



LEADING COMMUNITY DEVELOPMENT

Olive Tree Foundation Endowment Investment Policy

Investment Objectives

The Endowment Fund Investment Policy of the Olive Tree Foundation is designed to fulfill the following objectives:

- provide security of invested principal;
- compliance with broad principles of ethical investing;
- provide for appreciation of principal;
- provide a continuing and dependable cash payout;
- provide for planned liquidity for anticipated cash flow purposes;
- manage risks;
- maximize overall total return within the established risk constraints; and
- provide for diversification of investment assets.

The long term objective of the endowment is to preserve the equity of the endowment while providing an appropriate current spending policy.

Investment of OTF funds for endowments shall be accomplished in accordance with the following principles:

There are two primary investment objectives. One is to provide a continual and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the funds to appreciate, over time, exclusive of growth derived from donations.

The cash payout requirement for endowment funds shall be consistent and continuous. Income must be sufficient to provide an adequate cash stream to support the programs for which the endowments were created.

Performance Objectives

Performance measurement will be reported quarterly to the Foundation, and is expected to meet or exceed the return of the internal benchmark over a moving four year period. In general, the investment policy reflects the following objectives:

- Protect the purchasing power of the capital component (annual rate of inflation),
- Achieve the granting objectives of the Foundation (3-5%),

Performance Benchmarks

The Investment Manager or Adviser is expected to achieve total returns competitive with performance benchmarks appropriate to each asset class, as measured over a fair market cycle

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of a moving four year period. The specific indices used as benchmarks must be agreed upon by the Investment Committee and the Investment Manager. In each class, indices specific to the ethical investment field should be considered.

Re-balancing Policy

Each calendar quarter the total portfolio will be reviewed, and may be re-balanced by the Investment Committee.

Delegation of Authority and Responsibilities

The OTF Board retains ultimate responsibility for investments, with guidance from the Investment Committee. The Committee works closely with the Board of Directors, to establish performance benchmarks, and monitor the performance of OTF's portfolio against these policies and benchmarks

As fiduciaries of OTF assets including endowment funds, The Board shall:

- designate Investment Advisers and Managers by resolution,
- annually, review and adopt the OTF Endowment Investment Policy,
- quarterly, receive and review investment reports prepared in accordance with this Policy, and;

The Board or a component may contract with an investment consulting firm to provide for management of the endowment funds. The Investment Adviser or Manager must certify to the receipt and review of the OTF Investment Policy in accordance with this Policy and will act in accordance with this Policy.

Delegation

The Board delegates supervisory authority over the Endowment Fund to the Investment Committee of the Board. The Investment Committee is responsible for regularly reporting on the Endowment Fund's investments to the Board. In carrying out its responsibilities, the Investment Committee and its agents will act in accordance with the Policies and all applicable laws and regulations. The Board reserves to itself the exclusive right to revise the Policies. The Board and its Investment Committee are authorized to retain one or more Investment Managers or Advisers to assume the management of funds and assets comprising the Endowment Fund. In discharging this authority, the Investment Committee can act in the place and stead of the Board and may receive reports from, pay compensation to, and enter into and terminate agreements with the Investment Manager or Adviser. The Board and its Investment Committee shall designate an employee of the Organization as liaison to the Investment Manager or Adviser.

The OTF Board may choose to maintain an investment account and manage the Funds directly, at its discretion.

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Investment Advisor

The Investment Advisor's responsibilities are:

- Assisting in the development and implementation of investment policies, objectives, and guidelines to submit to the Board of OTF for approval each year,
- Preparing of an asset allocation analysis and recommendation of an asset allocation strategy with respect to the Endowment's objectives,
- Preparing and presenting performance evaluation reports in accordance to established investment standards.

Investment Manager

OTF may employ external investment managers. Each investment manager must be provided the OTF Investment Policy. All investment managers have a fiduciary responsibility to make a good faith determination that commissions paid to a broker are reasonable and competitive. The managers have the authority to make investment decisions for the purpose of placing orders to affect any purchase, sale, exchange, liquidation or other investment of the assets in the accounts, within their asset class, and according to OTF Investment Policy guidelines, with approval from the OTF Board.

Standard of Care

The 'prudent person standard' shall be the standard used in all investment functions and shall be applied in the context of individual transactions as well as management of the overall portfolio. Accordingly, all investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, emphasizing the probable safety of their capital as well as the expected income to be derived.

All investments shall be consistent with the Board's approved Investment Policy. Investment Advisers, Managers, Investment Committee members and The Board of OTF shall not be held personally liable for a specific security's credit risk or market value change as long as actions were in accordance with the Investment Policy and procedures, unexpected deviations were reported to the OTF Board in a timely manner, and all appropriate actions were taken to control adverse developments.

Diversification and Asset Allocation

It will be the responsibility of the Investment Committee to recommend, from time to time, allocations to each asset class. Once approved by the Board, such allocations shall be implemented through Investment Managers.

OTF recognizes that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. This risk is controlled through

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portfolio diversification. Investment Managers and Advisers shall diversify the portfolio(s) to minimize market risks.

General Information

Income needs 3-5% annually based on payout policy
Liquidity needs There are no anticipated large cash withdrawals over the time horizon.
Tax Rates The account is non-taxable

Eligible Asset Classes / Constraints

- Publicly traded Canadian, US or International common stocks, or preferred securities in ethical businesses;
- Private placements of equity where the issuer has committed to listing the shares publicly within a matter of months and is subject to a penalty for non-compliance;
- Mutual Funds or ETF's who are in compliance with the principles of ethical investing.
- Other instruments approved by the OTF Board from time to time.

Prohibited Investments and Activities

The following are unauthorized transactions and securities. No change in this list shall be made without amendment and adoption of the amended Policy by the OTF Board.

- OTF may not purchase or sell speculative instruments such as financial futures, options, interest rate swaps, or forward rate agreements.
- OTF may not directly engage in adjusted trading or short sales.
- OTF may not purchase equities in companies whose activities are contrary to the principles of ethical investing.
- The OTF may not purchase Money Market Funds, Certificates of Deposits, Bonds and other similar interest bearing instruments.

Conflict of Interest

All investment activities must be conducted in accordance with the applicable securities commissions and the regulatory organisations code of ethics.

Investment Monitoring Process

The Investment Committee meets quarterly for a review of the portfolio. The Committee assesses compliance with the Foundation portfolio guidelines and assesses quarterly and annual performance against benchmark and other surveys.

Administrative Services

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The Olive Tree Foundation ensures all policies and procedures are in compliance with applicable provincial and federal legislation such as the Trustee Act of Ontario, the Ontario Corporations Act, the Income Tax Act (Canada), and policies established by the Institute of Chartered Accountants of Canada. OTF administers effective and efficient financial reporting systems, prepares and files required information with regulatory agencies, and prepares the necessary information for the Annual Report and the Year End Audit.

Guiding Ethical Investment Principles

The following guidelines are meant to serve as broad guidelines.

Asset classes

Only stocks, ethical mutual funds and ETFs are eligible for consideration.

Business activities screens

Companies are only to be considered compliant from a business perspective if the cumulative revenue from non-compliant activities and non-operating interest income does not exceed 5% of their total income. Non-compliant income sources include the following:

- Alcohol
- Gambling
- Tobacco
- Adult Entertainment
- Pork Products
- Arms and Weapons
- Interest Income
- Conventional Insurance Companies
- Conventional Financial Services

Financial screens

The following screens should be fulfilled to ensure compliance:

- Interest-bearing debt divided by 12-month average market capitalization should be less than 30%
- Cash, cash equivalents and short-term investments divided by the 12-month average market capitalization should be less than 30%
- Cash, cash equivalents and receivables divided by total assets should be less than 70%

Investment Policy Adoption and Certification

The Endowment Investment Policy shall be reviewed and adopted on no less than an annual basis by the Board. Modifications made to the Policy must be detailed in the resolution amending and adopting the Policy.

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