

## **Biathlon Canada**

### **Investment Policy**

September 22, 2014

1. **Purpose.** The purpose of this policy is to establish guidelines for investing Biathlon Canada's investment funds. This policy provides direction as to the allowable investments for Biathlon Canada, the decision making process, safekeeping duties and reviewing and reporting of the investment process, while maximizing the returns from Biathlon Canada's surplus funds according to the criteria of this investment policy.
2. **Conflict of Interest and Ethics.**
  - a. Directors, Committee members and agents involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that may impair their ability to make impartial decisions.
  - b. Directors, Committee members and agents shall disclose any material interests in financial institutions with which they conduct business.
  - c. Directors, Committee members and agents shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio.
  - d. Directors, Committee members and agents shall refrain from undertaking personal investment transactions with the same individual with which the business is conducted on behalf of Biathlon Canada.
3. **Oversight.** This policy will fall under the purview of the Finance and Audit Committee (F&AC) in consultation with the Executive Director and Treasurer which will form an Investment Working Group (IWG). All decisions made by the F&AC in line with this policy will be immediately reported in writing to the Board of Directors.
4. **Duties of the F&AC.** The F&AC is responsible for the oversight of all investment accounts and publicly traded assets. The F&AC shall act solely in the best interest of Biathlon Canada, and in concert with the mission and objectives of Biathlon Canada. The individuals involved in the decisions made in this policy shall be held blameless for all actions related to these assigned duties and assume no personal liability. The responsibilities include but are not limited to:
  - a. Drafting amendments to the investment policy as required;
  - b. Developing investment objectives, asset allocation strategies and performance guidelines;
  - c. Recommending, selecting, engaging and maintaining oversight of investment consultants, advisors, money managers and custodians;
  - d. Reviewing and evaluating investment results;
  - e. Providing annual performance reports;
  - f. Formally identifying any transactions that fall outside the guidelines of this policy; and
  - g. Other such matters as may be directed by the Board of Directors.
5. **Investment Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the

portfolio so that investments mature concurrently with forecast cash demands, or are transferable to cash without significant penalty. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist of some investments that may be readily converted to cash.

6. Risk Tolerance.

- a. Biathlon Canada's risk tolerance is low. Low is further defined as uncomfortable with potential reduction in portfolio value, but tolerant of low levels of year-to-year variability in returns, in order to protect and aggrandize asset value.
- b. Biathlon Canada's investment portfolio profile is conservative. The portfolio will focus on capital stability and protection of value. The portfolio is expected to have low variability.
- c. To establish the relative exposure to fund variability categories, the following investment variability risk guidelines will be used for investment holdings:
  - i. Low – 60% to 100%
  - ii. Medium – 0% to 40%
  - iii. High – 0% to 15%
- d. Biathlon Canada's investment knowledge is defined as fair.
- e. Money Market securities – Rating must be of R1 Mid or higher, according to the Dominion Bond Rating Service.
- f. Bonds/Debentures – Rating must be of A or higher, according to the Dominion Bond Rating Service.
- g. Security holdings for which the level of risk subsequently falls below the above standards will be reviewed as to whether they should be maintained in the investment portfolio.
- h. For the purposes of these guidelines:
  - i. all percentages apply on a market value basis immediately after a purchase or initial investment; and
  - ii. any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total assets does not require immediate elimination of any security from the Portfolio.

7. Acceptable Investments. In accordance with and subject to the restrictions imposed below, the following are investments Biathlon Canada will consider:

- a. Equity;
- b. Bonds and Fixed Income;
- c. Cash and equivalents; and/or
- d. Mutual Funds made up of any of the above types of investments.

8. Investment Restrictions. The Investment Portfolio will be subject to the following restrictions.

- a. Borrowing for investment purposes is prohibited.
- b. Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters and equity-linked securities) are prohibited.
- c. Instruments known as 'derivatives' (e.g. options, futures, swaps, caps, floor, and collars) are prohibited.

- d. Contracting to sell securities not yet acquired in order to purchase other securities for speculation purposes is prohibited.
  - e. Commodity contracts, including oil and gas, mineral rights or royalty contracts are prohibited.
  - f. Private placements or letter stocks are prohibited.
  - g. Deeds or mortgages for real estate are prohibited.
  - h. Hedge funds, personal loans, bank loans, limited partnerships, venture capital investments, are prohibited.
  - i. Collateral mortgage obligations are prohibited.
  - j. Unregulated investments, such as chattels, that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation are prohibited.
9. Policy Exceptions. If the F&AC is considering an exception to the policy, there must be unanimous agreement by the Committee who shall then proceed with submitting a written request for special approval to the Board of Directors.
10. Parameters for Asset Allocation and Rebalancing. The purpose of rebalancing is to control portfolio risk and maintain the asset allocation within the targeted ranges. When the assets are out of their stated ranges, they are rebalanced back to the target weight unless extreme market conditions require implementation of prudent alternatives. In the case that a portfolio is not set up to automatically rebalance then:
- a. The portfolio to be rebalanced at least annually or more frequently if desired by the members of the committee charged with the oversight of the portfolio's investments;
  - b. Tactical rebalancing, which represents portfolio positioning to opportunistically capture short term market anomalies, is also permissible as long as the trades do not violate the stated ranges for each asset class and do not cause undue expense to the portfolio;
  - c. Transactions will be made on a best execution basis, taking into consideration cost and prevailing market considerations and any outstanding soft dollar arrangements between the Association and its vendors as permitted by law;
  - d. The portfolio rebalancing duration should not deviate from the benchmark by more than one year either shorter or longer.
11. Diversification Requirements.
- a. Investments shall be diversified to minimize the risk of loss resulting from over concentrating assets in specific maturity issuer, or class.
  - b. Diversification strategies shall be established and reviewed as required.
12. Process for Selecting a Custodian.
- a. An investment dealer or financial institution, depending upon where the transaction takes place, may hold Biathlon Canada's securities in safekeeping.
  - b. All institutions qualified to conduct business with Biathlon Canada are also authorized to hold investments for safekeeping on behalf of the company.

- c. Regulatory oversight. Each custodian should be a member of a regulated bank, an insurance company, or other recognized financial institution.
  - d. Expense ratios/fees: The manager's fees should be competitive with fees provided to similar non-profit organizations.
  - e. Stability of the organization: There should be no perceived organizational problems.
13. Duties of Custodians. Custodians are responsible for the collection, holding, management, and otherwise safekeeping of the custodial property the safekeeping of the Portfolio's assets. The specific duties and responsibilities of the custodian include but as not restricted to:
- a. Maintain separate accounts by legal registration;
  - b. Value the holdings;
  - c. Collect all income and dividends owed to the Portfolio;
  - d. Settle all transactions (buy-sell orders) initiated by the Investment Advisor;
  - e. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolio since the previous report.
14. Process for Selecting the Investment Advisor. The investment advisor interview, evaluation and selection process will emphasize but not be limited to: organization quality and stability, past investment performance, the investment process used to achieve investment performance, and fees. The F&AC will apply the following due diligence criteria in selecting each individual investment advisor.
- a. Regulatory oversight. Each investment advisor should be a member of a regulated bank, an insurance company, a mutual fund organization, and be a registered investment advisor.
  - b. Expense ratios/fees. Manager's fees should be competitive with fees provided to similar non-profit organizations.
  - c. Stability of the organization. There should be no perceived organizational problems – the same portfolio management team should be in place for at least two years. (This may be waived in circumstances such as for funds managed by teams or for funds where prior performance histories of separate accounts are considered relevant.)
15. Duties of Investment Advisors. Sector and security selection, portfolio quality and timing of purchase and sales may be delegated to the investment advisor subject to the constraints within the advisor's specific guidelines.
16. Selection of Investment Advisors. The following shall be used as criteria for advisor selection:
- a. Compliance with policy; and
  - b. Satisfactory service and reporting.
17. Reporting Requirements. The F&AC will report annually in writing to the Board of Directors.