



TITLE:	Statement of Investment		
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Section 1 - Preamble

This investment policy (“the Policy”) is established by the Finance Committee (“the Committee”) of the Board of the Almonte General Hospital and is ratified by the Board of Directors. All funds in excess of those required for current operations fall within the purview of this Policy.

The primary objective of the Policy is to ensure that the assets of the Hospital are invested in a prudent manner so that they will be sufficient to meet obligations as they come due. The secondary objective is to establish rules, processes and methods in order to assess the short- and long-term effectiveness of the investment process in respect of the primary objective.

In the interests of promoting effective management, it has been decided to delegate to third parties the responsibility for managing the Hospital’s excess funds. In selecting investment managers, the Committee will consider the necessary skills and competencies to efficiently discharge their duties and deliver performance that is satisfactory to the Committee.

All investment managers and third parties receive their mandate from the Committee and must adhere to the parameters of this Policy. The investment managers have full investment management discretion, within the specific guidelines set out in the Policy and their respective mandates.

Investments must be managed with the care, skill and diligence that a prudent expert in similar circumstances would exercise, and in compliance with the standards established by the CFA Institute. If an investment manager feels that the Policy objectives cannot be met or that the Policy restricts performance, which could adversely affect the return or unduly increase the risk, the Committee shall be notified in writing as expeditiously as possible.

The Policy will be reviewed at least once a year by the Committee and will be confirmed or amended at such time.

Section 2 – Introduction

1. This Policy provides guidelines within which the Hospital's funds are to be effectively maintained, managed and enhanced.
2. The Board of Directors of the Almonte General Hospital has the responsibility for approving the investment policies of the Hospital and for monitoring the performance of investments relative to established benchmarks.
3. This Statement of Investment Policies and Procedures provides a set of written guidelines for the investment of Hospital holdings to ensure risk is minimized, appropriate controls are in place and rates of return are reasonable.
4. The management of the investment funds is delegated to the Finance Department of the Hospital, who will engage professional investment managers through a competitive process to act on the Hospital's behalf with quarterly due diligence monitoring.
5. The investment of funds has the following objectives:
 - a. to provide a reasonable flow of income to support operations and capital expenditures as more explicitly defined in the Hospital's annual budget; and
 - b. to increase the market value of the funds so that capital, in real terms, is maintained. This is achieved by increasing the balance held in the funds by an annual amount that offsets the inflationary erosion of the funds.
6. To meet the above objectives, the Hospital will invest its funds in a diversified portfolio of Canadian, US and International equities and Canadian and US Fixed Income instruments.
7. Funds are invested in accordance with this Policy, unless otherwise bound by contract or by donor specifications.

Section 3 - Procedure

Management:

1. The responsibility for the administration of invested funds is delegated to the Chief Financial Officer who will act in accordance with this Policy and any other Board policies.
2. The following investment classifications shall apply:

Short-Term Investments: defined as funds that potentially will be needed to meet operating or capital cash requirements within the next 36 months.

- a) Eligible investments include Federal and Provincial Government and Agency obligations, corporate bonds, commercial paper, banker’s acceptances, cash and other such instruments.
- b) Preservation of capital. Given the short-term nature of these assets, there is no ability to assume any significant levels of risk or volatility.
- c) Provide a level of liquidity necessary to fund anticipated operating and capital expenditures of the Hospital.

Long-Term Investments: defined as funds that are not needed to meet operating or capital cash requirements within the next 36 months.

- a) Eligible investments include Canadian, US and International Equities, Canadian and Provincial Government and Agency obligations, municipal bonds, corporate bonds, zero coupon bonds, debentures, commercial paper, bankers acceptances and foreign pay domestic issuer bonds.
 - b) Preservation of capital. Investment risk and maturity should be balanced with the anticipated need of the funds.
3. It is intended that this Policy comply with all relevant government legislation and regulations including Section 27 (1) of the *Trustee Act (Ontario)* which requires Trustees to “exercise the care, skill, diligence and judgement that a prudent investor would exercise in making investments”.
 4. Assets held in invested funds will be classified and accounted for as assets “held for sale” (Per CICA Handbook Section 3855) with the exception of those Fixed Income assets which are specifically classified as “held to maturity”.

Section 4 – Asset Mix Policy and its Practical Implications – Short-Term Investments

1. An asset mix policy of 50% in fixed income investments and 50% in cash or cash equivalents will provide the balance required to meet the need for liquidity and the need for a reasonable return on investment for those funds designated as short-term.
2. The table below lists the asset classes that may be used and it presents the total fund asset mix policies, referred to as the Benchmark, together with the maximum and minimum exposures for each asset class for those investments designated as short-term.

	Benchmark	Range
Cash or Cash Equivalents	50%	45-55%
Fixed Income	50%	45-55%

3. If more than one investment manager is employed, each will be given an asset mix (which may differ from one investment manager to another) such that the aggregate of the delegated asset mixes will be the mix defined above for the total amount of short-term funds invested.

4. The return on invested funds will be measured against a weighted average return using the benchmarks for each asset class multiplied by the performance of the indices as follows:

Fixed Income	-	Scotia McLeod Universe Bond Index
Cash & Cash Equivalents	-	Government of Canada 30 day T-Bills

Section 5 – Asset Mix Policy and its Practical Implications – Long Term Investments

1. An asset mix policy of 50% in equities, 30% in Fixed Income and 20% in Cash or Cash Equivalents will provide an investment strategy that will balance the competing needs of a stable income stream and growth of assets for those funds designated as long-term.
2. The table below lists the asset classes that may be used and it presents the total fund asset mix policies, referred to as the Benchmark, together with the maximum and minimum exposures for each asset class for those investments designated as long-term.

	Benchmark	Range
Cash or Cash Equivalents	10%	5-15%
Fixed Income	40%	35-45%
Canadian Equities	30%	25-35%
US & International Equities	20%	15-25%

3. If more than one investment manager is employed, each may be given an asset mix (which may differ from one investment manager to another) such that the aggregate of the delegated asset mixes will be the mix defined above for the total Fund.
4. The return on invested funds will be measured against a weighted average return using the benchmarks for each asset class multiplied by the performance of the indices as follows:

Canadian Stocks	-	S&P/TSX Composite Index
U.S. Stocks	-	S & P 500 Index
Non-Canadian, non-U.S. Stocks	-	MSCI EAFE Index
Fixed Income	-	Scotia McLeod Universe Bond Index
Cash & Cash Equivalents	-	Government of Canada 30 day T-Bills

Section 6 - Review Procedures

1. The Chief Financial Officer shall review the performance of each investment manager against the relevant benchmarks and objectives on a quarterly basis, with a view to measuring progress towards the relevant investment objectives.
2. The Chief Financial Officer will report to the Finance Committee of the Board on a quarterly basis on the progress towards the relevant investment objectives.
3. The Chief Financial Officer and the Finance Committee of the Hospital shall meet with each

investment manager at least annually to discuss their performance and investment strategy.

4. The performance of the invested funds will be reported at least annually to the Board of Directors.

Section 7 – Voting Rights

1. When funds are invested, voting rights may be acquired. The exercise of these voting rights is delegated to the Investment Manager, with the instruction that they should be cast in favour of any proposals which, in the opinion of the Investment Manager, secure or enhance the investment value of the relevant security, and against any proposals which, in the opinion of the Investment Manager, expose to risk or reduce the investment value of the relevant security.
2. If the Investment Manager or any of their officers has any pecuniary interest, direct or indirect, in any matter on which the Fund has a right to vote, the Investment Manager shall bring this to the attention of the Finance Department, who is given discretion to,
 - (i) instruct the Investment Manager to exercise the voting right in line with the principles described in (1) above, on the grounds that the relevant pecuniary interest is not material; or
 - (ii) instruct the Investment Manager how to cast the Fund's vote, having considered the principles described in (1) above.

Section 8 - Conflicts of interest

1. If an Investment Manager realizes that a given situation may put it in a conflict of interest and thus impair its ability to act in the best interest of the Hospital or to achieve the established objectives, the Investment Manager shall immediately inform the Finance Department of the Hospital in writing.
2. If it is determined by the Finance Department of the Hospital that a conflict of interest exists, the Chief Financial Officer of the Hospital shall provide an outline to the Finance Committee of the procedures that he or she intends to implement to eliminate the conflict of interest.

Appendix A – Permitted Investments

1. In general and subject to the restrictions noted below, the Fund may be invested in any of the investment instruments listed below.

- a) **Equities**

This asset class is defined as being made up of common shares, mutual funds, convertible bonds and index funds. Derivative holdings (option contracts) may not be purchased under any circumstance. Equity instruments representing individual corporations or equity related indices must be listed on New York, American, National Association of Securities Dealers Automated Quotes (NASDAQ), Chicago or Toronto.

- b) **Fixed Income**

This asset class may include bonds (Canada and the United States), debentures, GICs, strip bonds, preferred shares and investment grade corporate debt instruments as listed below.

- Provincial bonds and provincial guaranteed bonds, when purchased must have a minimum credit rating of a- or A(low) (as rated by the Canadian Bond Rating Service and the Dominion Bond Rating Service, respectively)
- Residual or strip coupon instruments representing direct debt obligations the Government of Canada or a Province of Canada must have a minimum credit rating of A- or A(low).
- Corporate bonds or debentures, when purchased, must have a minimum credit rating of BBB with the limitation that holdings of such bonds may not exceed 20% of the market value of the bond portion of the portfolio.

- c) **Cash or Cash Equivalent**

This asset class is defined as being made up of cash deposits, money market securities, Canada Savings Bonds, GICs, bonds with maturity of one year or less, Government of Canada Treasury Bills, bankers acceptances and term deposits. Money market securities must be rated R-1 or/and may include mutual fund money market instruments offered by Canadian Mutual Fund Companies.

2. The portfolio should hold a prudently diversified exposure to the intended market.
3. Investments may be made in the above asset classes either directly, or by holding units of a pooled, segregated or mutual fund investing in one or more of the asset classes.
4. Investment managers shall take due consideration of environmental, social and corporate governance factors in the selection, retention, and realisation of investments where these may

affect the prospects or performance of the companies in which the fund invests. Of particular concern to the hospital are the protection of human rights and the avoidance of child exploitation. The exact manner in which these factors are taken into account is left to the discretion of individual appointed managers. However, the Hospital may require periodic reports detailing how these factors have been considered in the management of the hospital's assets.

Where assets are invested on a passive basis the Hospital recognises that it is not appropriate to take account of environmental, social and corporate governance in the selection, retention and realisation of investments.

5. Investment Managers shall not engage in the following activities:
 - a. borrowing, except for the purpose of meeting short-term contingent obligations, including but not limited to distribution payment or invoices. In such an eventuality, the term of the loan shall not exceed 30 days and the prior approval of the Committee must be obtained.
 - b. loan guarantees to a third party;
 - c. buying on margin;
 - d. short selling;
 - e. investments in tobacco related activities.

6. The following types of investments are prohibited:
 - a. Privately placed or other non-marketable debt and equity
 - b. Lettered, legend or other restricted stock
 - c. Uncovered short positions
 - d. Leveraged positions
 - e. Derivatives
 - f. Commodities

7. The Hospital shall hold no more than 10% of its long-term assets in the securities of any single entity except issues of Canadian or Provincial Governments or their Agencies, where such Agencies are guaranteed by the appropriate government.