



DIOCESE OF ONTARIO

The Anglican Church of Canada

Investment Policy Statement

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Incorporated Synod of the Ontario Diocese of Ontario

Investment Policy Statement (IPS)

Consolidated Investment Fund

The Advisor(s) administers approximately \$21 million in cash reserves in the Consolidated Investment Fund (the Fund) on behalf of the Diocese and its parishes. Included in this total is the Canon Kerrison Account, which is managed for the purposes and pursuant to the terms specified in the will of the late Canon Kerrison. These funds are invested in the bond and equity markets. An additional amount of approximately \$1.4 million represents cemetery care and maintenance funds that are controlled and managed by a licensed trustee. Province of Ontario legislation requires cemetery care and maintenance funds be deposited with a licensed trustee. This investment policy statement is not applicable to funds managed by the trustee. A list of all investments is published regularly in the Synod Journal.

The investment objective is to maximize income and provide consistent long-term cash flow while preserving and protecting the value of capital invested. Parishes can develop capital growth by instructing the Synod Office to reinvest their distributions rather than pay it out to them. It is intended that parishes use the Fund as a long-term investment tool. The Synod Office is not equipped to calculate daily interest and handle other transactions that would be required of short-term investment facilities. However, capital withdrawals can be made as required upon request and can be available within a reasonable time period. A slight delay may be experienced depending on the size of the withdrawal and the resulting need to negotiate an investment instrument in order to acquire the necessary cash reserves.

Actual interest and dividends received are paid to the Diocese and its parishes (or reinvested on behalf of the Diocese and its parishes) on the basis of their capital investment in the Fund. A quarterly distribution is paid in April, July, October, and January based on the capital invested at the end of the current quarter just ended.

To offset the costs associated with administering the Fund, a 1.25% administration fee is recovered annually by the Diocese. Annual distributions net of administration fees are shown below (as percent of capital invested) for the last ten years:

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.0%	5.00%	5.00%	5.00%

The distribution rate used in any given year represents an estimate of the actual interest and dividend income that will be earned that year by investing funds on behalf of the Diocese and its parishes. The distribution rate may also reflect the

payment of a portion of accumulated capital gains. The distribution rate is subject to change without notice based on market trends as they are experienced by the Fund.

When the financial state of the fund and the fund's returns permit, the Investment Committee may elect to make a Special Distribution of Income to churches. Such Special Distributions would be one-time actions, based on current conditions

1. Governance

1.1. Purpose of the Consolidated Investment Fund Policy Statement

The purpose of this IPS is to provide direction and an accountability structure in the execution and management of the Consolidated Investment Fund.

1.2. Administration

Investment Committee

As members of the Diocese of Ontario Investment Committee (the "Investment Committee"), we are called to be God's stewards of funds entrusted to us. An understanding of stewardship is based in scripture. The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers, and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability.

The Investment Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors.

The Investment Committee shall:

- Monitor the Fund and the investment performance of assets managed by the Investment Advisor and the performance of the Fund as a whole.
- Inform the Investment Manager of any significant deposits and withdrawals.
- Provide regular reports to the Synod Council.

The Advisor(s) administers approximately \$21 million in cash reserves in the Consolidated Investment Fund on behalf of the Diocese and its parishes. The Advisor(s) oversees the management of the Fund's investments on behalf of the Synod Office.

The Advisor(s) provides policy advice where appropriate and ensures that the Fund is managed consistent with the policies set out in this IPS and with all

applicable legal requirements, including the Income Tax Act (Canada) and the Ontario Trustee Act.

1.3. *Advisor(s)*

The Advisor(s) is responsible for:

- Ensuring that the Fund is managed in accordance with the requirements of this IPS and with all applicable legal and regulatory requirements and constraints.
- Recommendations of stock and bond purchases and sales to be made to the Treasurer, verbally or by email. The Advisor will inform the Treasurer that the recommendation is in conformity to the IPS.
- Ensuring all investments conform to the IPS for social responsibility, which will be reflected within the Advisor(s)'s quarterly report.

If authorized by the Treasurer, pursuant to an agreement signed by both the Advisor(s) and the Treasurer, the Advisor(s) may make discretionary purchases or sales of investments without the specific pre-approval of each transaction, provided that the transactions are consistent with this IPS. As soon as practical following each such discretionary transaction, the Advisor(s) will inform the Treasurer of the nature of and the rationale for the transaction.

The Advisor(s) will make direct investments in stocks and bonds. Investments in structured products (except in a bank sponsored short term deposit fund), derivatives (except in stripped coupons and residuals), equity mutual funds and exchange traded funds (ETFs) will not be permitted, in part to ensure a socially responsible platform.

1.4. *Conflict of Interest*

The Advisor(s) must disclose any actual or perceived conflict of interest to the Synod Office. A conflict of interest exists when a fiduciary of the Fund has an interest of sufficient substance and proximity to his duties and powers with respect to the Fund to impair or potentially affect the Advisor(s)'s ability to render unbiased advice or to make unbiased decisions affecting the Fund.

1.5. *Review*

This Investment Policy Statement will be reviewed by the Investment Committee from time to time and any recommended changes will be presented to Synod Council for approval.

2. Investment Objectives

2.1.1. Investment Objective

The objective of the Fund is to maximize income and provide a reliable source of long-term cash flow, typically to be disbursed quarterly to the Diocese and its parishes, while preserving and protecting the value of capital invested.

The Fund will be invested in a mix of publicly traded fixed income and equity securities and Real Estate Private Equity (REPE). The objective of the Fund is to preserve the purchasing power of the capital invested (that is, exceed the annual rate of the Consumer Price Index-CPI on a rolling five-year basis), while benefiting from long-term returns expected of prudently managed investments. Income generated within the Fund will consist of dividends from the equity securities and interest from fixed income securities. The Advisor(s) will adhere to the general objectives of the Fund and manage the funds in such a way as to be able to respond, from time to time, to periodic cash requirements.

2.1.2. Socially Responsible Investing

The Advisor(s) and those charged with overseeing the activities of the Fund (senior Diocesan staff and members of the Investment Committee) are familiar with and endorse the United Nations' Principles for Responsible Investing. Consequently, the Fund will consider environmental, social and governance issues in selecting investments for the Fund. Recognizing that no company is perfect, it will look for companies in which it invests to demonstrate progress in improving their performance in these areas. To this end, the Fund will look for companies that publish regular sustainability, ESG or similar reports that set out goals and track performance against those goals.

The Fund will vote its proxies in a manner that furthers progress on ESG issues and, where deemed appropriate, support shareholder proposals that it believes will enhance the ESG performance of the companies in which it invests.

The Fund may take note of ratings issued by one or more third party services that rate the ESG performance of companies. However, given the weak correlations between the ratings of these third-party organizations, it will not be bound by the analysis of any particular third party.

The Fund will avoid investments in companies that could pose significant ethical concerns such as for-profit prisons, tobacco and, at the present time, companies that explore for or extract fossil fuels.

Where the investments merits warrant, the Fund will look for opportunities to invest in companies that will have a positive impact on Canadian society, including, but not limited to, clean energy technologies.

2.2. Performance Objectives

Performance should generally be consistent with the performance of the DEX Mid Term Bond Index¹, S&P/TSX Composite and S&P 500 (C\$), over a five and ten-year period. The primary objective is to strive to exceed CPI on a rolling five-year period.

2.3. Asset Mix (Main Account)

Asset Mix within the Portfolio: the content of the portfolio offers a broad range of public equity and fixed income allocations and real estate private equity, allowing for the opportunity to invest in asset classes that offer the best long-term benefit to the client.

Asset Classes	Asset Mix within the Portfolio*
Fixed Income	40 – 80%
Canadian Equity	20 – 60 %
Foreign Equity	0 – 30%
Real Estate Private Equity (REPE)	0 - 5%

¹ DEX Mid Term Bond Index: A sub-index of the broader DEX Universe Bond Index. It is a broad measure of the Canadian investment grade fixed income market consisting of Government of Canada bonds, Provincial bonds, Municipal and Corporate bonds with medium term maturities. The Mid sub-index includes bonds with remaining terms greater than 5 years, and less than or equal to 10 years.

Asset Mix (Canon Kerrison Account)



Asset Classes	Asset Mix within the Portfolio*
Fixed Income	30 – 80%
Preferred Equity	0 – 10 %
Canadian Common Equity	20 – 60%
Foreign Common Equity	0 – 30%

At any point in time the Advisor(s) might strategically, or for the purposes of anticipated cash disbursements, designate some portion of the fixed income class and the Canadian and foreign equity class in cash or cash-equivalents. The Advisor(s) will monitor the asset mix on a monthly basis and, should the asset mix move materially outside the stipulated range, will take appropriate rebalancing action.

2.4. Risk Guidelines

Derivatives will not be used as any risk reduction or return enhancement within the portfolio. The maximum level of risk permitted will be defined in the subsequent sections “Fixed Income, Canadian Equities, Foreign Equities and Real Estate Private Equities.”

2.4.1. Fixed Income

Investments will be spread across a broad range of securities so as to provide diversification and reduce risk.

The permitted asset classes and investment benchmarks are as follows:

- Bonds, both interest bearing and compound, “BBB (low)” (investment grade) rated or better, based on DBRS (Dominion Bond Rating Service) ratings. Canadian dollar denominated bonds issued by Canadian governments or corporations only. A downgrade below BBB (low) will require sale of the security within 180 days.

- Treasury Bills issued by the Canadian Government or any of the Provinces.
- Money market instruments issued by a Canadian Corporation. Such instruments to be rated R-1 middle or better by DBRS and have an initial maturity of less than two years. A downgrade below R-1 will require sale of the security within 30 days.
- Term Deposits or similar instruments issued by or unconditionally guaranteed by a major Canadian Bank, Trust Company or Credit Union.
- Cash deposited with a Canadian bank owned investment dealer.
- Cash on deposit, or equivalent, with a Canadian Chartered Bank.

Limitations: No one issuer shall exceed 10% of the overall portfolio, unless the issuer is a Canadian bank, municipality, province, or the Government of Canada, in which case the maximum is 20%.

2.4.2. Canadian Equities

Guidelines for Canadian Equities are as follows:

- Investments will be well diversified across industry sectors.
- No one equity holding will represent more than 10% of the value of the asset class.
- Not more than 15% of the asset class will be invested in companies with a market capitalization of less than \$250 million at the time of purchase.
- No short sales, private placements, or transactions on margin will be executed in the portfolio. Warrants and/or installment receipts, however, may be purchased.
- Preferred shares rated P2(low) or higher, as rated by DBRS. A downgrade below P2(low) will require sale of the security within 180 days.

2.4.3. Foreign Equities

Foreign equities may be invested in the Americas, Asia and Europe. These securities will be subject to the same restrictions as the Canadian equities (indicated above).

- Emerging markets will not account for more than 15% of the foreign equities asset class.
- There will be no overall hedging of foreign currency exposures against the Canadian dollar.

2.4.4 Private Equities (REPE)

- Real Estate Private Equity investments shall be limited to Canadian real estate.

Up to 5% of the Fund may be invested in real estate private equity.

2.5. Communication

The Treasurer will authorize transactions communicated by the Advisor(s) unless discretionary trading authority has been given to the Advisor(s) pursuant to section 1.3.

In addition to monthly statements and individual transaction reports, a quarterly and annual report will be provided by the Advisor(s).

2.6. Reporting and Monitoring

2.6.1. Investment Reports

Each quarter the Advisor(s) will provide to the Treasurer, within seven business days after the end of the quarter, an asset valuation report for the Fund portfolio.

No more than thirty business days from the last day of the quarter, the Advisor(s) will provide a written report with the following information:

- Fund holdings at the end of the quarter by industry sector.
- Market value of the portfolio.
- Transaction summary during the quarter.
- Rates of return comparisons with CPI, DEX Mid Term Bond Index, S&P/TSX Composite and the S&P500. Rates of return to cover 1, 3, 5 and 10 years.
- The weighted average duration of the portfolio. Summary report stating that the assets of the Fund are invested in compliance with this IPS.
- Income generated by the portfolio and percentage cash return (versus yield to maturity), taking into account the premium or discount on bonds in the portfolio.
- A detailed investment outlook.
- Summary detail of each corporate holding in the portfolio.

- A letter of recommendation regarding the amount of income that can be distributed to the parishes for the upcoming quarter, taking into account expected interest and dividends and taking into account the discount or premium on bonds.

2.7. Monitoring

The Advisor(s) will meet with the Investment Committee and Treasurer to present a report on a quarterly basis. The Advisor(s) will present in the report information consistent with the quarterly report and information as required by the auditors.

2.8. Standard of Care

The Advisor(s) will comply, at all times and in all respects, with the Code of Ethics and Standards and Professional Conduct promulgated by the CFA Institute.

2.9. Income

Effective January 1, 2021, Income is paid or accumulated in each account on a quarterly basis. A quarterly dividend is paid in the week after the end of each quarter based on the capital invested in the fund. Funds deposited begin earning income the day they are deposited. Funds that are withdrawn stop earning income on the day they are withdrawn.

Income from the Kerrison fund is paid quarterly and in accordance with directions of the will.

In order to provide the most expedient, secure and cost-effective method of payment, the standard practice is to utilize Electronic Funds transfers directly into the bank accounts designated by each church.

3.0 Withdrawals.

Funds may be withdrawn by Churches at their own discretion. There is no minimum balance restriction on the withdrawal of funds. Normal process time for withdrawals is targeted to be :

Withdrawals below \$25,000	10 Business Days
Withdrawals \$25,000 to \$100,000	15 Business Days
Withdrawals over \$100,000	20 Business Days

Withdrawals are normally done by eTransfer unless other arrangements are requested.

Churches are responsible to ensure that any conditions or restrictions placed on donated or trust funds by the donor are met.

4.0 Cemetery Care and Maintenance Funds

The Cemetery Trust Fund (Care and Maintenance Funds) are currently held by TD Canada Trust . It includes Care & Maintenance Funds, and Monument Care and Maintenance Funds. Cemeteries may also have non-regulated funds held in the Central Investment Fund. At the discretion of the Investment Committee, and with the approval of the BAO, these Trust Funds can be moved to a different Trustee if it benefits the fund.

The Funeral, Burial and Cremation Services Act, 2002, S.O. 2002, c.33 requires that the funds be managed by a trustee.

The fund will distribute income earned in the form of interest and dividend. In compliance with Bereavement Authority of Ontario's requirement, the dividend distribution is limited to the investment income earned during the year.