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# ST. MARY'S HOSPITAL FOUNDATION

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## Statement of Investment Objectives And Guidelines

Effective:

APPROVED BY ST. MARY'S HOSPITAL FOUNDATION BOARD OF DIRECTORS AT THEIR MEETING OF  
Wednesday, April 19, 2000

**REVISED AND APPROVED – MAY 2004**

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# Table of Contents

Section 1 – Introduction.....	1
Section 2 – Return Objectives of the Fund.....	2
Section 3 – Asset Allocation.....	3
Section 4 – Permitted Categories of Investment.....	4
Section 5 – Fund Management .....	5
Section 6 – Valuation of Investments .....	6
Section 7 – Conflicts of Interest.....	7
Section 8 – Voting Rights .....	8
Section 9 – Loans and Borrowing.....	9
Section 10 – Monitoring .....	10
Section 11 – Policy Review .....	11

## Section 1 – Introduction

- 1.1 The investment guidelines and objectives herein set forth are intended to enumerate the expectations of the Directors of the Foundation (“Directors”) with respect to the investment management of the assets of the Foundation Fund (“Fund”).
- 1.2 Responsibility for investment of the Fund rests with the Directors, including:
  - the establishment of an overall investment policy, including broad asset allocating guidelines and a structure of investment management;
  - the appointment or removal of investment managers (the “Managers”) and other advisors;
  - monitoring the performance of the Fund and its Managers; and
  - annual reporting on the status and operation of Fund assets
- 1.3 This statement of investment policy (the “Policy”) is designed to ensure that the assets of the Fund are invested in a prudent manner, in order to optimize long term returns at an appropriate level of risk for an overall portfolio in the context of the requirements of the Foundation.
- 1.4 The Directors may delegate some of their responsibilities with respect to the investment of the Fund to the Finance and Investment Committee as well as other agents and advisors.
- 1.5 Any person to whom the Directors delegate responsibilities with respect to the investment of the Fund must adhere to the provisions of this Policy. Any Manager appointed to manage a portion of the Fund shall also operate under specific written guidelines (the “Mandate”) agreed between the Manager and the Directors.

## Section 2 – Return 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 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 Directors from time to time in view of the Fund's level of assets and purpose.
- 2.2 The primary objective of the Fund is to add value, through prudent management, over the return that would have been realized through management in index funds combined in a long term asset allocation which is perceived by the Directors to carry a reasonable but prudent degree of risk. This objective will be measured in terms of an annualized time-weighted rate of return, measured over moving four-year periods, which is expected to exceed, before Fund management expenses, the return computed by linking the quarterly returns on a composite portfolio of:
- 35% of the return on the TSE 300 Total Return Index, plus
  - 20% of the return on the Morgan Stanley Capital International World Index, plus
  - 45% of the return on the ScotiaMcLeod Universe Total Return Bond Index, plus
  - 1% per annum.
- 2.3 A secondary investment objective is to rank in the top 1/3 of funds evaluated by a measurement service, over moving four-year time periods.

## Section 3 – Asset Allocation

3.1 In order to achieve appropriate levels of risk exposure and return expectation for the overall Fund, the normal policy allocation for the Fund, and the associated ranges for strategic variation at any time are as follows:

### Asset Allocations Ranges

ASSET CLASS	PERCENTAGE OF FUND AT MARKET VALUE		
	Normal Allocation	Minimum	Maximum
Canadian Equities <sup>(1)</sup>	35.0%	20.0%	60.0%
Foreign Equities <sup>(2)</sup>	20.0	10.0	30.0
Fixed Income <sup>(3)</sup>	45.0	30.0	70.0
Short Term <sup>(4)</sup>	0.0	0.0	20.0
Total Equities <sup>(5)</sup>		30.0	60.0

- (1) Common stocks, convertible debentures or preferred shares of Canadian Corporations. No participation in all classes of any issuer's equity securities will exceed 10% of the Fund's total equity portfolio at market value. Not more than 20% of the component shall be represented by small capitalization stock currently defined as those having a market capitalization including closely-held shares of less than \$200 million.
- (2) Common stocks, convertible debentures or preferred shares of non-Canadian corporations.
- (3) Debt obligations of over one year term to maturity of primarily Canadian issuers. Overall quality is expected to be of at least an "A rating on the Dominion Bond Rating Service (DBRS) or equivalent with no more than 10% rate "BBB". Not more than 20% of the bond portfolio shall be denominated for payment in non-Canadian currency. No more than 5% of the bond portfolio shall be in mortgages.
- (4) Cash and short-term paper up to one year term to maturity having a DBRS credit rating of R-1 or equivalent.
- (5) Maximum foreign exchange exposure is limited to 30%.

3.2 Investment may be made in the above asset classes either directly, or by holding units of pooled, segregated or mutual funds investing in one or more of the asset classes. The Directors shall monitor, or cause to be monitored, the contents of the pooled fund portfolios for their degree of compliance with the foregoing expectations, and may make or cause to be made such changes in their choice of pooled funds as are deemed appropriate to meet the objectives of the Policy.

## Section 4 – Permitted Categories of Investment

4.1 Subject to other provisions of this Policy, the Fund may be invested in any or all of the following asset categories and subcategories of investments listed below. These investments may be obligations or securities of Canadian entities.

- common stocks, convertible debentures or preferred securities;
- bonds, 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, which invest primarily in such instruments;
- annuities, deposit administration contracts or other similar instruments;
- term deposits or similar instruments issued or unconditionally guaranteed by major trust companies or banks;
- cash, or money market securities issued by governments, governments, government agencies or corporations; and
- mutual, pooled or segregated funds and limited partnerships ('pooled funds') which may invest in any or all of the above instruments or assets.

## Section 5– Fund Management

- 5.1 Except for the short term assets, the Directors will not invest Fund assets directly, but shall employ competent external professional investment Managers. The Directors shall make such Manager changes from time to time as they deem in the best interest of the fund and its beneficiaries. The selection of Managers will be made in a prudent manner taking into account the relevant experience and expertise of potential Managers.
- 5.2 The Directors shall apportion Fund assets to one or more Managers in a structure considered appropriate to implement the foregoing asset allocation. The Directors will at all times maintain a complete description of this structure, identifying each Manager and their current apportionment of existing assets and cash flows, together with a current copy of all Manager Mandates.
- 5.3 The Directors may also direct the Fund Custodian to hold cash equivalents on a short-term basis, either to meet benefit payments or as directed by the Directors pending allocation to one or more of the Managers.
- 5.4 Subject always to this Policy, the Directors shall grant full discretion of investment to the Managers within their Mandates as regards the selection of securities and the timing of transactions.

## Section 6 – Valuation of Investments

- 6.1 Most investments will be valued at their market value when that is available from regular public trading.
- 6.2 Investments in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least monthly by the pooled fund manager(s).
- 6.3 If the market valuation of an investment is not available, then a fair value shall be determined by the Directors. For each such investment, an estimate of such fair value shall be supplied by the appropriate Manager at each month end, which may be determined by reference to an independent expert appraisal. A reasonable methodology should be applied consistently over time.

## Section 7 – 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 Directors, an employee of the Foundation, any Manager or delegate, the custodian, or any person directly related to any of the foregoing, may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding 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 Directors. Any such party will thereafter abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Directors.
- 7.3 No part of the Fund shall be loaned to any Director or employee of the Foundation.
- 7.4 The Directors will satisfy themselves that an appropriate policy regarding conflicts of interest exists and is followed by any Manager appointed by the Directors. As a minimum, The Code of Ethics and Standards of Professional Conduct adopted by the Association of Investment Management and Research applies to each Manager.

## Section 8 – 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 Directors reserve the right to direct the voting decision of the Manager(s), if in its view such action is in the best interests of the Fund.
- 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.

## Section 9 – Loans and Borrowing

- 9.1 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.
- 9.2 The Managers shall not borrow on behalf of the Fund unless directed in writing by the Directors to so borrow.

## Section 10 – Monitoring

### 10.1 **Aggregate Fund**

An overall analysis of the Fund performance will be prepared at least semi-annually including:

- the rate of return earned by the Fund;
- the return that could have been achieved by passive investment in index funds in the “normal” allocation;
- the value added by active management, relative to the results of appropriate standards; and
- the return relative to a universe of other funds.

### 10.2 **Investment Managers**

With each manager, a set of guidelines will be agreed upon within which the Manager is expected to operate, including discretion limits, diversification, quality standard, performance expectations and reporting requirements. These guidelines shall reflect the objectives and constraints of this Policy.

10.3 The Finance and Investment Committee shall monitor the performance of each Manager; such monitoring will include, but not be limited to quarterly reports, semi-annual meetings and ongoing evaluation of performance relative to standards appropriate to the Manager’s mandate. The Finance and Investment Committee will also monitor each Manager’s turnover of personnel, consistency of style, discipline in portfolio construction, and record of service.

10.4 The Directors shall be prepared to meet at least semi-annually to:

- review the assets and net cash flow of the Fund;
- review the current economic outlook and investment plans of the Managers;
- review the asset mix of the Fund and take any action necessary to ensure compliance with this Policy; and
- receive and consider statistics on the investment performance of the Fund.

## Section 11 – Policy Review

11.1 This Policy will be reviewed at least annually by the Directors. In determining whether changes in the Policy are required, the Directors 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 reward on key asset classes, dependent upon basic economic, political and social factors, and;
- shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Directors by any Manager.