



## Calgary Foundation - Statement of Investment Policy

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## 1. Purpose of the Statement of Investment Policy

The principal purpose of the Statement of Investment Policy (“SIP”) is to formulate guidelines for the prudent investment of The Calgary Foundation’s (“TCF”) primary endowment fund (“Fund”) which may include funds managed by TCF on behalf of other registered charitable organizations. The SIP establishes and communicates TCF’s investment objectives and principal governance policies.

The Terms of Reference defines the roles and responsibilities of all stakeholders and the governance framework for the Investment Committee (“the Committee”), both of which are not included in this SIP.

The Investment Manager Mandate (“IMM”) is a separate administrative procedures document that provides a framework for the review and assessment of the Investment Managers. Management and the Committee will be responsible for the oversight of the IMM. The IMM guidelines are not included within this SIP.

## 2. Investment Objectives

2.1 TCF’s long-term investment objectives are:

- (i) To earn a real return sufficient to preserve the purchasing power of TCF’s invested assets.
- (ii) The real return goal shall consist of a spending rate and administrative cost assumption of operating TCF. These items and their function in the overall return requirements are outlined in Section 2.2.

2.2 The long-term target real rate of return objective over moving ten-year periods is equal to the aggregate of:

- (i) TCF’s prevailing Capital Preservation and Spending Policy 6.01.
- (ii) Provision for operating cost recovery Policy 4.05.

## 3. Risk Tolerance

3.1 TCF recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with investing in capital markets. TCF acknowledges that the greatest risk is the probability of failing to meet the return objective over the time horizon. In establishing the risk tolerances for this investment policy, TCF’s ability to withstand short and intermediate term variability was considered. TCF’s prospects for the future, investment time horizon, current financial condition and level of funding in the portfolio suggest collectively some shorter term fluctuations in market value and rates of return may be tolerated within the portfolio in order to achieve its longer term investment objectives.



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### 4. Liquidity of Investments

- 4.1 The Fund's short-term liquidity requirements are expected to be minimal. In general, any unanticipated needs will be met from cash and cash equivalents, future contributions or rebalancing activities. Management will notify the investment managers well in advance of the withdrawal orders to allow sufficient time to build up necessary liquid reserves outside of the strategic allocation.

### 5. Time Horizon

- 5.1 The Investment guidelines are based on an investment horizon of greater than ten years, so interim fluctuations should be viewed with appropriate perspective. Similarly, TCF's strategic asset allocation is based on this long term perspective.

### 6. Asset Allocation

- 6.1 The Fund will be structured with the expectation that the asset mix policy will achieve the performance objective and risk tolerance outlined in 2.2 and 3.1, respectively.

Asset Mix Policy:

<b>Asset Class</b>	<b>Policy Mix</b>
<b>Canadian money market</b>	<b>2.0%</b>
Canadian bonds	13%
High yield bonds	5%
Private Debt	5%
<b>Total Fixed Income</b>	<b>25%</b>
Canadian large cap equities	17.5%
Canadian small cap equities	5%
US Equity	9%
EAFE Equity	8.5%
Emerging Markets	5.0%
<b>Total Equity</b>	<b>45.0%</b>
Real Assets	20%
Private Equity	10%
<b>Total Alternatives</b>	<b>30%</b>
<b>Total</b>	<b>100%</b>

- 6.2 Market performance will cause the Fund's actual allocations to fluctuate over time. The Fund will abide by the rebalancing policy as outlined in the IMM.
- 6.3 The Board has delegated the task of benchmarking the Fund and each investment manager to Management and the Investment Committee. The Fund and investment manager performance objectives are outlined within the IMM.



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### **7. Derivatives**

- 7.1 Derivatives Investments (options, futures, forwards and swaps) are permitted for the purposes of protecting against losses from changes in interest rates, currency, equities or stock market indices, substituting for direct investment and portfolio adjustments.
- 7.2 Sufficient assets and cash must be held to cover commitments due to the derivatives transactions. No derivatives can be used for speculative trading or to create a portfolio with leverage.
- 7.3 Where it is cost efficient to do so, management may use derivatives to hedge the Fund's exposure to a specific foreign currency for defensive purposes and may also delegate the task of currency hedging to an external currency manager, in accordance with operational policy guidelines set forth in the IMM in consultation with the Chair of the Investment Committee, and at the Chair's discretion, the entire committee.

### **8. Leverage**

- 8.1 Except in the case of alternative investments, the use of debt, derivative instruments, or other means to acquire more assets than the amount of capital employed is prohibited.
- 8.2 Alternative investments will maintain a reasonable level of leverage, with each investment manager(s) leverage constraint noted in the IMM.

### **9. Loans and Borrowing**

- 9.1 TCF shall not loan any part of the Fund. This policy does not apply to other investments of TCF, nor does it restrict TCF from withdrawing funds from the Fund at the discretion of the Board for TCF purposes.
- 9.2 The Fund does not engage in the lending of securities through the Fund's custodian.
- 9.3 TCF shall not pledge, hypothecate or otherwise encumber the assets of the Fund in any way. This policy excludes assets that are pledged to facilitate TCF's investment strategy (i.e. real estate and alternative investments that are funded through The Calgary Foundation Investment Trust).
- 9.4 Investment managers that invest in pooled funds may lend securities from these pooled funds but are required to disclose their securities lending policies to Management and notify Management immediately of any changes in their securities lending policies.



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### **10. Voting Rights**

- 10.1 The Board will normally recommend the delegation of the responsibility for exercising and directing voting rights acquired through the Fund's investments to the Investment Managers who hold the voting rights in their mandates. The Investment Manager responsible for exercising and directing the voting rights shall at all times act prudently and in the best interests of the Fund and TCF.
- 10.2 TCF reserves the right to take back the voting rights of the assets held in segregated portfolios for specific situations.
- 10.3 The Investment Managers should disclose their proxy voting policies and report annually on whether all eligible proxies were voted on the Fund's behalf, and if the proxy guidelines were followed and report any deviations.

### **11. Valuation of Investments Not Regularly Traded**

- 11.1 Investments which are not regularly traded on a public exchange or are not in units of pooled funds of publicly traded securities (e.g. real estate) shall be valued as defined within the Investment Manager Mandate Policy 3.13. The frequency of valuation will not be less than once every year by an independent appraisal, or, determined by such other method as, in the opinion of the Committee and for the purposes of the financial statements of TCF, provides a fair and reasonable value in relation to the current situation in the relevant market.
- 11.2 Private placements are not permitted except for alternative investments.

### **12. Related Party Transactions**

- 12.1 Related party transactions are not permitted unless specifically approved by the Board.

### **13. Conflicts of Interest**

- 13.1 This policy shall be implemented in compliance with the Board Governance Policy 11.01 Conflict of Interest Policy for Directors and Committee Volunteers.

### **14. Policy Review**

- 14.1 The Committee shall review this SIP at least annually and provide the Board with a recommendation to reaffirm or amend the SIP.



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### 15. General

- 15.1 Investment guidelines and constraints for each investment manager are documented within the respective manager mandate (IMM).
- 15.2 Any deviation from the above, brought about by exceptional circumstances, must receive prior approval by the Board, upon the recommendation of the Committee.
- 15.3 This policy will remain in effect until changed or modified by the Board. Where applicable, any such change shall be promptly communicated to the Committee and Investment Managers.
- 15.4 Any Investment Manager, the Committee, agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this SIP, by way of their contract or agreement.