



**JEWISH  
FOUNDATION  
— OF MANITOBA —**

**THE JEWISH FOUNDATION OF MANITOBA**

**STATEMENT OF INVESTMENT POLICIES  
AND GUIDELINES**

**APPROVED BY THE BOARD OF DIRECTORS  
ON DECEMBER 8, 2015**

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# 1. OVERVIEW

- 1.1 This Statement applies to the assets held by The Jewish Foundation of Manitoba (the "**Foundation**"). It contains the Foundation's investment policies, investment objectives, investment guidelines, monitoring procedures and the Foundation's Investment Committee's conflict of interest guidelines.
- 1.2 The Foundation's mission is to encourage and facilitate the creation and growth of endowment funds to enable the community to realize its potential. To meet this objective the Foundation must maintain effective stewardship over all assets entrusted to it.
- 1.3 The Foundation's mandate is to receive capital gifts, invest them and make annual distributions. The goal is to provide for grants and scholarships to support the community in perpetuity and correspondingly invest the capital gifts in accordance with this policy and distribute in accordance with the Distribution Policy.
- 1.4 The Board of Directors of the Foundation (the "**Board**") may delegate its investment supervisory and monitoring powers and responsibilities to the Foundation's Investment Committee (the "**Committee**"). The Board retains final authority over the Foundation's Investment Policies and the Statement but relies on advice from the Committee.
- 1.5 The Committee may retain the services of a manager of investment managers (the "Manager") to provide expert advice and recommendations to help the Committee discharge its fiduciary responsibilities in furtherance of the Foundation's goals and objectives.
- 1.6 The Committee may retain the services of a custodian (the Custodian) to maintain safe custody over the investments of the Foundation.
- 1.7 The Committee may retain an independent advisor to support its role and responsibilities in the oversight and management of the Foundation's investments.
- 1.8 The Committee and its agents and advisors must conform with the provisions of the Statement.
- 1.9 The Statement will be reviewed annually by the Board, or more frequently if deemed necessary, to ensure that it is appropriate and effective.

## 2. ROLES AND RESPONSIBILITIES

2.1 The Committee has the following supervisory and overview responsibilities:

(1) Policy Decisions

- investment objectives
- investment limitations/constraints
- investment preferences
- permitted investments
- asset mix targets and ranges
- overall portfolio and manager benchmarks for performance measurement

(2) Strategic Decisions

- investment manager structure
- appointment and termination of the Manager, custodians, independent investment advisor and other advisors, including contractual terms of reference and fee structure
- development of investment strategies and philosophies

(3) Operational Oversight

- ensuring the Manager complies with the Foundation's guidelines
- reviewing reports from the Manager and the Custodian for unusual transactions/situations
- meeting with the Manager
- meeting with the independent investment advisor as applicable
- evaluating the performance of the Manager and the Custodian and the independent investment advisor taking into account:
  - satisfaction of performance objectives
  - ability to communicate with and availability to Foundation personnel
  - quality and timeliness of presentations and written reports
  - co-operation with other Foundation agents and advisors
  - material developments at the firm

- 2.2 Effective stewardship is executed through the Committee behaving as prudent investors would as outlined in the Trustee Act. This includes effective diversification to manage risk and ensure that the investment portfolio is structured to provide for the Foundation's income requirements on an ongoing basis protected from inflation.
- 2.3 The Committee will be guided and assisted by the Foundation's Chief Executive Officer who is responsible for day-to-day management and oversight of the Foundation's investments, including recommendations respecting changes to the Investment Policies and retention of or changes to agents and advisors.
- 2.4 The Committee will provide at least annually to the Board the following information:
- (1) reconfirm or recommend changes to the Statement of Investment Policy and Guidelines;
  - (2) reconfirm or recommended changes to the independent advisor, Manager or Custodian;
  - (3) description of the work completed by the Committee and its agents and advisors;
  - (4) detailed report on the Foundation's investment performance against the market benchmarks and the Foundation's financial objectives; and
  - (5) the status of the Foundation's assets and accounts.
- 2.5 For further clarity, the Committee will seek Board approval prior to implementing a significant departure from the current investment approach. Currently the approach utilizes index replication strategies for the majority of equity and fixed income investments.
- 2.6 The services provided by the Manager will include the following: monitor long-term capital market trends and suggest broad-based asset-allocation policies to be approved by the Committee and implemented by the Manager; appoint and terminate investment management firms (the "Investment Managers") as appropriate to implement the Foundation's investment policies and objectives; rebalance the portfolio in accordance with the Policy; document the Foundation's investment policies and objectives and periodically review the Policy, and suggest appropriate changes; measure, evaluate and report in writing the portfolio and Investment Managers' performance results at least quarterly, including reporting on the performance results of the underlying asset classes versus appropriate benchmarks; and meet with the Committee, as required.

The Manager will invest the portfolio in accordance with the objectives stated in the Policy. The responsibilities of the Investment Managers will include the following:

- have discretion and authority for determining investment strategy and implementation of security selection and timing consistent with the Policy guidelines;
- comply with all legislation and regulations that relate to the Foundation as it pertains to the Investment Manager's duties, functions and responsibilities;

- vote the proxies on the securities in the portfolio in accordance with the Investment Manager's own guidelines and in the best interests of all clients. All Investment Managers voting proxies on behalf of the Foundation may be asked to provide a copy of their voting policy and a record of their votes to the Manager;
- provide the Manager with such reports at such frequencies as may be required; and
- meet or exceed performance standards as established by the Manager.

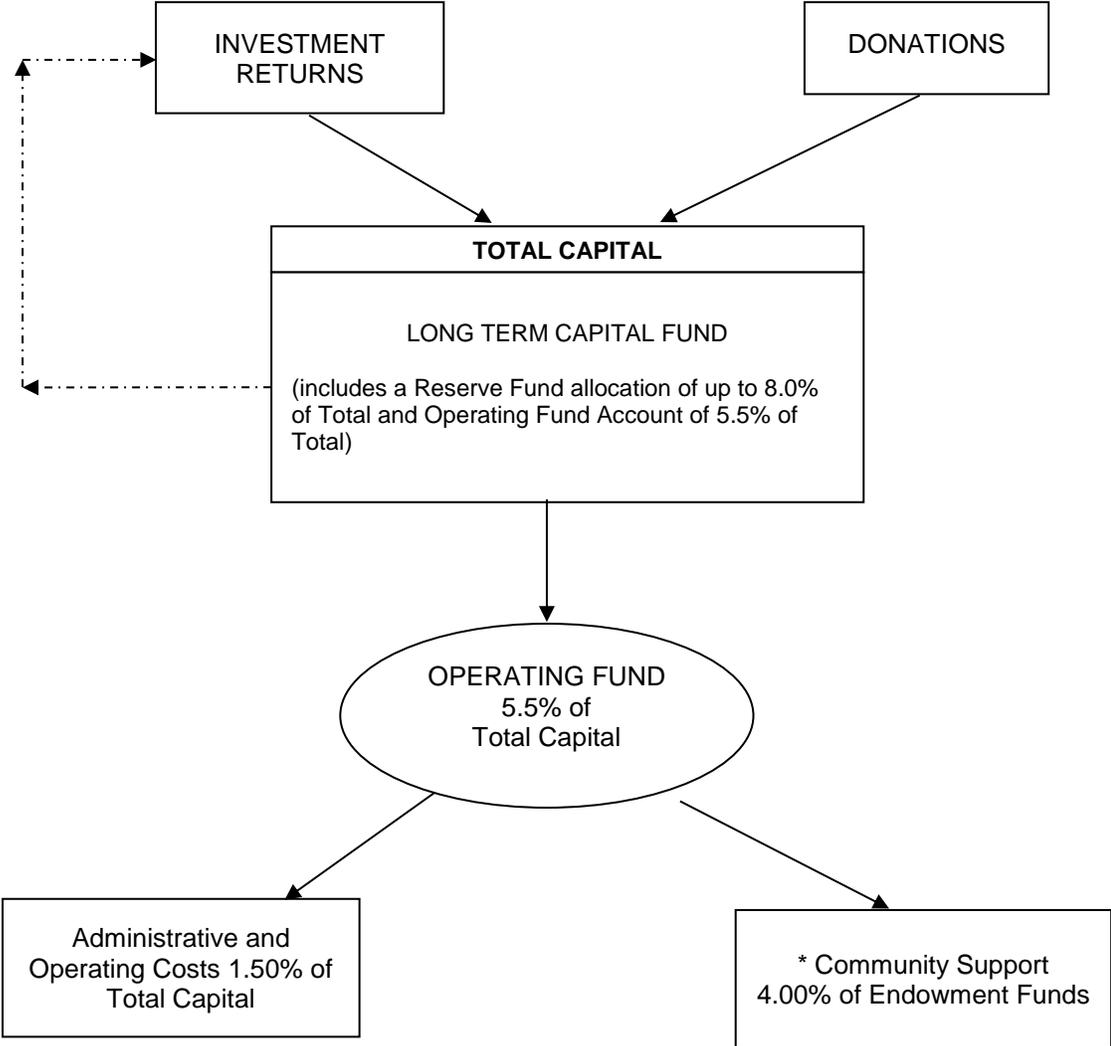
### 3. FUNDS OVERVIEW

- 3.1 The Foundation will maintain two funds to hold the Foundation's capital assets:
- (1) a Self-Managed Fund to hold specific securities donated to the Foundation that are illiquid and State of Israel Bonds donated to or acquired by the Foundation, from time to time; and
  - (2) a Long Term Capital Fund to hold all of the other capital assets of the Foundation.
- 3.2 The assets held in the Self-Managed Fund are held in one custodial account that is self-administered by the Foundation. The Board has mandated that the target allocation to State of Israel bonds shall be 2.2% of the total investment portfolio.
- 3.3 The assets held in the Long Term Capital Fund are to be invested to enhance capital value and are held segregated by one or more custodial investment accounts managed by the Manager engaged by the Foundation.
- 3.4 The Foundation operates on a total return policy. The total return is comprised of dividends, interest and realized capital gains and losses, plus net unrealized gains and losses.
- 3.5 The Foundation's distribution rate is 4.0% of the 3 year rolling average market value of the Foundation's invested assets, subject to annual review.
- 3.6 Capitalization of annual income to the endowment funds will occur when the Reserve Fund allocation achieves/maintains its maximum level pursuant to the *Reserve Fund Policy*; after payment of annual operational expenses and distributions by the Foundation, all remaining, realized income (including realized gains and losses) shall be capitalized.
- 3.7 The following chart depicts the Foundation's inflows and outflows based on the investment policies:

(See chart on following page)

**THE JEWISH FOUNDATION OF MANITOBA**

**CAPITAL INFLOWS / OUTFLOWS**



\* The *Income Tax Act* (Canada) requires that 3.5% of the value of the Foundation's *investment property* (as defined in the *Income Tax Act*-i.e. market value) must be distributed each year for the Foundation to maintain its registered charitable status designation.

## 4. INVESTMENT OBJECTIVES

### 4.1 Return and Risk Objectives

The Foundation has a long term time horizon, and can therefore assume a level of short to medium-term risk, as measured by volatility of returns, consistent with the primary investment objective of enhancing the capital value of the investment portfolio over the long term

- (1) The primary objective of the Foundation's Investment Policies is to obtain a long term total return (income plus capital appreciation) of CPI plus administrative expenses and annual distributions to preserve in real dollar terms (i.e. after taking inflation into account) the Foundation's capital and therefore ongoing distributions.
- (2) Returns on investments should be maximized consistent with the level of risk deemed appropriate by the Statement. It is recognized that the long term return objective may not be achieved each year due to adverse market conditions.
- (3) To comply with the Investment Policies, the Foundation's investment assets have been divided into the following two funds:
  - (a) the Self-Managed Fund
    - holds illiquid securities donated to the Foundation and State of Israel Bonds
    - managed by the Foundation
  - (b) the Long Term Capital Fund
    - balance of the assets of the Foundation are to be invested to enhance capital value and generate reasonably stable investment returns sufficient to allow for continued community support in real terms (i.e. to grow the aggregate portfolio value at least by the rate of inflation while providing for the distributions and operating costs)
    - includes the Reserve Fund Account to allow for uninterrupted funding by the Foundation of committed community support during periods of adverse capital market conditions,
    - includes the Operating Fund Account to fund the current year budgeted expenses and committed community support
    - Includes liquid assets to support the requirements of the Operating Fund Account and the Reserve Fund Account
    - the Foundation's accounting department will maintain a record of the amounts set aside in the Reserve Fund Account and the Operating Fund Account

## 5. INVESTMENT CONSTRAINTS

5.1 Time Horizon: The time horizon of the:

- Self-Managed Fund is more than 10 years
- Long Term Capital Fund is more than 10 years

5.2 Liquidity: The liquidity required of the:

- Self-Managed Fund is zero
- Long Term Capital Fund is 1.5% in the majority of years (to cover the Operating Fund Account); provided that additional amounts may be required from the Reserve Fund Account component to cover distributions when market conditions are unfavourable.

5.3 Distribution Needs: The distribution needs of the:

- Self-Managed Fund is zero
- Long Term Capital Fund is 4.0% per annum before inflation

5.4 Legal Circumstances: The Foundation must operate in accordance with provisions established in its Articles of Incorporation, dated 1964. It was incorporated provincially through an act of the Legislature.

5.5 Year end: The Foundation's year end is December 31

5.6 Unique Circumstance: There are none.

## 6. ASSET MIX

6.1 The Self-Managed Fund will hold donated securities and State of Israel Bonds. As this Fund is self-managed, the investments of this Fund are not considered for purposes of the target allocation detailed in the table below.

6.2 The Long Term Capital Fund will be invested in a combination of fixed income and equity class assets (the “target allocation”) that is expected to achieve the long term objectives described in Section 4 of this Statement. It is recognized that market conditions and other factors may result in returns deviating from the long term expectations over the short term.

In developing the target allocation, the Committee has considered factors such as the following:

- the expected net cash flow position of the investment portfolio;
- the investment horizon of the investment portfolio;
- historical and expected capital market returns; and
- the benefits of investment diversification.

Asset Classes	Target Allocation	Permissible Ranges	Benchmark	Long Term Return Expectations*
Cash and Cash Equivalents	0%	0% - 10%	FTSE TMX 91-Day T-Bill	2.1%
Fixed Income	34%	28% - 40%	FTSE TMX Canada Universe Bond Index	3.3%
Canadian Equities	20%	15% - 25%	S&P/TSX Composite Index	7.3%
US Equities	20%	15% - 25%	S&P 500 (\$C)	7.3%
International Equities	20%	15% - 25%	MSCI EAFE Index (Net, \$C)	7.3%
Global Small Cap	6%	2% - 10%	MSCI World SC Index (Net, \$C)	8.0%
Real Assets*	0	0 – 10%	Custom Benchmark	N/A
Total Portfolio	<b>100%</b>		<b>LT Expected Return Expected Annual Volatility</b>	<b>6.5% 10.5%</b>

\* Based on Mercer’s capital market expectations as at December 31, 2014

\*\* Real Estate and/or Infrastructure

### 6.3 Rebalancing

Divergent market performance among different asset classes may, from time to time, cause the asset allocation to deviate from the target asset allocation stated herein. Periodically, the Manager may consider appropriate action to address any movement of the allocation to an individual asset class off the Target Allocation, but within the allowable range. Examples include (but are not limited to), liquidation of securities, transfer of cash from an overweighted asset class to an underweighted asset class, etc.

From time to time, (e.g., as a result of major market fluctuations or major capital expenditures, etc.), the allocation may move outside of its allowable range. If the asset allocation moves outside of the allowable range, the Manager will be responsible for initiating action to rebalance the portfolio back within the allowable range within 60 days, in a manner which controls transaction costs.

### 6.4 Review

The Committee with the assistance of the Manager shall review this asset allocation mix on a periodic basis and will ascertain that the investment portfolio not only conforms to the desired target and ranges, but also that the target and ranges remain suitable and represent the optimal asset allocation mix for the Foundation going forward.

### 6.5 Asset Class Definitions

- 6.5.1 Short term investments include cash and fixed income investments having a maturity of less than one year when issued.
- 6.5.2 Bonds include all mortgages, preferred shares, convertible debentures and fixed income investments having a maturity of one year and more when issued.
- 6.5.3 Canadian equities include common stocks and income trusts of Canadian issuers.
- 6.5.4 U.S., international and global equities include common stocks of non-Canadian issuers.
- 6.5.5 Global small cap securities shall include common stocks of non-Canadian issues with a capitalization that typically falls within the bottom 15% of the respective markets included in the index.
- 6.5.6 Real assets may comprise direct holding of real estate or infrastructure held within a pooled or commingled fund.
- 6.5.7 Securities held in a pooled fund are classified on the basis of the assets comprising the major portion of such pooled fund.
- 6.5.8 Equity securities must be listed on a major recognized stock exchange.

## **7. PERMITTED INVESTMENTS, RESTRICTIONS AND GUIDELINES**

7.1 The Foundation's investment assets may only be invested in the following asset categories:

- cash;
- demand or term deposits;
- short term notes;
- treasury bills;
- bankers acceptances;
- commercial paper;
- investment certificates issued by banks, insurance companies or trust companies;
- bonds or non-convertible debentures;
- asset-backed mortgages;
- convertible debentures of publicly traded companies;
- publicly traded common and preferred stocks, including warrants to purchase same;
- pooled funds); and
- real estate investment trusts (REITS) and real assets such as real estate or infrastructure.

7.2 Equity securities held in the investment portfolio will be comprised of diversified holdings of primarily the common shares of Canadian, US and international issuers that will provide long-term capital appreciation, and may include:

- Common stocks trading on major Canadian, U.S. and international market exchanges as well as rights, warrants, income trusts, convertible securities and preferred stocks of these companies;
- Issuers that have a market capitalization of \$500 million CAD or greater;
- Depository Receipts and exchange traded funds that are designed to replicate applicable benchmarks;
- Holdings of any one issuer (at purchase) will not exceed 10% of the total portfolio value.

7.3 Fixed income securities held in the portfolio will be comprised of a diversified holding of government issued and guaranteed securities including provincial, municipal and government backed entities and corporate bonds and debentures, with security and sector weights and credit quality generally aligned with the market index;

7.4 For cash and short term equivalents including those held in the portfolio for each asset class, the Investment Manager will invest in readily liquidated securities with a term to maturity of not more than one year. All short term investments (less than one (1) year) must have a credit rating of R1 mid or higher as rated by a Canadian or international rating agency.

7.5 Derivatives, including options, futures and forward contracts on any securities allowable under the Statement, shall not be used for speculative purposes, and may only be used to:

- (1) hedge (i.e., reduce), fully or partly, any investment risk, including market, interest rate, credit, liquidity, and currency risk.
- (2) replicate direct investments in the underlying assets or groups of assets (i.e., indexes) so as to achieve some advantage of lower cost, transactional ease, or market exposure.

## 7.6 Pooled Funds

Investments may be made in the asset classes defined within this policy by directly holding individual securities or by acquiring units in pooled funds, mutual funds, or other types of commingled fund vehicles.

To the extent that the Foundation's assets are invested in pooled or mutual funds, the foregoing investment constraints (and any other provisions of this Investment Policy that may be affected) shall not apply, but rather the pooled fund's investment policies shall govern the funds. The Manager shall provide such policies to the Committee on request, and shall inform the Committee should a significant change to the pooled fund's investment policy occur. The intention of this provision is to allow, in the case of pooled or mutual funds, the necessary latitude for the implementation of the investment strategy of the Foundation's investments.

7.7 The Foundation's investment portfolio will not directly engage in any other investments without the prior written consent of the Committee. Without limiting that general statement, the following investments are not permitted:

- purchase of securities on margin;
- loans other than as described in 7.1 above;
- short sales;
- securities lending;
- guarantees of borrowings;
- investments in real estate (other than REITS);
- investments in venture capital; or
- investments in resource properties.

7.8 Borrowing on behalf of the Foundation's investment portfolio is not permitted unless in respect of unanticipated overdrafts when cash is not sufficient to settle a purchase. The Manager will be required to notify the Foundation in the event such borrowing remains outstanding for more than five business days.

## **8. MISCELLANEOUS**

### **Cash and Securities Lending**

No part of the Foundation's assets shall be loaned to any persons, partnership or association except as provided in this section.

For pooled funds, securities lending will be permitted subject to the investment policy of the fund.

The assets of the Foundation may not be pledged, hypothecated, or otherwise encumbered in any way except to the extent that temporary overdraft occurs in the normal course of business.

### **Valuation of Investments not Regularly Traded**

It is expected that all securities held in the investment portfolios will have an active market and that the values of such securities will be based on their market values.

Investments that are not regularly traded shall be valued at least annually by the Foundation in co-operation with the Custodian. In making such valuations, considerations shall be given to bid and ask prices, previous transaction prices, discounted cash flow, independent appraisal values, the valuations of other comparable publicly-traded investments and other valuation techniques that are judged relevant to the specific situation.

For untraded investments on which the Foundation has not been provided with a valuation, the market value will be assumed to equal the book value until such time that the valuation has been established.

### **Proxy Voting**

The responsibility of exercising and directing voting rights acquired through Foundation investments shall normally be delegated to the Investment Managers, who shall at all times act prudently and in the best interest of the Foundation.

The Committee reserves the right to direct or override the voting decision of an Investment Manager if in its view such action is in the best interests of the Foundation.

It is recognized that voting rights are not enforceable to the extent that the Foundation is invested in pooled funds.

### **Soft Dollar Policy**

An Investment Manager may utilize soft dollars, subject to the Foundation's objective to obtain best execution on all trades.

### **Liquidity**

Liquidity requirements of the Foundation are minimal. Furthermore, the pooled funds are valued daily and are highly liquid.

## 9. PERFORMANCE MEASUREMENT

9.1 In order to assess the Foundation's performance, at least annually, the Manager's performance will be:

- (1) Compared to the returns that would have been generated on the Foundation's investment portfolio had the portfolio been invested in the underlying benchmark indices as follows:

### **Self-Managed Fund**

Asset Class	Passive Benchmark
State of Israel Bonds	FTSE TMX Universe Bond Index

### **Long Term Capital Fund**

Asset Class	Passive Benchmark
34.0% Canadian Fixed Income	34.0% FTSE TMX Universe Bond Index
20.0% Canadian Equities	20.0% S&P/TSX Composite Index
20.0% U.S. Equities	20.0% S&P 500 Index (\$C)
20.0% International Equities	20.0% MSCI EAFE Index (Net, \$C)
6% Global Small Cap	6.0% MSCI World SC Index (Net, \$C)

- (2) Compared to the returns that the Long Term Capital Fund has generated as against the rate of return objectives pursuant to this Statement; and
- (3) Compared to the performance of the median balanced manager over a rolling four-year period.

### **Evaluation and Review**

The Manager will review the performance and portfolios of the Investment Managers to determine whether the Investment Managers have performed in accordance with their stated investment approaches and will report the conclusions of the review to the Committee.

### **Review and Termination of Investment Managers**

Investment Managers may be reviewed and terminated if their performance does not meet the criteria outlined in their mandate.

An Investment Manager's role in the Investment Manager structure may also be reviewed or terminated for reasons not related to performance, e.g., departure of the lead portfolio manager, other significant personnel turnover or organizational change, etc. The Manager may select or deselect Investment Managers.

## 10. MONITORING OF INVESTMENTS AND REPORTS

- 10.1 The Committee monitors the status of the investment portfolio of the Foundation. It is concerned with asset returns and investment related expenses and it reviews the custodial statements and external reports to establish that the Investment Policies are complied with.
- 10.2 The Manager and/or the Custodian will provide the Foundation with a monthly valuation of the Foundation's investment portfolio and statement of transactions for the month for accounting purposes. The Manager will provide quarterly performance reports respecting the Long Term Capital Fund referencing the performance measurement criteria set forth in Section 11, as well as any other report as required by the Foundation whether monthly or quarterly.
- 10.3 Each quarter and at the end of each year, the Manager will provide information as to the return generated by the Self-Managed Fund, however the Manager is not responsible for otherwise monitoring the investments in the Self-Managed Fund as these are managed by the Foundation.
- 10.4 At scheduled Committee meetings, the Manager will report to the Committee to:
  - (1) provide information concerning new developments affecting all of the Investment Managers;
  - (2) review the investment review described in Section 12.3;
  - (3) explain the latest performance;
  - (4) provide a report on general economic circumstances.
- 10.5 The Manager will be required to report immediately any breach of compliance in writing along with pertinent details, explanations and remedial action taken. .
- 10.6 In addition to the formal lines of communication, consultations between the Committee, the Chief Executive Officer of the Foundation, and the Manager will take place from time to time by informal contacts as requested
- 10.7 The Chief Executive Officer of the Foundation will provide estimated quarterly calculations on the amount set aside in the Reserve Fund Account and annual actuals with the Foundation's annual financial statements.

## **11. CONFLICT OF INTEREST GUIDELINES**

- 11.1 The Foundation, its Board, management and staff are conscious of the possible or perceived conflict of interests which may arise in the normal course of the Foundation's business. Integrity is a core value of the Foundation and all actions of the Board, management and staff, are founded on the principles of ethical community leadership.
- 11.2 Conflict of interest is any event in which the directors, management, staff or members of the Committee may benefit materially or may appear to benefit materially from the knowledge of or participation in or by virtue of an investment decision.
- 11.3 Directors, management, staff and members of the Committee shall not use their position in the Foundation or confidential information acquired in connection with the business of the Foundation to gain, either directly or indirectly, personal benefit for themselves or for others.
- 11.4 Directors, management, staff and members of the Committee shall ensure that any actions taken or decisions made are free from the influence of any interests which might reasonably be regarded as conflicting with that of the Foundation.
- 11.5 Should a conflict of interest arise, the person in the actual or perceived conflict of interest shall immediately disclose the conflict with all relevant details to the Chairperson of the Committee, who will disclose it to the Committee members at the appropriate time. Any such party will thereafter abstain from decision-making with respect to the area of conflict.

## **12. INVESTMENT POLICY REVIEW**

The Committee shall review the Investment Policies at least annually, taking into account whether any developments such as the following have occurred:

- governance changes;
- changing investment beliefs;
- changing risk tolerance;
- changes to distribution rates;
- changes to the Foundation's financial goals;
- changed expectations for the long term risk/return trade-offs of the capital markets;
- new investment products;
- changes to legislation; and
- any practical issues that arise from the application of the Investment Policies.