



Investment Policy Statement

West Parry Sound Health Centre Foundation

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Prepared by:

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Introduction

The *Investment Policy Statement* is a document designed to establish expectations and guidelines for each investment decision, and to facilitate evaluation of the portfolio. This *Investment Policy Statement* should be reviewed on a regular basis to discuss any changes in your circumstances.

This *Investment Policy Statement* outlines the investment management philosophy for your portfolio and serves as the foundation for each investment decision.

Investment Objectives

It is the business of the West Parry Sound Health Centre Foundation (“The Foundation”) to accumulate excess cash balances that are not required for short term operating needs. The Foundation uses an investment program to earn additional capital to fulfill its mission of supporting local health services that are not supported by government funding.

Based on your stated goals and review of your current situation, we have determined that your primary investment objective is Income. Your secondary investment objective is Long Term Capital Growth. As your obligation is to pay out 3.5% of the asset value of endowed funds starting in two years, your desired rate of return is 4-5% per annum for the investments managed under this *Investment Policy Statement*. Typically, this rate of return is not achieved every year but rather it is the desired average rate of return over your stated time horizon.

Risk Tolerance

The goal of the investment process is to achieve your required rate of return while minimizing risk. Typically, higher rates of return are associated with higher risks.

Recognizing that markets and individual investments tend to fluctuate over short-term periods, your goal is an aggregate rate of return for a period of 10 years. According to the information we gathered through the financial plan, we have assessed your tolerance for risk as 30% Low 60% Medium 10% High This level of risk allows for some degree of short-term market volatility. However, we will try to minimize these fluctuations.

Constraints

The following constraints will influence your asset mix and individual investment decisions.

Time Horizon

The longer the expected holding period, the more likely you are to achieve your targeted return. The investment management recommendations in this policy statement are based on an investment horizon of ten years. As circumstances may change over time, so will our recommendations.

Current Income Requirements

Your future income requirements of 3.5% of endowed funds will be a determining factor in all of our investment recommendations. As you have no immediate cash flow requirements, your portfolio will be managed for growth within reasonable parameters. Cash flows will be held and reinvested within the portfolio. Cash Flow requirements may change and will be reevaluated in 24 months.

Liquidity

Liquidity refers to the ability to convert an asset into cash without causing a significant change in the price of that asset. If the time horizon is short, an illiquid asset may not be appropriate. Sufficient liquidity is important to allow future cash usage for an emergency or to participate in a new investment opportunity. Accordingly, your portfolio will target a 0% cash position in case of such eventualities.

Taxes

While no investment decision should be made solely for tax reasons, it is nonetheless an important issue and has a direct impact on returns.

You have indicated that this is a non-taxable account.

Unique Preferences and Circumstances

From time to time the Foundation may manage funds under the specific instructions of a donor; for example funds to be used for a specific purpose, or held for a specific time period before reverting to the General Fund. These funds will be maintained in separate ScotiaMcLeod accounts and will be managed to a combined investment objective governed by the Asset Mix specified in this document.

ACCOUNTS PROFILE

Fund Name	Account Number	Details
Anonymous Islander Fund		TSX:XIU stock to be maintained for a minimum of 10 years
Forever Fund		general fund

Asset Mix

Asset allocation is an important decision. The asset allocation of your portfolio is a function of your risk tolerance as discussed in the risk tolerance and constraints sections previously outlined.

To respect your risk tolerance, we are targeting an asset mix of 60% equity, 40% fixed income and 0% cash. Based on the chart below, the asset mix should be within the asset mix guidelines. And within those guidelines, your optimal asset mix will depend upon the capital markets outlook.

The higher the equity component, the greater the potential for capital appreciation and higher long term return. The larger the fixed income component, the greater the potential for interest income and potentially stable returns. We may maintain from time to time a liquid cash position higher than the stated maximum in order to provide the ability to shift holdings as desired and to deal with contingencies.

Asset Class	Optimal Asset Mix	Asset Mix Guidelines	
		Minimum	Maximum
Cash	0 %	0%	20%
Fixed Income	40%	30%	40%
Equity - Canadian	50%	40%	60%
Equity – U.S.	5%	0%	10%
Equity - International	5%	0%	10%

Diversification

Diversification is an important strategy for managing and controlling portfolio risk. This will be a balanced and diversified portfolio as per the asset allocation outlined above. Within each asset class, we provide further diversification among different industry groups, credit ratings and maturity dates (for bond holdings).

Concentration

Based on your profile, we suggest that the investment exposure to a single security not exceed 10% of the total portfolio. Furthermore, your portfolio should be reflective of the rules of industry diversification.

Quality of Assets

Your portfolio will contain only investment grade assets.

Performance Appraisal

The performance of any investment program is judged relative to your goals, as previously discussed, and to a market-based benchmark. A benchmark is a hypothetical portfolio consisting of several indices that are combined in the same weightings as the asset classes of your portfolio.

For your portfolio, performance comparisons should be within the context of the S&P/TSX Composite Index, the S&P 500 and the Scotia Capital Markets Bond Universe indices.

Investment Management Process

In order to realize your goals and manage risk, we will make investment decisions according to the discipline of this *Investment Policy Statement*. Portfolio strategy and individual investment decisions are a collaborative process between you and your investment advisor. We will discuss each opportunity with you and reach agreement before we take action.

Any deviation from your stated investment plan may result in fluctuations in your ability to meet your goals.

Fee for Service

To be addressed under separate document (Partnership Plus Agreement Form CA45).

Monitoring and Review

We will review and monitor your portfolio on a regular basis. At a minimum, we will contact you to discuss our recommendations when we are in the process of rebalancing your asset mix or when a change in an individual investment is warranted. You are welcome to contact us at any time to discuss your accounts, the market outlook or to have a verbal portfolio review.

You will receive written confirmation of any trade executed and a monthly statement* that details your holdings. This information is also available through the ScotiaMcLeod Online Internet site. (*Statements are always mailed quarterly. If there are no transactions in the account in a given month that is not a quarter end, an official statement will not be generated. In this instance, a monthly record of the account will be available through your investment advisor via mail or email.)

On a semi annual basis, we would hope to meet with you for a comprehensive written portfolio review to measure our progress and to ensure that the parameters of this *Investment Policy Statement* continue to meet your requirements. If any changes in your situation should occur, or new needs develop, you should communicate this information to our office so that we can take appropriate action.

Implementation

By signing below we agree to follow the parameters outlined in this *Investment Policy Statement*.

Date

Date

Michael Mountford
Wealth Advisor and Director

Date



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