BURLINGTON COMMUNITY FOUNDATION

POLICY: Financial Management Policies		**NUMBER:** **2.9**	**PAGE:** 1 of 13
SUBJECT: Investment Policy Statement			
APPROVED: May 2002	**REVISED/REAFFIRMED:** February 2014	**SUBJECT TO REVIEW** 2015	

1. OVERVIEW

1.1. This Investment Policy Statement applies to the Long Term, Secondary Long Term and the Short Term Investment Portfolios of Burlington Community Foundation (“Foundation” or “BCF”). The Statement contains investment guidelines and monitoring procedures. The Long Term Investment Portfolio is managed through the Hamilton Community Foundation (“HCF”), who may engage the services of Investment Counselors that are governed by the HCF Investment Policy Statement. This Investment Policy Statement was developed for the BCF with references as appropriate to the HCF Investment Policy as applicable.

1.2. A Secondary Long Term Portfolio was established in 2011 to allow for a Combined Investment Portfolio with an asset mix appropriate to the characteristics and needs of the Burlington Community Foundation and meet the Combined Asset Allocation as outlined in paragraph 5.2 of this Policy Statement.

1.3. This policy excludes the financial assets related to the Operating Fund as a separate policy statement will apply.

1.4. This policy excludes the financial assets related to Term Fund Agreements as a separate policy statement will apply.

1.5. The BCF operates on a fiscal year, with the quarters ending June 30, September 30, December 31 and the year ending March 31.

2. RESPONSIBILITIES

2.1. The BCF Investment Committee (“the Committee”) shall have the authority and the responsibility to formulate and recommend to the Board the Investment Policy Statement pursuant to which the Funds are invested. The Statement shall be formally reviewed and updated as necessary and approved by the Board of Directors.

2.2. The responsibility for implementation of the Investment Policy lies with the Committee of the Burlington Community Foundation.

2.3. The Committee shall consist of at least three members. The Committee may invite individuals who are not members of the Board to become members of this Committee to add technical strength and depth to the Committee. Committee members shall be recommended by the Committee for approval by the Board.

2.4. The Committee shall meet at least quarterly to review the quarterly statements and discuss any changes to the general investment strategy. No meeting shall take place unless a quorum of the Committee is achieved. Quorum for a meeting shall be a majority.

2.5. The Committee may delegate some of its responsibilities with respect to the investment of the Funds to agents and advisors. In particular, the services of one or more Custodians and one or more firms that are registered as Portfolio Manager in accordance with the Ontario Securities Act paragraph 26(6) may be retained.

2.6. If deemed necessary by the Committee they may hire an investment consultant who is independent from the Portfolio Management function to provide advice on policy development, portfolio manager performance and other topics of interest or concern, as required.

2.7. The Committee maintains an active role with respect to the following:

(i) formulation of the Statement;
(ii) appointment, monitoring, and termination of Investment Counselors, Custodians, agents and advisors;
(iii) evaluation of the performance of the investment portfolios;
(iv) communication of the performance with the Board of Directors.

2.8. Any Person to whom the Committee delegates responsibilities with respect to the Fund shall adhere to the provisions of the Statement.

3. CONFLICT OF INTEREST

Members of the Committee, employees of the Foundation, agents, and advisors to the investment portfolios are all fiduciaries and, as such, are subject to the following guidelines:

3.1. Fiduciaries shall not knowingly permit their interests to conflict with their duties and powers with respect to the Foundation.

3.2. A conflict of interest, whether actual or perceived, is defined for the purposes of this policy as any event in which the fiduciaries’ private interests are of sufficient substance and proximity to their duties and powers with respect to the Foundation as to impair their ability to render unbiased advice or to make unbiased decisions affecting the Foundation.

3.3. Should a conflict of interest arise, the person in the actual or perceived conflict of interest shall immediately disclose the conflict in writing, with all relevant details, to the Chair of the Committee who, in turn, discloses it to all Committee members at the appropriate time.

3.4. While every circumstance giving rise to possible conflicts of interest cannot be anticipated here, fiduciaries shall disclose, among other things the following circumstances:

(i) the Committee is considering purchasing or divesting an investment in which the fiduciary has a material beneficial ownership (i.e. the capability to influence the performance of the corporation or the market price);

(ii) compensation received from any person or corporation other than one's employer and, in particular, from the issuer or vendor of securities which the Foundation owns or the Committee may be considering buying;

(iii) where they are an employee of, or agent for the Investment Counselor;

(iv) consideration paid or granted to others for making a particular recommendation relating to the investment of the assets of the Foundation.

3.5. Should the Committee be unable to determine if a conflict of interest exists, they shall refer the matter to the Board of Directors. At any time in the procedure, the Committee may call upon an independent third party to provide advice on the matter.

3.6. Where a conflict of interest is deemed to exist or if its existence is disputed, the person (people) named in the conflict shall not be entitled to vote on the issue concerning the conflict or possible conflict and will remove themselves from the discussion.

3.7. Investment Counsel firms providing services to the Fund are expected to comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute.

3.8. All investment transactions will be conducted in accordance with the laws of Canada and the Province of Ontario.

4. FINANCIAL OBJECTIVES OF THE FOUNDATION

4.1. The primary investing goals of the Foundation are to provide future funding for the Foundation's programs and services and to provide for the financial stability to the Foundation in the event of an unexpected shortfall of revenues. To ensure the ability to carry out these goals, the investments must provide a balance between current and future requirements, and objectives as noted below.

4.2. The financial objectives of the Foundation are:

- (i) to ensure funds are maintained and grown for future generations;
- (ii) to assure stable and consistent income streams to the Foundation from year to year;
- (iii) to seek capital appreciation without undue risk such that the Fund continues to grow over time;
- (iv) to balance risk to principal through diversification; and
- (v) to show rates of return over the long term superior to those achieved from investment solely in bonds, short-term notes or other fixed-income instruments.

5. ASSET ALLOCATION

5.1. INTRODUCTION

The total investment portfolio will be divided into three sections:

- Short Term Portfolio – managed by BCF
- Long Term Portfolio – managed by HCF
- The Secondary Long Term Portfolio – managed by BCF

5.2. ASSET ALLOCATION FOR COMBINED INVESTMENT PORTFOLIO

The Target Asset Allocation will be determined with the objective of maximizing returns within an appropriate level of risk. The appropriateness of the targeted asset allocation is to be based on its expected impact on the level and volatility of returns. The combined Asset Allocation includes the Long-term Portfolio managed by the HCF, the Secondary Long-term Fund and the Short-term Fund both managed by the BCF and will be invested in a diversified manner according to the following target asset allocation as determined recommended by the Investment Committee and approved by the board of the BCF:

TARGET ASSET ALLOCATION OF THE COMBINED INVESTMENT PORTFOLIO

Asset Class	***Min***	***Target***	***Max***
Cash & Equivalents	2%	5%	10%
Bonds (*)	29%	39%	49%
Total Fixed Income		**44%**	
Canadian Equity (**)	16%	26%	36%
Global Equity	20%	30%	40%
Total Equity		**56%**	
		100%	

(*) includes up to 4% in High Yield Bonds as part of HCF IPS

(**) includes up to 4% in Non-Traditional Assets including Real Estate and Infrastructure as part of HCF IPS

5.3. ASSET ALLOCATION FOR SHORT TERM PORTFOLIO:

The Short-term portfolio will hold assets associated with expected granting activities associated with the endowed fund holders.

Asset Class	Market Value of the Portfolio
Short-term securities	100%

5.3.1. ALLOWABLE INSTRUMENTS OF THE SHORT TERM FUND:

Cash equivalents will consist of instruments issued by governments or corporations, with terms to maturity of 0 to 12 months and may include fixed income instruments originally issued with a term to maturity in excess of 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 R1 or an equivalent rating of A or higher by another well-established rating agency at the time of purchase and thereafter.

Such instruments must be:

- issued or guaranteed by the Government of Canada or one of its agencies;
- issued or guaranteed by a Canadian provincial government or one of its agencies;
- issued by a Canadian municipality or regional government;
- issued by a Canadian corporation; or
- issued by a foreign government or a foreign corporation.

Investment in the securities of any single issuer should not constitute more than 5% or $25,000, whichever is higher, of the market value of the Short-term Portfolio as a whole. In addition, investment in any single issuer should not constitute more than 10% of the market value of the fixed income asset class. Fixed income instruments issued or guaranteed by the Government of Canada or one of its agencies or by a Canadian provincial government or one of its agencies are exempted from this provision.

5.4. ASSET ALLOCATION FOR THE LONG TERM PORTFOLIO:

The Long Term Portfolio includes the funds managed by the HCF and will be invested in a diversified manner according to the following target range of asset allocation calculated over a rolling three year period:

Target Range of Asset Allocation

Asset Classes	***Minimum***	***Target***	***Maximum***
Cash & Equivalents	**0**	**5.00%**	**17.00%**
Bonds	**13.00%**	**32.00%**	**50.00%**
Total Fixed Income	**27.00%**	**37.00%**	**57.00%**
Canadian Equity	**20.00%**	**27.00%**	**56.00%**
Global Equity	**17.00%**	**36.00%**	**50.00%**
Total Equity	**43.00%**	**63.00%**	**73.00%**

(*) Range provided by HCF under their board approved IPS.

Quarterly, the Committee will monitor the combined results to ensure the overall target allocation is achieved. The Committee will approve any purchases or sales to be made by Management to remain within the target asset mix as this authority has been granted by the Board of the Burlington Community Foundation to the Committee.

The target asset range reflects the combined weighting of individual investment Counselors mandates.

The long-term expected return and risk parameters of the targeted asset allocation are:

- real rate of return of 4% on a 5-year rolling basis
- maximum negative volatility in any rolling 12-month period of 10%

The investment portfolios, including the Secondary Long Term Fund managed by BCF will be re-balanced periodically in order to compensate for asset allocation shifts arising from differences in rates of return on different asset classes.

Short-term securities include cash, cash equivalents and fixed-income securities with time remaining to maturity of less than one year at that point in time.

Bonds include all fixed-income securities with time remaining to maturity of one year or longer at that point in time.

Canadian equities include common stocks, limited liability income trusts, preferred stocks and convertible debentures of Canadian issuers

Global equities include common stocks, limited liability income trusts preferred stocks and convertible debentures of non-Canadian issuers.

5.4.1. ALLOWABLE INVESTMENTS OF THE LONG TERM PORTFOLIO

All investments in the Long Term Portfolio must qualify as permitted investments authorized for the investment of funds by life insurance companies in Canada. At this time, life insurance companies follow the "Prudent Person Rule"*. The only exception to this requirement would be if the investment was a donated asset which the Board elected to retain.

Of those qualifying investments, the Foundation will only invest in the following asset categories:

(i) cash;
(ii) demand or term deposits;
(iii) short-term notes;
(iv) treasury bills;
(v) bankers acceptances;
(vi) commercial paper;
(vii) bonds, including coupons and residuals;
(viii) mortgage-backed securities;
(ix) convertible debentures;
(x) common and preferred stocks, including secondary issues;
(xi) pooled funds primarily invested in any or all of the above asset categories; and
(xii) a donated asset which the Board specifically elected to retain.

The Fund shall not engage in:

- (i) the purchase of securities on margin;
- (ii) the direct purchase of derivatives other than as noted below at 6.4;
- (iii) loans to individuals or corporations;
- (iv) short sales;
- (v) direct purchases of equity private placements that are not secondary issues of publicly listed companies; or
- (vi) securities lending outside of a pooled fund.

The use of derivative instruments shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, Investment Counselors are not permitted to leverage the Fund assets. The use of derivative securities is only permitted for currency hedging purposes. Purchase or sale of any of these instruments for speculative purposes is prohibited.

*****NOTE: The Insurance Act reference to the Prudent Person rule is " The directors of a company shall establish and the company shall adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return."

5.5. ASSET ALLOCATION FOR SECONDARY LONG TERM PORTFOLIO:

The Secondary Long-term portfolio will hold assets associated with expected granting activities associated with the endowed fund holders.

Asset Class	Market Value of the Portfolio
DEX Universe Exchange Traded Fund	100%

This portfolio is established to maintain the total fund asset mix targets in the Investment Policy Statement. The permitted investments are as follows:

The specific ETF's are recommended by the Committee to the Burlington Community Foundation Board for approval.

5.5.1. ALLOWABLE INVESTMENTS OF THE SECONDARY LONG TERM PORTFOLIO

This portfolio is established to maintain the total fund asset mix targets in the Investment Policy Statement. The permitted investments are as follows:

DEX Universe index Exchange Traded Funds ("ETF's")

The specific ETF's are recommended by the Committee to the Burlington Community Foundation Board for approval.

6. INVESTMENT RISK OF THE LONG TERM PORTFOLIO

6.1. DIVERSIFICATION WITHIN ASSET CLASSES OF THE LONG TERM PORTFOLIO

6.1.1. Diversification among asset classes is provided through the asset allocation guidelines set forth in this policy.

6.1.2. Diversification within each asset class is provided by limiting the percentage of the market value of Foundation assets invested in a single security not guaranteed by the Government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.

6.1.3. No more than 10% of the market value of the total investment portfolio will be invested in the securities of a single corporate issuer.

6.1.4. No more than 5% of the market value of the total portfolio will be invested in a single security not guaranteed by the Government of Canada or a Canadian province.

6.2. LIQUIDITY WITHIN THE LONG TERM PORTFOLIO

6.2.1. Liquidity is defined as the ability of the market in a particular security to absorb a reasonable amount of buying or selling at reasonable price changes. Further, any security held in the Foundation portfolios must have the capability of being readily converted into cash. Overall liquidity must be enhanced by limiting the size of an investment in any single corporate entity.

6.2.2. No more than 10% of the capital of a single corporate issuer may be held in the portfolio.

6.3. QUALITY IN THE LONG TERM PORTFOLIO

6.3.1. Quality of the Long Term Portfolio is achieved by requiring minimum standards for credit ratings relating to each investment.

6.3.2. The short-term instruments portfolio will maintain a minimum weighted average credit rating of R1 mid or its equivalent, as measured by a recognized Canadian bond rating service. Short-term instruments will have a minimum quality standard at the time of purchase of R1 or its equivalent.

6.3.3. The bond portfolio will maintain a minimum weighted average credit rating of A* or its equivalent. At any time, no more than 5% of the holdings of the segregated bond portfolio and no more than 20% of a pooled bond fund may be instruments with a minimum credit rating of BBB* or its equivalent. Bonds below investment grade will be considered part of the equity allocation not the bond allocation and could not represent more than 20% of the equity allocation.

6.3.4. All Fund equity investments shall trade on recognized International stock exchanges or networks. Installment Receipts of publicly listed companies with payment time horizons not greater that three months are considered to be eligible equities. Preferred stocks must have an acceptable investment grade quality of P1.

6.3.5. The Committee shall inform the Investment Counselor on a regular basis as to the Fund's liabilities and cash flow requirements. The Investment Counselors will ensure that the Fund is positioned to ensure that cash flow requirements are met and to broadly match the duration of Fund assets and liabilities.

6.3.6. For purposes of the above tests, a pooled fund is not considered a "security of a single issuer".

7. VOTING RIGHTS OF THE LONG TERM PORTFOLIO

7.1. Voting rights on Fund securities of the Long Term Portfolio managed by the HCF rest with the Hamilton Community Foundation. The Hamilton Community Foundation may be delegate voting rights on Fund securities to an Investment Counselor. Any voting within the Secondary Long-term Fund will be approved by the Committee and reported to the Board of the Burlington Community Foundation in the ordinary course.

7.2. The Investment Counselor will provide in writing its policy on voting rights.

7.3. The Investment Counselor shall maintain a record of the exercise of the voting rights for investments in the portfolio.

7.4. Under the Investment Policy Statement of the HCF, when a corporate action can be expected to have a significant negative impact on the economic, environmental or social health of the Hamilton region, or in case of doubt, the Investment Counselor should seek direction from the HCF Investment Committee. The Counselor shall present the HCF Investment Committee with a written evaluation of the economic impact to the portfolio and the potential impact to the Foundation and/or the Hamilton region. This evaluation will be used to initiate a discussion between the Counselor and the HCF Investment Committee as to the course of action that is in the best interests of the Foundation.

7.5. The HCF Committee may exercise any voting right by communicating its intentions to the Investment Counselor in writing.

8. MONITORING

8.1. LONG TERM PORTFOLIO

8.1.1. The Investment Counselor may be issued a mandate containing specific investment objectives and guidelines. The mandate will be issued and conform to the provisions of the Investment Policy Statement approved by the Hamilton Community Foundation, but is not considered part of the Statement. It can only be issued and amended by the Hamilton Community Foundation. The Investment Counselor may be required to supply a letter of compliance with the provisions of the mandate.

8.1.2. On a monthly basis, the HCF shall report the results of the Long Term Portfolio to management of the BCF. BCF management shall provide a report in a format approved by the Committee to the Committee which shall be reviewed and reported to the Board of the BCF.

8.1.3. Each quarter the Investment Counselor shall issue a written report to the HCF on the performance of the Fund which will be provided to the BCF management and Committee. The report will include information on the rates of return for the quarter and year to date for each asset class. The Committee shall evaluate the performance, focusing on Fund objectives and long term expected return and risk parameters.

8.1.4. Each quarter, the Investment Counselor will provide a compliance report to the HCF which will be provided to the BCF management and Committee with the provisions of the HCF Investment Policy detailing instances where such provisions were violated. The Investment Counselor is required to report immediately any breach of compliance in writing along with pertinent details, explanations and remedial action taken. Continuing variation from the Investment Counselor's Mandate is not acceptable without a formal written amendment to the Mandate agreed to by the HCF Committee.

8.1.5. The Investment Counselor shall meet with the HCF Investment Committee at least semi-annually to:

(i) provide information concerning new developments affecting the Investment Counselor and their services;
(ii) review the transactions in the latest period and the assets held at the end of the period and explain how they relate to the strategy advocated;
(iii) explain the latest performances;
(iv) be apprized of expected cash flow requirements;
(v) provide an economic outlook along with a strategy under such circumstances;
(vi) any other relevant matters that may arise from time to time.

Two members of the BCF Committee shall be invited to each of the Investment Counselor meetings.

The proceedings of such meetings are recorded in writing and shall be presented to the Committee and summarized to the Board of Directors.

8.1.6. While the HCF Committee has a primary focus and objective being the long-term investment performance of the portfolio, the HCF Committee will evaluate the performance of the Investment Counselor over shorter periods. This short-term evaluation will be made with references to the returns of the appropriate indexes through a constructed benchmark portfolio based on the target asset allocation. The Investment Counselor will be expected to report quarterly on the value added to the benchmark portfolio over time frames of the current quarter, one year and two year periods. Further reference will be made to the median return of a recognized institutional universe, such as the Portfolio Analytics, Towers Perrin, William Mercer or SEI pension fund universe, using the median returns of each asset class to construct a balanced portfolio return based on the specific asset mix of the mandate. These returns will be provided by the Investment Consultant and provided to our Investment Counselor quarterly.

8.1.7. The HCF Investment Policy states that if the Investment Counseling Firm is in the bottom half of its peer group for four consecutive quarters they shall be notified in writing that they shall be placed under review. If the

Investment Counseling Firm's performance related issues are not satisfactorily resolved during the subsequent three quarters the HCF Board will consider terminating the Investment Counsel firm.

8.1.8. Should concerns arise at the HCF Committee due to failure to meet minimum acceptable standards for service and communication, the Investment Counseling Firm shall be notified in writing that they are under review. The Board will develop a specific plan with the Investment Counseling Firm to rectify these service deficiencies. If these deficiencies have not been adequately resolved within four quarters the Investment Counseling Firm may be terminated.

8.2. SHORT TERM PORTFOLIO

On a Monthly basis, the management at BCF shall provide a report in a format approved by the Committee to the Committee outlining the following:

- Total Assets in the Short Term Portfolio
- Average Term to Maturity of the Portfolio
- Average Yield of the Portfolio
- List of Maturities in the Portfolio over the subsequent 30, 60, and 90 periods

On a Quarterly basis, the management at BCF shall provide a compliance report to the Committee confirming transactions in the Short Term Portfolio are in compliance with the existing Investment Policy Statement.

9. POLICY STATEMENT REVIEW

9.1. The Policy is reviewed at least annually.

9.2. Material changes in the following may cause a revision:

(i) long-term risk/return trade-off in the capital markets;
(ii) Foundation spending policy;
(iii) risk tolerance
(iv) legislative environment