



OAK RIDGES MORaine LAND TRUST

Investment Principles and Management Organization Policy

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1.0 Introduction

- 1.1 The creation and on-going management of investment portfolios diversified as to risk, with an acceptable return, are consistent with and integral to Oak Ridges Moraine Land Trust's ("ORMLT" or the "Trust") objective of maintaining a strong financial position to ensure that the Trust is able to maintain its day-to-day operations and its long term stewardship commitments.
- 1.2 The purpose of this Organization Policy is to provide direction and an accountability structure in the execution and management of investment transactions and holdings for all ORMLT funds including but not limited to the ***Land Forever Fund*** and the ***Land Securement and Property Maintenance Reserve Fund*** in particular.
- 1.3 This Policy applies to all investment activities and holdings of ORMLT, including all investments held in funds or foundations.

2.0 Principles

- 2.1 **Understanding.** ORMLT will not transact or hold investments for which it does not have a comprehensive and thorough knowledge of the valuation and risks at both the staff and Board level.
- 2.2 **Valuation.** No investment will be held for which the Trust cannot value in-

house or cannot obtain an independent valuation.

- 2.3 **Liquidity.** All investments taken together must meet the liquidity requirements of the ORMLT.
- 2.4 **Responsibility.** The Trust may hire an outside investment counsellor or financial advisor (“Investment Advisor”), but may not delegate responsibility for the prudent and effective management of its funds or investments.
- 2.5 **Key Person Risk Management.** ORMLT will not hire a sole proprietor to manage its investments.

3.0 Authority

- 3.1 The Board Chair, Treasurer and the Executive Director are each authorized to execute trades, subject to dual authorization policies, as allowed under Permitted Investments and Portfolio Composition. Email records of authorizations must be kept according to the Records Retention Policy.
 - 3.1.1 Within 24 hours of each transaction, the individual executing the transaction will notify the other individuals with the trade details.
- 3.2 All trading activity, current holdings and periodic returns must be reported to the Board quarterly, at the first Board meeting after the statements are received.
- 3.3 Overdraft positions are not to be intentionally created.
- 3.4 The ORMLT Board may place further constraints, limitations or requirements than expressly outlined in this Policy on a fund in order to achieve specific short-term objectives. Any such constraints, limitations or requirements are to be provided to the Executive Director and Treasurer in writing for action as required.
- 3.5 The ORMLT Board may grant an exception to this Policy on the recommendation of the Executive Director and Treasurer, acting jointly, for a limited time in order to avoid undue distress or loss in value. Such an exception must be supported by a clear rationale and action plan to bring the situation back within the Policy requirements.
- 3.6 This Policy will be reviewed annually or when there is a material change in circumstance.
- 3.7 The ORMLT will disburse, at a minimum, such amount as required to meet its disbursement test under the *Income Tax Act (Canada)*. (*For example, 3.5% per year as of 2014.*)

4.0 Accounting Treatment

- 4.1 In keeping with the accounting treatment for the Trust as a whole and

consistent with the intent and time horizons of the invested funds, the investment portfolios will be accounted for using the Canadian Accounting Standards for Not-for-Profit Organizations.

5.0 Investment Objectives and Risk Appetite

5.1 The ORMLT's objective in the management of investments is to generate a total investment return that:

- 5.1.1 Preserves capital;
- 5.1.2 Recovers the cost of managing and administering the funds; and
- 5.1.3 Generates a reasonable and market competitive risk-adjusted return.

5.2 Land Securement and Property Maintenance Fund

5.2.1 This fund is established with the purpose of maintaining funds in reserve for the securement and property maintenance commitments and obligations.

5.2.2 Cash for investment in this fund may be received as

- 5.2.2.1 Ongoing, unallocated fundraising activities of the Trust; and
- 5.2.2.2 ORMLT surplus operating funds, as determined periodically by staff and the ORMLT Board of Directors.
- 5.2.2.3 Funds donated and allocated for the purposes of Land Securement

5.3 Land Forever Fund

5.3.1 This fund is established with the purpose of maintaining funds in reserve for the funding of the long-term stewardship commitments and obligations of the Trust.

5.3.2 The income generated by this fund may be withdrawn to be used for land securement, monitoring and stewardship.

5.3.3 Cash for investment in these funds may be received as:

- 5.3.3.1 Allocated donations with instructions from donors;
- 5.3.3.2 Ongoing fund raising activities of the Trust; or
- 5.3.3.3 Special purpose funds from fund raising events or initiatives.

6.0 Liquidity Management

- 6.1 The ORMLT will exist in perpetuity and is subject to cash requirements ranging from near term liquidity to long term securement and stewardship requirements.
- 6.2 Funds sufficient for the Trust's immediate liquidity needs (i.e. within the next three (3) months) will be maintained as cash.

8.0 Risk Management

- 8.1 The Trust will be managed through limitations on allowed investment instruments, allowed issuer risk ratings and the maximum term of individual instruments.

9.0 Permitted Investments and Portfolio Composition

- 9.1 The Funds may be invested in the following financial instruments for which it can obtain independent pricing or price in-house and which meet the following requirements:

9.1.1 Money Market Instruments

- 9.1.1.2 Cash on deposit, including Guaranteed Investment Certificates ("GIC"), term deposits and similar instruments, at a Canadian chartered bank to a maximum of \$100,000 per bank except for RBC Royal Bank, TD Canada Trust, Scotiabank, BMO Bank of Montreal, and Canadian Imperial Bank of Commerce.
- 9.1.1.3 Cash deposited with a bank-owned investment dealer such that the combined cash with any investment dealer and its parent bank does not exceed \$100,000 and the cash held at the investment dealer does not exceed \$50,000, except for RBC Royal Bank, TD Canada Trust, Scotiabank, BMO Bank of Montreal, and Canadian Imperial Bank of Commerce.
- 9.1.1.4 Treasury Bills issued by the Government of Canada or any Canadian provincial government.
- 9.1.1.5 Commercial Paper ("CP") issued by Canadian financial institutions and corporations.
 - 9.1.1.5.1 Commercial paper issued by a securitization vehicle (financial CP) is not permitted.

9.1.2 Fixed Income Instruments

- 9.1.2.1 Maximum term of 20 years.
- 9.1.2.2 Canadian Government, Provincial and corporate bonds without warrants, conversion features or other embedded

options, subject to:

9.1.2.2.1 Rated equivalently A (low) or better, without any reported credit concerns, by DBRS, Moody's, S&P or Fitch rating agencies.

9.1.3 Equity and Near Equity / Hybrid Instruments

9.1.3.1 Are only allowed in the **Land Forever Fund** when the fund balance exceeds \$200,000.

9.1.3.2 Rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks issued by Canadian financial institutions or corporations rated equivalently A(low) or better, without any reported credit concerns, by two or more of DBRS, Moody's, S&P or Fitch rating agencies.

9.1.3.3 Preferred shares equivalently rated P2 (low) or better, without any reported credit concerns, by DBRS, Moody's, S&P or Fitch rating agencies.

9.1.3.4 Canadian Index Funds.

9.1.3.5 Canadian dividend paying public equities actively traded on the TSX which meet the following conditions:

9.1.3.5.1 Minimum market capitalization of \$500 million.

9.1.3.5.2 Uninterrupted dividend payment history over the past seven (7) years.

9.1.3.5.3 Rated equivalently BBB (low) or better, without any reported credit concerns, by DBRS, Moody's, S&P or Fitch rating agencies.

9.2 Any investment instrument not specifically identified above may not be included in ORMLT's investment funds.

9.3 Any investment, subsequent to being purchased or received as a donation, which does not meet the requirements identified above must be sold within two (2) months unless the Executive Director and Treasurer approve a longer holding period.

9.3.1 Such an approval request must be made within two (2) weeks of the breach of the relevant condition.

9.4 Fund Diversification Requirements

9.4.1 Structural Risk

9.4.1.1 Structural risk refers to industry, risk level, term and investment instrument concentrations

9.4.1.2 No more than 20% of an investment fund (excluding

money market instruments) may be held in any one industry, whether the investment instrument is a bond, near equity/hybrid or equity holding or any combination thereof.

9.4.1.5 No more than 75% of a Fund may be held in fixed income instruments.

9.4.1.6 With respect to the **Land Forever Fund** when the fund balance exceeds \$200,000, no more than 20% may be invested in equities or near equity / hybrid instruments.

9.4.2 Single Name and Connections

9.4.2.1 No more than 10% of an investment fund may be held in any one entity or series of entities which are "Connected" (except for money market instruments).

9.4.2.2 A parent and subsidiaries or other entities shall be considered "Connected" when **any** of the following factors are present:

9.4.2.2.1 The parent company is predominantly a holding company, substantially dependent on income from its operating subsidiaries

9.4.2.2.2 A material interdependency exists between two or more members of the group of entities with respect to markets, products or collateral

9.4.2.2.3 Control of the voting shares of the entity is in the hands of group ownership or management. Control is not limited to ownership of 50% or more of an entity and includes an equity interest that carries the right to elect the majority of the members of the Board of Directors

9.4.2.2.4 Two or more entities with exposures with ORMLT are subject to substantially common ownership or control, notwithstanding that the owner/controlling interest may not have an exposure with ORMLT

9.4.2.2.5 Group entities are co-joined by partnerships, joint ventures or arrangements that create material risk-sharing between those entities

10.0 Reporting and Record Keeping

- 10.1 The Executive Director shall keep records, or receive sufficient information from any firm hired to advise or manage funds, to ensure:
 - 10.1.1 All trades and confirmations can be accessed and reviewed by the Treasurer and/or the ORMLT Board;
 - 10.1.2 All funds provided for a specific purpose are maintained separately with both the capital amount and any income earned or capital appreciation achieved available for only the specific purpose; and
 - 10.1.3 The investment performance of each fund as managed by the ORMLT staff and/or specific investment management firms can be reviewed and assessed to determine whether returns have been sufficient to warrant an ongoing investment relationship.
- 10.3 The Executive Director shall provide the Board a quarterly report for each fund providing:
 - 10.3.1 A schedule of the cost and market value of each investment;
 - 10.3.2 An explanation of any material adverse valuation changes;
 - 10.3.3 A listing of all transactions undertaken over the reporting period including transactions executed but not yet settled;
 - 10.3.4 A listing of all income received by type and source and of all valuation changes; and
 - 10.3.5 The investment performance measured on a total return basis.
- 10.4 In the event that outside investment support is employed, the Executive Director, supported by the Treasurer, will provide a periodic assessment of investment performance and will recommend continued employment or a new provider of support for Board approval following such review.

11.0 Outside Investment Support

- 11.1 The Ontario Trustee Act (the "Act") requires the ORMLT to manage its investments with the care, skill, diligence and judgment that a prudent investor would exercise in making investments.
- 11.2 The Act permits a charity to manage its investment assets on its own or, subject to meeting certain requirements, delegate this responsibility to an Investment Advisor.
- 11.3 In either case, the ORMLT Executive Director and Board retain responsibility for reviewing assets regularly and will do so as noted in the Reporting and Record Keeping section above.
- 11.4 In keeping with the Ontario Trustee Act, the ORMLT will obtain investment advice when there is limited investment knowledge or expertise within ORMLT or when the additional income anticipated to be earned is expected

to more than offset the additional related expense.

ORMLT will employ an Investment Advisor only if all of the following requirements are met:

- 11.4.1 Registration with the Ontario Securities Commission with no outstanding negative findings or active investigations;
 - 11.4.2 All appropriate levels of licensing have been obtained and maintained;
 - 11.4.3 A comprehensive understanding of charity and trust laws, in addition to investment knowledge and capability, is demonstrated through relevant experience and results; and
 - 11.4.4 No conflicts of interest.
- 11.5 The Investment Advisor retained must be approved by the Board of Directors.
- 11.6 The ORMLT will enter into a written agreement with its Investment Advisor when the Investment Advisor's responsibilities include both the management of assets and the provision of advice.
- 11.7 The agreement will clearly document the scope of authority delegated by ORMLT and will provide that the Investment Advisor:
- 11.7.1 Complies with this ORMLT Policy and each fund's specific requirements as outlined in its Board Resolution and/or by-laws;
 - 11.7.2 Provides to the Executive Director all reporting as required above on a timely basis as well as a quarterly report on all fees charged whether explicit or embedded in pricing;
 - 11.7.3 Documents how communications are to be undertaken to ensure that all instructions are clearly understood and followed, with it generally understood that all instructions are to be in writing; and
 - 11.7.4 Notifies the Executive Director of any conflict of interest issues immediately.
- 11.8 The written agreement will have a provision for ORMLT to be able to terminate the agreement immediately and without penalty if any long-term or ongoing conflict of interest or OSC negative finding occurs.
- 11.9 If ORMLT desires to terminate due to performance issues or adverse relations, notice periods are acceptable and appropriate.
- 11.10 The Investment Advisor may terminate with the same notice requirements as provided to ORMLT.