

# Heart and Stroke Foundation of Saskatchewan Investment Policy

Approved by Board of Directors: March 27, 2010

## Purpose

This policy is designed to ensure that the assets of the Heart and Stroke Foundation of Saskatchewan (the "Foundation") are invested in a prudent manner, in order to optimize returns on investment at an appropriate level of risk while respecting the need for liquidity and security of principal. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation.

## Oversight of Investments

Overall responsibility for investments rests with the Board of Directors (the "Board"). The Board performs this responsibility through the Finance and Budget Committee. The Board is responsible for:

- Establishing the Foundation's overall Investment Policy, including broad asset guidelines, a structure of investment management and benchmark targets;
- Appointing or removing Investment Manager(s) (the "Manager(s)"); and
- Monitoring the performance of the Investment Portfolio and its Manager(s).

## Management of Investments

The investment portfolio shall be managed by a professional Manager(s) dealing at arms length from the Foundation. The Manager(s) shall be appointed by the Board on the recommendation of the Finance and Budget Committee.

The Finance and Budget Committee shall assess the management of the investment portfolio at least annually. At least once every three years the Finance and Budget Committee will report to the Board with a recommendation to continue with or change the Manager(s).

An Investment Manager(s) shall be selected through public tender. The appointment or reappointment of the Manager(s) will be made in a prudent manner taking into account relevant experience, expertise, performance and cost.

## Investment Guidelines

To the extent possible, all surplus funds of the Foundation (including funds set aside to meet short-term operating needs) shall be fully invested in high quality income producing instruments including high yielding equity assets invested for capital appreciation.

The risk taken by the Foundation is to be in keeping with the practice of a prudent investor. The standard of prudence that shall be practiced at all times shall be the "Prudent Person Rule" which reads as follows:

*Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as probable income to be derived.*

## Asset Mix Guidelines

The portfolio will be invested primarily in fixed income and income producing instruments including cash, money market securities, debt securities and high yielding common stock, with a modest exposure to capital gain oriented instruments. The asset mix will be adjusted according to capital market expectations in a way that produces a reasonable rate of return while minimizing market risk, subject to the following parameters:

Asset Classification	Minimum	Maximum	Target
Cash and cash equivalents <sup>1</sup>	5%	35%	5%
Fixed Income	40%	85%	75%
Equities	10%	20%	15%

It is acknowledged that to the extent pooled or mutual funds are used to implement the investment strategy that cash balances within those funds may increase the effective cash allocation above the stated maximum.

All percentages are based on market values unless otherwise specified.

## Risk Guidelines

### *Cash and Cash Equivalents (Cash)*

Cash and cash equivalents include cash, demand or term-deposits, short-term notes, treasury bills, banker's acceptances, commercial paper and investment certificates issued by chartered banks, insurance companies, trust companies, and other financial institutions

A minimum rating of at least R1 as determined by the Dominion Bond Rating Service ("DBRS") is required for cash and cash equivalents.

### *Fixed Income (FI)*

Fixed income instruments include bonds, convertible debentures, non-convertible debentures, mortgages and other asset-backed securities.

Maximum holdings of the fixed income portfolio by credit rating are as follows:

All debt ratings refer to the ratings of DBRS, Standard & Poor's or Moody's. If a rating change causes a maximum to be exceeded, the Manager shall notify the Foundation immediately and obtain approval to continue to hold the security or sell the security as soon as is practical.

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<sup>1</sup> Excludes cash and cash equivalents held for short-term (i.e. less than 3 months) operating needs.

Issuer or Credit Quality	Maximum in FI Portfolio <sup>2</sup>	Maximum in a single issuer
Government of Canada <sup>3</sup>	100%	No limit
Provincial Government <sup>3</sup>	60%	20%
Municipals	25%	10%
Corporates	25%	10%
AAA <sup>4</sup>	100%	10%
AA <sup>4</sup>	70%	5%
A <sup>4</sup>	50%	5%
BBB or lower <sup>5</sup>	5%	2%

Maximum holdings of the fixed income portfolio by nature of asset is as follows:

- Term deposits, Guaranteed Investment Certificates or other similar investments issued by a Canadian chartered bank rated at least R-Mid or institution guaranteed by a Canadian chartered bank rated at least R-Mid, to an aggregate limit of \$500,000 to any one such institution;
- Term deposits, Guaranteed Investment Certificates or other similar investments issued by other financial institutions to an aggregate limit per institution of the amount insured by the Canada Deposit Insurance Corporation or the Credit Union Deposit Guarantee Corporation;
- No more than 10% of the fixed income portfolio for asset backed securities;
- No more than 10% of the fixed income portfolio for mortgages or mortgage funds;
- No more than 10% of the fixed income portfolio for bonds denominated for payment in non-Canadian currency; and
- No more than 10% of the fixed income portfolio for real return bonds.

### *Equities*

Equities include common and preferred stocks, income trust units, rights, warrants, Depository Receipts and investments of a similar nature.

Investments may be made in the equity of corporations that are publicly traded on a major recognized stock exchange or in mutual funds, pooled funds, closed-end investment companies, or other structured vehicles that meet the guidelines of this Policy.

Unless invested in a mutual fund, pooled fund or similar type investment, the equity portfolio will be diversified by having a minimum of 15 holdings in high quality, high yielding securities or income trust units. No one holding may represent more than 10% of the total equity portfolio at market value. No more than 10% of the market value of the equity portfolio may be invested in companies with a market capitalization of less than \$100 million at the time of purchase. Investment in foreign equities (including those of corporations traded on U.S. stock exchanges) may not exceed 20% of the equity portfolio.

<sup>2</sup>Percentage of portfolio at market value

<sup>3</sup>Includes debt issues guaranteed by the Government of Canada or a Province of Canada within stated maximums

<sup>4</sup>Does not apply to Government of Canada issues

<sup>5</sup>The allocation to BBB is to accommodate downgraded securities. No securities rated BBB or lower at the time of purchase are permitted.

### Term Guidelines

Long-term investments should be invested to meet the long-term operating needs of the Foundation.

No more than 20% of the Fixed Income portfolio should be invested in investments with a term to maturity greater than 7 years.

No investment of the Fixed Income portfolio should be invested in investments with a term to maturity greater than 10 years.

### General Investment and Diversification Guidelines

Outlined below are the general investment criteria. Foundation assets may be invested in the following investment vehicles under the following guidelines:

- Investments in mutual funds, pooled funds, closed-end investment companies, and other structured vehicles in any or all of the above permitted investment categories are allowed provided that such funds are managed in accordance to this Policy. The Manager must advise the Finance and Budget Committee in the event that a fund, closed end investment company or other structured vehicle exhibits or may exhibit departure from this Policy.
- Valuations for the purposes of determining compliance with this Policy shall occur semi-annually on the last business day of June and December. In the event that there is non-compliance as a result of changes in value the Manager will have 45 days to bring the portfolio into compliance.

### **Restrictions**

The Foundation is not permitted to invest in tobacco related securities, nor in any mutual fund or equity backed security that hold tobacco related securities.

The Foundation is not permitted to lend securities.

The Foundation is not permitted to use derivatives (e.g. options, futures, and forward contracts) for any purpose.

Investments are not to be held in bearer form.

### **Valuation**

Investments will be valued at their market value when that information is available from regular public trading, otherwise they will be valued at cost.

Investments in mutual funds, pooled funds, closed-end investment companies, and other structured vehicles comprising publicly traded securities will be valued according to the unit values published at least monthly by the fund manager(s).

## **Safekeeping**

Investments purchased will be held in safekeeping by a dealer or financial institution approved by the Finance and Budget Committee.

Confirmation of holdings or any other documents or reports delivered to the Foundation with respect to the investment portfolio shall be stored safely in a locked cabinet with access restricted to the Chief Executive Officer, Director of Finance and Administration and Accountant.

## **Proxy Voting Rights**

Proxy voting rights on Foundation investments are delegated to the Manager(s). However, in the case of segregated holdings, the Finance and Budget Committee reserves the right to exercise voting rights on Foundation investments when it deems appropriate.

The Manager(s) maintains a record of how voting rights of investments of the Foundation were exercised.

The Manager(s) will exercise acquired voting rights in the best interests of the Foundation. In case of doubt as to the best interests of the Foundation, the Manager(s) will request instructions from the Finance and Budget Committee and will act in accordance with such instructions.

## **Communication and Decision Making**

The Foundation shall communicate with the Manager(s) through the Director of Finance and Administration, unless otherwise directed by the Board. All such communication shall be documented in writing.

Decisions required to be made by the Manager may be made by the Director of Finance and Administration. A summary of decisions made regarding investments will be made to the Board each meeting as part of the Treasurer's Report.

Investment instructions may be given over the telephone to the Investment Manager, but all investment transactions are to be confirmed by the Director of Finance and Administration in writing.

Deviations from this Policy require specific written authorization from the Finance and Budget Committee.

## **Reporting**

### **Manager to the Foundation**

The Manager(s) will provide monthly investment statements including a complete inventory of all portfolio investments and a list of all transactions (matured or not) including opening balances, maturities, dispositions, purchases and accrued interest to the Director of Finance and Administration.

The Manager(s) will provide semi-annual investment reports to the Director of Finance and Administration. Such reports will contain the following information:

- Complete inventories of all portfolio investments and percentage breakdown by each investment category (i.e. cash and cash equivalents, fixed income, and equities) and credit rating
- Average term to maturity of the fixed income portfolio
- Details about YTD performance, performance in the 1, 3, 5, and 10 year periods, performance since inception and performance since last report
- Details of any variations from stated investment policy and the expected time frame for bringing the portfolio into compliance (or a statement indicating that there are no variations as is applicable)

#### Foundation to the Finance and Budget Committee

The Chief Executive Officer will report to the Finance and Budget Committee bi-annually or as otherwise requested.

#### Finance and Budget Committee to the Board

The Finance and Budget Committee will report to the Board annually or as otherwise requested.

### **Conflict of Interest Policy and Disclosure Requirements**

This Policy applies to the Board, the Finance and Budget Committee, any investment sub-committee established by the Board, the Manager(s), the Trustee/Custodian, any Consultant, or employee or agent retained by the foregoing to provide investment related services.

Any person listed above must disclose any direct or indirect association or material interest or involvement that would result in any actual, potential, or perceived conflict of interest, with regard to the selection of the investments of the Foundation. Without limiting the generality of the foregoing, this would include material benefit from any asset held by the Foundation, or any significant holdings, or membership on the Board of Directors of any corporations, or any actual or proposed contracts.

The person involved in the conflict must disclose the nature and extent of a conflict to the Finance and Budget Committee in writing, or request to have it entered in the minutes of a meeting of the Committee upon first becoming aware of the conflict. The disclosure may be made orally if knowledge of the conflict arises in the course of a discussion at a meeting of the Committee. Upon giving notice, the person or persons will refrain and withdraw from all discussions and participation in decisions pertaining to those matters where a conflict of interest exists or is perceived to exist.

### **Policy Review**

This policy will be reviewed annually by the Finance and Budget Committee to ensure that it remains consistent with the overall objectives of the Foundation and prudent and conservative investment practices. This policy may be reviewed and updated more frequently if necessary.

The Committee will present any recommended changes to this Investment Policy to the Board of Directors for their review and approval.