



TITLE: Investment Policy Statement – Undesignated, Designated and Endowment Funds	SPONSOR: VP, Finance & Administration
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1 BACKGROUND

The Investment Policy Statement outlines the roles and responsibilities of individuals involved in the Foundation's investment management as it applies to our Undesignated Fund, Designated Fund and Endowment Fund (the "Investment Funds"). The policy establishes the investment objectives, principles and philosophies including target asset mix, investment horizon and permitted investments for the Investment Funds. The policy also establishes a basis of evaluating investment results against the stated objectives. Overall, this policy should provide sufficient meaningful guidance and flexibility to achieve the desired results.

2 GOVERNANCE - ROLES AND RESPONSIBILITIES

Board of Directors

Pursuant to its governing documents, the Board of Directors is entrusted with the care of gifts and assets for the purpose of fulfilling the QEII Health Science Foundation's (the "Foundation") mission as a charitable Foundation. In accordance with its governance policy, it has established this Investment Policy Statement to ensure prudent management of these gifts.

Investment Committee

The Investment Committee is a standing committee of the Board of Directors established by its Governance Policy and is responsible for:

- a. overseeing the management of the Foundation's Investment Funds and any other funds as may be directed by the Board from time to time;
- b. developing appropriate investment policies and objectives;
- c. monitoring investment performance against investment objectives; and
- d. appointing suitable agents and counsel as required.

Specifically, the Investment Committee will:

- a. review the financial needs arising from the Investment Funds and if deemed appropriate or necessary, recommend policy changes to the Board of Directors;
- b. determine the Investment Funds' risk tolerance and investment horizon, and communicate these to the appropriate parties;
- c. establish reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Investment Funds;
- d. review and approve the selection of qualified Investment Managers to manage the Investment Funds;
- e. ensure the regular evaluation of the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress; and
- f. review and assess existing and new control procedures for safeguarding of the Investment Funds and for ensuring compliance to policies and regulatory requirements.

Senior Management

The Foundation's President & CEO and VP Finance & Administration ("Senior Management") are responsible for the management of the Investment Funds, subject to the oversight of the Investment Committee. Senior Management's roles and responsibilities include:

- a. advising the Investment Committee on program spending and capital preservation objectives of the Investment Funds and coordinating review and assessment of related policies and guidelines as required;
- b. advising the Investment Committee on reasonable investment objectives, and drafting policies and guidelines which will direct consistent investment of the Investment Funds;
- c. implementing, executing and communicating to all appropriate parties all Investment policies and decisions approved by the Board of Directors or the Investment Committee;
- d. reviewing and recommending qualified Investment Managers to the Investment Committee, and drafting mandates and agreements for approved Investment Managers;
- e. reviewing and evaluating the performance of the Investment Managers, to assure adherence to policy guidelines and monitor investment objective progress, and to identify any significant business or personnel developments;
- f. designing, implementing and operating control procedures for safeguarding of the Investment Funds' assets and for ensuring compliance to policies and regulatory requirements;
- g. if required, appointing a custodian;
- h. reporting to the Investment Committee at least quarterly on the performance and status of the Investment Funds.

Consultants

Senior Management may from time to time retain investment management consultants (the "Consultants") who will:

- a. provide analysis, written reports and recommendations in support of review and renewal of investment policies and strategies;
- b. regularly liaise with the Funds' Investment Managers to monitor investment performance, investment strategy and execution, personnel and business developments, and compliance to the investment management agreement and mandate. Any mandate deviations or unusual developments will be reported immediately to the Senior Management, along with recommendations regarding termination when appropriate;
- c. assist in the search, screening, review and interview of new Investment Manager candidates, and prepare selection recommendation reports;
- d. assist in the preparation of investment management agreements for new and revised mandates; and
- e. advise on governance issues and structure, and on regulatory developments.

Investment Managers

Senior Management will enter into written agreements with Investment Managers approved by the Investment Committee establishing the scope of services and the mandate of the Investment Manager. Each Investment Manager must acknowledge, in writing, its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under management subject to any guidelines, constraints, philosophies or directions as outlined in this Investment Policy Statement, the investment management agreement or provided directly by Senior Management of the Foundation for the particular mandate. Specific responsibilities of the Investment Managers include:

- a. discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation as permitted by the mandate guidelines;
- b. reporting, on a timely basis, monthly valuation and performance returns of the investment portfolio under management;
- c. communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process or the progress towards the investment objectives of the Investment Funds;
- d. voting proxies on behalf of the Investment Funds and communicating such voting records on a timely basis;
- e. informing Senior Management regarding any qualitative change in the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.;
- f. informing Senior Management of any regulatory fines, litigation against the investment management firm or its products;
- g. informing the Foundation's Senior Management of any non-compliance with guidelines immediately upon recognition, detailing the nature of non-compliance and remedial action taken. The Foundation expects the Investment Manager to consult with Senior Management once the non-compliance issue has been identified and to bring the portfolio into compliance as promptly and prudently as possible unless otherwise directed by Senior Management or the Investment Committee.

Custodian

If required, Senior Management will enter into a written agreement with a custodial firm (the "Custodian") for the handling and safekeeping of the Endowment Funds' invested securities and assets. The Custodian will physically or electronically (or through agreement with a sub-custodian) maintain possession of securities owned by the Investment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets, owned, purchased, or sold as well as movement of assets into and out of the Investment Funds' accounts.

Fiduciary Responsibilities of the Parties

All of the afore mentioned parties; Investment Committee, Senior Management, Consultant, Investment Manager, Custodian are to be considered fiduciaries of the Investment Funds, and, as such, shall exercise the care, diligence and skill in the administration, investment and management of the Investment Funds that a person of ordinary prudence would exercise in dealing with the property of another person.

The fiduciaries shall use all relevant knowledge and skill that they possess or, by reason of their profession, business or calling, ought to possess.

3 GENERAL INVESTMENT PRINCIPLES AND PHILOSOPHIES

- a. Investments shall be made solely in the interest of the Foundation in accordance with this policy.
- b. The Investment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances and in a manner the Investment Committee reasonably believes to be in the best interest of the Foundation.
- c. Investments of the Investment Funds shall be diversified so as to yield target or above-target returns within acceptable levels of risk to minimize the risk of large losses, and without undue reliance on a single market and/or strategy.
- d. The Investment Funds may deploy multiple asset classes and strategies.
- e. The Investment Funds may deploy multiple Investment Managers in each major-asset class to provide for additional diversification in terms of both investment and business risk. The Investment Funds may utilize external Investment Managers of varying styles and philosophies to attain the Funds' objectives.
- f. The Investment Funds shall be invested in a manner to maximize risk adjusted returns above the passive benchmarks set by the Investment Committee.
- g. As a healthcare organization the Foundation believes that it should limit or exclude investments in sectors and industries that may be viewed as detrimental to the health of Atlantic Canadians. As such, Investment Managers must specifically report any holdings in the tobacco, vaping, opioids manufacturing, alcohol or cannabis sector to the Investment Committee. On a quarterly basis, the Foundation and Investment Committee will review the exposure to these sectors/industries and determine whether further dialogue should be taken with the Investment Manager in relation to the reduction or removal of these positions in consultation with clinical/medical leads from NSHA/QEII. The Investment Committee will also consider the selection and continued appropriateness of any pooled fund mandates holding such positions.

- h. The Foundation will seek investment managers that are ESG (Environmental, Social, Governance) aware and incorporate ESG perspective in their investment strategies.
- i. The Investment Funds are to maintain sufficient liquidity to fund the withdrawals made throughout each fiscal year to support the annual spending allocations for Endowment Fund or for specific project cash flow requirements for the Designated Fund.
- j. Cash is to be employed productively by investment in short term cash equivalents to provide safety, liquidity, and return.
- k. The assets held in the Investment Funds shall be invested in a name that clearly indicates that the investment is held in trust for the Foundation, or registered in the name of the Foundation, or in the name of a financial institution or nominee thereof in accordance with a custodial agreement that indicates the investment is held for the Endowment Funds, or in the name of The Canadian Depository for Securities Limited in accordance with a custodial agreement that indicates the investment is held for the Foundation.

4 UNDESIGNATED FUND POLICY

The fund serves as an overall general fund representing undesignated revenue received by the Foundation that is used for equipment grants, operating funds and special projects approved by the Foundation Board of Directors. The revenue is generated from general donations, undesignated fundraising programs and investment income. All undesignated revenue is used at the discretion of the Foundation Board of Directors.

Undesignated Fund Investment Objectives:

- a. the primary objective of the Undesignated Fund is preservation of capital;
- b. liquidity is crucial to ensure that funds are readily available as project or program spending maybe required on short notice;
- c. and the investment horizon is less than 12 months.

Asset Mix

Liquidity is crucial given the cash flow demands on the undesignated funds and the corresponding investment horizon is very short. Therefore the risk tolerance of this portfolio is extremely low. As such, the only acceptable assets for this fund are high credit quality, short term cash or cash equivalent investments and is defined as follows:

<u>ASSET CLASS</u>	<u>BENCHMARK/TARGET</u>	<u>BENCHMARK INDEX</u>
Cash Equivalents	100%	FSTE Canada 91 Day TBill Index

5 DESIGNATED FUND POLICY

Contributions to the Foundation's Designated Fund represents restricted gifts that are made to specific projects/programs or for a specific purpose. The total value of these gifts must be spent according to specific donor or Board established restrictions and must be invested accordingly. The typical investment horizon is considered short to mid-term (2 – 10 Years). Monitoring of the cash flow requirements of the projects/programs and alignment of the asset mix to meet these obligations should be done at least once a year by the Investment Committee.

Designated Fund Investment Objectives:

- a. the primary objective of the Designated Fund is preservation of capital as funds are restricted for specific purposes;
- b. liquidity is important to ensure that funds are readily available as project or program spending may be required on short notice;
- c. protection of purchasing power over the investment horizon;
- d. generate a modest but stable stream of income under this approach, the funds may use capital gains as well as current income to meet the ongoing commitments of the funds "Total Return = earnings (interest & dividends) + capital appreciation"
- e. and the investment returns from designated funds (non-endowed) will accrue to the Foundation as undesignated revenue.

Asset Mix

Given the importance of liquidity and preservation of capital the Investment Committee has set the reference portfolio asset mix for this fund as follows:

<u>ASSET CLASS</u>	<u>BENCHMARK/TARGET</u>	<u>BENCHMARK INDEX</u>
Cash Equivalents	35%	FSTE Canada 91 Day TBill Index
Fixed Income	30%	FTSE Canada Universe Bond Index
Canadian Equities	15%	S&P/TSX Composite
US Equities	10%	S&P 500 C\$
International Equities	10%	MSCI EAFE (net) C\$

Rebalancing and Drift

The portfolio is permitted to deviate or drift by +/- 10% in each asset class and at an overall asset class level (Cash Equivalents & Fixed Income, and Equities) . Any deviation beyond +/- 10% would require rebalancing or the approval of the Investment Committee to maintain the deviation.

6 ENDOWMENT FUND POLICY

The purpose of the Endowment Fund is to generate income to support specific programs in perpetuity. It consists of restricted gifts where the Foundation must protect capital. The fund should generate income and have sufficient liquidity to support an annual spending amount.

Endowment Fund Investment Objectives

The Endowment Fund has competing objectives that must be weighed and balanced when developing the investment strategy. These objectives include:

- a. preservation of capital as funds are endowed and the principal must be maintained in perpetuity;
- b. protection of the long term purchasing power provided by a rate of return that is equal or in excess of inflation; growth in the principal asset base should be achieved through time;
- c. maximize risk-adjusted returns that in real terms shall equal or exceed the spending policy rate established in the Endowment Fund Management Policy Statement, and to do so at an acceptable level of risk “Total Return = earnings (interest & dividends) + capital appreciation”;
- d. and under this approach, the funds may use capital gains as well as current income to meet the payout requirements.

Asset Mix

The perpetual nature of the funds requires that a long term investment horizon be taken with a view to protect the purchasing power of the funds’ income and the safety of their capital. In order to maximize risk-adjusted returns the Endowment Fund will invest in a diversified group of assets and strategies with defined allocations and guardrails to earn the returns required while keeping the risks of volatility and capital loss within reasonable and tolerable limits. As such the Investment Committee has set the reference portfolio asset mix as follows:

<u>ASSET CLASS</u>	<u>GUARDRAIL OR TARGET</u>	<u>BENCHMARK INDEX</u>
Cash Equivalents		FSTE Canada 91 Day TBill Index
Fixed Income	Cash, Fixed Income and Equities Combined Target 80%;	FTSE Canada Universe Bond Index
Canadian Equities	with internal guardrail of 12% Cash Equivalents and Fixed Income, and 68% Equities	S&P/TSX Composite
US Equity		S&P 500 C\$
International Equities		MSCI EAFE (net) C\$
Real Assets	10%	MSCI/REALPAC Canada Quarterly Property Fund Index
Core Plus Fixed Income	5%	FTSE Canada Universe Bond Index + 0.25% - 0.50% per

Mortgages	5%	60% FTSE Short Term Index, 40% FTSE Mid Term Bond Index +0.25% - 0.50% per annum
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Rebalancing and Drift

The portfolio is permitted to deviate or drift by +/- 5% in each asset class. Any deviation beyond +/- 5% would require rebalancing or the approval of the Investment Committee to maintain the deviation.

7 PERMITTED INVESTMENTS, PORTFOLIO CONSTRAINTS AND DIVERSIFICATION

Subject to other provisions of this Policy, the Foundation Trust Deed and By-laws, and the Income Tax Act (Canada), the Investment Funds may be invested in any or all of the permitted investments listed below. The Investment Funds may hold these investments directly, or indirectly through mutual, pooled or segregated funds, exchange-traded funds and limited partnerships which may have separate investment policies. Should a conflict arise between the provisions of this Policy and the indirect product's investment Policy, the Investment Manager is required to notify Senior Management and the Investment Committee immediately. It is understood that the policies of pooled investment funds will take precedence over this Policy.

Cash Equivalents

Cash equivalents include cash, or money market securities issued by governments, government agencies or corporations and are defined as any investment promising repayment of a fixed amount with a maturity of 0-12months. Investments in cash would include: Government of Canada Treasury Bills, Provincial Treasury Bills, Guaranteed Investment Contracts/Certificates (GICs), term deposits, money market securities, Commercial Paper and Bankers Acceptances.

Fixed Income

Fixed income include bonds, preferred stock, mortgage-backed securities, asset- backed securities, debentures, notes or other debt instruments of governments, government agencies, or corporations.

Mortgages

First and second mortgages on Canadian commercial properties including those in the retail, office, industrial and multi-family sectors;

Equities

Equities include Listed common stocks, convertible debentures, warrants, installment receipts, special warrants or preferred securities, real estate investment trusts ("REITs") and/or income trusts that do not expose the Fund to third party liability exposure.

Real Assets

Real Assets include real estate and infrastructure. Real estate investments are ownership investments in land and buildings that are used for office, industrial, retail or residential purposes. Returns from real estate are expected to provide an offset for inflation over time. Infrastructure investments are investments in assets that provide essential services, such as bridges, highways or airports with sustainable demand and predictable cash flows. Returns from infrastructure are expected to provide an offset for inflation over time.

Derivatives

Derivatives may be used by the Investment Managers for hedging, risk management and portfolio rebalancing purposes, but not for leveraging the Investment Funds. Derivative products include options, futures, forwards and swaps. The use of derivatives must be approved by the Investment Committee on the establishment of any new investment manager agreement. Should an Investment Manager wish to add derivatives as part of their existing mandate/strategy, a formal approval by the Investment Committee is required.

The Investment Funds, or any of its Investment Managers, shall not without Senior Management's prior written permission:

- a. Invest in securities which are not listed on a capped registered Canadian stock exchange, in the case of Canadian equities; or, a major non-Canadian stock exchange, in the case of non- Canadian equities;
- b. Invest in individual bonds or debentures whose quality standard is less than a "BBB" rating as measured by the Standard and Poor's Rating Services or Moody's Credit Reports. Investment in "BBB" rated securities shall not exceed 10% of the investment mandate. Short- term securities will consist of issues with an R-1 Low rating or higher (or equivalent rating);
- c. In the case of assets allocated to and managed by an Investment Manager, invest in the shares, debt instruments, or any other securities issued by the Investment Manager or any of its related companies;
- d. Permit at any time security holdings taken at market value to aggregate:
 - i. More than 10 percent of the fixed income investments mandated to that Investment Manager to be invested in the debt of a single issuer other than the Government of Canada or a province of Canada or their guarantees having at least an "A" credit rating,

Or

- ii. More than 10 percent of the equity investments mandated to that Investment Manager to be invested in the securities of a single issuer,
- e. Purchase securities on margin or engage in short sales;
- f. And borrow money, pledge or otherwise encumber any of the assets of the Investment Funds, except as permitted to meet short-term cash needs or to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management, within applicable legislation.

8 DISPOSITION OF VOTING RIGHTS

It is recognized that certain constraints and policy on voting rights may not be enforceable by the Investment Committee to the extent that the Investment Funds are invested in pooled or mutual funds, however, where possible:

- a) Proxies are to be voted in a manner that best serves the financial interests of the Endowment Funds as the sole voting criterion.
- b) Investment Managers are authorized to decide how to vote a proxy in order to best serve the financial interests of the Investment Funds.
- c) Investment Managers should refer the decision on voting a particular proxy to the
- d) Administration in the following circumstances:
 - i. The Investment Manager, or any of its officers, has a conflict of interest in any matter affected by the vote.
 - ii. The Investment Manager is uncertain of the best interests of the Investment Funds in the matter affected by the vote.
- e) Senior Management may vote any proxies referred by the Investment Manager.
- f) The Investment Committee reserves the right, as they deem appropriate for the benefit of the Investment Funds, to direct an Investment Manager how to vote a proxy in particular circumstances.
- g) The Investment Committee or Senior Management will require the Investment Managers to provide a summary of how proxies have been voted. This report shall also disclose any ESG issues that may have arisen and how this ESG issue has impacted positively or negatively the exercise of any proxy vote.

Conflict of Interest

These guidelines apply to the Foundation, the Committee, the Manager and Custodian including any Employee or Agent of the aforementioned. Any person listed above must disclose any direct or indirect material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the investment of the portfolio. Such conflict must be disclosed in writing at the earliest possible time after becoming aware of the conflict. If such disclosure occurs at a meeting, written notification shall be evidenced in the minutes of the meeting. The party disclosing the conflict must excuse themselves from any participation on the issues creating the conflict except with the approval of the Board of Directors.

For the purposes of this policy, a conflict of interest shall be any situation in which personal, occupational or financial considerations may appear to affect the objectivity of a Committee member. A conflict of interest may be real, potential or perceived in nature.

The Investment Committee shall rely on the current Board approved Conflict of Interest Policy at all times.

Related Foundation Documents

- Statement of Investment Management – Endowment Funds

References

Historical Dates

- New Policy approved by Board of Trustees July 2004
- Revised April 2006, November 2010, October 2011, June 2013 and January 2016
- Revised May 2017: Combined Investment Policy Statement – Designated Funds and Investment Policy Statement- Endowment Funds into one document. Preamble updated to include disbursement requirements. Asset Mix adjusted. Updated Conflict of Interest section.
- October 2017: Revised percentages in Asset Mix section 1.1 and 2.2.
- October 2018 – Revised percentages in Asset Mix section 2.2
- May 2020 – New policy approved by Board of Directors
- October 2020 – formatting updates
- January 2022 – Revised Asset Mix to include Real Assets, Core Plus Fixed Income and Mortgages percentages - section 6
- April 2023 – Revised Asset Mix allocation for Endowment Fund.
- April 2025 – Update title VP, Finance & Administration, revised Designated Fund deviation from 5% to 10%
- November 2025 – removal of traditional asset class targets within the Endowment Fund Policy, and adoption of guardrail approach.