

Investment Policy Statement

for

Hastings Community Association

First Approved September 9, 2020

by the Board of Directors

Date of Last Revision & Approval: January 28, 2024

1. PURPOSE AND SCOPE

- 1.1. This Investment Policy Statement ("IPS") applies to the financial assets held by Hastings Community Association ("the Association") and is set out by the Association's Board of Directors. This IPS provides the basis for an appropriate process for prudent investment of the organization's financial reserves and surplus cash.
- 1.2. In the course of its operations, the Association has surplus cash resources from time to time which come from:
 - 1.2.1. Unspent Facility generated revenues¹;
 - 1.2.2. Unspent non-facility generated revenues; and
 - 1.2.3. Undisbursed Externally Restricted Funds.
- 1.3. Money from any of the sources above will be managed together as one pool of money.
- 1.4. The purpose of this IPS is to:
 - (a) establish procedures and policies to effectively manage and monitor the Association's financial assets
 - (b) ensure the assets are managed in accordance with all applicable legal requirements
 - (c) define responsibilities and objectives for investing surplus funds of the organization
 - (d) ensure alignment of investment practices with the Association mission, objectives and policies
 - (e) offer guidance, expectations and oversight regarding the investment of funds
 - (f) provide the basis for evaluating financial return on investment
 - (g) ensure investment decision making is in the best interests of the organization
 - (h) support the fiduciary responsibilities of the Board and ensure prudent management of financial resources
- 1.5. The Finance Committee will review this Investment Policy Statement at least every three years and determine whether or not any changes are required.

¹ As defined in the Joint Operating Agreement between the Society and the City of Vancouver.

2. RESPONSIBILITIES

2.1. Board of Directors

The Board of Directors holds the ultimate fiduciary responsibility to ensure prudent stewardship of the Association's financial resources. The responsibility for directing and monitoring investment management for the Association may be delegated to the Finance Committee on behalf of the members of the Association. Where a Finance Committee exists the Board will:

- appoint the Finance Committee;
- receive the Finance Committee's recommendations with respect to the Association's Investment Policy Statement and approve or amend the IPS as appropriate;
- review all other recommendations and reports of the Finance Committee with respect to the investment assets and take appropriate action.

Where one does not exist, the duties of the Finance Committee, outlined below, fall directly to the Board.

2.2. Finance Committee

The Finance Committee (the "Committee") consists of a minimum of 3 members and a maximum of 4 members. Members of the Finance Committee are appointed for a period of 1 year.

The Finance Committee may delegate some of its responsibilities for management of financial assets to agents or advisors. In particular, the services of a Custodian and one or more Investment Managers may be used. An Investment Manager or any other advisor providing services to the Association must be aware of, and follow the requirements of, this IPS.

The Finance Committee will have responsibility to:

- Understand the legal and regulatory requirements applicable to the financial assets of the Association;
- Review the Association IPS annually and make recommendations to the Board as needed;
- Set and approve the investment strategy in accordance with the criteria and objectives of this IPS;
- Monitor investment performance of the financial portfolio;
- Provide regular Board reports;
- Make recommendations to the Board regarding the selection, engagement or dismissal of professional investment managers and advisors;

- If there is an Investment Manager for the Association, the Finance Committee will establish the Manager's scope of work and oversee their activities to ensure compliance;
- Ensure appropriate policies and practices are in place for the Association Manager.

2.3. Investment Manager

If an Investment Manager is used, they will be responsible to implement the Association's investment strategy according to this IPS under a well-defined management agreement which will include the following:

- providing the Finance Committee with quarterly reports of the portfolio and investment returns;
- attending meetings of the Finance Committee annually to review portfolio performance and to discuss the investment strategy;
- informing the Finance Committee promptly of any investments which fall outside the acceptable investments defined in this IPS and what actions will be taken to remedy this situation;
- advising the Finance Committee of any parts of this IPS that could prevent the Association from achieving its investment objectives.

2.4. Association Manager

The Association Manager of the Association, with input from the Investment Manager if applicable, is responsible to:

- prepare and recommend an annual budget to include a plan for the investment of funds not immediately required for operations;
- follow instructions of the Finance Committee to carry out specific investment decisions;
- make investment recommendations to the Finance Committee;
- arrange for specific investments within permitted scope, to include:
 - management of investment accounts held at a bank or credit union;
 - placing bank deposits with a term of up to 1 year;
 - renewal of short term investment instruments;
 - purchase of GIC or other liquid investments with a maturity under 1 year.

3. INVESTMENT OBJECTIVES

3.1. Overall Objectives

The overall investment objectives of the Association are to:

- ensure the financial capital base is preserved;
- ensure money is available when needed to meet ongoing Association expenses;
- minimize fluctuations in financial returns on the portfolio;
- maintain a well-diversified portfolio of investments to manage risk exposure;
- maximize earnings on the portfolio (in keeping with acceptable investments), to exceed inflation (as measured by the Consumer Price Index annual increase) by 0.5 - 1.0% per annum;
- ensure the Association is meeting any investment restrictions on surplus/reserve funds;
- apply a prudent investor approach to investment portfolio management.

3.2. Risk Tolerance

The Board will focus on the following strategies to effectively manage risk within acceptable levels:

- preserving capital as a priority;
- understanding and managing investment risk as it pertains to the Association;
- establishing appropriate guidelines for choosing investments to avoid a concentration in any one company or one industry sector;
- ensuring investments are made with consideration of the available investment time horizon;
- regular review of investment strategy and the criteria as set out in this IPS.

3.3. Social/Environmental Objectives

In selecting investments, Hastings Community Association will give preference to investments in the securities of companies that conduct themselves in a socially and/or environmentally responsible manner. It will invest primarily in the securities of companies that, in the view of the Investment Manager (as applicable) and the Association Manager, have socially and environmentally responsible business practices.

Eligible investments under this section include those in companies that:

- i. respect and support the dignity, value and basic human rights of all people to lead healthy, well-nourished lives;
- ii. practice environmental stewardship and show leadership in environmental practices in recognition that the natural environment is a finite resource and the inheritance of future generations;
- iii. value and respect workers' rights and encourage fair and equal employment practices;
- iv. exhibit responsible management practices and adhere to sound corporate governance and risk management practices;
- v. support and contribute to the development of communities and recognize that communities contribute directly and indirectly to the success of corporate endeavors;
- vi. engage in products and services that do not support the acts of repressive regimes or dissuade from the creation of peaceful and violence free communities.

4. ACCEPTABLE INVESTMENTS

4.1. The Association will restrict its investments to ensure that:

- investments are legally acceptable
 - investments as permitted under the Association's constitution and by-laws
 - investments as authorized under the Societies Act and the Trustee Act
- there are no constraints on accessing short term investment funds at any time
- the Association Manager or Finance Committee will not borrow on behalf of the investment funds nor shall investment funds ever be used or borrowed from for other purposes

4.2. The following types of investments are generally considered acceptable investments for the Association:

- Cash and Short term instruments
- Fixed income instruments
- Canadian equities
- Pooled investments (Mutual Funds - to maximum 10% non-Canadian holdings)

4.3. Asset Category Definitions

4.3.1. Cash and short term instruments

Highly liquid and readily available securities to generate a financial return on monies that may be needed on a very short term basis. Emphasis is on preserving capital and maintaining liquidity. Includes cash holdings, bank deposits, Investment Certificates issued by banks, insurance companies and trust companies, term deposits, government treasury bills, short term notes, commercial paper, Bankers Acceptances.

4.3.2. Fixed Income instruments

Short and longer term securities issued by governments, financial institutions and corporations which have a pre-defined rate of financial return in the way of interest or fixed dividend payments. Emphasis is on preservation of capital over a longer term investment commitment which generally yields a higher return than with short term investments. Includes interest bearing securities issued by Banks, Government or Corporations, dividend paying preferred shares of companies, bonds, mortgage backed securities.

4.3.3. Pooled Funds

Mutual funds wherein a large selection of securities are held in a portfolio and the security represents the total portfolio return. Often, the fund has a specific focus of security type, industry sector or geographic region, and contains a range of suitable investments which diversify the holdings while offering a certain emphasis. This reduces the risk of fluctuations in any one security while capturing the potential for

financial returns in a sector of the economy. Exchange traded funds are a special type of pooled fund which are constructed to mimic shifts in the overall stock exchange and fully diversify holdings across all sectors and security types.

4.3.4. Canadian Equities

Common and preferred shares in Canadian controlled companies listed on a stock exchange in Canada. The financial return is unknown, however, the emphasis is on taking higher risk to generate a higher financial return. This category can also include Income Trusts, rights & warrants

4.4. Excluded Investments

- Derivatives
- Margin transactions
- Equities not included in S&P/TSE 60, S&P 500 or NASDAQ 100
- Real estate
- Foreign equities

5. ASSET ALLOCATION FRAMEWORK

5.1. Basis for portfolio diversification and limits

To minimize the risk of price changes within any one type of investment and to offset the uncertainty of future economic conditions, diversification to reduce portfolio risk will be achieved by investing in assets which have an appropriate expected return profile.

The following asset allocation chart provides the primary method of portfolio design and investing to meet the investment and return objectives of the Association. Allocations must remain within the stated limits, time horizons and risk tolerances.

5.2. Investment Criteria

- limits in the chart below provide flexibility to move investments between different investment options;
- 5% maximum of total portfolio value invested in any one company;
- the 5% maximum investment rule does not apply to a pooled investment fund or the fixed income portion of the portfolio;
- 20% maximum of total portfolio value invested in any one industry sector;
- equity component of pooled funds will consist of high-quality equity securities traded on the TSX, Montreal, New York, NASDAQ or American Stock exchanges;
- rebalancing of the portfolio will be done as needed to maintain allocation limits;
- all debt and securities ratings refer to Dominion Bond Rating Service (DBRS), Standard & Poors' (S&P) or Moody's, and are as at the time of purchase.

	Target Portion of Portfolio	Acceptable Range	Target Rate of Return	Planning Horizon	Credit Quality
Cash and Short term instruments	15%	10-20%	Inflation + .5%	Daily Access	Gov't insured or g'teed
Fixed income instruments	35%	30% - 55%	Inflation + 1%	Up to 5 years	Gov't or AA rated Corporate
Pooled funds (comprised of the asset allocations below)	50%	Up to 60%	3.5%	Range of medium and long term	See below by category

Pooled Fund Asset Allocations					
Government backed securities	0%	0-15%			Gov't insured or g'teed
Municipal securities	0%	0-5%			Rating of AA or better
Guaranteed investment certificates	40%	30-60%			Issued by banks, credit unions, insurance companies or trust companies
Corporate bonds	20%	10-20%			Rating of AA or better
Canadian equities	30%	20-40%			Max 5% of portfolio with companies <\$100 million capitalization
US equities	10%	5-20%			Max 5% of portfolio with companies <\$100 million capitalization
International equities	0%	0-5%			N/A

6. INVESTMENT WITHDRAWALS

6.1. Withdrawals from investment accounts

- Withdrawal of funds from the investment portfolio will be guided by the annual Association budget for reserve funds and surplus cash, as approved by the Finance Committee;
- Withdrawals outside of the approved annual budget must be specifically approved by the Finance Committee;
- Association Manager may from time to time transfer operating funds to a short term investment or withdraw such funds as needed;
- Transfers by the Association Manager will be reported at the next subsequent meeting of the Finance Committee;

- Interest or other investment income (when paid out) will be transferred to the Association general revenue account.

7. MONITORING AND REVIEW

7.1. Monitoring

The Association Manager (or Investment Manager, if retained) will provide a current portfolio report to each meeting of the Finance Committee. Such reports will be provided no less frequently than quarterly and will provide all such information as is necessary to allow the Finance Committee to monitor compliance with this investment policy.

7.2. Investment Portfolio Performance

It will be the responsibility of the Finance Committee to regularly review the performance of the investment account and report to the Board of Directors with updates and recommendations as needed.

This Investment Policy Statement has been approved by the Association Board of Directors:

Signature

Name/Title

Signature

Name/Title

Date Approved