

INVESTMENT POLICY STATEMENT

(January 18, 2007 amended 13 Feb 07)

for the

Endowment Funds

of

Columbia Bible College

ENDOWMENT INVESTMENT POLICY STATEMENT

1.0 - Introduction

The purpose of this Investment Policy Statement (IPS) is to document the parameters and foundational principles by which the endowment funds of Columbia Bible College (the College) will be invested, and to provide a framework of accountability for donors, administration and board.

The College has three categories of investment funds: Endowments, Reserves, and Operating Cash Flow. It is foundational to the financial health of the institution, and to the commitments made to endowment donors and the owners of the College that these funds be invested systematically and managed prudently.

It is the intended purpose of this document to have the College invest its available funds in a manner consistent with legislative requirements, the College's Constitution and by-laws and generally accepted investment guidelines. This IPS articulates those policy frameworks as adopted by the College Board finance Committee.

This statement of Endowment Investment Policy and Objectives is a statement of the College's goals and guidelines concerning the manner in which endowment funds (called "the Funds") are managed in order to, 1) preserve the capital assets of the Fund and, 2) to achieve attractive long-term real rates of investment return for the benefit of the College. It is recognized that the purpose of these goals is to provide the Financial Advisor with a clear understanding of the desired objectives and parameters as expressed by the College Board of Governors, and the Board Finance Committee.

Accordingly, the purpose of this statement is to document the College's policy and objectives for its endowment investments. Specifically,

- the College's understandings and acceptance of risk-taking with its investments;
- the objectives of the College with respect to the rate of return expected on its investments, and the period of time in which it is to be achieved;
- the constraints to be placed on the Financial Advisor with respect to its investments;
- the conditions that might lead to the termination of the Financial Advisor's services.

2.0 - Investment Guidelines and Constraints

The specific guidelines and parameters to be observed by the Financial Advisor are as follows:

- (a) The College wishes to ensure that capital is preserved and enhanced over the long term, in order to provide for the continuation of its endowment programmes.
- (b) The Fund will be managed with the objective of providing positive net rates of return consistent with available market opportunities, and in a manner that provides the College with reasonably predictable investment income and returns from year to year.
- (c) The following three investment objectives are established for the purpose of providing goals to be achieved by the Financial Advisor after payment of all expenses.

Over a one year period:

- (i) Total Fund returns will at least equal the standard indices of the market for the various types of funds in the portfolio, e.g., equity, bonds, mutual funds.

Over five year periods, or other such time frames as may be prudent:

- (ii) Equity returns will be within the first quartile of the returns achieved by Canadian equity mutual funds for mutual funds, and equal or exceed the TSE 300 and S&P 500 for equities.
 - (iii) Total fixed income returns will be monitored against the 5-year GIC rate at the major chartered banks.
- (d) The investment objectives will be reviewed annually by the Board Finance Committee, in consultation with the Financial Advisor and Vice President in charge of finances
 - (e) The College believes that the appropriate asset mix of the equities should be determined during the regular meetings of the Board Finance Committee and the equity Financial Advisor, after reviewing and discussing the Financial Advisor's recommendations. The Financial Advisor will have the discretion to vary the asset mix during the period up to the next Board Finance meeting.
 - (f) The College endeavours to invest in socially responsible companies and/or mutual funds.

- (g) The Financial Advisor shall invest the portfolio as set out in Appendix A.
- (h) The College recognizes that a certain risk of loss of capital is undertaken by investing the Fund's assets in non-guaranteed securities.

3.0 - Allocation of Responsibilities

The Board of Directors of the College has delegated the management of the College's funds as follows:

(a) **The Board Finance Committee** acting on behalf of the Board will:

- (1) establish the Investment Policy Statement and monitor compliance with the Statement;
- (2) review annually the Investment Policy Statement and investment objectives, including a reassessment of the return expectations, risk tolerance, and time horizon;
- (3) recommend the Financial Advisor(s), or other experts as required to the Board for approval;
- (4) review the Fund performances quarterly;
- (5) review the Financial Advisor's performance annually;
- (6) consider the impact that any change in the Funds disbursements or contributions may have on the investment policy of the Fund assets;
- (7) be responsible for recommending the delegation of any responsibilities not specifically mentioned;
- (8) report regularly to the full Board.

(b) **The Financial Advisor(s)** will:

- (1) manage short-term asset mix around long-term guidelines and select securities within each asset class, subject to applicable legislation and the constraints set out in this Statement;
- (2) submit reviews as outlined in this Statement of investment performance to the Board Finance Committee as well as proposed changes in investment strategies;
- (3) explain the characteristics of new asset classes and how they might assist the achievement of the funds objectives;

(4) give prompt notice to the College of all purchases and sales of securities.

Section IV - Income from the Endowment

- (a) The annual income needed will be established at the beginning of each fiscal year based on a formula approved by the Board Finance Committee. The intent of the formula is to maintain the capital of the endowment.
- (b) The endowment funds are not to be used for loan purposes except by special action of the Board on the recommendation of the Board Finance Committee.

Section V - Evaluation of Fund Manager's Performance

The College's decision as to how well the Financial Advisor has achieved the three primary investment objectives (as set out in Section II, part (c)) within the risk constraints expressed herein, and in the periodic meetings, will be based on the following:

- (a) Whether the Financial Advisor has achieved the absolute performance targets established.
- (b) The extent to which the Financial Advisor has observed the guidelines and constraints, and the extent to which the Financial Advisor has performed the administrative duties required of him.
- (c) The level of the College's confidence in the Financial Advisor's ability to produce, over the long term, above average results relative to other fund managers. This level of confidence will be based upon:
 - i) the level of professional integrity, skill, care and diligence shown by the Financial Advisor in the investment of the Fund;
 - ii) the Financial Advisor's ability to defend his predictions and actions in a logical manner;
 - iii) the degree of stability in the Financial Advisor's investment team.

4.0 - Investment Reporting and Meetings

- (a) The Financial Advisor will report the status of the investment portfolios to the College Vice President in charge of finances on a quarterly basis.

These reports will include the following written materials:

- i) An annual Economic and financial markets overview, and general investment policy;
 - ii) A summary of the source and disposition of funds for the preceding period;
 - iii) A brief performance report and comparison to the stated objectives.
- (b) Investment meetings will be held twice a year, at mutually agreed upon times. Prior to each meeting, the Financial Advisor will provide the materials outlined above in writing.