

Toronto Community Foundation

Investment Policy Statement

October 6, 2009

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# Toronto Community Foundation Investment Policy Statement

## 1. Background

The Toronto Community Foundation has been connecting philanthropy to community needs since 1981. We provide a simple, powerful, and highly personal approach to charitable giving by:

- providing all the benefits of a private foundation without the administrative, regulatory and reporting burden;
- advising donors on charities, programs and sectors that interest the donors;
- helping donors involve their family in their philanthropic goals; and
- building a donor's legacy by providing the maximum tax savings available and superior investment management of their endowment funds.

Our focus is on providing a superior experience for donors while building endowments that create permanent legacies and address immediate community needs.

## 2. Investment Policy Statement

This Investment Policy Statement identifies the key factors bearing upon decisions for the Foundation's investment portfolio (the "Portfolio") and provides a set of written guidelines for the management of its assets.

This Investment Policy Statement supersedes any existing Investment Policy Statement and will be reviewed at least annually to ensure that it continues to reflect the Foundation's circumstances and requirements.

## 3. Roles and Responsibilities

### 3.1 Board of Directors

The Board of Directors of Toronto Community Foundation (the "Board") has ultimate authority over and responsibility for the Portfolio. To assist it in the performance of its duties and to ensure that the Portfolio meets its objectives, the Board will:

- appoint an Investment Committee (the 'Committee');
- receive the Committee's recommendations with respect to the Portfolio's Investment Policy Statement and re-approve or amend the Statement, 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.

### 3.2 Investment Committee

The Investment Committee will:

- maintain an understanding of legal and regulatory requirements and constraints applicable to the Portfolio and keep the Board fully apprised of these;
- on an annual basis, or more frequently if appropriate, review the Portfolio's Investment Policy Statement and make appropriate recommendations to the Board regarding its amendment or re-approval;
- formulate recommendations to the Board regarding the selection, engagement or dismissal of a professional investment manager or managers (the "Manager(s)"), an Investment Advisor, a Custodian and any other specialist or consultants they may wish to hire;
- formulate specialized instructions and mandates for each Manager, in the event that more than one Manager is engaged. These instructions and mandates will derive from, reflect and be consistent with the provisions of this Investment Policy Statement;
- monitor the Portfolio's performance and its compliance with the Investment Policy Statement and report on these matters to the Board on a quarterly basis;
- monitor the Manager(s)' performance and compliance with the Investment Policy Statement as well as each Manager's compliance with any specialized instructions and mandates they have been given;
- take appropriate steps to ensure that the Portfolio is rebalanced, as necessary, per Section 9 of this Investment Policy Statement; and
- take appropriate steps to resolve conflict of interest issues as provided for in Section 14 of this Investment Policy Statement.

### 3.3 Investment Advisor

The Investment Advisor will:

- provide the Committee with information, advice and, as required, recommendations on:
  - asset mix arrangements;
  - manager structures; and
  - the selection, dismissal or replacement of a Manager or Managers and a Custodian;
- provide the Committee with draft Investment Policy Statements and/or specialized Manager instructions and mandates, as necessary;
- on an annual basis, or as appropriate, provide the Committee with advice on the advisability of re-approving or amending the Portfolio's Investment Policy Statement as well as any specialized instructions and mandates provided to the Managers;

- monitor the Portfolio's asset allocation and provide recommendations to the Committee with respect to rebalancing assets among Managers and/or asset classes;
- provide administrative assistance with respect to moving assets between or among Managers as well as the receipt or disbursement of monies to/from the Portfolio and act as a liaison between the Committee and the Managers and/or Custodian in this connection;
- provide regular reports to and meet with the Committee and/or Board as provided for in Section 10 of this Investment Policy Statement;
- provide information and advice with respect to developments that might affect the Manager(s)' performance, risk characteristics and service capabilities; and
- meet with the Committee and/or Board on a regular basis, as determined by the Committee's/Board's requirements.

### **3.4 Manager(s)**

The Manager(s) will:

- have full discretion in day-to-day investment management of the Foundation's Portfolio, or that portion of the Portfolio for which they have been given responsibility, subject to this Investment Policy Statement and any amendments thereto as well as any specialized instructions and mandates issued by the Committee;
- ensure that all transactions are completed on a 'best execution' basis;
- have the authority to vote all proxies and, in exercising this authority, act prudently and solely in the interest of the Foundation. The Committee retains the right to instruct the Manager(s) on how to exercise voting rights but recognizes that this may not be enforceable if the subject investments are held within a pooled fund;
- provide regular reports to and meet with the Committee and/or Board as provided for in Section 10 of this Investment Policy Statement;
- recommend to the Committee any changes to this Investment Policy Statement or to specialized instructions and mandates issued by the Board, that the Manager(s) deem(s) appropriate;
- provide advice and counsel with respect to the Portfolio when called upon to do so by the Committee; and
- exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

### **3.5 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. In the case of

pooled funds, the Custodian reports to the Manager and the Manager in turn reports to the Foundation. The Custodian (or manager of the pooled funds) will:

- provide safekeeping for Portfolio assets;
- process transactions as directed by the Manager(s) and/or the Committee;
- collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- inform the Manager(s) 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 10 of this Investment Policy Statement;
- provide the Manager(s) and other agents of the Committee with information required to fulfill their duties, or as directed by the Committee; and
- to the extent possible, provide applicable information as may be requested by the Foundation's auditor.

#### **4. Investment Objectives**

##### **4.1 Return on Investments**

The Foundation's objective is to generate a total investment return that achieves the granting objectives of the Foundation, recovers the cost of managing and administering the funds, protects the purchasing power of the capital component and establishes a reserve for future market declines. The minimum return objective is 5% to cover the minimum distribution requirement of 3.5% and expenses of 1.5% however the Foundation would like to achieve a return of 7.5% per annum which includes inflation protection at an estimated inflation rate of 2% and a slightly higher distribution rate of 4.0%. This rate of return may not be achieved in each and every year; however, the Portfolio is expected to generate this minimum return on investments over rolling 7 year periods.

The Foundation will disburse at a minimum such amount as may be required to meet its disbursement test under the Income Tax Act (Canada). The current requirement is 3.5%.

The success of the Foundation's long term investment strategy will be monitored in the context of meeting the Foundation's spending policies.

##### **4.2 Risk Tolerance**

The Portfolio's exposure to risk will be measured in terms of the standard deviation of its investment returns. The Portfolio should be structured and managed so as to

provide for the generation of its targeted rate of investment return while assuming the lowest possible risk.

The risk inherent in the Portfolio can also be viewed in terms of the likelihood that it will generate negative investment returns. It may be expected that the Portfolio will experience an annual negative return in 1 out of every 8 years which translates to 12 out of every 100 years. These statistics are based on the historic performance over the past 45 years of a 40% fixed income / 60% equity (27.5% Canadian equity, 16.25% US equity, 16.25% international equity) asset allocation. The recommended asset mix corresponds with the long-term, strategic asset mix set out for the Portfolio in Section 6. This level of risk has been confirmed acceptable by the Committee. It will be monitored within the quarterly performance report.

It is expected that a well-designed manager structure using high-quality investment managers will exhibit stronger performance and less risk than the market. 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 controlled by diversifying the Portfolio's holdings, not only in terms of asset class, but also in terms of holdings within each asset class, geographically and by investment management style and investment manager.

## **5. Investment Constraints**

### **5.1 Legal and Regulatory Status**

The Foundation is registered with the Canada Revenue Agency as a charitable organization. Its year-end is March 31.

### **5.2 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.

### **5.3 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.

The Foundation will 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, however, that this Investment Policy Statement will be reviewed on at least an annual basis.

#### 5.4 Liquidity and Income Requirements

The Portfolio requires sufficient liquidity to support the Foundation’s disbursement requirements on a timely basis. It is desirable that the Portfolio generate cash flow from dividends and interest to meet the majority of its disbursement requirements. The Toronto Community Foundation does not anticipate any large cash withdrawals over the time horizon.

### 6. Asset Mix

A portfolio’s asset mix is the proportion within which various asset classes are represented in the portfolio. In general, the *greater* a portfolio’s allocation to equities relative to fixed income securities, the *greater* its 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 its allocation to fixed income instruments relative to equities, the greater its potential for generating a consistent income stream and the *lower* its potential risk. Control of the Portfolio’s asset mix is, therefore, the principal means of controlling its risk and return characteristics.

#### 6.1 Recommended Asset Mix

Given the Portfolio’s targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following ‘benchmark’ or long-term strategic asset allocation, and permissible asset class holding ranges have been established in Table I.

Asset Class	Benchmark Allocation	Permissible Range
Cash and Cash Equivalents	0.0%	0.0% - 15.0%
Fixed Income Instruments	40.0%	30.0% - 50.0%
<b>Total Fixed Income</b>	<b>40.0%</b>	<b>30.0% - 50.0%</b>

Canadian Equities	27.5%	17.5% - 37.5%
Global Equities*	27.5%	17.5% - 37.5%
Alternative Strategies**	5.0%	0.0% - 7.0%
<b>Total Equities &amp; Alternative Strategies</b>	<b>60.0%</b>	<b>50.0% - 70.0%</b>

\* For global equities, the long term target is currently 50/50 US/International. This will continue to be monitored.

\*\* Alternative strategies may include hedge funds, private equity, venture capital, real estate, commodities, foreign exchange or any other investment strategy that is not included in the traditional asset classes outlined above.

It will be the responsibility of the Committee to recommend, from time to time, allocations to each asset class within the permissible ranges outlined above.

## 7. Investment Management Guidelines

### 7.1 Eligible Asset Classes - Definitions and Constraints

#### 7.1(a) Cash Equivalents

Cash equivalents will consist of instruments, issued by governments or corporations, with terms to maturity of 0 to 12 months and 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 by another well-established rating agency at the time of purchase and thereafter.

#### 7.1(b) Fixed Income Instruments

Investments in the following marketable fixed income instruments are permitted:

- bonds;
- debentures;
- notes;
- coupons and residuals;
- asset-backed securities; and
- preferred shares.

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.

Notwithstanding the above, 'maple bonds', i.e., bonds denominated in Canadian dollars both in terms of interest payments and principal payments but issued by non-Canadian entities, may be held in the Portfolio provided they meet the minimum credit rating standards set out below. Maple bonds should not constitute more than 10% of the market value of the fixed income asset class.

Preferred shares must have a minimum DBRS credit rating of PFD-3 or an equivalent rating by another well-established rating agency at the time of purchase and thereafter, if considered as part of the fixed income component of the portfolio. All other fixed income instruments must, as a group, have a market-weighted average DBRS credit rating of A, or an equivalent rating by another well-established rating agency, or better at the time of purchase and thereafter. The minimum credit quality per issue shall be BBB (low) or equivalent at time of purchase. Bonds rated BBB should not constitute more than 10% of the market value of the fixed income asset class.

In the event that a Manager expects a downgrade in the credit rating of a fixed income instrument to below the minimum BBB credit rating, the Manager shall develop a strategy for disposing of the fixed income instrument in a timely, orderly and efficient manner.

In the event that a fixed income investment held in the Portfolio experiences an unanticipated credit rating downgrade so that it falls below the minimum credit rating of BBB, the Manager may sell the investment immediately. In the event that the Manager wishes to retain the investment in the portfolio, the Manager will contact the Committee within five business days to provide detailed information on the downgrade as well as the Manager's rationale for retaining the investment in the Portfolio. The Committee may require that the Manager dispose of the investment immediately. Alternatively, the Committee may authorize retention of the investment. In this instance, the Committee will provide the Manager with a deadline by which the investment must be disposed of and the Manager will provide, at a minimum, monthly updates on the investment in question, including its trading pattern and the Manager's strategy for disposing of it on a timely basis. In the event of a 'split' rating (i.e., a situation in which credit rating agencies assign non-equivalent ratings), the lowest rating will apply.

Investment in the securities of any single issuer should not constitute more than 5% of the market value of the 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. Pooled funds of the investment manager are also exempted from this provision.

Foreign pay bonds should not constitute more than 10% of the market value of the fixed income asset class and only be invested in if the Manager believes it is in the best interest of the portfolio.

### **7.1(c) Equities**

Investments in the following equity securities are permitted:

- publicly traded common stocks;
- rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;
- income trust units issued and/or registered in jurisdictions where appropriate legislation is in place to limit the liability of unitholders;
- American Depositary Receipts; and
- Global Depositary Receipts.

Individual equities or equities held within equity funds must be listed on a major stock exchange and be of 'investment grade'.

Investment in the securities of any single issuer should not constitute more than 5% of the market value of the Portfolio as a whole. In addition, investment in the securities of any single issuer should not constitute more than 10% of the market value of the equity asset class.

### **7.2 Additional Constraints, Inclusions and Exclusions**

The Portfolio as a whole and each asset class represented in the Portfolio must be reasonably diversified. If more than one Manager is employed, all reasonable attempts will be made to ensure that the Portfolio is diversified in terms of investment management 'style'.

All investments must be reasonably liquid at the time of purchase and thereafter. In the event that the Manager(s) forecast(s) an impairment in the liquidity of an investment, the Manager will make all reasonable efforts to liquidate the investment on a timely basis.

Index, mutual and pooled funds may be held in the Portfolio with the understanding that the guidelines in the Fund's offering memorandum will

supersede the aforementioned guidelines. While such funds will be managed in keeping with their own investment policies, these policies must be consistent with the spirit of this Investment Policy Statement. In the event that there are any substantive inconsistencies between the provisions of this Investment Policy Statement and the policies applicable to a fund that a Manager wishes to employ in the Portfolio, the Committee must provide written approval for investing in the fund before any such investment is made. These funds will be categorized as cash equivalents, fixed income investments or equities as appropriate given their underlying securities or the capital markets to which they are intended to provide exposure.

In the event that a Manager plans to make a material change to the mandate or investment policy of one or more of the Manager's index, mutual or pooled funds held in the Portfolio, the Manager must provide the Committee with prior notice of the revision. This notification must be provided to the Committee at least one month in advance of the proposed revision.

Derivative securities, other than those employed by hedge fund managers, may be held in the Portfolio for hedging purposes only. Derivative securities may not be used for speculative purposes.

Overdraft positions are not to be intentionally created.

The Committee reserves the right to instruct the Manager(s) to exclude any asset, security or category of investment and will notify the Manager(s) by written notice in the event that such restrictions are to be imposed.

The Committee may place further constraints, limitations or requirements on the Portfolio in order to achieve specific short-term objectives.

Gifts or donations consisting of marketable securities transferred into the Portfolio will be liquidated as soon as practicably possible.

## 8. Performance Standards

### 8.1 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. Performance measurement will be reported quarterly in accordance with the CFA Institute standards.

<b>Asset Class</b>	<b>Index</b>	<b>Proportion</b>
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Fixed Income Instruments	Scotia Capital Universe Bond Index	40.0%
Canadian Equities	S&P / TSX Composite Index	27.5%
Global Equities	50% S&P 500 Index / 50% MSCI EAFE Index (CDN \$)	27.5%
Alternative Strategies	Scotia Capital 91 Day Treasury Bill + As Applicable	5.0%

The benchmark index indicates the 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 6.

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 3-7 year periods, with an emphasis on 4-year and 7-year periods; and
- rank in the top 50% of comparable portfolios over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods.

The performance of the Manager(s) relative to an appropriate peer group over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods will be evaluated quarterly. The performance of individual asset classes is expected to:

- exceed the return of their corresponding benchmark indices; and
- rank in the top 50% of the appropriate investment manager performance measurement universes over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods.

Further, the Manager(s) will be evaluated in terms of:

- compliance with the provisions of this Investment Policy Statement and any amendments thereto as well as any specialized instructions and mandates issued by the Committee; and
- the provision of satisfactory reporting and client service.

## 8.2 Risk Exposure

The Portfolio's risk exposure, as measured by the standard deviation of its returns, will be evaluated on a quarterly basis.

The risk profile of the Manager(s) will be evaluated quarterly over rolling 3-7 year periods, with an emphasis on 4-years and 7-years, relative to an appropriate peer group.

The risk profile of the Portfolio and the Manager(s) should rank below the median risk for comparable portfolios and Managers.

## **9. Rebalancing**

Each calendar quarter, the total portfolio will be reviewed for compliance with the ranges established in Section 6. If the portfolio mix violates the above ranges, the portfolio will be rebalanced to the upper or lower bound of the ranges for each asset class, unless otherwise approved by the Investment Committee.

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 Committee will take steps to rebalance the Portfolio by way of the transfer of cash and/or assets between or among the Managers.

## **10. Reporting and Service**

### **10.1 Manager(s)**

On a quarterly basis and within 30 days of the end of the calendar quarter, the Manager(s) will provide the Committee with:

- a valuation of the Portfolio as at the end of the quarter, including the market value of each security;
- data and commentary on the Manager(s)' investment performance (for the past quarter as well as for the past 1-, 2-, 3-, 4-, 5-, 7- and 10- year periods and since inception or in the case of an account whose performance is beyond 5 years, results for the quarter, 1-, 3-, 5-, 10-year and since inception periods) relative to benchmarks established in this Investment Policy Statement or to the Manager's specialized mandate in the event that more than one Manager is engaged;
- a commentary on the investment strategy and tactics employed over the past quarter;
- information pertaining to changes of investment or senior management personnel and/or ownership structure, if any; and
- information pertaining to changes to the Manager's investment style, process or discipline or any other philosophical, operational or organizational matter that might reasonably be expected to have a bearing on the performance or risk profile of the assets managed by the Manager(s).

On an annual basis, the Manager will provide a signed Certificate of Compliance indicating that the assets for which the Manager(s) has/have responsibility have been managed within the parameters established by this Investment Policy

Statement or by any specialized instructions or mandates issued by the Committee.

The Manager(s) will provide, upon request, a written report on all of its proxy votes with respect to Portfolio assets under their management. Such reports will identify any instances in which proxies were not voted in accordance with the Manager's share voting policy.

The Manager(s) will be available for meetings with the Committee on a quarterly basis, or more frequently if required by the Committee, and will be available for discussion and consultation on an ad hoc basis. In addition, the Manager(s) will be available for meetings with the Board as requested.

## **10.2 Investment Advisor**

On a quarterly basis, the Investment Advisor will provide the Committee with a report detailing:

- the performance of the Portfolio and each separately managed account constituting part of the Portfolio. These reports will detail performance in both absolute terms and relative to the benchmark index described in Section 8.1 of this Investment Policy Statement. Performance statistics will be provided for the quarter, the year-to-date, and each annual and annualized period since inception;
- the risk characteristics of the Portfolio and each separately managed account constituting part of the Portfolio; and
- the performance and risk characteristics of the Manager(s) relative to (an) appropriate peer group(s).

The Investment Advisor will be available for meetings with the Committee on a quarterly basis, or more frequently if required by the Committee, and will be available for discussion and consultation on an ad hoc basis. In addition, the Investment Advisor will be available for meetings with the Board as requested.

## **10.3 Custodian/Manager**

The Custodian/Manager will provide the Committee with statements on a monthly basis. These statements will include, at a minimum, a summary and a detailed listing of assets held in the Portfolio as well as a listing of transactions (including deposits, withdrawals, receipt of interest and dividends, purchases, sales, corporate actions and fees paid) that occurred in the Portfolio during the reporting period.

The Custodian's reports will provide the book value and current market value of each asset held in the Portfolio and categorize securities by issuer type, market sector and/or industry, as appropriate.

## 11. Hiring of a Manager

The Committee must approve the acceptance of all new mandates and their benchmarks. Therefore, the proposed Investment Manager must provide the following information for consideration by the Committee to allow it to fulfill its fiduciary responsibilities to the Foundation:

- the firm's history including type of ownership, current assets under management and client turnover rate;
- a description of the investment process including research capabilities, criteria for buy and sell decisions and risk controls;
- biographies for each of the investment team members including their tenure at the firm and with the intended strategy;
- the firm's fee schedule for the intended strategy; and
- CFA Institute compliant monthly investment performance over the past 5 years, at a minimum, for the intended strategy.

After the Committee is satisfied that the above information is acceptable, the Investment Manager must meet the following additional criteria:

- exceed the return of the appropriate benchmark over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods;
- rank in the top 50% of the appropriate peer investment manager performance universes over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods;
- the strategy's market risk, as measured by standard deviation, ranks below the market risk over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods;
- identify that the investment team currently in place is responsible for the past investment performance;
- agree to adhere to the roles and responsibilities of Investment Managers as outlined in the Investment Policy Statement; and
- adhere to all investment manager guidelines as outlined in the Investment Policy.

## 12. Termination of a Manager

The Committee will consider recommending to the Board that a Manager be terminated when one or more of the following circumstances prevail:

- the Manager's investment performance results have been below the median performance results of the appropriate Manager peer group and/or the appropriate market benchmark indice(s) for 3 consecutive years;
- the Manager's short-term underperformance is found to be a result of a change in the Manager's investment style, process or discipline or a change in the Manager's key investment personnel;
- there is a significant change in the risk profile of the Manager;

- the Manager's investment style is no longer appropriate given the Portfolio's requirements;
- the Manager's reporting and client service are unsatisfactory; or
- the Committee has concerns regarding the Manager's ethics.

Notwithstanding the above, the Committee may recommend to the Board that a Manager be terminated for any reason that the Committee deems appropriate.

### **13. Professional Investment Advisor Program Guidelines**

The Foundation maintains a gift acceptance policy (see Toronto Community Foundation Gift Acceptance Policies and Guidelines for further information). However, from time to time, donors may approach the Foundation and request that their gift of funds be managed by specific Investment Manager(s) (Professional Investment Advisors) who do not form part of the Foundation's manager allocation. Such arrangements can be accepted by the Foundation, under the Professional Investment Advisors Program, after a review of the manager, the size of the portfolio considered and the gift's impact to the overall implementation of the Foundation's Policies.

#### **13.1 Approval of New Managers**

A manager interested in participating in this program will be asked to submit information based on their firm's history and organization, portfolio construction, professional staff and past performance. The Vice President Finance & Administration and the Chair of the Committee will review this to determine whether they should proceed. The next step is a site visit by members of the Committee and the Vice President Finance & Administration to collect more information on the manager's investment style and their potential to reach the desired level of assets under administration. The criteria outlined in Section 11 and Section 12 of this Investment Policy Statement should also apply to the Professional Investment Advisor Program. Final approval of Managers is granted by the Committee.

Managers must have initial assets of \$1 million of donations to qualify for this program. The assets can be from one or more donors.

#### **13.2 Allocation of Assets**

Managers in this program are not required to follow the asset mix guidelines for the primary investment pool. They are required to maintain a diversified portfolio in terms of specific securities, geography and type of investment. A minimum of 35% in bonds is recommended. As well, they must adhere to the Foundation's eligible asset classes and constraints outlined in Section 7 of this Investment Policy Statement.

The Committee should be cognizant that the asset allocation of the Foundation's total portfolio, including any Professional Investment Advisor Funds, is within the acceptable ranges as specified in Section 6 of this Investment Policy Statement.

### **13.3 Performance Monitoring**

Managers are expected to meet the overall benchmark for the primary investment pool based on the combined indices. Quarterly results for each manager will be calculated by the Investment Advisor and ranked against the composite benchmark. The returns will not be included in the Foundation's overall investment statistics. There will be an annual evaluation by the Committee with a clear understanding that if underperformance continues over an appropriate time frame (3 to 5 years), the assets will be rolled into the main investment pool.

### **13.4 Reporting**

Managers will provide the Foundation with quarterly performance reports in a format acceptable to the Foundation. The Custodian will provide monthly reports to the Foundation's advisors for monitoring of the account. Managers participating in the Professional Investment Advisors Program are expected to adhere to the Roles and Responsibilities outlined in Section 3 of this Investment Policy Statement as well as the Reporting and Service guidelines outlined in Section 10 of this Investment Policy Statement.

### **13.5 Fund Administration**

Each investment manager that participates in the Professional Investment Advisor Program will be accounted for in a separate pool and will not share investment earnings with any other pool.

### **13.6 Investment Management Fees**

Donors may select the service package that best meets their needs and they will be charged the applicable administrative fee plus an additional fee to cover the added administration of this program. Investment management fees will be charged directly by the investment manager to the pool managed by the firm.

## **14. 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 fiduciary to comply with the requirements of this Section will not of itself invalidate any decision, contract or other matter.

## 15. Adoption of Investment Policy Statement

The Board of Directors of the Toronto Community Foundation adopted this Investment Policy Statement by way of resolution at its meeting on October 6, 2009.

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Martin Connell, Chair

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Date

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John MacIntyre, Chair  
Investment Committee

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Date