HAMILTON COMMUNITY FOUNDATION

INVESTMENT POLICY STATEMENT

approved by HCF Board of Directors
on November 19, 2013

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STATEMENT OF INVESTMENT BELIEFS
June 2013

1.0 Introduction

1.1 The Board has established and approved the following Statement of Investment Beliefs which documents the current beliefs underlying the Investment Policy Statement that serves as a guide for managing the assets of the Foundation.

1.2 In an effort to leverage more of our assets to support our mission, vision and values HCF is moving toward an integrated investment approach that includes traditional endowment portfolios for approximately 70% of our assets and an Impact Investment Portfolio which will initially include the assets of The Young Fund and the Hamilton Community Investment Fund. The Foundation believes it can do more with its endowment by leveraging its assets in new ways to have maximum social, environmental and community impact.

1.3 HCF established a $5.0 million Hamilton Community Investment Fund, (HCIF) with the objective to mobilize our assets within our community to create impact that support and align with mission locally. In addition, HCF's board approved the establishment of an Impact Investment Portfolio, seeded by The Young Fund. This portfolio at approximately $33.0 million will include publicly traded securities whose selection considers environmental, social and governance (ESG) factors in the investment decisions, as well as, direct investments in companies and funds with both a social and financial return. Upon completion of the Impact Investment Portfolio and full investment of the HCIF a total of approximately $37 million or 30% of HCF assets will be invested under the umbrella of Impact Investing. The HCF Impact Investment portfolio will have its own Statement of Beliefs as a result of its expanded objectives and non-traditional investment vehicles.

2.0 Mission

2.1 The Board believes that the investment beliefs must be an integral part of supporting Hamilton Community Foundation's vision, mission and values as outlined below:

VISION: A vibrant, inclusive Hamilton

MISSION: To drive positive change by connecting people, ideas and resources.

HCF CORE VALUES:
I - Inclusiveness
C - Collaboration
A - Accountability
R - Responsiveness
E - Empowerment

3.0 Investment Goal

3.1 The primary investing goals of the Foundation are to provide current and future funding for the Foundation's granting, programs and services and to provide for the financial stability to the Foundation in the event of an unexpected shortfall of revenues while capitalizing on opportunities to leverage our capital to support our mission, vision and values. To ensure the ability to carry out these goals, the investments must provide a balance between current and future requirements while considering the capacity of the organization, the evolutionary nature of impact investing and objectives as noted below.

The financial objectives of the Foundation are to:

i) earn a sufficient return to fund disbursements according to the foundation's spending policy
ii) fund the Foundation's ongoing operating costs
iii) grow the asset base to maintain the purchasing power of the capital over the long term

We recognize that in addition to endowed funds, the Investment Policy will need to be designed to accommodate funds that intend to spend down their original capital over a predetermined length of time. As a result the policy will be developed to respect the intentions of donors as evidenced through their fund agreements.

3.2 The Board and its Finance and Investment Committee have reviewed the historical returns of the capital markets and the experience of organizations with very long term investment time horizons. The Board understands that historically returns from the capital markets will vary from one period to the next, sometimes dramatically. As a very long term investor, the Board is willing to accept this volatility in order to earn the higher long term rates of return necessary to meet our long term spending and capital appreciation requirements.

3.3 In order to ensure that the volatility of the capital markets does not have an undue negative impact on spending levels in any single year, the Board has established a short term portfolio to ensure grant money in the current year is protected from the volatility accepted for funds held for the longer term. This is achieved through investment in lower risk, lower return vehicles such as short term paper.

In addition, the Foundation maintains a reserve which is invested with the endowment to provide stability for granting and operations during period of adverse market conditions.

4.0 Portfolio Structure

4.1 A key element of our mission is to address the needs of the community through strategic grantmaking today and in the future. In order for HCF to fulfill this mission it is necessary to ensure its long term financial viability by building and prudently managing the endowment and shorter term funds. The Board of HCF has determined that the most prudent course of action is to ensure that the investment assets are professionally managed by firms whose only business is managing large pools of capital on a discretionary basis. The Board believes the time and effort of staff will be most effective in achieving the Foundation's mission rather than actively managing stock selection and asset mix of the investment decision making process.

4.2 As part of our mission to provide exceptional services to donors, HCF works to provide transparency and clarity surrounding the management and reporting on the endowment investments to both the organization and donors. It is also recognized that the investment environment is and will continue to be more complex and challenging than in the past. As a result, in order to meet or exceed our investment return objectives the Foundation will need to expand our investment horizon beyond primary traditional asset classes of fixed income and equity. The Foundation will invest in alternative investment classes in a prudent and measured manner and at a level that is compatible with the organizations ability to administer and oversee these investments and the organizations risk tolerance. The staff and committee will obtain additional external expert advice as required to support this expansion of investment vehicles. The committee will take into account the impact on liquidity of alternative investment vehicles within the context of the total portfolio.

4.3 The Hamilton Community Foundation under the direction of the Board of Directors will continue to develop the position statement related to Environmental, Social and Governance (ESG) as they affect the Investment Policy and will update this policy as required.

5.0 Risk Management

<u>Oversight</u>

5.1 The Board recognizes that investment risk may be managed through active investment strategies. It intends to manage this risk by: (a) establishing guidelines for the portfolio managers (b) monitoring rigorously the compliance with these guidelines and (c) evaluating the investment performance.

5.2 The Finance and Investment Committee monitors the portfolio managers to ensure that the portfolio complies with the appropriate level of risk as outlined in the Investment Policy. The Board recognizes and respects the importance of volunteer time of all Board and Committee members. In order to ensure that volunteers are used effectively the Board believes having professional portfolio managers make all investment decisions, including asset mix management and security selection, is the most prudent framework for the Foundation.

Active versus Passive Management

5.3 As a long term investor the Foundation can invest actively or passively through investment in various equity and fixed income indexes. Index investing requires that the investor accept all of the securities within the index and accept the same industry diversification as the index. There have been many points in time where specific indexes, as a result of the index structure and composition have resulted in a portfolio that is higher risk than an actively managed portfolio. These increased risks can have significant negative consequences for organizations that are required to disperse funds each and every year.

The Board believes active management of the endowment funds, where the portfolio manager makes decisions regarding the asset mix, asset class, industry sector and individual security exposures allows the Foundation to tailor the portfolio to the appropriate risk level and cash flow requirements.

Asset Classes

5.4 There has been extensive research published over the past 50 years that documents the benefits of diversification, or investing in a number of different asset classes, including geographic diversification. This benefit is achieved through a reduction in risk or volatility. When different asset classes are combined, the overall risk is reduced. As a result, the Board believes the prudent management of the endowment funds requires that the portfolio always maintain investments in multiple asset classes.

Portfolio manager Diversity

5.5 In identifying strategies to mitigate and reduce investment risks, diversification is a primary tool. This includes not only diversification of asset classes and securities but also includes diversification of portfolio managers. The Board believes that it is currently appropriate to have two portfolio managers who have different but complimentary styles to manage the core portfolios. As a result of the Impact Investment portfolio being designed with an Environmental, Social and Governance Public Market Portfolio, a third manager has been added. The impact of three managers following different investment styles will provide less volatility in the overall returns of the Foundation's endowment funds. The Finance and Investment Committee will annually review the requirement for additional managers based on the investment strategy and asset growth of the Foundation.

1. OVERVIEW

1.1 This Investment Policy Statement (Statement) applies to the investment portfolios of Hamilton Community Foundation. The Statement contains investment guidelines and monitoring procedures.

1.2 This Policy does not apply to the funds allocated to the Community Investment Portfolio

1.3 This policy excludes the financial assets held for the day to day operating requirements for which a separate policy statement will apply.

1.4 The Fund operates on a fiscal year, with the quarters ending June 30, September 30, December 31 and the year ending March 31.

2. RESPONSIBILITIES

2.1 The Finance and Investment Committee shall have the authority and the responsibility to formulate and recommend to the Board the Investment Policy Statement pursuant to which the Funds are invested. The Statement shall be formally reviewed and updated as necessary and approved by the Board of Directors.

2.2 The responsibility for implementation of the Investment Policy lies with the Finance and Investment Committee of the Hamilton Community Foundation (Committee).

2.3 The Committee shall consist of at least eight members of which five are members of the Board of Directors of Hamilton Community Foundation. The Committee may invite individuals who are not members of the Board to become members of this Committee to add technical strength and depth to the Committee. Committee members shall be recommended by the Committee for approval by the Board.

2.4 The Committee will receive and review the quarterly investment counselor statements and meet semi-annually with the investment counselors to discuss any changes to the general investment strategy. No meeting shall take place unless a quorum of the Committee is achieved.

2.5 If deemed necessary by the Committee they may hire an investment consultant who is independent from the Portfolio Management function to provide advice on policy development, portfolio manager performance and other topics of interest or concern, as required.

2.6 The Committee shall delegate some of its responsibilities with respect to the investment of the Funds to agents and advisors. In particular, the services of one or more Custodians and one or more firms registered as Portfolio Manager in accordance with the Ontario Securities Act 1990 paragraph 26(6) shall be retained.

2.7 The Committee maintains an active role with respect to the following:

(i) formulation of the Statement;
(ii) appointment and monitoring of Portfolio Managers, Custodians, agents and advisors;
(iii) evaluation of the performance of the investment portfolios;
(iv) communication of the performance with the Board of Directors.

2.8 Any person to whom the Committee delegates responsibilities with respect to the Fund shall adhere to the provisions of the Statement

3. CONFLICT OF INTEREST

3.1 Members of the Finance and Investment Committee, employees of the Foundation, agents, and advisors to the investment portfolios are all fiduciaries and, as such, are subject to the following guidelines.

3.2 Fiduciaries shall not knowingly permit their interests to conflict with their duties and powers with respect to the Foundation.

3.3 A conflict of interest, whether actual or perceived, is defined for the purposes of this policy as any event in which the fiduciaries' private interests are of sufficient substance and proximity to their duties and powers with respect to the Foundation as to impair their ability to render unbiased advice or to make unbiased decisions affecting the Foundation.

3.4 Should a conflict of interest arise, the person in the actual or perceived conflict of interest shall immediately disclose the conflict in writing, with all relevant details, to the Chair of the Committee who, in turn, discloses it to all Committee members at the appropriate time.

3.5 While every circumstance giving rise to possible conflicts of interest cannot be anticipated here, fiduciaries shall disclose, among other things the following circumstances:

i. the committee is considering purchasing or divesting an investment in which the fiduciary has a material beneficial ownership (i.e. the capability to influence the performance of the corporation or the market price);

ii. compensation received from any person or corporation other than one's employer and, in particular, from the issuer or vendor of securities which the Foundation owns or the Committee may be considering buying;

iii. where they are an employee of, or agent for the Investment Counselor;

iv. consideration paid or granted to others for making a particular recommendation relating to the investment of the assets of the Foundation.

3.6 Should the Committee be unable to determine if a conflict of interest exists, they shall refer the matter to the Board of Directors. At any time in the procedure, the Committee may call upon an independent third party to provide advice on the matter.

3.7 Where a conflict of interest is deemed to exist or if its existence is disputed, the person (people) named in the conflict shall not be entitled to vote on the issue concerning the conflict or possible conflict and will remove themselves from the discussion.

3.8 Investment Counselling firms providing services to the Fund are expected to comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute.

3.9 All investment transactions will be conducted in accordance with the laws of Canada and the Province of Ontario.

4. FINANCIAL OBJECTIVES OF THE FOUNDATION

4.1 The primary investing goals of the Foundation are to provide current and future funding for the Foundation's granting, programs and services and to provide for the financial stability to the Foundation in the event of an unexpected shortfall of revenues while capitalizing on opportunities to leverage our assets to support our mission, vision and values. To ensure the ability to carry out these goals, the investments must provide a balance between current and future requirements while considering the capacity of the organization, the evolutionary nature of impact investing and objectives as noted below.

4.2 The financial objectives of the Foundation are to:

i) earn a sufficient return to fund disbursements according to the foundation’s spending policy
ii) fund the Foundation’s ongoing operating costs
iii) grow the asset base to maintain the purchasing power of the capital over the long term

5. ASSET ALLOCATION

5.1 Introduction

The total investment portfolio will be divided into two sections:

- Short-term portfolio
- Long-term portfolio

5.2 Asset Allocation for Short-term portfolio:

The Short-term portfolio will hold the assets of the flow through funds and the expected annual disbursements amount for the current year.

	Minimum	Maximum
Cash & Short Term	15%	100%
Short Term Bonds	15%	85%

The Portfolio Manager will be expected to structure a portfolio that maximized the return based on the cash flow requirements as provided by the Foundation

5.3(a) Asset Allocation for Long-term portfolios:
The total **combined** portfolios will be invested in a diversified manner according to the following target range of asset allocation.

Asset Class	***Target***
Cash & Equivalents	5.0%
Bonds	25.0%
Total Fixed Income	**30.0%**
Canadian Equity	28%
Global Equity	34%
Total Equity	**62.0%**
Non Traditional Assets- High yield bonds Real Estate Infrastructure	 4% 2% 2%
Total Non-Traditional Assets	**8%**

The total combined portfolios **excluding the non-traditional asset classes** will be invested in a diversified manner according to the following target range of asset allocation.

Asset Classes	***Minimum***	***Target***	***Maximum***
Cash & Equivalents	**0**	**5.0%**	**17.0%**
Bonds	**13.0%**	**32.0%**	**50.0%**
Total Fixed Income	**27.0%**	**37.0%**	**57.0%**
Canadian Equity	**20.0%**	**27.0%**	**56.0%**
Global Equity	**17.0%**	**36.0%**	**50.0%**
Total Equity	**43.0%**	**63.0%**	**73.0%**

The asset mix ranges are asymmetrical and allow the Portfolio Managers to be aggressive at taking defensive positions, by significantly ovewrweighting the fixed income assets in the portfolio.

The asset range reflects the weighting of individual portfolio managers mandates as outlined in Appendix #2.

Quarterly, the Committee will monitor the combined results to ensure the overall target allocation is achieved.

5.3(b) The target asset allocation will be determined with the objective of maximizing returns within an appropriate level of risk. The appropriateness of the targeted asset allocation is to be based on its expected impact on the level and volatility of returns.

5.3(c) The Foundation seeks to earn the following return to meet the approved spending policy and current operating costs. Over the long term the Foundation would like to achieve a higher return as outlined to provide for inflation protection. Based on the current spending policy at 3.5%, current operating cost at approximately 2.0% and estimated inflation at 2.0% the return goals are:

i) Minimum rate of return of 5.5% on a 5-year rolling basis

ii) Long term returns over periods in excess of 10 years of 7.5%

The committee acknowledges that historical volatility, particularly in the past 10 years for a portfolio with target asset allocation as outlined in the policy has reached in the low to mid 20% range. The committee will continue to assess the volatility of the portfolio target asset allocation as part of the annual policy review. The committee recognizes that the operating cost rate identified is an estimate based on the current market value of assets and that it increases in any given year due to the impact of annual investment returns on the market value of the fund values of the foundation. This fee will also evolve with the asset growth of the foundation. As a result, the committee continues to annually review scenario planning models that reflect the impact on the foundations financial model related to the likelihood of not reaching or exceeding these return rates on an ongoing basis in light of feedback from investment managers and an investment consultant.

5.4 Short-term securities include cash, cash equivalents and fixed-income securities with time remaining to maturity of less than one year at that point in time.

5.5 Bonds include all fixed-income securities with time remaining to maturity of one year or longer at that point in time.

5.6 Canadian equities include common stocks and warrants, limited liability income trusts, preferred stocks and convertible debentures of Canadian issuers

5.7 Global equities include common stocks and warrants, limited liability income trusts preferred stocks and convertible debentures of non-Canadian issuers.

6. FOUNDATION INVESTMENTS

6.1 In accordance with HCF's private Act all investments must qualify as permitted investments authorized for the investment of funds by life insurance companies in Canada. At this time, life insurance companies follow the "Prudent Investor Rule"*****. The only exception to this requirement would be if the investment was a donated asset which the Board elected to retain.

6.2 Of those qualifying investments, the Foundation will only invest in the following asset categories:
(i) cash;
(ii) demand or term deposits;
(iii) short-term notes;
(iv) treasury bills;
(v) bankers acceptances;
(vi) commercial paper;
(vii) bonds, including coupons and residuals;
(viii) mortgage-backed securities;
(ix) convertible debentures;
(x) common and preferred stocks, including secondary issues;
(xi) a donated asset which the Board specifically elected to retain
(xii) real estate
(xiii) infrastructure and,
(xiv) pooled funds primarily invested in any or all of the above asset categories;

6.3 The Fund shall not engage in:

(i) the purchase of securities on margin;
(ii) the direct purchase of derivatives other than as noted below at 6.4;
(iii) loans to individuals or corporations;
(iv) short sales;
(v) direct purchases of equity private placements and bonds that are not secondary issues of publicly listed companies except as allowed for in the non-traditional asset classes outlined in Section 7.7; or
(vi) securities lending outside of a pooled fund.

6.4 The use of derivative instruments shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, Portfolio Managers are not permitted to leverage the Fund assets. The use of derivative securities is only permitted for currency hedging purposes. Purchase or sale of any of these instruments for speculative purposes is prohibited.

*****NOTE: The Insurance Act reference to the Prudent Person rule is " The directors of a company shall establish and the company shall adhere to investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return."

The Trustee Act (Ontario) which regulates the investment standards of charities in Ontario provides that in investing trust property, a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments.

7. INVESTMENT RISK

7A Diversification within Asset Classes

7.1 Diversification among asset classes is provided through the asset allocation guidelines set forth in this policy.

7.2 Diversification within each asset class is provided by limiting the percentage of the market value of Foundation assets invested in a single security not guaranteed by the Government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.

7.3 No more than 10% of the market value of the total investment portfolio will be invested in the securities of a single corporate issuer.

7.4 No more than 5% of the market value of the total portfolio will be invested in a single security not guaranteed by the Government of Canada or a Canadian province.

7.5 A minimum of seven of the ten global industry sectors must be represented in the total equity portfolio at all times

7B Liquidity

7.6 Liquidity is defined as the ability of the market in a particular security to absorb a reasonable amount of buying or selling at reasonable price changes. Further, any security held in the Foundation portfolios must have the capability of being readily converted into cash **except for the non-traditional assets as outlined in 7.7**. Overall liquidity must be enhanced by limiting the size of an investment in any single corporate entity.

7.7 Connor Clark & Lunn- Non Traditional Asset Portfolio

HCF agrees to allow CC&L Private Capital to invest a portion of the client's assets in illiquid, alternative investments such as the Private Client Real Estate Portfolio and/or the Private Client Infrastructure Portfolio. Specifically, the client agrees to commit to the Real Estate Portfolio the amount of $2,000,000 CDN (the "Commitment Amount") representing 5% of the CC&L portfolio and 2% of the total portfolio at the time of the amendment of this policy and to the Infrastructure Portfolio the amount of $2,000,000 CDN (the "Commitment Amount") representing 5% of the CC&L portfolio and 2% of the total portfolio at the time of the amendment of this policy

The Allocated Percentage will be based on an allocation to illiquid, alternative assets by CC&L Private Capital and represents a percentage of the market value of the CC&L portfolio as of the date of this Statement of Investment Policies, and will be reviewed by CC&L Private Capital on January 1 of every subsequent year. The

Allocated Percentage will be used to calculate a Commitment Amount, and the annual Commitment Amount will not fluctuate with the market value of the other assets held in your portfolio. The Allocated Percentage may only be reduced during specified periods during each year as discussed in the Investment Management Agreement. The Allocated Percentage may be increased during the year only with the written consent of CC&L Private Capital. CC&L Private Capital will communicate the Commitment Amount annually in writing

7C **Quality**

7.8 Quality of the portfolio is achieved by requiring minimum standards for credit ratings relating to each investment.

7.9 The short-term instruments portfolio will maintain a minimum weighted average credit rating of R1 mid or its equivalent, as measured by a recognized Canadian bond rating service. Short-term instruments will have a minimum quality standard at the time of purchase of R1 or its equivalent.

7.10 The bond portfolio will maintain a minimum weighted average credit rating of A* or its equivalent. At any time, no more than 15% of the holdings of the segregated bond portfolio and no more than 20% of a pooled bond fund may be instruments with a minimum credit rating of BBB* or its equivalent except as outlined below. Bonds below investment grade will be considered part of the equity allocation not the bond allocation and could not represent more than 20% of the equity allocation. Bonds with a credit rating below BBB may be included in the high yield CC&L High Yield portfolio.

7.11 All Fund equity investments shall trade on recognized Global stock exchanges or networks. Installment Receipts and warrants/rights of publicly listed companies with payment time horizons not greater that three months are considered to be eligible equities. Preferred stocks must have an acceptable investment grade quality of P1.

7.12 The Committee shall inform the Portfolio Manager on a regular basis as to the Fund’s liabilities and cash flow requirements. The Portfolio Managers will ensure that the Fund is positioned to ensure that cash flow requirements are met and to broadly match the duration of Fund assets and liabilities.

7.13 For purposes of the above tests, a pooled fund is not considered a “security of a single issue

8. VOTING RIGHTS

8.1 Voting rights on Fund securities may be delegated to the Portfolio Manager.

8.2 The Portfolio Manager will provide in writing its policy on voting rights.

8.3 The Portfolio Manager shall maintain a record of the exercise of the voting rights for investments in the portfolio and report on their voting to the Foundation.

8.4 The Committee may exercise any voting right by communicating its intentions to the Portfolio Manager in writing.

9. MONITORING

9.1 The Portfolio Manager may be issued a mandate containing specific investment objectives and guidelines. The mandate conforms to the provisions of the Statement but is not considered part of the Statement. It can only be issued and amended by the Committee. The Portfolio Manager is required to supply a letter of compliance with the provisions of the mandate.

9.2 Each quarter the Portfolio Manager shall issue a written report to the Committee on the performance of the Fund. The report will include information on the rates of return for the quarter and year to date for each asset class. The Committee shall evaluate the performance, focusing on Fund objectives and long term expected return and risk parameters.

9.3 Each quarter, the Portfolio Manager will provide a compliance report with the provisions of the Policy detailing instances where such provisions were violated. The Portfolio Manager is required to report immediately any breach of compliance in writing along with pertinent details, explanations and remedial action taken. Continuing variation from the Portfolio Manager's Mandate is not acceptable without a formal written amendment to the Mandate agreed to by the Committee.

9.4 The Portfolio Managers shall meet with the Committee at least semi-annually to:

(i) provide information concerning new developments affecting the Investment Counselor and their services;

(ii) review the transactions in the latest period and the assets held at the end of the period and explain how they relate to the strategy advocated;

(iii) explain the latest performances;

(iv) be apprized of expected cash flow requirements;

(v) provide an economic outlook along with a strategy under such circumstances;

(vi) any other relevant matters that may arise from time to time.

The proceedings of such meetings are recorded in writing and shall be presented to the Board of Directors.

9.5 While the primary focus and objective of the Committee is the long-term investment performance of the portfolio, the Committee has a fiduciary duty to evaluate the portfolio results on an ongoing basis. This ongoing evaluation (**excluding the non-traditional asset classes)** will be conducted using two benchmarks. The first will be constructed using the returns of the relevant indexes as outlined below with the individual manager's target asset mix as outlined in the mandate in Appendix #2.

Index Benchmark
91 Day T-Bill Index
Dexia Universe Bond Index
S&P / TSX Capped Composite Index
MSCI World ex. Canada Index
Total Portfolio

A) The annual returns over a moving five year period should be at least 1.25% greater than the passive index benchmark that could be earned by investing solely in these indices.

B) Performance results should also rank above the moving five-year median return of a sample universe of similar funds identified by the investment consultant. This ensures the manager is performing in the top half of like managers for this period measured.

The Median returns will be obtained from a recognized performance survey such as the Morningstar Canada Principia for Pooled Funds survey or other similar database that collects performance from a minimum of 200 different portfolio managers with a minimum combined asset size in excess of $300 billion to ensure the robustness of the survey data. The appropriate benchmark will be agreed upon by the investment consult and investment managers based on their mandate.

9.6 If the Portfolio Manager is in the bottom half of its peer group for six consecutive quarters, a review shall be undertaken by the Investment Committee. The Committee's review will examine all relevant issues including:

- The capital markets environment
- The consistency of the return profile with the manager's style
- The risks undertaken or avoided to achieve the returns
- Assess if managers current underperformance relates to a specifically articulated strategy by the manager designed to meet the longer term investment objective as outlined.
- Changes within the firm that may be contributing to the performance lag
- The forthrightness of the manager in addressing the issue and
- Any other issues that may be considered relevant

Upon completion of this internal review, the Committee may proceed, if warranted, to notifying the manager that they are under review for performance-related reasons. This review will be given verbally and in writing. If the Portfolio Manager's performance-related issues are not satisfactorily resolved during the subsequent eight quarters, the Board will consider terminating the Portfolio Manager. A satisfactory resolution will be defined by the Committee and will encompass the appropriateness of the risk and return levels achieved by the manager in the context of the objectives of the Foundation.

9.7 Performance for Real Estate and Infrastructure will be assessed as follows: Committee to review quarterly reports and manager to meet with the committee annually to discuss report including:

- Deal flow for the fund
- Assets at risk
- Valuation
- Future fund plans
- Changes in key personnel
- Changes in strategic directions
- Changes in the external environment effecting fund performance
- The return profile, including returns, volatility of valuation and cash flows, as compared to fixed income investments, the rate of inflation and the return profile of a traditional balanced portfolio

9.8 Should concerns arise due to the failure to meet minimum acceptable standards for service and communication, the Portfolio manager firm shall be notified, in writing that they are under review. The Trustees will develop a specific plan with the Portfolio manager firm to rectify these service deficiencies. If these deficiencies have not been adequately resolved within eight quarters the Portfolio manager firm will be terminated.

9.9 An independent review of the Investment Policy, the portfolio manager and investment performance will be conducted at a minimum of once every four years. This review will be conducted by an independent asset management consultant who has been awarded the Chartered Financial Analyst designation and is not involved in the management of investment portfolios or the sale of investment products.

10. POLICY STATEMENT REVIEW

10.1 The Policy is reviewed at least annually.

10.2 Material changes in the following may cause a revision:

i) long-term risk/return trade-off in the capital markets;
ii) Foundation spending policy;
iii) risk tolerance:
iv) legislative environment; and
v) a material change in the size of the assets of HCF