

The Anglican Church of Canada Consolidated Trust Fund

Statement of Investment Policy and Goals

STATEMENT OF INVESTMENT POLICY AND GOALS

Section I – Governance

1. *Purpose of the Fund*

The Consolidated Trust Fund (CTF) exists primarily to invest endowment and trust funds of General Synod and the Missionary Society. Dioceses, parishes, and other Church-related institutions which have similar investment objectives may also use it for investing their assets, which will be held in trust by the CTF.

2. *Investment Objectives*

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.

3. *Administration of the Fund*

Responsibility for the CTF lies with the Financial Management Committee (FMC) of General Synod. FMC has appointed an Investment Sub-Committee which meets with the managers regularly and provides them with policy direction.

The Fund shall be managed in accordance with all applicable legal requirements including the Income Tax Act (Canada) and the Ontario Trustee Act. It is understood that any investment management ("the Manager") or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

The Investment Sub-Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the "Custodian") and of one or more investment managers (the "Manager") are retained.

The Investment Sub-Committee shall:

- establish the Statement;
- select the Manager and Custodian;
- obtain advice, as required, regarding the legal and regulatory requirements and constraints set out in this Statement applicable to the Fund;
- on an annual basis, review the Statement and recommend appropriate amendments to FMC;
- provide regular reports to FMC;

Section I – Governance

(cont'd)

- monitor the Fund and the investment performance of assets managed by each Manager and the performance of the Fund as a whole;
- inform the Manager of any significant deposits and withdrawals.

3.1 Investment Managers

The Manager is responsible for:

- maintaining an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- providing the Investment Sub-Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- attending meetings of the Investment Sub-Committee at least twice per year to review performance and to discuss proposed investment strategies;
- informing the Investment Sub-Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation;
- advising the Investment Sub-Committee of any elements of this Statement that could prevent attainment of the Fund's objectives;
- explaining the characteristics of new asset classes or investments and how they may assist in achieving the Fund's objectives;
- being available for consultation with the Investment Sub-Committee at all reasonable times;
- providing future outlook information during attendance at Investment Sub-Committee meetings; and
- advising on a quarterly basis of the compliance status with this policy.

3.2 Custodian

The Custodian is responsible for:

- holding the assets of the Fund in accordance with applicable legislation; and
- providing a quarterly consolidated report of the assets of the Fund to the Investment Sub-Committee.

Section I – Governance
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4. *Conflict of Interest Policies*

4.1 *Sub-Committee Members*

- (a) A conflict of interest is deemed to exist when a fiduciary of the CTF has an interest of sufficient substance and proximity to his/her duties and powers with respect to the CTF, to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the CTF.
- (b) A fiduciary of the CTF must disclose any actual or perceived conflict of interest to the Chair of FMC, who shall disclose same to all FMC members as soon as possible.

4.2 *The Investment Manager*

The Investment Manager shall fully disclose to the Investment Sub-Committee information on any actual or potential conflicts of interest.

5. *Retention or Delegation of Voting Rights*

The Investment Manager is responsible for the voting of all proxies of holdings within the CTF using the best interests of the Fund as the sole voting criterion.

However, the Investment Sub-Committee reserves the right to vote any proxies directly.

The Investment Manager is to provide on a timely basis a record of voting and/or intention of voting to the Treasurer.

6. *Securities Lending*

Securities lending is permitted.

STATEMENT OF INVESTMENT POLICY AND GOALS

Section II – Investment Policy and Strategy

1. Fund Objectives

1.1 Investment Objectives

The overall investment objectives, *in their order of priority*, of the Fund are to:

- preserve capital, as adjusted for Canadian Consumer Price Index (CPI) inflation and fund management expense;
- maintain liquidity; and
- generate a reasonable rate of return.

1.2 Corporate Social Responsibility

The Fund shall engage an investment manager that utilizes and applies an investment decision-making process where Socially Responsible Investing (SRI) screening would be used and implemented where feasible, prudent and effective.

SRI screening criteria will include areas of business activity that are generally considered to be controversial or ethically questionable. These criteria may include, but not be limited to: alcohol, gambling, military weapons, nuclear power, pornography and tobacco.

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

2. Performance Objectives

The Investment Manager is expected to add value to the Fund through the proper use of asset mix and security selection in the context of not exposing the Fund to undue risk. On a four year moving average basis, the CTF expects investment returns to exceed the benchmark return by 75 or more points net of fees.

Section II – Investment Policy and Strategy (cont'd)

3. Asset Mix, Ranges and Benchmark Indices

| Asset Class | Strategic Target | Range | Benchmark |
|---------------------------|-------------------------|--------------|------------------------------------|
| Cash & short-term | 5% | 0%-20% | DEX 91 Day T-Bill Index |
| Bonds | 35% | 30% - 80% | DEX Universe Bond Index |
| Equities | 45% | 30% - 60% | |
| Canadian | 30% | 15% - 60% | S&P/TSX Composite Index |
| Foreign | 15% | 0% - 30% | MSCI World Index (ex Canada) |
| Alternatives | | | |
| Real Estate | 5% | 0% - 5% | |
| Infrastructure | 5% | 0% - 5% | |
| Market Neutral Hedge Fund | 5% | 0%-5% | Scotia Capital 91-day T-Bill Index |

4. Risk Guidelines

All allocations are based on market values at time of purchase. The assets of the Fund will be invested at all times in a prudently diversified manner.

Derivative securities may be used in the portfolio for income generation (e.g. through the sale of covered call options), currency exposure management (e.g. currency forward contracts) or to obtain exposure to capital markets through the use of synthetic securities (e.g. future contracts). Derivative securities may not be used for speculative purposes and cannot be used to add leverage to the portfolio.

4.1 Cash and Cash Equivalents

At least R1-low.

Maximum term to maturity for any single security is one (1) year.

Maximum exposure to corporate issues is 50% of the cash pool.

4.2 Fixed Income

The average credit quality of the overall bond portfolio holdings will be at least “A” rated.

Section II – Investment Policy and Strategy (cont'd)

4.3 Canadian Equities

The Fund must be well diversified across industry sectors and capitalization ranges consistent with the following:

- (a) No one equity holding shall represent more than 15% of the market value of each equity portfolio.
- (b) There will be a minimum of 30 stocks in each equity portfolio.
- (c) No more than 15% of the market value of an equity portfolio may be invested in companies with a market capitalization of less than \$250 million at the time of purchase.

4.4 Foreign Equities

Same as above except international holdings will be broadly diversified by region, industry, country and currency.

4.5 Alternative Investments

The portfolio manager may invest in Alternative Investment asset classes including Real Estate, Infrastructure and Market Neutral Hedge Funds in accordance with the Asset Class ranges outlined in Section II, Clause 3.

Real Estate

The investment objective of the Real Estate portfolio is to invest in income producing real property, real estate related securities, and such other property or investments in Canada. Investments will be made directly in a diversified portfolio of primarily office, retail and industrial properties in Canadian urban and select tertiary markets. The strategy is expected to produce net returns in the 8-11% range over time. The portfolio may also invest in cash, money market and short term debt instruments as appropriate.

Asset Size

- Investments will be made in properties that range in size from \$10-50 million dollars.
- Individual properties are not to exceed 25% of the market value of the Portfolio.

Indebtedness

- Individual properties will typically be financed with debt between 40 and 60% of the market value of the property
- Individual property indebtedness cannot exceed 80% of the market value at time of acquisition.
- In aggregate the indebtedness of the Real Estate portfolio cannot exceed 65% of market value at the time the money is borrowed.

Section II – Investment Policy and Strategy (cont'd)

Geographical Diversification

- The Real Estate portfolio is diversified by region including significant allocations to Ontario, Alberta, British Columbia and Quebec.

Liquidity

- The assets of the Real Estate portfolio are illiquid and there can be no assurance that the Consolidated Trust Fund or the Partnerships will be able to realize on their respective investments in a timely manner.

Infrastructure

The Infrastructure portfolio will invest primarily in limited partnership investments. The limited partnerships will primarily target construction stage infrastructure assets although operating stage assets may also be considered. Assets fall in two broad categories: (i) Energy infrastructure assets, including power generation (hydroelectric, wind, solar, cogeneration), electricity transmission, district heating/cooling, energy conservation and other projects, and (ii) traditional infrastructure assets, including roads, schools, bridges, hospitals, water distribution and treatment, and other projects.

Asset Size

- The Infrastructure portfolio will be invested in projects that range in size from \$50-\$750 million dollars.

Indebtedness

- The Infrastructure portfolio may borrow an amount not exceeding 10% of portfolio net asset value in order to provide some measure of flexibility for cash management purposes including in funding its expenses, subscriptions in one or more partnerships and redemptions of portfolio units.

Liquidity

- The assets of the Infrastructure portfolio and the partnerships are illiquid and there can be no assurance that the portfolio or the partnerships will be able to realize on their respective investments in a timely manner.

Market Neutral Hedge Fund

The Market Neutral Fund may invest in Canadian, U.S. and international equity and debt securities, preferred shares, convertible bonds, cash, cash equivalents, Global Depository Receipts, American Depository Receipts, collective investment vehicles including pooled funds, closed-end funds, exchange traded funds (such as ishares) and derivatives.. The portfolio may make such investments directly or indirectly through other funds, including funds managed by the Manager. The portfolio or the underlying funds may use leverage in order to meet their stated investment objective. The Market Neutral Fund portfolio, in making investments, will engage in short selling, borrow securities and use leverage. Derivative instruments will only be used in ways that are

Section II – Investment Policy and Strategy (cont'd)

consistent with the portfolio's investment objectives. Counterparty risk arising from derivative transactions will be limited to credits rated "A" or better. Derivative instruments used may include but are not limited to futures, forwards, options, swaps and structured notes.

4.6 Notwithstanding this Section, it is recognized by the Investment Committee that complete adherence to these diversification and constraint standards within a pooled fund may not be entirely possible. To the extent that the portfolio is invested either in whole or in part in an Investment Manager's pooled funds, the foregoing investment constraints, and any other provisions of the Investment Policy Statement that may be affected, shall not apply but the Investment Manager shall be governed by the Investment Manager's own investment policies for the pooled funds. The investment manager shall provide such policies to the Investment Committee of the Consolidated Trust Fund and shall inform the Investment Committee when and how the policies of the funds differ from the Consolidated Trust Fund Investment Policy Statement. Such differences shall not be substantial deviations from the overall intent of the Consolidated Trust Fund investment policy. The intention of this provision is to allow, in the case of pooled funds, the necessary latitude for the implementation of the investment strategy of the Consolidated Trust Funds investments.

5. Reporting & Monitoring

5.1 Investment Reports

Each quarter the Manager will provide to the Investment Sub-Committee, within twenty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

5.2 Monitoring

At the discretion of the Investment Sub-Committee as required, the Manager will meet with the Investment Sub-Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's future strategies and other issues as requested;
- the filing of compliance reports; and
- the Manager's report.

Section II – Investment Policy and Strategy
(cont'd)

5.3 Annual Review

It is the intention of the Investment Sub-Committee to ensure that this Statement is continually appropriate to the FMC's needs and responsible to changing economic and investment conditions. Therefore, the Statement shall be reviewed annually by the Investment Sub-Committee.

6. Standard Of Care

The Manager is expected to comply, at all times and in all respects, with the code of ethics and standards of professional conduct as promulgated by the professional organization of which s(he) is a member (CFA, CSI, etc) as well as those of the Ontario Securities Commission.

The Manager will manage the assets with the care, diligence and skill that a prudent Investment Manager would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

ACKNOWLEDGEMENT

APPROVED

Financial Management Committee

The General Synod of the
Anglican Church of Canada

Signature

Name

Date

ACCEPTED

Investment Manager

Signature

Name

Date