

Investment Policy Statement

This Investment Policy Statement (“Policy”) is intended to govern the investment practices of the assets of the Abbotsford Hospice Foundation (“AHF”), so that all individuals with either direct or indirect responsibility may understand and manage AHF investment assets, hereafter referred to as the “Endowment”.

This Policy addresses the following issues:

- The general goals of the Endowment
- The specific investment objectives of the Endowment
- Asset allocation and rebalancing policies
- Measurement and evaluation of investment performance
- Policies and guidelines for Investment Managers

A. Policy – General beliefs

We will have different goals for different funds

Total return – for capital fund

Cash flow – to generate income for Society

Capital preservation – for endowment / bequests

We believe that higher investment risks will lead to greater returns in the long term.

We believe that Diversification is achieved with a portfolio of non-correlated assets

We believe that investment with different types and degrees of risk are appropriate for AHF.

We believe this will meet our goals of Liquidity and Diversification

B. Roles and Responsibilities

Board / Investment committee – initially, The IPS will be set by Board and eventually as we grow this will be done by Investment Committee

Monitor performance

Monitor External Consultant

Set frequency of renewing external consultant contract

Monitor & address conflicts of interest

External Investment Consultant / CIO – within the parameters set by IPS:

Consultant and CIO are one and the same at this point

Has responsibility to recommend investment managers

Choose timing of re-balancing

Tactical weighting decisions

Monitor and report investment returns compared to benchmarks set by Board

C. Investment Goals and Objectives

The investment objective for the Endowment is to preserve and enhance the real purchasing power of these assets over time, while providing a reasonably predictable contribution to the annual operating budget.

Returns

Expected return of the portfolio measured over 3-year and 5-year periods is to provide total annual return of 4 % over inflation, as measured by the CPI.

Risk

The Endowment should experience risk as measured by volatility or variability of return not materially higher than that of the composite benchmark as defined above.

The investment goals above are the objectives of the aggregate Endowment, and are not meant to be imposed on each Investment Manager.

D. Spending Policy

The Investment Committee will attempt to balance the Endowment’s shorter-term distributions with its goal to provide for distributions to the Society in perpetuity and therefore design a spending policy, which is flexible. It is currently anticipated that contributions to the Endowment will be greater than draws from it for a number of years, and that net draws of 5% or more are not anticipated until FY 2020, if not later. However, contributions and distributions are expected to be inconsistent, and a target of at least \$100,000 should be maintained in cash equivalents in the Endowment. The Foundation will pay forward to the Society in any fiscal year, the minimum amount as prescribe by CRA, for the Foundation to maintain its status.

E. Asset Allocation

The AHF will have three separate asset allocations. An asset allocation for funds deposited with the objective of Capital Preservation; one for funds with a cashflow objective and a final asset allocation for funds with a Total Return objective.

The table below details all three Asset allocations.

ASSET CLASS	CAP. PRESERVATION	CASH FLOW	TOTAL RETURN
Cash & Eq.	60%	5%	5%
Fixed income	40%	35%	15%
Can Equities		20%	20%
Us Equities		15%	15%
Global Equities		15%	15%
Alternative assets		10%	30%

Liquidity is required to meet operating cash needs, additional unanticipated needs, capital calls to private equity and real asset investments, and to take advantage of unforeseen market opportunities. At least two years' of anticipated operating cash needs plus an additional two years' of expected net funding requirements for private investments should be maintained in cash and fixed income.

Further liquidity guidelines: Investments will be made through a combination of externally managed portfolios (separately managed accounts), commingled funds, and partnerships with various liquidity terms. At all times, at least 5% of the Endowment should offer daily liquidity, and at least 50% of the Endowment should be able to be liquidated within one year.

F. Asset Class Guidelines (General terms FYI)

1. **Cash** is intended to serve as the principal source of liquidity for operating cash flow for the Endowment. It will be invested in only the safest assets including Treasury bills, Agency notes, or very safe money market instruments that focus on Treasury bills and equivalents. The focus is on safe, highly liquid assets as opposed to generating significant yield. There are no manager-specified limits for cash.
2. The purposes of the **Fixed Income** allocation are to (i) provide current income to support operating cash flow; and (ii) to create some measure of diversification. As a result, both credit quality and preservation of principal are a core emphasis of this allocation. A current risk for cash and high quality fixed income is the possibility of negative real returns, or returns which are less than the rate of inflation.
3. The purpose of the allocation to **Global Equities** is to provide long-term capital appreciation. Equity managers will be selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry, and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns higher than the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE, and MSCI World), net of fees, over full market cycles (7-10 years). However, these returns are subject to significant variability over short- to medium-time periods of less than five years.
4. Alternative investments represent multiple asset classes. These assets classes have proven to significantly reduce the annual standard deviation of returns of a portfolio over time; essentially smoothing the returns. At present, the AHF does not have sufficient funds to meet minimum investment thresholds of most Alternative Asset Managers. Therefore, we will not contemplate accessing these strategies until we have sufficient assets. Once our endowment funds exceed \$1.5 million we will include these assets classes in the IPS.

G. Cash Flows and Rebalancing

Interest and dividends re-investment Rebalancing guidelines

Interest & dividends are to be re-invested by each Investment Manager within their mandate.

External CIO will be responsible to suggest to inv. Committee regarding additions withdrawals to portfolio of each investment Manager in re-balancing process.

H. Meeting Schedule

Semi-annually

I. Conflict of Interest Policy

Any situation, which brings to mind, the question of a possible conflict of interest must be brought to the attention of the Investment Committee; members will be sensitive to even the appearance of impropriety. Generally, a conflict of interest exists whenever litigation, a contract, or other relationship being entered into, reviewed, or modified is:

- Between AHF and the member, or the employer, business partner, or immediate family of the member; or
- Between AHF and an organization in which the member's employer, business partner, or immediate family is director, officer, or legal representative, or has a material financial interest.

A conflict of interest does not arise simply because directors or members of their families are incidentally benefited as members of a class of persons entitled to benefit from a transaction, policy, or program consistent with purposes and accomplished in good faith. For these purposes, "family" includes parents, siblings, children, grandchildren, and their spouses.

This policy is not intended to prohibit investing with any firms or investment managers with whom a Board Member or Committee Member is affiliated; rather such relationships must be disclosed and the affiliated Board or Committee Member should recuse one from any decisions pertaining to the affiliated firm.

K. Policy Review

This Investment Policy Statement will be reviewed annually by the Investment Committee and be either reaffirmed or amended.