



CHATS – COMMUNITY & HOME ASSISTANCE TO SENIORS POLICY & PROCEDURE MANUAL

APPROVED BY: Board of Directors
Reviewed by: Finance and Audit Committee

EFFECTIVE DATE: June 4, 2001
Last Revised: June 5, 2019
Last Reviewed: April 22, 2020

CATEGORY: Governance

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INVESTMENT POLICY

PURPOSE:

To maximize the investment return without placing CHATS' assets in undue risk while at the same time maintaining cash flow flexibility.

POLICY:

Fund Protection

- The target Stabilization Fund balance required by the Growth and Stabilization Fund Policy will be protected by investing only in Cash or Cash Equivalents (defined below).
- The target Growth Fund balance required by the Growth and Stabilization Fund Policy will be protected by ethical investing as follows.
 - All Growth Fund investment decisions must be made in companies or industries which are rated as socially responsible investments (SRI) and not inconsistent with the values, vision and mission of CHATS.

Fund Management

1. For the purposes of this policy, the following definitions apply:
 - i. Cash and Cash Equivalents:
 - Treasury Bills, cash or deposit receipts, certificates of deposit, money market funds, bankers' acceptances, guaranteed investment certificates and other similar redeemable instruments issued or endorsed by any Chartered Bank or the Federal or Provincial governments.
 - ii. Fixed Income Securities:
 - Holdings shall be diversified among Government of Canada, Provincial and Canadian corporate securities to a maximum term of 5 years. Instruments may be redeemed prior to maturity if it is in CHATS' best interest to do so.
 - iii. Equities:
 - Equity investments shall be in common or preferred shares or convertible securities of conservative, blue chip Canadian corporations.
2. Funds should only be invested if the CEO does not foresee a conflicting cash flow need for these funds.



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3. Funds in the Stabilization Fund must be invested in Cash or Cash Equivalents only.
4. Funds in the Growth Fund must be invested according to the following target asset allocation mix:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Fixed Income Securities	40%	70%	60%
Canadian Funds & Equity	0%	50%	40%

5. Funds will be invested in keeping with all applicable legislation of the Province of Ontario.
6. Investment transaction costs should be considered prior to recommendations to access the line of credit (also see CEO Authority Limitations policy).
7. Investments will be made only through a Chartered Bank or an established and reputable investment firm. The CHATS investment profile is to be reviewed and approved by the Finance and Audit Committee.
8. Deposit levels in Cash and Cash Equivalents and in Fixed Income Securities to be reviewed monthly by the Director of Finance and Administration.
9. Deposit levels in Equities to be reviewed weekly by the Director of Finance and Administration, or more frequently if deemed necessary by the Finance and Audit Committee.

Investment Management Responsibility

1. The Board of Directors is responsible for the oversight of funds invested by CHATS. The Board has delegated oversight of investment management to the Finance and Audit Committee of the Board.
2. The Finance and Audit Committee is responsible to review investment performance quarterly, and to take action when performance is not in accordance with this policy. The Finance and Audit Committee is also responsible to review investments and investment performance with the Board, at least quarterly.



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3. The Director of Finance and Administration, or designated delegate, will report on investment performance to the Finance and Audit Committee quarterly.
4. The Director of Finance and Administration and the Chief Executive Officer are to review the investment performance as described in Items 8 and 9 under Fund Management above and update the Finance and Audit Committee on a regular basis and at least quarterly.
5. An investment manager may be used to make recommendations for investing in Fixed Income Securities and in Equities. Management will select an Investment Manager and will present to the Finance and Audit Committee for approval. The Investment Manager must maintain the ESG directive and report accordingly.
6. The Investment Manager will provide an annual report to the Finance and Audit Committee confirming compliance with the Investment Policy. The Committee will present this report to the Board.
7. The Finance and Audit Committee will evaluate the investment manager at least annually, with due attention paid to compliance with this policy and performance measured against stated objectives.

Investment Guidelines and Constraints:

- Accept moderate rate of return with some fluctuations in the value of the portfolio over the short to medium term.
- CHATS investment profile is one of **Income and Protection of Capital**.
- Note: Due to the minimum requirement by the investment manager of \$100,000 per fund, it may be necessary to operate outside of the target ranges indicated above. This will be monitored by the Finance and Audit Committee.

Cash and Cash Equivalents

Instruments:

All investments must be 'R1 (low)' or higher rated by the Dominion Bond Rating Service (DBRS).



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Term (face or cashable without penalty)

The term for the financial instruments shall not be more than 365 days. Sufficient funds shall be held in instruments or funds of maximum 30-day term to meet one month's non-discretionary operating expenses (payroll plus all other obligatory payments such as rent, pension funding, etc.)

Fixed Income Securities

Holdings shall be diversified among Government of Canada, provincial, and Canadian corporate fixed income securities. Other securities with a minimum A (low) rating (Dominion Bond Rating Service) may be held. Investment may be made in pooled or mutual funds operated by the investment manager, provided that the assets contained therein meet CHATS criteria for eligibility. There shall be no investment in mutual funds operated by other managers.

Convertible securities, depending on the terms of the conversion, may be classified as equity for purposes of determining the target asset mix.

Equities

Equity investments shall be in common or preferred shares or convertible securities of Canadian corporations. Investments in preferred shares will be rated at least PFD-2 by Dominion Bond Rating Service. No single security shall represent more than 50% of the market value of total equities, unless there is only one equity in the holdings. This is to be the design of the portfolio, but if a scenario contrary to this design should occur due to market movements, it will be addressed at the next review cycle. Investments may be made in pooled or mutual funds operated by the investment manager, provided that the assets contained therein meet CHATS criteria for eligibility. There shall be no investments in mutual funds operated by other managers. No securities should be invested in any "small-cap" companies (as defined by the Russell 2000 index). There shall be no investments in mutual funds where a separate management fee is required.



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Selection of Investment Manager

1. Presentations from at least three firms or investment advisors will be solicited. The firms and advisors must be independent of the audit process and have no actual or potential conflict with the Board of Directors.
2. All firms must be registered as investment managers with the Ontario Securities Commission, Investment Dealers Association or equivalent.
3. A formal presentation will be made by at least two firms to the Finance and Audit Committee, who will recommend appointment of an investment manager to the Board of Directors.
4. Interim oversight of the investment manager and administrative transaction authority may be delegated to the Director of Finance and Administration.
5. The investment manager will provide CHATS with monthly performance reports and portfolio listings.
6. A special meeting may be called to discuss the performance of the investment manager at any time, at the Board's or a Committee Chair's discretion.
7. The appointment of the investment manager continues until written notice of termination is given by CHATS to the investment manager.

Changing the investment manager

Reasons include, but are not limited to, the following factors:

1. Changes in personnel, firm structure, or investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio.
2. Failure to adhere to the stated investment guidelines.
3. Failure to meet investment goals.



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4. Failure to preserve capital.
5. Portfolio showing six consecutive months of negative returns.
6. Changes in the structure of the overall funds which would no longer necessitate the use of a manager's service.
7. Loss of confidence in the investment manager.

The Board or, at its discretion, the Finance and Audit Committee will provide 30 days notice of termination to the incumbent manager.

During the notice period, the investment manager will make arrangements, if required, to transfer the assets to a new custodian, and will make such other arrangements as are needed for a smooth transition.

OTHER RELATED POLICIES/PROCEDURES/FORMS:

1. Growth & Stabilization Fund Policy
2. CEO Authority Limitations Policy

References: Imagine Canada Ethical Code