BURLINGTON FOUNDATION

BURLINGTON COMMUNITY FOUNDATION

INVESTMENT POLICY STATEMENT
Effective November 2019

Investment Advisor
BNY Mellon Wealth Management

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Burlington Community Foundation
Investment Policy Statement
November 2019

1. Background

The Burlington Community Foundation (herein referred to as the "Foundation"), a corporation without share capital incorporated under the laws of Canada, is a registered public Foundation engaged in promoting philanthropy in Burlington and surrounding areas, and serving the public with grants to charitable organizations.

2. Investment Policy Statement

This Investment Policy Statement (herein referred to as the "IPS") identifies the key factors (see sections 5, 6, 7 and 8) bearing upon decisions for the Foundation's portfolio of endowed financial assets and provides a set of written guidelines for the management of these assets.

This IPS applies to the Long Term investment portfolio (herein referred to as the "Portfolio") of the Foundation. It excludes the financial assets related to both the Operating Fund and Term Fund Agreements, as separate policy statements will apply for these.

This IPS will be used as the basis for all investment decisions in order to assist the Board of Directors and Investment Committee of the Foundation achieve its objectives and manage the Portfolio's investment risk. Adhering to the investment discipline outlined herein will help ensure that the Foundation stays on course and avoids emotional reactions to short-term market fluctuations. This IPS supersedes any existing investment policy and will be reviewed **on an annual basis** to ensure that it continues to reflect the Foundation's circumstances and requirements.

3. Current Circumstances

The current Portfolio is being managed by multiple investment managers. This multi-manager approach is in line with the Board of Directors' desire to; enhance the long-term risk-adjusted return of the Portfolio, broaden the investment strategy to include a global allocation, and properly manage the overall volatility in the Portfolio. The Portfolio assets, while managed by multiple investment managers, are to be managed under one overarching asset mix. Within the Portfolio is an investment managed by KingSett Capital, a Toronto based private equity manager. This investment is to be included in the analysis of the portfolio for reporting and monitoring purposes.

4. Roles and Responsibilities

4.1 Board of Directors

The Foundation is governed by the Board of Directors (herein referred to as the "Board"), which is ultimately responsible for the investment decisions related to the Foundation's assets. The Board has a responsibility to:

- Act honestly and in good faith with a view to ensuring the best interests of the Foundation, the charities it supports and its donors are met;
- Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- Approve the IPS;

- Appoint or dismiss members of the Investment Committee (herein referred to as the "Committee") which will oversee all matters related to the investment management of the Foundation's financial assets with direct reporting to the Board. Members of the Committee shall be financially literate and have knowledge or experience in financial and investment matters;
- Receive the Committee's recommendations with respect to the Portfolio's IPS and re-confirm or amend the IPS, as appropriate, on an annual basis; and
- Review all other reports and recommendations of the Committee with respect to the Portfolio and take appropriate action.

4.2 Investment Committee

The Committee is established by the Board of the Foundation. The Committee shall consist of at least three members. Quorum for any meeting shall be a majority. As part of its duties, the Committee shall monitor, review and recommend to the Board changes in the Foundation's investment policy. The Board 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 an annual basis, review the Foundation's IPS and make appropriate amendments;
- Monitor the Portfolio's performance on a quarterly basis and meet to review the quarterly statements and discuss any proposed changes. Any material changes will be presented to the Board for approval. No meeting shall take place unless a quorum of the Committee is achieved;
- Ensure availability of cash needed for operating expenses and distributions;
- Take appropriate steps to resolve any known or potential conflict of interest issues as provided for in Section 13 of this IPS; and
- Report the Committee's activities on a timely basis to the Board.

4.3 Investment Advisor

The Board has approved the Committee's recommendation to hire an Investment Advisor; BNY Mellon has been appointed and is responsible for the following:

- Provide the Committee with information, advice and, as required, recommendations on:
  - asset mix selection and targets; and
  - Portfolio structure, including relevant investment mandates for each component of the Portfolio, which serves as the basis for selection of the relevant sub-advisors(s).
- On an annual basis, or as appropriate, provide the Committee with advice on the advisability of re-approving or amending this IPS;
- Monitor the Portfolio's asset allocation and rebalance the assets between sub-advisors and/or asset classes within the stated asset class ranges;
- Provide administrative assistance with respect to the receipt or disbursement of monies to/from the Portfolio;
- Provide regular reports to and meet with the Committee as provided for in Section 11 of this IPS; and
- Meet with the Committee on a regular basis, as determined by the Committees'/Board's requirements.

4.4 Custodian

Custody of the Portfolio’s assets will be delegated to a trust company or other financial institution similarly recognized as a depository for securities, where client assets are not commingled with the institution’s assets. The Custodian will:

- Provide safekeeping for Portfolio assets in separate and distinct accounts for the exclusive benefit of the Foundation;
- Process transactions as directed by the sub-advisors and/or the Committee;
- Collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- Inform the sub-advisors of pending corporate actions (e.g., name changes, mergers, odd lot offerings) and process instructions related to such matters;
- Deposit funds and pay expenses as directed by the Committee;
- Maintain a record of all transactions;
- Provide regular reports to the Committee as provided for in Section 11 of this Statement; and
- Provide the sub-advisors and other agents of the Committee with information required to fulfill their duties, or as directed by the Investment Committee.

5. Investment Objectives

5.1 Return on Investments

The Foundation’s objective is to generate a total investment return that provides future funding for the Foundation’s programs and services and to provide for financial stability to the Foundation in the event of an unexpected shortfall of revenues.

It is the long term objective of the Foundation to achieve a rate of return at least equal to inflation after payment, annually, of the required awards, and fees of the Foundation, resulting in a desired total rate of return of at least 6.5%, assuming a 2.0% inflation rate, as well as fees and overhead expenses. Although this desired rate of return may not be achieved in each and every year, it is the objective to achieve it over the long term and the portfolio’s asset allocation has been designed accordingly.

The actual rate of return will be a function of underlying market conditions, and the minimum required rate of return may not be achieved in each and every year; however, with manager value-add, the Portfolio is expected to generate this minimum return on investment on average over the long term. The Committee would like the portfolio to outperform its benchmark, as outlined in Section 9 of this IPS, on a risk-adjusted basis.

The Foundation’s return objectives are ranked as follows:

- Preservation of capital;
- Generation of ‘income’ to meet the granting objectives and administrative costs of the Foundation; and
- Generation of growth in the ‘capital’ value of the Portfolio’s assets in real (i.e., inflation-adjusted) terms.

Income is defined as the total return of the Portfolio (including interest, dividends and realized capital gains).

5.2 Risk Tolerance

The Portfolio should be structured and managed so as to provide for the generation of the maximum rate of investment return while assuming an appropriate level of risk as determined by the Foundation and its Board.

The risk inherent in the Portfolio can also be viewed in terms of the likelihood that it will at times generate negative investment returns. The Foundation has a medium tolerance for risk and is comfortable with a negative return in 1 out of every 6 years and with a maximum temporary drawdown of approximately 10%-15% in any given year.

It is expected that a well-designed multi-manager structure using high-quality sub-advisors will provide stronger performance and less risk than a mix of comparable market indices over a business cycle. However, for purposes of establishing risk tolerance, it is prudent to use market statistics.

The level of risk to which the Portfolio is exposed will be managed by diversifying the Portfolio's holdings, not only in terms of asset class, but also in terms of individual securities within each asset class, geographical allocation and (to the extent feasible) by investment management style and sub-advisor.

6. Investment Constraints

6.1 Legal and Regulatory Status

The Foundation is registered with the Canada Revenue Agency as a charitable organization.

The Foundation has a fiscal year end of March 31st.

6.2 Taxation Status

The Foundation is registered as a charitable organization by the Canada Revenue Agency and as such is exempt from income tax provided it meets requirements enumerated in the Income Tax Act of Canada and associated regulations promulgated by the Canada Revenue Agency.

6.3 Investment Time Horizon

A portfolio's investment time horizon is an important factor in determining its investment strategy. The period over which a particular investment strategy can or will be maintained has a direct bearing on the likelihood that it will generate its targeted rate of return within that period and within acceptable risk parameters.

For planning and Portfolio structuring purposes, it will be assumed that the investment time horizon of the Portfolio is long term (i.e. greater than ten years). It should be noted, however, that this IPS will be reviewed on at least an annual basis.

6.4 Liquidity and Income Requirements

Disbursements to cover grants and expenses will be made from the Foundation from time to time. The amount and timing of these disbursements will be known well in advance such that the sub-advisor(s) will have sufficient time to raise cash for disbursement, the purpose of which is to avoid an adverse effect on investment performance.

7. Asset Mix

A portfolio's asset mix outlines the proportions that various asset classes represent within the portfolio. In general, the greater a portfolio's allocation to equities relative to fixed income, the greater the potential for capital appreciation and the higher the potential volatility (as measured by the standard deviation of the Portfolio's rate of return). Conversely, the greater a portfolio's allocation to fixed income, the greater the potential for a consistent income stream and the lower the potential for volatility. Further, an allocation to alternative investments is expected to reduce the potential for volatility. Structuring the Portfolio's asset mix is, therefore, the principal means of controlling its volatility and return characteristics.

The agreement with the Investment Advisor will include performance monitoring and reporting on a $1 million investment with KingSett. Given the Portfolio's investment objectives, risk tolerance, legal and taxation status, investment time horizon, liquidity and minimum income requirements, Table I outlines the recommended long-term asset allocation and permissible asset class ranges of the portfolio.

The Total Portfolio asset mix results in:

Table I: Proposed Asset Mix (Total Portfolio)

Asset Class	Portfolio Benchmark Allocation	Proposed Allowable Range
Cash & Fixed Income Securities	25%	15-25%
Canadian Equities	20%	10-30%
Global Equities	35%	25-45%
Alternative Investments	20%	10-30%
Alternative Investments (BNY Mellon)	12.3%	0 – 20%
Alternative Investments (KingSett Capital)	7.7%	0 – 15%
Total Assets %	**100%**	

With a desired rate of return of 6.5%, as noted in Section 5.1, the long-term asset mix has been established in order to provide a reference for long-term return requirements, which are consistent with the portfolio needs at a risk level acceptable by the Foundation. The long-term asset mix is expected to achieve the long-term annual rate of return as outlined in Section 5.1 over a full market cycle.

Consideration will be given to cost effectiveness and efficiency when allocating the Foundation's Portfolio. This may include both segregated and pooled fund investment vehicles, as deemed appropriate.

8. Sub-advisor Guidelines

8.1 Diversification

The single most important strategy used to manage portfolio risk is diversification. The following table summarizes four different types of diversification, which should be applied where possible.

Types of Diversification

Type	Description
By Asset Classes	Diversify by asset class by combining different types of asset classes in the portfolio, such as money market, fixed income (bonds), and equities (stocks).
Within Each Asset Class	Diversify within each asset class by holding investments with different risk-return characteristics. For example, equities are diversified across industry sectors and by company size (large-, mid- and small-cap equities), while bonds are diversified by credit rating and term to maturity.
Geographically	Diversify by investing globally.
By Investment Style	Diversify by employing managers with different investment styles, such as value and growth.

8.2 Sub-advisor Style Diversification

Throughout a full market cycle, there will be times when certain investment strategies are in favour and when others are out of favour. Portfolios can be diversified by style, as a means of reducing the volatility of the portfolio. Having managers with a low correlation to each other reduces the volatility of the overall portfolio throughout market cycles; when one manager's performance is weak and out of favour, another manager's performance could be strong, offsetting the lagging performance of the weaker manager. This provides for a smoother return in all market cycles. The Investment Advisor will recommend a structure designed to achieve manager style diversification and cost effectiveness.

8.3 Eligible Asset Classes and Constraints

The portfolio is to be well diversified and provide adequate liquidity to support the Foundation's granting requirements. Diversification can be accomplished in a number of ways: by asset class, by style, within each asset class by holding investments with different risk return characteristics, or diversified by geographical location. Investment in any single security should not exceed 10% of the total portfolio with the exception of diversified pooled funds, as well as Treasury Bills or bonds issued or guaranteed by the Government of Canada or a Canadian provincial government.

Publicly traded Canadian, US, international common stocks as well as American and Global Depositary Receipts are eligible for inclusion in the portfolio. Preferred shares are eligible for inclusion in the portfolio. Preferred shares as part of a fixed income strategy should be rated at least P-2 (Mid) or equivalent by a recognized rating service. Preferred shares as part of an equity strategy do not need to meet this requirement. Marketable bonds, notes, debentures and convertible debentures will be investment grade (rated at least BBB or equivalent by a recognized bond rating service), with the exception of high yield fixed income strategies that may been approved for inclusion in the portfolio strategy or within a pooled fund. Such fixed income strategies may include bonds that are rated below investment grade. Issues without an established credit rating may be held in the portfolio if recommended and internally rated by an approved fixed income or high yield manager.

Guaranteed Investment Certificates or equivalent financial instruments of insurance companies, trust companies, banks or other eligible issuers are eligible investments. Funds which invest primarily in such instruments are also eligible investments. Cash or money market securities issued by governments or corporations are eligible for inclusion in the portfolio. All money market securities will be rated at least R1 or equivalent by a recognized rating service. Derivative securities are not eligible investments, unless utilized through an approved alternative investment manager or through an investment manager that engages in active currency hedging.

Alternative investments, which may include private debt and/or private equity, absolute return strategies, infrastructure, real estate, commodities, loans, mortgages, non-equities based ETFs, or other investments not included in traditional asset classes, utilized through an approved alternative investment manager, are eligible investments.

Pooled funds substantially invested in any or all of the above asset classes are allowed, with the understanding that the sub-advisors' fund guidelines will supersede the above stated guidelines.

9. Performance Standards

9.1 Investment Returns

The Portfolio's investment performance will be measured against the performance of a 'benchmark' index calculated using appropriate market indices combined in the same proportion as the Portfolio's benchmark asset mix.

Table II: Portfolio Benchmarks*

Asset Class	Index	Allocation
Canadian Fixed Income	FTSE Universe Bond Index	25%
Canadian Equities	S&P/TSX Composite Index	20%
Global Equities	MSCI World Index or Equivalent (CAD)	35%
Alternative Investments	Based on individual mandate	20%

*Please note that individual sub-advisors will be provided with specific benchmarks to reflect their mandates. It is understood that each strategy will be assigned a benchmark based on their investment strategy. This may include, but is not limited to, an absolute return target, target determined by the manager, or an index.

The benchmark index indicates the gross return that a passive investor (i.e., one who invests in market indices) would earn by consistently employing the benchmark asset allocation set forth in Section 7.

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

- exceed the investment performance of the benchmark index over rolling 3-5 year periods, with an emphasis on 4-year periods; and
- rank in the top 25% of comparable portfolios over rolling 3-5 year periods, with an emphasis on 4-year periods.

10. Rebalancing

The Portfolio's allocation among asset classes will be reviewed quarterly by the Investment Advisor. Rebalancing will be considered when allocations fall outside of the ranges established in Section 7 or outside of established parameters related to the allocation of assets between or among Managers.

To the extent that is reasonable and possible, inflows and outflows of cash or assets in kind will be directed in such a way as to maintain:

- the long-term strategic asset allocation of the Portfolio; as well as
- the targeted allocation of assets between or among Managers.

In the event that such flows of cash and/or assets in kind are absent or insufficient, the Investment Advisor will take steps to rebalance the Portfolio by way of the transfer of cash and/or assets between or among the sub-advisors.

11. Reporting and Service

The client will receive monthly statements detailing the existing holdings and any transactions from the custodian, as well as a quarterly report from each manager. BNY Mellon Wealth Management, Advisory Services, Inc. ("BNY Mellon") will review the Investment Policy Statement annually to assess the investment progress and ensure that the parameters of this Statement continue to meet the requirements. This is in addition to the quarterly performance reports that we will provide, along with our ongoing independent information and advice.

12. Termination of a Sub-advisor

The Investment Advisor will consider termination of a sub-advisor when one or more of the following circumstances prevail:

- the sub-advisor's investment performance results have been below the median performance results of the appropriate peer group and/or the appropriate market benchmark indice(s) for 3 consecutive years;
- the sub-advisor changed their investment style, process or discipline or experienced a change in key investment personnel;
- there is a significant change in the risk profile of the sub-advisor;
- the sub-advisor's investment style is no longer appropriate given the Portfolio's requirements;
- the sub-advisor's reporting and client service are unsatisfactory; or
- the Investment Committee has concerns regarding the sub-advisor's ethics.

Notwithstanding the above, BNY Mellon may recommend terminating a sub-advisor for any reason that it deems appropriate. This applies to all investment solutions that are under the direct management of the Investment Advisor, with the exception of the monitored assets currently with KingSett Capital.

13. Conflict of Interest

No fiduciary will knowingly permit his or her interest to conflict with his or her duties or powers relating to investment of the Portfolio's assets or to any other matter related to the Portfolio. Any actual or perceived conflict of interest must be reported to the Committee. Such disclosure will be made when the affected individual first becomes, or ought to have become, aware of the conflict or potential conflict. The Committee will be the sole arbiter in determining whether the conflict of interest exists and, if it determines that a conflict does exist, will take all necessary and appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the minutes of the relevant Committee meeting.

The failure of a person to comply with the requirements of this Section will not of itself invalidate any decision, contract or other matter.

14. Adoption of Investment Policy Statement

Further to a recommendation by the Committee, voting members of the Foundation adopted this Investment Policy Statement by way of resolution at its meeting on November 28th, 2019.