LONDON COMMUNITY
FOUNDATION

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Investment Committee</td><td rowspan="2">AUTHORIZATION:
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Section 1. Purpose

1.1. This Investment Policy (Policy) is to be used by the London Community Foundation Investment Committee (Committee) and the Investment Manager(s) (Manager). The basic goal underlying the establishment of the Policy is to ensure that the assets of the Fund, together with the investment income to be earned by the Fund, shall be invested in a prudent manner so proceeds of the Fund shall be sufficient to meet the cash flow needs of the London Community Foundation (Foundation) as they are required.

1.2. The purpose of the Policy is to formulate investment principles and guidelines, which are appropriate to the needs and objectives of the Foundation in a manner conforming to the requirements of all Federal and Provincial Statutes and Legislation and the *Income Tax Act*. In particular, the Policy ensures that the assets of the Fund are invested at all times in a prudent and diversified manner. The Policy also describes the monitoring procedures adopted for the ongoing operation of the Fund.

Section 2. Roles and Responsibilities

2.1. The roles and responsibilities concerning the administration and investment of the Fund are allocated set below in this Section 2.1.

The Board of Directors (the Board):

(a) appoints the Committee;
(b) reviews and approves the Policy and any amendments to the Policy;
(c) monitors the results of the Fund at least four times a year and ensures compliance to the Policy; and
(d) when necessary, reviews and approves recommendation for a search for a new Manager and approves the appointment of a new Manager.

The Committee:

(a) develops the Policy;
(b) reviews the Policy every year and recommends amendments for Board approval;
(c) recommends the Manager(s) and Custodian for Board approval; and
(d) monitors investment results of the Fund at least four times a year according to the return objectives as agreed to with the Manager(s) and ensures compliance with the Policy; and
(e) when necessary, undertakes a search for new Manager(s) and recommends the appointment of a new Manager(s) for Board approval.

The Manager(s):

(a) invests the assets of the Fund according to applicable legislation and the investment guidelines defined in this Policy;
(b) participates in the establishment and the bi-annual review of the Policy by the Committee;
(c) presents at least once annually to the Committee a review of the Fund performance as well as its expectations on the economic and financial market outlook and the related investment strategies (presentation will be either in person, or via conference call at the request of the Committee);
(d) explains the characteristics of new asset classes or investment instruments and how they may assist in achieving the Fund's objectives;
(e) provides quarterly asset reconciliation statements; and
(f) provides a letter of compliance quarterly confirming compliance with this Policy in its entirety and, if any of the Policy or other agreed upon requirements has not been complied with, describing such non-compliance.

The Custodian:

(a) holds the assets of the Fund in respect to any applicable legislation; and
(b) provides monthly custodial reports including information on the interest and dividends earned and the various cash flow changes.

Section 3. Fund Investment Objectives

3.1. Safety of Capital

The Fund should be conservatively invested to reduce the exposure to undue volatility and market risk. The Portfolio, at all times, will be invested in securities as set out in Section 6.

3.2. Adequate Income

As the fund will experience cash outflows, from time to time, it is essential that the Portfolio earn sufficient returns to meet these obligations.

3.3 Future Requirements

The Portfolio shall be invested in such a manner as to balance the need to meet current cash outflows with the need to preserve capital for future obligations. The Fund has a long-term orientation and thus can be exposed to a degree of risk. A portion of the assets should be invested in common stocks to help offset the effect inflation will have on the ability to meet future obligations.

3.4 Liquidity

The Fund should be invested so that there is sufficient liquidity to meet the needs of the Foundation at all times.

Section 4. Asset Classes Eligible for Investment

4.1. From time to time, and subject to this Policy, the Fund may invest in any or all of the following asset classes. These assets may be obligations or securities of Canadian or non-Canadian entities, subject to any limitations of the *Income Tax Act* (Canada).

Canadian Equities

Publicly traded common stocks, convertible debentures, preferred securities, convertible preferred securities or other common share equivalent;

Canadian Fixed Income

Bonds, debentures, notes or other debt instruments, including mortgage loans, asset-backed securities and mortgage-backed securities, of governments or corporations; private placements, whether debt or equity, of governments or corporations.

Canadian Real Estate

Canadian portfolio of Commercial Real Estate assets held through a diversified portfolio of office, retail and industrial properties**.**

Money Market

Guaranteed investment certificates, term deposits or similar financial instruments of insurance companies, trust companies, banks or other corporate issuers; cash, or money market securities issued by governments or corporations.

U.S. & International Equities

Publicly traded common stocks, convertible debentures, preferred securities, convertible preferred securities, or other common share equivalent. The Fund may use pooled funds for the equity portions, which may invest in any or all of the above assets.

International Bonds

Bonds, debentures or other debt instruments of non-Canadian governments or corporations where debt is rated A or higher by Standard & Poor's or Moody's or the equivalent rating.

Derivatives

No Manager will invest in derivatives without the prior approval of the Committee.

Pooled Funds

With the approval of the Committee, the Manager may hold in the portfolio, or portions of the portfolio, Pooled Funds managed by the Manager, provided that such Pooled Funds are operated within constraints reasonably similar to those described in this Policy.

Section 5. Return Expectation and Policy Asset Allocation for the Fund

5.1 Return Expectation

(a) The expected rate of return is an investment objective that recognizes the policy asset allocation, the nature and structure of this Fund and its financial status.

(b) The long-term return objective for this Fund is to achieve a total annualized nominal rate of return of 6.0% over a 10 year moving average.

(c) The Benchmark for the portfolio is to be as follows:

91 Day T-Bills	0%
FTSE TMX Canada ST Bond Index	25%
S&P/TSX Capped Composite Index	20%
S&P 500 Total Return Index	25%
MS EAFE Index	20%
IPD Canadian Real Estate	10%

Depending on the asset held within the asset allocation class, the Committee at their discretion may change the benchmark to best reflect the measure of performance.

5.2 Policy Asset Allocation

Review of the foregoing considerations and in order to achieve the long-term return objective for this Fund at an acceptable level of volatility of returns with the following policy asset allocation and respective asset class ranges for strategic deviation have been established.

LONG TERM FUND			
Asset Class	**Percentage of Fund at Market Value**		
	Policy	**Minimum**	**Maximum**
Cash & Short-term	0%	0%	10%
Canadian Fixed Income	25%	20%	30%
Total Fixed Income	25%	20%	40%
Canadian Real Estate	10%	5%	15%
Total Alternative Invest.	10%	5%	15%
Canadian Equities	20%	15%	25%
US Equities	25%	20%	30%
Non-North American Equities	20%	15%	25%
TOTAL EQUITIES	**65%**	**50%**	**80%**

5.3 Rebalancing

Individual asset classes will be allowed to fluctuate within the ranges as set out above. The Committee through the LCF Ex-Officio staff shall review the asset mix relative to the Policy and consider the need for rebalancing the Fund on at least a calendar quarterly basis and one mandatory rebalancing to take place at the end of Q2.

The Foundation recognizes that rebalancing may, at times, incur transaction costs that are larger than the potential benefits of the rebalancing. This may occur when the deviations from target allocations are very small. As a rule of thumb, if the deviation under each mandate remains within the minimum and maximum ranges, as set out above, this shall not trigger a requirement to rebalance. Should any asset class fall outside the aggregate market investment limits during the quarter, the need for a rebalancing review will be triggered and the asset mix will be adjusted to align with the Policy. If a decision is made to rebalance, the Director of Finance shall do so as soon as possible, but not later than one month after any quarter-end.

The Director of Finance shall manage the external cash flows into and out of the Fund in such a manner as to contribute to under-weighted asset classes and withdraw from over weighted asset classes to the extent possible. The LCF Ex-Officio Staff will attempt to allocate monthly contributions and withdrawals across managers and mandates to achieve such purposes.

Section 6. Portfolio Diversification and Constraints

6.1. Diversification

The assets of the Fund will be invested at all times in a prudently diversified manner within the overall context of the Fund and consistent with the nature of the characteristics of the Fund, in order to optimize long-term returns at an appropriate level of risk. Within each asset class, the Manager will ensure that there is an appropriate level of diversification given the specific guidelines and subject to the limits set out below in this Section 6 based on the market value of the respective components of the Fund.

6.2. Cash & Short-term

(a) Minimum credit rating at time of purchase for any single security: "R-1" low
(b) Maximum term to maturity for any single security: 1 year
(c) Maximum exposure to Corporate issues: 50%

6.3. Canadian Fixed Income

(a) Minimum average credit rating for the Fund (market value weighted): "A"
(b) Restricted to securities with minimum BBB- rating at time of purchase.
(c) Maximum exposure to the following type of securities:

Canada	Provinces	Corporations	Municipals	Mortgages	Foreign-pays
100%	80%	80%	20%	20%	20%

(d) All debt ratings refer to the ratings of the Dominion Bond Rating Service (DBRS), the Standard & Poor's Rating Service (S&P) or the equivalent.

(e) No single corporate issuer (fixed income) is to exceed 10% of the market value of that particular asset class within the portfolio.

6.4 All debt ratings refer to the ratings of the Dominion Bond Rating Service (DBRS), the Standard & Poor's Rating Service (S&P) or the equivalent.

6.5 No single corporate issuer (fixed income) is to exceed 10% of the market value of that particular asset class within the portfolio.

6.6 Canadian Real Estate

a) Investments in Canadian Real Estate through open or closed-end pooled funds;

6.7 Canadian Equities

(a) No equity investment shall represent more than 10% of equity holdings.

(b) In the Canadian equity portfolio, holdings in any one industry, as broadly classified by the S&P/TSX Composite Capped Index, will be no greater than the S&P/TSX Composite Capped Index weight plus 10% (percentage points).

(c) A maximum of 15% of the equity portfolio can be invested in companies with a market capitalization of $250 million or less.

6.8 US Equities

(a) No equity investment shall represent more than 10% of equity holdings.

(b) In the US equity portfolio, holdings in any one industry, as broadly classified by the S&P 500 Total Return Index, will be no greater than the S&P 500 Total Return Index plus 10% (percentage points).

(c) A maximum of 15% of the equity portfolio can be invested in companies with a market capitalization of $2 billion or less.

6.9 International Equities

(a) No equity investment shall represent more than 10% of equity holdings.

(b) In the International equity portfolio, holdings in any one industry, as broadly classified by the MS EAFE Index, will be no greater than the MS EAFE Index plus 10% (percentage points).

(c) A maximum of 15% of the equity portfolio can be invested in companies with a market capitalization of $250 million or less.

6.10 Hedging

(a) The Manager(s) at their discretion in an actively managed portfolio will determine the nature and extent of hedging required.

(b) In a passively managed equity portfolio, the investment will be held in a 100% unhedged fund.

(c) In a passively managed International Fixed income portfolio, the investment will be held in a 100% hedged fund.

Section 7. Administrative Matters

7.1 Loans and Borrowings

No part of the Fund will be loaned directly to any individual or company.

The Fund may lend its securities through the Custodian, subject to applicable legislation and provided that a minimum collateral coverage of at least 105% of the current market value of the loaned securities is maintained at all times in cash or high quality, liquid securities. The Manager bears no responsibility for securities lending activities as such responsibility rests with the Custodian.

The Manager is authorized to exercise and direct the voting rights acquired through the investments of the Fund subject to any exceptions provided in writing to the Manager by the Committee. The Manager will give instructions to the Custodian for executing the proxies.

Any exercise of voting rights acquired through the investments of the Fund will be made at all times solely in the best interests of the Foundation.

7.2 Conflicts of Interest

Refer to Appendix "B" for the Foundation's current "Conflict of Interest Policy".

The Manager will comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute and the Foundation's Conflict of Interest Policy in effect from time to time.

The Committee members will comply with the Foundation's Conflict of Interest Policy.

7.3 Valuation of Investments

Investments in publicly traded securities will be valued no less frequently than monthly at their closing market value.

In the event that a market valuation of an investment is not readily available, an estimate of fair value will be supplied by the Manager to the Custodian no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as risk-adjusted discounted cash flows or comparison with similar assets that are publicly traded. In all cases the methodology should be applied consistently over time.

7.4 Investment Approach

The Manager should submit a statement of broad investment philosophy and approach indicating the general direction in which funds will be placed in various categories, themes of investment; and, in the case of active managers, the areas in which particular emphasis will be laid in adding value through active management. In the event of any significant change in this expected “style”, the Manager should advise the Committee in writing.

7.5 Changes within the Firm

The Manager shall notify the Committee promptly in writing of any significant changes in the policies, procedures, personnel, ownership or any similar areas within the firm.

7.6 Performance Expectations

The Manager shall inform the Committee if the Manager at any time feels that the performance expectations laid out in this Policy or the Individual Manager mandate document cannot be met or that any guidelines contained herein restrict performance.

7.7 Policies

The Manager shall comply with this Policy, including, without limitation, the policies and procedures for conflicts of interest and professional standards as set out in 7.6.

7.8 Statements

The Manager shall provide quarterly investment statements to the Investment Committee.

Section 8. Monitoring and Policy Review

8.1 Monitoring

At least four times per year, the Committee and the Board of Directors of the Foundation will review the assets and performance of the Fund, the current economic outlook and investment strategies of the Manager, and will take any action necessary to ensure compliance with this Policy. In addition, on an annual basis, the Manager will provide to the Foundation a summary of the total trading activity, with each brokerage institution with which the Manager executes securities transactions.

8.2 Compliance Letter

Within four weeks of the end of each calendar quarter, the Manager shall submit a letter of compliance addressed to the Committee detailing and explaining any non-compliance with this Policy, including, without limitation, the investment guideline contained in the Policy and/or confirming compliance with this Policy. It is expected that the Manager shall immediately notify the Director of Finance, as well as the Chair of the Committee if there is a non-compliance with any terms outlined in the Policy.

8.3 Review of Investment Policy & Guidelines

This Policy will be reviewed by the Committee at least every year.

Appendix A

Investment Beliefs
London Community Foundation
Approved: July 2012

In order to assist it in developing and evaluating investment policies and guidelines, the London Community Foundation (Foundation) Investment Committee has developed fundamental beliefs to form the basis for current and future investment policies. This document will be reviewed periodically, to ensure that it continue to reflect the beliefs of the Committee. The assets of the Fund must have a return on investments sufficient, when combined with other funding sources, to meet the cash flow needs of the Foundation. The long term nature of the Foundation must be taken into account.

1. Diversification within and across asset classes is a critical risk management mechanism.

2. The strategic asset allocation (or asset mix) decision is the most important factor in determining investment return and risk in the long-term.

3. Regular portfolio rebalancing helps to maintain an appropriate level of risk exposure.

4. Tactical asset allocation (or market timing) cannot be expected to consistently add value in the long-term.

5. Where active management is determined not to add value, such as in markets deemed to be highly efficient, passive management is the default choice.

6. Costs (administration, investment management fees, custodial fees, etc.) have a significant impact on long-term results and need to be carefully monitored and controlled to ensure value.

7. Any new types of investments under consideration should be carefully investigated in order to understand their risk/return characteristics in the context of the whole portfolio.

Revision History
Dated: January 1994
Revised: January 1996
Revised: June 1996
Revised: June 1997
Revised: February 1998
Revised: July 2000
Revised: September 2000 (benchmark change)
Revised: September 2002 (policy re-write)
Revised: January 2005 (Asset class: Cash 5% to 0%, Bonds 40% to 45%)
Revised: July 25, 2006 (Committee reviewed asset allocation analysis – no changes recommended)
Revised: October 2008 (Corporate Bond Exposure to be extended from 40 % to 50%)
Revised: September 2009
Revised: March 2011 (Asset mix changes)
Revised: October 2012 (Changes to; manager visits, return expectations, add appendix for beliefs)
Revised: October 2013 (changes to return expectations and policy asset allocation)
Revised: October 2014 (Changes to; Asset allocation change: shift 2.5% to US equities from International Equities, Investment manager obligations, guidance on hedging)
Revised: April 2018 (Changes to rate of return over 10 year period 6.5% revised rate; change from Specific title to LCF Ex-Officio Staff; removal of SEI reporting required)
Revised: October 2018 (Changes to: Asset Allocation – added Canadian Real Estate)