

**THE SYNOD OF THE DIOCESE OF NIAGARA**

**INVESTMENT POLICY STATEMENT**

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## **Part One – Governance**

### **1.1 Purpose**

The Consolidated Trust Fund (Fund) of the Synod of the Diocese of Niagara was established to bring together the trust funds held by the Diocese and its parishes for the purpose of providing cost-effective professional investment management for the combined funds.

The purpose of this statement is to outline the procedures and policies to effectively manage and monitor the assets of the Fund.

Another goal is to ensure that the Fund is managed in accordance with all applicable legal requirements including the *Income Tax Act (Canada)* and the *Ontario Trustee Act*. It is understood that any investment management (“the Manager”) or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

### **1.2 Background of the Organization**

The Diocese of Niagara is incorporated by “An Act to Incorporate the Synod of the Diocese of Niagara”, being an Act of the Ontario Legislature passed on February 10, 1876, as amended. The Corporation created by this statute is “The Synod of The Diocese of Niagara” and is referred to herein as “the Diocese of Niagara”. The Diocese of Niagara is a registered charitable organization and is exempt from income tax as provided under the *Income Tax Act (Canada)*.

The fiscal year end of the Diocese of Niagara is December 31st.

### **1.3 Administration**

The Investment Advisory Committee (IAC) is an advisory committee of the Synod Council, working in collaboration with the Financial Advisory Committee (FAC) which has overall responsibility for advice related to the stewardship of the Diocese’s finances and assets. Regular reports shall be received through the diocesan Treasurer or the committee chair. Reports may also be made to the Anglican Church Ministries Foundation, Niagara, as requested.

### **1.4 Investment Committee**

The primary role of the Committee is to monitor the investment performance of the funds held by the Diocese (synod, parishes, affiliated entities and foundation), and the performance of the investment manager or managers.

Members shall be elected by and responsible to Synod Council. The IAC shall have a minimum of five (5) members, including one member of the Financial Advisory Committee. Members shall serve for a two year term, and may be re-elected for two additional terms. The Bishop, Executive Officer, and Treasurer shall be ex officio members.

In addition, one member shall be appointed by the Anglican Diocese of Brandon.

The chair shall be appointed by the bishop from amongst the elected members, for a two-year term and may be reappointed.

The Committee will meet at least two times per year.

### ***Responsibilities***

To provide advice and where appropriate make recommendations to Synod Council with respect to matters relating to the investment of the trust property of the Synod. Synod Council is not bound to act on the advice or recommendations given by IAC, and it is recognized that fiduciary responsibility rests with the Synod Council. Key matters which the investment committee must consider are as follows:

- a) The general economic conditions and the possible effect of inflation or deflation.
- b) The role that each investment course of action plays within the overall trust portfolio.
- c) The expected total return from income and the appreciation of capital.
- d) Needs for liquidity, regularity of income and the preservation or appreciation of capital.
- e) An asset's special relationship or special value, if any, to the purposes of the trust.
- f) The policy asset mix, the selection of managers and the overall investment strategy. It is expected that a full review of the manager or managers and the overall investment strategy will be conducted at least every five years, using outside consultants if required.
- g) To review the Investment Policy from time to time as required.
- h) Other conditions relevant to the circumstances of the investment of the portfolio

### **1.5 Advisor/Manager**

The IAC, in consultation with the FAC, shall recommend an Investment Advisor/Lead Manager to be appointed by Synod or Synod Council. The roles and responsibilities of the Advisor/Manager are set out below:

- ensuring that the Fund is managed in accordance with the requirements of this Statement and with all applicable legal and regulatory requirements and constraints;
- advising the Committee of any elements of this Statement that could prevent attainment of the Fund's objectives;
- explaining the risks, potential rewards and other characteristics of any proposed new class(es) of investments, and how they may assist in achieving the Fund's objectives; and
- reporting to and meeting with the Committee as set out in Section 2.5 of this Statement.

The Advisor/Manager's role is to manage the assets of the Fund, directly and/or through the use of portfolio sub-managers with expertise in specific asset classes appointed by the Advisor/Manager, to achieve the Fund's investment objectives.

### **1.6 Conflict of Interest**

Committee members must disclose any actual or perceived conflict of interest to Synod Council. A conflict of interest is deemed to exist when a committee member has an interest of sufficient substance and proximity to their duties and powers with respect to the Fund to impair or potentially impair their ability to render unbiased advice or to make unbiased decisions affecting the Fund.

The Advisor/Manager shall fully disclose to the Committee information on any actual or potential conflicts of interest.

## Part Two – Investment Objectives

### 2.1 Fund Objectives

#### 2.1.1 Investment Objective

The overall investment objectives of the Fund are to:

- preserve capital, as adjusted for Canadian C.P.I. inflation
- maintain sufficient liquidity for anticipated disbursements
- generate a rate of return sufficient to cover the anticipated disbursements collectively expected to represent 4.5% of the Fund

#### 2.1.2 Corporate Social Responsibility

The Investment Manager shall have a responsible investing policy focused on the integration of environmental, social and governance (ESG) factors into investment decisions with the objective of providing better risk-adjusted returns, particularly over the long term. It is recognized that ESG best practices are changing over time and the manager is expected to incorporate these considerations into the decision-making process wherever possible based on the information available at the time.

The Investment Manager shall be a signatory to the United Nation`s Principles for Responsible Investing.

All voting rights on Fund securities are delegated to the Investment Manager and all voting rights shall be exercised in a manner that upholds the best interests of the Fund.

### 2.2 Asset Allocation

#### 2.2.1 Asset Mix Ranges

The asset allocation of the Fund for the maximum, minimum and target asset mix, based on market value, is as follows:

Asset Class	Minimum (%)	Target (%)	Maximum (%)
Canadian Equities	7.0	12.0	17.0
Global Equities	<u>40.0</u>	<u>45.0</u>	<u>50.0</u>
<b>Total Equities</b>	<b>47.0</b>	<b>57.0</b>	<b>67.0</b>
Global Listed Infrastructure	4.0	9.0	14.0
Global Listed Real Estate	<u>4.0</u>	<u>9.0</u>	<u>14.0</u>
<b>Total Listed Real Assets</b>	<b>8.0</b>	<b>18.0</b>	<b>28.0</b>
Canadian Universe Bonds	12.0	17.0	22.0
Global Fixed Income	0.0	4.0	8.0
Absolute Return Fixed Income	<u>0.0</u>	<u>4.0</u>	<u>8.0</u>
<b>Total Fixed Income</b>	<b>15.0</b>	<b>25.0</b>	<b>35.0</b>

The policy allocation within these ranges will be reviewed from time to time by the IAC. The IAC will make asset allocation recommendations to the Synod Council for approval and updating of the Investment Policy Statement.

While there is no cash allocation per se, it is understood that at any point in time a sub-manager may have some portion of its portfolio in cash or cash-equivalents.

The Advisor/Manager will monitor and maintain the asset mix on a monthly basis to ensure it is within plus or minus 2% points difference from the Target allocation. If the asset mix exceeds these boundaries, then the manager will rebalance it to the target mix, as close as reasonably possible under normal market conditions. The Advisor/Manager will inform the IAC if unusual market circumstances arise where it is deemed imprudent to undertake the normal rebalancing process.

### **2.2.2 Canadian Equities**

Canadian Equities shall include common stocks, income trusts and convertible securities of Canadian issuers.

### **2.2.3 Global Equities**

Global Equities shall include common stocks, income trusts and convertible securities of non-Canadian issuers.

### **2.2.4 Global Listed Infrastructure**

Global Listed Infrastructure includes investments listed on a global equity exchange in companies that develop, maintain, service or manage infrastructures around the world.

### **2.2.5 Global Listed Real Estate**

Global Listed Real Estate includes investments listed on a global equity exchange in companies and entities that own, construct, develop, manage, finance or sell real property, including real estate investment trusts (REITs).

### **2.2.6 Canadian Universe Bonds**

Canadian Universe Bonds includes investment grade government and corporate bonds, having a maturity of one year or more. Canadian issued and domestically traded bonds of foreign corporations may also be included.

### **2.2.7 Global Fixed Income**

Global Fixed Income includes investment grade and high-yield corporate bonds, securitized credit, loans, as well as bonds issued by emerging market countries.

### **2.2.8 Absolute Return Fixed Income**

Absolute Return Fixed Income aims to use active strategies that are independent of the current market environment. The asset class includes fixed-income securities of both Canadian and non-Canadian issuers, including non-Canadian investment grade and high-yield sovereign and corporate bonds, as well as bonds issued by emerging market countries.

### **2.2.9 Pooled Funds**

Securities held in a pooled fund are classified based on the assets comprising the major portion of such pooled funds. The Advisor/Manager will inform the IAC where any material differences exist in holdings versus those specified in this policy.

## **2.3 Risk Guidelines**

### **2.3.1 Market Risk**

Market risk is managed and mitigated through prudent diversification between asset classes set forth in section 2.2.1 of this policy.

### **2.3.2 Asset Class Diversification**

There will be a prudent level of diversification within each asset class, subject to asset mix limits based on market value. It is recognized that pooled investment vehicles can provide access to diversification for small pools of assets at an effective level of cost.

### **2.3.3 Security Specific Risk**

Security specific risk is mitigated by limiting the market value of Fund assets invested in a single security, or group of related securities issued by a common legal entity, to 10% or less of Fund assets. Securities issued and/or guaranteed by governments are excluded from this limitation.

### **2.3.4 Liquidity Risk**

Liquidity risk is managed and mitigated by investing in funds that own assets that trade substantially on large public markets with significant liquidity and are accordingly liquid themselves.

### **2.3.5 Credit Risk**

Credit risk is managed and mitigated by an expectation that 70% or more of the Fund's fixed income securities will have a minimum credit rating of BBB or its equivalent as rated by DBRS Limited, Fitch Ratings Inc., Moody's Investors Service, or Standard & Poor's Rating Service. The Advisor/Manager will report to the IAC if the proportion of investment grade fixed income securities falls below 70%.

## **2.4 Performance Objectives**

### **2.4.1 Total Return Objective**

It is the aim of the Fund to earn a total return gross of all investment management expenses, on average, at least equal to the annual rate of increase in the Canadian Consumer Price Index plus 4.5% over a business cycle. The market environment, asset allocation identified in section 2.2.1, and the benchmark relative performance achieved by the Advisor/Manager will all contribute to the achievement of this objective.

### **2.4.2 Manager Performance Objective**

The primary performance objective for the Advisor/Manager is to meet or exceed the benchmark, gross of all investment management expenses, over moving five-year periods.

The overall benchmark is constructed based upon the individual asset class benchmarks and defined as follows:

<b>Asset Class</b>	<b>Benchmark Index (in Canadian Dollars)</b>	<b>Weight (%)</b>
Canadian Equities	S&P/TSX Capped Composite	12.0
Global Equities	MSCI World Net	45.0
Global Listed Infrastructure	S&P Global Infrastructure Net	9.0
Global Listed Real Estate	FTSE EPRA Nareit Developed Real Estate Net	9.0
Canadian Universe Bonds	Bloomberg Barclays Canada Aggregate	17.0
Global Fixed Income	50% ICE BofAML Global High Yield Bond Hedged (CAD), 20% JP Morgan EMBI Global Diversified Hedged (CAD), 10% Bloomberg Barclays U.S. Corporate Investment Grade Hedged (CAD), 20% Bloomberg Barclays U.S. Treasury Bills 1-3 Months Hedged (CAD)	4.0
Absolute Return Fixed Income	S&P Canada Treasury Bill Index + 2.5%	4.0

## **2.5 Reporting and Monitoring**

### **2.5.1 Investment Reports**

Each month, the Advisor/Manager will provide to the Investment Committee, within seven business days after the end of the month, an Account Summary for the fund in total and a monthly transaction summary comparing the book value to the market value.

Each quarter the Manager will provide to the Investment Committee, within thirty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

### **2.5.2 Monitoring**

At least semi-annually, and more frequently if so required, the Advisor/Manager will meet with the Committee to present their report, which will address in particular

- the performance of the Fund and the primary factors that contributed to both absolute and benchmark relative results;
- the investment outlook, investment strategies, and risks and rewards inherent therein; and relevant compliance matters.



### **2.5.3 Parish Communication**

The Diocesan Administrator of Investments will issue monthly statements to all parishes which have invested with the Diocese. The reports will keep them up to date on the overall value of the parishes particular fund(s) including the growth or loss and any transactions (withdrawals or deposits) processed during the month.

### **2.5.4 Standard of Care**

The Advisor/Manager will comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct promulgated by the CFA Institute, and will take reasonable steps to ensure that the sub-managers adhere to the same or equivalent standards.