

ANGLICAN DIOCESE OF OTTAWA CONSOLIDATED TRUST FUND

INVESTMENT POLICY STATEMENT

Part One - Governance

1.1 Purpose of the Consolidated Trust Fund

The Consolidated Trust Fund (Fund) of the Anglican Diocese of Ottawa was established in 1970 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.

1.2 Administration

The Investment Committee (Committee) is a subcommittee of the Property and Finance Committee (PFC) of the Diocese, and its members are appointed by PFC. The Committee oversees the management of the Fund's investments on behalf of PFC, provides policy advice where appropriate and ensures that the Fund is managed consistent with the policies set out in this Statement and with all applicable legal requirements, including the Income Tax Act (Canada) and the Ontario Trustee Act.

1.3 Investment Committee

The Committee shall have a maximum of six members plus three non-voting members appointed by virtue of their office, being

- the Bishop or the Bishop's designate,
- the Director of Financial Ministry, and
- one full-time priest appointed by the Bishop.

The remaining members need not be office holders of the Ottawa Diocese.

The Committee elects a Chairperson from its members, subject to confirmation by PFC. Members shall be appointed for a three-year term, and may be reappointed for a further three-year term. The call of meetings is at the discretion of the Chairperson provided that there are at least four meetings per year with a quorum of at least four voting members.

The Committee shall

- recommend for PFC approval an Investment Advisor or Lead Manager and, where required, a Custodian;
- monitor the investment performance of Fund assets, and provide quarterly/annual reports thereon to PFC;
- recommend to PFC an annual dividend to be paid to Fund unit holders, mindful of the financial needs of unit holders and of the need over time to avoid erosion of the capital of the Fund;
- keep itself informed regarding the legal and regulatory requirements and constraints set out in this Statement and in applicable trust, securities and other legislation;
- provide the Investment Advisor or Lead Manager with adequate advance notice of any significant non-routine deposits or withdrawals; and
- review annually this Statement and recommend changes, if any, to PFC.

1.4 Advisor/Manager

PFC, on the advice of the Committee, shall appoint an Investment Advisor or a Lead Manager. An Investment Advisor is restricted by its license to providing investment advice to the Committee, whereas a Lead Manager has authority, subject to the limitations imposed by this Statement, to make investment-related decisions on behalf of the Committee. The roles and responsibilities of the Advisor/Manager set in this Statement should be interpreted in this context.

The Advisor/Manager is responsible for

- 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 (e.g. global equities) appointed by the Advisor/Manager, to achieve the Fund's investment objectives. Notwithstanding any discretionary powers that a Lead Manager may have, he/she may choose to consult with and put forward recommendations to the Committee before exercising such powers. In such cases, members of the Committee may seek clarification or explanation of the rationale behind such recommendations.

Sub-managers have authority to manage the portfolios assigned to them in accordance with the mandates given them by the Advisor/Manager.

1.5 Custodian

Where a separate Custodian is employed, the Custodian is responsible for

- holding the assets of the Fund in accordance with applicable legislation, and
- providing a quarterly consolidated report of the assets of the Fund to the Committee.

1.6 Conflict of Interest

Committee members, as fiduciaries of the Fund, must disclose any actual or perceived conflict of interest to the Chair of PFC. A conflict of interest is deemed to exist when a fiduciary of the Fund has an interest of sufficient substance and proximity to his/her duties and powers with respect to the Fund to impair or potentially impair his/her 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.

1.7 Exercising Voting Rights

Sub-managers are responsible for exercising the voting rights for the shares in their respective portfolios, using the best interests of the Fund as the sole voting criterion.

1.8 Securities Lending

Securities lending is permitted as long as normal industry standards of prudence are followed.

Part Two - Investment Objectives

2.1 Fund Objectives

2.1.1 Investment Objective

The Fund will be invested in a mix of publicly traded fixed income and equity securities with the objective of preserving capital by benefiting from the superior long-term returns expected of prudently managed equity investments, while also enjoying the income generation and relative price stability of high quality fixed income investments. Investments will be primarily, but not wholly, in Canadian dollar denominated securities, recognizing the Canadian dollar interests of the unit holders in the Fund.

2.1.2 Corporate Social Responsibility

The Fund shall avoid investment in companies that could pose a significant ethical concern to the Diocese. Should such a concern arise with regard to a specific security held by the Fund, the Committee will vote as to the need to have the security removed from the portfolio.

2.2 Performance Objectives

The Advisor/Manager and sub-managers are expected to add value to the Fund by achieving investment performance on a rolling five-year period that meets or exceeds the relevant index indicated in the table below.

2.3 Asset Mix, Ranges and Benchmark Indices

Asset Classes	Benchmark Allocations	Min-Max Range	Benchmarks (5-year returns)	Expected Return Above Benchmark ¹
	Percentage of total assets ²			
Fixed income manager(s)	40	35 – 45	<i>DEX Universe Bond Index</i>	20 bps
Canadian equity manager(s)	35	30 – 40	<i>TSX Composite Index (capped)</i>	100 bps
Foreign equity manager(s)	25	20 – 30	<i>MSCI World Index (\$US)</i>	150 bps

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-equivalent. The Advisor/Manager will monitor asset mix on a monthly basis and, should the mix go materially outside the stipulated min-max range, will take appropriate rebalancing action.

¹ After investment management fees, measured on a rolling five-year basis

² Percentage of the total Fund portfolio (based on market values) managed by each sub-manager

2.4 Risk Guidelines

The use of derivative securities will be restricted to currency exposure risk management only. Derivative securities may not be used for speculative purposes and cannot be used to add leverage to the portfolio.

2.4.1 Fixed Income

The following risk mitigation guidelines apply to fixed income investments (all references to value are current market value):

- Investments will be spread across a broad range of securities so as to provide diversification and reduce risk.
- Fixed income securities shall be denominated in Canadian dollars, and be rated not less than investment grade (BBB or above) by any recognized rating agency.
- Corporate bonds shall not exceed 50% of the fixed income asset class, and exposure to any single corporate issuer shall not exceed 10% of the asset class.

2.4.2 Canadian Equities

Guidelines regarding Canadian equities investments are as follows:

- Investments shall be well diversified across industry sectors and capitalization ranges.
- No one equity holding shall represent more than 10% of the value of the asset class.
- No more than 15% of the asset class shall be invested in companies with a market capitalization of less than \$250 million at time of purchase.
- The weight of any equity industry group in the portfolio will be limited to the greater of 15% of the equities portfolio or 150% of the industry group's weighting in the appropriate index (TSX Capped Composite Index, in the case of Canadian equities).
- No single holding will represent more than 10% of the outstanding shares of any class of shares of a single corporation (including its consolidated subsidiaries).
- No short sales, private placements or transactions on margin will be executed in the portfolio. Warrants and/or installment receipts, however, may be purchased.

2.4.3 Foreign Equities

Foreign equity investments may invest in securities from the Americas, Europe and Asia, and are subject to the same guidelines as Canadian equity funds. In addition,

- emerging markets shall not account for more than 15% of the foreign equities asset class; and
- there will be no overall hedging of foreign currency exposures against the Canadian dollar, although individual sub-managers may do currency hedging as part of their investment strategy.

2.5 Reporting and Monitoring

2.5.1 Investment Reports

Each quarter the Advisor/Manager will provide to the Investment Committee, within seven business days after the end of the quarter, a preliminary asset valuation report for each of the sub-managers as of the end of the quarter compared with the valuations for the end of the previous quarter and the period 12 months previous.

Not more than 30 business days from the last day of the quarter, the Advisor/Manager will provide a written report with the following information:

- For each sub-manager, Fund holdings at the end of the quarter by industry sector and transactions during the quarter
- Rates of return for the Fund and for the funds managed by each sub-manager, with comparisons against agreed benchmarks
- 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 his/her report, which will address in particular

- the performance of the Fund and of each of the sub-managers;
- the investment outlook, investment strategies, and risks and rewards inherent therein; and
- relevant compliance matters.

At least annually, the Committee will review the performance of each of the sub-managers against other managers with similar investment mandates (peer group). The Advisor/Manager may recommend at any time that a sub-manager be replaced. However, failure by a sub-manager to a) meet or exceed the expected return set out in section 3 above, *and* b) to achieve above-median peer group, five-year performance shall be grounds for an automatic review of whether the sub-manager should be replaced.

2.5.3 Parish Communication

The Committee, working with PFC, will use its best efforts to keep parishes in the Diocese aware of the CTF and its performance. The Diocesan website will be an important tool in this regard.

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.