

Investment Policy Guidelines

**Prepared by Oakville Community Foundation
And Adopted by Lions Foundation of Canada**

Investment Policy Review
2010

The Investment Policy is reviewed by the Investment Committee on an annual basis, traditionally in early summer. In 2010 the policy has been updated as follows:

1. To incorporate recent resolution affecting the investment policy, specifically allowing investment in alternative investments including but not limited to hedge funds
2. Two enhancements in the Reporting area, specifically with respect to the timing of the reports from the Investment Managers and the confirmation by the Investment Committee of the Compliance reports.

The policy is in place for the management of those funds invested by Lions Foundation of Canada/Dog Guides Canada through the Oakville Community Foundation.

Other investments will be invested in secure shorter term investments for use when necessary based on cash flow needs.

Revised July 2011

GENERAL

This Investment Policy ("Policy") is to be used for the funds managed in the name of the Oakville Community Foundation ("the Fund") by its Investment Managers ("Manager"). The basic goal underlying the establishment of the Policy is to ensure that the assets of the Fund, together with the investment income to be earned by the Fund, shall be invested in a prudent manner so as to optimize the long-term returns while taking into account the Spending Policy needs of the Fund.

LEGISLATION

The Fund will be invested in keeping with all applicable legislation in Ontario and Canada including the Canadian Income Tax Act.

BASIC OBJECTIVES

The Fund's broadly stated investment objectives are:

- A. Safety of Capital
To ensure the safety of capital over the longer term the Fund should be invested to reduce the exposure to undue volatility and market risk;
- B. Adequate Income
The Portfolio must earn sufficient investment returns to meet the obligations of the Fund's Spending Policy;
- C. Future Requirements
The Portfolio shall be invested in such a manner as to balance current Spending Policy needs with the need to preserve capital for future obligations.

DIVERSIFICATION

The Manager must be cognizant of the Fund's diversification including diversification by asset mix, by security, by issue, and by maturity. The Manager must stay within the asset mix mandate taking into consideration the guidelines attached in Appendix III.

The Fund will not be invested in a pooled fund if the guidelines of that fund are materially different from the provisions of the Investment Policy, unless preapproved by the Board.

The size of investment with any one Investment Manager is restricted to 2% of his assets under management

ASSET MIX RANGES

The overall investments of the Fund will adhere to the asset mix listed below.

ASSET CLASS	Current Target Mix	Minimum Limit	Maximum Limit
Cash & Equivalents			
Canadian	0	0	20
International	0	0	5
Total Cash	0	0	20
Fixed Income			
Canadian	40	25	75
International	0	0	30
Total Fixed Income	40	25	75
Alternative Investments	0	0	10
Equity			
Canadian	40	20	75
Global	20	0	30
Total Equity	60	20	75

A maximum of 5% unhedged direct exposure to currency risk.

The proportion (at market values) invested in each asset class will be monitored monthly. If the portfolio is outside of the acceptable asset mix ranges the Investment Committee will review the allocation at the next regularly scheduled meeting and appropriate action will be taken. The actual asset mix at each calendar quarter end will be reported to the Board of Directors quarterly.

COMMINGLED ALTERNATIVES

The Manager may hold the portfolio in commingled assets managed by the Manager, provided that such commingled assets are expected to be operated within constraints reasonably similar to those described in this Policy.

A Balanced Fund mandate would be constrained by the asset mix ranges outlined for the current target mix.

OBJECTIVE OF THE FUNDS

The benchmark long term asset mix policy is used to set a standard by which to judge performance. The benchmark policy will be set by the Investment Committee in November of each year for the subsequent year. The current benchmark is attached in Appendix I and the historical recent benchmarks are outlined in Appendix II:

The long term performance objectives of the fund will be:

- to out perform the benchmark asset mix gross of fees;
- performance above median returns as measured by Global Manager Research database (or equivalent) for institutional investments with equivalent dollar levels and asset mixes. This is expected to result in 1st quartile performance over the longer term.
- the preservation of capital

REPORTING

Financial Reporting

Within two weeks of the month end, Investment Managers will report the following information by email or by on-line access to the OCF investment account:

- Investment portfolio at market value
- Additions or withdrawals in the month
- Change in market value in the month

Relevant market indices for their portfolios. If the timeline can't be met, prior arrangements can be discussed and agreed upon with the OCF staff.

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Compliance Reporting

Within two weeks of the end of each calendar quarter, the Investment Manager shall submit a letter of compliance to the Investment Committee of the Board, detailing and explaining any investment guideline contained in the Policy which has been breached or confirming compliance. It is expected that the Manager shall immediately notify the OCF office if there is a material breach. This is an Investment Committee agenda item to confirm these have been reviewed and that there are no exceptions.

Organizational Issues

1. Investment Approach

The Manager should submit a statement of broad investment philosophy and approach indicating the general direction in which funds will be placed in various categories, themes of investment; and the areas in which particular emphasis will be laid in adding value through active management. In the event of any significant change in this expected "style", the Manager should so advise the OCF office in writing.

2. **Change Within the Firm**

The Manager shall notify the OCF office promptly in writing of any significant changes in the policies, procedures, personnel, ownership or any similar areas within the firm.

3. **Performance Expectations**

The Manager shall inform the OCF office if the Manager at any time feels that the performance expectations cannot be met or that any guidelines contained herein restrict performance.

4. **Statements and Meetings**

The Manager shall provide quarterly investment portfolio statements to the Fund.

The Manager shall provide monthly investment statements to the OCF office. The Manager shall meet annually and report to the OCF Investment Committee on the performance of the fund, as well as the current and future investment outlook and strategy.

CONFLICT OF INTEREST

The Manager must disclose any material interest in any investment or proposed transaction. All investment activities must be conducted in accordance with the Chartered Financial Analyst code of ethics.

VOTING RIGHTS

The Manager will have the right but not the obligation to exercise the voting rights of the investments.

LOANS AND BORROWING

OCF shall not pledge, hypothecate otherwise encumber the assets of the Fund in any way.

The Manager may lend the fund's securities through its custodian, subject to applicable legislation and provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality, liquid securities.

REVIEW OF INVESTMENT POLICY & GUIDELINES

This policy statement shall be reviewed annually.

PORTFOLIO BENCHMARKS 2009/2010
APPENDIX I

ASSET CLASS	Target Mix	Measurement Standard
Cash & Equivalents		
Canadian	0	
International	0	
Total Cash	0	Scotia Capital 91 day T-Bill
Fixed Income		
Canadian	40	
International	0	
Total Fixed Income	40	Dex Universe Bond
Equity		
Canadian	40	S&P/TSX Composite
Global	20	MSCI World
Total Equity	60	

HISTORICAL ASSET MIX TARGETS
APPENDIX II

ASSET CLASS	HISTORICAL TARGET MIX				Board Resolutions	CURRENT TARGET MIX
	2002	July 2007	Dec 2007	Actual Dec 2008	Changes to min and max limits	
Cash & Equivalents						
Canadian						0
International						0
Total Cash	5	5	0	44.4	Dec 2008 Temp increase in max to greater than 20%	0
Fixed Income						
Canadian	40	30				40
International	0	0				0
Total Fixed Income	40	30	25	29.5	May 2009 Increase max to 75%	40
Alternative Investments					July 2010 Min 0% Max 10%	0
Equity						
Gluskin Sheff			40	26.1		
TSX Cdn large cap			10			
REIT			5			
Canadian	45	45	55	26.1		40
US – S&P			10			
MCSI-EAFE			7.5			
MSCI–Emerg Mkts			2.5			
Global	10	20	20	0		20
Total Equity	55	65	75	26.1	Dec 2008 Temp decrease in min to less than 20%	60

INVESTMENT MANDATES
APPENDIX III

1.0 Mandate for Cash & Equivalents

1.1 Permitted Investments

1.1.1 Short term investments shall be in:

1.1.1.1 Treasury Bills, Guaranteed Investment Certificates and Bankers Acceptances maturing within one year

1.1.1.2 cash held with the Agencies Bankers or Brokers, or

1.1.1.3 high yield savings accounts guaranteed by the bank.

1.2 Quality Considerations

1.2.1 The short term Portfolio shall be invested in securities maturing within one year, or in cash. All investments shall be rated R1 or equivalent.

2.0 Mandate for Fixed Income

2.1 Permitted Investments

2.1.1 The fund shall be reasonable diversified among Canadian (Federal, Provincial, Municipal) government bonds and Corporate Bonds. Other eligible fixed income securities include: bond index funds, preferred shares, mortgage-backed securities, convertible debentures and asset-backed securities. A portion of the portfolio can be invested in international bonds.

2.2 Quality Considerations

The fixed income section of the portfolio may be differentiated as follows:

2.2.1 Index Bond Fund – quality as determined by the index

2.2.2 Traditional Bond Fund

- No more than 10% below Investment Grade or unrated;
- ≤ 40% private placements, maximum 5% in any Private placement issue
- The above criteria may be more restrictive for Specific Investment Mandates

2.2.3 Mortgage Funds

Must be effectively guaranteed by any federal, provincial, regional or major municipality.

2.3 Restrictions

2.3.1 No bond investment, excluding government and government backed securities, shall represent more than 15% of the bond holdings

2.3.2 No more than 60% of the Bond Fund will be in any one industry.

3.0 Mandate for Alternative investments

3.1 Permitted Investments

3.1.1 Investments shall be in appropriately rated alternative investments including hedge funds.

3.2 Quality Considerations

Investments will be made with consideration to quality constraints in other asset classes.

4.0 Mandate for Equity

4.1 Permitted Investments

4.1.1 Equity investments shall be in high quality, publicly traded Canadian and non-Canadian common stocks, convertible debentures or preferred securities.

4.1.2 Derivative use for hedging purposes is allowed. Investments may be made in the more widely accepted derivative products to gain exposure to individual securities and/or markets, as permitted by securities regulations, as long as the portfolio holds an amount of cash/money market instruments to fully cover its position in the derivative.

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4.2 Quality Considerations

4.2.1 A maximum of 15% of the equity portfolio can be invested in companies with a market capitalization of \$250 million or less

4.3 Restrictions

Allow unhedged direct exposure to currency risk equivalent to the global equity position as managed by the investment manager with respect to the CI Global Equity Fund

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