

Asset Management Plan

Edmonton Community Foundation

Reviewed and approved
by the Board of Directors.
March 19, 2025



Tina Thomas, CEO
On behalf of the Board

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1. OVERVIEW

Through contributions from donors, The Edmonton Community Foundation (ECF) assembles and administers permanent pools of capital so the returns can be perpetually reinvested in our community.

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Governance of the investments is required to ensure that the funds entrusted to ECF earn returns sufficient to support the ECF's activities while ensuring that the legacies created by donors are preserved in perpetuity. The strategies ECF has adopted in pursuit of governance include the Asset Management Plan ("the Plan") which describes the processes put in place for the management of ECF's investments. It documents policies, guidelines and management practices that are currently in effect. The Plan is strictly concerned with investment-related matters; it does not deal with spending policies.

The purpose of the Plan is to ensure that ECF's investments are managed effectively, prudently and in compliance with all applicable requirements. It identifies the roles and responsibilities of all parties involved and promotes the coordination and integration of their respective contributions.

The Plan is an internal document prepared by Management, reviewed by the Investment Committee (IC) and approved by the ECF Board of Directors ("the Board"). The Plan is available to the public on ECF's website.

2. LEGAL CONTEXT

Investment management must satisfy all applicable legal requirements. The Plan provisions should never be construed as suggesting that legal requirements are not to be strictly satisfied.

Investment management must comply with the provisions of the following, as amended from time to time and shall be subject to the provisions made in this Plan and other applicable policies as permitted by these statutes:

- a. the Edmonton Community Foundation Act;
- b. the Edmonton Community Foundation policy by-laws;
- c. the Alberta Trustees Act; and
- d. the Income Tax Act of Canada.

3. DUTIES AND RESPONSIBILITIES

The Investment Committee

The IC is responsible to the Board. The IC is responsible for reviewing ECF's investment policies annually and recommending appropriate changes for the Board's approval. They will then monitor the policies and review the performance of the Fund Custodians and Investment Managers, reporting the results to the Board in a timely and effective manner. They will also review the performance of the ECF's Mission Related Investments and summarize the performance annually for the Board.

The IC recommends retention of the services of one or more Investment Managers, a Custodian, and an Asset Management Consultant. The IC may also retain the services of one or more other advisors on an ad hoc basis. Any person to whom the IC delegates responsibilities with respect to ECF's investments must adhere to the provisions of the Plan and any other applicable policies.

The IC will assign terms of reference/contracts/agreements to its agents and advisors, including:

- a. a description of services to be provided;
- b. the way and time such services are to be delivered;
- c. financial arrangements including the amount of fees to be paid; and
- d. conditions governing the termination of the relationship.

Investment Managers

The role of the Investment Managers includes:

- a. act prudently and in the best interests of ECF
- b. comply with all signed investment agreements;
- c. allocating assets amongst asset classes in which they are authorized to invest;
- d. selecting investments within such asset classes;
- e. initiating transactions to give effect to investment decisions;
- f. reporting quarterly to the IC on their past performance;
- g. explaining their expectations concerning the economy and financial markets, along with their strategy under such circumstances;

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- h. providing advice with respect to the management of the investments when called upon to do so by the IC;
- i. when requested, meet with the IC;
- j. informing the IC of any change in investment process, personnel and any other significant changes, as soon as practicable; and
- k. providing prompt notice to the Custodian of each purchase/sale/distribution.

Custodian

The role of the Custodian includes:

- a. safekeeping the assets;
- b. collecting contributions and paying expenses as directed by ECF;
- c. collecting coupons, maturities, and other cash distributions attached to securities;
- d. exercising other privileges tied to securities or disclosing their existence to those having the responsibility to exercise them and acting as directed;
- e. processing transactions as directed by ECF or Investment Managers;
- f. making payments regarding transaction-related charges and taking action to recover sums owed to ECF such as withholding taxes;
- g. informing the Investment Managers of cash available for investing and non-cash contributions available for trading;
- h. processing cash withdrawals requested by ECF;
- i. providing the Investment Managers and the Asset Management Consultant with agreed upon information required to execute their mandate;
- j. maintaining a record of all transactions;
- k. providing periodic reports of transactions and holdings; and
- l. providing the audited month-end custodial reports no later than three weeks after the calendar month-end.

Asset Management Consultants

The role of Asset Management Consultants includes providing investment information and advice in areas such as:

- a. investment policies and guidelines;
- b. investment management structure;
- c. selection and supervision of the Investment Managers and other consultants;
- d. evaluation of investment returns; and
- e. explaining characteristics of other asset classes considered worthwhile for ECF and how they might assist in achieving the ECF's investment objectives.

Auditor

The role of the auditor consists of:

- a. reviewing and auditing financial statements; and
- b. providing advice with respect to internal financial controls.

4. SELECTION AND SUPERVISION OF AGENTS AND ADVISORS

When a new Investment Manager must be selected or more added to the existing Investment Managers, the IC will undertake a search. When the IC engages in a selection process for agents or advisors, it maintains a written record of at least the following:

- a. request for proposal;
- b. candidate criteria;
- c. people or organizations called upon to submit a proposal;
- d. candidates whose proposals were discarded for lack of conformity to the terms of the request for proposal and the elements of non-conformity; and
- e. factors taken into account in the final selection process.

Factors considered in the selection process include the following:

- a. organization and business plan;
- b. candidate's philosophy/strategy;
- c. experience with similar mandates;
- d. key personnel and personnel assigned to the portfolio;
- e. performance; and
- f. fees.

The IC may engage the services of agents or advisors without issuing a formal request for proposal where the parties have provided current information as potential candidates for a specified mandate. Under such circumstances, the written record referred to above, will address the following:

- a. mandate;
- b. candidate criteria;
- c. people or organizations satisfying such candidate criteria;
- d. people or organizations satisfying candidate criteria who indicated an interest in the proposed mandate;
- e. factors considered in selecting the finalists; and
- f. factors taken into account in the interview of finalists.

The IC shall recommend a Custodian and Investment Managers to hold or manage ECF's investments or a portion thereof in such manner and in such proportions and portfolio accounts as the IC may deem proper, and may recommend appointment of monitors to evaluate performance.

The IC shall monitor the actions of its agents and advisors. The IC will review their services taking into consideration the following factors, where appropriate:

- a. compliance with IC directions and terms of reference;
- b. satisfaction of agreed-upon objectives;
- c. competence, ability to communicate, and availability of personnel assigned to the account;
- d. quality and timeliness of presentations and written reports;
- e. flexibility, innovation and problem solving ability;
- f. co-operation with other agents and advisors; and
- g. developments at the firm (reputation, personnel turnover, new services).

If an agent or advisor is deemed unsatisfactory, then the IC may recommend to the Board that:

- a. the services of the agent or advisor be terminated, or
- h. the agent or advisor be requested to provide to the IC, within sixty (60) days, an acceptable remedial action plan.

The Board will make the final decision on terminating the services of the agent or advisor. Where a remedial action plan is implemented, the IC will provide a follow-up report to the Board.

5. ESTABLISHING INVESTMENT POLICIES AND GUIDELINES

The Board maintains written investment policies and guidelines that provide direction to the IC and/or its agents and advisors. Two such policies are the Capital Market Investment Policy and Guidelines (CMIPG) and Mission Related Investment Portfolio Investment Policy (MRIPIP).

The IC and its agents must conform with direction provided through ECF investment policies and guidelines. A copy of investment policies are provided to the Investment Managers, the Custodian, the Asset Management Consultant, and other concerned agents and advisors.

ECF investment policies consider:

- a. the investment horizon;
- b. investment objectives and liquidity needs;
- c. risk controls;
- d. the special relationship of value of an investment to ECF's charitable purposes;
- e. target asset allocation; and
- f. performance evaluations.

6. CONSOLIDATED PORTFOLIO

Overview

The Consolidated Portfolio is the aggregation of the Capital Market Portfolio and the Mission Related Investment Portfolio. The purpose of the Consolidated Portfolio is to maximize stakeholder value which includes donors, grantees and the community in general.

The goal of the Consolidated Portfolio is to meet ECF funding needs, both for operations and granting, while providing enough growth to protect the real value of future grants. This goal can be achieved in perpetuity by using a mix of Capital Market and Mission Related Investments.

Return/Risk Objectives of the Consolidated Portfolio

To attain ECF's goal for the Consolidated Portfolio, ECF must earn sufficient investment returns to allow disbursements according to the spending policy, to pay operating expenses, and to maintain the purchasing power of the assets. The expected return for the Consolidated Portfolio is CPI+4% net of costs.

The ECF's spending policy is currently 4.0% of the prior year's market value of all the ECF's funds; however, from time to time, the Board may modify the percentage or otherwise deviate from the spending policy. ECF's total operating costs, including investment management expenses, are expected to be in the range of 1% to 1.5% of ECF assets.

Asset Allocation

The Board will set the allocation between the Capital Market Portfolio and the Mission Related Investment Portfolio. The Board will consider the advice of the IC to ensure the expected return and risk of the Consolidated Portfolio is managed responsibly.

The **Capital Market Portfolio** will consist of investments that are return and risk focused. The IC will steward this portfolio following the Asset Management Plan and Capital Market Investment Policies and Guidelines.

The **Mission Related Investment Portfolio** will consist of investments where the objective is to achieve both financial and nonfinancial returns. The nonfinancial returns can be in the form of positive social or environmental impact that aligns with ECF's mission. The Board will steward these investments following the Asset Management Plan and Mission Related Investment Portfolio Investment Policy.

The current target allocation between these two portfolios is **90% Capital Market Portfolio** and **10% Mission Related Investment Portfolio**. While this is the target, there is an understanding that it takes time to get the Mission Related Investments placed. While waiting to fund investments in the Mission Related Investment Portfolio, the funds will stay in the Capital Market Portfolio.

Monitoring

An overall analysis of the Consolidated Portfolio's performance will be prepared at least annually, including:

- the rate of return earned by the Consolidated Portfolio; and
- asset allocation compared to the target allocation.

7. CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

Conflict of Interest

A conflict of interest, whether actual or perceived, includes any event that the Board, IC, employees and ECF volunteers, may benefit materially from the knowledge or participation in, or by virtue of, an investment decision.

Should a conflict of interest arise, the person in the actual or perceived conflict of interest shall immediately disclose the conflict in writing, with all the relevant details, to the ECF Chief Executive Officer or the Chair of the IC who, in turn, discloses it to all IC members at the appropriate time. Any such party will thereafter abstain from decision making with respect to the area of conflict.

Any person having supervisory authority or a monitoring role over the investments is a fiduciary. This generally includes, but is not limited to, the Board, a member of the IC or any employee, agent or advisor with investment responsibilities. It is not a conflict of interest for a fiduciary simply to hold one or more common investments with ECF.

ECF expects that each of their professional agents and advisors shall have an internal conflict of interest policy that their employees must abide by.

See ECF's Conflict of Interest Policy for further details.

Related Party Transactions

The IC, on behalf of ECF, may not enter into a transaction with a related party unless:

- a. the transaction is required for the operation or administration of ECF and the terms and conditions of the transaction are not less favourable to ECF than market terms and conditions;
- b. the securities of the related party are acquired at a public exchange; or
- c. the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to ECF.

A related party includes any ECF officer, director or employee, or volunteer. It also includes the Investment Manager and any employee, spouse, child or entity that is directly or indirectly controlled by the previously named parties.

No part of the investment assets shall be loaned to any related party.

8. RESPONSIBLE INVESTING

Overview

ECF believes that environmental, social, and governance (ESG) issues can impact both ECF's reputation and the performance of its investment portfolio. Thus, ESG issues are potential risk factors for ECF and its portfolio if untoward events lead to public approbation or compromise corporate earnings. Corporate leadership on ESG issues are also aligned with ECF's mission and positively affect company value. As all investment decisions relate to balancing potential returns with risk, ECF believes that ESG issues must be considered in investment decision-making.

Responsible Investing Defined and Examples of ESG Issues

In line with Principles for Responsible Investment (see www.unpri.org) and industry best practices, ECF defines Responsible Investing as an approach that incorporates ESG considerations into investment decisions, to better manage risk and generate sustainable, long-term returns. ECF recognizes that there is a broad set of ESG issues that can be potentially material and important.

Given ECF's portfolio is predominantly of investments in pooled funds managed by third-party Investment Managers, ECF relies on its Investment Managers to consider ESG issues when implementing their investment mandate and will engage managers on their ESG practices.

Monitoring, Evaluation and Compliance

ECF will evaluate third-party managers' processes for considering ESG issues in their investment processes including:

1. **Due diligence of a prospective third-party manager:** ECF explicitly asks for details on how ESG issues are considered during the firm's investment process. This includes asking for policies on how corporate proxies are voted. Potential managers having ESG processes that are, in ECF's judgement, deficient could be eliminated from contention.
2. **ESG questionnaire:** At least every two years, existing managers will be asked to respond to an ESG questionnaire where managers will explain their own ESG policies and how they influence the firm's investment decisions. It will also require the firms to detail how they identify and manage ESG factors and how such policies influence proxy voting. Firms will also be asked to identify how they engage with investee companies on ESG issues. Firms will also be asked to identify any commitments to any international standards, industry guidelines, or other initiatives that promote responsible investment practices. The IC will review and evaluate the responses to the questionnaire.
3. **Engagement:** ECF supports active engagement on ESG issues over exclusions (i.e., prohibited investments or practices) and will communicate its concerns on ESG matters, if any, to the responsible third-party managers and encourage a dialogue between that manager and the concerning company's corporate management. As part of its ESG questionnaire ECF will assess how managers monitor and mitigate poor practices of investee companies such as violations of international norms.

All new and existing Investment Managers will be informed of the Responsible Investing section of this Policy and will be asked to adhere to it.

4. Compliance: All new and existing Investment Managers will be informed of ECF's expectations regarding Responsible Investing outlined in this policy and asked to adhere to it. ECF will have a focused discussion with any Investment Manager whose questionnaire responses are concerning. Should ECF remain dissatisfied with a manager's ESG efforts after such discussion, the Investment Manager will be placed "on watch" by the IC and formally reviewed after one year. At that point, the watch may be ended or extended, or the manager may be terminated. ECF reserves the right to terminate a manager immediately.

9. ADDITIONAL GUIDELINES

Voting Rights

The IC has delegated voting rights for ECF's investments to the Custodian, to be exercised in accordance with the Investment Managers' instructions. Consistent with the Responsible Investing Policy, the Investment Managers are expected to vote all proxies in ECF's best interests. The IC, however, may take back voting rights for specific situations.

The Investment Managers should disclose their proxy voting policies and report annually whether:

- a. all eligible proxies were voted on ECF's behalf, and
- e. the proxy voting policies were followed, disclosing any deviations

Valuation of Securities Not Regularly Traded

Investments shall be valued at their fair market value when that is available from regular public trading. Investments in pooled funds comprising publicly traded securities shall be valued according to the unit values published by the pooled fund manager(s). Unit values shall be published at least monthly. Listed securities shall be valued at the last sale price on the valuation date, or if no sales took place on the valuation date, the last known trade price. Unlisted securities shall be valued at the mean between bid and asked quotations, if any, on the valuation date. Securities for which no quotations are available, and all other investments, shall be valued at their fair market value as determined by the Custodian or other authorized service provider, in consultation with the IC.

Borrowing

No funds shall be loaned to any person, partnership or organization unless it is undertaken in the context of an approved investment mandate and qualifies as a permitted investment as outlined in the Capital Market Investment Policies and Guidelines or Mission Related Investment Fund Investment Policy or is pursuant to a program of securities lending approved by the IC. The Investment Managers may not pledge, hypothecate, or otherwise encumber in any way, the assets of the Capital Market Portfolio or the Mission Related Investment Portfolio, except to the extent that temporary overdrafts occur in the normal course of business. The Investment

Managers shall not borrow on behalf of the Capital Market Portfolio or the Mission Related Investment Portfolio.

Directed Brokerage Commissions

ECF does not use directed commissions (i.e. soft dollars) to pay for any goods or services. The Investment Manager may use soft dollars to pay for research and other investment-related services with disclosure to the IC provided they comply with the Soft Dollar Standards endorsed by the CFA Institute.

Standards of Professional Conduct

Each Investment Manager is expected to comply with the Code of Ethics and Standards of Professional Conduct as required by the CFA Institute. Each Investment Manager shall attest to compliance with the CFA Institute Code of Ethics and Standards of Professional Conduct in the compliance report.

Each Investment Manager will manage the assets with the care, diligence and skill that a prudent person skilled as a professional Investment Manager would use in dealing with institutional assets. Each Investment Manager will also use all relevant knowledge and skill that they possess or ought to possess as a prudent Investment Manager.

RELATED DOCUMENTS

- Conflict of Interest Policy
- Capital Market Investment Policy & Guidelines
- Mission Related Investment Fund Investment Policy