

## **Policy Direction - Investment**

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### **Rationale and Relationship to Vision, Mission, and Values**

This document sets out the investment policies of MS Canada and it describes the roles of those charged by MS Canada's Board of Directors with management of MS Canada's investments.

MS Canada is a not-for-profit organization. The revenue of MS Canada is derived primarily from: fund-raising events; direct marketing; grants, donations and bequests; allocations from the United Way and HealthPartners; and investment income.

MS Canada provides a variety of support services to a large number of people with MS and their families. It also devotes a significant portion of its efforts and resources to research into the causes and treatments for MS.

### **Policy Objective**

Dependent as MS Canada is on wide public support for its programs, and facing a strong demand for its services on a continuing basis, while being strongly committed to research, it is essential that MS Canada's affairs be prudently managed so as to enable it to continue its operations without dramatic changes in the scope of its activities, even in times when charitable giving may be in decline. Investments are an important source of revenue for MS Canada and it is important that the returns on its investments be maximized on a basis consistent with its need for prudent financial management.

### **Policy Application**

This policy applies to all levels and locations of MS Canada.

### **Authorization**

The policy was approved by the Board of Directors on November 22, 2008.

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## Policy Details

With a view to strengthening the management of its affairs, MS Canada intends to concentrate, to the extent practicable, the investment of the cash, short-term investments and other funds (collectively "Funds")

- The investment of Funds other than those that are required to be available for operating purposes and which therefore may only be invested for relatively short terms ("Short-term Funds") will be under the management of one or more third-party investment managers<sup>1</sup>, to be selected by a committee ("Investment Committee") to be established by MS Canada's Board of Directors. That selection is subject to confirmation by the Board.
- The investment of Short-term Funds will be the responsibility of MS Canada's Vice President, Corporate Services or an Investment Manager, at the discretion of the Investment Committee, subject to the guidance provided by the Investment Committee and its oversight.

The approval of objectives and guidelines for the investment of the Funds, as recommended by the Investment Committee, is the responsibility of the Board. The Board has delegated to the Investment Committee responsibility for recommending an Investment Manager, or Managers, subject to the approval of the Board. The Investment Committee is responsible for selecting a Custodian, without approval of the Board. The Investment Committee is responsible for monitoring the Investment Manager, the Custodian and, with respect to the investment of Short-term Funds, the Vice President, Corporate Services. The Investment Committee will receive written quarterly reports from the Investment Manager and the Vice President, Corporate Services concerning Funds management.

Investment of the Funds is subject to the Trustee Act (Ontario).

The Investment Manager is to be a registered investment counsel/portfolio manager registered with the Ontario Securities Commission.

As a matter of policy, the Investment Committee will review the appointment of any external service provider not less frequently than every four years.

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<sup>1</sup> The term "Investment Manager" is used in this document. In the event that more than one manager is appointed, this document applies to all.

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## Allocation of Responsibilities

The Investment Committee will:

- recommend to the Board the Statement, taking into consideration the criteria required by the Trustee Act (Ontario)<sup>2</sup> from time to time. This Statement is to be used by the Investment Manager to guide it in managing the Funds;
- recommend to the Board one or more Investment Managers to manage the Funds;
- appoint a custodian (“Custodian”) to hold the related assets;
- review the Statement from time to time (at minimum, once per year), including making a re-assessment of the return expectations, risk tolerance and time horizon, and recommend to the Board changes as appropriate;
- in cooperation with MS Canada’s Vice President, Corporate Services, determine the portion of the Funds that constitute Short-term Funds;
- review the performance of the investments made by the Investment Manager at least annually;
- provide guidance to MS Canada’s Vice President, Corporate Services or an Investment Manager on the investment of Short-term Funds; and
- review the performance of the investments made with Short-term Funds at least annually.

The Investment Manager will:

- manage the asset mix in accordance with the policy approved by the National Investment Committee and select securities subject to applicable legislation and the constraints set out in this Statement;

<sup>2</sup> At the time of writing this document, the Act stipulated seven such criteria, as follows:

- General economic conditions
- The possible effect of inflation or deflation
- The expected tax consequences of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio
- The expected total return from income and the appreciation of capital
- Needs for liquidity, regularity of income, and preservation or appreciation of capital
- An asset’s special relationship or special value, if any, to the purposes of the charity or to one or more of the beneficiaries.

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- calculate quarterly rates of return and risk measures on the total Funds and on each of the asset classes;
- provide the Investment Committee with quarterly portfolio statements containing, at a minimum, the latest portfolio valuation, a list of transactions for the quarter, a statement of capital gains/losses, and proxy voting records during the period and a statement confirming compliance with the guidelines governing the investment of the Funds;
- participate in reviews with the Executive Committee and / or Board of Directors as required (at least annually);
- present, at least annually, reviews of investment performance to the Investment Committee as well as expectations of future returns on various asset classes and proposed investment strategies for the following 12 months; and
- explain the characteristics of new asset classes and how they might assist in the achievement of MS Canada’s objectives for the Funds.

The Custodian will:

- fulfill the duties required under its custodial agreement; and
- provide the Vice President, Corporate Services with monthly reports of the Fund assets and transactions during the period and any other reports required by MS Canada.

The Vice President, Corporate Services will, as applicable:

- manage the investment of MS Canada’s Short-term funds;
- provide the Investment Committee with quarterly reports concerning the investment of Short-term Funds containing at a minimum, an analysis of the current holdings and a list of transactions for the quarter; and
- support the Investment Committee in the discharge of its responsibilities.

### *Investment Objectives*

The objective for Short-term Funds is safety of principal and a high degree of liquidity.

The overall objective for the Funds, excluding Short-term Funds, (“Longer-term Investments”) is to realize income and achieve growth commensurate with a low level of risk.

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Where the services of an Investment Manager are used to manage Short-term Funds, the Investment Committee will, from time to time, in consultation with the Investment Manager, determine the asset mix, bearing in mind the objectives stipulated above.

A further objective for Longer-term Investments is to match the rate of return generated by the policy portfolio, shown below, over a moving four-year period, net of fees. The policy portfolio represents the rate of return that could be earned by passively investing in the benchmark indices ("Policy" x "Index").

MS Canada is tax-exempt. Significant withdrawals of amounts in Longer-term Investments (i.e. >25% of their total) may be required, but are not anticipated. Liquidation of Short-term Funds will be required from time to time to fund the operations of MS Canada.

### *Longer-term Investment Policy*

<b>Asset Class</b>	<b>Range (%)</b>	<b>Policy (%)</b>	<b>Index<sup>3</sup></b>	
Fixed Income	0 – 10	0	DEX 91-day T Bill Index	
Cash/short term				
Bonds	15 – 35	25	(Applicable to Bonds & Mortgages in total)	50% DEX Short-term Bond Index
Mortgages	15 – 35	25		50% DEX Universe Bond Index
Equities*	12.5 – 37.5*	25	S&P / TSX Composite Capped Index	
Canadian				
American				
International	0 – 22.5*	15	Standard & Poor's 500 Index	
	0 – 15*	10	Morgan Stanley Capital International Europe, Australasia & the Far East Index	

\* The maximum that may be invested in equities is 60% of the portfolio, notwithstanding that the maximums of the ranges shown above aggregate 75%.

<sup>3</sup> Index returns are to be on a total return basis, in Canadian dollars.

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## Eligible Investments

Investments made by the Investment Manager must comply with the criteria stipulated below. All investments may be held on a pooled or segregated basis (subject to the proviso that any pooled funds must be managed by the Investment Manager, unless the Investment Committee expressly agrees to invest in pooled funds manager by others) and meet the eligibility criteria set out herein and all of the limits set out hereinafter.

1. Short-term investments: Canada and provincial government issued and guaranteed T-Bills, Canadian commercial paper, bankers' acceptance and other short-term notes with a minimum rating of R1 (high) or equivalent by a recognized Canadian bond rating service, at time of purchase.
2. Bonds and debentures:
  - approximately 85% in Canada and provincial government issued and guaranteed bonds, and Canadian and foreign corporate issuers with a minimum rating of A by DBRS or S&P at the time of purchase; and
  - the remainder in Canada and provincial government issued and guaranteed bonds, and Canadian corporate issuers with a minimum rating of BBB by DBRS or S&P at the time of purchase.
  - In the case of split ratings, the lower of the two ratings shall be used. When bonds are downgraded below investment grade (i.e., BBB) subsequent to their inclusion in the portfolio, the manager shall notify the Vice President, Corporate Services in writing.
3. Equity investments: Publicly traded common shares, rights, warrants and securities convertible into common shares.
4. Securities of one issuer:

Short-term and Fixed Income: The short-term and fixed income investments in the securities of one issuer shall not exceed 10% of the total market value of all cash, short term and fixed income investments held, unless the securities are issued or guaranteed by the Government of Canada or one of the provinces of Canada.

Equities: The market value of a single equity investment shall not exceed 15% of the market value of the particular asset class. The Investment Manager shall ensure that there is appropriate diversification across industry sectors in each of the above geographic areas.

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The total exposure to securities of a single issuer shall not exceed 15% of the total of cash and the aggregate market value of all securities held, unless the securities are issued or guaranteed by the Government of Canada or one of the provinces of Canada.

### *Voting Rights*

The Investment Manager will exercise all voting rights acquired through its investment of MS Canada's funds and will include in each quarterly report a summary of how each proxy was voted. Proxies should be voted in the best interests of MS Canada; i.e., to enhance the value of any individual security.

### *Securities Lending*

Securities lending by the Custodian is not permitted.

### *Valuation of non-marketable securities*

In the case of a security that becomes illiquid, the value of the security will be determined by the Investment Manager and MS Canada in keeping with generally accepted industry practices. The Investment Manager will notify the Vice President, Corporate Services, in writing of any such occurrences.

### *Derivatives*

Derivatives instruments are permitted, but will not be used to add leverage to the Fund. Counterparty risk arising from derivative transactions will be limited to credits rated "A" or better. Instruments used may include, but are not limited to, futures, forwards options, CDSs and swaps.

### *Gifts-in-kind*

Securities donated or bequeathed to MS Canada are to be sold as soon as MS Canada is entitled and able to do so, unless they are eligible to be held under the terms of this Statement and ones which the Investment Manager believes should be held for subsequent disposition. All other gifts-in-kind (artwork, mobility equipment, etc.) will be handled by MS Canada staff in the appropriate area to which the donation relates.

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## Executive Champion

MS Canada's Vice President, Corporate Services is the executive champion for the investment policy direction.

## Monitoring and Compliance

MS Canada's Executive Champion is responsible for leading the monitoring of the application and compliance of this policy direction in conjunction with other members of the Executive Team. On a quarterly basis, the Executive Team must acknowledge compliance with this policy direction and its related procedures.

## Related Policies, Legislation

### [Conflict of Interest Policy](#)

These guidelines apply to: the Board of Directors; members of the Investment Committee; the Investment Manager; the Custodian and any other persons involved in the investment of the Funds.

Any person included in the above categories must disclose any direct or indirect association or material interest or involvement that would result in any actual, potential or perceived conflict of interest with regard to the selection of the investments of MS Canada; the selection of the Investment Manager or Custodian; or any other matter relating to the investments of MS Canada.

A conflict may arise should any of those persons have or acquire any material pecuniary interest, direct or indirect, in any matter in which MS Canada is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of MS Canada. In such a case, the person involved shall forthwith disclose this conflict to the Chair of the Investment Committee in writing and the Committee shall meet to decide upon a course of action.

The Investment Manager is expected to comply with the Code of Ethics and Standards of Professional Conduct as set out by the CFA Institute.

The Investment Committee may, at its discretion, ask for a copy of the Investment Manager's Conflict of Interest and Corporate Governance Policies, and the Investment Manager is expected to provide such document(s).

Matters pertaining to the investment of MS Canada's Funds shall be held in confidence unless applicable laws require disclosure thereof.

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## Policy Review

The policy is to be reviewed every five (5) years but more occur more frequently at the discretion of the Investment Committee.

- November 2008 – First approved by Board of Directors
- January 2011 – Revised and approved
- February 2017 – Revised and approved
- April 2021 – Revised and approved

## Definitions

**Executive Team** – The most senior level of staff leadership within the MS Society comprised of the president and chief executive officer; presidents; senior vice-president(s) and vice-president(s). One person may hold more than one position. The president and chief executive officer may alter the composition of the executive team as required from time-to-time.

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