

# ASSET INVESTMENT, MANAGEMENT & GOVERNANCE POLICY

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The primary objectives of the Asset Investment, Management and Governance Policy are as follows:

- To ensure United Way of Winnipeg funds are managed effectively, prudently and in compliance with all applicable legal requirements;
- To preserve the capital value of the funds over the long term, in such a way that the purchasing power of these funds will be maintained;
- To achieve the maximum total return while taking acceptable levels of risk consistent with prudent investments; and
- To provide the appropriate cash flow of income in order to meet long term funding requirements.

Each person, firm or organization having dealings with the management, governance, or investment of United Way of Winnipeg funds will receive a copy of, accept and adhere to this Policy. In addition, United Way of Winnipeg donors, partner agencies and organizations, and any member of the public will be supplied with a copy of this Policy on request.

## Fund Description

This Policy applies to the investment, management and government of assets contained in the following funds:

### A. Long Term Funds:

- The Tomorrow Fund
- The Stabilization Fund
- The Community Fund- portion relating to long-term campaign funds

The long-term funds will be pooled for the purpose of investment management.

### B. Short Term Funds (funds which will utilized in 1-3 years):

- The Community Fund- portion related to short-term campaign funds
- The Operating Fund

The source, purpose, and utilization of these funds is governed by the Fund Policy that is developed and approved by the Board of Trustees with the advice and guidance of the Finance & Administration standing committee.

The formulation of the Fund Policy is based on the following:

- The present financial position of United Way of Winnipeg including:
  - The present fund levels;
  - The degree of stability provided through the current provincial funding framework;
  - The current investment markets;
  - The strength of the annual campaign; and
  - The potential to raise funds through planned giving and other resource development activities.
- The present community investment objectives and opportunities.

The purpose of each fund as outlined in the Fund Policy is summarized below:

**The Tomorrow Fund:** The Tomorrow Fund is United Way of Winnipeg's endowment fund and represents permanent capital gifts made by donors to provide ongoing benefit to the community. These gifts may contain restrictions imposed by the donor (i.e. governing the use of investment income) or they may be unrestricted. Separate capital records are maintained for each capital gift to ensure that the directions of the donor are implemented accurately.

In order to preserve the purchasing power of The Tomorrow Fund, the portion of the annual investment income equal to the Consumer Price Index is capitalized to the fund on an annual basis.

**The Stabilization Fund:** The purpose of the Stabilization Fund is to support community service levels and United Way of Winnipeg operations in special circumstances. Unless otherwise determined by the Board of Trustees, the Stabilization Fund is to be maintained at a minimum of 10% of the budget for each year for core ongoing operations and long-term funding, including:

- Sustaining/ long-term agency funding;
- Ongoing programs and services of United Way of Winnipeg (e.g. Koats for Kids, Labour Community Advocate Program, Youth United, community investment management), and
- Operating expenses including: resource development, management and administration, marketing and communication and administration of community investments.

**The Community Fund:** The purpose of the Community Fund is the investment of unrestricted resources in the community through funding organizations (in accordance with partnership agreements) and expenditures for community services, programs and/or initiatives that support sustainable community solutions to pressing social issues. Restricted resources will be allocated or expended in accordance with the directions of the donor.

The primary source of revenue to the Community Fund is the annual campaign. Each year approximately 40% of the annual campaign is generated through fully paid gifts from donors while the remaining approximately 60% represents pledges from donors which are collected over the next year. Given that the funds generated through the annual campaign are invested in the community in the following fiscal year, approximately 40% of the proceeds from each year's campaign will be collected by the time the previous year's campaign has been fully distributed or expended. As a result, this approximately 40% portion of the annual campaign is available for long-term investment, while the remaining approximately 60% is distributed within the year and therefore invested on a short-term basis.

**The Operating Fund:** The purpose of the Operating Fund is expenditures on operating and development expenses including; resource development, management and administration, marketing and communication, administration of community investments, research and development, and purchase of fixed assets for operating purposes. The sources of funds used for operations are primarily annual and are therefore invested on a short-term basis.

**The Building Fund:** The Building Fund was established to allow for funds to be set aside for future, significant repairs, maintenance and replacement costs related to United Way of Winnipeg's building at 580 Main Street.

The source of the Building Fund is annual transfers from the Operating Fund allocated through the annual budgeting process; to cover costs including, but not limited to, roof repairs/replacement, window replacement, HVAC systems, etc.

### **Use of Investment Income**

The portion of investment income, which is not capitalized (see the Tomorrow Fund) is available for investment in the following areas in accordance with the direction of the Board of Trustees:

- Investment in strategies to build better lives, improved conditions and a stronger, healthier city,
- To further goals of and objectives of the organization including an investment in the operations of United Way of Winnipeg;
- To further the goals and objectives of the organization including an investment in the operations of United Way of Winnipeg; and
- For distribution as directed by donors- Some permanent capital gifts to the Tomorrow Fund contain specific directions from the donor as to the allocation of the investment income. These directions will be carried out explicitly.

## **Valuation of Investments**

In accordance with the provisions of the Canadian Institute of Chartered Accountants (CICA) guidelines, long-term investments are reported in financial statements on a market basis.

Changes in the market value of the funds investment is reflected as income or loss from investments in the Stabilization Fund. On an annual basis, in conjunction with its annual budgeting process, the Board of Trustees approves an allocation of investment income from the Stabilization Fund to the Community Fund and the Operating Fund. The amount of the allocation is based on the rate of return on investments experienced over the past five years.

In this way, the Board of Trustees approves the use of investment income to provide a stable flow of resources for community investment and operations.

## Governance Roles & Responsibilities

### Board of Trustees

The Board of Trustees of United Way of Winnipeg retains final authority on policy and strategic decisions but has delegated to the Finance & Administration committee, and the Investment sub-committee.

Policy decisions of the Board of Trustees include:

- Investment objectives;
- Investment constraints;
- Investment preferences;
- Governance issues;
- Permitted investments; and
- Asset mix targets and ranges.

Strategic decisions include:

- Appointment and termination of managers; and
- Investment management structure.

### Finance & Administration Committee

The Finance & Administration committee is responsible for providing oversight and recommendations to the President, Executive Committee and the board of Trustees on all aspects of asset management, governance and investment. This includes the development of recommendations in support of policy and strategic decisions and the implementation of operating decisions including:

- Evaluating investment manager performance; and
- Ensuring investment manager compliance with mandate.

On a semi-annual basis, the Finance & Administration committee provides a written report to the Board of Trustees which includes the following:

- A description of work completed by the committee and its agents and advisors;
- A detailed report on the fund's financial results and performance relative to benchmarks;
- Any recommendations or changes in policy or management; and
- Any other relevant information.

In support of its role, the Finance & Administration committee delegates certain activities to the Investment sub-committee.

### The Investment Sub-Committee

The Investment Sub-Committee of the Finance & Administration committee is comprised of 3 or more members of the Finance & Administration committee, including 2 members of the Board of Trustees, plus a minimum of 2 members recruited to add specific expertise in asset management and investment. The Investment sub-committee is responsible for the following:

- Meeting semi-annually, or more frequently if necessary, with the Investment Manager(s) and others responsible for investment of United Way of Winnipeg funds (the "Funds");
- Reviewing and monitoring the Investment Manager's proposed investment strategies;

- Assessing the performance of the Investment Manager by means of regular reviews of the investment results and other pertinent information;
- Annually reviewing the Statement of Investment Policy, including investment objectives and benchmarks, and recommending changes to the Finance & Administration committee to present for approval to the Board of Trustees; and
- Providing the Investment Manager(s), periodically as required, with information concerning cash flow to and from United Way of Winnipeg's investment portfolio.

### **Investment Manager**

United Way of Winnipeg will retain the services of 1 or more professional investment managers to manage investments in accordance with the Statement of Investment Policy. The Investment Manager is responsible for investing all or any portion of the Funds for which it is responsible in accordance with the Statement of Investment Policy as approved by the Board of Trustees from time to time. In addition, the Investment Manager is responsible for the following:

- Providing to United Way of Winnipeg staff:
  - monthly statements of the transactions and results of United Way of Winnipeg's investment portfolio;
- Providing to the Investment sub-committee:
  - quarterly investment reports including:
    - a summary analysis of investment results, performance targets, benchmarks; and
    - A summary of changes in asset mix;
  - information and advice to assist with the review of investment policies and management structure;
  - written commentary on the Investment Manager's outlook for the economy and expected rate of return for each of the principal categories of assets and based upon these expectations, a proposed investment strategy for the following 12-18 month period (semi-annually); and
- Recommending a proposed asset mix for the Funds, subject to the constraints imposed by the Statement of Investment Policy. The proposed asset mix will be reviewed with the Investment sub-committee as part of the regular reviews of investment strategy and performance results;
- Selecting securities within each asset class, subject to the constraints imposed by the Statement of Investment Policy; and
- Notifying the Investment sub-committee, in writing, of any significant changes in investment philosophies and policies, personnel, or organization and procedures.

### **Conflict of Interest**

Each person, firm or organization having dealings with management, investment or governance of the Funds is required and obliged to disclose details of all and any conflict of interest or possible or

perceived conflict of interest involving United Way of Winnipeg's portfolio. (Note: ownership of a particular security by a member of the committee would not in itself constitute a conflict of interest.). Such a report and disclosure shall be made immediately to the Chair of Finance & Administration committee. The Chair shall determine if a conflict or possible or perceived conflict of interest has occurred or might occur. If the Chair determines that a conflict or possible or perceived conflict has occurred or might occur, the person, firm or organization in conflict shall, where applicable, be prohibited from participating in all or any discussion and in the decision-making process concerning the area of actual, [possible or perceived conflict of interest.

## Statement of Investment Policy

### Short-term Funds

Short-term funds are invested in short-term securities including treasury bills and money market accounts, or maintained in current accounts at a chartered bank, trust company or credit union.

### Long-term Funds

#### Asset Mix

The Target Asset Mix has been established and approved by the Board of Trustees to reflect a mix of investments of various types that the Board of Trustees believes has the highest possibility to achieve the investment goals of the Funds over the long-term, within acceptable levels of risk.

A range in each asset class permits the Investment Manager to select the weighting in each asset class that reflects the Manager's outlook and expectations for that class of investments.

Asset Class	Range	Target Asset Mix
<b>Equities</b>		
Canadian	15% - 35%	25%
U.S.	10% - 40%	25%
International		
Emerging Markets		
<b>Total Equities</b>	-	<b>50%</b>
<b>Real Estate</b>	10% - 20%	<b>15%</b>
<b>Fixed Income</b>		
Bonds (Canadian & Foreign)	5% - 25%	15%
Mortgages	15% - 25%	20%
Money Market	0% - 30%	0%
<b>Total Fixed Income</b>	-	<b>35%</b>
<b>Total</b>		<b>100%</b>

## **Investment Objectives & Performance Management**

United Way of Winnipeg's primary goal in the investment of funds is to generate sustainable revenues to maximize community impact. In order to attain this goal, the following investment objectives have been set:

1. Produce a rate of return, net of fees, of at least 4% over the Canadian CP over moving 5 year periods.
2. Produce a rate of return, net of fees, over moving 5 year periods that is at least 0.5% greater than the return obtained from a passive portfolio invested in the Target Asset Mix and the indices generally used as the benchmarks for each class of investments held in the Funds.
3. Achieve less volatility in year-to-year returns than the relevant passive benchmark indices.

## **Asset Classes Eligible for Investment**

From time to time, and subject to this Policy, this investment portfolio may be invested in any or all of the following categories. These assets may be obligations or securities of Canadian or non-Canadian entities.

- A. Publicly traded common or preferred equity;
- B. Publicly traded convertible debentures or preferred securities;
- C. Bonds, debentures, notes or other debt instruments of government agencies or publicly traded corporations;
- D. Real estate, only through closed or open-ended pooled or mutual funds;
- E. Mortgages, only through closed or open-ended pooled or mutual funds;
- F. Guaranteed Investment Certificates or equivalent of insurance companies, trust companies or banks, or funds which invest primarily in such instruments;
- G. Annuities, deposit administration contracts and other similar instruments regulated by a federal or provincial government agency;
- H. Term deposits or similar instruments of trust companies and banks;
- I. Cash or money market securities issued by governments or publicly traded corporations;
- J. Mutual or pooled funds, which may invest in any or all of the above instruments or assets.
- K. Futures, forwards or other instruments designed to provide additional income or hedging opportunities for current investments that form part of the investment strategy of mutual or pooled funds.

Until further decision by the Board of Trustees, this investment portfolio may not be invested in commodities, futures, forward contracts or options except to the extent described above.

## Investment Quality & Diversification

### A. All Investments

Not more than 5% of the Fund (at cost) shall be invested in the securities of any one issuer or guarantor, other than a major Canadian chartered bank at 10% maximum each, or a pooled or mutual fund or investment issued or guaranteed by the Government of Canada or a province in Canada, with no limit.

### B. Short-term Securities

Short-term investments shall be maintained with the following quality standards:

Debt Rating (DBRS* or equivalent)	Maximum % of Short-Term Securities
Lower than R-2	0%
R-2 (Adequate Credit Quality)	10%
R-1 (Prime Credit Quality)	no limit

(\*Dominion Bond Rating Service)

### C. Bonds

Bond investments shall be maintained within the following quality standards:

Debt Rating (DBRS or equivalent)	Maximum % of Bond investments
Lower than BBB	0%
BBB(Adequate Credit Quality)	10%
A (Satisfactory Credit Quality)	40%
AA higher (Superior or Highest)	no limit

### D. Mortgage Funds

Mortgage investments can only be made through an administered pooled fund, with a portfolio of mortgages meeting the following requirements:

- First mortgages only;
- Not to exceed 75% of the market value of the property, unless secured by mortgage insurance;
- Not more than 5% of the Fund's mortgage investments may be in respect of any one borrower; and
- Not more than 25% of the Fund's mortgage investments may be in any one province (60% in the case of Ontario).

## **E. Real Estate Funds**

Real estate investments can only be made through an administered pooled or mutual fund, with a portfolio meeting the following requirements:

- Not more than 10% of the Fund's real estate investments may be in respect of any one property or parcel of real estate;
- Not more than 30% of the Fund's real estate investments may be in any one province (60% in the case of Ontario); and
- The Fund's real estate investments should be broadly diversified by type of use and tenant.

## **F. Canadian Equities**

Canadian equity investments must meet the following requirements:

- At least 95% of the Canadian equity investments shall be listed on the Toronto or Montreal Stock Exchanges; and
- Not more than 5% of the Canadian equity investments shall be invested in the securities of any one issuer.

## **G. U.S. Equities**

U.S. equity investments must meet the following requirements:

- At least 95% of the U.S. equity investments shall be listed on a recognized U.S. Stock Exchange; and
- Not more than 5% of the U.S. equity investments shall be invested in the securities of any one issuer.

## **H. International Equities**

Foreign Equities investments must meet the following requirements:

- Not more than 5% of the International equity investments shall be invested in securities of any one issuer.

## **I. Variations**

In the event of a down-grading of fixed income security, the above constraints shall not dictate sale but shall preclude additional purchases of the same fixed income security.

## **J. Pooled Funds**

Where investments are held in a mutual or pooled fund, the Investment Manager shall not be expected to comply with the constraints described in this section, but shall disclose in writing to the board of Trustees, on at least an annual basis, any variations from the above investment quality and diversification requirements.

## **K. Other Constraints**

No investment supplier shall:

- Purchase securities on margin;
- Engage in short sales or similar transactions;
- Purchase or sell commodity contracts; or
- Borrow, pledge or otherwise encumber any of the Fund's assets, except as otherwise permitted by this Policy.

## **Roles and Responsibilities of Officers of United Way of Winnipeg**

Under a Board motion approved April 25, 2016, specific named United Way officers were authorized to sell or purchase securities of any kind, and to undertake all documentation required for these transactions. This motion was passed in response to requests from a investment dealer to provide evidence of this level of authorization before they would agree to allow instructions to be given to the investment dealer regarding disposal of gifts and from a law firm before they would provide securities gifts bequeathed in wills. However, while this motion was approved, it is the internal policy of United Way of Winnipeg that its Officers are not authorized to purchase securities. Named Officers, as approved annually by the Board, only have the authority to instruct investment dealers to sell any securities gifted to United Way. To minimize risk, these securities will be sold immediately, or as soon as is reasonably practicable. Securities are not to be held for speculation purposes.