



**Diocese of Toronto**  
Anglican Church of Canada

**Statement of Investment Policies and Procedures**

Adopted by the Investment Committee, February 2008

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## TABLE OF CONTENTS

1	GENERAL .....	3
2	RESPONSIBILITIES .....	3
3	FUND OBJECTIVES .....	5
4	AUTHORIZED INVESTMENTS .....	6
5	RISK GUIDELINES .....	8
6	PERFORMANCE EXPECTATIONS FOR FUND .....	10
7	REPORTING & MONITORING .....	11
8	STANDARD OF CARE .....	12
9	CONFLICT OF INTEREST .....	12
10	PROXY VOTING RIGHTS .....	12
11	ACKNOWLEDGEMENT .....	13
12	SCHEDULE A - CTF INVESTMENT .....	14
13	SCHEDULE B - CEMETERY FUND INVESTMENT GUIDELINES .....	16

# 1 GENERAL

## 1.1 Purpose

This Investment Policy Statement (the “Statement”) applies to the assets held by the Diocese of Toronto, Anglican Church of Canada, in the Consolidated Trust Fund and the Cemetery Fund (collectively referred to as “the Fund”). The purpose of this Statement is to outline the procedures and policies to effectively manage and monitor the assets of the Fund. The basic goal underlying the establishment of this Statement is to ensure that the assets of the Fund, together with the investment income earned thereon, are invested in a prudent and diversified manner to meet the cash flow disbursements of the Diocese of Toronto as they come due.

Another goal is to ensure that the Fund is managed in accordance with all applicable legal requirements including the *Income Tax Act (Canada)*, *Ontario Trustee Act* and *the Funeral, Burial and Cremation Services Act*. It is understood that any investment management (“the Investment Manager”) or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

As members of the Diocese of Toronto Investment Committee (the “Investment Committee”), we are called to be God’s stewards of funds entrusted to us. An understanding of stewardship is based in scripture. The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability.

## 1.2 Background of the Organization

The Diocese of Toronto is incorporated by “An Act to Incorporate the Diocese of Toronto, and to unite the Church Society of the Diocese of Toronto therewith”, being an Act of the Ontario Legislature passed on January 23, 1869, as amended. The Corporation created by this statute is “The Incorporated Synod of The Diocese of Toronto” and is referred to herein as “the Diocese of Toronto”. The Diocese of Toronto is a registered charitable organization and is exempt from income tax as provided under the *Income Tax Act (Canada)*.

The fiscal year end of the Diocese of Toronto is December 31<sup>st</sup>.

# 2 RESPONSIBILITIES

## 2.1 Investment Committee

The Investment Committee consists of two clerical and two lay members of the Synod of the Diocese of Toronto together with four members of the laity appointed by the Bishop.

The Investment Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more Investment Managers (the “Investment Manager”) are retained.

The Investment Committee shall:

- establish the Statement, Investment Guidelines and Investment Manager Mandates;
- select Investment Managers to manage the Fund’s assets in accordance to the Statement, Investment Guidelines and Investment Manager Mandates
- select the Custodian;
- obtain advice, as required, regarding the legal and regulatory requirements and constraints set out in this Statement applicable to the Fund;
- on an annual basis, review the Statement and make appropriate amendments thereto;
- provide regular reports to the Synod of the Diocese of Toronto;
- monitor the Fund and the investment performance of assets managed by each Investment Manager and the performance of the Fund as a whole; and
- inform the Investment Manager of any significant deposits and withdrawals.

## 2.2 Investment Managers

The Investment Manager is responsible for:

- maintaining an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- selecting securities within the asset classes assigned to them, subject to applicable legislation, and the constraints set out in this Statement and in the Investment Manager Mandates as established by the Investment Committee;
- providing the Investment Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- attending meetings of the Investment Committee at least twice per year to review performance and to discuss proposed investment strategies;
- informing the Investment Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation;
- advising the Investment Committee of any elements of this Statement that could prevent attainment of the Fund’s objectives; and
- explaining the characteristics of new asset classes or investments and how they may assist in achieving the Fund’s objectives.
- being available for consultation with the Investment Committee at all reasonable times.

### 2.3 Custodian

The Custodian is responsible for:

- holding the assets of the Fund in accordance with applicable legislation.
- providing a quarterly consolidated report of the assets of the Fund to the Investment Committee.

## 3 FUND OBJECTIVES

### 3.1 Investment Objectives

The overall investment objectives, *in their order of priority*, of the Fund are to:

- preserve capital, as adjusted for Canadian C.P.I. inflation
- maintain liquidity
- generate a rate of return sufficient to cover the anticipated disbursements of the Fund.

### **3.2 Socially Responsible Investing (SRI)**

The Fund shall be invested in companies and other investments that practice, uphold and promote socially responsible investing.

To enable this, the Fund directs its investment managers that investments, wherever possible, are to be made to -

- support environmental, social and governance (ESG) factors integration
- support shareholder engagement and active proxy voting to promote SRI
- support impact investing where advantageous, and
- divestment where an investment is deemed not to be socially responsible

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

## 4 AUTHORIZED INVESTMENTS

Outlined below are the general investment criteria for the Fund as understood by the Investment Committee. If a pooled fund or pooled funds are used, the Investment Committee requests the Investment Manager to notify it, in writing, prior to any changes to the policy of one of these pooled funds. At that time, the Investment Committee will re-evaluate its continued investment in the pooled fund or pooled funds.

#### 4.1 List of Permitted Investments

- (a) Short-term instruments:
  - Cash;
  - Demand or term deposits;
  - Short-term notes;
  - Treasury bills;
  - Bankers acceptances;
  - Commercial paper; and
  - Guaranteed Investment Certificates issued by banks, insurance companies and trust companies.
- (b) Fixed income instruments:
  - Bonds;
  - Debentures (non-convertible);
  - Mortgages and other asset-backed securities; and Private placements.
  - Structured notes, municipal bonds, repurchase agreements, convertible securities and other types of debt securities and instruments;
  - Bank loans
  - Foreign currency transactions
  - Exchange-listed or OTC derivative instruments
- (c) Canadian equities:
  - Common and preferred stocks;
  - Rights and warrants;
  - Convertible debentures;
  - ETFs and other investment funds; and
  - REITs
- (d) Foreign equities:
  - Common and preferred stocks;
  - Rights and warrants;
  - American Depository Receipts and Global Depository Receipts;
  - ETFs and other investment funds; and
  - REITs
- (e) Pooled funds, closed-end investment companies and income trusts in any or

all of the above permitted investment categories are allowed.

- (f) Specialized Global Fixed Income (0-15% of portfolio)

Pooled fund investments in any or all of the above permitted investment categories is allowed

- (g) Alternative Investments (0-15% of portfolio)

- Infrastructure
- Real Estate

#### 4.2 Derivatives

The Fund may use derivatives, such as options, futures and forward contracts, for hedging purposes, to protect against losses from changes in interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The Fund must hold enough assets or cash to cover its direct commitments under the derivatives and the Fund cannot use derivatives for speculative trading or to create a portfolio with leverage, except within specialised pooled fund vehicles as authorized by the investment committee.

#### 4.3 Pooled Funds

With the approval of the Investment Committee, the Investment Manager may hold any part of the Fund in one or more pooled or co-mingled funds managed by the Investment

Manager, provided that such pooled fund or funds are operated within constraints reasonably similar to those described in this Statement. It is recognized by the Investment Committee that complete adherence to this Statement may not be entirely possible; however, the Investment Manager is expected to advise the Investment Committee in the event that the pooled fund exhibits any significant departure from this Statement.

#### 4.4 Securities Lending

Securities lending through the Custodian by the Fund is permitted in accordance with the custodial contract.

#### 4.5 Limitations

No borrowing by the Fund is allowed.

## 5 RISK GUIDELINES

*All allocations are based on market values. The assets of the Fund will be invested at all times in a prudently diversified manner.*

### 5.1 Cash and Cash Equivalents

At least R1-low.

Maximum term to maturity for any single security is one (1) year.

Maximum exposure to corporate issues is 50% of the cash pool.

### 5.2 Canadian Fixed Income Managers

- (a) Maximum and minimum holdings of the fixed income asset classes of the Fund by credit rating are:

Credit Quality	Maximum <sup>1</sup>	Minimum <sup>1</sup>	Maximum Position in a Single Issuer
Government of Canada <sup>2</sup>	100%	30%	No limit
Provincial Governments <sup>2</sup>	60%	0%	25%
Municipals	25%	0%	10%
Corporates	50%	0%	10%
AAA <sub>3,4</sub>	100%	0%	10%
AA <sub>3,4</sub>	70%	0%	5%
A <sub>3,4</sub>	50%	0%	5%
BBB	15%	0%	2%
BB	0%	0%	0%



- 1 Percentage of Fund at market value
- 2 Includes government-guaranteed issues
- 3 Does not apply to Government of Canada or Provincial issues
- 4 All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poor's' or Moody's.

(b) Maximum holdings of the fixed income asset classes of the Fund by issuer:

- 20% for asset-backed securities;
- 20% for mortgages or mortgage funds;
- 20% for bonds denominated for payment in non-Canadian currency;
- 10% for real return bonds
- 10% for non-publicly traded securities
- 3% for non-publicly traded securities from a single issuer
- first mortgages only that are CMHC insured with a maximum loan to value ratio of 75%.

### 5.3 Specialized Global Fixed Income Managers

The Fund may hold up to a maximum of 15% of the total portfolio in specialized Global Fixed Income pooled funds in accordance to the Investment Policies and Guidelines of those funds. In the case of the Specialized Global Fixed Income pooled fund portfolios, the pooled fund policies and guidelines will supersede other policies and guidelines specified in this Statement.

### 5.4 Canadian Equity Managers

The Fund must be well diversified across industry sectors and capitalization ranges consistent with the following:

- (a) No one equity holding shall represent more than 15% of the market value of each equity portfolio.
- (b) There will be a minimum of 30 stocks in each equity portfolio.
- (c) No more than 15% of the market value of an equity portfolio may be invested in companies with a market capitalization of less than \$250 million at the time of purchase.

### 5.5 Foreign Equity Managers

Same as above except international holdings will be broadly diversified by region, industry, country and currency.

- 5.6 Specific Investment Guidelines related to the Fund's overall portfolios are specified in Schedules A and B.
- 5.7 Notwithstanding this Section, it is recognized by the Investment Committee that complete adherence to these diversification and constraint standards within a pooled fund may not be entirely possible; however, the Investment Manager is expected to advise the Investment Committee forthwith in the event that the pooled fund exhibits any significant departure from this Statement.

## 6 PERFORMANCE EXPECTATIONS FOR FUND

### 6.1 Dividend Policy

- (a) *A fixed dividend rate will be established as part of the budget process.*
- (b) *In reviewing the dividend rate, the Investment Committee will consider a time horizon of 10-15 years.*
- (c) *The dividend rate will be set so as to preserve capital against the effects of inflation and it will reflect a conservative bias similar to a government pension fund.*
- (d) *The dividend rate will be reviewed annually and any suggested changes will be recommended to the Diocesan Council of the Diocese of Toronto*  
*i. whether any change should be made to the dividend rate for the next fiscal planning period ii. whether any capital should be disbursed for Diocesan ministry needs iii. whether there are any capital deficiencies that should be funded*
- (e) *Any recommendations arising from (d) above must be approved by the Diocesan Council in order to take effect.*

The policy provides for a stable income stream, and allows the possibility for capital gains to be paid if returns merit. However, because the disbursement of capital gains is not to be automatic or recurring, gains will not be used to support ongoing financial obligations, such as the fixed costs of the Diocesan budget.

The initial rate of the dividend set under this policy, as at January 1, 2003, is 5%.

### 6.2 Performance expectation

The Investment Committee has identified the following investment objectives for the Investment Managers: To achieve a total fund annual rate of return before investment expenses in at least three of the last five calendar years that exceeds the 50<sup>th</sup> percentile (median) manager in a universe of comparable fund managers as determined by a recognized performance measurement services firm.

Investment objectives are to be based on gross rates of return, before investment management fees are deducted, but after brokerage commissions (transaction costs) have been paid.

## 7 REPORTING & MONITORINGS

### 7.1 Investment Reports

Each quarter the Investment Managers will provide to the Investment Committee, within thirty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

### 7.2 Monitoring

At the discretion of the Investment Committee as required, the Investment Managers will meet with the Investment Committee regarding:

- the rate of return achieved by the Investment Manager;
- the Investment Manager's future strategies and other issues as requested; the filing of compliance reports; and
- the Investment Manager's report.

### 7.3 Annual Review

It is the intention of the Investment Committee to ensure that this Statement is continually appropriate to the Diocese of Toronto's needs and responsible to changing economic and investment conditions. Therefore, the Investment Committee shall review the Statement annually.

## 8 STANDARD OF CARE

The Investment Managers are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the C.F.A. Institute.

The Investment Managers will manage the assets with the care, diligence and skill that a prudent Investment Manager would use in dealing with all clients. The Investment Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

## 9 CONFLICT OF INTEREST

All fiduciaries, including the Investment Managers and Custodian, shall disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Investment Committee. The Chair will, in turn, table the matter at the next Investment Committee meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities, if documented and approved by the Investment Committee.

## 10 PROXY VOTING RIGHTS

- (a) Proxy voting rights on Fund securities are delegated to the Investment Managers. However, in the case of segregated holdings, the Investment Committee reserves the right to exercise voting rights on Fund securities when it deems appropriate.
- (b) The Investment Managers shall maintain a record of how voting rights of securities in the Fund were exercised. Also, the Investment Manager is to provide a record of voting and/or intention of voting to the Investment Committee on a timely basis.
- (c) The Investment Managers will exercise acquired voting rights solely in the best interests of the Fund and consistent with the provisions of this Statement. In case of doubt as to the best interests of the Fund, the Investment Managers will request instructions from the Investment Committee and will act in accordance with such instructions.

**11. Acknowledgment**

This statement has been approved by the Investment Committee

  
\_\_\_\_\_  
Signature

David MacNicol  
\_\_\_\_\_  
Name

Chair, Investment Committee  
\_\_\_\_\_  
Title

*December 10, 2019*  
\_\_\_\_\_  
Date

## Schedule “A”

### DIOCESE OF TORONTO ANGLICAN CHURCH OF CANADA CONSOLIDATED TRUST FUND INVESTMENT GUIDELINES

#### 1. General

- (a) These Investment Guidelines apply to the Consolidated Trust Fund assets for the Incorporated Synod of the Diocese of Toronto.
- (b) These Investment Guidelines shall be appended to the Investment Policy Statement of The Diocese of Toronto (the “Statement”) for The Consolidated Trust Fund.
- (c) The purpose of these Investment Guidelines is to outline the investment asset mix and ranges and benchmarks that are appropriate to the needs and objectives in a manner conforming with Section 6.2 of the Statement.
- (d) The Investment Committee appoints specialist Investment Managers to manage the Fund’s assets in accordance with the Investment Guidelines, based on its assessment of the long-term needs of the Fund and the Policies and Procedures as set forth in the Statement.

#### 2. Policy Asset Allocation

The following policy asset allocation and respective asset class ranges as they pertain to the assets managed are as outlined:

Asset Class	Percentage of Fund at Market Value		
	Policy	Minimum	Maximum
Cash & Short-term	0%	0%	10%
Fixed Income/Bonds	29.5%	20%	70%
Equities	55.5%	20%	70%
Alternative Investments	7.5%	0%	15%
Specialized Global Fixed Income	7.5%	0%	15%
Total	100%		

In general, the asset allocation will be maintained within a +/- 5.0 percentage point range around the individual asset class Policy allocations. The portfolio will be rebalanced if any of the asset classes move away from the Policy by more than the desired range as directed by the Investment Committee. Such rebalancing (and interim cash flows into and out of the portfolio) should move the portfolio back toward the Policy asset mix

### 3. Performance Evaluation

The following market indices will be used for evaluating the performance of the Fund:

Asset Class	Percentage	Indices
Fixed Income/Bonds	29.50%	FTSE TMX Universe Bond Index
Canadian Equities	27.75%	S&P/TSX Composite Index
Global Equities	27.75%	MSCI World Index
Alternatives and Specialized Fixed Income	15.00%	T-Bill + 3%

The performance of individual Investment Managers will be evaluated against an appropriate benchmark as specified by the Investment Committee.

### 4. Socially Responsible Investing (SRI)

The Fund shall be invested in companies and other investments that practice, uphold and promote socially responsible investing.

To enable this, the Fund directs its investment managers that investments, wherever possible, are to be made to -

- support environmental, social and governance (ESG) factors integration
- support shareholder engagement and active proxy voting to promote SRI
- support impact investing where advantageous, and
- divestment where an investment is deemed not to be socially responsible

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

## Schedule “B”

### DIOCESE OF TORONTO ANGLICAN CHURCH OF CANADA CEMETERY FUND INVESTMENT GUIDELINES

February 2016

#### 1. General

- (a) This investment mandate applies to the Cemetery Fund assets managed by the Investment Manager as Trustee for the Incorporated Synod of the Diocese of Toronto.
- (b) These Investment Guidelines shall be appended to the Investment Policy Statement of The Diocese of Toronto (the “Statement”) for The Cemetery Fund.
- (c) The purpose of these Investment Guidelines is to outline the investment asset mix and ranges and benchmarks that are appropriate to the needs and objectives in a manner conforming with Section 6.2 of the Statement.

#### 2. Policy Asset Allocation

The following policy asset allocation and respective asset class ranges as they pertain to the assets managed by the Investment Manager are as outlined:

Percentage of Fund at Market Value			
Asset Class	Policy	Minimum	Maximum
Cash & Short-term	5%	0%	10%
Bonds	50%	50%	70%
Canadian Equities	35%	20%	40%
U.S. Equities	10%	0%	10%
Total	100%		



### 3. Performance Evaluation

The following market indices will be used for evaluating the performance of the Investment Manager.

Asset Class	Percentage	Indices
Cash & Short-term	5%	SC 31-day T-Bill Index
Fixed Income	50%	FTSE TMX Universe Bond Index
Canadian Equities	35%	S&P/TSX Composite Index
US Equities	10%	S&P 500

### 4. Socially Responsible Investing (SRI)

The Investment Manager will invest in companies that are socially responsible in the following areas:

- (a) The rights and needs of such companies' employees
- (b) The economic development of communities in which the companies engage in one or more facets of their businesses
- (c) The social and environmental condition of the communities
- (d) The social value of such companies' products
- (e) The manner in which the companies market their products

Funds are invested in accordance with these guidelines, even in the absence of special instructions.

- 5. Section 5.3(b) of the Statement providing that there will be a minimum of 30 stocks in each equity portfolio shall not apply to the Cemetery Fund.

### 6. Compliance

The trustee shall ensure strict compliance with the trustee obligations set forth in the Funeral, Burial and Cremation Services Act.