Board Policy 19: Investments

Adopted: January 30, 2018

Revised:

1. The Board and the committee designated to make investment decisions shall consider the purposes of both SIGN and its assets in managing and investing institutional funds. All individuals responsible for managing and investing SIGN's institutional funds shall do so in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

2. Investment decisions shall ensure that:

- Sufficient investment return shall be earned to preserve and grow the economic value of the investment;
- Sufficient liquidity will be maintained to meet annual operating budget requirements;
- Liquidity is not subject to large fluctuations from year-to-year;
- Purchases of common shares in publicly-traded companies shall be in alignment with SIGN's core mission, vision, and values.

3. In making any decision relative to the investment of funds, each of the following factors shall be considered, and properly documented, in the minutes or other records of the organization:

- General economic conditions;
- Possible effect of inflation or deflation;
- Expected tax consequences, if any, of investment decisions or strategies;
- The role that each investment or course of action plays within the overall investment portfolio of the fund;
- Expected total return from the income and appreciation of investments;
- Other resources of the organization;
- The needs of the organization and the fund to make distributions and preserve capital;
- An asset's special relationship or special value, if any, to the organization's purposes.

4. The following guidelines apply to the three main investment asset classes:

a) Money Market Funds:

i. Shall comprise no more than 45% of total invested assets;

ii. A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in "money market" instruments with remaining maturities of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities shall be of comparable quality.

b) Equities:

i. Shall comprise no more than 30% of total invested assets;

ii. The equity component of the portfolio will consist of high-quality equity securities traded exclusively on the Toronto Stock Exchange (TSE). The securities shall be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

iii. No more than 5% of the equity portion of the account will be invested in any one issuer. Not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

iv. It is acceptable to invest in an equity mutual fund(s) and ETF's adhering to the investment characteristics identified above, as long as Management Expense Ratios (MERS) are reasonable.

v. The maximum average maturity of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years.

vi. Prohibited equity investments include initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions.

vii. Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

c) Fixed Income Instruments:

i. May comprise up to 100% of total invested assets;

ii. Bond investments will consist solely of fixed-income securities that have an investment-grade rating (BBB or higher by Standard & Poor's and BAA or higher by Moody's) that possess a liquid secondary market. If the average credit quality rating differs between the two rating agencies, the lower rating of the two shall be used as a guideline;

iii. No more than 5% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry. There is no limit for the fixed income portfolio in regard to government bonds;

iv. It is acceptable to purchase Exchange Traded Funds (ETFs) that specifically contain bonds issued by Canadian companies and Canadian federal, provincial, and municipal (civic) governments;

v. The maximum average maturity of the fixed income portfolio will be 10 years, with not more than 25% of the bond portfolio maturing in more than 10 years;

vi. Prohibited securities include private placements, derivatives (other than floating-rate coupon bonds), margined transactions and foreign denominated bonds;

vii. Exceptions to the prohibited investment policy may be made only when assets are invested in a fund that periodically utilizes prohibited strategies to mitigate risk and enhance return.

5. The benchmarks to be used in evaluating the performance of the two main asset classes shall be:

- Equities: TSE 300 Index with the goal to exceed the average annual return of the index over a full market cycle (3-5 years).
- Fixed Income: FTSE TMX All Corporate Bond Index with the goal to exceed the average annual return of the index over a full market cycle (3-5 years).

6. It will be the responsibility of the Finance and Audit Committee to review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.

7. All decisions relative to the investment of funds shall assess the uses, benefits, purposes and duration for which the fund was established, including:

- The duration and preservation of the investment;
- Purposes of SIGN and the investment;
- General economic conditions;
- Possible effect of inflation or deflation;
- Expected total return from income and appreciation of investments;
- Other organizational resources;
- All applicable investment policies;
- Where appropriate, alternatives to investing funds and the possible effects of those alternatives.

8. For each decision to use funds for investment, an appropriate record shall be kept and maintained describing the nature and extent of the consideration given to each of the above factors.

9. In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. Any attempt to change restrictions on any fund shall be conducted in full compliance with applicable law.