



INVESTMENT POLICY STATEMENT

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CHILDREN'S HEALTH FOUNDATION INVESTMENT POLICY STATEMENT

BACKGROUND

Children's Health Foundation is a Canadian registered charity.

Vision Statement

Saving lives and improving children's health and quality of life

Mission Statement

Inspiring caring people to donate to support excellence in children's health care and research at Children's Hospital, Thames Valley Children's Centre and Children's Health Research Institute.

The Funds

The Foundation's investments are comprised of two distinct portfolios: the Long-Term Fund (Board Restricted Fund) and the Short-Term Fund.

History of Funds

The Foundation began a Building Fund campaign in 2000. At that time, the Foundation had liquid assets of \$16.2M. \$3.9M was set aside for Children's Health Research Institute (CHRI) for their new space on the 5th and 6th Floors, Victoria Research Laboratories, LHSC Victoria Hospital, 800 Commissioners Road. Approximately \$4M was invested in short term paper and \$8.3M was designated a Board Restricted Fund. Russell Investments was selected as Investment Manager for the restricted fund in January 2001 and \$8.3M was transferred for their management. Russell subsequently failed to meet the Foundation's expectations and a search was conducted for a new fund manager in 2005. In June 2005, Leith Wheeler Investment Counsel Ltd. was appointed, and Russell Investments terminated. On transfer of management to Leith Wheeler the Fund's market value was \$9.2M. The Foundation's Building Fund commitment was successfully met in December 2010.

In June 2011, the Children's Health Foundation Board of Directors approved the first Investment Committee, and delegated to them the responsibility for review, monitoring, and recommendation of the Funds' investments.

Trustee Act

The intention of the Foundation is to adhere to the Trustee Act.
(Relevant Sections 26 to 31.) Please see [Appendix #1](#) for further details.

LONG TERM FUND

Purpose of the Long-Term Fund

The Foundation will maintain a Board Restricted Fund (the Fund) classified as Long Term on the financial statements.

The purpose of the Fund is to finance capital and operating grants, as approved by the Board of Directors of the Foundation and ensure sustainability of funding to the Children's Health Foundation Health Care Partners.

Investment Objectives

Grow the Foundation's capital through a prudently diversified portfolio with adequate liquidity for annual distribution requirements.

- **Target an overall annual absolute return of 5%-7%.**
- Maximize the long-term return with a prudent level of volatility and risk.
- Maintain between 2-3 times the annual Grant commitments.

Fund Distributions

Grant coverage ratio is a financial ratio tool for assessing a charity's reserves. It compares funding reserves (liquid assets of cash, cash equivalents and investment securities, less interest-bearing liabilities) relative to the granting envelope.

The Long Term-Fund will aim to have a Grant Coverage Ratio between 200%-300%, meaning less than 3 years' worth of funds available to fund grant commitments. Any deviation to this distribution policy will require Board approval

Investment Horizon

The Fund is intended to be a permanent fund with an investment horizon of over 10 years.

Return Expectation

The return objective is a real return of 4%+ (rate of inflation plus 4%) over a 10-year rolling average. The current Bank of Canada inflation target range is 1%-3% with a goal of maintaining a 2% mid-point. Adding our 4% real return objective to the 1%-3% expected inflation range provides for the 5%-7% nominal return objective for the aggregate portfolio.

Liquidity

It is expected that investing in a diversified portfolio of marketable securities will provide sufficient liquidity to meet annual distribution requirements.

It is also anticipated that the liquidity available in the "short-term" portfolio will be sufficient to address any immediate and/or emergency cash flow needs of the Foundation. Cash and

equivalents (Money Market) in the long-term portfolio will be considered a tactical asset allocation supporting certain capital preservation goals of the long-term fund.

Investment Guidelines

The fund shall be invested in various fixed income, securities and absolute return strategies in the following ranges:

	Minimum	Target	Maximum
Money Market	0%	5%	10%
Fixed Income	20%	30%	50%
Equity	35%	50%	65%
Absolute Return Strategies	0%	15%	25%

Policy Compliance

On a monthly basis the asset allocation will be reviewed by the Investment Committee Chairperson and the Finance and Information Systems Director. On occasions when the current asset allocation does not conform to policy guidelines, an Investment Committee meeting will be held either in person or via teleconference. The Committee will then make specific recommendations to rebalance the portfolio to comply with policy guidelines. The Finance and Systems Information Director will ensure implementation. The Committee will ensure portfolio allocations do not deviate from policy minimum or maximum allocations for more than 45 days.

Quarterly Rebalancing

At a minimum, the Investment Committee will consider rebalancing the portfolio on a quarterly basis in March, June, September and December. The Committee reserves the right to consider rebalancing on an ad hoc basis as market conditions change. A motion will be required to record the decision. The Committee will report all transactions to the Board of Directors at their next meeting.

Grant coverage ratio will be reviewed quarterly. Should the ratio be above or below the target the committee will advise the Board. The Board will have 12 months to determine strategy to return to compliance.

Grant Coverage Ratios will be reviewed and reported to the Board on a quarterly basis.

Money Market Parameters

Investments may be made in Investment grade debt of corporations and government, denominated in Canadian dollars with maturity of less than 1 year. GIC's, Term Deposits, Bankers Acceptances and Treasury Bills would be typical money market investments contemplated.

Fixed Income Parameters

The fixed income component, exclusive of absolute return strategies, shall have the following target allocation ranges (as a percentage of the aggregate portfolio):

Domestic government (Federal/Provincial/Municipal) – <u>including real return bonds</u>	30-60%
Domestic/International Sovereign and Investment Grade Corporate (>BBB- rated)	20-40%
Domestic/International High Yield and Emerging Market (< BBB- rated)	0-20%

The asset allocation may be rebalanced by the incumbent Investment Manager/s, as directed by the Investment Committee, when an asset class is 5% above/below the target.

It is expected that the Children's Health Foundation's Investment Manager(s) will prudently diversify the portfolio to reduce risk and avoid concentration in any individual security, industry, region, or issuer. The incumbent Investment Manager's Investment Policy Statement, outlining these diversification and risk reduction measures is attached in [Appendix #2](#).

If at any time the portfolio does not conform to these guidelines, the Investment Committee and Investment Manager shall exercise their best judgment as to the timing and action required to comply with the IPS. Board approval is required if it is determined prudent to remain outside of the guidelines for a prolonged period of time.

Equity Parameters

The equity component, exclusive of absolute return strategies, shall have the following target allocation ranges (as a percentage of the aggregate portfolio):

Canadian Equity	10 - 20%
Rest of World	20 - 40%
Emerging Market Equity	a sub-component of the rest of world will be capped at 15% of total portfolio

Absolute Return Parameters

Alternative investments such as hedge funds use a variety of securities and investment strategies to achieve performance in excess of their respective benchmarks or to take advantage of favorable risk/reward market opportunities. Alternative investments are defined as investment vehicles or funds that have generally lower correlation to publicly traded equity and bond markets. Alternative investments can range between 0 and 25% of the long-term portfolio. The use of alternative investments is designed to reduce volatility and risk while enhancing the probability of achieving the foundation's targeted rate of return. Therefore, any alternative investment selected by the committee should strictly adhere to the above description, emphasizing the reduction of risk.

The absolute return component shall have the following aggregate characteristics:

Overall allocation:	No more than 25% of the total long-term portfolio
Leverage:	No more than 3x leverage for bond portfolios and 2x leverage for the equity portfolios.
Liquidity:	50% monthly and 100% semi-annually. Gating Policies: There shall be no gating provisions.

Derivatives: Certain of the Fund's managers may be permitted under the terms of their specific investment guidelines to use derivative instruments. Derivatives are contracts or securities whose market value is related to the value of another security, index, or financial instrument. Investments in derivatives include (but are not limited to) futures, forwards, options, options on futures, warrants, and interest-only and principal-only strips. No derivative positions can be established that create portfolio characteristics outside of portfolio guidelines. Examples of appropriate applications of derivative strategies include hedging market, interest rate, or currency risk, maintaining exposure to a desired asset class while making asset allocation changes, gaining exposure to an asset class when it is more cost-effective than the cash markets, and adjusting duration within a fixed income portfolio. All derivative positions must be fully collateralized. Investment Managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Each manager using derivatives shall (1) exhibit expertise and experience in utilizing such products; (2) demonstrate that such usage is strategically integral to their security selection, risk management, or investment processes; and (3) demonstrate acceptable internal controls regarding these investments.

Currency Exposure

At no time will the aggregate portfolio be less than 50% exposed to the Canadian dollar.

Investment Reporting/Monitoring

The Investment Committee will undertake a consistent monitoring and evaluation process. The Committee will be responsible to ensure adherence to this Investment Policy Statement and commit to a periodic review of the IPS to ascertain effectiveness relative to the goals of the Foundation every four years at a minimum. The Committee will also be responsible to monitor and review Investment Managers and will undertake both an informal and formal review process as outlined in [Appendix #3](#). The informal review will be completed twice per year and the formal review will be completed every four years or sooner at the discretion of the Committee. An independent consultant may be hired to assist with the completion of the formal review process. (Refer to examples in [Appendix #4](#).)

Manager Termination

Aside from any “Material” changes affecting the selected Investment Manager(s), Managers may be terminated at the discretion of the board upon completion of the formal review process.

“Material” changes can include, yet not limited to: significant personnel departures, significant “style drift”, ownership structure changes, large fluctuations in overall assets under management, regulatory violations, significant decline in overall service levels.

Investment Manager Search and Selection

For the selection of any Investment Manager(s) we will adhere to a due diligence process as outlined in [Appendix #5](#).

SHORT TERM FUND

Purpose

The Short Term Fund represents monies generally required in the near term by the Foundation.

Investment Objective

Preserve the capital, maintain liquidity and earn a competitive rate of return.

Investment Horizon/Liquidity

The funds are for near term use and should not have a maturity exceeding one year. Where possible, the Fund should be invested to match known cash flows.

The balance of the Short-Term Fund will not exceed more than the current year expenses plus the balance in Externally Restricted Funds (i.e. totals of general and externally restricted columns within the budget) Should the balance exceed this target, the Board will have 12 months to review and determine the allocation of the funds.

Return Expectation

Competitive rate of return for cash or cash equivalent investments.

Investment Guidelines

The capital is to be invested in Canadian dollar denomination investments as follows:

- Government of Canada debt, provincial debt or the debt of the five major Schedule A banks (BNS, TD, RBC, CM, BMO)
- GIC's, Certificates of Deposit, term deposits, or similar financial instruments of insurance companies, trust companies, banks or other issuers
- Cash or money market securities issued by governments or corporations
- Money market mutual funds

SOCIALLY RESPONSIBLE INVESTING

Socially responsible investment involves investing to reflect individual or collective religious, social, economic and political beliefs or priorities. Some individuals are concerned that assets may be invested in companies or countries whose activities or policies they do not personally agree. Others, some of whom make their personal investment decision based on social criteria, believe that there should be no restriction on investing for a common cause and that the focus

should be solely on maximizing investment returns.

The Investment Committee has considered these two different points of view. While individual Committee members undoubtedly have their own views and beliefs which may limit their investment decisions, it is recognized that the Board has a fiduciary responsibility to act in the best interests of the Children's Health Foundation and its health care partners. Accordingly, the Committee does not place these limitations on the mandate given to its various investment managers.

GLOSSARY

Definition of Terms

Absolute Rate of Return - a measure of the gain or loss on an investment portfolio expressed as a percentage of invested capital. The adjective **absolute** is used to stress the distinction with the "relative return" measures often used by long-only equity funds.

Absolute return strategies aim to produce a positive absolute return regardless of the directions of financial markets. They typically achieve this by investing the portfolio's assets in cash or other low volatility investments and then taking [hedge](#), [long](#) and [short](#) positions in portfolios of securities that when combined are expected to have modest exposures to market returns. The resulting portfolio should have low [correlation](#) with financial market performance

Real Rate of Return - the annual percentage return realized on an investment, which is adjusted for changes in prices due to inflation. This method expresses the nominal rate of return in real terms, which keeps the purchasing power of a given level of capital constant over time.

Grant Envelope – the annual grants funding for Health Care Partners, approved by the Board of Directors.

Appendix #1 – TRUSTEE ACT

Sections 26-31 of the Trustee Act

Investments authorized by other Acts or regulations

26. If a provision of another Act or the regulations under another Act authorizes money or other property to be invested in property in which a trustee is authorized to invest and the provision came into force before section 16 of Schedule B of the *Red Tape Reduction Act, 1998*, the provision shall be deemed to authorize investment in the property in which a trustee could invest immediately before the coming into force of section 16 of Schedule B of the *Red Tape Reduction Act, 1998*. 1998, c. 18, Sched. B, s. 16 (1).

Investment standards

27. (1) In investing trust property, a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. 1998, c. 18, Sched. B, s. 16 (1).

Authorized investments

(2) A trustee may invest trust property in any form of property in which a prudent investor might invest. 1998, c. 18, Sched. B, s. 16 (1).

Mutual, pooled and segregated funds

(3) Any rule of law that prohibits a trustee from delegating powers or duties does not prevent the trustee from investing in mutual funds, pooled funds or segregated funds under variable insurance contracts, and sections 27.1 and 27.2 do not apply to the purchase of such funds. 2001, c. 9, Sched. B, s. 13 (2).

Common trust funds

(4) If trust property is held by co-trustees and one of the co-trustees is a trust corporation as defined in the *Loan and Trust Corporations Act*, any rule of law that prohibits a trustee from delegating powers or duties does not prevent the co-trustees from investing in a common trust fund, as defined in that Act, that is maintained by the trust corporation and sections 27.1 and 27.2 do not apply. 1998, c. 18, Sched. B, s. 16 (1); 2001, c. 9, Sched. B, s. 13 (3).

Criteria

(5) A trustee must consider the following criteria in planning the investment of trust property, in addition to any others that are relevant to the circumstances:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences of investment decisions or strategies.
4. The role that each investment or course of action plays within the overall trust portfolio.
5. The expected total return from income and the appreciation of capital.
6. Needs for liquidity, regularity of income and preservation or appreciation of capital.
7. An asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries. 1998, c. 18, Sched. B, s. 16 (1).

Diversification

- (6) A trustee must diversify the investment of trust property to an extent that is appropriate to,
- (a) the requirements of the trust; and
 - (b) general economic and investment market conditions. 1998, c. 18, Sched. B, s. 16 (1).

Investment advice

(7) A trustee may obtain advice in relation to the investment of trust property. 1998, c. 18, Sched. B, s. 16 (1).

Reliance on advice

(8) It is not a breach of trust for a trustee to rely on advice obtained under subsection (7) if a prudent investor would rely on the advice under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

Terms of trust

(9) This section and section 27.1 do not authorize or require a trustee to act in a manner that is inconsistent with the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

Same

(10) For the purposes of subsection (9), the constating documents of a corporation that is deemed to be a trustee under subsection 1 (2) of the *Charities Accounting Act* form part of the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

Trustee may delegate functions to agent

27.1 (1) Subject to subsections (2) to (5), a trustee may authorize an agent to exercise any of the trustee's functions relating to investment of trust property to the same extent that a prudent investor, acting in accordance with ordinary investment practice, would authorize an agent to exercise any investment function. 2001, c. 9, Sched. B, s. 13 (5).

Investment plan or strategy

(2) A trustee may not authorize an agent to exercise functions on the trustee's behalf unless the trustee has prepared a written plan or strategy that,

- (a) complies with section 28; and
- (b) is intended to ensure that the functions will be exercised in the best interests of the beneficiaries of the trust. 2001, c. 9, Sched. B, s. 13 (5).

Agreement

(3) A trustee may not authorize an agent to exercise functions on the trustee's behalf unless a written agreement between the trustee and the agent is in effect and includes,

- (a) a requirement that the agent comply with the plan or strategy in place from time to time; and
- (b) a requirement that the agent report to the trustee at regular stated intervals. 2001, c. 9, Sched. B, s. 13 (5).

Trustee's duty

(4) A trustee is required to exercise prudence in selecting an agent, in establishing the terms of the agent's authority and in monitoring the agent's performance to ensure compliance with those terms. 2001, c. 9, Sched. B, s. 13 (5).

Same

- (5) For the purpose of subsection (4),
 - (a) prudence in selecting an agent includes compliance with any regulation made under section 30; and
 - (b) prudence in monitoring an agent's performance includes,

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- (i) reviewing the agent's reports,
 - (ii) regularly reviewing the agreement between the trustee and the agent and how it is being put into effect, including considering whether the plan or strategy of investment should be revised or replaced, replacing the plan or strategy if the trustee considers it appropriate to do so, and assessing whether the plan or strategy is being complied with,
 - (iii) considering whether directions should be provided to the agent or whether the agent's appointment should be revoked, and
 - (iv) providing directions to the agent or revoking the appointment if the trustee considers it appropriate to do so. 2001, c. 9, Sched. B, s. 13 (5).

Duty of agent

27.2 (1) An agent who is authorized to exercise a trustee's functions relating to investment of trust property has a duty to do so,

- (a) with the standard of care expected of a person carrying on the business of investing the money of others;
- (b) in accordance with the agreement between the trustee and the agent; and
- (c) in accordance with the plan or strategy of investment. 2001, c. 9, Sched. B, s. 13 (5).

No further delegation

(2) An agent who is authorized to exercise a trustee's functions relating to investment of trust property shall not delegate that authority to another person. 2001, c. 9, Sched. B, s. 13 (5).

Proceeding against agent

(3) If an agent is authorized to exercise a trustee's functions relating to investment of trust property and the trust suffers a loss because of the agent's breach of the duty owed under subsection (1) or (2), a proceeding against the agent may be commenced by,

- (a) the trustee; or
- (b) a beneficiary, if the trustee does not commence a proceeding within a reasonable time after acquiring knowledge of the breach. 2001, c. 9, Sched. B, s. 13 (5).

Protection from liability

28. A trustee is not liable for a loss to the trust arising from the investment of trust property if the conduct of the trustee that led to the loss conformed to a plan or strategy for the investment of the trust property, comprising reasonable assessments of risk and return, that a prudent investor could adopt under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

Assessment of damages

29. If a trustee is liable for a loss to the trust arising from the investment of trust property, a court assessing the damages payable by the trustee may take into account the overall performance of the investments. 1998, c. 18, Sched. B, s. 16 (1).

Regulations, agents

30. The Attorney General may make regulations governing or restricting the classes of persons or the qualifications of persons who are eligible to be agents under section 27.1 and establishing conditions for eligibility. 2001, c. 9, Sched. B, s. 13 (6).

Application, ss. 27-30

31. Sections 27 to 30 apply to a trust whether it is created before or after the date section 13 of Schedule B to the *Government Efficiency Act, 2001* comes into force. 2001, c. 9, Sched. B, s. 13 (6).

Appendix #2 – LEITH WHEELER



Quiet Money.

Leith Wheeler Core Active Bond Fund Investment Policy Statement Effective 2018

Fund Objective

To provide investors with a moderate level of income and the opportunity for capital appreciation by investing in a portfolio of fixed income securities issued by both Canadian and International corporations.

Investment Return Objective

- The primary return objective is to achieve, over moving four-year time periods, the annualized total return of the FTSE TMX Universe Bond Index plus 0.60%.
- The secondary return objective is to rank, over moving four-year time periods, in the top quartile of a universe of Canadian bond funds as measured by a comparative measurement service.

Risk Profile

Leith Wheeler has a Fixed Income Fund which is intended to have a risk profile similar to that of the DEX Universe Index. The Leith Wheeler Core Active Bond Fund will contain more material differences relative to the FTSE TMX Universe Index and to our Fixed Income Fund.

Asset Mix

Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in Fixed Income and Fixed Income related securities.

Investment Guidelines

The Fund may be invested in any of the following investment categories along with current constraints. If for any reason the portfolio deviates from the constraints mentioned below, position sizes will be adjusted within a period of 20 trading days to bring the portfolio back into compliance unless specified within the constraints.

Cash

The Fund may invest in cash, short term notes, banker's acceptances, deemed deposits, treasury bills, corporate paper, asset-backed securities, or similar investments.

Fixed Income Investments

The Fund may invest in Bonds, debentures, mortgage loans, mortgage backed securities, medium term notes, asset-backed securities, and preferred shares.

Investment in Fixed Income securities will have the following constraints (*All percentage limits apply to the net market value of the Fund unless specified*):

Page 1

Quantity Restrictions

Exposure To	Maximum
Canada	100%
Provincial	75%
Corporate	70%
Municipal	15%
Mortgage-Backed Securities	30%

Quality Requirements

	Limits
Deviation of the total portfolio in duration from the benchmark ¹	Index +/- 2 years
Minimum average credit quality for the fund (market value weighted)	"A"
Minimum credit rating by at least one rating agency at time of purchase	"BBB (low)"
Maximum exposure to securities with a credit rating less than "A (low)"	20%
Maximum exposure to a single province with a rating of "A (low)" or higher	25%
Maximum exposure to a single province with a rating of "BBB"	15%
Maximum exposure to a single corporation with a rating of "A (low)" or higher	10%
Maximum exposure to a single corporation with a rating of "BBB"	5%
Maximum exposure to investment grade private placements (excluding Maples)	25%
Maximum exposure to Maple bonds	10%
Maximum exposure to hedged foreign pay issues from Canadian issuers	10%

¹ Due to daily fluctuations in market prices the duration of the fund may go as far as an additional 0.1 yrs shorter or longer than the band of +/- 2 years before a rebalancing trade returns it within range.

- Debt quality ratings refer to the average of Dominion Bond Rating Service (DBRS), Moody's, Standard & Poor's, Fitch, or equivalent, unless explicitly rated otherwise by the manager. If a rating change causes the maximum to be exceeded, the Manager will normally return the portfolio to compliance within 3 months. In the case of split ratings, the more conservative rating will be used.

Derivative Guideline

The Fund may invest in Futures and Forwards.

Investment in Derivatives will have the following constraints:

Futures

- Futures will be used for interest rate management.
- Futures will be limited to Short Term Interest Rate, Treasury and Interest Rate derivatives contracts traded on a Canadian or U.S. exchange.

Forwards

- Forwards are limited to currency forward contracts.
- Currencies are limited to those of developed countries as defined by MSCI.
- Currency forward contracts will be used for hedging strategies only.
- Over-the-counter derivative contracts are limited to counterparties with a minimum rating of "A" as rated by a credit rating agency.

Security Lending

The Fund is not allowed to participate in securities lending.

Conflicts of Interest

Leith Wheeler and its employees shall not knowingly permit their interests to conflict with their duties and powers in respect of the Fund. Both actual and perceived conflicts of interest shall be deemed to be conflicts of interest coming within the scope of the above policy.

Retention or Delegation of Voting Rights

Leith Wheeler retains all voting rights with respect to individual investments in the Fund.

Reporting

The year-end of the Fund is December 31st. The Fund will be audited annually by an external auditor who will prepare annual financial statements for the Fund.

Leith Wheeler Canadian Equity Fund Investment Policy Statement Effective 2018

Fund Objective

To provide superior long-term investment returns by investing primarily in a diversified portfolio of common shares and other equity related securities of Canadian issuers. The Fund is not restricted by capitalization or industry sector, although portfolio diversification is a consideration in the selection of securities for the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in Canadian equity and equity related securities.

Investment Return Objective

- The first return objective is to achieve, over moving four-year time periods, the annualized total return of the Canadian Stock Index selected by the client plus 1.50%.
- The second return objective is to rank, over moving four-year time periods, in the top quartile of a universe of similar funds as measured by a recognized performance measurement service.

Investment Guidelines

The Fund may be invested in any of the following investment categories along with current constraints. If for any reason the portfolio deviates from the constraints mentioned below, position sizes will be adjusted within a period of 20 trading days to bring the portfolio back into compliance unless specified within the constraints.

Cash

The Fund may invest in cash, short term notes, banker's acceptances, deemed deposits, treasury bills, corporate paper, asset-backed securities, or similar investments.

Investment in Cash will have the following constraints:

- Maximum 10% of the market value of the Fund
- The minimum credit rating for all corporate paper shall be 'R1' (low) by either DBRS, Moody's, Standard & Poors, Fitch or equivalent

Equities

The Fund may invest in common shares, special warrants, units and securities convertible into units of listed royalty trusts, real estate investment trusts (REITS), income trusts, limited partnerships and other similar flow-through entities, convertible debentures and convertible preferred shares.

Canadian Equity

Investment in Canadian Equity will have the following constraints (*All percentage limits apply to the net market value of the Fund unless specified*):

- Investments in trusts will be limited to those registered in provinces which have passed legislation clarifying that unitholders of publicly traded trusts will not be liable for the activities of the trust.
- Under normal conditions, the portfolio will not invest in Exchange Traded Funds or similar securities designed to parallel TSX stock indices. However, when large cash flows or major sales of portfolio holdings result in a portfolio being "underexposed" to equities, a temporary investment in such securities may be made.
- All securities will be publicly traded securities with the exception of special warrants and initial public offerings which are intended to be converted into publicly traded securities within six months of time of purchase.
- Special warrants, private placements and initial public offerings will not, in total, comprise more than 10% of the maximum allowable Canadian equity portion of the total fund.
- The portfolio will normally hold between 25 and 55 stocks.
- Under normal conditions, the maximum position size of any single stock will be 8% of the market value of the maximum allowable Canadian equity portion of the total fund, at the time of purchase. To allow for the impact of market appreciation, this maximum position size could rise to as much as 10% of the market value of the maximum allowable Canadian equity portion of the total fund before the position size is reduced.
- The maximum position size of any stock that exceeds 10% of the S&P/TSX Composite Index will be determined after discussion with the client.
- The percentage of the market value of the Fund invested in any single sector will not exceed the sector weight in the S&P/TSX Composite Index plus 20 percentage points. Both the Financials sector and the aggregate of the Energy and Materials sectors, each may not exceed 50% of the total Fund.
- An effort will be made to diversify the portfolio among various industry sectors. The portfolio will hold securities representing a minimum of 6 sectors as defined by GICS.
- No more than 10% of the maximum allowable Canadian equity portion of the total fund will be invested in companies having market capitalizations of less than \$100 million, at time of purchase.

Security Lending

The Fund is not allowed to participate in securities lending.

Conflicts of Interest

Leith Wheeler and its employees shall not knowingly permit their interests to conflict with their duties and powers in respect of the Fund. Both actual and perceived conflicts of interest shall be deemed to be conflicts of interest coming within the scope of the above policy.

Retention or Delegation of Voting Rights

Leith Wheeler retains all voting rights with respect to individual investments in the Fund.

Reporting

The year-end of the Fund is December 31st. The Fund will be audited annually by an external auditor who will prepare annual financial statements for the Fund.

Leith Wheeler Emerging Markets Equity Fund Investment Policy Statement Effective 2018

Fund Objective

To provide superior long term investment returns by investing primarily in equity securities in emerging markets.

Principal Investment Strategies

The Fund seeks to provide investors with long term capital appreciation and consistent income from dividends by investing primarily in common stocks of large and mid-cap companies based in emerging market countries as listed on the Morgan Stanley Capital International Emerging Markets Index (the "MSCI Emerging Markets Index"). The Fund may also invest in companies located in Singapore, Hong Kong, and any country listed on the Morgan Stanley Capital International Frontier Markets Index.

The Fund will pursue a value-oriented strategy by constructing a portfolio of individual stocks, selected on a bottom-up basis, generally reflecting the following characteristics: price/earnings (on normalized earnings), price to book, enterprise value to free cash flow and enterprise value to sales ratios below the market, and dividend yield above the market.

The Fund will principally be invested with full foreign currency exposure (i.e. un-hedged).

Investment Return Objective

- To outperform the MSCI Emerging Markets Index over a full market cycle.
- To achieve an above-average ranking relative to similar mandates over a full market cycle.

Asset Mix

The Fund primarily invests in a broad range of international companies and is not restricted by capitalization, although portfolio diversification is a consideration in the selection of securities for the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in equity and equity-related securities.

Investment Guidelines

The Fund may be invested in any of the following investment categories along with current constraints. If for any reason the portfolio deviates from the constraints mentioned below, position sizes will be adjusted within a period of 20 trading days to bring the portfolio back into compliance unless specified within the constraints (*All percentage limits apply to the market value of the Fund's assets unless specified*).

Cash

The Fund may invest in cash, short term notes, banker's acceptances, deemed deposits, treasury bills, corporate paper, asset-backed securities, or similar investments.

Constraints

Investment in Cash will have the following constraints:

- All cash equivalents are required to have maturities of less than 180 days.
- Commercial paper must be only of the highest quality (A-1 or P-1 as established by Standard & Poor's or Moody's, respectively). Bonds shall be at least investment grade quality.
- Cash and cash equivalents are generally limited to 5% of the Fund's market value and may be invested in foreign currency.

Equities

The Fund will primarily invest in common stocks listed on the MSCI Emerging Markets Index. The Fund may also invest in companies located in Singapore and Hong Kong and any country listed on the MSCI Frontier Markets Index.

The Fund may also invest in:

- ADRs and GDRs.
- Rights, warrants, convertible securities and preferred stocks, if issued by companies whose common stocks would be properly held in the investment portfolio; provided, however, that investments in preferred stock, convertible securities or other equity equivalents (excluding warrants) will not exceed 5% of the Fund's assets.
- Forward currency contracts for the purpose of hedging currency fluctuations during settlement.
- Equity index swaps and equity index futures to help gain exposure to selected equity markets in a cost-efficient manner, in accordance with NI 81-102 and not for the purpose of leveraging the Fund's portfolio.

Constraints

Investment in Emerging Market Equities will have the following constraints:

- Individual industry sector weights are expected to not exceed 40% of the Fund's assets.
- The percentage of the Fund's assets invested in any single country are expected to not exceed the greater of: 1) 20% of the Fund's assets; 2) the country's weight in the benchmark plus 10 percentage points; and 3) 150% of the country's weight in the benchmark, (where the country weights based on the most recent quarter-end data).
- No more than 5% of the Fund's assets may be invested in the equity of a single issuer.

- Companies located in countries on the MSCI Frontier Markets Index are expected to not exceed 10% of the Fund's assets.
- The Fund will hold no fewer than 35 securities.
- The Fund's assets will be invested in securities in a minimum of 7 industry sectors.
- The Fund is not permitted to invest in the following:
 - Private Placements, except 144A securities are permitted investments for qualified institutional buyers.
 - Securities on margin.
 - Swaps on indexes or securities.
 - Short sales.
 - Leveraged transactions.
 - Derivatives, other than those specified above.
 - Commodities transactions.
 - Purchases of real estate, oil and gas properties, and other natural resources related properties.
 - Investments in futures not otherwise expressly permitted.

Security Lending

The Fund may not enter into securities lending, repurchase or reverse repurchase transactions.

Conflicts of Interest

Leith Wheeler and its employees, and any sub-advisor to the Fund and its employees, shall not knowingly permit their interests to conflict with their duties and powers in respect of the Fund. Both actual and perceived conflicts of interest shall be deemed to be conflicts of interest coming within the scope of the above policy.

Retention or Delegation of Voting Rights

Leith Wheeler retains all voting rights with respect to individual investments in the Fund. At its discretion, Leith Wheeler may delegate some or all such voting rights to a sub-advisor to the Fund.

Reporting

The year-end of the Fund is December 31st. The Fund will be audited annually by an external auditor who will prepare annual financial statements for the Fund.

Leith Wheeler International Equity Pooled Fund Investment Policy Statement Effective 2018

Fund Objective

The investment objective of the Fund is to provide investors with exposure to international equity markets and maximize the long term rate of return while preserving the investor capital by avoiding investment strategies that exposes the Fund to excessive risk.

Investment Return Objective

- Maximize the long-term rate of return while preserving the investment capital by avoiding investment strategies that expose Fund assets to excessive risk.
- To outperform the MSCI EAFE Index over a full market cycle.
- To achieve an above-average ranking relative to similar mandates over a full market cycle.

Asset Mix

The following table presents the asset mix policy at market value for the Fund.

Asset Class	Minimum	Maximum
Short Term & Cash	0%	10%
Equities	90%	100%

Investment Guidelines

The Fund may be invested in any of the following investment categories along with current constraints. If for any reason the portfolio deviates from the constraints mentioned below, position sizes will be adjusted within a period of 20 trading days to bring the portfolio back into compliance unless specified within the constraints.

Cash

The Fund may invest in cash, short term notes, banker's acceptances, deemed deposits, treasury bills, corporate paper, asset-backed securities, or similar investments.

Investment in Cash will have the following constraints:

- The investments will be restricted to Canadian issues with maturities of less than one year
- Investment must be issues of, or guaranteed by, the federal government, provincial governments, municipal governments, and corporations.
- The minimum credit rating for all corporate paper shall be 'R1' (low) by either DBRS, Moody's, Standard & Poors, Fitch or equivalent. However, an unrated security may be held

if it is deemed to be R- 1. In addition, the names held in the Fund must be known to the Portfolio Managers and be acceptable to them.

Equities

Common equity securities, (excluding North America) including financial derivatives used for hedging purposes, American Depositary Receipts (ADRs), other securities convertible into common equities and unitized funds containing only such investments.

International Equities

Investment in International equities will have the following constraints (*All percentage limits apply to the net market value of the Fund unless specified*):

- The Fund's assets will be invested in securities in a minimum of three countries from the following lists in each of the European and Pacific Basin regions.

Europe		Pacific Basin
Austria	Italy	Australia
Belgium	Netherlands	Hong Kong
Denmark	Norway	Japan
Finland	Portugal	New Zealand
France	Spain	Singapore
Germany	Sweden	
Greece	Switzerland	
Ireland	United Kingdom	

- The guideline for country weighting are as follows:

Country	Minimum	Maximum
Japan	5%	50%
United Kingdom	10%	50%
All other countries in the MSCI EAFE Index	0%	15%
Total non-MSCI EAFE Index countries	0%	15%

- The Fund's assets will be invested in securities in a minimum of 7 sectors as defined by GICS.
- Maximum weighting for any one of the following sector is 30% of the market value of the Fund:

Sectors*	
Energy	Health Care
Material	Financials
Industrial	Information Technology
Consumer Discretionary	Telecommunication Services
Consumer Staples	Utilities
Real Estate	

* Sectors may change from time to time without prior notice

- The Fund's assets will also be diversified by company with no fewer than 40 holdings. The maximum weighting for any one security is 5% of the market value of the Fund.
- The maximum exposure to any one stock should not exceed 5% of that company's outstanding shares or 10% of its free float.

Security Lending

Securities lending will only be transacted in circumstances in which policies and procedures have been implemented to safeguard the subject securities.

Conflicts of Interest

Leith Wheeler and its employees shall not knowingly permit their interests to conflict with their duties and powers in respect of the Fund. Both actual and perceived conflicts of interest shall be deemed to be conflicts of interest coming within the scope of the above policy.

Retention or Delegation of Voting Rights

Leith Wheeler retains all voting rights with respect to individual investments in the Fund.

Reporting

The year-end of the Fund is December 31st. The Fund will be audited annually by an external auditor who will prepare annual financial statements for the Fund.

Leith Wheeler U.S. Equity Non-Taxable Pooled Fund

Investment Policy Statement

Effective 2018

Fund Objective

To provide superior long term investment returns by investing in equity securities trading on the major markets in the United States. The Fund primarily invests in a broad range of U.S. companies and is not restricted by capitalization or industry sector, although portfolio diversification is a consideration in the selection of securities for the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in U.S. equity and equity related securities.

Investment Return Objective

- To invest in common equities of companies in the United States.
- To maximize the long-term rate of return while preserving the investment capital by avoiding investment strategies that expose portfolio assets to excessive risk.
- To outperform the S&P 500 Index over a full market cycle.
- To achieve an above-average ranking relative to similar mandates over a full market cycle.

Asset Mix

The following table presents the asset mix policy at market value for the Fund.

Asset Class	Minimum	Maximum
Short Term & Cash	0%	10%
Equities	90%	100%

Investment Guidelines

The Fund may be invested in any of the following investment categories along with current constraints. If for any reason the portfolio deviates from the constraints mentioned below, position sizes will be adjusted within a period of 20 trading days to bring the portfolio back into compliance unless specified within the constraints.

Cash

The Fund may invest in cash, short term notes, banker's acceptances, deemed deposits, treasury bills, corporate paper, asset-backed securities, or similar investments.

Investment in cash will have the following constraints:

- The investments will be restricted to Canadian issues with maturities of less than one year which are issues of, or guaranteed by, the Federal Government, Provincial Governments, Municipal Governments, and corporations rated R-1 by the Dominion Bond Rating Service.

However, an unrated security may be held if it is deemed to be R- 1. In addition, the names held in the Fund must be known to the Portfolio Managers and be acceptable to them.

Equities

The Fund may invest in common equity securities, American Deposit Receipts, Global Depositary Receipts including financial derivatives used for hedging purposes, other securities convertible into common equities and unitized funds containing only such investments.

U.S. Equities

Investment in U.S Equities will have the following constraints (*All percentage limits apply to the net market value of the Fund unless specified*):

- The Fund's assets will be invested in securities in a minimum 6 sectors as defined by GICS outlined below:

Sectors*	
Energy	Health Care
Material	Financials
Industrial	Information Technology
Consumer Discretionary	Telecommunication Services
Consumer Staples	Utilities
Real Estate	

** Sectors may change from time to time without prior notice*

- Maximum weighting for any one sector is 35% of the market value of the Fund.
- The Fund's assets will also be diversified by company with no fewer than 35 holdings.
- The maximum weighting for any one security is 8% of the market value of the Fund. The maximum exposure to any one stock should not exceed 5% of that company's outstanding shares or 10% of its free float.

Security Lending

The Fund is not allowed to participate in securities lending.

Conflicts of Interest

Leith Wheeler and its employees shall not knowingly permit their interests to conflict with their duties and powers in respect of the Fund. Both actual and perceived conflicts of interest shall be deemed to be conflicts of interest coming within the scope of the above policy.

Retention or Delegation of Voting Rights

Leith Wheeler retains all voting rights with respect to individual investments in the Fund.

Reporting

The year-end of the Fund is December 31st. The Fund will be audited annually by an external auditor who will prepare annual financial statements for the Fund.

Appendix #3 – ONGOING MONITORING AND REVIEW

The Children’s Health Foundation Investment Committee will commit to the ongoing monitoring and review of both the Investment Policy Statement (IPS) and the Foundation’s Investment Managers.

Investment Policy Statement (IPS)

It is the Investment Committee’s responsibility to ensure the incumbent investment manager consistently adheres to the IPS.

The IPS will be reviewed on a semi-annual basis, and compared to the actual portfolio, to ensure compliance.

Investment Managers

It is the Investment Committee’s responsibility to ensure incumbent Investment Managers remain appropriate for the purposes of the Fund.

The Investment Committee will undertake both an informal and formal approach to Investment Manager monitoring and review.

Informal Review

The informal review will consist of regular reviews of the following:

- Performance vs. relevant benchmarks. Relevant benchmarks are to be determined at the time the managers are hired.
- Manager’s adherence to their IPS
- Investment Manager personnel
- General service levels

If deemed necessary at any time the Investment Committee can recommend a formal review process.

Formal Review

Every four years or sooner, at the discretion of the Investment Committee, a formal review process will take place consisting of:

- A complete review of the manager evaluation process ([Appendix #5](#)) for current Investment Managers

Appendix #4 – EXAMPLES

In circumstances where the Foundation's investment resources are limited, the following scenarios illustrate the possible benefit of hiring an independent consultant in the formal review process. Analysis of situations such as the scenarios described enable prudent decision making within the context of monitoring and termination of Investment Managers.

Scenario 1: Hiring or Maintaining an Underperforming Investment Manager

There are times when a disciplined investment manager's "style" or philosophy is temporarily out of favour, yet in the longer-term they are greatly rewarded for adhering to their discipline. For example, many managers that practice the "value" style of investing grossly underperformed the Canadian stock markets in 1999 due to the absence of some tech high flyers, like Nortel, from their portfolios. These same managers subsequently outperformed benchmarks by wide margins over the ensuing 3-5 year period.

Scenario 2: Firing an Outperforming Manager

There are times that outperforming managers have experienced material changes that could reduce their chance of success in the future. For example, if key investment personnel were to depart the investment firm, the track record built by the departing personnel may no longer be a predictor of the skill of the remaining or new personnel. The manager may have to be replaced even though their performance had been strong.

Appendix #5 – MANAGER EVALUATION: DUE DILIGENCE PROCESS

Both quantitative and qualitative analysis will be performed in the evaluation of incumbent and/or prospective managers. At the discretion of the Investment Committee, a qualified independent consultant may be retained.

Qualitative

- People and Organization
- Philosophy and Process

Quantitative

- Portfolio Characteristics
- Performance

PEOPLE AND ORGANIZATION

Objectives

- Assessing organizational uncertainty
- How well has philosophy and process been institutionalized
- Sustainability of intellectual capital

Criteria to Consider

- Leadership strength and experience
- Suitability of compensation program
- Capability of attracting intellectual capital
- Innovativeness and adaptability
- Continuity of professionals
- Succession program
- Integrity and objectivity
- Team versus star approach
- Intangibles: character, attitude and desire to excel – passion
- Strategic direction of the company
- Strengths and weaknesses of the organizational structure
- Servicing capabilities and sustainability to client's needs

PHILOSOPHY AND PROCESS

Objective: What is the Information Edge?

- Articulation of philosophy and process – conceptually sound
- Breadth and depth of research capabilities
- Consistency between philosophy and research
- Clear decision-making process
- Buy and sell disciplines – implementation skill
- Risk Management techniques
- Technological superiority
- Quality control

PORTFOLIO

Objective: Validation of Style and Adherence to Philosophy

- Characteristics Analysis – compare p/e, yield, ROE
- Return pattern analysis
- Turnover
- Buys and sells review

PERFORMANCE

Objective: To Fairly Measure the Results and to Arrive at a Valid Explanation

- Peer group comparisons
- Excess returns
- Attribution
- Return to risk – Risk/Return Scatter – 5 years
- Information Ratio = $\frac{\text{Excess Return}}{\text{Volatility of returns}}$
- Beta, duration, capture ratios

The Investment Committee will analyze its qualitative and quantitative research and will recommend to the Board to either recommit to the incumbent manager or to initiate a search and selection process.