

BC Non-Profit Housing Association

POLICY: Investment Policy Statement
TYPE: Financial
APPROVAL: Board of Directors
DATE REVISED: July 9, 2015
APPROVED:

Section I – Introduction

- 1.1 This statement of investment policy (the "Policy Statement") applies to the assets (the "Fund") accumulated by B.C. Non-Profit Housing Association ("Association") for the purpose of maintaining and preserving its ongoing business operations and financial contingencies.
- 1.2 The purpose of this Policy is to establish investment principles and guidelines appropriate for the purposes for which the Fund is maintained.
- 1.3 Any external investment manager (the "Manager") or other agent or advisor providing investment services for the Fund shall accept and adhere to this Policy.

Section II – Administration

- 2.1 The Board has delegated responsibility for the Fund management to the Finance Committee. The Finance Committee has the following responsibilities:
 - (a) Developing investment policy and amendments.
 - (b) Establishing investment management structure and selecting investment programs or managers.
 - (c) Monitoring investment results.
- 2.2 The activities of the Finance Committee will be reported to the Board by the Treasurer.
- 2.3 All investment decisions must consider BCNPHA's ownership position in Encasa Financial Inc. Notably, in addition to investment income, Encasa investments return revenue to BCNPHA through an additional fee arrangement, through equity dividends, and through increased value of the asset.

Section III – Fund Overview

- 3.1 It is the Association's responsibility to ensure that sufficient financial resources exist to properly service and maintain its ongoing business operations and financial contingencies.
- 3.2 The Association's business operations relating to its membership is non-profit and, as such, none of the investment income on the Fund is subject to tax of any kind. Tax efficiency is not an issue as the BCNPHA is a non-profit organization
- 3.3 The primary objectives of the Policy are:
 - (a) Maintaining the safety of capital.
 - (b) Effectively using accumulated assets.
 - (c) Maximizing returns at an acceptable level of risk.
 - (d) That funds are utilized in a socially responsible manner wherever possible.

Section IV – Return/Risk Considerations

- 4.1 The return achieved on the Fund will be an important component in the Association's ability to ensure the sufficiency of assets.
- 4.2 A long-term view for the investments is required to maximize the long-term rate of asset growth. Shorter-term volatility of return is also a concern, and this Policy is designed to provide an acceptable balance between shorter-term volatility and long-term growth.
- 4.3 All investments carry a degree of risk and in order to achieve a higher long-term return, one must generally be prepared to accept a higher level of risk (volatility). PH & N will attempt to moderate risk in the portfolio through diversification. The association is able to tolerate seeing the portfolio decline by 10% to 15% in any given calendar year (net of withdrawals) if it is a reflection of the general market conditions. The risk tolerance would be defined as moderate in this respect.
- 4.4 The association is comfortable taking a global approach with the equity component of the portfolio for diversification and risk management purposes. The PH& N portfolio will consist solely of non-registered assets.

Section V – Investment Objectives

- 5.1 The long-term objectives of this portfolio are a balance of capital growth and generation of income. The short-term objective is to provide monies to the BCNPHA office. The association plans to move locations as well maintain reserves for a new Insurance business. With this in mind, the Board of Directors has requested \$360,000 (total investments are \$401,000) to be allocated to short and medium term investments. The fund Manager, Philips Hager and North (PH&N) suggest that this amount remain invested in low risk bond funds.
- 5.2 Cash flow is not a requirement of the portfolio. Any cash flow generated by the portfolio will be reinvested.
- 5.3 The time horizon for the monies that represent the long-term investment capital within the Association is 3 to 10 years. The time horizon for the short-term monies is less than 3 years.
- 5.4 The 70 % Short Term Bond target is to ensure there is adequate liquidity available for the association

Short-Term Strategic Asset Mix

Asset Class	Proposed Strategic Asset Mix (%)
Fixed Income	90%
Equities	10%
Canadian equities	6%
U.S. equities	2%
International equities	2%

Section VI – Permitted Categories of Investments

- 6.1 The Funds may invest in any or all of the following mutual funds through ENCASA Social Housing Investment Program:
- (a) SH Canadian Short-Term Bond Fund.
 - (b) SH Canadian Bond Fund.
 - (c) SH Canadian Equity Fund.
- 6.2 All of the investments should be rated BBB or above.

Section VII– Asset Allocation

- 7.1 The Executive Director and the Manager shall monitor the allocation of assets comprising the Fund and maintain the following structure: *(to be completed in consultation with Philips, Hager & North)*

	Minimum	Normal	Maximum
Short-Term Bond Fund		70%	
Bond Fund		20%	
Canadian Equity Fund		10%	

Note: Periodic rebalancing of the funds may be required. Will be reviewed on a quarterly basis.

Section VIII – Diversification and Quality Constraints

- 8.1 Risk of price fluctuations within asset classes and the uncertainty of future economic and investment scenarios dictate prudent diversification, by investing in asset classes whose expected return correlations provide overall risk reduction for the Fund.
- 8.2 The Executive Director shall ensure the Manager has an appropriate investment policy with reasonable diversification standards for any Pooled Funds.

Section IX – Loans and Borrowing

- 9.1 No part of the Fund shall be loaned to any individual.
- 9.2 The Executive Director shall not borrow on behalf of the Fund.

Section X – Valuation of Investments

- 10.1 Pooled Funds shall be valued according to the unit values published at least monthly by the Manager.

Section XI – Voting Rights

- 11.1 Responsibility for exercising and directing voting rights acquired through Pooled Fund investments shall be delegated to the Manager, who shall at all times act prudently and in the best interests of the Fund. The Manager shall provide its voting rights policy to the Executive Director.
- 11.2 Any rights acquired to exercise the votes of Pooled Fund units shall be the responsibility of the Executive Director, who shall vote in the best interest of the Fund.

Section XII – Monitoring

- 12.1 The Finance Committee shall normally meet at least annually and when a major change in the investment occurs, to:
 - (a) Monitor the Manager's compliance with the Policy Statement.
 - (b) Review the current asset mix and take any action necessary to ensure compliance with this Policy Statement.
 - (d) Evaluate statistics on the investment performance of the Fund and the Manager.
 - (e) Review the assets and net cash flow of the Fund.A major change in investment is defined as a major change in the amount invested or a significant decrease in returns.
- 12.2 An overall analysis of Fund performance shall be prepared at least annually by the Executive Director including the:
 - (a) Rate of return of the Fund.
 - (b) Total assets invested in the Fund and their allocation between asset classes.

Section XIII – Policy Statement Review

- 13.1 This Policy shall be reviewed at least annually, or whenever a major change is necessary. Such a review may be caused by:
 - (a) A fundamental change in the expected net cash flow of the Fund.
 - (b) Significant revisions to the expected long-term trade-off between risk and reward on key assets classes normally dependent upon basic economic, political and social factors.
 - (c) A significant shift in the financial risk tolerance of the Association.
 - (d) Shortcomings of the Policy Statement that emerge in its practical application or substantive modifications recommended to the Executive Director by a Manager.
 - (e) Applicable changes in legislation.

Appendix: Outline of Fees - Phillips, Hager & North Investments Funds Ltd.

We do not charge commissions or sales charges, nor are there any other charges for account set-up, switching between funds, redemptions or transfers to another institution. A short-term trading fee of 2% of the amount redeemed or switched will be charged if you redeem or switch out units within seven days of purchasing or previously switching into a fund (excluding money market funds).

The fees you should expect to pay are the Management Expense Ratios (MERs) for the respective PH&N Funds and/or RBC Funds held in your portfolio. The MER represents the combined total of the management fee, operating expenses and taxes charged to the fund during a given year expressed as a percentage of a fund's average net assets for that year. It includes the trailing commission paid to PH&N Investment Services for the ongoing service and advice we provide to you. PH&N Investment Services does not pay any part of the trailing commissions that it receives directly to any of its Investment Funds Advisors. The Trading Expense Ratio (TER), also embedded in the net-of-fee performance, is an additional cost outside of the MER that represents the amount of trading commissions incurred when investments are bought and sold within a given fund. Generally, the higher a fund's TER, the more active its portfolio manager has been in a given period. Since the TER varies by fund, it's important to evaluate this cost in conjunction with a portfolio manager's investment style, track record, skill and strategy over time.