



COAST  
FUNDS

COASTAL  
INDIGENOUS PROSPERITY  
SOCIETY

# INVESTMENT GUIDELINES

DECEMBER 2024

A gyaaGang monumental pole raised in 2017 in honour of the ancestors who occupied Tlielang Hiellen Village Site beside Hl'yaalang Gandlee, the river that runs beside Taaw Tow Hill, Haida Gwaii

PHOTO BY  
Brodie Guy





# Investment Guidelines

Coast Funds | Coastal Indigenous Prosperity Society

## BACKGROUND

- 1.1 The Coastal Indigenous Prosperity Society (“Society”) was created to support participating First Nations activities related to community development, cultural programming, scaling up of stewardship infrastructure, and conservation-based economic development, and any other activities that support the spirit and intent of the GBS PFP.
- 1.2 The Board of Directors of the Society (“Board”) has overall responsibility for the Fund.
- 1.3 The Statement of Investment Policy (“Policy”) adopted by the Board documents the policies for the management of the Society’s assets.
- 1.4 The Investment, Finance and Audit Committee (“Committee”) established by the Board is responsible for developing, reviewing and monitoring detailed guidelines and constraints for the management of the Fund investments, referred to as the Investment Guidelines (“Guidelines”).
- 1.5 This document constitutes the Guidelines.

## PERMITTED CATEGORIES OF INVESTMENT

- 2.1 Section 1.19 to 1.21 of the Policy sets out the rules for permitted investment in asset classes and the process for adding new asset classes.
- 2.2 The permitted categories of investments are:
  - (a) equities, including common and preferred shares, income trusts, warrants, rights, instalment receipts and convertible debentures, all of which may be issued by Canadian and global issuers, and Depository Receipts of companies based outside Canada and the United States;
  - (b) debt securities of Canadian and non-Canadian issuers, issued in Canadian currencies, including sovereign, provincial, municipal and corporate bonds, debentures, mortgages, mortgage-backed securities, asset-backed securities, notes and other debt instruments;
  - (c) interest-bearing cash and cash equivalents, including guaranteed investment contracts or term deposits with banks, trust companies or insurance companies;
  - (d) forward contracts, futures or options solely for the purposes and subject to the constraints set out in paragraphs 4.19; and
  - (e) unitized pooled funds or mutual funds consisting of eligible investments in the above categories, managed in accordance with the guidelines and constraints as set out in Section 4.



## FUND STRUCTURE

### INVESTMENT MANAGEMENT STRUCTURE

3.1 The Committee has established the following investment management structure:

Investment Manager	Total
ACM Advisors (Mortgages)	30%
Fiera Capital (Global Equities)	15%
Leith Wheeler (Bonds and Short-Term Investments)	55%
Total	100%

3.2 In the event that the total allocation to an investment manager at the end of a quarter is more than 10% higher or lower than the total allocation set out in paragraph 3.1, the Chair of the Committee will instruct staff to reallocate the assets to the percentages set out in the “Total” column.

### ASSET MIX

3.3 The asset mix of the Fund shall at all times be maintained within the following ranges:

<u>Asset Class</u>	<u>Minimum</u>	<u>Benchmark</u>	<u>Maximum</u>
Bonds	40%	50%	60%
Global Equities	5%	15%	25%
Mortgages	20%	30%	40%
Short-Term Investments	0%	5%	15%

3.4 In the event that the allocation to an asset class at the end of a quarter is outside of the range of the minimum and maximum as set out in paragraph 3.3, the Chair of the Committee will instruct staff to reallocate the assets to the percentages set out in the “Total” column in paragraph 3.1 and direct the investment managers to reallocate their assets in accordance with paragraph 3.1.

3.5 Cash disbursements from the Fund are to be funded from one or a combination of investment managers and asset classes, as determined by Coast Funds’ CFO and confirmed by the Fund’s investment advisor, to maintain compliance with paragraphs 3.1, 3.2, 3.3, and 3.4. In the event that Coast Funds’ CFO and the Fund’s investment advisor do not agree on the investment manager or asset class allocation, the disbursement decision shall be referred to the Chair of the Committee.



## INVESTMENT MANAGER MANDATES

- 3.6 The Committee has established mandates for each Investment Manager, as set out in Appendix A.
- 3.7 The Committee shall monitor the performance of the Investment Managers in accordance with Section 6 and shall recommend to the Board any changes in Investment Managers as the Committee deems in the best interest of the Fund.

## GUIDELINES AND CONSTRAINTS

### APPLICATION OF GUIDELINES AND CONSTRAINTS

- 4.1 All investments shall conform to the Constitution, the Policy, these Guidelines and any applicable law and regulations.
- 4.2 Investment Managers shall not invest in any assets that are not in an approved category of investment. For greater certainty, investment managers shall not invest in commodities.
- 4.3 All securities shall be purchased through normal public market facilities, unless the purchase price approximates the prevailing market price and is negotiated on an arm's length basis.
- 4.4 The Fund shall be invested in accordance with the Indigenous, environmental, social and governance ("I+ESG") standards set out in the Policy.
- 4.5 The Committee has the responsibility for making recommendations to the Board on any additional screens that may incorporate either positive or negative elements.
- 4.6 The Fund's fixed income and global equities will be invested in individual securities, and not in pooled funds or mutual funds, unless otherwise specifically permitted in writing by the Chair. Short term investments may be invested in individual short-term securities or pooled funds. Mortgages may only be invested in pooled funds.
- 4.7 Investments in the securities of any one issuer, or two or more affiliated entities shall be limited to no more than 10% of (a) the assets of the Fund's investment portfolio, with the exception of investments in securities issued by the Government of Canada or the government of a province or the government of the United States, or securities that carry the full faith and credit of either; and (b) any index, segregated, mutual or pooled fund. Furthermore, the Fund's investments in the equities of any one issuer shall be limited to no more than 10% of the outstanding stock (or of any single class thereof) of the issue.
- 4.8 The Fund will be managed to ensure that sufficient liquidity is available to meet project funding and operational needs.

### FIXED INCOME AND SHORT-TERM INVESTMENTS EXCLUDING MORTGAGES

- 4.9 All investments in Canadian fixed income securities shall be in securities that are subject to regular price quotations by recognized investment dealers in Canada and for which ratings are available for the borrower or the debt issuer.



- 4.10 The duration of the fixed income portfolio, including cash, will be maintained within a band of 0-5 years.
- 4.11 No more than 8% of a fixed income portfolio shall be invested in debt issues of any one corporate or municipal issuer rated AA or above by DBRS Morningstar (“DBRS”) or equivalent service; no more than 6% of a fixed income portfolio shall be invested in debt issues of any one corporate or municipal issuer rated A by DBRS or equivalent service.
- 4.12 At least 25% of a fixed income portfolio will be invested in Government of Canada, Canadian Indigenous-supportive governmental organizations (such as First Nation Finance Authority), or Government of Canada guaranteed issues rated A or above by DBRS or equivalent service. Ownership of Canadian Indigenous-supportive governmental bonds (such as First Nation Finance Authority bonds) in the fixed income portfolio is preferred as it aligns with the organization’s purpose and values.
- 4.13 No more than 40% of a fixed income portfolio will be invested in the bonds or other fixed income assets of corporations.
- 4.14 No more than 30% of a fixed income portfolio shall be invested in debt issues of corporate or municipal issuers with an A rating. No part of a fixed income portfolio shall be invested in debt issues of issuers with a BBB or lower rating. A minimum AA- average portfolio rating will be maintained at all times.
- 4.15 All short-term investments, including Canadian cash equivalents and short-term commercial paper, having a maturity of one year or less, shall be rated minimum R-1 Low by DBRS, an equivalent rating from another agency, or, where not rated, an equivalent level as determined by the market.
- 4.16 No more than 5% of the market value of the short-term investments may be invested in the commercial paper of any one single issuer except in the case of paper of, or guaranteed by, one of the five major chartered banks or a BC credit union.

## **MORTGAGES**

- 4.17 Mortgages on income-producing commercial property and multi-unit residential properties in Canada held through units in open-ended investment funds, limited partnerships or other corporate structures designed to limit liability and achieve tax efficiency.
- 4.18 Permitted investments in mortgages shall be governed by the terms and conditions set out in the respective investment fund contract, Offering Memorandum, Trust Agreement or similar document that is applicable to each fund.

## **OTHER LIMITATIONS**

- 4.19 Investment Managers shall not purchase securities on margin or engage in short sales.
- 4.20 No entity, including the Board, the Committee, the Investment Managers, or any member of such entity may lend, pledge or otherwise encumber any of the Fund’s assets.



- 4.21 Investment Managers may not engage in the purchase or sale of derivatives, options or futures except to replicate a market index for a portion of the Investment Manager's portfolio not exceeding 5% of the total, for a period of time not exceeding 90 days.

## COMMUNICATIONS REQUIREMENTS

### COMMUNICATION BY THE INVESTMENT MANAGERS

- 5.1 Each Investment Manager will prepare and deliver a report on the management of its portfolio as soon as practicable at the end of each calendar quarter. Such report shall contain a list of the securities held in the portfolio of the end of the quarter, a list of all of the transactions conducted by the Investment Manager since the previous report, a summary the cash flows to and from the portfolio in the quarter, the rate of return earned by the portfolio in the quarter, the performance target, the rate of return relative to the performance target, and an overview of its current economic outlook and investment strategy.
- 5.2 Investment Managers will meet with the Committee or with the Fund's staff at least once a year to review the results the Investment Manager has achieved and the report described in paragraph 5.1, and to discuss its economic outlook and investment strategy.
- 5.3 Investment Managers shall inform the CFO of the Fund promptly of any changes in the Investment Manager's firm, including any changes in ownership, senior investment personnel or investment management style.

### COMMUNICATION BY THE INVESTMENT COMMITTEE

- 5.4 The Chair will meet at least quarterly with the Board to report on the investment management of the Fund. The Chair's report will include a review of the investment performance of the Fund and any recommendations to amend the Policy.

## MONITORING AND REVIEW

### REVIEW OF THE POLICY

- 6.1 The Committee shall review the Policy and Guidelines at least once every year, and recommend to the Board any changes the Committee feels are necessary.
- 6.2 The Committee shall review the Policy as soon as practicable when any legislative changes may affect the investment of the Fund, and recommend to the Board any revisions they feel are necessary.

### MONITORING AND REVIEW OF INVESTMENT PERFORMANCE

- 6.3 Each calendar quarter, the Committee shall review the evaluation conducted of the performance of the Investment Managers. The Committee shall review:
- (a) the investment returns of the Investment Managers, including each component of the Investment Managers' portfolios, over both the short term and the long term;
  - (b) the value added or lost by each Investment Manager relative to the performance target of the Investment Manager, as set out in Appendix A, and the sources and amounts of the value gained and lost;



- (c) the level of risk taken by each Investment Manager in making its decisions, and the appropriateness of those decisions;
  - (d) the Investment Manager's adherence to the Policy and Guidelines;
  - (e) the Investment Manager's adherence to the investment approach and decision-making process for which the Investment Manager was hired;
  - (f) any changes in the Investment Manager's firm, including ownership, organizational structure and key investment personnel.
- 6.4 An Investment Manager's continued suitability may be examined at any time should the Investment Committee lose confidence in the Investment Manager's ability to succeed. Factors that might lead to a review include one or more of the following:
- (a) performance over the short term substantially below the performance target or inappropriate levels of risk;
  - (b) changes in the Investment Manager's investment approach and decision-making processes;
  - (c) fundamental changes within the Investment Manager's firm, including changes in ownership, personnel or a substantial growth or reduction in assets under management;
  - (d) evidence of malfeasance by the Investment Manager;
  - (e) failure to adhere to this Policy.
- 6.5 Concerns about the performance of an Investment Manager shall be noted in the minutes of the Committee's meeting, and shall include the conclusions of the Committee as to the next steps that will be taken in connection with the retention of such Investment Manager.

## MISCELLANEOUS PROVISIONS

### CONFLICT OF INTEREST

- 7.1 A conflict of interest exists when a person has the opportunity to advance or protect his or her own interest or the private interests of others with whom the person has a relationship, including a familial or other personal or business relationship, in a way detrimental to the interests, or potentially harmful to the integrity or fundamental mission of the Fund.
- 7.2 No member of the Board, the Committee or an Investment Manager, or a Fund employee or contractor may exercise their powers with regard to the investment of the Fund in their own personal or business interest or in the interest of their family or of a third person, nor may any such member place themselves in a position of conflict of interest or potential conflict of interest.
- 7.3 An individual, upon first becoming aware of a conflict of interest or a potential conflict of interest shall disclose in writing the nature and extent of an interest to the Chair immediately. The Chair shall report such disclosure to the Committee.



- 7.4 If the party disclosing the conflict of interest has the capacity to participate in or to make decisions affecting the investments of the Fund, the party may continue to participate only with the approval of the Committee.
- 7.5 The failure of a person to comply with the procedures described in this Section shall not of itself invalidate any decision, contract or other matter.

#### **DELEGATION OF VOTING RIGHTS**

- 7.6 The Fund delegates its voting rights to individual Investment Managers. Specific proxy voting rights, responsibilities, and guidelines are described in the Policy.





## APPENDIX A - INVESTMENT MANAGER MANDATES

### ACM Commercial Mortgage Fund

- A.1 ACM has been retained to manage a portion of the fixed income portion of the fund in their commercial mortgage fund.
- A.2 ACM’s performance objective is to exceed the return of the FTSE Canada Short Term Bond Index + 1.4% over rolling four-year periods, after investment management fees.

### Leith Wheeler

- A.3 Leith Wheeler has been retained to manage a portion of the fixed income portion of the Fund.
- A.4 Leith Wheeler’s asset mix shall at all times be maintained within the following ranges:

<u>Asset Class</u>	<u>Minimum</u>	<u>Benchmark</u>	<u>Maximum</u>
Bonds	80%	90%	100%
Short-Term Investments	0%	10%	20%

- A.5 Leith Wheeler’s performance objective is to exceed the return of the FTSE Canada Mid Term Bond Government Index + 0.10%.

### Fiera Capital

- A.5 Fiera Capital Corporation (“Fiera Capital”) has been retained to manage the global equities of the Fund.
- A.6 Fiera Capital may hold up to 10% of the equity portion of the Fund in short-term investments, cash or cash equivalents.
- A.7 Fiera Capital’s performance objective is to exceed the return of MCSI World Index (Canadian dollars), after the deduction of investment management expenses for the global equity portion of the portfolio.