

Bill Reid Foundation Policies
Policy Name: Investment Policy 2023.2
Area: Process
Date Adopted: October 19, 2017
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PURPOSE

This policy is to give guidance on the following Funds:

General Fund

Separate Fund(s) may be established to allow greater flexibility in investment strategies for individual Funds and to provide, in some cases, for a payout strategy more appropriate to the BRF's short-term operating and / or capital asset requirements.

1. INTRODUCTION

The Bill Reid Foundation ("BRF") was established in 1999 to honour the legacy of Bill Reid and celebrate the diverse Indigenous cultures of the Northwest Coast. The Bill Reid Gallery was created in 2008 by the Bill Reid Foundation to showcase the work of Bill Reid as well as present innovative exhibitions and programs that educate and inspire a deep understanding of the Indigenous cultures from the Northwest Coast. The operation of the Bill Reid Gallery is the main focus of the Bill Reid Foundation.

The BRF receives limited governmental funding for certain operational costs. The BRF Investment Fund (the "Fund" or "Funds") is comprised of the bequests, designated donations, fundraising activities, and operating surpluses allocated to the Fund by the Board of Directors of the Bill Reid Foundation (the "Board").

At its sole discretion, the Board may also allocate Fund capital to special projects subject to a Special Resolution (with a 75% approval) of the Board. The Board has unrestricted authority to manage the Fund and does so with full awareness of the "Prudent Investor" rule.

As a guiding principle, the Fund will make "Responsible Investments", and with the Fund Managers will seek to achieve long-term sustainable financial returns. The Board, through the due diligence of the Finance Committee in its oversight of the Fund Managers, encourages corporate practices that promote environmental stewardship, consumer protection, human rights and diversity.

This policy has been developed to set out the investment framework for all Fund(s) under the control of BRF.

2. PURPOSE

The purpose of this policy is to give guidance on the investment of Fund(s) under the control of BRF and the general use and allocation of income from these investments.

3. GOVERNANCE

Preservation of the Purchasing Power of Capital over the long-term shall be a major goal.

- 3.1. All investments will be made in accordance with the Code of Ethics and Standards of Practice of the Chartered Financial Analyst Institute (CFA), unless specifically approved by the Board of Directors;
- 3.2. BRF's investments shall be administered in accordance with the Prudent Investor Rule, as described in the Standards of Practice Handbook of the Chartered Financial Analyst Institute;
- 3.3. The Directors are responsible for reviewing and accepting the policies of the individual fund parameters of the Professional Portfolio Manager;
- 3.4. The portfolios held in various Funds shall normally be maintained as 'Balanced – Moderate Risk' investments. Investments are held for two purposes: operating assets and long-term investment. This is monitored on a quarterly basis;
- 3.5. Long Term Investments Fund is maintained to provide long-term funding needs for BRF in perpetuity; and
- 3.6. Review of BRF's investment policy and all asset investments will occur on an annual basis.

Allowable Spending Rate of Investment Income

- 3.7. BRF shall follow a spending policy (i.e. not greater than 4% on the average market value of the funds over the previous 3 years) based on total investment income not just dividends and interest. Total investment income will include:
 - 3.7.1. Dividends and interest received during the period;
 - 3.7.2. Realized capital gains less losses; and
 - 3.7.3. Unrealized capital gains/losses to bring asset valuation to current market.
- 3.8. BRF aims to transfer to operations in annual installments of 3% of the Endowment Fund's market value as of January 30th. The 3% is generally in excess of inflation capped at 3% that could be allocated to the endowment principal to protect the capital in perpetuity.
- 3.9. BRF aims to reinvest sufficient investment income to maintain the purchasing power of its Fund (i.e. balance in the fund at the end of the period is equal to or greater than the original balance increased by inflation capped at 3%..)

4. CONFLICT OF INTEREST

Individuals Governed by Policies

This policy applies to:

- 4.1. Members of the Board of Directors;
- 4.2. The Professional Portfolio Manager; and
- 4.3. Any employee or agent retained by those listed in a. or b. above to provide services related to investments under the Fund.

Conflict of Interest

Any person listed above must disclose any direct or indirect association or material interest or involvement that would result in any actual, potential, or perceived conflict of interest with regard to the selection of the investments of the portfolios.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the Policy has:

- Any material interest in any asset of the Fund;
- Receives a benefit from any assets held in the Fund, or a benefit from any actual or proposed contracts with the issuer of any securities which are, or will be included in the Fund;
- Membership on the board of directors of any company being considered as an investment for one of the portfolios; or
- Significant holdings in the securities issued by companies being considered as an investment for one of the portfolios.

Procedure on Disclosure

Any person listed above shall disclose the nature and extent of their conflict to the Chair of the Board in writing, upon the earliest of:

- i. First becoming aware of the conflict or potential conflict;
- ii. At the first meeting in which the matter in issue is disclosed; or
- iii. At the first meeting in which he/she knows or ought to have known that he/she has an interest in the matter discussed.

For the purposes of ii) above, the disclosure must be made orally if knowledge of the conflict arises in the course of a discussion at the meeting. The notification made by the party shall be considered a continuing disclosure on that issue, subject to any further notification, for the purpose of the obligations outlined by this Policy.

If the party disclosing the conflict has the capacity to participate in or to make decisions affecting the selection of the investments of the funds, the party may only continue to participate with respect to the issue in conflict with the approval of the Board of Directors.

5. ADMINISTRATION & MANAGEMENT

- 5.1. It may be desirable and appropriate to establish individual and separate Funds for specific reasons and or purposes.
- 5.2. The Endowment Fund will be under the control of the Board of Directors. The Endowment investments are to be managed by a Professional Portfolio Manager.
- 5.3. The management of the Funds may be placed with one or more Professional Portfolio Managers, at the discretion of the Board of Directors, to better accomplish particular goals or needs of a specific Fund or to add greater diversification to the overall portfolio.

6. OBJECTIVES Investment Philosophy

- 6.1. The overall investment philosophy of BRF is to maximize the long-term real rate of return, subject to an acceptable degree of risk, consistent with the long-term goal of capital preservation and growth.
- 6.2. The BRF's portfolios will be managed on a discretionary basis using a balanced investment strategy.
- 6.3. To facilitate active management of the portfolios, the Portfolio Manager will employ the principles of diversification and liquidity as deemed consistent with BRF's investment objectives.

- 6.4. Portfolio Managers must be signatories to the United Nations Principles for Responsible Investment.
- 6.5. BRF's Investment Policy will be posted on BRF's web-site.

Portfolio Purpose & Objectives

The primary purpose of the fund is to provide predictable annual financial support to the Bill Reid Foundation in delivery of its strategic plan.

The prudent investment management of the funds' assets will have a direct impact on the achievement of the fund's purpose.

Accordingly, the primary investment objectives for the portfolio, in order of importance, are:

- i. Capital -Preserve capital in perpetuity.
- ii. Satisfactory total return will be judged in the context of recognized benchmarks.
The spend rate is set by the Board of the BRF annually.

7. TRANSACTIONS OVERSIGHT

BRF's investment portfolios will not engage in the following transactions:

- i. Purchase of securities on margin;
- ii. Short sales; or
- iii. Loans to individuals.

8. BALANCED PORTFOLIO – ASSET MIX

Constraints

Asset Class	Comparable Benchmark Index
Money Market	FTSE Canada 91 day T-Bill Index
Canadian Bonds	FTSE Canada Universe Bond Index
Canadian Equities	S&P/TSX Composite Index
U.S. Equities	S&P 500 Index (C\$)
International Equities	MSCI EAFE Index (C\$)

Investments should be structured and managed to provide for the generation of the targeted rate of investment return while assuming the minimum necessary amount of risk. Risk will be measured in terms of downside risk (or risk of loss) of the investment. As appropriate, investments will maintain minimum levels of diversification in order to reduce overall risk which may include diversification by asset class, industry sector and geography.

Asset Mix

Asset allocation or mix refers to the allocation of funds among the major asset classes, including but not limited to, cash, domestic bonds, and domestic and foreign equities (including U.S.). Since the asset mix of a fund tends to determine its risk and return characteristics, control of the fund's asset

mix is BRF's principal means of defining the fund's risk and return parameters. Asset classes, allocation targets and permissible ranges are detailed below.

Operating Assets

The portfolio is to be invested in 100% Canadian dollar denominated money market.

Endowment Fund

Due to the long-term nature of these funds and higher risk tolerance, a heavy allocation to equities is warranted.

Asset Class	Benchmark Asset Mix (%)	Range (%)
Canadian Equities	35	30 - 40
Foreign Equities	35	30 - 40
<i>Total Equities</i>	<i>70</i>	<i>60 - 80</i>
Canadian Bonds	27	20 - 42
Money Market	3	0 - 5
<i>Total Fixed Income</i>	<i>30</i>	<i>25 - 45</i>

Performance Evaluation Benchmarks

The primary benchmark of the Endowment Fund will be to capitalize inflation capped at 3% to the principal plus a 3% spend rate.

The secondary benchmark of the Endowment Fund can be thought of as representing a theoretical passive alternative to active management. The various asset classes and benchmarks are as follows:

	Operating Assets	Endowment Fund
Spending Policy	As needed for the ongoing operation of BRF.	Allowable Spending Rate of Investment Income – 3% plus inflation capped at 3%
Time Horizon	Short term (< 1 year)	Long term (>15 years)
Liquidity	Mostly liquid	Very low liquidity requirements
Risk Tolerance	Very low - 0% tolerance to risk	High - A maximum of 15% loss tolerance in any one year period
Return Requirement	Commensurate with 91 Day T-Bill	Net return goal is to achieve inflation capped at 3% plus 3.0% spend rate and exceed the benchmark return on a 4-year rolling return basis.

A portfolio benchmark return can be calculated using the neutral weighting of the above noted indices and should be included with the Investment Manager's quarterly reporting. This equation will be used

as a basis for comparison to the total return of the entire portfolio. Portfolio return should be calculated on a Time Weighted basis and should include realized and unrealized gains as well as income from all sources. Measurement against performance objectives will normally be assessed over four-year rolling periods.

Security Guidelines

General guidelines for each asset class are as follows:

- **Money market investments**

Investments may include Government, Agency obligations, Corporate issues, Commercial paper, Bankers acceptances, GICs, Cash and other such instruments as deemed prudent by the investment manager. The minimum credit quality per issue shall be R1L as rated by a respected agency and maturities to be less than one year.

- **Domestic Bonds**

- Investments may include Government, Agency obligations and Corporate issues. The minimum quality rating per issue shall be BBB (limited to 20% of asset class) as rated by a respected bond rating agency¹ with an overall bond portfolio rating of A. Should a rating downgrade occur that takes the rating of any bond held below investment grade, the manager is not required to sell this bond but cannot purchase more while the bond is rated non-investment grade;
- The number of individual Government of Canada and Provincial bond holdings will not be subject to any limitations. Other bonds or debentures of a single issuer shall not exceed 10% of the total bond portfolio at the time of purchase; and
- Corporate issues are not to exceed 70% of the bond portfolio.

Credit Rating	Percent (Market Value)
A and above	80% - 100%
BBB	0% - 20%
below BBB	0%

- **Canadian Equities**

- Investment in the shares of any single company should not exceed 10% of the total equity value of this asset class or pool;
- The number of individual equity holdings is a minimum of 40;
- Equity securities to be listed on the Toronto Stock Exchange.

- **US Equities**

- Investment in the shares of any single company should not exceed 10% of the total equity value of this asset class or pool;
- The number of individual equity holdings is a minimum of 40;
- Investment in American Depository Receipts (ADRs) are permitted up to a maximum of 10% of the total asset class or pool;
- Equity securities should be listed on a major stock exchange.

¹ Recognized Fixed Income Rating Agencies: a) Dominion Bond Rating Agency; b) Standard and Poor's; c) Fitch (foreign issuers only); and d) Moody's Investor Services.

- **International Equities**

- Investment in the shares of any single company should not exceed 10% of the total equity value of this asset class or pool;
- The number of individual equity holdings is a minimum of 40;
- Investment in emerging markets is permitted up to a maximum of 15% of the total asset class or pool;
- Equity securities should be listed on a major stock exchange.

8. MONITORING

Investment Reports

The Professional Portfolio Manager shall provide a quarterly investment report to the Board of Directors and the Director and CEO containing the following information:

- Portfolio holdings at the end of the quarter;
- Portfolio transactions during the quarter;
- Rates of return for the portfolio with comparisons to relevant indexes or benchmarks.
- Commentary on investment returns;
- Market outlook and strategy; and
- Commentary regarding any material changes with the Professional Portfolio Manager.

9. POLICY REVIEW

Annual Review

The Professional Portfolio Manager will meet with the Board of Directors and the Director and CEO, usually convened after year-end. The purposes of this meeting are to:

- Review the investment policy and strategy;
- Review the rates of return achieved by the portfolios and their benchmarks;
- Review capital market performance and expectations of future returns;
- Provide any information concerning new developments affecting the Professional Portfolio Manager or its services; and
- Comment on the continued appropriateness of the current policy and strategy.

Compliance

The Professional Portfolio Manager shall provide an annual confirmation of compliance with the requirements set out in this policy.

Periodic Review

The Board of Directors and the Director and CEO will review the performance of the Professional Portfolio Manager relative to their peers at least every 5 years.

10. TAX CONSIDERATIONS

The Fund(s) is not taxable per the Income Tax Act.

11. LEGAL AND OTHER CONSIDERATIONS

There are no legal constraints on the portfolios of the Fund(s).