

# **Toronto CFA Society Investment Policy as at April 2009**

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## **A. PURPOSE**

The purpose of this policy is to provide a framework for the management of the Toronto CFA Society's (the "Society") financial assets.

## **B. DESCRIPTION OF FUNDS**

In accordance with the Society's Reserve Policy dated April 2008, the Society's total cash reserves ("Total Reserves") are allocated into the following categories:

- i) Board-Designated Reserve Funds ("Designated Reserve Funds") including:
  - a. Contingency Reserve Fund, maintained at not less than 50% of budgeted annual expenses
  - b. Business Opportunities Fund maintained at a minimum of 25% of budgeted operating expenses
  - c. Capital Reserve Fund currently budgeted at \$250K
  - d. Event Cancellation Reserve of 25% of total gross event costs
- ii) Unrestricted Funds (or "Excess Reserves") which are available for general use by the Society.

## **C. INVESTMENT OBJECTIVES, RISK TOLERANCE AND ASSET MIX**

The primary investment objectives, in priority order, are to preserve principal, to maintain liquidity and to generate income. The policy takes into account the following considerations:

- i) the current and projected financial condition of the Society
- ii) short and medium term capital market conditions
- iii) the limited internal resources available to implement the policy

### **i) BOARD-DESIGNATED RESERVE FUNDS**

#### **Investment Objective**

These funds are viewed as longer term funds, with the primary objectives being capital preservation and liquidity. Income is a secondary objective.

#### **Risk Tolerance**

Low

## Asset Mix Policy

Money Market Securities/Short Term Bonds	100%
Overall - Fixed Income and Cash Equivalents	100%
Overall - Equity	0%

## Allowable Investments for the Board-Designated Reserve Funds

PERMITTED INSTRUMENTS	LIMIT
<b>Federal or Provincial Government short-term obligations:</b> <ul style="list-style-type: none"><li>– Government of Canada treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the federal government of Canada</li><li>– Provincial Government treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the provincial governments of Canada</li></ul>	<b>No Limit</b>
<b>Schedule 1 Bank Paper including:</b> <ul style="list-style-type: none"><li>i) An interest bearing account at any Schedule 1 Bank</li><li>ii) Short term securities issued, guaranteed or sponsored by any Schedule 1 Bank</li><li>iii) Term deposits and Guaranteed Investment Certificates</li></ul>	<b>No Limit</b>
<b>Term Deposits, Guaranteed Investment Certificates of Trust Companies that are CDIC insured</b>	<b>CDIC Limit</b>
<b>Mutual Funds / Pooled Funds investing in the above securities</b>	<b>No Limit</b>
<b>Exchange Traded Funds investing in the above securities</b>	<b>No Limit</b>

## Reference Benchmark

DEX 91 Day Treasury Bill Index

## Investment Restrictions

To provide for the safety and liquidity of the Society's funds, the portfolio will be subject to the following restrictions:

- i) Fixed income instruments to have a maturity less than 3 years
- ii) Minimum credit rating of R-1(high) or the equivalent on commercial paper and short term debt, and a minimum credit rating of AA or the equivalent on long term senior debt, by two nationally recognized credit rating agencies
- iii) Management fee on mutual funds/pooled funds not to exceed 50 basis points

## **ii) UNRESTRICTED FUNDS (EXCESS RESERVES)**

### **Investment Objective**

All cash not required for current operating needs or otherwise designated to one of the Board-Designated Reserve Funds, will be invested with the objective of preserving capital and maintaining a high degree of liquidity. Income is a secondary objective. These funds are viewed as short term in nature.

### **Risk Tolerance**

Low

### **Asset Mix Policy**

Money Market Securities/Short Term Bonds	100%
Overall - Fixed Income and Cash Equivalents	100%
Overall - Equity	0%

### **Allowable Investments for the Unrestricted Funds**

<b>PERMITTED INSTRUMENTS</b>	<b>LIMIT</b>
<b>Federal or Provincial Government short-term obligations:</b> <ul style="list-style-type: none"><li>- Government of Canada treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the federal government of Canada</li><li>- Provincial Government treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the provincial governments of Canada</li></ul>	<b>No Limit</b>
<b>Schedule 1 Bank Paper including:</b> <ul style="list-style-type: none"><li>i) An interest bearing account at any Schedule 1 Bank</li><li>ii) Short term securities issued, guaranteed or sponsored by any Schedule 1 Bank</li><li>iii) Term Deposits and Guaranteed Investment Certificates</li></ul>	<b>No Limit</b>
<b>Term Deposits, Guaranteed Investment Certificates of Trust Companies that are CDIC insured</b>	<b>CDIC Limit</b>
<b>Mutual Funds / Pooled Funds investing in the above securities</b>	<b>No Limit</b>
<b>Exchange Traded Funds investing in the above securities</b>	<b>No Limit</b>

### **Reference Benchmark**

DEX 91 Day Treasury Bill Index

## **Investment Restrictions**

To provide for the safety and liquidity of the Society's funds, the portfolio will be subject to the following restrictions:

- i) Fixed income instruments to have a maturity less than 12 months
- ii) Minimum credit rating of R-1(high) or the equivalent on commercial paper and short term debt, and a minimum credit rating of AA or the equivalent on long term senior debt, by two nationally recognized credit rating agencies
- iii) Management fee on mutual funds/pooled funds not to exceed 50 basis points

## **D. RESPONSIBILITIES AND AUTHORITIES**

Responsibility for the implementation of the policy is delegated to the Executive Director. Prior to its implementation, the Executive Director shall develop written procedures and internal controls consistent with this investment policy, to be approved by the Finance Committee (or any other committee so appointed by the Board of Directors), and shall invest the Society's funds in accordance with the asset mix policy and the permitted instruments allowed therein.

## **E. CONFLICTS OF INTEREST GUIDELINES**

Anyone involved directly or indirectly with the Society's fund investments shall immediately disclose, at the time of its discussion of the policy or of matters related to the investment of the Society's funds, any actual or perceived conflict of interest that could be reasonably expected to impair, or could be reasonably interpreted as impairing, his/her ability to render unbiased and objective advice to fulfill his/her responsibility to act in the best interests of the Society.

## **F. POLICY AND PROCEDURES REVIEW**

The Finance Committee (or any other committee so appointed by the Board of Directors) shall review compliance to policy on a quarterly basis and provide a report to the Audit Committee annually.

The Finance Committee (or any other committee so appointed by the Board of Directors) shall review the policy at least annually and shall report on, and table any recommended changes, to the Board of Directors of the Society for their consideration.