

LAKESHORE GENERAL HOSPITAL FOUNDATION

Statement of Investment Objectives And Guidelines (“Policy”)

Section 1 – About the Lakeshore General Hospital Foundation

The Lakeshore General Hospital Foundation is a non-profit organization established in 1964 dedicated to supporting the enhancement of patient care at the Lakeshore General Hospital. The Foundation funds programs and projects to advance patient care and research. Our aim is to fund the acquisition of state-of-the-art medical equipment, support significant upgrading of our hospital facilities, and assist in supporting programs and specialized training for the professional staff.

1.1 Mission Statement

To inspire, encourage and engage our community to invest in helping elevate the quality of healthcare at the Lakeshore General Hospital and improve the lives of all those who come through our doors.

1.2 Purpose of the Funds

To meet expenses of the Lakeshore General Hospital occurring as a result of planned or unanticipated activities and/or improve the return on the funds held for expenditure.

1.3 Investment Objective

The primary objectives in investing assets of the Lakeshore General Hospital Foundation shall be:

- Income generation
- Preservation and enhancement of the value of capital through prudent diversification and professional investment management
- Adequate liquidity should be ensured to meet periodic, projected and unanticipated expenses
- Varying levels of risk and return will be taken based upon the investment time horizon and return objectives of the distinct Funds outlined in Section 2.

1.4 Duties and Responsibilities

The Board of Directors (“Directors”) are trustees of the Foundation but have delegated the day-to-day investment management and monitoring to the Investment Committee (“Committee”). Any Policy changes recommended by the Committee must be approved by the Directors. Both the Directors and Committee have a fiduciary responsibility for ensuring that investments are made on a prudent basis and in accordance to the financial needs of the Foundation. These responsibilities are discharged through regular meetings, and through a network of external partners.

Section 2 - Overview of Investments

There are two categories of Funds split by their visibility in spending. As such, each will be invested differently according to their capacity to take risk based on their investment time horizon.

1. **Committed Funds:** contains funds that are held by the Foundation that are planned and committed to be distributed to the Hospital, normally with a time horizon of under four years.
2. **Endowed Funds:** contains funds that are held by the Foundation in perpetuity. The capital and income of the Endowed Funds will be used for specified purposes but have not yet been committed. The maximum spending of the funds will be 10% annually unless approved by the Directors.

Section 3 – Objectives of the Fund and Professional Management

3.1 Expected Rate of Return

The expected rate of return on the Fund is an investment objective that recognizes the nature of the Fund's requirements, time horizon and risk tolerance. The nature of the Fund's requirements may change over time, and accordingly the Fund's objectives will be reviewed by the Committee at least annually in view of the Fund's level of assets and purpose.

The overall objective of the Funds is to preserve (in real dollar terms) the capital of the foundation, to obtain a total return (yield plus capital appreciation) necessary to provide a dependable and optimal source of income for each distinct Fund in order to cover the annual operating costs of the Foundation.

Committed Funds: This fund must be kept in low-risk secure fixed income investments, with maturities matched to expected distribution dates. Due to the variable time of disbursements and commitments to new capital expenditures the percentage of overall funds allocated to the Committed Fund is expected to fluctuate in value over time. The Committed Funds will also maintain assets in excess of expected commitments by a factor of 10%.

Endowed Funds: Since these funds are longer-term, these funds can assume a moderate level of risk as measured by the standard deviation of annual returns. The Endowed Funds may be used as needed to finance the Committed Funds subject to any constraints in Section 2.

3.2 Investment Managers and Service Providers

The Foundation shall retain one or more Investment Manager (the "Managers") to manage the Funds. Managers for the Funds must be registered and in good standing with the appropriate securities commission and, for international assets, must be registered and in good standing with the applicable securities regulator in the appropriate jurisdiction. Should the registration of a Manager be declined or revoked, the Manager shall immediately notify the Committee. The Committee allocates assets to individual Managers and from time to time may withdraw Funds from or reallocate Funds between Managers. At the time of appointment, each new Manager will be provided with an investment management agreement ("IMA") or pooled fund subscription agreement specifying investment guidelines/constraints and a copy of this Policy.

The primary responsibilities of the Managers are to:

- Read and recommend changes as appropriate to this Policy and manage the Funds in a manner that is compliant with it

- Be accountable to the Committee for the overall investment performance of the Funds and for adherence of investment activity to this Policy
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- Seek prior approval from the Committee for any investment change likely to have a significant effect on asset allocation
- Have an appropriate level of expertise that permits the assumption of responsibility by senior members for investment decisions within the guidelines set out by this Policy. The Manager is responsible for the implementation and management of asset strategies consistent with Funds objectives as stated in this Policy, as well as the maintenance of appropriate records
- Carry fiduciary and errors and omissions liability insurance in an amount consistent with standard industry practice and at least equal to the value of the total Funds
- On a quarterly basis provide details of performance of the Funds, investment transactions, analysis of the characteristics of the Funds under administration and commentary upon market conditions and asset strategy to the Committee.

Any mandates for the custody of securities, performance measurement services, consultants and other service providers will be granted by the Committee or as directed by the Managing Director. These relationships will be reviewed on as needed basis but not later than every 2 years.

Managers, service providers, including consultants, where applicable, are expected to exercise the degree of care, diligence, and skill which a prudent and diligent service provider or consultant would exercise in similar circumstances.

Section 4 – Asset Allocation & Performance Benchmark

4.1 In order to achieve appropriate levels of risk exposure and return expectation for the overall Funds, the normal policy allocation for the Funds, and the associated ranges for strategic variation at any time are as follows:

Committed Funds

ASSET CLASS	MINIMUM	TARGET	MAXIMUM	BENCHMARK
<u>Fixed Income:</u>				
a) Cash and Equivalents ¹	N/A	100%	N/A	FTSE Canada 365 Day T-Bill Index

(1) Cash and short-term securities include but are not limited to: Treasury Bills and other securities issued or guaranteed by the federal government, provinces or municipalities of Canada including their agencies and corporations, Banker's Acceptances and other bank and trust company obligations or deposits. Treasury Bills and other securities issued or guaranteed by the federal government, provinces or municipalities of Canada including their

agencies and corporations, Banker’s Acceptances and other bank and trust company obligations or deposits should be made with investment grade banks only with a credit rating of least an “A” rating on the Dominion Bond Rating Service (DBRS) or equivalent.

Endowed Funds:

ASSET CLASS	MINIMUM	TARGET	MAXIMUM	BENCHMARK
<u>Public Equities:</u>				
a) Canadian ¹	5%	10%	15%	S&P/TSX Composite
b) Global ²	25%	40%	45%	MSCI World Index
Public Equities	30%	50%	60%	
<u>Fixed Income:</u>				
c) Cash and Equivalents ³	0%	2%	10%	FTSE 91 Day T-Bill
d) Canadian Fixed Income ⁴	40%	48%	70%	FTSE Universe Bond
Fixed Income	40%	50%	80%	

- (1) Common stocks or convertible debentures of Canadian Corporations. No participation in all classes of any issuer’s equity securities will exceed 5% of the Endowed Fund’s market value. Not more than 20% of the Public Equity Allocation shall be represented by small capitalization stock currently defined as those having a market capitalization including closely-held shares of less than \$1 billion. Investment in income trust units, and exchange-traded funds (ETFs) is permitted. Managers are prohibited from selling securities short, buying securities on margin, borrowing money or pledging assets, or trading uncovered options without the advance written approval of the Committee.
- (2) Common stocks or convertible debentures of non-Canadian corporations. No participation in all classes of any issuer’s equity securities will exceed 5% of the Endowed Fund’s market value. Not more than 20% of the Public Equity Allocation shall be represented by small capitalization stock currently defined as those having a market capitalization including closely-held shares of less than \$1 billion. Investment in income trust units, and exchange-traded funds (ETFs) is permitted. Managers are prohibited from selling securities short, buying securities on margin, borrowing money or pledging assets, or trading uncovered options without the advance written approval of the Committee.
- (3) Cash and short-term securities include but are not limited to: Treasury Bills and other securities issued or guaranteed by the federal government, provinces or municipalities of Canada including their agencies and corporations, Banker’s Acceptances and other bank and trust company obligations or deposits.
- (4) Investments in Fixed Income will include bonds (including inflation-indexed bonds), debentures, mortgages, notes or other debt instruments of government, government agencies and corporations as well as money-market securities, including cash, Treasury Bills, Banker’s Acceptances, Guaranteed Investment Certificates, commercial paper and certificates of deposit. Investment in exchange-traded funds (ETFs) is permitted. Overall quality is

expected to be of at least an “A” rating on the Dominion Bond Rating Service (DBRS) or equivalent with no more than 10% of the fixed income funds with a credit rating of “BBB” or less. Not more than 20% of the fixed income Funds shall be denominated for payment in non-Canadian currency. No more than 5% of the fixed income shall be in mortgages. Investment grade preferred shares can form up to 10% of the fixed income allocation of the Funds. No single issuer except for the Federal or Provincial governments shall represent more than 5% of the market value of the Endowed Funds.

4.2 Investment Restrictions

With the exception for securities within any pooled fund, any securities issued by companies will be prohibited where 10% or more of the company’s revenues are derived from the following sources:

- Tobacco
- Cannabis
- Gambling
- Cryptocurrency

4.3 Rebalancing

The asset mix shall be monitored quarterly and rebalanced when necessary.

Transfers between asset classes and Managers may be done by the Managing Director with the approval of the Committee within the ranges stipulated in the Asset Allocation Ranges.

The use of a transition manager could be appropriate to execute rebalancing of assets when Managers are terminated or hired. Such manager’s objective is to transition assets while maintaining market exposure in the most efficient way possible and minimizing transaction costs.

Section 5 – Conflicts of Interest

- 5.1 A conflict of interest, whether actual or perceived, is defined for the purposes of this Policy as any event in which the Fund, the Directors, the Committee, an employee of the Foundation, any Managers or delegate, the custodian, or any person directly related to any of the foregoing, may benefit materially from knowledge of, participation in, or by virtue of, an investment decision or holding of the Fund.
- 5.2 Should a conflict of interest arise, the person in the actual or perceived conflict, or any person who becomes aware of a conflict of interest situation, shall immediately disclose in writing the conflict to the Directors. Any such party will thereafter abstain from decision-making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Directors.
- 5.3 No part of the Fund shall be loaned to any Director or employee of the Foundation.
- 5.4 The Committee will satisfy themselves that an appropriate policy regarding conflicts of interest exists and is followed by any Managers appointed by the Committee. As a minimum, The Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute applies to each of the Managers.

Section 6 – Voting Rights

- 6.1 The responsibility of exercising and directing voting rights acquired through Funds investments shall normally be delegated to the Managers, who shall at all times act prudently and in the best interests of the Funds.
- 6.2 The Committee reserves the right to direct the voting decision of the Managers, if in its view such action is in the best interests of the Funds.
- 6.3 It is recognized, however, that the above constraints and policy on voting rights are not applicable to the extent that the Funds are invested in pooled funds.

Section 7 – Fund Governance: Roles & Responsibilities

The Managers' responsibilities include, but are not limited to, the following:

- Adhering to the Investment Policy Statement
- Advising the Committee of any material firm, team, investment process or philosophy changes
- Communicating to the Committee on investment opportunities and about economic conditions in general
- Being available to meet the Committee at least twice per year
- Providing the Committee with quarterly reports of Funds holdings and a review of investment performance
- Adhering to the compliance requirements of the Investment Policy Statement although in the case of Pooled Funds, these are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized that in such cases complete adherence to the provision of this Policy may not be entirely possible.

Section 8 – Monitoring & Compliance

8.1 Committed and Endowed Funds

An overall analysis of the Funds (both the Committed and Endowed Funds individually and combined) performance will be prepared at least semi-annually including:

- the rate of return earned by the Funds;
- the return that could have been achieved by passive investment in index funds in the Target Allocation;
- the value added by active management, relative to the results of appropriate benchmarks; and
- the return relative to a universe of other comparable funds.

8.2 Investment Managers

With each Investment Manager (“Managers”), a set of guidelines will be agreed upon within which the Managers are expected to operate, including discretion limits, diversification, quality standards, performance expectations and reporting requirements. These guidelines shall reflect the objectives and constraints of this Policy.

The Committee shall monitor the performance of each of the Managers; such monitoring will include, but not be limited to quarterly reports, semi-annual meetings and ongoing evaluation of performance relative to standards appropriate to the Managers’ mandate. The Committee will also monitor each Managers’ turnover of personnel, consistency of style, discipline in Funds construction, and record of service.

8.3 The Committee shall be prepared to meet at least semi-annually to:

- review the assets and net cash flow of the Funds;
 - review the current economic outlook and investment plans of the Managers;
 - review the asset mix of the Funds and take any action necessary to ensure compliance with this Policy; and
 - receive and consider statistics on the investment performance of the Funds.
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Section 9 – Policy Review

This Policy will be reviewed at least annually by the Committee. In determining whether changes in the Policy are required, the Committee will consider whether there has been:

- a fundamental change in the time horizon, income requirements or risk tolerance of the Funds;
 - significant revisions to the expected long-term trade-off between risk and reward on key asset classes, dependent upon basic economic, political and social factors, and;
 - shortcomings of the Policy that emerge in its practical operation or significant modifications that are recommended to the Directors by any Managers.
 - Any recommended changes to this Policy must be approved by the Directors
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