



Operational Procedure

Investment Policy

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KEYWORDS

Investment

PURPOSE

To provide governance over long term investments.

POLICY

Investment Guidelines

Overall Portfolio Objectives

The overall objective of this portfolio is to provide for the current and future funding requirements of the Canadian Mental Health Association Lambton Kent. The portfolio is to be managed in such a way as to balance growth with long term consistency and stability of returns.

Within the context of the above requirements, the maximization of income and the maintenance of a limited level of liquidity to meet unanticipated funding requirements are desirable.

Current Portfolio Objectives

The organization has the following goals:

1. To invest in a portfolio that includes not only GICs and bonds but also investments that have higher income and growth potential including stocks and preferred shares.

2. To have funds available in the future to fund a capital project. It is anticipated that sometime in the next 5-10 years the organization will seek to build or buy new premises for operations, perhaps sooner, and would draw on part of the portfolio to help fund this project. Also, it is possible that some funds may be required for operations on an exception basis, at most in the region of \$300,000.

3. Generating income is important for a portion of the portfolio (\$2.4 million) but should be balanced with the need for growth.

Return Objectives

Overall, the goal is to hold a balance of investments that aim to generate income alongside investments that have the potential for growth. Accordingly, part of the portfolio will hold low/moderate risk investments (bonds, GICs, and some preferred shares), with the objective of generating income. And part of the portfolio will hold higher risk investments, namely stocks, with the objective of long-term growth.

Risk Tolerance

In some years, the portfolio may not achieve its rate of return goal and in fact may have negative returns. CMHA Lambton Kent is willing to accept this risk in order to achieve long-term goals. Overall, the total portfolio will be invested 35-55% in stocks with the balance in fixed income (bonds, GICs and preferred shares).

Time Horizon

The time horizon for this portfolio is 5-10 years.

The organization does not currently have plans to access the capital. However, it is anticipated that a new capital project will be undertaken in the next 5-10 years, and possibly sooner. At the time of a new capital Approved July, 2021 2 to be reviewed July, 2023 project, the organization will draw on the portfolio. The lead time for such a project would be about 18 months.

Liquidity and Income Needs

The organization currently has no need for income from the portfolio. It is possible that up to \$300,000 of income and capital may be needed in any given year to make up for an unforeseen operational shortfall. Should the need arise, the lead time for drawing on the portfolio would likely be three months.

Asset Allocation

Asset Class	Minimum	Long-Term Target	Maximum
CASH AND EQUIVALENTS	0%	5%	35%
FIXED INCOME	45%	50%	65%
EQUITY	35%	45%	55%

Investment Management Guidelines

1. The majority of the cash and fixed-income portfolio will be invested in investment-grade securities.
2. The maximum amount allowable per investment-grade non-government fixed-income security will be the greater of 10% of the portfolio or 15% of the fixed-income and cash portfolio.
3. The portfolio will be diversified across multiple sectors.
4. The majority of the equity holdings will be mid-to-large companies as measured by market capitalization.
5. The maximum amount allowable per equity security will be the greater of 10 % of the portfolio or 15 % of the equity portfolio.

From time to time, market fluctuations may cause the portfolio to be temporarily inconsistent with the Asset Allocation and/or the Investment Management Guidelines set out in this Investment Policy Statement. When this occurs, the Portfolio Manager will undertake realignment of the portfolio within a reasonable period of time in accordance with this Investment Policy Statement.

Reporting and Portfolio Review

On a quarterly basis the Portfolio Manager will send a portfolio report and on a quarterly basis will conduct a comprehensive portfolio review with CMHA Lambton Kent, including performance evaluation. This Investment Policy Statement will be reviewed formally every two years.

Decision Making

The portfolio will be managed on a discretionary basis. This means that all investment decisions will be made by the Portfolio Manager. This discretion will be exercised within the context of the Objectives, Asset Allocation and Investment Management Guidelines set out above.