

Investment Policy Statement

Rotary Club of Barrie Charitable
Foundation

October 23, 2015

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(For Discussion Purposes)

OVERVIEW

The object of the Rotary Club of Barrie Charitable Foundation (RCBCF) is to maintain and build a capital fund which will provide predictable and sustainable annual support for initiatives as identified by the Board of Directors

The Board of Directors (Board) of the RCBCF has established and approved this investment Policy which serves as guidelines for managing any assets of the RCBCF that are invested in public markets.

All funds are to be managed in compliance with the overriding principles and objective of Rotary International including the 4 Way Test.

The Four-Way Test

1. Is it the TRUTH?
2. Is it FAIR to all concerned?
3. Will it build GOODWILL and BETTER FRIENDSHIPS?
4. Will it be BENEFICIAL to all concerned?

INVESTMENT POLICY STATEMENT

This Investment Policy Statement clarifies the key factors and considerations for the RCBCF's Investment portfolio and provides a set of written and approved guidelines for the management of the financial assets.

This Investment Policy Statement and will be presented to the Board of Directors by the Treasurer on an annual basis. This will ensure that it continues to reflect the RCBCF's circumstances and requirements.

ROLES AND RESPONSIBILITIES

Board of Directors

The Board has ultimate authority and responsibility for the Investment Portfolio. To assist in the performance of its duties the Board of Directors shall act as the Investment Committee. The Board shall consider the following annually:

- I. Review the RCBCF portfolio and efforts of the selected Investment Manager.

- II. Review this Statement of Investment Policy annually and recommend amendments as appropriate;
- III. Review all reports and recommendations from the Board Treasurer and financial advisors utilized by the RCBCF;
- IV. The RCBCF Treasurer shall monitor the Portfolio's performance and compliance with the Investment Policy Statement and report on these matters to the Board on a quarterly basis; and
- V. Take appropriate action including an annual recommendation and a supporting 'board motion'.

Investment Manager

- I. Provide a review of the Portfolio's performance as well as expectations on the economic and financial market outlook and related investment strategies on a by-yearly basis to the Board of Directors;
- II. Provide the Board of Directors promptly in writing of any significant changes in policies, procedures, personnel, ownership or any similar areas of the investment firms;
- III. Inform the Board of Directors if the Manager at any times feels that the performance expectations cannot be met or that any guidelines contained herein restrict performance;
- IV. Disclose any material interest in any investment or proposed transaction;
- V. Have full discretion in day-to-day investment management of the portfolio of which they have been given responsibility;
- VI. Provide a letter of compliance within four (4) weeks at the end of each quarter, detailing and explaining any investment guidelines contained in the policy which have been breached and/or confirming compliance
- VII. Ensure that all transactions are completed on a 'best execution' basis;
- VIII. Confirm receipt of and acceptance for all terms and conditions specified in this Statement of Investment Policy in writing; and
- IX. Exercise the care, skill and diligence that can reasonably be expected of a prudent persona and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

INVESTMENT OBJECTIVES

Return on Investments

The minimum total return objective is to achieve the following:

1. The disbursement policy goal of distributing 5% per year- See Appendix
2. Capital preservation of the Portfolio as measured by CPI (as calculated by Statistics Canada and available on Bank of Canada website).
3. Recovery of the cost of managing and administering the Portfolio

For Example: Assuming CPI of 2.5%, management expenses of 0.5% and the 5% distribution goal, the nominal return objective is 8.0%. Alternatively, the absolute real return objective (after inflation) is 5.5%. This rate of return may not be achieved each and every year; however, the Portfolio is expected to generate this minimum return over a rolling 5 year period.

Risk Tolerance

The Portfolio should be structured and managed to provide for the generation of its targeted rate of investment return while assuming the lowest possible risk. The Portfolio's exposure to risk will be measured in terms of the standard deviation of its investment returns. It is expected that a well designed manager structure using high-quality investment managers will exhibit stronger performance and less risk than the market.

INVESTMENT CONSTRAINTS

Legal and Regulatory Status

The RCBCF is registered with the Canada Revenue Agency as a charitable organization. Its year end is December 31. Based on minimum disbursement quota as defined in the Income Tax Act, the RCBCF is required to disburse a minimum 3.5% of the average trailing eight quarters' fair market value.

Taxation Status

The RCBCF 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 (Canada) and its Regulations.

Investment Time Horizon

The RCBCF is intended to exist in perpetuity. For planning and portfolio structuring purposes, it will be assumed that the investment time horizon of the Portfolio is ten years. It should be noted that this Investment Policy Statement will be reviewed on a least an annual basis.

ASSET MIX

A portfolio's asset mix is the proportion within which various classes are represented in the portfolio. In general, the greater a portfolio's allocation to equities relative to fixed income securities, the greater is the potential for capital appreciation and the higher its potential risk (as measured by the standard deviation of the portfolio's rate of return). Conversely, the greater the allocation to fixed income instruments relative to equities, the lower the potential for capital appreciation and the lower its potential risk (as measured by the standard deviation of the portfolio's rate of return). The asset mix is the principal means of controlling the Portfolio's risk and return characteristics and is therefore the key investment decisions.

Recommended Asset Mix

Given the Portfolio's targeted return on investments, risk tolerance, legal and taxation status, investment time horizon and disbursement requirements, the following permissible asset classes and ranges have been established (See Table 1)

Table 1: Long Term Strategic Asset Allocation

Asset Class	Target Allocation	Permissible Range
Cash Equivalents	0%	0% to 25%
Fixed Income	40%	30% to 60%
Canadian Equities	35%	15% to 45%
US Equities	12.5%	5% to 25%
International Equities	12.5%	5% to 25%
Total Equities	60%	35% to 70%

It will be the responsibility of the Board to confirm the appropriateness and suitability of the allocations to each asset class and the permissible ranges outline above.

*Adapted from Investment Policy Statement
The Calgary Rotary Clubs Foundation – June 17, 2014*