

*La Fondation  
franco   
albertaine*

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## **Investment Policy**

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## **1 General**

### **1.1 Purpose**

This Investment Policy applies to all assets held by the Fondation franco-albertaine (the "Foundation"). The purpose of this policy is to outline the procedures and policies to effectively manage and monitor these investment assets. The assets shall be managed in accordance with all applicable laws and regulations.

Any portfolio manager or other agent who offers services to the Foundation in connection with the management of its funds shall accept and adhere to this policy.

### **1.2 Background**

The Foundation is a Canadian, Alberta-based community foundation. It was created by the Franco-Albertan community following a grant from the federal government and originally served primarily as the custodian of that grant. The Foundation is a registered charity and is exempt from income tax as provided under the Income Tax Act.

In 2005, the decision was made to change the Foundation from a *custodian of received funds* into a true *community foundation* serving the Francophone community in Alberta, the main difference being that since that time, in order to increase the funds received through the grant, the Foundation now seeks donations from the community to meet the needs of the community.

The Foundation's tax year ends on June 30.

The Foundation is now an organization by and for the community which exists to develop philanthropy by offering everyone the opportunity to give back to the community on a permanent basis, no matter what their financial capacity may be. To this end, the Foundation receives, creates and manages endowment funds to be used for purposes specified by the donors or, otherwise, to meet the greatest possible number of needs arising within a community that is constantly seeking to maintain its wellbeing.

## **2 Responsibilities**

### **2.1 Board of Directors**

The Foundation's Board of Directors holds the ultimate responsibility and decision-making authority for the Foundation's Funds. The Board has the responsibility to govern the Foundation's assets and may choose to appoint an Investment Committee. If no such committee exists, the tasks of this committee, as outlined in point 2.2 below, fall directly to the Board.

If an Investment Committee exists, the Board will:

- Appoint the members of the Committee
- Receive the Investment Committee's recommendations with respect to the investment policy and approve or amend the policy as appropriate
- Examine all of the Committee's recommendations and reports concerning the Foundation's Funds and take whatever actions it deems appropriate

## **2.2 The Investment Committee**

The Investment Committee consists of a minimum of three and a maximum of five members. At least one member of the Investment Committee must be a member of the Foundation's Board of Directors. The members of the Investment Committee are appointed for a three-year term.

The Investment Committee may delegate some of its responsibilities with respect to the investment of the Foundation's Funds to agents or advisors, particularly if portfolio management or trustee services are retained.

The Investment Committee will have an active role to:

1. Maintain an understanding of the legal and regulatory requirements and constraints applicable to the Foundation's Funds
2. Review the investment policy each year and make appropriate recommendations to the Board
3. Provide regular reports to the Board
4. Provide recommendations to the Board concerning the selection, engagement or dismissal of the professional investment managers who oversee the Foundation's Funds
5. Formulate recommendations to the Board concerning the mandate of the portfolio managers
6. Oversee the Foundation's Funds and the activities of the managers, including their compliance with their mandates, the performance of the assets managed by each portfolio manager and the general performance of the Funds
7. Ensure that the portfolio managers are informed of changes in their mandates
8. Inform the portfolio managers of any significant cashflow requirements

## **2.3 Portfolio managers**

The portfolio managers have the responsibility to:

1. Select securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this policy
2. Provide the Investment Committee with quarterly reports on the portfolio's current assets and a review of investment performance and future strategies

3. Attend Investment Committee meetings at least twice a year or more frequently as needed, to review the Fund's performance and discuss proposed investment strategies
4. Promptly inform the Investment Committee of any investment that falls outside the investment constraints established in this policy and of the actions that will be taken to remedy this situation
5. Advise the Investment Committee of any aspect of this policy that could prevent the attainment of the Fund's objectives

### **3 Objectives of the Fund**

#### **3.1 Investment objectives**

In order of importance, the general objectives of the Fund are to:

1. Focus investment horizon on the long term (over five years)
2. Preserve capital, in real terms
3. Maintain liquidity to meet cashflow requirements
4. Maximize the rate of return within acceptable risk levels

### **4 Authorized investments**

The general investment criteria, as understood by the Investment Committee, are outlined in point 4.1. If pooled funds are used, the portfolio manager shall inform the Committee in writing before any change in policy of any of the pooled funds. At that time, the Committee will re-evaluate the investment in that fund and issue a recommendation to the Board.

#### **4.1 List of permitted investments**

##### **(a) Short-term investments**

- Cash
- Demand or term deposits
- Short-term notes
- Treasury bills
- Bankers acceptances
- Commercial paper
- Investment certificates issued by banks, insurance companies and trust companies

##### **(b) Fixed-income investments**

- Bonds
- Convertible or non-convertible debentures

- Mortgages or other asset-backed securities

**(c) Canadian equities**

- Common and preferred stocks
- Rights and warrants

**(d) Foreign equities**

- Common and preferred stocks
- Rights and warrants
- American or global depositary receipts

**(e) Pooled funds, closed-end investment companies and other structures and vehicles in any of the investment categories listed above**

**4.2 Derivatives**

Investments in derivative instruments may be used for hedging purposes to manage risk or to economically replicate a direct investment, but under no circumstances shall derivatives be used for speculative purposes or to create leverage.

**4.3 Pooled funds**

With the approval of the Committee, the portfolio manager may hold any portion of the portfolio in one or more pooled or commingled funds managed by the portfolio manager, provided that these funds are managed in accordance with constraints reasonably similar to those described in this mandate. The Committee acknowledges that complete adherence to this statement may not be possible; however, the portfolio manager is expected to advise the Committee if the pooled funds exhibit or may exhibit significant differences from this policy.

**5 Risk guidelines**

All allocations are based on market values.

**5.1 Cash and cash equivalents**

Credit rating of R1 or better by the Dominion Bond Rating Service (DBRS).

**5.2 Fixed income**

(a) Maximum and minimum holdings for the fixed-income portfolio, per issuer and/or per credit rating:

Credit quality	Maximum allocation in portfolio <sup>1</sup>	Minimum allocation in portfolio <sup>1</sup>	Maximum holding per issuer
Government of Canada <sup>2</sup>	100%	30%	No limit
Provincial governments <sup>2</sup>	60%	0%	25%
Municipal	25%	0%	10%
Corporate	50%	0%	10%
AAA <sup>3</sup>	70%	0%	10%
AA <sup>3</sup>	70%	0%	5%
A <sup>3</sup>	50%	0%	5%
BBB	15%	0%	2%
BB and under	5%	0%	1%

<sup>1</sup> Percentage of portfolio at market value

<sup>2</sup> Including government-guaranteed issues

<sup>3</sup> Does not apply to Government of Canada or provincial issues

(b) Maximum holdings per issuer in the fixed-income portfolio

- 20% in asset-backed securities
- 20% in bonds denominated for payment in non-Canadian currency
- 10% in real return bonds
- 20% in mortgages or mortgage funds

(c) All credit ratings refer to the evaluation ratios issued by Dominion Bond Rating Service (DBRS), Standard & Poor's or Moody's. If a rating change causes a maximum to be surpassed or the investment to become non-compliant, the portfolio manager shall sell the security as soon as possible to return to compliance or obtain approval from the Investment Committee to continue to hold the security.

### 5.3 Equities

(a) No single equity shall represent more than 15% of the market value of the assets of a single pooled fund.

(b) Each pooled fund portfolio shall hold a minimum of 30 stocks.

(c) No more than 5% of the market value of a pooled fund may be invested in companies with a market capitalization of under \$100 million at the time of purchase.

### 5.4 Mortgages

(a) Mortgages shall be managed by a specialized mortgage management firm that holds a license from the appropriate real estate board and securities commission.

