

**TORONTO CFA SOCIETY
INVESTMENT POLICY – APRIL 2017**

I. PURPOSE

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

II. DESCRIPTION OF FUNDS

Funds arise from income from operations in excess of operational expenses. These Funds will be reinvested into the operations of the Society and its future initiatives. Liabilities and future initiatives are reflected in the financial statements as reserves. In accordance with the Society's Reserve Policy dated August 2013, the Society's funds are allocated into the following categories:

- i) Board-Designated Reserve Funds ("Designated Reserve Funds") including:
 - a. Contingency/Stabilization Reserve Fund
 - b. Opportunities and Technology Fund
 - c. Capital Expenditures Reserve Fund
 - d. Event Cancellation Reserve
- ii) Unrestricted Funds (or "Excess Reserves") which are available for general use by the Society.

III. INVESTMENT OBJECTIVES, RISK TOLERANCE AND ASSET MIX

The primary investment objectives, in priority order, are to preserve capital, to maintain liquidity and to generate risk-appropriate returns. 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 having a medium to long term time horizon, with the primary objectives being capital preservation and a secondary objective of liquidity and Risk-appropriate returns.

Capital preservation is interpreted as the preservation of the real value of Funds and therefore, inflation should be considered when selecting the asset mix.

Risk Tolerance

Low risk tolerance mindful of the fiduciary duty placed upon those charged with governance of the Society.

Asset Mix Policy

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Asset selection should be matched to the nature and structure of the Society’s liabilities and initiatives. The assets selected should be matched to the duration of the reserves which they support.

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 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.

Allowable Investments for the Board-Designated Reserve Funds

PERMITTED INSTRUMENTS	LIMIT
Federal or Provincial Government short-term obligations: <ul style="list-style-type: none"> – Government of Canada treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the federal government of Canada – Provincial Government treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the provincial governments of Canada 	No Limit
Schedule 1 Bank Paper including: <ul style="list-style-type: none"> i) An interest bearing account at any Schedule 1 Bank ii) Short term securities issued, guaranteed or sponsored by any Schedule 1 Bank iii) Term deposits and Guaranteed Investment Certificates 	30%
Term Deposits, Guaranteed Investment Certificates of Trust Companies that are CDIC insured	CDIC Limit for available Schedule 1 banks with excess being invested in Schedule 1 banks deemed by OSFI as D-SIBs
Mutual Funds / Pooled Funds investing in the above securities	No Limit
Exchange Traded Funds investing in the above securities	No Limit
Listed Equity Securities and Mutual Funds investing in these Listed Equity Securities	Requires Finance Committee approval up to \$100K with Board approval required in excess of \$100K

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
- iv) Listed Equity Securities are to have a market capitalization greater than \$10B CAD and pay dividends at least annually

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- v) The portfolio shall not hold more than 30% of the market value of investments issued by a single issuer

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. Risk-appropriate returns is a secondary objective. These Funds are viewed as short term in nature.

Capital preservation is interpreted as the preservation of the real value of Funds and therefore, inflation should be considered when selecting the asset mix below.

Risk Tolerance

Low risk tolerance mindful of the fiduciary duty placed upon those charged with governance of the Society.

Asset Mix Policy

A fixed-income orientation, where all assets are investment grade, will generally provide sufficient prudence to support the capital preservation objective.

Allowable Investments for the Unrestricted Funds

PERMITTED INSTRUMENTS	LIMIT
Federal or Provincial Government short-term obligations: <ul style="list-style-type: none"> – Government of Canada treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the federal government of Canada – Provincial Government treasury bills, notes, debentures or any other obligation unconditionally guaranteed by the provincial governments of Canada 	No Limit
Schedule 1 Bank Paper including: <ul style="list-style-type: none"> i) An interest bearing account at any Schedule 1 Bank ii) Short term securities issued, guaranteed or sponsored by any Schedule 1 Bank iii) Term Deposits and Guaranteed Investment Certificates 	30%
Term Deposits, Guaranteed Investment Certificates of Trust Companies that are CDIC insured	CDIC Limit for available Schedule 1 banks with excess being invested in Schedule 1 banks deemed by OSFI as D-SIBs
Mutual Funds / Pooled Funds investing in the above securities	No Limit
Exchange Traded Funds investing in the above securities	No Limit

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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
- iv) The portfolio shall not hold more than 30% of the market value of investments issued by a single issuer

IV. RESPONSIBILITIES AND AUTHORITIES

Responsibility for the implementation of the policy is delegated to the CEO. Prior to its implementation, the CEO 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.

V. 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.

VI. 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 bi-annually and shall report on, and table any recommended changes, to the Board of Directors of the Society for their consideration.

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VII. ROLES AND RESPONSIBILITIES

Roles	Responsibilities
Board	<ul style="list-style-type: none">• Approval of all revisions to this policy
Finance Committee	<ul style="list-style-type: none">• Develop, review and endorse policy to the board of directors
CEO	<ul style="list-style-type: none">• Implementation of this policy

VIII. REVISION HISTORY

Last Approval Date	<i>2009</i>
Approval Date(s)	12 April 2017
Effective Date (s):	<i>12 April 2017</i>
Review Frequency	Bi-annually (every 2 years)
Next Scheduled Review:	Fiscal 2019