NIAGARA COMMUNITY FOUNDATION
INVESTMENT POLICIES

Primary Investment Pool

In November, 2001 the Board of Directors of the Niagara Community Foundation (NCF) approved a plan to pool the Foundation's endowed funds with those of the Toronto Foundation (TF). As of January 2016 the NCF had more than $17.6 million in the pooled fund with the total pool equaling more than $300 million.

In 2012 the TCF undertook a major review of their current investment policy statement (IPS), historic investment performance, benchmarking tracking strategy and income needs. The outcome of the review was the development of a "Return-Specific" Investment Strategy, which was adopted by the TCF and NCF in September, 2012. The goals of the IPS are:

- Achieves granting objectives for endowments,
- Protects the long-term purchasing power of the capital component,
- Establishes a reserve for future market declines, and
- Recovers the cost of managing and administrating the funds.

Risk Tolerance

The Portfolio will be structured and managed to provide for the generation of its targeted rate of return without exceeding its predetermined maximum risk exposure. The Portfolio will be measured against established numerical risk targets for volatility. Asset class weightings will be adjusted such that constant volatility is maintained. The goal is to achieve more stable returns without increasing risk

Asset Allocation

Given the Portfolio's targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following permissible asset class holding ranges have been established:

Asset Class		Permissible Range
Cash and Cash Equivalents		0.0% - 50.0%
Fixed Income		5% - 50.0%
Equities & Alternative Strategies		50.0% - 95.0%

Investment Managers:

- Open Access Ltd. (75%) - Investment advisor founded in 1997 with high fiduciary standard and successful performance track record of generating above-median returns while mitigating exposure to risk with a business focus on assets for the long term (primarily pension plan assets), similar to the goals of the Foundation and its stakeholders. Open Access also performs the role of outsourced Chief Investment Officer for the Toronto Foundation

- Grantham Mayo van Otterloo (GMO) (25%) - Independent and privately-owned (founders and employees) Boston-based asset manager, founded in 1977 with $68 billion of assets under management in asset allocation strategies; $65 billion in total with 9 offices around the world

External Investment Managers Program

The External Investment Managers Program allows assets gifted to a newly created fund to be invested outside of Niagara Community Foundation's Consolidated Investment Fund in a portfolio managed by the donor's recommended investment firm. The minimum contribution to the fund is $250,000.

To qualify for a donation receipt under the Income Tax Act (Canada), the donor must transfer ownership and legal control of their portfolio assets to Niagara Community Foundation. The definition of a "gift" in the Act must be met to protect both the donor and Niagara Community Foundation. This means that the investment firm's contractual relationship shifts from the client/donor to Niagara Community Foundation. However, the client/donor may remain involved as an advisor to Niagara Community Foundation and is entitled to receive copies of annual fund statements from the Niagara Community Foundation.

To be eligible to participate in the Program, an Investment Firm (the "Firm") must be approved by the Foundation's Investment Committee. Eligibility will be determined using the following criteria:

- Licensing with the Ontario Securities Commission.
- A report setting out the Firm's performance for the previous 5 years, such report demonstrating investment performance that meets the Foundation's benchmarks.
- A portfolio manager assigned to the Fund who:
    - is registered with the Ontario Securities Commission,
    - is a member in good standing of an appropriate portfolio manager association, and
    - has been licensed as a portfolio manager actively involved in discretionary investment management of segregated portfolios for a minimum of 3 years.

As of September 2015, the Foundation had in excess of $10 million managed with 3 firms through this program.

Social Finance Investing

December 2010 saw the release of a national report entitled *Mobilizing Private Capital for Public Good*. The report made seven recommendations aimed at encouraging regulatory changes to accelerate capital investments in Canada's voluntary sector. However, one recommendation in the report captured the interest of the Niagara Community Foundation. Specifically, that Canada's public and private foundations should invest at least ten percent (10%) of their capital in mission-related investments by 2020 and report annually to the public on their activity.

In June 2011, the board of the Foundation started a due diligence process to determine whether this type of investment met the Foundation's strategic objectives. The review culminated in the board's decision in September 2012 to invest in the Community Forward Fund (CFF). CFF makes loans or arranges financing for Canadian nonprofits and charities. Its structure has been designed to address a gap in access to patient, working capital and bridge loans for the sector for small and medium sized for-social-profit organizations.

As of December, 2012 the Foundation has made a *commitment* to invest $500,000 in the Community Forward Fund. As of December 2015, $349,000 has been invested with the Community Forward Fund.

In 2016, the Board approved a 10 year social finance investment strategy. With this strategy the Foundation will invest up to 10% of our discretionary funds (i.e. not donor-directed or donor-advised) in investments with both a social and financial return that meet the following criteria:

- investment has a social and financial return
- limit investment to debt as opposed to equity
- preference, but not exclusive, Niagara-focused investment
- investment must be considered prudent
- Foundation prefers to partner with an experienced intermediary
- Opportunities will be examined on a case by case basis and approved by the board

Investment Committee

It will be the responsibility of the NCF Investment Committee, the members of which are identified below, to review the investment performance on a monthly basis, meet on a quarterly basis and review the relationship with the Toronto Community Foundation on an annual basis.

Committee Members:

Mario Ferrara (chair), retired, former Managing Director at Scotia Capital and former Vice-President of Investments with E-L Financial Corporation; Madeline Woodhead, Investment Advisor, Scotia McLeod; Alan Goddard, former Foundation director; Jodi Lycett, Partner, Durward Jones Barkwell LLP; Peter Nixon, corporate director and retired investment broker Goepel Shields & Partners, Dundee Securities; Teresa Quinlin, VP Business Development, Niagara College; Jim Blake, retired , investment manager with Cooperators Insurance; Jim Howden, retired, Managing Director of HSBC Securities, NY and Deputy Chief Credit Officer of HSBC Bank USA.