



Consolidated Trust Fund Investment Policy

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1.0 GENERAL POLICY STATEMENT

- 1.1 Vancouver Foundation (the "Foundation") has established the Consolidated Trust Fund (the "Fund") to allow for the prudent investment of charitable gifts to ensure a sustainable granting stream for the benefit of community today and into the future.
- 1.2 This document constitutes the Statement of Investment Policy (the "Policy") and applies to the assets held in the Fund. It is not applicable to assets held in the Socially Responsible Investment Fund (the "SRI Fund") and the Investment Managers Program (the "IMP"), which are governed by separate investment policies.
- 1.3 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.
- 1.4 The purpose of the Policy is to define the investment governance structure for the Fund, formulate the investment principles and guidelines which are appropriate to the needs and objectives of the Fund, and to establish the investment strategies at the Fund level and the asset class level and monitoring procedures for the ongoing operation of the Fund. For a summary of the Foundation's investment beliefs, please refer to the Statement of Investment Beliefs document.
- 1.5 The Board of Directors of the Foundation (the "Board") has the ultimate responsibility of ensuring that the Fund delivers the required returns needed to support the Foundation's operating expenses and granting needs. In April 2023, the Board approved governance changes that includes: i) only Board members can be appointed as members of the Investment & Stewardship Committee (the "Committee"); 2) previous non-Board Committee members would become Community Shapers; 3) delegating implementation and operation responsibilities to the employees of Vancouver Foundation (the "Management"). As a result, the Board has delegated certain investment responsibilities to the Committee, which in turn has further delegated some investment implementation, monitoring and operations responsibilities to Management. The details of the delegations are listed in the Investment Committee Terms of Reference. Appendix A of this Policy includes a summary table of the roles and responsibilities of the Board, the Committee, and Management through the end-to-end investment process.
- 1.6 Any external investment managers or other agents or advisors providing services in connection with the investment of the Fund (the "Manager") shall accept and adhere to this Policy and also to the specific written guidelines (the "Mandate") and contract, agreed between the Manager and the Foundation. The Mandate shall include discretion limits, diversification requirements, quality standards, performance expectations and reporting requirements.
- 1.7 The Foundation believes that environmental, social and governance (ESG) factors play an important role in the investment process in mitigating risk. Where applicable, investment managers are required to establish an ESG integration and proxy voting policy that is aligned with the mission of the Foundation. Furthermore, ESG factors are considered by the Management and the Committee in the evaluation of existing investment managers and the selection of new potential investment managers.

1.8 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.

2.0 FUND OVERVIEW

2.1 The Fund consists largely of endowed trust funds with limited ability for encroachment of contributed capital. The primary sources of cash to the Fund include, but are not limited to:

- a) Donated funds from individual or corporate donors in cash or in kind;
- b) Funds from various levels of government;
- c) Funds from other qualified donees or charitable agencies; and
- d) Investment returns

2.2 Investment returns allow the Fund to satisfy its annual spending disbursement, maintain its purchasing power over the long-term, and reduce the likelihood of having to encroach on capital with the ultimate objective of achieving intergenerational equity.

2.3 The Foundation's objective is to earn a competitive investment return at an appropriate level of risk to:

- a) Provide cash flows and capital appreciation that are sufficient to support the Fund's disbursement objectives; and
- b) Monitor, and as much as possible, maintain intergenerational equity by preserving the capital and purchasing power of the endowed funds to provide the same level of support in perpetuity.

2.4 The Fund shall be managed as a perpetual fund which requires all fiduciaries, including Board, Committee, Management, and Managers, to exercise care, skill, diligence and judgment that a prudent investor would when making investment decisions.

3.0 RETURN/RISK OBJECTIVES OF THE FUND – REFERENCE PORTFOLIO

3.1 The expected rate of return on the Fund is an investment objective which recognizes the nature of the Fund's disbursement 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.

3.2 The Fund's primary return objective is to achieve a rate of return greater than the passive return of the Reference Portfolio as defined by the Board (net of investment management fees), measured on a 5-year rolling basis. The Reference Portfolio adopted by the Board of Directors is made up of 75% return seeking assets and 25% capital preservation assets.

A secondary return objective is to maintain a Nominal Stabilization Ratio above 100%. The Nominal Stabilization Ratio is defined as the market value of the Fund's assets divided by the non-inflation adjusted Contributed Capital (similar to the Book Value).

The Real Stabilization Ratio is defined as the market value of the Fund's assets divided by the inflation adjusted Contributed Capital. The *Vancouver Foundation Act* obligates the Fund to maintain the Nominal Stabilization Ratio above 100%, and the Board has an ultimate objective to achieve a Real Stabilization Ratio of 100%, preserving intergenerational equity as much as possible

- 3.3 The Fund's primary investment risk is the risk of not delivering returns that can meet the minimum required Disbursement Quota of 5% annually and not maintaining a Nominal Stabilization Ratio at or above 100%. Short-term risk (annual) is the risk of a temporary encroachment on capital, so downside volatility of returns will be measured.
- 3.4 To define the risk tolerance, a Reference Portfolio approach has been adopted by the Foundation. The Reference Portfolio represents a simple, low cost, passive portfolio that is designed to reflect the Fund's long term return objective and risk preferences.
- 3.5 A Reference Portfolio represents the amount of investment risk that the Board, as the governing fiduciary, is willing to bear in the pursuit of investment returns to meet its Disbursement Quota. The purpose of the Reference Portfolio is to:
- Express the Board's risk tolerance;
 - Provide an investment return that can be generated by passive investments;
 - Establish an investable portfolio that can achieve the Foundation's return objectives with limited oversight and no active management; and
 - Establish a market based benchmark that can be used to determine the efficacy and gain (or loss) of active investments.
- 3.6 The Board has approved the following as the Reference Portfolio for the Fund:

Asset Class	Weight	Benchmark
Equities	75%	MSCI All Country World Total Return Index (net)
Fixed Income	25%	FTSE Canada All Universe Bond Total Return Index

4.0 ASSET ALLOCATION – STRATEGIC PORTFOLIO

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

ASSET ALLOCATION TARGET AND RANGES ¹					
Asset Class	Percentage of Fund at Market Value				
	Target Allocation	Investable Benchmark	Secondary Benchmark, where applicable ²	Minimum	Maximum
Canadian Equity (1)	15%	S&P/TSX Capped Composite Total Return Index		10%	20%
Global Equity (2)	35%	MSCI All Country World Total Return Index		30%	40%
Fixed Income (3)	20%	FTSE TMX Canada Universe Bond Total Return Index		15%	25%
Mortgages (4)	0%	FTSE TMX Canada Short-Term Bond Index + 1.0%		0%	0%
Real Estate (5)	7.5%	S&P Global REIT Index (Total Return)	CPI + 4% and IPD indices	2.5%	12.5%

ASSET ALLOCATION TARGET AND RANGES ¹

Asset Class	Percentage of Fund at Market Value					
Infrastructure	(6)	7.5%	Dow Jones Brookfield Global Infrastructure Total Return Index		2.5%	12.5%
Multi-Strategy Funds	(7)	5%	Reference Portfolio	CPI + 4%	2%	8%
Short Term	(8)	0%	FTSE TMX Canada 91-Day T-Bill Index		0%	5%
Private Debt	(9)	10%	S&P/LSTA U.S. Leveraged Loan 100 Index		5%	15%

¹ Target allocation approved in December 2023. As deployment into private asset classes (infrastructure and high yield private debt) typically takes more time than public asset classes, a transition period of 1 to 2 years is expected to reach target allocations.

² For selected asset classes, a secondary benchmark may be used in addition to the investable benchmark to evaluate manager performance.

- (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.
- (2) Listed common stocks, convertible debentures or preferred shares of any corporations. Participation in all classes of any issuer's equity securities will not exceed 10% of each Manager's global 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. No more than 15% 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 20% of the Manager's fixed income portfolio shall be in mortgages. Securities rated CCC+ and below are limited to no more than 5% (in aggregate) at time of purchase.
- (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 centers and select redevelopment opportunities. Investments will constitute a mix of core, value added, and opportunistic strategies.

- (6) Pooled fund(s) of 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.
- (8) Cash and short-term paper up to one-year term to maturity having a DBRS credit rating of R-1 or equivalent.
- (9) Private Debt or Private Lending, are debt investments not financed by banks and not issued or traded in an open market. These bilaterally negotiated loans could be structured as first lien, second lien, mezzanine or a combination (unitranche) in domestic or foreign (OECD) markets and are typically backed by private equity or private company assets or cash flows.

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

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 4.1 and the Foundation's Statement of Investment Beliefs. 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.

4.3 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 Fund. If this is insufficient to maintain the fund at close to its strategic asset mix, investment managers/mandates normally will be purchased or redeemed on a quarterly basis. 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 whether rebalancing is required.

If the Fund's weights for liquid asset classes such as public equities, public fixed income, short-term money market and/or cash deviate from the target policy weights by more than 2% at the end of a calendar quarter, Management will rebalance to the midpoint of the overweight or underweight, usually within the next quarter depending on market conditions and anticipated cashflows.

If the Fund's weights for the asset classes that have restricted liquidity deviate from the target policy weights by more than 2% at the end of a calendar quarter, Management will notify the Committee and recommend a course of action as they deem appropriate.

5.0 PERMITTED CATEGORIES OF INVESTMENT

5.1 Subject to other provisions of this Policy, the *Vancouver Foundation Act* and By-laws, and the ITA, 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;
- 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;
- private placements (if allowed within each Manager’s Mandate);
- Private real estate assets;
- Private infrastructure assets;
- Private senior secured loans;
- The Fund is only permitted to invest in mutual, pooled or segregated funds and limited partnerships which may invest in any or all of the approved instruments or asset classes. No direct investment in single securities or assets is permitted;
- exchange-traded funds; 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.

6.0 INVESTMENT GOVERNANCE

6.1 The Board is responsible for:

- a) Reviewing investment reports that include:
 - 1) Performance of the Fund against the Return Objective;
 - 2) Ensure risk profile is in line with the Reference Portfolio; and
 - 3) Any changes to the Strategic Portfolio and/or Managers since the last report
- b) Appointing and removing the Committee members; and
- c) Adopting or approving changes to the following:
 - 1) This policy;
 - 2) Statement of Investment Beliefs;
 - 3) Risk profile as defined by the Reference Portfolio;
 - 4) Overall Return Objective; and
 - 5) The long-term target Nominal and Real Stabilization Ratio.

- 6.2 The Committee is responsible for:
- a) Stewarding the governance change transition from current state to the desired state of delegation of responsibilities;
 - b) Overseeing and monitoring the investment activities of Management;
 - c) Approving asset allocation and monitoring portfolio weights as compared to Strategic Portfolio weights
 - d) Approving investment strategies and investment guidelines in each asset class to guide Management in investment implementation;
 - e) Reviewing the Policy, at least annually, and recommending amendments, if any, for approval by the Board;
 - f) Recommending Reference Portfolio to the Board;
 - g) Approving the appointment or termination of the custodian;
 - h) Approving key service providers such as an asset mix consultant; and
 - i) Monitoring and evaluating investment performance and operational cost efficiency against objectives and benchmarks.

- 6.3 The Management is responsible for:
- a) Implementing the asset mix;
 - b) Actively monitoring risk adjusted returns of the Strategic Portfolio and Reference Portfolio against the relevant benchmarks and reporting to the Committee and the Board on a regular basis;
 - c) Appointing, monitoring, and when appropriate, terminating external investment managers and other external advisors, consultants, and service providers within delegated authorities established by the Committee;
 - d) Developing and implementing an ESG approach for the Foundation and integrating the ESG considerations into its investment processes;
 - e) Working with the custodian to ensure the accuracy of the Fund accounting and performance calculations and attributions;
 - f) Ensuring efficient and cost effective day-to-day operations; and
 - g) Regular reporting to the Committee and the Board

6.4 A more extensive list of roles and responsibilities of various parties involved in the management of the Fund can be found in the Committee Terms of Reference

7.0 VALUATION OF INVESTMENTS

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

7.2 Investments in pooled funds or limited partnerships shall be valued according to the unit values published at monthly, quarterly, or other frequency by the pooled fund manager or general partners of the limited partnerships.

8.0 CONFLICTS OF INTEREST

8.1 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 Committee, Community Shapers, 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.

- 8.2 Conflicts of interest shall be managed in accordance with the Board's Conflict of Interest Policy.
- 8.3 No part of the Fund shall be loaned to any Board member Committee member, Community Shaper, or employee of the Foundation.
- 8.4 The Board will satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the Foundation. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute applies to each Manager.
- 8.5 Where applicable, 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 Committee on soft dollar usage.

9.0 VOTING RIGHTS

- 9.1 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.
- 9.2 The Foundation reserves the right to direct the voting decision of the Manager(s) for the Fund's assets, if in its view such action is in the best interests of the Foundation.
- 9.3 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 where voting rights are not separable. It is expected that in that case, proxies will be voted in accordance with the pooled fund guidelines in the best interests of all pooled fund participants.
- 9.4 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.
- 9.5 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.

10.0 LOANS AND BORROWING

- 10.1 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 10.5.

- 10.2 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 secured debt on real assets owned by the Fund or owned through real asset pooled funds or leverage in the multi-strategy funds.
- 10.3 The Managers shall not borrow on behalf of the Fund.
- 10.4 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.
- 10.5 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 Foundation, as well as confirmation that these policies meet the Ontario Superintendent of Financial Institution's guidelines for securities lending.

11.0 MONITORING

- 11.1 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 Reference Portfolio and Strategic Portfolio;
 - comparison to industry averages/medians, if available;
 - measure of risk of the fund as shown by standard deviation of returns and other risk-adjusted statistics; and
 - asset allocation compared to target allocation.
- 11.2 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.
- 11.3 Qualitative concerns that may lead to a Manager's termination may include (but are not limited to) the following:

- reputation or ethics;
- changes in investment management personnel;
- changes in investment process;
- poor record of service; and
- lagging and/or inadequate ESG-related approach/practices

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

11.4 Prior to the appointment of a Manager to manage a portion of the Fund, Management under the oversight of the 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;
- reasonableness of investment management fees; and
- diversity of the investment team and organization

11.5 The 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.

11.6 Management 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. Management will also monitor each Manager's turnover of personnel, consistency of investment philosophy and process, discipline in portfolio construction, and record of service.

12.0 POLICY REVIEW

12.1 This Policy will be reviewed at least annually by the Committee. In determining whether changes in the Policy are required, the 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 the Committee, or the Management, or by any Manager or service provider;
- a significant increase to the costs of overall fund management; and
- applicable changes in Legislation.