

YMCA OF HAMILTON/BURLINGTON/BRANTFORD

STATEMENT OF INVESTMENT POLICY & PROCEDURES

A. INTRODUCTION

This Statement of Investment Policy (the “Statement”) replaces the Statement of Investment Policy and Procedures for the general Endowment Fund (the “Fund”) of YMCA of Hamilton/Burlington/Brantford (the “YMCA”). This policy statement is issued for the guidance of Fund’s investment managers. It is intended to be consistent with all federal and provincial legislation applicable to investments of the Endowment Funds.

The purpose of this Statement is to provide guidelines for the investment, monitoring and reporting on the management of the Fund. The Endowment Fund Committee (the “Committee”) will bear responsibility of directing the Fund.

This investment policy statement will be reviewed periodically and may be revised to reflect changes in objectives, Fund risk characteristics, and business and financial market conditions.

B. OBJECTIVES

The purpose of this Statement is to express the YMCA position regarding the asset mix of the general Endowment Fund, set forth an appropriate set of goals for Fund assets, and defines guidelines within which the Fund's investment manager may formulate and execute investment decisions.

The overriding objective is to optimize the Fund's total long-term investment return while generating a certain level of income. Efforts to achieve this objective must not expose the Fund to unacceptably high levels of liquidity risk. Approximately 5% of the portfolio may be held in cash or cash equivalent for specific portfolio management-related uses, fee withdrawals or taxes. The Committee intends to pursue investment strategies, which will not subject Fund assets to extreme swings in value and which will provide for sufficient liquidity at all points in an economic cycle

C. ASSET ALLOCATION

Asset allocation or mix refers to the allocation of Fund assets among the major asset classes, including, but not limited to, domestic and global equities, domestic bonds and cash. Since the asset mix of a Fund tends to determine its risk and return characteristics, control of the Fund's asset mix is the Committee's principal means of defining the Fund's risk and return parameters. Asset classes, asset allocation targets and permissible ranges for the Fund are set forth below.

Asset Class

Target

Range

Cash and Cash Equivalents	5	0-20
Fixed Income		
Canadian Bonds	25	15-55
US/Global Bonds	5	0-25
Total Fixed Income	<u>30</u>	<u>30-70</u>
Equity		
Canadian Equity	40	20-45
US/Global Equity	25	0-40
Total Equities	<u>65</u>	<u>30-70</u>
Alternative investment	0	0-5
Total	<u>100</u>	

Short-term periods of noncompliance are permitted provided the variance is modest.

D. PERFORMANCE GOALS

The portfolio is to be constructed with a view to optimizing long-term growth all the while generating a certain level of income. The past performance of investments should be evaluated with the right perspective. It should be analyzed relative to the risk undertaken and geared at evaluating the manager's potential to add value on a risk-adjusted basis and track the returns of the benchmark index, net of all fees. Risk exposure is measured by the standard deviation of return which shall be regularly evaluated for YMCA investments.

The goal of the diversified portfolio is to provide the YMCA with an attractive rate of current income (dividends on equity and interest on fixed income investments) with the potential for growing cash flow plus long-term capital appreciation to support the YMCA's programs. In this light, the majority of the equities in the portfolio will include those that have demonstrated the payment of dividends and dividend growth.

The funds are expected to be invested for 5 or 10 years and also expected to exceed the Defined Composite Index (see Table 1) by a margin of 1.00% on a four-year moving average basis. A review of the fund will occur after six consecutive quarters of performance below benchmark objectives over a 4-year annualized period.

YMCA Benchmark Index (Table 1)

Canadian Equity	40%	S&P/TSX Composite TR Index
Global Equity	25%	S&P 500 Index/MSCI World Index
Bonds	30%	DEX Mid-Term Bond Index
Cash	<u>5%</u>	DEX Canadian 30 Day T-Bill Index

100%

E. ASSET CLASS GUIDELINES

The investment risk within each asset class shall be reduced through the diversification and quality guidelines as set out below. Security selection shall reflect a balanced approach that is consistent with the fund's objectives. All percentages are based on market values. Investments can be made directly in the securities described, or in pooled or mutual funds which contain such securities.

Cash and Cash Equivalents:

- Short term investments with a maximum term to maturity as purchase of 364 days may be held in the Portfolio when appropriate:
- Appropriate short term investments are:
 - Government of Canada and provincial treasury bills
 - Bankers acceptances
 - Commercial paper issued by Canadian corporations with a rating of R1.
 - Comparable foreign securities up to 20% of total Cash
- No more than 10% of the total Cash may be invested in the commercial paper securities of any one corporate issuer.
- No more than 20% of total Cash may be invested in Bankers Acceptances of a single financial issuer.

Canadian Bonds:

- Investment in any one security or issuer shall not exceed 10% of total Canadian Bonds with the exception of debt issued or guaranteed by the Government of Canada and/or Provincial governments.
- At least 65% of total Canadian Bonds shall be invested in holdings rated A or better. The balance shall be invested in holdings rated BBB or better.

International Bonds:

- Except for the United States (75% limit) and Japan (50% limit) no more than 30% of total International Bonds shall be invested in a single country.

Canadian Equities:

- Investment in any one security or issuer shall not exceed 10% of total Canadian Equities.

US Equities:

- Investment in any one security or issuer shall not exceed 10% of total US Equities.

International Equities:

- Total investment in countries outside of Europe and Japan shall not exceed 40% of total International Equities.
- Investment in any one security or issuer shall not exceed 10% of total International Equities.

F. FUND GOVERNANCE

INVESTMENT MANAGEMENT ORGANIZATION

External investment managers retained to invest assets of the Fund will provide statements to the Committee as required. The investment manager(s) will be required to attest in writing to their adherence to this Statement of Investment Policy.

The external investment managers, in accordance with this Statement of Investment Policies and Procedures, shall invest the Fund in its entirety in a prudently diversified manner. The Committee may modify this statement at any time. Any such change shall be promptly communicated to the external investment managers.

The Fund Manager(s) will:

- Manage short term asset mix and select securities within each asset class, subject to the constraints and directives contained in this Policy and in any supplementary document provided by the Committee;
- At least semi-annually, present reviews and analysis of investment performance, as well as a summary of expectations for future returns on various asset classes and proposed investment strategies for the following period;
- A monthly written summary listing of all portfolio transactions from the Financial Advisor.
- Provide the Committee with annualized rates of return for the total fund and each asset class on a quarterly basis and the asset mix at the end of each quarter calculated on market value.
- A complete quarterly portfolio listing, measuring compliance with Investment Guidelines
- Inform the Committee promptly of any element of the Policy that could prevent the attainment of the Plan's objectives.
- Follow the mandate of the Committee as outlined in this document.

ENDOWMENT FUND COMMITTEE

The Committee and its advisors will bear the responsibility of directing the Fund. They will meet at least annually and have the following responsibilities:

The Committee will:

- Review annually the Statement of Investment Policies and Procedures (SIP&P).
- Select investment managers as determined necessary by the Committee
- Monitor the Fund Manager(s) relative to the Investment Objectives and Policy Statement.
- Be responsible for the delegation of any responsibilities to advisors of the plan.

MONITORING

The Committee shall meet at least semi-annually to:

1. Evaluate statistics on the investment performance of the fund(s) and manager(s).

2. Review the structure of the Fund to ensure compliance with the SIP&P.

With the fund managers, a mandate will be agreed upon within which the manager is expected to operate, including discretion limits, diversification, quality standards and performance expectations. This mandate shall reflect the objectives and constraints of the SIP&P.

CONFLICT OF INTEREST POLICY

Conflict Of Interest Policy, Disclosure Requirements, and Self-Dealing Rules.

These guidelines apply to:

- a) Any member of the Committee
- b) Any Company representative administering the Plan
- c) Fund manager(s)
- d) Custodian
- e) Investment Consultant
- f) Trustee
- g) Administrator
- h) Any employee or agent retained by those listed in a) to g) to provide services to the plans

Conflict Of Interest

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to his role with regard to the Fund's investments that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the Guidelines receives a benefit from any asset held in the Fund, or a benefit from any actual or proposed contracts with the issuer of any securities which are or will be included in the Fund. Where the assets of the Plans are invested in other than pooled funds, the individual must disclose his membership on the board of directors of any corporation or any significant holdings in the securities issued by any corporation.

Procedure On Disclosure

Any person listed above shall disclose the nature and extent of his conflict to the Administrator and the Investment Committee in writing, or request to have entered in the minutes of the meeting of the Committee at the earliest of:

- (i) upon first becoming aware of the conflict;
- (ii) at the first meeting in which the matter in issue is discussed;
- (iii) at the first meeting in which he knows or ought to have known that he has an interest in the matter discussed.

For the purposes of (ii) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting.

If the party does not have voting power on decisions affecting the Plan, he may elect not to participate in the activities related to the issue in conflict, or he may continue his activities, only with the approval of the Company.

If the party disclosing the conflict does have voting power, he may continue in his activities in respect to the issue in conflict only with the unanimous approval of the other participants with voting rights. In this situation he may elect not to participate with respect to the issue in conflict. The notification made by him shall be considered a continuing disclosure on that issue, subject to any future notification by him, for the purpose of the obligations outlined by these guidelines.

IN THE EVENT OF UNDERPERFORMANCE:

If the investment manager fails to achieve the identified benchmark objectives, the following process will be put in place by the Investment Committee;

A qualitative review of the manager will be prepared addressing the following criteria;

- ▶ Personnel
- ▶ Risk Control
- ▶ Future Growth Plans
- ▶ Investment Process
- ▶ Buy/Sell Disciplines
- ▶ Organizational Structure

- A quantitative report will be prepared considering the complete range of risk and return performance relative to the fund's universe.
- The Committee will consider whether the benchmark objective continues to be appropriate.
- The Committee will decide whether there has been a fundamental change at the investment manager's operation which renders the fund no longer appropriate for the Fund's mandate.
- If required, the committee will conduct an investment manager search for the identified asset class.

POLICY REVIEW

This SIP&P will be reviewed annually during the first half of the calendar year, and otherwise whenever a major change is apparent or necessary. Such review may be caused by:

- significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basis economic/political/social factors;
- shortcoming(s) of the policy that emerge(s) in its practical operation or significant modifications that are recommended to the Committee by the investment manager(s)

G. ADOPTION

Revised Statement of Investment Policy and Procedures is recommended to the Board of Directors for adoption.