



**SOROPTIMIST  
FOUNDATION OF CANADA**

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Report  
of the  
Investment Strategy  
Committee

May 2007

October 26, 2007

## Summary & Rationale for Policy

The Investment Strategy Review Committee was formed following the 2006 Annual General meeting in response to the financial report for the year and a presentation by TD Waterhouse. The Soroptimist foundation of Canada's current investment practices do not generate sufficient interest income to sustain the expenses of the Foundation as well as the grants at the level we currently award.

After reviewing the Letters Patent, the By-laws and the SFC Procedures as well as relevant legislation (Federal and Provincial), the committee felt that the appropriate action to take was to develop an Investment Procedure Statement.

There is no need to open the Letters Patent as our "Objects" remain the same. Our By-Laws may stay the same.

The changes would be reflected in Section 3.3 of the Procedure manual.

<b>INVESTMENT POLICY STATEMENT - FINAL DRAFT</b>	
<b>DRAFT PRESENTED:</b>	April 2007;
<b>REVIEWED BY BOARD:</b>	May 2007
<b>APPROVED:</b>	October 27, 2007
<b>RESPONSIBILITY:</b>	Board of Directors

The Investment Policy Statement establishes guidelines governing the investment of cash reserves for the Soroptimist Foundation of Canada. Cash available for investment shall be defined as the Foundation's Endowment Fund and any income not required for the daily operation of the Foundation or Foundation purposes shall be identified by the Treasurer as available funds to be recapitalized for investment.

**PURPOSE:** This policy is established to ensure that funds which Foundation generates by way of cash flows, surpluses, trust funds, reserves, or any other source, are invested to provide optimal returns after due consideration of yield, term, security, and diversification. The two main goals of this investment are to preserve purchasing power of assets through time and provide substantial and stable flow of income to permit the Foundation to carry out its mandate.

**SCOPE:** This policy applies to the Foundation's Endowment Fund and any surplus in the General Fund on deposit or invested in investment securities. The funds are accounted for in the Foundation's Annual Audited Financial Statements under "Endowment Fund".

**PROCEDURE:**

1. Portfolio Objectives

The overall objective of this portfolio is to make a reasonable contribution to the current and long term funding requirements for the Foundation. The portfolio is to be managed in a manner that maximizes return without jeopardizing its principal goal of preserving the capital needed to provide a continued stream of income over the longer term. It is also to be managed in a way that meets the social and environmental standards for investment outlined by the Board of Directors. Within the context of the above requirements, a moderate level of variability in returns will be allowed under the provision that all risks taken are consistent with the objective of long term capital preservation and growth, and socially responsible investing. The maintenance of a moderate level of liquidity to meet unanticipated funding requirements is also desirable. Within the above context, it is furthermore an objective to maintain a lower level of risk for funds identified as funds held on behalf of the Foundation. These funds shall be identified by the Treasurer and approved by the Board of Directors. This objective shall be satisfied by compliance with the asset mix set out in item 2.

2. Asset Mix

The asset mix will be adjusted according to capital market expectations in a way that produces the desired mix of target returns while minimizing market risk, subject to the following parameters:

<b>Allocation</b>	<b>Target Allocation</b>	<b>Minimum Allocation</b>	<b>Maximum Allocation</b>
<b>Cash &amp; Money Market Securities</b>	10%	5%	100%
<b>Fixed Income Instruments</b>	70%	25%	100%
<b>Equities</b>	20%	0%	50%

### 3. Implementation

Investment strategies will be of a long term buy and hold nature, with changes in positions mandated by sound analysis of economic and industry fundamentals. This investment procedure strictly prohibits the Foundation from engaging in any investment activity that would be considered speculative according to the generally accepted principles of conservative investment management.

### 4. Rate of Return Expectations

The Investments must also meet reasonable comparable investment performance standards.

### 5. Rebalancing

Each calendar quarter, the portfolio will be reviewed for compliance with the above asset mix range guidelines by the Board of Directors. If the portfolio mix violates the above ranges, the portfolio will be rebalanced to the upper or lower bound of the ranges for each asset class.

### 6. Liquidity

The Endowment Fund is permanent and liquidity is not a major factor. Liquidity should be maintained within the context of prudent management. Liquidity is necessary in December of each year to cover disbursement quotas (see Tax Considerations). We will advise the Fund Manager by June 30 of each year of the amount required to be paid the upcoming December. Grants and expense monies are usually required around June 1<sup>st</sup>.

## 7. Limitations

It has been determined that Exchange Traded Funds, individual stocks and Canadian government, provincial or corporate bonds rated by Dominion Bond Rating Service, Standard & Poor or similar rating agencies as a “BBB”, A or greater, will be the investment types used for these funds and that an external fund manager will be assigned the mandate of managing our portfolio. Investments will be limited to no more than 20% in one fund for a “mixed” mutual fund (i.e.: Equity Fund);

The use of derivatives, income trusts options, purchasing on margin and short selling of securities is expressly prohibited..

Any investment or activity that may possibly expose the Foundation to liability beyond the amount invested is prohibited.

## 8. Eligible Investments

Investments may be made in: managed products comprised of Cash, Fixed Income, Preferred and Common Equity; Fixed Income investments may also be comprised of direct investments in Canadian Government bonds, provincial government bonds and corporate bonds.

The Social Investment Organization shall preferably be used to determine which products can be used according to their guidelines regarding social and environment investing in Canada. The Social Investment Organization is a national network committed to integrating social responsibility and environmental sustainability with investment.. They are a membership-based organization that includes financial institutions, investment firms, financial advisors and investors. The SIO’s mandate is to promote the practice of socially responsible investment (SRI), which includes screening on social and environmental issues, shareholder advocacy to improve corporate responsibility and community investment to help local development.

The Social Investment Organization defines SRI as the process of selecting or managing investments according to social or environmental criteria. The practice of SRI includes a number of unique investment approaches:

- Effective environmental management
- Good employment practices
- Respect for local needs in the developing world
- Good corporate governance
- Communication and transparency on social and environmental practices
- Quality of customer relations

## 9. Application

This investment policy will be investigated and monitored by an Investment Committee that consists of the following members of the Foundation:

- Treasurer
- Two additional members at large ( one of whom must have experience in the investment field)

The Investment Committee shall be responsible for recommending an external investment firm to hold and manage the Foundation's assets with final approval from the Board of Directors.

## 10. Reporting

The Investment Committee will report to the Board of Directors twice per year.

## 11. Policy Review

This procedure shall be reviewed annually by the Board of Directors to ensure that it remains consistent with the overall objectives of the Foundation and prudent and conservative investment practices. This policy may be reviewed and updated more frequently if necessary.

<b>Terms of Reference :</b>	<b>Investment Committee</b>
<b>Purpose:</b>	<b>To advise the SFC Board regarding management of the Endowment Fund and Investment Strategies</b>
<b>Membership:</b>	<b>Treasurer (usually)</b> <b>2 Members at Large (1 of whom must have experience in Investment field)</b>
<b>Reporting:</b>	<b>The Investment Committee shall report to the Board of Directors twice each year.</b>
<b>Responsibilities:</b>	<b>To investigate, monitor, and make recommendations to the Board of Directors regarding the Investment Procedure and its implementation outcome.</b>
<b>Guideline:</b>	<b>In conducting its mandate the committee shall review:</b> <ul style="list-style-type: none"> <li>• Complete inventories of all portfolio investments and percentage breakdown by each investment type.</li> <li>• A list of all transactions including opening balances, dispositions, purchases and accrued interest details.</li> <li>• Outlining total return of the portfolio.</li> <li>• Comparing return on segments of the portfolio relative to the appropriate benchmark.</li> <li>• Comparing return on the portfolio relative to the portfolio objective.</li> <li>• Details on compliance with this Investment Procedure Statement and details of any variations there from and steps, if any, taken to correct variations.</li> </ul>