Internal Memorandum

To: CFA Society Toronto Board of Directors
From: CFA Society Toronto Finance Committee
Date: July 27, 2016
Re: CFA Society Toronto Investment Beliefs

This document outlines the fundamental guiding principles, or investment beliefs, underlying the CFA Society Toronto Investment Policy:

Objectives

The CFA Society Toronto investment portfolio has the following objectives, in order of importance:

- capital preservation,
- liquidity, and
- generation of risk-appropriate returns.

Asset Selection	Asset selection should be matched to the nature and structure of the CFA Society Toronto's liabilities and initiatives. Liabilities and future initiatives are reflected in the financial statements as reserves. The assets selected should be matched to the duration of the reserves which they support. The implications of any duration mismatch must be understood.
Capital Preservation	Given the objectives of the investment portfolio, a fixed-income orientation, where all assets are investment grade, will generally provide sufficient prudence to support the capital preservation objective. This should not necessarily preclude the CFA Toronto Society from investing in equity securities; however, any equity securities should specifically achieve a purpose or better satisfy the objectives stated above than a fixed-income alternative.
Liquidity	Liquidity is a critical element of asset selection and the liquidity of an asset should reflect the level of uncertainty in the timing of the corresponding cash outflow.
Risk	Designing and implementing an investment program to achieve a desired level of return must incorporate a thorough analysis of the risks assumed. This focus must encompass not only market risk but also other dimensions of risk such as liquidity risk, counterparty credit risk, inflation risk, etc. Consideration of environmental, social and governance issues is also an important component of prudent risk management and fiduciary duty. It is also important to recognize that the risk environment is not static; it changes over time and will exhibit higher risk in times of macroeconomic uncertainty.
Diversification	The principle of diversification represents one of the key risk mitigation strategies that should characterize our investment portfolio. There are many dimensions to diversification. These include making investments that span a range of products, and counterparties. Diversification cannot protect against loss during a broad-based systemic event but it will protect against the worst outcome.

All of these principles, or investment beliefs, are reflected in the investment strategies that we implement. The investment strategies implemented by the CFA Society Toronto are not static and will evolve over time in response to various needs and opportunities.