CTF Investment Policy

Date Originally Created:	April 2005
Effective Date:	September 2017
Approved Date:	September 2017
Approved by:	Board of Directors

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1.0 General Policy Statement

1.1 The Statement of Investment Policy ("Policy") applies to the assets held in the Consolidated Trust Fund (the “Fund”) of the Vancouver Foundation (the “Foundation”). The purpose of the Policy is to formulate those investment principles and guidelines which are appropriate to the needs and objectives of the Fund, and to define the management structure and monitoring procedures for the ongoing operation of the Fund. The Statement of Investment Beliefs for the Fund is attached as Appendix A.

1.2 Responsibility for all aspects of the Fund rests with the Board of Directors (“Board”), including:

- the establishment of an overall investment policy, including broad asset allocation guidelines, return objectives, risk parameters and structure of investment management;
- the appointment and removal of investment managers ("Managers") and other advisors;
- monitoring the performance of the Fund and its Managers;
- ensuring Policy compliance of the Fund; and
- reporting on an annual basis the status of Fund assets.

1.3 The Board has delegated its responsibilities with respect to the administration and investment of the Fund to an Investment Committee.

1.4 All investments in the Fund are subject to legislative requirements under the Vancouver Foundation Act including procedural bylaws, the Income Tax Act (Canada) (“ITA”) and Fund requirements contained in the Policy.

1.5 Any Manager or other agent or advisor providing services in connection with the investment of the Fund shall accept and adhere to this Policy and also to the specific written guidelines (“Mandate”) and contract, agreed between the Manager and the Board. The Mandate shall include discretion limits, diversification requirements, quality standards, performance expectations and reporting requirements.

1.6 This Policy may be changed or modified at any time by the Board. Any such change shall be promptly communicated to the Manager or Managers.

1.7 The Foundation established a Short Term Reserve Fund separate from the Fund, which is invested in short-term fixed income vehicles.

1.8 The Foundation established a Socially Responsible Investing Fund ("SRI Fund"), separate from the Fund. There is a separate investment policy specifically for the SRI Fund.

1.9 The Foundation established an Investment Management Program ("IMP"), separate from the Fund. Under certain circumstances, the Foundation allows its donors to appoint an investment manager of their own choice to manage the donors' donation. There is a separate investment policy specifically for the IMP.

1.10 A more extensive list of roles and responsibilities of various parties involved in the management of the Fund is found in Appendix B.

2.0 Return/Risk Objectives of the Fund

2.1 The expected rate of return on the Fund is an investment objective which recognizes the nature of the Fund's distribution requirements, time horizon and risk tolerance. The nature of the Fund's requirements may change over time, and accordingly the Fund's objectives will be reviewed by the Board from time to time.

2.2 The Fund's primary return objective is to achieve a rate of return of CPI + 3.5% (net of investment management fees), measured on a 5-year rolling basis. This objective must be balanced against the Foundation's requirement to smooth distributions.

2.3 The CTF's primary investment risk is the risk of not delivering CPI +3.5% (after investment management fees) over 5-year rolling time periods. Short-term risk (annual) is the risk of cuts in distributions, so downside volatility of returns will be measured.

3.0 Asset Allocation

3.1 In order to achieve appropriate levels of risk exposure and return expectation for the Fund, the target policy allocation, and the associated ranges for variation at any time are listed in the table below.

ASSET ALLOCATION RANGES

Asset Class		**Percentage of Fund at Market Value**			
		Target Allocation	Benchmark	Minimum	Maximum
Canadian Equity	(1)	20%	S&P/TSX Capped Composite Index	15%	25%
Global Equity	(2)	35%	MSCI All Country World Index	30%	40%
Fixed Income	(3)	15%	FTSE TMX Canada Universe Bond Index	10%	20%
Mortgages	(4)	5%	FTSE TMX Canada Short-Term Bond Index + 1.0%	0%	10%
Real Estate	(5)	8%	CPI +4%	3%	13%
Infrastructure	(6)	0%	To be determined	0%	10%
Multi-Strategy Funds	(7)	17%	CPI +4%	12%	22%
Short Term	(8)	0%	FTSE TMX Canada 91-Day T-Bill Index	0%	5%

(1) Listed common stocks, convertible debentures or preferred shares of Canadian corporations. Participation in all classes of any issuer's equity securities will not exceed 10% of each Manager's Canadian equity portfolio at market value. No more than 20% of this component shall be represented by small capitalization stocks defined as those having a market float of less than $500 million.

(2) Listed common stocks, convertible debentures or preferred shares of non-Canadian corporations. Participation in all classes of any issuer's equity securities will not exceed 10% of each Manager's non-Canadian equity portfolio at market value.

(3) Maximum 25% of the Manager's fixed income portfolio in bonds rated BBB or below by the Dominion Bond Rating Service ("DBRS") or equivalent with a portfolio duration constraint of ±2 years of the FTSE TMX Canada Universe Bond Index duration. Investments in fixed income instruments denominated in foreign currencies, including derivatives on such instruments, shall not constitute more than 30% of the Manager's portfolio duration. No more than 10% of the Manager's portfolio will be exposed to foreign currency resulting from unhedged investments in foreign denominated securities or from other currency transactions. No more than 10% of the Manager's fixed income portfolio shall be in one corporate issue or issuer (government bodies excluded). No more than 10% of the Manager's fixed income portfolio shall be in mortgages. No fixed income security rated lower than a "B (low)" or equivalent will be purchased.

(4) First or second mortgage loans with a loan-to-value ratio of below 85% with a single mortgage concentration limit of no more than 10% of the market value of the overall mortgage portfolio. The underlying real property of the mortgage portfolio will be geographically diversified with a concentration in BC, Alberta, Ontario and Quebec.

(5) Blend of income-producing properties in major urban centres and select redevelopment opportunities. Investments will focus on core, stable property types such as office, industrial, multi-family residential and retail.

(6) Pooled fund(s) of Canadian or non-Canadian direct infrastructure investments and companies that maintain infrastructure assets.

(7) Diversified multi-strategy funds implemented using equities (both long and short positions), debt instruments, futures, forwards, options and swaps. Positions may be leveraged through the use of derivatives.

(8) Cash and short-term paper up to one-year term to maturity having a DBRS credit rating of R-1 or equivalent.

3.2 Investment may be made in the above asset classes either directly, or by holding units of pooled, segregated or mutual funds or limited partnership units investing in one or more of the asset classes.

The Board shall monitor, or cause to be monitored, the contents of the pooled fund portfolios for their degree of compliance with the foregoing expectations.

Selection of pooled funds are guided by the asset allocation policy in Section 3.1 and Vancouver Foundation's Statement of Investment Beliefs as outlined in Appendix A. In the event that there is any conflict between the provision of the Policy and the guidelines of the pooled funds, the guidelines of the pooled funds shall prevail.

3.3 Investment managers and asset classes will be rebalanced to their target asset allocation on an ongoing basis, using cash flows in and out of the CTF. If this is insufficient to maintain the fund at close to its strategic asset mix, investment managers/mandates normally will be rebalanced quarterly. The percentage deviation of the allocation (of either the asset class or the Manager) from the target allocation and the costs of transferring the assets is examined before determining that rebalancing is required.

If the Fund's allocation for liquid asset classes such as public equities, public fixed income, short-term money market and/or cash, fall outside of the minimum or maximum ranges at the end of a calendar quarter, Staff will rebalance to the midpoint between the upper or lower limit and the target allocation, usually within the next quarter depending on market conditions and anticipated cashflows.

If the Fund's allocation for the asset classes that have restricted liquidity falls outside of the minimum/maximum weights at the end of a calendar quarter, Staff will notify the Investment Committee as soon as practicable and the Investment Committee will then determine a course of action as they deem appropriate. The Board shall be notified of the actions by the Investment Committee, if any, in this regard.

4.0 Permitted Categories of Investment

4.1 Subject to other provisions of this Policy, the Vancouver Foundation Act and By-laws, and the Income Tax Act (Canada), the Fund may be invested in any or all of the following types of investments:

- Listed common stocks, convertible debentures, warrants, installment receipts, special warrants or preferred securities;
- real estate investment trusts ("REITs") and/or income trusts that do not expose the Fund to third party liability exposure;
- bonds, mortgage-backed securities, asset-backed securities, debentures, mortgages, notes or other debt instruments of governments, government agencies, or corporations;
- guaranteed investment contracts or equivalent of insurance companies, trust companies, banks or other eligible issuers, having a DBRS credit rating of R1 middle or equivalent;
- bankers' acceptances, term deposits or similar instruments issued or unconditionally guaranteed by major trust companies or banks;
- cash, or money market securities issued by governments, government agencies or corporations;
- Canadian or non-Canadian direct infrastructure investments and companies that maintain infrastructure assets;
- real estate;
- mutual, pooled or segregated funds and limited partnerships which may invest in any or all of the above instruments or assets;
- exchange-traded funds;
- private placements (if allowed within each Manager's Mandate);and
- derivatives – For all managers with the exception of the multi-strategy fund managers, the use of derivative securities (i.e., derivatives, options and futures) shall be supported at all times by the allocation of sufficient assets to back the intended derivative strategy.

Managers (other than the multi-strategy fund managers) are not permitted to leverage the assets of the Fund, except as may be outlined in the approved Mandate of individual Managers.

5.0 Fund Management

5.1 The Board shall employ competent external professional investment Managers. The Board shall make such Manager changes from time to time as they deem in the best interest of the Fund and its beneficiaries.

5.2 The selection of Managers will be made in a prudent manner taking into account the following criteria: philosophy, process, people and performance (long-term).

5.3 The Board shall apportion Fund assets to one or more Managers in a structure considered appropriate to implement the foregoing asset allocation.

5.4 The Board may also direct the Fund Custodian to hold cash equivalents on a short term basis, either to meet payments or as directed by the Board pending allocation to one or more of the Managers.

5.5 Subject to this Policy, the Board shall grant full discretion of investment to the Managers subject to their individual Mandate guidelines.

6.0 Valuation of Investments

6.1 Investments will be valued based on their publicly traded market value at a recognized exchange where applicable.

6.2 Investments in pooled funds shall be valued according to the unit values published either monthly or quarterly by the pooled fund manager.

6.3 If a market valuation of an investment is not available from public trading, then a fair value, according to generally accepted industry valuation procedures, shall be used. For real estate, a certified written appraisal from a qualified independent appraiser, at least every two years, will be used. Interim appraisals prepared by the real estate manager will be acceptable.

7.0 Conflicts of Interest

7.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which the Fund, the Board, the Investment Committee, an employee of the Foundation, any Manager or delegate, the Custodian, or any person directly related to any of the foregoing, may either benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund or be impaired to render unbiased and objective advice to fulfill their fiduciary responsibility to act in the best interests of the Fund.

7.2 Should a conflict of interest arise, the person in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose in writing the conflict to the Board Chair. A written record of the conflict shall be maintained by the Board. Unless determined otherwise by majority vote of the Board, any such party will thereafter abstain from decision making with respect to the area of conflict.

7.3 No part of the Fund shall be loaned to any Board member, Investment Committee member or employee of the Foundation.

7.4 The Board will satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the Board. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute applies to each Manager.

7.5 Each Manager shall adopt a policy on soft dollar usage and comply with the CFA Institute's Soft Dollar Standards and report annually to the Investment Committee on soft dollar usage.

8.0 Voting Rights

8.1 The responsibility of exercising and directing voting rights acquired through Fund investments shall normally be delegated to the Managers, who shall, at all times, act prudently and in the best interests of the Fund.

8.2 The Board reserves the right to direct the voting decision of the Manager(s), if in its view such action is in the best interests of the Foundation.

8.3 It is recognized, however, that the above constraints and policy on voting rights are not applicable to the extent that the Fund is invested in pooled funds. It is expected that in the case of pooled funds, proxies will be voted in accordance with the pooled fund guidelines in the best economic interests of all pooled fund participants.

8.4 If applicable, each Manager is to report annually a general statement of its policy regarding proxy votes, and any change in such policy in the reporting period.

8.5 If applicable, each Manager is to report annually the vote and the reason for the vote for each non-routine issue and each vote against management and shareholder proposals during the period.

9.0 Loans and Borrowing

9.1 No part of the Fund shall be loaned to any person, partnership or organization unless it is undertaken in the context of an approved investment mandate and qualify as a permitted investment as outlined in Section 4.1, or within a securities lending arrangement as outlined in Section 9.5.

9.2 The Managers may not pledge, hypothecate, or otherwise encumber in any way, the assets of the Fund, except to the extent that temporary overdrafts occur in the normal course of business. However, this specifically does not prohibit mortgages on real estate assets owned by the Fund or owned through real estate pooled funds or leverage in the multi-strategy funds.

9.3 The Managers shall not borrow on behalf of the Fund.

9.4 The Managers responsible for investment decisions shall assess the solvency of borrowers and adequacy of collateral for loans by reference to published credit ratings and/or by their own analysis. The Manager's analysis should include all material factors relevant to assess the ability of the borrower to repay the loan, to discharge interest obligations on the specified payment dates and to survive periods of financial adversity. New investments may not be made in debt obligations which are in default of principal or interest.

9.5 Subject to the Board's direction, the Fund Custodian may engage in domestic and foreign securities lending for the purpose of generating revenue for the Fund. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks. The amount of collateral taken for securities lending should reflect best practices in local markets, but should be at least 105% under an enhanced indemnity arrangement. The market value relationship between collateral and securities on loan must be calculated at least daily. For equity loans, high quality, liquid equities may also be accepted as collateral.

In addition, if a Manager uses securities lending within a pooled fund, policies related to this program must be submitted to the Fund, as well as confirmation that these policies meet the Ontario Superintendent of Financial Institution's guidelines for securities lending.

10.0 Monitoring

10.1 An overall analysis of the Fund performance will be prepared at least quarterly including:

- the rate of return earned by the Fund;
- the return that could have been achieved by passive investment in each of the categories that comprise the Benchmark Portfolio;
- comparison to industry averages/medians;
- measure of risk of the fund as shown by standard deviation of returns; and
- asset allocation compared to target allocation.

10.2 The performance of each Manager will be evaluated at least annually on the basis of results achieved over rolling five year periods. The failure of a Manager to meet its objectives (quantitative or qualitative) may lead to the Manager's termination. The performance objectives are outlined in each Manager's Mandate.

10.3 Qualitative concerns that may lead to a Manager's termination may include (but are not limited to) the following:

- reputation or ethics;
- investment management personnel;
- investment process; and
- poor record of service.

A Manager may also be terminated if there are changes to the Fund's investment management structure or ownership.

10.4 Prior to the appointment of a Manager to manage a portion of the Fund, the Board or Investment Committee should consider (but not limited to) the following:

- consistency of investment process over time;
- success in retention of key investment personnel;
- appropriate investment philosophy;

- strong historical performance (risk and return) relative to peers and applicable benchmarks; and
- reasonableness of investment management fees.

10.5 The Investment Committee shall meet at least quarterly to:

- review the asset mix of the Fund and take any action necessary to ensure compliance with this Policy; and
- review and consider statistics on the investment performance of the Fund and the Managers.

10.6 The Investment Committee shall monitor the performance of each Manager. Such monitoring will include, but not be limited to, regular meetings with Managers, quarterly reports from the Managers, quarterly reports from a performance measurement service comparing the Manager's performance to that of their peers, and ongoing evaluation of performance relative to standards appropriate to the Manager's Mandate. Each Manager shall provide a quarterly compliance report, signed by their Compliance Officer, reporting on their fund's compliance with their Mandate, or, in the case of pooled funds, with the fund policy statement, and with this Policy. In the event that the Manager is not in compliance, the Manager is required to detail promptly the nature of non-compliance and to recommend a course of action to remedy the situation. The Investment Committee will also monitor each Manager's turnover of personnel, consistency of investment philosophy and process, discipline in portfolio construction, and record of service.

11.0 Policy Review

11.1 This Policy will be reviewed at least annually by the Board or the Investment Committee. In determining whether changes in the Policy are required, the Board or Investment Committee will consider whether there has been:

- a fundamental change in the time horizon, income requirements or risk tolerance of the Fund;
- significant revisions to the expected long-term trade-off between risk and return on key asset classes, dependent upon basic economic, political and social factors;
- shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Board or Investment Committee or by any Manager or service provider;
- a significant increase to the costs of overall fund management; and
- applicable changes in Legislation.

Appendix A Statement of Investment Beliefs

Preamble
The Statement of Investment Beliefs serves as a guide for the management of the Consolidated Trust Fund for the Vancouver Foundation ("VF"). This will be reviewed by the Investment Committee of VF every three years, or more frequently if required.

The return objective for the CTF is CPI + 3.5% (after investment management fees), measured on a rolling 5-year basis. This objective must be balanced against the Foundation's requirement to smooth distributions.

The CTF's primary investment risk is the risk of not delivering CPI + 3.5% (after fees) over 5-year rolling time periods. Short-term risk (annual) is the risk of cuts in distributions, so downside volatility of returns will be measured.

Investment Beliefs
We believe that:

1. *An equity risk premium exists whereby stocks will outperform cash, bonds and inflation over the long term (minimum of 10 years).*

2. *Strategic asset mix is the primary determinant of risk and return and is the most important investment decision.* The Strategic Asset Mix will be monitored on an on-going basis and formally reviewed every three years.

3. *Diversification by asset class and within asset classes reduces the risk of long-term capital loss and reduces the likelihood of severe short-term drawdowns.*

4. *The case for tactical asset allocation (short-term changes to asset mix) is not sufficiently strong for the Investment Committee to take tactical asset mix positions.* Investment managers can, however, make tactical asset shifts (if allowed in their mandates). The Investment Committee may make adjustments to asset mix in extreme market circumstances.

5. *Investment managers/mandates should be rebalanced to their target asset allocation on an on-going basis, using cash flows in and out of the CTF.* If this is insufficient to maintain the fund at close to its strategic asset mix, investment managers/mandates normally will be rebalanced quarterly, subject to cost.

6. *The Investment Committee is able to find active managers that will outperform passive strategies (net of fees) over the long term, in most asset classes.* It is appropriate, however, to use index managers in times of transition or for longer time periods when an acceptable active manager in a specific asset class cannot be found. The active managers that we believe will help us achieve our long-term objective construct their portfolios without regard to the underlying benchmark ("absolute return managers").

7. *By managing assets on a separate asset class basis (specialist managers) rather than on a balanced fund basis, managers with more expertise in a specific asset class can be hired.* Good governance mandates that investment manager returns will be measured after management fees over rolling 5-year time periods and compared to the appropriate benchmark.

8. *Philosophy, process, people and performance (long-term), are key measures for successful manager selection and monitoring.* The managers we select are suitably sized for their philosophy and the opportunities in their asset class. A manager that is performing well could be terminated based on changes to their philosophy, process and personnel such that they are no longer a suitable fit for the CTF.

9. *For most asset classes, more than one manager is appropriate for the fund, each with a different expected risk/ return pattern.* Conventional style definitions (i.e. growth and value styles) are not necessarily indicative of the best way to distinguish differing risk/return patterns.

10. *Alternative asset classes may provide added risk-adjusted return net of costs as we believe they may provide an illiquidity premium and/or may invest in less efficient markets.* These alternative asset classes include real estate, multi-strategy funds, private equity and infrastructure.

11. *Currencies mean-revert in the long term. There may be exceptional times in the market when currency hedging has a role to play in the portfolio.* Tactical currency hedging does not add value over the long term.

12. *Effective cost management contributes to higher returns.* When assessing performance, the focus will be on net of investment fee returns.

13. *It is our responsibility to base investment decisions on the financial interests of the beneficiaries of the CTF.*

Appendix B Roles and Responsibilities

Board of Directors ("Board")

- Monitor the administration of the Foundation to ensure compliance with all applicable legislation and Policy.
- Review/approve Policy amendments, including changes to the Fund's target asset mix and ranges.
- Review/approve amendments to the Investment Committee Terms of Reference.
- Review/approve recommendations by the Investment Committee to appoint/terminate Managers, Custodian, and Investment Performance Measurer.
- Monitor the performance of the Fund and its Managers.

Investment Committee

- Provide advice and make recommendations on investment matters to the Board.
- Review Managers, including performance, quarterly.
- Monitor the performance and degree of compliance (with this Policy and the Mandates) of the Managers.
- Recommend to the Board on the appointment/termination of the Managers, Custodian and Investment Performance Measurer.
- Reviews asset allocation and investment performance of the Fund at least quarterly. Takes action necessary to ensure compliance with this Policy.
- Review this Policy at least once every year.
- Recommend Policy amendments to the Board.
- Recommend amendments to the Investment Committee Terms of Reference to the Board.
- Evaluate Custodian and Investment Performance Measurer at least once every year.

Vancouver Foundation Staff ("Staff")

- Review custodial and Manager reports and summarize for the Board or Investment Committee.
- Monitor the Fund's asset allocation and rebalance as outlined in the Policy.
- Distribute any relevant reports from the Managers, Custodian and Investment Performance Measurer to the Board or Investment Committee.
- Provide staff support to the Investment Committee and to the Board in respect of investment matters, including follow-up between Investment Committee / Board meetings of Investment Committee initiatives.
- Monitor performance and compliance of investments.
- Negotiate investment management, custodial and consulting contracts.
- Reconcile returns reported by Managers with returns calculated by custodian.

Investment Managers ("Managers")

- Each Manager has full authority, acting within the constraints placed within its Mandate and within this Policy, to manage all aspects of the investment of its portion of the Fund.
- Vote on proxies as outlined in this Policy
- Provide written statements to the Investment Committee of the following:

- investment returns (3-month, 1-year and rolling 5-year) of their portion of Fund assets and of each component and asset class (on a quarterly basis);
    - investments held (including within pooled funds) on a quarterly basis;
    - proxy voting policy and non-routine votes on an annual basis; and
    - compliance with this Policy (and Mandate or pooled fund investment policy) on a quarterly basis.
- When requested, meet with the Investment Committee or Board.
- Inform the Investment Committee (or Board) of any change in investment process, personnel and any other significant changes as soon as practicable.
- Provide prompt notice to the Custodian of all purchases and sales of securities.

Custodian

- Fulfill regular duties of a Custodian as required by law.
- Complete the month-end (and quarter-end) custodial reports on a timely basis.
- Custodial reports to be sent to the Investment Committee, and Staff will include the following:
    - market values at month-end (and quarter-end); and
    - transactions during the period (including fees, purchases, redemptions, transfers).
- Process the security transactions that result from the buy and sell orders placed by the Managers, provided that the transactions comply with all applicable legislation.
- Process transactions (including contributions, payment of distributions and fees) required by the Foundation.

Investment Performance Measurer

- Measure the performance of the Fund and its components on a monthly and quarterly basis.
- The quarterly reports will include the following:
    - Total Fund, Manager and component returns (including, but not exclusively, 3-month, 1-year and rolling 5-year periods);
    - benchmark/index/comparable universe returns;
    - market values of assets managed on the Funds' behalf for each Manager; and
    - breakdown of asset classes for each Manager.
- Provide support to the Board or Investment Committee in its quantitative review and on-going monitoring of the Managers.

Appendix C History of Policy Amendments

	Investment Committee	Board of Directors
Reviewed and approved	April, 2005	April, 2005
Reviewed and approved	November, 2008	December, 2008
Reviewed and approved	December, 2009	December, 2009
Reviewed and approved	December 2010	December 2010
Reviewed and approved	January 2011	January 2011
Reviewed and approved	December 2012	December 2012
Reviewed and approved	December 2014	December 2014
Reviewed and approved	May 2015	June 2015
Reviewed and approved	September 2017	September 2017