



TITLE:	Investment		
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1. POLICY STATEMENT:

The Allied Boards of the Almonte General Hospital Corporation and the Carleton Place and District Memorial Hospital Corporation (the "Corporations") are committed to protecting its investment holdings by ensuring risk is minimized, appropriate controls are in place and rates of return are reasonable.

2. SCOPE:

This policy applies to the Finance Department of the Corporations who oversees the funds with respect to investment. All funds in excess of those required for current operations fall within the purview of this policy.

All Investment Managers and third parties receive their mandate from the Allied Boards Finance Resources and Audit Committee (FRAC) and must adhere to the parameters of this policy. The Investment Managers have full investment management discretion, within the specific guidelines set out in the policy and their respective mandates.

3. GUIDING PRINCIPLES:

This policy is based on the following principles:

Financial goals include a diversified portfolio that minimizes fees and builds in protection against significant losses to ensure that excess funds are available for future use.

Management of investments must adhere to the principles of asset diversification, asset allocation and risk adversity of such excess funds. Investments will not be made in entities which could damage the role or standing of the Corporations.

Assets of the Corporations are invested in a prudent manner so that they will be sufficient to meet obligations as they come due.

4. DEFINITIONS:

Short-Term Investments: defined as funds that potentially will be needed to meet operating or capital cash requirements within the next 36 months.

- a) Eligible investments include Federal and Provincial Government and Agency obligations, corporate bonds, commercial paper, banker's acceptances, cash and other such instruments.

- b) Preservation of capital. Given the short-term nature of these assets, there is no ability to assume any significant levels of risk or volatility.
- c) Provide a level of liquidity necessary to fund anticipated operating and capital expenditures of the Corporations.

Long-Term Investments: defined as funds that are not needed to meet operating or capital cash requirements within the next 36 months.

- a) Eligible investments include Canadian, US and International Equities, Canadian and Provincial Government and Agency obligations, municipal bonds, corporate bonds, zero coupon bonds, debentures, commercial paper, bankers acceptances and foreign pay domestic issuer bonds.
- b) Preservation of capital. Investment risk and maturity should be balanced with the anticipated need of the funds.

5. PROCEDURE:

RESPONSIBILITY

Allied Boards

The Allied Boards have the overall responsibility for the security and management of all corporate assets.

FRAC provides advice to the Allied Boards on all aspects of this policy, including:

- Any aspects of the Investment Fund performance, Investment Manager(s)/Advisor(s) service delivery and compliance by the Investment Manager(s)/Advisor(s) with this policy
- Liquidity requirements of the Portfolio and the timing and use of cash inflows and outflows from the Investment Portfolio.
- Recommendations resulting from FRAC's annual review of the this policy
- Recommendations resulting from FRAC's annual meetings/ conference with the Investment Manager(s).
- The selection, engagement or dismissal of any Investment Manager or Advisor.

Management

Management will monitor all aspects of the performance of the Investment Manager(s) on a consistent and ongoing basis. This process is to include a review of:

- The financial stability of the manager
- Any impact derived from the rate of turnover of investment management personnel
- Its compliance to this policy
- The appropriateness of management fees and rates

The management of the investment funds is delegated to the Finance Department of the Corporations, who will engage professional Investment Managers through a competitive process to act on behalf of the Corporations with quarterly due diligence monitoring.

The responsibility for the administration of invested funds is delegated to the Integrated Chief Financial Officer (CFO) who will act in accordance with this policy and any other Allied Boards policies.

Investment Managers

The Investment Manager(s)/Advisor(s) are responsible for the daily management of the Investment Portfolio. The overall responsibilities of the Investment Manager(s) are to:

- Manage the assets of the fund, subject to the criteria presented in this policy.
- Provide quarterly reports addressing the following matters:
- Portfolio performance over various appropriate time periods
- Analysis of fund performance against appropriate current benchmarks as agreed and prescribed in this policy, and as revised from time to time
- Asset listings in comparative detail allowing the full reconciliation to financial statements and records of the Corporations
- A perspective on all relevant securities and financial markets analysis, and an outlook on forward expectations
- A commentary on the appropriateness of the investment strategies of the Corporations.
- Meet/conference with the Corporations when requested, with an update review at least annually.
- Inform the Corporations if at any time they are unable to comply with this policy.
- Exercise all voting rights acquired through the Portfolio's investments.
- The portfolio Manager will prepare and forward a compliance certificate to the Corporations following each quarter. The certificate will certify that the portfolio has been invested in compliance with the investment guidelines at each quarter-end.

Asset Management

Short-term Portfolio Composition and Asset Mix

An asset mix policy of 50% in fixed income investments and 50% in cash or cash equivalents will provide the balance required to meet the need for liquidity and the need for a reasonable return on investment for those funds designated as short-term.

The table below lists the asset classes that may be used and it presents the total fund asset mix policies, referred to as the Benchmark, together with the maximum and minimum exposures for each asset class for those investments designated as short-term.

Asset Classes	Minimum	Maximum	Target
Cash and Cash equivalents	45%	55%	50%
Fixed Income	45%	55%	50%

The return on invested funds will be measured against a weighted average return using the benchmarks for each asset class noted in the benchmarking section to follow.

Long-term Portfolio Composition and Asset Mix

The investment portfolio will be subject to the following guidelines:

An asset mix policy of 50% in equities, 30% in Fixed Income and 20% in Cash or Cash Equivalents will provide an investment strategy that will balance the competing needs of a stable income stream and growth of assets for those funds designated as long-term.

The table below lists the asset classes that may be used and it presents the total fund asset mix policies, referred to as the Benchmark, together with the maximum and minimum exposures for each asset class for those investments designated as long-term.

Asset Classes	Minimum	Maximum	Target
Cash and Cash equivalents *	5%	15%	10%
Fixed Income	35%	45%	40%
Canadian Equities	25%	35%	30%
US & International Equities	15%	25%	20%

*Cash and cash equivalents less than one-year maturity

- If more than one Investment Manager is employed, each may be given an asset mix (which may differ from one Investment Manager to another) such that the aggregate of the delegated asset mixes will be the mix defined above for the total Fund.
- The portfolio should hold a prudently diversified exposure to the intended market.
- Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes.
- The Each Corporation shall hold no more than 10% of its long-term assets in the securities of any single entity except issues of Canadian or Provincial Governments or their Agencies, where such Agencies are guaranteed by the appropriate government.

Eligible Investments

Equities

- Unless specifically approved in writing by the Corporations, equities (including common shares, rights, preferred shares, warrants and securities convertible into common shares) must be listed on a recognized stock exchange or traded through an organized facility from which market prices are readily available.
- No one security shall represent more than 10% of the market value of total equity
- Investment in preferred shares will be rated at least PFD-2 (low) by Dominion Bond Rating Services on an individual basis.
- Investments will not be made in entities which could damage the role or standing of the Corporations within the community or which could be construed to be at odds with the Mission Statement of the Corporations. Additional restrictions may be communicated to the Investment Manager by the Corporations if required.

Fixed Income

- Short-term investments (up to 364 days in term)
 - Canadian Government Treasury Bills;
 - Short-term obligations (including Bankers' Acceptances or Commercial Paper) of Canadian corporation rated at least R1 (low) by Dominion Bond Rating Services.
- Bonds and debentures
 - Bonds issues or guaranteed by the Government of Canada
 - Bonds issued or guaranteed by the government of a Province rated at least A(low) by Dominion Bond Rating Services and /or A- by Canadian Bond rating Services
 - Canadian Corporate bonds and debentures rated at least A (low) by Dominion Bond Rating Services and /or A- by Canadian Bond Rating Services and holdings of such bonds may not exceed 20% of the market value of the bond portion of the portfolio

Investment in fixed-income securities in accordance with (a) and (b) above will be in Canadian

dollar denominated securities with the exception that the portfolio manager may elect to invest up to 10% of the market value of total fixed-income in US dollar denominated bonds and debentures

Prohibited Investments

The following types of investments are prohibited:

- Privately placed or other non-marketable debt and equity
- Lettered, legend or other restricted stock
- Uncovered short positions
- Leveraged positions
- Derivatives
- Commodities

Investment Managers shall not engage in the following activities:

- Borrowing, except for the purpose of meeting short-term contingent obligations, including but not limited to distribution payment or invoices. In such an eventuality, the term of the loan shall not exceed 30 days and the prior approval of FRAC must be obtained
- Loan guarantees to a third party
- Buying on margin
- Short selling
- investments in tobacco related activities

Benchmark Portfolio and Review Procedures

The following table has been established by the Corporations, which outlines by Asset Class the Benchmark Return deemed appropriate, as a guideline to meet its investment objectives. These Benchmarks are returns that could have been earned by the passive management of a Benchmark portfolio assuming quarterly re-balancing. The return benchmarks are the sum of the appropriate asset class market index returns multiplied by the proportion of the Benchmark Portfolio allocated to each asset class.

Cash & Cash Equivalents	Government of Canada 91 day Treasury Bill
Fixed Income	Scotia Capital Universe Index
Canadian Stocks	S&P/TSX Composite Index
U.S. Stocks	S & P 500 Total Return Index
Non-Canadian, non-U.S. Stocks	MSCI EAFE Index

The CFO shall review the performance of each Investment Manager against the relevant benchmarks and objectives on a quarterly basis, with a view to measuring progress towards the relevant investment objectives.

The CFO will report to FRAC on a quarterly basis on the progress towards the relevant investment objectives.

The CFO and FRAC shall meet with each Investment Manager at least annually to discuss their performance and investment strategy.

The performance of the invested funds will be reported at least annually to the Allied Boards.

Voting Rights

When funds are invested, voting rights may be acquired. The exercise of these voting rights is delegated to the Investment Manager, with the instruction that they should be cast in favour of any proposals which, in the opinion of the Investment Manager, secure or enhance the

investment value of the relevant security, and against any proposals which, in the opinion of the Investment Manager, expose to risk or reduce the investment value of the relevant security.

If the Investment Manager or any of their officers has any pecuniary interest, direct or indirect, in any matter on which the Fund has a right to vote, the Investment Manager shall bring this to the attention of the Finance Department of the Corporations, who is given discretion to,

- instruct the Investment Manager to exercise the voting right in line with the principles described in (1) above, on the grounds that the relevant pecuniary interest is not material; or
- instruct the Investment Manager how to cast the Fund's vote, having considered the principles described in (1) above.

Conflicts of Interest

If an Investment Manager realizes that a given situation may put it in a conflict of interest and thus impair its ability to act in the best interest of the Corporations or to achieve the established objectives, the Investment Manager shall immediately inform the Integrated President & Chief Executive Officer (CEO) and the CFO in writing.

If it is determined by the Corporations that a conflict of interest exists, the CFO shall provide an outline to FRAC of the procedures that they intend to implement to eliminate the conflict of interest.

Disclosure must be included in the minutes of the Allied Boards.

- Actual or potential conflicts of interest shall be disclosed whenever any of these persons become aware of the perceived conflict.
- Disclosure must be included in the minutes of the Allied Boards.
- As soon as the actual or perceived conflict is disclosed, an officer of the Corporations shall decide upon a suitable course of action to resolve the conflict.
- If it is determined by the Corporations that a conflict of interest exists, the CFO shall provide an outline to FRAC of the procedures that they intend to implement to eliminate the conflict of interest.
- All investment activities must be conducted in accordance with the CFA Institute (Certified Financial Analysts) Code of Ethics and Standards of Professional Conduct.

Treatment of in kind Donations

When "in kind" donations of land; artwork etc. will be used or liquidated at the discretion of the CEO unless otherwise expressly stated by the donor. Donors offering marketable securities will be directed to either the AGH Foundation or the CPDMH Foundation.

6. REFERENCES:

Renfrew Victoria Hospital, Board Policy 14.

7. APPENDICES:

N/A

Evaluation:

This Policy will be reviewed every two years.