



Investment Policy

Background

The *Trustee Act* requires that if investment decisions are delegated by the Board of Directors, an investment policy must be in place. This policy articulates the investment goals, objectives and constraints of The Vitanova Foundation and is to be followed whether such investments are managed internally (by senior staff) or externally (by an investment manager). In addition, an investment policy provides distinct benefits:

- It can provide the Board with protection from personal liability in the event a loss occurs, if such a loss resulted from the Board relying on the policy for the investment of trust property, and the policy was such that a prudent investor would adopt under similar circumstances (*Trustee Act*, sect. 28)
- It can ensure that the Board has addressed the statutory requirements to comply with the investment criteria set out in the *Trustee Act*, as well as the related statutory requirements regarding diversification of investments.
- It can provide guidance to an external investment manager

Investment Authority

The Vitanova Foundation is a non-profit organization, incorporated under the Ontario Corporations Act (to be replaced by the Ontario Not for Profit Corporations Act, once proclaimed). Vitanova is also a charitable organization registered by the Canadian Revenue Agency (Reg. no. 124239054 RR0001). The power of its Board to invest is set forth in two places:

- *Letters Patent: To invest and reinvest the funds of the corporation in such manner as determined by the directors, and in making such investments, the directors shall not be limited to investments authorized by law for trustees, provided such investments are reasonable, prudent, and sagacious under the circumstances and do not constitute, either directly or indirectly, a conflict of interest.*
- *By-Law: The Board may invest in any investments which are authorized by the Corporation's investment policy, as approved by the Board.*

Investment Goals

- To maintain sufficient liquidity to meet all spending requirements as they arise
- To provide sufficient capital growth over time to preserve the purchasing power of the Foundation.
- To optimize the total return with due regard to both objectives and constraints

Investment Objectives

The Vitanova Foundation shall:



- Make all investment decisions subject to applicable laws, as well as the Letters Patent and By-laws of the Foundation
- Manage a diversity of investments with the care, skill, diligence and judgment that a prudent investor would exercise in making investments, having regard to the seven criteria set forth in the *Trustee Act*, namely:
 - *General Economic Conditions*: In light of the long-term horizon and specified liquidity needs of the Foundation, investments should be selected on the basis of a low level of risk.
 - *Possible Effect of Inflation or Deflation*: When possible, investment income equal to the rate of inflation should be retained each year and reinvested to prevent erosion of purchasing power over time.
 - *The Expected Tax Consequences of Investment Decisions or Strategies*: A higher level of fixed income investments should be maintained than would be the case for a taxable account with a similar risk tolerance.
 - *The Role that Each Investment (Asset Class) or Course of Action plays within the Portfolio*: Investment asset selection should be co-ordinated with the Foundation's needs for liquidity, regularity of income and capital preservation or appreciation. The need for re-balancing of the investment portfolio should be assessed annually at a minimum.
 - *The Expected Total Return from Income and the Appreciation of Capital*: The annual budgeting process for the Foundation, including a forecast of cash requirements, will include a report on investment outcomes and projections.
 - *Needs for Liquidity, Regularity of Income and Preservation or Appreciation of Capital*: to ensure liquidity, regularity of incomes, and to prevent the erosion of the investment capital and protect the future well-being of the Foundation, the Foundation should try to ensure to the extent possible that the market value of the investments appreciate in an amount at least equal to inflation over the long term.
 - *An Asset's Special Relationship/Special Value, if any, to the Purposes of the Charity*: The Foundation will segregate all assets where there is a special relationship or special value and consider these assets separately from those assets where there are no such special requirements. An annual review of these assets, including a third-party appraisal if required, should be undertaken to ensure that the sentimental value is still valid.
- Retain an Investment Advisor/Counsellor: When the total of sums to be invested exceeds \$50,000 and provided the additional income and/or growth anticipated to be earned as a result of the advice is expected to more than offset the cost of such advice, the Board may choose to seek prudent investment advice from an investment counsellor with knowledge of charity law and trust law who is confirmed as registered with the Ontario Securities Commission and who declares he/she is not subject to any conflicts of interest, The choice of investment counsellor shall be subject to Board approval.
- Retain any investments in a safe and secure place

Constraints

The Vitanova Foundation shall not:



- Accept donations subject to any restrictions on the part of the donor if the Foundation is unable to comply with such restrictions
- Commingle funds that are subject to restrictions with general funds, except as allowed under the *Charities Accounting Act*
- Hold land not used for charitable purposes, as stipulated in the *Charities Accounting Act*
- Own more than 10% of any business, as stipulated in the *Ontario Charitable Gifts Act*