruments are not permitted except if they are used solely to:
  - 9.5.3.1 Create effective exposures to certain markets with approved investments with the objective of achieving the return of the noted financial market.
  - 9.5.3.2 Hedge foreign currency investments

## 9.6 Approved Investment Types

- 9.6.1** Bonds, debentures, notes, and other evidence of indebtedness of Canadian and international issuer listed on Canadian and other major international exchanges, subject to the guidelines established in this Policy.
- 9.6.2** Common shares, preferred shares, convertible debentures and income trust units issued by businesses listed on Canadian and other major international exchanges or as expressly approved by the Board of Directors.
- 9.6.3** Alternative assets permissible include direct real estate and commercial mortgages.
- 9.6.4** Units designated for use by institutions in mutual or pooled funds, available for distribution in Canada, that invest in any of the approved asset classes outlined in the Target Asset Mix Policy above.
- 9.6.5** Short-term instruments including: cash, demand or term deposits, short-term notes, treasury bills, bankers acceptances, commercial paper and investment certificates issues by banks, insurance companies and trust companies.

## **10.0 Endowed Portfolio**

### **10.1 Objectives**

The objective of this Portfolio is to preserve the purchasing power of capital and generate a stream of income to fund a particular purpose enabled by the capital. The disbursement of monies from the Endowed Portfolio is specifically addressed under the separate Endowment Policy.

### **10.2 Time Horizon**

The investment guidelines are based upon an investment horizon of in perpetuity. Endowments can be created via motion of the Board, which, can be reversed by the Board. As a result, capital can be withdrawn but is expected to be to be unusual and infrequent.

### **10.3 Liquidity or Income Requirements**

A spending allocation will be withdrawn annually that represents a portion of the rolling average returns. This allocation is determined according to the Endowment Policy.

### **10.4 Asset Mix and Benchmarks**

<b>Asset Class</b>	<b>Target</b>	<b>Range</b>	<b>Target Benchmark</b>
Cash & Equivalents	0%	0-10%	FTSE Canada 30-day T-Bill Index
Fixed Income	20%	15-35%	
Core Fixed Income	20%	15-35%	FTSE Canada Universe Bond Index
Equities	65%	55-70%	
Canadian Equities	15%	15-25%	S&P/TSX Composite
Global Equities	44%	35-55%	MSCI World Net
Emerging Market Equities	6%	0-10%	MSCI Emerging Markets Net
Alternatives	15%	0-25%	

Direct Real Estate	8%	0-18%	Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps
Commercial Mortgages	7%	0-17%	FTSE Canada Short Term Overall Bond Index

## 10.5 Investment Guidelines

**10.5.1** The duration of the core fixed income asset class will be restricted to a tolerance of +/- 2.5 years, in relation to the duration of the FTSE Canada Universe Bond Index.

**10.5.2** No single issuer, other than Canadian federal or provincial governments and their agencies, shall represent more than 10% of the market value of the assets of a single pooled fund.

**10.5.3** Investments in derivative instruments are not permitted except if they are used solely to:

10.9.3.1 Create effective exposures to certain markets with approved investments with the objectives of achieving the return of the noted financial market.

10.9.3.2 Hedge foreign currency investments.

## 10.6 Approved Investment Types

**10.6.1** Bonds, debentures, notes, and other evidence of indebtedness of Canadian and international issuer listed on Canadian and other major international exchanges, subject to the guidelines established in this Policy.

**10.6.2** Common shares, preferred shares, convertible debentures, and income trust units issued by businesses listed in Canadian and other major international exchanges or as expressly approved by the Board of Directors.

**10.6.3** Alternative assets permissible include direct real estate and commercial mortgages.

**10.6.4** Units designated for use by institutions in mutual or pooled funds, Available for distribution in Canada, that invest in any of the approved asset classes outlined in the Target Asset Mix Policy above.

**10.6.5** Short-term instruments including: cash, demand or term deposits, short-term notes, treasury bills, bankers acceptances, commercial paper and investment certificates issues by banks, insurance companies and trust companies.

## 11.0 Alternative Assets

Alternative investment solutions have the potential to enhance fixed income returns, reduce equity risk, reduce portfolio volatility and improve portfolio efficiency. They typically require a longer investment horizon, are less liquid, and when considered in isolation may be deemed more risky than other securities.

## **12.0 Rebalancing**

The percentage allocation to each asset class may vary depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the target asset allocation and allocation ranges of the Portfolio. If there are no cash flows, the allocation of the Portfolio will be reviewed quarterly. If the Committee determines cash flows to be insufficient to bring the Portfolio within the target allocation ranges, the Committee shall decide whether to effect transactions to bring the allocation of Portfolio assets within the threshold ranges.

## **13.0 Monitoring and Review Process**

The Committee acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Committee intends to evaluate investment performance from a Long-Term perspective. The Committee is aware that the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Committee's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

## **14.0 Reporting**

- 13.1** Monthly: Monthly statements itemizing all transactions
- 13.2** Quarterly: Formal portfolio progress report combined with a written investment outlook. The Committee shall meet with the Investment Manager to review the Portfolio and determine ongoing strategy in view of the trends of inflation, interest rates, economic output, and other pertinent information.
- 13.3** Annually: Comprehensive portfolio and service review; including performance evaluation, review of the Foundation's objectives and Investment Policy to ensure it continues to meet its requirements. Written confirmation from the Advisor in adherence of the IPS will be provided.

## **15.0 Investment Policy Statement Review**

The Committee will review this IPS at least every three years to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently.



## **16.0 Ongoing Communication**

- 16.1** Committee will be kept apprised of any material changes.
  - 16.2** The Investment Advisor will be available for any communication when required.
  - 16.3** Regular meetings will be scheduled to review and discuss the Portfolio's progress against stated objectives, and any related issues.
  - 16.4** Any persons involved in a conflict of interest shall disclose the nature and extent of the conflict to the Board in writing, upon first becoming aware of the conflict. The disclosure may be made verbally, if knowledge of the conflict arises in the course of a discussion at a meeting with the Board. Upon giving notice, the person or persons will refrain and withdraw from all discussions and participation in decisions pertaining to those matters where a conflict of interest exists or is perceived to exist.

## **17.0 Voting Rights**

The Committee shall delegate to the Investment Advisor the responsibility of exercising all voting rights acquired through the Fund's investments. The Investment Advisor shall exercise such voting rights with the intent of fulfilling the investment objectives and policies of the IPS and for the Long-Term benefit of the fund's investments.

## **18.0 Social Responsibility**

The Investment Committee will endeavor to delegate investment management responsibilities to third party managers with a demonstrated commitment to incorporating ESG (Environmental, Social, and Governance) factors in their investment decision making process when doing so may have a material impact on the investment risk and/or return. At a minimum, contracted managers are expected to be signatories to the United Nations Principals for Responsible Investment (UN PRI) and offer investment solutions that are aligned with the UN PRI's six principals of Responsible Investment. Investment managers are also expected to undertake active engagement with investee companies to advocate for more sustainable business practices, have clearly articulated proxy voting guidelines that clearly address ESG considerations, and vote proxies firm-wide (as opposed to per fund or client).

## **19.0 Administration**

### **19.1 Controls**

The controls listed below are meant to provide parameters for the day-to-day management and accounting for the investment Portfolio and not to unduly limit the opportunities available in achieving this Policy's objectives. They have, however, been carefully considered and are to be observed by all parties in the management of the Foundation's investment Portfolio.

#### **19.1.1 Identification of Cash Surpluses and Requirements**

Foundation management staff maintains the historical accounting records identifying funds available for investing and is also responsible for the

routine settlement of accounts. Monthly, the Foundation management staff should review the cash and investment position and commitments outstanding to determine what cash surpluses or requirements exist in each fund for the next 30 days. Foundation management staff will present the financial position to the Committee who through the Advisor can transact the purchase or sale of investments.

**19.1.2 Initiation of Transactions:**

No investment will be made that is not publicly traded.

**19.1.3 Reinvestment**

All dividends and fund distributions will be automatically reinvested in the portfolio

**19.1.4 Custody**

In the interests of safe-keeping and security, all investment certificates shall be retained by the investment broker or other financial institution(s) with which the Foundation is transacting investment business. Statements indicating securities held on the Foundation's behalf shall be obtained monthly from these institutions by the financial accounting manager and dealt with as indicated above.

Guideline/Policy Management	Approved by	Date
Reviewed & Approved	Board of Directors	29-11-2019
Revised & Approved	Board of Directors	08-04-2021
Revised & Approved	Board of Directors	02-06-2022
Revised & Approved	Board of Directors	06-10-2022
Revised & Approved	Board of Directors	23-02-2023
Date of next review by Finance & Audit Committee with recommendations for possible amendments to Board		02-2024