

Land Forever Endowment Fund Investment Policy Statement
[your organization]
[date]

Purpose

The purpose of this investment policy is to provide direction and an accountability structure in the execution and management of investment transactions for the Land Forever Endowment Fund investment policy.

Land Forever Endowment Fund

This fund, created and implemented by resolution of the Board of Directors dated [DATE], consists of capital funds held for the purposes stipulated in the resolution. Designated donations with instructions from donors and, dependent on the [ORGANIZATION] cash flow requirements, as determined periodically by staff and [ORGANIZATION] Board of Directors, surplus funds may be placed in this fund. Only the income generated by this capital account may be withdrawn to be used for purposes set out in the resolution.

Investment Objectives

The [ORGANIZATION]'s objective is to generate a total investment return that protects the purchasing power of the capital component, achieves the land stewardship needs, recovers the cost of managing and administering the funds, and establishes a reserve for future market declines. The minimum real return objective is 3.5% per annum based on a minimum distribution rate of 3.5%. This real rate of return may not be achieved in each and every year; however, the Portfolio is expected to generate this minimum return on investments over rolling 3 to 5 year periods. It is preferred that the portfolio exceed this return.

The [ORGANIZATION] will disburse at a minimum such amount as may be required to meet its disbursement test under the *Income Tax Act* (Canada). The current requirement is 3.5%.

The [ORGANIZATION]'s return objectives are ranked as follows:

- Preservation of capital;
- Generation of 'income' to meet stewardship objectives of the [ORGANIZATION];
- Generation of growth in the 'capital' value of the Portfolio's assets in order to preserve the value of the Portfolio in real (i.e., inflation-adjusted) terms; and
- Generation of growth in the 'capital' value of the Portfolio's assets in order to provide the basis for producing an increasing rate of income for disbursement.

Risk Tolerance

The maximum level of risk permitted will be defined in the subsequent section "Permitted Asset Classes and Investment Benchmarks".

Communication

The [ORGANIZATION] Board of Directors shall appoint the Treasurer and/or the Executive Director to authorize trades and to report to the Board regularly to ensure the consistency of trades to this policy statement.

Legal and Regulatory Status

The [ORGANIZATION] is registered with the Canada Revenue agency as a charitable organization. Its year-end is June 30.

Investment Time Horizon

A portfolio's investment time horizon is an important factor in determining its investment strategy. The period over which a particular investment strategy can or will be maintained has a direct bearing on the likelihood that it will generate its targeted rate of return within that period and within acceptable risk parameters.

The [ORGANIZATION] will exist in perpetuity. For planning and Portfolio structuring purposes, it will be assumed that the investment time horizon of the Portfolio is 25 years. It should be noted, however, that this Investment Policy Statement will be reviewed on at least an annual basis.

Liquidity and Income Requirements

The Portfolio requires sufficient liquidity to support the [ORGANIZATION]'s disbursement requirements on a timely basis. It is desirable that the Portfolio generate cash flow from dividends and interest to meet the majority of its disbursement requirements. There are no anticipated large cash withdrawals over the time horizon.

Asset Mix

Control of the Portfolio's asset mix is, therefore, the principal means of controlling its risk and return characteristics.

Recommended Asset Mix

Given the Portfolio's targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following 'benchmark' or long-term strategic asset allocation, and permissible asset class holding ranges are as follows:

Asset Class	Benchmark Allocation	Permissible Range
Cash and Cash Equivalents	15.00%	± 5%
Fixed Income Instruments	85.00%	± 10%
Total Fixed Income	100.00%	

Once fund is capitalized at \$200,000

Asset Class	Benchmark Allocation	Permissible Range
Cash and Cash Equivalents	15.00%	± 5%
Fixed Income Instruments	65.00%	± 10%
Total Fixed Income	80.00%	± 10%
Canadian Equities and Global Equities	20.00%	± 10%

Total Equities	20.00%	± 10%
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It will be the responsibility of the Investment Counselor or Investment Advisor to recommend, from time to time, allocations to each asset class within the permissible ranges outlined above.

Permitted Asset Classes and Investment Benchmarks

Cash Equivalent and Fixed Income Instruments

Until the following permitted asset classes are amended with the approval of the [ORGANIZATION] Board of Directors, only those investments which qualify in one or more of the following classes of assets shall be made for the [ORGANIZATION].

1. Bonds, both interest bearing and compound, "A(low)" rated or better, based on DBRS (Dominion Bond Rating Service) ratings.
2. Treasury Bills issued by the Canadian Government or any of the Provinces.
3. Money market instruments issued by a Canadian Corporation. Such instruments to be rated R-1 middle or better by DBRS and have an initial maturity of less than two year.
4. Term Deposits or similar instruments issued by or unconditionally guaranteed by a major Canadian Bank, Trust Company or Credit Union.
5. Cash deposited with a bank owned investment dealer.
6. Cash on deposit with a Canadian Chartered Bank.

Additions to the category of permitted investment shall be reviewed at least annually by the [ORGANIZATION] Board of Directors in accordance with their obligations under the Ontario Trustee Act.

Equities

Investments in the following equity securities are permitted:

1. Publicly traded common stocks with a minimum market cap of \$500 million.
2. Dividend rate on equity portfolio to be an average of TSX Composite Index of 2.75% or higher.
3. Common stocks selected will have paid a dividend in each of the last 7 years.
4. The DBRS bond rating for the companies as represented by the common stocks will not have bond ratings below that of BBB(Lo).
5. Preferred shares rate P2(low) or higher.
6. Rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;

Investment in the securities of any single issuer should not constitute more than 20% of the market value of the Portfolio as a whole. In addition, investment in the securities of any single issuer should not constitute more than 30% of the market value of the equity asset class.

Additional Constraints, Inclusions and Exclusions

The Portfolio as a whole and each asset class represented in the Portfolio must be reasonably diversified. All investments must be reasonably liquid at the time of purchase and thereafter. In the event that the Investment Counselor or Financial Advisor forecasts an impairment in the liquidity of an investment, the Investment Counselor or Financial Advisor will make all reasonable efforts to liquidate the investment on a timely basis. Overdraft positions are not to be intentionally created.

The [ORGANIZATION] reserves the right to instruct the Investment Counselor or Financial Advisor to exclude any asset, security or category of investment and will notify the Investment Counselor or Financial Advisor by written notice in the event that such restrictions are to be imposed.

The [ORGANIZATION] may place further constraints, limitations or requirements on the Portfolio in order to achieve specific short-term objectives.

Gifts or donations consisting of marketable securities transferred into the Portfolio will be liquidated as soon as practicably possible if those securities do not meet the foregoing constraints listed in the section "Permitted Asset Classes and Investment Benchmarks".

Investment Counselor or Financial Advisor

The Ontario Trustee Act requires the [ORGANIZATION] to manage its investments with the care, skill, diligence and judgment that a prudent investor would exercise in making investments. The Act permits a charity to manage its investment assets on its own or, subject to meeting certain requirements, delegate this responsibility to an investment counselor or financial advisor. In either case the directors of the [ORGANIZATION] retain responsibility for reviewing assets regularly.

In keeping with the Ontario Trustee Act, the [ORGANIZATION] will obtain investment advice when there is limited investment knowledge or expertise within the [ORGANIZATION] or when investment assets exceed \$50,000. The [ORGANIZATION] will delegate investment functions when additional income anticipated to be earned is expected to more than offset the additional related expense.

The Act requires that a charity exercise prudence in the selection of an investment counselor or financial advisor whether it be for the obtaining of investment advice or managing investments. At the current time there are no regulations outlining the required qualifications of such investment counselors or financial advisors, however the [ORGANIZATION] will ensure:

- the investment counselor or financial advisor and firm being retained will be registered with the Ontario Securities Commission,
- the investment counselor or financial advisor and firm being retained will have the appropriate level of licensing,
- the investment counselor or financial advisor should have a demonstrated understanding of charity law and trust law in addition to investment knowledge and experience,
- any investment counselor or financial advisor or firm retained by the [ORGANIZATION] should not have any conflicts of interest, and

- any investment counselor or financial advisor retained must be approved by the Board of Directors.

The [ORGANIZATION] will enter into a written agreement with its investment counselor or financial advisor whose responsibilities may include both the management of assets and providing advice. The agreement will provide that:

- the investment counselor or financial advisor complies with the Land Forever Endowment Fund policy statement of the [ORGANIZATION],
- the investment counselor or financial advisor shall provide quarterly reporting to the [ORGANIZATION]. Reports should include a schedule of the market value of all investments, a listing of all transactions (including income received) since the previous report, and investment performance measured on a total return,
- how instructions are to be communicated to the investment counselor or financial advisor, with it generally recommended that all instructions be in writing,
- conflict of interest issues on the part of the investment counselor or financial advisor,
- scope of authority delegated, and
- provision for termination of the agreement, with it generally recommended that the [ORGANIZATION] will retain liberal termination rights.

Investment Policy Review

The Investment Policy will be reviewed initially when the fund exceeds \$50,000 or at a minimum on an annual basis. After the fund reaches \$50,000 it will be reviewed on an annual basis and whenever there is a material change in circumstances. Initial review will be undertaken by the Treasurer and staff who will report the results of that review and any related recommendations to the Board on an annual basis.

Signed

Date Approved: