

Investment Policy Statement



Charitable Registration No: 872708367 RR0001

1. Introduction

- 1.1 The Christian School Foundation (the Foundation) is a federally incorporated public foundation with charitable status whose purpose is to financially support its member organizations. Our Mission: ***We draw Christian schools and donors together to expand the influence of Christ in our culture.***
- 1.2 The purpose of this policy is to set forth the general guidelines under which the assets of the Foundation are managed by the Board of Directors (the Board). The Board shall not be limited to investments authorized by laws for Trustees, provided such investments are reasonable, prudent and show good judgement and keen discernment under the circumstances and do not constitute, either directly or indirectly, a conflict of interest.
- 1.3 The long-term success of the management of Foundation funds is enhanced by the input and monitoring of this activity by an appointed Investment Committee (the Committee). The Committee provides broad guidance and oversight that would be difficult to develop within the Foundation Board as a whole. The Committee functions as follows:
 - a. adheres to its Terms of Reference as well as the Foundation's Conflict of Interest & Loyalty Policy,
 - b. is accountable to the Foundation Board,
 - c. provides all committee minutes and regular performance reports to the Board,
 - d. makes use of outside professional investment managers/advisors as its default practice, and
 - e. is aware of the investment criteria and guidelines as set out in the Ontario Trustee Act.
- 1.4 The Foundation's Board has delegated routine decision making on investment matters to the Committee as noted in the committee's Terms of Reference.

2. Investment Objectives

- 2.1 The Foundation's investment objectives are:
 - a. ensure preservation of capital, assuming this is to primarily mean taking on no more risk than necessary to ensure positive impact is still achieved,
 - b. achieve a competitive return on investments in order to produce adequate earnings to cover projected or expected distributions to member schools,
 - c. provide funds for operating expenses including management fees,
 - d. provide sound direction regarding secure investments to the chosen professional fund managers that will be in keeping with prudent and professional portfolio management,

- e. set benchmarks and provide accountability to the chosen professional managers who will seek a reasonable return relative to the expected lifespan of each particular Fund Account, and
- f. invest the funds in a manner that is in keeping with the time frame the funds are intended to be utilized.

3. Risk

3.1 Attitude to risk

The Foundation relies on investment returns in part to fund the making of gifts and grants to its member schools. A key risk to the long-term sustainability of the Foundation is inflation, and the assets should be invested to mitigate this risk over the long term.

3.2 Assets

As a public foundation we have the options to invest in the following ways:

- a. Fixed Income: GIC's with institutions of high quality - Canadian, Provincial and Municipal bonds and treasury bills - Investment grade corporate bonds- Real return bonds - High yield bonds - Pooled fixed income funds
- b. Equities: Canadian and Foreign high-quality equities - Mutual Funds, Segregated Funds and Pooled funds - Exchange traded funds - Index Funds
- c. Balanced funds, third party or self-developed
- d. Alternative Investments: Mortgages and mortgage pooled funds – Secured Promissory Notes or Loans (secured) with credible organizations
Promissory Notes or Loans (unsecured) with credible organizations where underlying placement includes significant level of diversification.
- e. Real Estate
- f. Life Insurance, cash value and lifetime (life to 100) life insurance policies with ownership assigned to the Foundation.

Where possible and viable, assets would be invested via a Custodian to help mitigate the risk of institutional fraud.

In order to reduce volatility and exposure, the Committee will use multiple investments within a pool for diversification.

Consistent with its Terms of Reference, the Committee will make as part of its default practice the use of third-party managers for the placement of investment assets.

Special circumstances may exist from time to time which may warrant deviation on a temporary basis from the standard investment guidelines. Any deviation from standard guidelines requires Board approval.

3.3 Currency

The base currency of the investment portfolio is the Canadian dollar. The fund will not normally utilize foreign exchange currency trading or hedging to generate returns.

3.4 Other

The Foundation will request of Christian Stewardship Services that they notify the Foundation of any changes to their investment policy as part of their annual reviews. This critical component to satisfying the Foundation's fiduciary responsibilities is based on the recommendation from a Public Guardian & Trustee's Office lawyer that the Foundation's investment policy is not more restrictive than that of Christian Stewardship Services.

4. Asset Allocation

4.1 Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to goals, risk tolerance and investment horizon. The three main asset classes – equities, fixed-income, and cash and equivalents- have different levels of risk and return, so each will behave differently over time. There is no simple formula that can find the right asset allocation for every organization; however, the consensus among most financial professionals is that asset allocation is one of the most important decisions to be made. In other words, the selection of individual securities is secondary to the way that assets are allocated in stocks, bonds and cash and equivalents, which will be the principal determinant of investment outcomes.

4.2 As the funds to be invested have different characteristics, restrictions and end purposes, there are a number of 'investment sleeves' through which both externally and internally restricted funds can be accounted for and managed accordingly. Note: The unrestricted cash to operate the Foundation is typically held in the bank account and is not considered here for investment purposes. The same is true for purely flow-through funds/gifts.

The full range of potential investment sleeves could be described as follows:

- a. **Short Term or No Risk Sleeve** – for funds required in two years or less where there is zero tolerance for loss of market value
- b. **Intermediate Term or Medium Risk Sleeve** – for funds required between two and five years and where there is only moderate tolerance for potential loss of market value
- c. **Long-term Sleeve** – for funds to be held for longer than five years but short of 'in perpetuity'
- d. **Fixed-Term Sleeve** – where funds have been designated to be held for a specific number of years – eg. a gift designated to be distributed as a blend of capital and earnings over 25 years similar to that of an annuity – or – a gift where the principal sum is designated to be held intact for a specified period of time and thereafter a blend of capital and earnings disbursed.
- e. **In Perpetuity Sleeve** – for funds designated as permanent endowments where the underlying capital can never be encroached upon for disbursement purposes.

- f. **Blended Sleeve** - where funds are held at two or more well diversified placements and where ongoing returns from each form a blended rate of return calculated on a daily weighted basis and reported annually.

4.3 Per its Terms of Reference, the Committee approves guidelines for the appropriate investment vehicles for each of the deposits. Safety of principal is given great consideration in all circumstances. It is possible that different sleeves have a similar investment objective for portions of their portfolio. When this is the case, funds from more than one pool may be placed in the same investment or with the same portfolio manager.

5. Gift Acceptance (re non-traditional/cash gifts)

5.1 At times, gifts of assets other than cash are received directly from donors. To assist the Foundation staff to consult where prospect gifting circumstances are outside of straightforward 'cash' gifts, the Committee shall follow the guidelines as set out in the Gift Acceptance Policy of the Christian School Foundation, included in a separate document.

6. Investment Restrictions

- 6.1 The Committee will follow ESG guidelines and aim to avoid investments in companies which are not compatible with the mission of the Foundation (eg. tobacco, cannabis, pornography etc.) and
- a. Not more than 5% of any pool can be invested in one company, excepting:
 - i. There is no limit on Government of Canada securities
 - ii. Investments in mutual funds, which do not violate this standard if they include a broad base of assets in the fund.
 - b. The investment policy makes no provision for the placement of funds in private investments. When such investments are donated, it shall be the practice to liquidate such gifts as soon as feasible.
 - c. No warrants, options, or commodity futures will be entertained.
 - d. We will not engage in purchases on margin, and, likewise, securities will not be sold short.

7. Environmental, Social & Governance Considerations

- 7.1 Also known as Socially Responsible Investing – this will be considered together with our fiduciary responsibilities around current and future beneficiaries of the Foundation's investment assets.
- 7.2 The consideration of environmental, social and governance (ESG) factors that may have an impact on the financial performance of the asset pool is consistent with our fiduciary duty to our donors and member schools, in that it aims to both maximize returns and yet protect the assets from downside risks. Our Christian worldview may however rule out participation in certain investments even though they provide a good return.

7.3 The Foundation will incorporate ESG factors in its investment practices by the following means:

a. **Based on our Christian principles**

To the best of its ability, the Investment Committee will review the listing of individual investments within its asset pool minimally on an annual basis in light of our Christian beliefs and standards. We understand that any decision to exclude or include certain assets will always be a judgement call however, there will be obvious investments where the predominance of their products and revenue generated is from activities that we would find unpalatable. The role of the Committee is to monitor the listing of investments for performance, composition and adherence to our policies and provide feedback to the manager where, in the opinion of the committee, changes are warranted.

b. **Investment/Portfolio Manager Selection**

The integration of ESG factors in the investment determination process will be an additional criterion in the selection and retention of the portfolio/investment managers. Alongside financial, economic and other risks, investment/portfolio managers should weigh relevant risks and opportunities posed by ESG factors on the value of our investment assets over both the short and long-term horizons.

c. **Proxy Voting**

The Committee views proxy voting to be an important component of engagement. Investment/Portfolio managers are required to provide the Committee with access to their proxy voting record, and to report on their proxy voting history on an annual basis. The Committee expects any investment/portfolio manager to consider shareholder proposals on ESG issues on a case-by-case basis, and to support proposals where disclosure practices in the area of ESG matters need to be improved to properly assess prospects for long-term value.

d. **Investment/Portfolio Manager Monitoring**

In addition to standard financial reporting, our investment/portfolio managers will be asked to report annually on their responsible investment initiatives.

8. Management, Reporting and Monitoring of Medium and Long-term Funds

8.1 The investment of funds requires specific skill and expertise. As such the use of external investment advisors or portfolio managers will be the preferred practice.

8.2 The Committee selects the fund managers to manage funds assigned to them. The investment results of each manager or advisor will be compared at least annually with appropriate benchmarks for the type of manager and investment. The benchmarks are agreed upon between the Committee and each advisor at the point of hiring.

8.3 In identifying strategies to mitigate and reduce investment risks, diversification is a primary tool. This includes not only diversifications of asset classes and securities but also includes diversification of Investment Managers. The Committee may consider at

any time, or at a time when the assets under management are large enough in the Committee's opinion that it would be appropriate to have another Investment Manager who may have different but complimentary investment approaches to manage the core portfolios.

The impact of additional Investment Manager(s) following different approaches will see less volatility in the overall returns of the Foundation's funds. The Committee will review the requirement for an additional Investment Manager(s) based on the investment strategy and asset growth of the Foundation and will make recommendations to the Board of Directors accordingly.

9. Approval and review

- 9.1 This Investment Policy Statement was prepared by the Investment Committee of the Christian School Foundation to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure its continuing appropriateness.

Approved by the Board of Directors on December, 5, 2023