



Investment Policy

Adopted: Mar 2007

Modified: Nov 2011

1. INTRODUCTION

The foundations of Vancouver School of Theology's investment policy are rooted in the theological ethos of stewardship of resources and values of social and ethical responsibilities.

As a faith-based institution with resources of people and their gifts, facilities and grounds, financial investments, and all of God's creations, VST is called to care for, protect and use wisely these resources to the benefit of all – to be good stewards. Stewardship does not end with the sharing of a portion of God's gifts through giving. Faithful stewards manage all of God's gifts prayerfully, wisely, and prudently, as Jesus emphasized in the Gospels (e.g. Parable of the unjust steward, Luke 16: 1-12.)

VST's investment strategy of its financial resources is one of socially responsible and ethical investing, seeking to maximize both financial return and social good.

This policy has been developed to set out the global investment framework for all endowment or similar Funds under the control of Vancouver School of Theology (VST). It is to be used as a general overall guideline for the Audit & Finance Committee and the manager of individual Funds.

Investment by VST in real estate which is to be used as part of an ancillary operation to the School, such as student housing, may be part of the overall investment strategies of VST, but in general, this type of investment decision will be made by the Board upon the recommendation of the Audit and Finance Committee.

2. PURPOSE

The purpose of this policy is to give guidance on the investment of Funds under the control of VST 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.

- a. All investments will be made in accordance with the Code of Ethics and Standards of Practice of the Association of Investment Management and Research (AIMR), unless specifically approved by the Audit and Finance Committee.
- b. VST's investments shall be administered in accordance with the Prudent Investor Rule, as described in the Standards of Practice Handbook of the Association for Investment Management and Research.
- c. On behalf of, and reporting to the Board of Governors, the Audit and Finance Committee is responsible for reviewing and accepting the policies of the individual fund parameters of the Professional Portfolio Manager. (Documents 5.13)
- d. The portfolios held in various Funds shall normally be maintained as 'Balanced – Moderate Risk' investments, with an equity range of 40-60%. This could be modified for a Fund designated for specific purposes.

Allowable Spending Rate of Investment Income

- e. VST shall follow a spending policy, consistent with the standards of accreditation (9.2.1.3) of the Association of Schools of Theology, based on total investment income not just dividends, interest and rents received. Total investment income will include:
 - Dividends, interest, and rents received during the period;
 - Realized capital gains less losses; and
 - Unrealized capital gains/loses to bring asset valuation to current market.
- f. VST aims to reinvest sufficient investment income to maintain the purchasing power of each Fund (i.e. balance in the fund at the end of the period is equal to or greater than the original balanced increased by the rate of general inflation.)
- g. The school shall apply an averaging principle to mitigate the effects of short-term market volatility on allowable spending rates (i.e. 5% on the average market value of the funds over the previous 3 years). The “draw” is applied to both operating and capital expenses.

4. CONFLICT OF INTEREST

Individuals Governed by Policies

This policy applies to:

- a. Members of the Board of Governors;
- b. The Professional Portfolio Manager
- c. Any employee or agent retained by those listed in a. through c. 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;
- 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 Governors.

5. ADMINISTRATION & MANAGAEMENT

- a. It may desirable and appropriate to establish individual and separate Funds for specific reasons and or purposes.
- b. Each Fund will be under the control of the Board of Governors, with recommendations from the Audit and Finance Committee. The investments in each Fund are to be managed by a Professional Portfolio Manager.
- c. The management of the Funds may be placed with one or more Professional Portfolio Managers, at the discretion of the Board of Governors, to better accomplish particular goals or needs of a specific Fund or to add greater diversification to the overall portfolio.

6. OBJECTIVES

Investment Philosophy

- a. The overall investment philosophy of VST 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.
- b. The School's portfolios will be managed on a discretionary basis using a balanced investment strategy.
- c. To facilitate active management of the portfolios, the Portfolio Manager will employ the principles of diversification and liquidity as deemed consistent with VST's investment objectives.
- d. Socially Responsible Investing? Based on VST beliefs and values?

Portfolio Purpose & Objectives

The primary purpose of the fund is to provide predictable annual financial support to the Vancouver School of Theology. A second purpose of the fund is to provide bursaries to individuals. Finally, the VST Board of Governors may also determine to use a portion of the funds to make extraordinary grants to the Vancouver School of Theology if it is in dire financial condition.

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:

- Capital - Preserve capital in perpetuity.
- Total Return – Earn an annual total return at least equal to the annual cash flow and expense requirements of the fund. Satisfactory total return will be judged in the context of recognized benchmarks.
- Cash Flow – Requirement is currently set by the Board of the VOF at 5.00% per annum of the 3 (or 5) year average market value of the assets of the fund at the end of the previous VST's fiscal year.

7. TRANSACTIONS OVERSIGHT

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

- Purchase of securities on margin.
- Short sales.
- Loans to individuals without the prior consent of the Board of Governors.

8. BALANCED PORTFOLIO – ASSET MIX (examples below)

Equities – Canadian, US and EAFE (Non-American)

45% Equity

Mix	Lower Bound*	Target	Upper Bound*
Money Market		5%	
Short Term Bonds		15%	
Canadian Bonds		30%	
Global Bonds			
Total Fixed Income	40%	50%	60%
Canadian		18%	
US		12%	
EAFE (non North American)		12%	
Emerging Markets		3%	
Total Equity	40%	45%	60%
Market Neutral Strategy		5%	
Total Portfolio		100%	

* “manager’s discretion” within the bounds of the category

50% Equity

Mix	Lower Bound*	Target	Upper Bound*
Money Market		5%	
Short Term Bonds		15%	
Canadian Bonds		15%	
Global Bonds		10%	
Total Fixed Income	40%	45%	55%
Canadian		20%	
US		14%	
EAFE (non North American)		13%	
Emerging Markets		3%	
Total Equity	40%	50%	60%
Market Neutral Strategy		5%	
Total Portfolio		100%	

* “manager’s discretion” within the bounds of the category

Fixed Income

VST’s Investment Portfolios shall not purchase bonds that have a rating below triple “B” as determined by the Canadian Bond Rating Service.

9. **MONITORING****Investment Reports**

The Professional Portfolio Manager shall provide a quarterly investment report to the Audit and Finance Committee 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.
- Commentary regarding any material changes with the Professional Portfolio Manager.

10. POLICY REVIEW**Annual Review**

The Professional Portfolio Manager will meet with the Audit and Finance Committee and its investment advisors annually, 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
- Comment on the continued appropriateness of the current policy and strategy.

Compliance

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

Periodic Review

The Audit and Finance Committee will review the performance of the Professional Portfolio Manager relative to their peers at least every 5 years.

**VANCOUVER SCHOOL OF THEOLOGY
Specific Investment Policy****PURPOSE**

This policy is to give guidance on the following Funds:

1. **H.R. MacMillan Trust Fund**
This is an external Trust established by a Trust Deed in 1965. It is governed by these investment policies, if not otherwise specified in the Trust Deed.
2. **Specified Trust fund**
This is an internal Fund established to invest Funds received by VST from time to time for various purposes or otherwise set aside by the Board for long-term investment. This portfolio will be governed by these policies.
3. **Properties Development Fund or Funds**
One or more Funds may be established over time from the net proceeds of property development activities including sale of leasehold interests held by VST. Separate Funds 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 School's short-term operating and capital asset requirements.