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APPENDIX "B"

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# INVESTMENT POLICY STATEMENT

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## 1. INTRODUCTION

The Investment Policy is developed by the investment management staff, in collaboration with the Investment Board, and approved by City Council.

### 1.1. Purpose

The purpose of this Investment Policy is to provide the City with an approved framework for managing its investment program. This policy guides the investment management, strategies, and risk oversight, pertaining to the management of City financial assets. The Investment Policy seeks to preserve and grow the City's revenues to fund both operating and capital expenditures while adhering to strict legal requirements and best investment management practices.

### 1.2. Scope

This Investment Policy governs the investment of all investable assets for the City of Barrie including reserves, reserve funds, sinking funds and working capital cash balances.

The Investment Board, Investment Manager or other agent or advisor providing services to the Investment Board in connection with the investment of the portfolio should accept and strictly adhere to this Policy.

## 2. DEFINITIONS

**Asset Allocation** - Proportion in which assets are divided among various types of investments, such as equities, bonds or cash.

**CFA Institute** - A global, not-for-profit professional association that administers the Chartered Financial Analyst® (CFA®) and Certificate in Investment Performance Measurement (CIPM®) curricula and examination programs worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

**Modern Portfolio Theory** - A theory of trust investment and portfolio management that looks more toward the portfolio as a whole and less toward the prudence of a single investment in the portfolio as found in the CFA Institute Standards of Practice Handbook.

**Prudent Investor Rule** - Modern conception of the Prudent Person Rule that requires a trustee to act prudently and with caution, discretion, loyalty and care but does not restrict the assets in which a trustee can invest. The Prudent Investor Rule makes use of Modern Portfolio Theory and applies the standard of prudence to the entire portfolio rather than to individual investments. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

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Risk - The uncertainty of future investment returns.

### 3. GOVERNANCE

#### 3.1. Governing Legislation

In accordance with section 418 (1) of the Municipal Act, in investing money the City must exercise the care, skill, diligence and judgment, including obtaining advice, that a prudent investor would exercise in making such an investment.

The City must consider the following criteria in planning investments, in addition to any other criteria that are relevant to the circumstances:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The role that each investment or course of action plays within the municipality's portfolio of investments.
4. The expected total return from income and the appreciation of capital.
5. Needs for liquidity, regularity of income and preservation or appreciation of capital.

The City must diversify its investments to an extent that is appropriate to general economic and investment market conditions. According to O. Reg. 43/18, the Investment Policy must include the City's requirements with respect to the following:

- The City's objectives for return on investment and risk tolerance.
- The City's need for liquidity including, for greater certainty, the City's anticipated needs for funds for planned projects and the City's operational needs to have funds available for unanticipated contingencies.

#### 3.2. Standard of Care

##### 3.2.1. Prudent Investor Standard

The Prudent Investor Standard shall govern all portfolios. The Prudent Investor Standard requires that all investment managers:

- Act in all matters with loyalty, impartiality and prudence.
- Maintain overall portfolio risk at a reasonable level consistent with the risk/return trade-off.
- Provide for the reasonable diversification of investments.
- Assess the riskiness of investing in any allowable asset based on the asset's contribution to the portfolio total risk.

##### 3.2.2. Ethics and Conflict of Interest

The CFA Institute Code of Ethics and Standards of Professional Conduct (Appendix A) shall be expected to apply to all internal and external investment managers. City staff or representatives involved in the investment management process shall adhere to the City of Barrie code of conduct and refrain from personal business activity that could conflict with the proper execution of the investment program or impair their ability to make impartial investment decisions.

Material interests in financial institutions with which they conduct business and any personal financial/investment positions that could be related to the performance of the City's investment portfolio shall be disclosed.

**3.2.3.Roles and Responsibilities**

City Council has overall responsibility for the investment of the financial assets. The City has delegated investment powers, duties and responsibilities over funds not immediately required by the City to the Investment Board.

The Investment Board is responsible for control and management of the City's investments in accordance with the Prudent Investment Standard, and the Investment Policy adopted by City Council. The Board will adopt and follow an Investment Plan that implements the City's Investment Policy.

At least annually, following City Council's review of the Investment Policy, the Board will review the Investment Policy, and its Investment Plan and update it as required. The Board will submit an annual report to the Finance and Corporate Services Committee about the performance of the City's investment portfolio.

The Investment Plan shall deal with how the Investment Board will invest money and set out the Board's projections of the proportions of the portfolio to be invested at the end of the year in each type of security selected by the Board (Asset Allocation).

The table below provides a brief summary of the roles and responsibilities of the main parties involved in the investment management process.

<b>Party</b>	<b>Key Responsibilities</b>
<b>City Council</b>	Approve the Investment Policy (and amendments)
	Receive for information the Annual Investment Report through Finance and Corporate Services Committee
<b>Investment Board</b>	Provide oversight and advice on investment management
	Adoption and review of Investment Plan; review of Investment Policy
	Responsible for Strategic Asset Allocation
	Performance report to Finance and Corporate Services
<b>City Treasurer</b>	Member of the Investment Board
	Provide a statement, at least annually, whether all investments are consistent with the Investment Policy and Investment Plan
	Report to Finance and Corporate Services any issues of non-compliance with any of the investment portfolios within 30 days of becoming aware
<b>Portfolio Manager</b>	Develop and review investment policies for recommendation and approval by Council
	Manage investments in compliance with all guidelines, policies and procedures

	Develop and implement investment strategies
	Implement the selected asset mix and investment mandate
	Supervise all investment operations including ensuring appropriate guidance, staffing and training, equipment and technologies, policies, processes, procedures, management practices and controls are in place to invest, monitor, account, report and safeguard the City's funds.
<b>Custodian and Bankers</b>	Account for safekeeping of marketable securities and cash belonging to the City.
	Provide reports on operations and results as appropriate and as required

#### 4. INVESTMENT, RETURN AND RISK OBJECTIVES

##### 4.1. Investment Principles

This Investment Policy was developed in accordance with the following investment principles:

1. The Portfolios will be consistent with the Prudent Investor Standard and Modern Portfolio Theory.
2. There is a relationship between risk and return – higher expected returns generally require accepting higher risk.
3. In the long term, equities are expected to outperform bonds to compensate for their higher risk.
4. The long-term Asset Mix is the most important component of a portfolio's risk and return.
5. Asset Mix rebalancing generally adds value relative to buy and hold strategies.
6. Risk is controlled through the selection and weighting of securities within the asset mix.
7. A passive management approach shall be considered where there is a belief that indexing is an efficient and cost-effective means to gain exposure to an asset class. An active management approach may be used where a belief is held that value can be added above the indicative benchmark on an after fees basis and/or reduce the volatility of returns.
8. Alternative strategies/asset classes may be appropriate and will be evaluated based on their liquidity, the management time needed to monitor the investment, the level of transparency and the benefit towards diversification (correlation with other strategies/asset classes).
9. Market timing at the policy level is an inefficient strategy for consistently increasing returns.
10. Investment decisions should be supported by an array of factors.

##### 4.2. Investment Objective

The objective of the Policy is to incorporate industry best practices to ensure that financial assets are invested in a prudent manner and increase the likelihood that such assets will meet financial obligations as they come due. The primary objectives are (in priority order):

1. Capital preservation
2. Adequate liquidity
3. Competitive total return

To accomplish these objectives a number of strategies will be used including, but not limited to, portfolio diversification, regular review of performance and various risk management practices such as limitations on the percentage of the portfolio that can be invested in any one sector, asset class or entity as determined by the Investment Plan.

The Investment Board shall review the Investment Policy annually and monitor the administration of the Investment Policy. The Investment Board shall establish asset mix parameters, credit quality restrictions, and recommend an appropriate set of guidelines, practices and procedures for the investment of funds.

#### **4.3. Asset Mix**

The Investment Board, as per O. Reg. 43/18, should consider the expected correlation of asset returns and expected volatility of returns to determine an Asset Allocation with appropriate diversification and sufficient expected return to satisfy the investment objectives of the Capital and Growth funds as outlined under the section titled Investments Funds. Allocation of investments among the asset classes identified in the Investment Plan shall be implemented with the aim of achieving the risk and return objectives for that asset class at the lowest cost without sacrificing quality of execution.

#### **4.4. Investment Funds**

The following three portfolios will be established to meet the investment objectives (diversification):

4. The Operating Fund (liquidity)
  - a. Purpose: To meet the daily cash flow requirements of the City.
  - b. Investment Objectives: To generate current interest income while preserving capital and provide liquidity for the cash flow requirements of the City.
  - c. Return Objective: To generate a competitive rate of return.
  - d. Investment Strategy: Investment in a diversified portfolio of high-quality short-term investments with a maximum duration of one year.
5. The Capital Fund (liquidity and capital preservation)
  - a. Purpose: To meet the cash flow requirements within a five-year horizon.
  - b. Investment Objectives: To achieve a competitive rate of return while seeking to preserve capital, maintain low volatility and proper diversification.
  - c. Return Objective: To meet or exceed the Benchmark return over a Market Cycle.
  - d. Investment strategy: Cash Flow matching to mitigate liquidity and interest rate risk. Investment in a diversified portfolio of fixed income securities with an average duration of three years.
6. The Growth Fund (capital appreciation)
  - a. Purpose: To meet longer term liabilities and growth requirements of the City.
  - b. Investment Objectives: Long term capital appreciation and inflation protection. The portfolio will manage risk by maintaining appropriate geographic, sector, asset mix and corporate diversification.
  - c. Return Objective: To meet or exceed the Benchmark return over a Market Cycle.
  - d. Investment Strategy: Investment in a diversified portfolio of assets.

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## 5. RISK MANAGEMENT

### 5.1. Risk Management Approach

As many of the aspects of the Investment Policy seek to address risk in its various forms, decisions that implement the Investment Policy must also be based on managing and balancing risks. Typical investment risks that can be managed are credit risk, liquidity risk, interest rate and market risk. It is also recognized that active management of risks does not guarantee particular outcomes. The City shall mitigate credit risk, interest rate risk, and market risk by:

1. Preparing and maintaining a cash flow projection to determine liquidity needs and suitable investment horizons.
2. Diversifying the investment portfolio to limit exposure to any individual security.
3. Limiting investment in securities to those with minimum acceptable credit ratings and marketability.
4. Establishing market capitalization, float, issue size, sector, and term limits for investments.
5. Staggering maturity dates to match the requirements of cash flow needs to mitigate the effects of interest rate volatility.

### 5.2. Performance Measurement

Performance measurement standards will adhere to the time-weighted methodology recommended by CFA Institute as part of its Global Investment Performance Standards. Rates of return will include all realized and unrealized capital gains and losses plus income from all sources. For purposes of evaluating the performance, all market rates of return are evaluated over moving four-year periods with returns being calculated on a quarterly basis.

### 5.3. Portfolio Rebalancing

The portfolio Asset Mix will be monitored on a frequent basis or at least quarterly. Should the Asset Mix deviate outside the ranges defined in the Investment Plan, corrective action will be taken to bring the Asset Mix back within the range as soon as practicable.

Cash inflows or outflows will be used to rebalance with new inflows being directed to asset classes that are closest to their minimum ranges and outflows being taken from asset classes that are closest to their maximum allocation. In the event cash inflows or outflows are not material enough to rebalance, asset classes closest to the maximum allocation are expected to be sold and reallocated to asset classes that are closest to the minimum and vice versa.





# CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

## PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

## THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

## STANDARDS OF PROFESSIONAL CONDUCT

### I. PROFESSIONALISM

- A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.
- B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

- C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.
- D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

### II. INTEGRITY OF CAPITAL MARKETS

- A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.
- B. Market Manipulation.** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

### III. DUTIES TO CLIENTS

- A. Loyalty, Prudence, and Care.** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.
- B. Fair Dealing.** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.
- C. Suitability.**
1. When Members and Candidates are in an advisory relationship with a client, they must:
    - a. Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.
    - b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.
    - c. Judge the suitability of investments in the context of the client's total portfolio.
  2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.
- D. Performance Presentation.** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.
- E. Preservation of Confidentiality.** Members and Candidates must keep information about current, former, and prospective clients confidential unless:
1. The information concerns illegal activities on the part of the client or prospective client,
  2. Disclosure is required by law, or
  3. The client or prospective client permits disclosure of the information.

### IV. DUTIES TO EMPLOYERS

- A. Loyalty.** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.
- B. Additional Compensation Arrangements.** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.
- C. Responsibilities of Supervisors.** Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

### V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

- A. Diligence and Reasonable Basis.** Members and Candidates must:
1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
  2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.
- B. Communication with Clients and Prospective Clients.** Members and Candidates must:
1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
  2. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
  3. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
  4. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.
- C. Record Retention.** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment-related communications with clients and prospective clients.

### VI. CONFLICTS OF INTEREST

- A. Disclosure of Conflicts.** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.
- B. Priority of Transactions.** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.
- C. Referral Fees.** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

### VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

- A. Conduct as Participants in CFA Institute Programs.** Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA Institute programs.
- B. Reference to CFA Institute, the CFA Designation, and the CFA Program.** When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.