PACIFIC OPERA VICTORIA FOUNDATION
INVESTMENT POLICY GUIDELINES

Approved by the Board June 27, 2012

The Board of Trustees of the Pacific Opera Victoria Foundation (the "POV Foundation") shall be responsible for the prudent stewardship and management of the investments of the POV Foundation.

The Board of Trustees shall set forth investment guidelines to construct and monitor an Investment Portfolio that is designed to meet both the Foundation's short and long-term goals.

PURPOSE:

The purpose of this document is to provide policies and procedures for the prudent stewardship and management of the investments of the POV Foundation.

The policies and procedures set out in this document do not apply to cash held in bank accounts, or short-term liquid assets reserved by the POV Foundation Trustees (the "Trustees") for accessibility. It applies only to the unrestricted (retractable) long-term investment assets held independently from the endowment funds currently held with the Victoria Foundation, or any other foundation. For the investment policy of the POV Foundation endowment funds, please see the Victoria Foundation Investment Policy at http://www.victoriafoundation.bc.ca/web/files/Investment_policy_FINAL_May%2027%202011.pdf

OBJECTIVES:

The overall objective is to achieve a reasonable investment return on the POV Foundation investments, within the guidelines of the acceptable risk, established by the Trustees. The goal is to sustain the POV Association in perpetuity. With this in mind, the investments will be managed with the following objectives:

1. To protect the real value of the assets (i.e., Net of inflation) over the long term.
2. To maximize long-term investment yields, subject to maintaining a measure of protection against short-term volatility.
3. To provide relatively stable and predictable funding for the POV Association's operations.

GOVERNANCE/RESPONSIBILITIES:

The investment of the assets will at all times comply with the Constitution, the By-Laws of the Foundation, this Policy document and any applicable legislation. Subject to the provisions of the *Society Act and Trustee Act*, the Trustees may in their absolute discretion, delegate powers and duties with respect to investment management, in whole or in part, to one or more of the following:

- A foundation including but not limited to the Victoria Foundation; or
- One or more investment counseling firms; or
- A trust company authorized by law to perform such functions.

The Trustees shall not be personally liable for any loss or damage arising in any manner by reason of such arrangements or delegation, provided always that the Trustees shall exercise prudence in:

(i) selecting the agent;
(ii) establishing the terms and limits of the authority delegated;
(iii) acquainting the agent with the investment objectives; and
(iv) monitoring the performance of the agent to ensure compliance with the terms of the delegation.

The Board of Trustees may hire independent professionals on a retainer from time to time, as required.

The Board of Trustees has created an Investment Committee (IC), to be responsible for the implementation of these policies. The Terms of Reference for the IC outline the primary responsibilities as follows:

1. Quarterly, or as required, consult with the POV Executive Director, to establish the appropriate amount of accessible cash to be maintained by the POV Foundation, independent of the long-term investment assets.

2. Annually, review the Investment Policy document, or as required by a significant material change (e.g., large bequest, unexpected operations shortfall), and present any change recommendations to the Board of Trustees. This is to ensure current and suitable policies and procedures are in place.

3. As required, make recommendations to the Board of Trustees, on engaging one or more Investment Managers to manage the assets of the Foundation, or terminating one or more Investment Managers, as appropriate;

4. Annually, review and present Investment Manager performance reports to the Board of Trustees, in addition to reviewing the Investment Manager adherence to the Investment Policy guidelines.

5. Annually, review the necessity for rebalancing the overall portfolio, if the established asset class minimum and maximum % ranges have drifted more than 5 % below the minimum or above the maximum, to ensure compliance.

6. Annually, review and report all funds available for expenditure, to the Board of Trustees, and present any recommendations of transfer of capital, to the managed endowment funds or retractable funds held with a foundation (e.g., Victoria Foundation), or other delegated professional manager/s.

LIQUIDITY:

The majority of the investments will be liquid and accessible (i.e., convertible to cash on short notice). In a high interest rate environment, medium term (3-5 years) Guaranteed Investment Certificates may be purchased, as part of the fixed income component of the POV Foundation portfolio.

RISK:

In this context, "risk" is defined as the magnitude of changes (both increases and decreases), in the market value of the portfolio. This is the level of volatility in the value of the investments over time. In financial terms, volatility is referred to as the standard deviation of returns.

As equities are typically responsible for the growth of a portfolio, they are also more volatile than bonds. Therefore, the reduction of risk competes with the investment return objective. To ensure that the growth requirements over inflation are achieved, the POV investments can assume some risk of declining asset values over the short term, in order to achieve the required long-term objectives. With this in mind, a possible decline in the range of 10-15% of the value of the POV Foundation long-term investment portfolio (net of withdrawals), in a given 12-month period, could be tolerated, if it reflected overall market conditions.

DIVERSIFICATION:

The risk of price fluctuations within asset classes, and the uncertainty of future global economic conditions, requires prudent diversification to be undertaken. The POV Foundation investments will have representation in asset classes including cash, fixed income and equities (both domestic and foreign). Within each asset class, the professional investment managers will ensure that a suitable level of diversification is maintained.

ASSET MIX RANGES:

The asset mix of the investments may fluctuate within the following limits:

Asset Class	Minimum	Target	Maximum
Cash	0%	5%	20%
Fixed Income	25%	35%	50%
Canadian Equity	20%	30%	40%
U.S. Equity	5%	15%	20%
Overseas Equity	5%	15%	20%

INVESTMENT MANAGERS:

The engagement of investment professionals will be achieved by a Request For Proposal (RFP), and applying fair and reasonable identification, evaluation and selection standards. Criteria such as professional experience; professional credentials; investment offerings; fees; statements and performance reporting; firm reputation, and service provided; as well as experience with working with other not-for-profits, should be included.

The Investment Manager, in performing duties, shall:

- exercise the care, diligence and skill of a prudent investment professional and shall at all times act on a basis that is fair and reasonable;

- adhere at all times to the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute, and to all compliance and privacy policies; as well as signing a statement of compliance;

- invest the POV Foundation portfolio under their management in accordance with the terms of the current POV Investment Policy Guidelines;

- achieve a minimum investment performance of returns that are equivalent to CPI +/- 1 %

- provide a quarterly performance report, an overview of the intended investment strategy; and compliance or non-compliance of the POV investment guidelines.

GUIDELINES AND PERMITTED INVESTMENTS:

Cash and cash-equivalents:

1. Instruments issued by or guaranteed by, the Government of Canada or the Provinces.

2. Commercial Paper rated R1 or better by the Dominion Bond Rating Service (DBRS).

3. Debt instruments of the six major banks and their guarantees; trust companies or domestic banks with a rating of AA or better; or any deposit insured by the CDIC. No cumulative investment in one institution will exceed 15% of the short-term fund, unless it is held in a broadly diversified pooled fund of an investment manager. e.g., Money Market Fund

Fixed income (debt instruments):

1. Investments in debt of the following issuers are acceptable:

    - Government of Canada and its guarantees;
    - Provinces and guarantors whose ratings are BBB or better;
    - Corporations with a rating of BBB or better, by one of the major credit rating agencies (namely, the DBRS, S&P, or Moody's);
    - Asset-back securities including collateralized commercial mortgages (CMBS) provided the ratings of the issues acquired are a minimum A or equivalent, and the CMBS content by the investment manager in other debt instruments does not exceed 25% nor other asset-backed securities exceed 15%;
    - If the rating is BBB or better, bonds of a Canadian issuer payable in a foreign currency, U.S. Government and U.S. corporate bonds;

2. Debt rated below BBB is not permitted, except in the case of a high-yield, pooled fixed income fund, managed by an investment manager which has been approved by the Board of Trustees;

3. Investments in instruments with a rating of BBB will not exceed 20% of debt holdings and other debt holdings will have an investment rating of A or higher;

4. Not more than 10% (5% if the rating is BBB) shall be invested in the debt of a single issuer other than the debt issues of, or fully guaranteed by, the Government of Canada or a Province;

5. Should the rating of a debt instrument be downgraded to a level below being eligible for purchase, the investment manager shall immediately advice the Investment Committee Chair of the intentions, which will generally be to dispose of the security as soon as prudently advisable.

Equity investments:

1. Not more than 10% of the Canadian equity allocation shall be invested in the common stock or other equity issues of any one Canadian corporation;

2. Not more than 10% of the non-domestic equity allocation shall be invested in the common stock or other equity issues of any one foreign corporation;

3. Non-domestic equity holdings will be broadly diversified by industry sectors, countries, regions and currencies;

4. No equity investment will be made in any corporation with limited marketability or a market value capitalization of less than $100 million, unless it is held in a diversified small-capitalization, pooled fund of an investment manager approved by the Board of Trustees;

Loans and Derivatives:

1. The Fund shall not engage in the purchase of securities on margin, or engage in short sales.

2. Investment Managers may use derivative securities to defensively hedge currency exposures, but no leverage is permitted.

3. Investment in other derivative instruments may be used for hedging purposes to facilitate the management of risk or to facilitate an economical substitution to a direct investment, but under no circumstances will derivatives be used for speculative purposes or to create leveraging of the portfolio.

4. The custodian shall not loan Fund assets (i.e., engage in securities lending). Should a managers' pooled fund product engage in securities lending, the manager(s) will make the Trustees aware of this practice at the time of purchase and update annually as applicable to this policy.