# INVESTMENT POLICY

Effective Date: December 1, 2017
Approved by: Board of Directors
Approved Date: November 17, 2017

The Evangelical Free Church of Canada (hereafter known as the EFCC) is a registered Canadian Charity that exists to help lives be transformed by the power of the Gospel and accomplishes this through raising funds and using those funds for charitable projects in Canada and around the world. There is a standard of care that is imposed on the directors and officers of a charity which affects the actions and activities of individuals who govern the affairs of the charity. The standard of care also addresses the extent to which the directors of a charity may delegate their responsibilities. One area of delegation involves the investment of a charity's funds. It is prudent for the board of directors of a charity to have an investment policy and a monitoring system to oversee the implementation of such a policy.

**PURPOSE**

The Investment Guidelines in this document set out the authorities and responsibilities regarding the management of the EFCC investments. This Investment Policy provides a framework for investments and demonstrates prudent management of those investments, in accordance with the prudent investor principles as set out in the Trustee Act, RSBC (1996). This Investment Policy is to generally assist the Board of Directors in meeting its fiduciary duty with respect to making informed investment decisions.

**RESPONSIBILITIES OF THE INVESTMENT COMMITTEE AND THE BOARD OF DIRECTORS**

1. The Board of Directors (BOD), has the responsibility to monitor the performance of the Investments and the Investment Manager(s). This is accomplished through its Finance & Audit Committee (FAC), which acts in an advisory capacity to the Board of Directors.
2. The Investment Committee will comprise the EFCC Executive Director, EFCCM Director, Manager of Finance and Administration, and Finance Chairperson.
3. The Investment Committee will give counsel and advice regarding investments and to review the investment portfolio to ensure that it is in compliance with this Investment Policy. The Committee will also advise and assist in developing an Investment Policy and Investment guidelines annually and propose recommended changes required, for approval by the Board of Directors.
4. The BOD, FAC and Investment Committee shall exercise a degree of care, skill, diligence and judgment that a prudent investor would exercise in making investments.

## INVESTMENT CONSIDERATIONS

Each source of funds identified for investment, whether by way of funds beneficially owned, or from funds under administration, must be invested in accordance with the policy outline below. The EFCC has different sources of funds - these are funds beneficially owned to pursue the EFCC's own charitable purposes and funds which it administers as trustee for specific purposes, or for others.

The EFCC's Funds are divided as follows: General Fund (unrestricted), Designated Fund (temporarily restricted) and Endowment Fund (restricted). Unrestricted and Temporarily Restricted Funds are permitted to be commingled and shall be invested in the fund designed to accommodate such investments. Restricted Funds to be held in perpetuity are the responsibility of the BOD, through the FAC and will be kept segregated from the EFCC's general purpose bank accounts and other investments.

## INVESTMENT OBJECTIVES

The basic investment objectives are to ensure that funds will be invested in a prudent and effective manner and shall be sufficient to support cash flow requirements as they arise.

The return expectations will be based on balancing two primary objectives: security of capital and return on investment. To balance these objectives, the Committee will have to consider such factors as liquidity, inflation and capital growth.

## INVESTMENT TERMS AND RISK TOLERANCE

To support the dual objectives of "security of capital" and "return on investment", funds should be invested for the longest term possible, subject to the risk tolerance and market conditions at the time the investment funds become available. The length of time that funds can be tied up in particular investment instruments needs to be considered in determining the appropriate investment mix.

The funds held by the EFCC will be classified as either Short-Term Portfolio, or Long-Term Portfolio, with Low to Medium risk tolerances, respectively.

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| Short-Term (low tolerance instruments) | 0-5 years |
| Long-Term (medium tolerance instruments) | 5 years or more |

Short-Term Portfolio can consist of unrestricted and temporarily restricted funds.

Long-Term Portfolio can consist of restricted funds. Endowment funds and other board restricted funds, which are in keeping with the wish of the donors or families of the deceased, are intended to be invested for perpetuity, with the income generated to be available to be used for the intended purposes for which the fund was established or otherwise for the general operations of the EFCC.

Primary Objectives for Short-Term Portfolios are:

1. To preserve capital
2. To maintain liquidity necessary to meet cash requirements
3. To optimize the rate of return, within the constraints of 1 & 2.

Primary Objectives for Long-Term Portfolios are:

1. To preserve capital, in real terms
2. To optimize the rate of return, within acceptable risk levels as set by the Board of Directors.

The following Risk Tolerances are defined by the Board of Directors as being acceptable fluctuations in rates of return and capital values:

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| Low Tolerance | Under 4% fluctuation over a 3 year period |
| Medium Tolerance | 4-10% fluctuation over a 3 year period |

**TYPES OF INVESTMENTS**

The EFCC will invest in any form of property in which a prudent investor might invest. The appropriateness of the investment instrument chosen for particular funds available is dependent on the risk tolerance, investment term, market conditions, inflation outlook, and potential tax consequences.

Short-Term Portfolio investments may include, but are not limited to: GICs (Guaranteed Investment Certificates), term deposits, short term bonds, money market funds and similar fixed income instruments.

Long-Term Portfolio investments may include, but are not limited to: long-term bonds, mortgage-backed securities, balanced mutual funds, income trust funds, corporate bonds and similar investments having a combination capital appreciation and fixed income.

Each individual pooled fund investment will be assessed in terms of its appropriateness for the portfolio.

**INVESTMENT RESTRICTIONS AND LIMITS**

1. There will be no borrowing from any source to make investments.
2. Foreign Equity investment shall not exceed 50% of a given fund source.
3. Not more than 10% of the total market value of the portfolio will be invested in securities of any one issuer, with the exception of investments made in the Prairie District Trust Foundation, as the PDTF appertains to the EFCC denomination.
4. No direct investments shall be made by staff in corporations that are directly engaged in the production and distribution of products or services that would bring disrepute to the pursuit of the primary purpose of the EFCC. Such unacceptable investments would include, but are not limited to, investments in corporations which produce or distribute products or services such a tobacco products, mind altering substances without prescriptions, gambling, immoral exploitation of the human body and exploitation of the underprivileged or disabled. Wherever possible, professional fund managers that are engaged will be encouraged to avoid these types of investments as well.
5. For funds that will not be needed within a 12-month period, the aggregate fund investments will have an asset allocation as follows:

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| Cash equivalents | 0% to 100% (Benchmark 60%) |
| Equity and low yield equity funds | 0% to 40% (Benchmark 40%) |

6. Funds that will be needed within a 12 month period will be invested in fixed income and cash equivalents.

**PORTFOLIO MANAGEMENT**

To assist in the investment portfolio management, the Committee will contract an Investment Manager, depending on the investment term and type of investment. The Investment Manager is a firm or individual who is neither the investment advisor nor any other member of the Investment Committee. All investments made by the Investment Manager will be in collaboration with the Investment Committee and in accordance with the general directives given by the Committee (or authorized staff member acting on behalf of the Committee). Specific target rates of return will be established with the Investment Manager at the beginning of their appointment and on an annual basis thereafter. Such rates of return shall be measured against standard benchmarks. In carrying out their duties and responsibilities, the Investment Manager shall exercise such competence and skill as may be expected of a prudent, diligent Investment Manager in similar circumstances.

Short-Term Portfolio:

- For GICs, the EFCC will contract RBC Wealth Management (RBCWM) at RBC Dominion Securities Inc. to act as the Investment Manager. RBCWM will give advice on GIC products and current market rates, manage cash accounts and investment certificates.
- For Bond Certificates, the EFCC will invest in the Prairie District Trust Foundation (PDTF), an organization that invests in local EFCC churches by lending funds for church growth, the purchase of property and/or buildings.

Long-Term Portfolio:

- The Committee may also enter into an agent agreement with another Christian organization/agency that manages financial resources exclusively for charitable purposes and whose guiding principles and charitable activities are consistent with that of the EFCC. Such organization will act as the Investment Manager, investing in bonds or pooled income portfolios the makeup of which are in accordance with this Investment Policy.

**INVESTMENT COMMITTEE MEMBERSHIP**

The Investment Committee shall be made up of four individuals holding the following offices:

- The Executive Director
- The Manager of Finance, and
- Two additional members appointed at the discretion of the management, including a representative of the Gift Planning area

who shall make investment decisions taking into account the advice of an investment advisor, when applicable.

## INVESTMENT ADVISOR

The Committee may retain and oversee the services of an Investment Advisor who shall advise the Committee, at least annually:

- on any changes to be recommended to the Board regarding this Investment Policy,
- on the effectiveness of the Committee's directions given to the Investment Manager in compliance with this Investment Policy, and
- on the performance of the Investment Manager in respect of agreed upon standard benchmarks.

## REPORTING

1. The Investment Manager(s) shall prepare monthly investment statements for each pooled investment fund to the Manager of Finance.
2. The Manager of Finance shall ensure that the books of account adequately reflect the purchases, sales, gains/losses, and investment income as required by generally accepted accounting principles. The Manager of Finance shall also prepare a quarterly report to the Committee outlining the relevant quantitative measures of each fund.
3. The Committee shall review the report from the Manager of Finance and the report(s) from the Investment Manager to ensure that the investment portfolio and performance is in full compliance with the letter and intent of this Investment Policy. If satisfied with the quarterly reports, the Committee will prepare a summary report to be presented to the FAC and BOD annually.
4. The BOD will review reports and recommendations and take appropriate action.
5. The Investment Committee shall provide as much notice as possible regarding cash requirements or additional funds available for investment. But as these may not always be known in advance, consideration of this factor will be taken into account in assessing investment performance.

## REVIEW OF PERFORMANCE AND POLICY

The Committee shall at least annually meet with the Investment Manager to review the results of the investment portfolio to determine whether the performance benchmarks have been met. If, in the opinion of the Committee, the performance benchmarks have been met and if the performance of the Investment Manager have otherwise been satisfactory, the Committee may reappoint the Investment Manager for the ensuing year. If the Committee determines that a replacement Investment Manager needs to be retained, a suitable replacement shall be made. The reappointed or replacement Investment Manager shall be evaluated with respect to the investment benchmarks agreed to for the ensuing year.

The economy, the investment environment and the investment opportunities/challenges that the EFCC faces are constantly changing. To that end, this investment policy shall be reviewed at least every three years at a meeting of the BOD to ensure that it is still appropriate for the circumstances then present.

Revisions adopted by the EFCC Board of Directors at the regular meeting on November 2, 2018. This Investment Policy was reviewed and recommended by the EFCC Finance and Audit Committee.