



INVESTMENT POLICY

1. ORIGIN OF FUNDS AND BACKGROUND TO THE INVESTMENT PORTFOLIO

The Trust is a not-for-profit, charitable organization established under an Agreement and Declaration of Trust and approved by Revenue Canada Taxation. As such, the Trust is not subject to taxation. It is subject to the provisions of the Trustee Act – Ontario. The bulk of the funds currently represented in the various segments of the Trust Fund originated primarily as capital donations from private sources. The current value of the Trust Fund is comprised of this capital and the accumulated, undistributed earnings thereof.

2. PURPOSE OF THE INVESTMENT PORTFOLIO

The basic purpose of the investment program is:

- a. Primary - a balance between growth and preservation of existing capital in perpetuity for the benefit of First-St. Andrew's United Church and its various activities.
- b. Secondary -
 - 1. to provide net earnings which will be available for distribution in satisfaction of the defined objectives underlying each segment of the Trust Fund, and
 - 2. to ensure that a comprehensive, accurate and timely system of reporting and accounting of investment activity is instituted so that the Trustees may properly discharge their fiduciary responsibilities and accountability to the Council of First-St. Andrew's United Church.

3. INVESTMENT OBJECTIVES

The long term investment objectives are:

- Wealth preservation
- Capital appreciation
- Inflation protection
- Income

4. ASSET ALLOCATION AND RISK TOLERANCE

Consistent with the above Investment Objectives, the following are the asset allocation targets for the Portfolio, reflecting a conservative investment nature:

<u>Asset Category</u>	<u>Range of Exposure</u>
Cash & Equivalent	0 % - 30 %
Fixed Income	15 % - 100 %
Equity & Equivalent	30 % - 80 %

5. QUALIFIED INVESTMENTS AND INVESTMENT RESTRICTIONS

The Trust Fund is subject to the provisions of the Trustee Act – Ontario and may thus legally invest funds in accordance therewith. In spite of this, the Trustees have elected to adopt a deliberately more conservative investment structure than might be entertained within the provisions of the Act, as more precisely outlined below:

- a. Cash Equivalents may be comprised of either Treasury Bills issued by the Government of Canada or any of the Province's or Bankers' Acceptances (or Asset Backed Securities or similar instruments), Investment Savings Accounts and cashable GICs.
- b. Fixed Income investments include bonds, having an unexpired term to maturity of 1 year or more at the time of purchase. This is understood to include securities created from ordinary bonds (stripped coupons and residuals), Guaranteed Investment Certificates (provided that all such GICs meet the maximum per institution that ensure the guarantees available under Canada Deposit Insurance Corporation), Principal Protected Notes (PPN: a fixed income derivative product with a principal guarantee) as well as Preferred Shares.
- c. Bond investments must be of high quality. Direct obligations of the Government of Canada or Provincial Governments (or their respective guarantees) may be held. Municipal, corporate and convertible bond investments may be held within the Portfolio.
- d. Bond investments are not allowed to remain as part of the portfolio if quality, for any reason, drops below a "BBB" rating. This condition will apply at all times, even if the bond was purchased when rated "BBB" or higher. If the rating falls below this minimum quality standard, disposition is required within one calendar quarter of the rating change. The ratings utilized for assessing quality will be those assigned by an established and recognized independent Canadian rating agency.

Similarly, Preferred Shares must be of 'P1 (P1 high, P1 or P1 low) or P2 (P2 high, P2 or P2 low)' quality at the time of purchase or disposition is required within one calendar quarter of a rating change below P2 low.

- e. The composition of investments in the Bond component of the portfolio, considered in the aggregate, will always be of such term that their value-weighted average maturity term will not exceed fifteen years.
- f. Equity investments may include Common Shares, Managed Equity Portfolios, Equity Mutual Funds, Exchange Traded Funds (ETFs) and the equity component of Balanced or Asset Allocation Mutual Funds. The value of these equity investments is to be monitored quarterly and the status will be reported at the regular meetings of the Board of Trustees.
- g. Environmental, social and governance (ESG) ratings will be considered as they pertain to Investment Managers and securities held when making future equity decisions. ESG considerations are viewed as having a positive impact not only on financial performance but also closely aligns with our core values and the purpose of the Investment Portfolio.
- h. The use of leverage through the borrowing of funds to augment portfolio capital is not permitted.

6. DONATIONS of SECURITIES and REAL PROPERTY POLICY

- a. Preferred and Common Shares may be received by the Trust by way of donations. The Trustees will upon receipt of equities liquidate the holdings and all proceeds will be deposited to the benefit of the Trust and subsequently be invested by the Trustees, unless these equities meet the range of exposure and desired quality of investment in which case they may be retained.
- b. The Trust may receive real property by way of donation or purchase. All real property may be held or liquidated by the Trustees as deemed in the best interest of the Trust and the Council of First-St. Andrew's United Church.

7. TERMS OF INVESTMENT AND DISTRIBUTION OF EARNINGS AND CAPITAL GAIN/LOSS

- a. In 2015, Council established the Proudfoot Legacy Fund, having two components.

- b. The Proudfoot Legacy Restricted Fund (PLRF) is a principal amount, Initially set in 2015 at \$2,500,000, that is the 'factory' that generates annual revenues designated for church operations, without encroaching on its principal.
- c. The Proudfoot Legacy Unrestricted Fund (PLUF) is available to the church, designated for capital projects and other purposes as approved by Council.
- d. Congregational approval is required for withdrawals of \$100,000 or more per year from the PLUF.
- e. At budget time annually, the Board of Trustees and the Finance Committee will establish the size of the PLRF, with proposals for change to be presented to Council in February.
- f. Designated gifts and legacies will be directed to the Board of Trustees for investment, with the income from these investments to be used as specified in the terms of the bequest or gift.
- g. Undesignated gifts and legacies will be directed to the Board of Trustees for investment, with the income from these investments to be used as Council directs.

8. EXCEPTIONS

Any exceptions to the provisions contained in this Investment Policy document, where such an exception would carry or imply a risk to capital greater than contemplated herein, will require the prior approval of the Board of Trustees in writing.

9. REPORTING

The financial reporting by the Investment Advisor to the Board, will be to the Chair of the Board of Trustees, or designate, who will then distribute the information to other members of the Board. There will be a minimum of an annual meeting to review the performance and quality of these investments, with a formal review presented by the Investment Advisor to the Investment Committee or full Board of Trustees meeting each year.

10. SAFEKEEPING

All securities are to be held by BMO Nesbitt Burns or a firm of equal financial standing as designated by the Board of Trustees from time to time for the sole credit of First-St. Andrew's United Church.

11. REVIEW

The contents of this document and any modifications thereto, will be reviewed formally by the Board of Trustees at the first Board of Trustees meeting each year to ensure that any amendments required or adjustments to this Policy due to changing circumstances are updated and documented. The appointment of the Investment Firm and the Investment Advisor will also be confirmed annually at this meeting.

Original November 12, 2007
 Revised November 7, 2011
 Revised January 13, 2014
 Revised November 10, 2014
 Revised December 9, 2016
 Revised December 5, 2018
 Revised February 12, 2021
 Revised February 15, 2024