

# **CHURCH EXTENSION BOARD** of Halifax Presbytery

(the “Board”)

## **Statement of Investment Policies and Goals**

**Adopted: 26 May 2014**

### **Revisions:**

- **March 29, 2016**
- **March 22, 2017**

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## 1. Purpose

**1.1** The Church Extension Board (the Board) has stewardship responsibilities (care, custody and control) for funds it holds in trust on behalf of the United Church of Canada, and under the supervision of Maritime Conference (the “Conference”). The Board’s mandate is to make these funds (the Fund) available to Church bodies within Halifax Presbytery (the Presbytery) to assist with their capital funding requirements subject to a prescribed application process.

**1.2** The Board must provide prudent and effective management of that portion of the Fund (the Investment Fund) that is not allocated to active loans or held as cash on hand reserves, to ensure the Investment Fund is available in perpetuity for the benefit of Church bodies within the Presbytery.

**1.3** The Statement of Investment Policies and Goals (the Statement) addresses the manner in which the Investment Fund shall be invested. The Board has prepared the Statement to ensure continued prudent and effective management of the Investment Fund. Investments shall be selected in accordance with the criteria and limitations set forth herein and in accordance with all relevant legislation. The Statement also defines the management structure and other procedures adopted for the ongoing operation of the Investment Fund.

## 2 Governance

**2.1** The Board has overall responsibility for the Investment Fund, as set out below, however the Board may delegate tasks to the Investment Committee of the Board (the Committee) and to the various agents it has retained to assist it in carrying out its duties in respect of the Investment Fund.

**2.2 The Board shall:**

- Establish and adopt the Statement;
- Review the Statement at least annually and confirm or amend as necessary;
- Appoint the fund managers (the Manager) to manage the Board's Investment Fund;
- Delegate tasks relating to the overall management of the Investment Fund to the Committee, as provided for herein;
- At least annually review and evaluate the Manager's performance both quantitatively and qualitatively, including
  - ✓ An evaluation of rates of return achieved and a comparison to the objectives established;
  - ✓ A review of the degree of risk assumed in attaining investment returns; and
  - ✓ A review of the Manager in the context of the criteria used for their appointment.

**2.3 The Committee shall:**

- Assist the Board in undertaking its oversight responsibilities which includes but may not be limited to the following:
  - ✓ Providing administrative guidance to the Board's Treasurer on matters related to management of cash on hand reserves
  - ✓ Acting as Board's liaison with the Manager and the Treasurer
  - ✓ Facilitating the annual review and evaluation of the Manager
  - ✓ Meet quarterly or as otherwise required with the Treasurer to discuss Manager's quarterly reports

**2.4 The Manager shall:**

- Manage the Investment Fund according to the investment mandate, subject to all relevant legislation and the constraints and directives contained in the Statement, and in any supplementary document provided by the Committee; and be governed by the Code of Ethics and Standards of Professional Conduct of the CFA Institute.

### 3 Investment Fund Overview and Investment Implications

**3.1 The Investment Fund Overview.** The Investment Fund shall be invested in such a manner so as to ensure the following.

#### **3.1.1 Liquidity and Income Cash-flow**

Loans can be awarded in various denominations up to \$50,000. Most often the loans are less than \$50,000 each and during any one fiscal year the number of loans awarded can range from a low of zero to a high of three.

In this context, Fund liquidity is of some concern and is somewhat mitigated by the regular inflow of debt repayments being made by the various Church bodies who have been awarded loans and are making routine payments on these obligations. Since the Board has limited need for cash on hand reserves to either fund loan awards or fund nominal Board expenses, regular cash-flow from the Investment Fund is of limited concern.

#### **3.1.2 Preservation of Capital**

The effects of inflation over time must be offset through investment return to ensure the value of the Investment Fund maintains its relative ability to fund its purposes. The real value of the Investment Fund's capital must be preserved in perpetuity.

#### **3.1.3 Real growth to fund other initiatives**

Investment income should be sufficient over time to allow for modest real growth of the Investment Fund after inflation, expenses and fees. Real growth should average 3% over the long term to allow the Board to create various reserves (the Board Reserves) which in turn allows for the implementation of other funding strategies and mitigation of loan losses.

Board Reserves should respond to various issues in support of the Board's purpose. The Board Reserves can either address risks to the capital base from loan losses (write offs or write downs), or creating & funding incentive programs that meet some strategic need of the Church, the Conference or the Presbytery.

#### **3.1.4 Socially Responsible Investing**

The Board has adopted the Socially Responsible Investment Policy (the SRIP) established by United Church of Canada Foundation (the Foundation). The SRIP is included as **Appendix A** with permission of the Foundation. The SRIP requires that

securities selected and retained within the investment portfolio must meet the requirements of the Jantzi screening model<sup>1</sup>.

### Investment Implications

**3.2** The Investment Fund will require a Balanced asset allocation, to ensure portfolio diversification amongst various asset groups (exposure to Cdn equity, US equity, Global equity, Cdn Bond and Money market) and within each asset group (e.g. maximum exposure to individual equities, quality of Bond rating, etc).

**3.3** The Board will select Pooled Funds and managers sponsored by the United Church of Canada that satisfy the investment needs of the Investment Fund. Investment fund descriptions and guidelines meeting the Investment Fund’s requirements and as established by the Manager are attached in **Appendix B**. The Board adopts these Pooled Funds guidelines. Where there are inconsistencies between the Manager’s performance objectives and the performance objectives specified in section 4, the Statement’s performance objectives shall take precedence.

**3.4** The Asset Allocation is comprised of various combinations of individual investment funds available to the Investment Fund and offered in the following combinations and within the stated target weightings:

<i><b>Asset Allocation</b></i>	<i><b>Targeted weighting</b></i>	<i><b>Weighting Range</b></i>	
		<i><b>Low</b></i>	<i><b>High</b></i>
<i>Money Market</i>	<i>5%</i>	<i>0%</i>	<i>30%</i>
<i>Fixed Income</i>	<i>35%</i>	<i>20%</i>	<i>65%</i>
<i>Canadian Equity</i>	<i>40%</i>	<i>20%</i>	<i>45%</i>
<i>Global Developed Market Equity<sup>2</sup></i>	<i>20%</i>	<i>15%</i>	<i>35%</i>

<sup>1</sup> The Jantzi screening model uses the following screening criteria; business practices, community, employee relations, environment and product considerations (such as safety, alcohol, gaming, pornography, tobacco, weapons).

<sup>2</sup> Reflects the performance of stocks in 23 developed market countries in North America (Canada & US), Europe & Middle East (UK, France, Germany, Italy, Portugal, Spain, Austria, Belgium, Denmark, Finland, Ireland, Netherlands, Norway, Sweden, Switzerland, Israel) and the Asia/Pacific Region (Australia, New Zealand, Japan, Hong Kong, Singapore).

## 4 Investment Performance Objectives

### Quantitative Evaluation

4.1 Quantitative performance of a Manager shall be considered satisfactory if the rates of return on the investments managed by the Manager meet the objectives as stated below.

<b>Asset Allocation</b>	<b>Benchmark</b>	<b>Objective *</b>
Canadian Equity	S&P/TSX Composite Index	+1.00%
Bonds	FTSE TMX Universe Bond Index	+.50%
Global Developed Market Equity	MSCI World Index	+1.00%
Money Market	FTSE TMX Canada 91 Day Index	+0.00%

4.2 Performance objectives for the Investment Fund are set by weighting the performance objective of each of the underlying investment funds by its relative weight in the option.

4.3 For the purpose of measuring rates of return of the Pooled Funds, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods. All index returns shall be total returns. All foreign index returns shall be expressed in equivalent Canadian dollar returns.

### Qualitative Evaluation

4.5 The Managers will be evaluated on the following qualitative criteria at least once each year:

- overall adherence by a Manager to the Statement;
- consistency of a Manager's portfolio style and strategy with its stated style and strategy;
- retention of a Manager's professional staff; replacement of a Manager's staff lost by retirement, resignation, etc.;
- consistency of key personnel and their role in investment decisions;
- competitiveness of fees; and
- characteristics of a Manager's firm (e.g., ownership, growth in assets under management, client retention/loss, etc.).

## 5 Conflict of Interest

### **Individuals or Other Bodies Governed by the Conflict of Interest Policy**

5.1 The guidelines apply to the Board, the Committee, the Manager, and any employee, agent, or third party retained by any of the foregoing that provide services to the Plan (collectively referred to as “Individuals”).

### **Conflict of Interest**

5.2 Individuals may not exercise powers in their own interest or in the interest of a third person, nor may they place themselves in a situation of conflict or potential conflict between personal interest and duties with regard to the investment of the Investment Fund.

5.3 Individuals shall disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investments of the Investment Fund. Without limiting the generality of the foregoing, this would include material benefit from any asset held in the Investment Fund, or any significant holding, or the membership on the boards of other corporations, or any actual or proposed contracts with the issuer of any securities which are or will be included in the Investment Fund.

### **Procedure on Disclosure**

5.4 Individuals shall disclose in writing the nature and extent of their conflicting interest to the Board immediately upon becoming aware of the conflict. The disclosure must be made immediately if the knowledge of the conflict arises in the course of discussion at a meeting.

5.5 If the Individual disclosing the conflict has the capacity to participate in or to make decisions affecting the investment of the Investment Fund, the Individual may only continue to participate with the approval of the Board. In addition:

- The Individual may elect not to participate with respect to the issue in conflict; or if the Individual has voting powers, he or she may continue to participate with respect to the issue only with the unanimous approval of the other participants with voting rights, and



- The Individual's notification shall be considered a continuing disclosure on that issue for purposes of the obligations outlined by these guidelines.

**5.6** The Board shall be notified of any perceived conflict of interest arising from Members receiving assistance with the selection of investment options. The Committee shall take whatever action is deemed appropriate under the circumstances.

**5.7** The failure of a person to comply with the procedures described in this section shall not of itself invalidate any decision, action, direction, contract or other matter.

## 6 SIP&G (Statement) Review

The Board shall review the Statement at least annually, taking into account whether any developments such as the following have occurred:

- governance changes;
- changes in investment beliefs;
- changes in risk tolerance;
- changes to expectations for the long term risk/return trade-offs of the capital markets;
- new investment products;
- changes to legislation; and
- practical issues that arise from the application of the Statement.

## 7 Appendix A

### **The United Church of Canada Foundation (the Foundation) Socially Responsible Investment Policy (the SRIP)**

[..\UC Foundation\Socially Responsible Investment Policy.pdf](#)

## 8 Appendix B

### Fiera Capital Balanced Fund – Class B Units

Fund Description, Investment Objectives, Strategies and Risks, Fund Distribution Policy and Expenses found at the following link:

[http://www.fieracapital.com/en/InvestorSolutions/OurProducts/MutualFunds/~media/Files/PDF/InvestorSolutions/EN/IS\\_EN\\_MF\\_Prospectus.ashx](http://www.fieracapital.com/en/InvestorSolutions/OurProducts/MutualFunds/~media/Files/PDF/InvestorSolutions/EN/IS_EN_MF_Prospectus.ashx)

Fiera Capital Balanced Fund Overview (Class B Units) found at following link:

[http://www.fieracapital.com/en/investor\\_solutions/mutualfunds/ourproducts/balanced\\_fund/](http://www.fieracapital.com/en/investor_solutions/mutualfunds/ourproducts/balanced_fund/)