

PETERBOROUGH NEW HORIZONS BANDS POLICIES & PROCEDURES

Subject: Investments

Initiated by: R. Bresee & J. Topic

Page: 1 of: 3

Dated: February 2018

Supersedes Policy Dated: No previous policy

Purpose

The purpose of this Investment Policy is to establish a policy for the Investment of Funds of the Peterborough New Horizons Bands (PNHB) that comprises reasonable assessments of risk and return that a prudent investor would adopt under comparable circumstances, and is in compliance with the laws of Ontario.

This Investment Policy sets out guidelines for the Board of Directors (Board) of PNH B to:

1. Identify amounts available for investment,
2. Determine the appropriate investment types and duration,
3. Measure the acceptable rate of return, and
4. Generally assist the Board in meeting their fiduciary duty with respect to making informed investment decisions.

Criteria that the Board should consider when making investment decisions are as follows:

1. General economic conditions
2. Possible effect of inflation or deflation
3. Role that each investment or course of action plays within the overall investment portfolio
4. Expected total return from both income and the appreciation of capital
5. Need for liquidity, regularity of income and preservation or appreciation of capital
6. As per PNH B's Letter Patent, investments are not subject to the Trustee's Act, "provided that such investments are reasonable, prudent and sagacious under the circumstances and do not constitute, either directly or indirectly a conflict of interest".

Responsibilities

The Board is responsible for management of all funds, except for the funds of each Ensemble. (Each Ensemble is responsible for its own funds. Therefore, Ensemble funds are excluded from this policy.) The Treasurer will provide advice and recommendations to the Board on the investment of funds under their management. Once approved by the Board, the Treasurer will execute the agreed upon investments.

Investment Considerations

PNHB has several different funds (e.g. General Fund, Grants, Fundraising Reserve, Instrument Reserve). Investment from any fund must be made in accordance with the policy outlined below. Investments from different funds shall not be commingled.

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Investment Objectives

The “security of capital” objective needs to be balanced with the “return on investment” objective. To balance these two primary objectives, factors such as liquidity, diversification, inflation, and capital growth consequences will be considered.

Risk Tolerance

Low risk investments would include: treasury bills, GICs, term deposits, money market funds, short term bonds, mortgages, and similar fixed income instruments (including Exchange Traded Funds (ETFs)).

Medium risk investments would include: long term bonds, mortgage backed securities, strip bonds, preferred shares, balanced mutual funds, income trust funds, and similar investments (including ETFs) having a combination of capital appreciation and fixed income.

High risk investments would include: common shares, equity mutual funds, corporate bonds, convertible debentures, index funds, and other similar investments (including ETFs) with a low fixed income component and high potential for capital appreciation. High risk investments will be limited to 50% of the portfolio, and must be properly diversified with lower risk investments.

No direct investment in an individual corporate security shall exceed 10% of the market value of the total investment portfolio.

Any investment in fixed income investments shall be rated BBB or higher. Direct foreign investment shall not exceed 30% of a given fund source.

Investment Term

To support the dual objectives of “security of capital” and “return on investment”, funds should be invested for the longest term possible subject to the risk tolerance and market conditions at the time that investment funds become available, while still ensuring sufficient liquidity to meet unforeseen needs. A line of credit may be employed to ensure liquidity, allowing PNHB to respond to short term cash needs where funds have been locked into investment instruments that may not be immediately liquid on a cost effective basis. The length of time that funds can be tied up in particular investment instruments needs to be considered in determining the appropriate investment mix.

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Types of Investments

The appropriateness of the investment instrument chosen for particular funds available is dependent on the risk tolerance, investment term, market conditions, and inflation outlook.

Reporting and Review of Performance and Policy

The Treasurer shall ensure that PNHB's accounts adequately reflect the purchases, sales, gains/losses, and investment income as required by generally accepted accounting principles. A report of the performance of investments and holdings will be included in the PNHB's Annual Report.

The economy, the investment environment and the investment opportunities/challenges that the organization faces are constantly changing. To that end, this investment policy shall be reviewed at least every five years at a meeting of the Board to ensure that it is still appropriate for the circumstances at that time.