



**STATEMENT OF INVESTMENT  
POLICIES AND PROCEDURES**

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**April 28<sup>th</sup>, 2021**

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## 1. OVERVIEW

- 1.1 This investment policy statement (“the Statement”) applies to the assets held in respect of the below listed accounts (“the Accounts”) of the **Northern Development Initiative Trust** (“the Trust”). It contains investment objectives, investment guidelines, and monitoring procedures. The Accounts covered under this statement form part of the entire Trust assets, and are maintained in the following separate accounts:
- The Operating Endowment Account (“the OEA”);
  - The Cross Regional Account;
  - The Pine Beetle Recovery Account;
  - The Cariboo-Chilcotin/Lillooet Regional Development Account;
  - The Northwest Regional Development Account;
  - The Northeast Regional Development Account;
  - The Prince George Regional Development Account; and
  - North Central Local Government Association
  - Prince George Agriculture Fund
  - BC Hydro Agricultural Fund
- 1.2 The responsibility for the investment of the Trust lies with the Board of Directors of the Trust (“the Board”). The Board may delegate some of its responsibilities with respect to the investment of the Fund to agents and advisors. In particular, the services of a custodian (“the Custodian”) and one or more money managers (“the Manager”) are retained. The Board maintains an active role with respect to the formulation of the Statement and Manager mandates, appointment and monitoring of agents and advisors, and evaluation of performance. Any person to whom the Board delegates responsibilities with respect to the investment of the Trust must adhere to the provisions of the Statement.
- 1.3 Trust assets will be managed in accordance with all applicable legal requirements notwithstanding any indication to the contrary which might be construed from the Statement.
- 1.4 The Manager shall inform the Trust, in advance, of any material deviation from the policies set out in this Statement.
- 1.5 The goal for the Accounts is to employ assets to advance economic development and diversification in the northern regions of British Columbia as designated by legislation. The Board has identified those forecasted amounts that will be made available over an immediate three year period. The Accounts will utilize a balanced fund structure with an asset allocation suitable for the shorter term liquidity needs and longer term objectives. The assets are actively invested in a perpetual manner over the long-term in order to seek higher investment returns, enhancing the sustainability of the Accounts and maximizing project funds.

- 1.6 The Board will, from time to time, authorize the transfer of funds from these Accounts to economic development investments that are outside the scope of this policy.

## **2. PERMITTED INVESTMENTS**

- 2.1 The Trust may only be invested in the following asset categories:
- a) cash
  - b) demand or term deposits
  - c) short term notes
  - d) treasury bills
  - e) bankers acceptances
  - f) commercial paper
  - g) investment certificates issued by banks, insurance companies or trust companies
  - h) bonds and non-convertible debentures
  - i) mortgages and other asset-backed securities
  - j) convertible debentures
  - k) real estate
  - l) common stocks, preferred stocks and income trusts
  - m) resource properties
  - n) venture capital
  - o) pooled funds, closed-end investment companies and other structured vehicles invested in
- 2.2 The Trust may make use of Exchange Traded Funds in its Global Equities and Emerging Markets Asset Class as long as these Exchange Traded Funds do not compose more than 10% of the total Asset Class.
- 2.3 The Trust will not engage in the purchase of securities on margin or in short sales, unless permitted in writing by the Board.
- 2.4 All voting rights on securities held by the Trust are delegated to the Manager. The Manager shall satisfy the Board that it has appropriate proxy voting policy procedures in place, and all voting rights shall be exercised in a manner which upholds the best interests of the Trust.

### 3. INVESTMENT OBJECTIVES, ASSET ALLOCATION, AND RISK

#### INVESTMENT OBJECTIVES

- 3.1 The Board has determined that immediate cash flow demands can be managed by maintaining a portion of the account in assets with high levels of liquidity. The assets of the Accounts should utilize a long-term investment objective. The primary long-term investment objective is to generate a long-term return, exceeding the rise in the Consumer Price Index plus 3.5% to 4.5%, per annum. The secondary investment objective for both Canadian and Global Equities is to exceed the Benchmark Index indicated in section 3.6 below by 1% on a rolling four year basis. The secondary investment objective for Fixed Income assets is to match the Benchmark Index indicated in section 3.6 below, on a rolling four year basis. In all cases, the investment returns should be maximized given the level of risk deemed appropriate by the Board.

#### ASSET ALLOCATION

- 3.2 The target allocation for assets follows:

Asset Class (Group)	Range	Target	Benchmark Index
Cash & Equivalents	0 – 15%	5.0%	FTSE TMX 91 Day T-Bills
Canadian Universe Bonds	25 – 50%	35.0%	FTSE TMX Canada UBI
<b>Total Fixed Income</b>	<b>25 – 55%</b>	<b>40.0%</b>	
Canadian Large and Small Cap Equities	10 – 35%	22.5%	S&P/TSX Composite Total Return Index
Global Large and Small Cap Equities	25 – 60%	37.5%	MSCI ACWI (Net) Total Return Index (\$CDN)
<b>Total Equity</b>	<b>45 – 75%</b>	<b>60.0%</b>	

The Trust will comply with Income Tax Act (Canada) and Regulations to remain non-taxable.

- 3.3 The target asset allocations have been established in order to meet the Board’s responsibilities and objectives set out for the Accounts. The asset allocation reflects a risk/return trade-off which was assessed by the Board on the basis of prospects in the capital markets, taking into account the Trust’s objectives and constraints; and with consideration given to all factors that may affect the funding of the Trust to meet its future financial obligations.
- 3.4 Bonds include all mortgages and preferred shares and all fixed income securities having a maturity of one year or more when issued.
- 3.5 Securities held in a mutual fund are classified on the basis of the assets comprising the major portion of such mutual funds.

**RISK**

- 3.6 Market risk is managed and mitigated through diversification between asset classes and is provided through the asset allocation guidelines set forth in the Statement.
- 3.7 Specific security risk is mitigated by limiting to 10% or less the percentage of the market value of Account assets invested in a single security or group of related securities not guaranteed by the government of Canada or of a Canadian province and by restricting investments in a group of equities whose returns are expected to be highly correlated.
- 3.8 Liquidity risk is managed and mitigated by restricting the direct investment in private placements, by limiting to 10% or less the percentage of a single public issue to be held by any of the Accounts, by limiting to 25% or less the percentage of any Account to be invested in mortgages or other asset-backed securities, by investing in mutual funds that own assets that trade substantially on large public markets with significant liquidity and accordingly are liquid themselves, by limiting investments in real estate, venture capital and resources properties through the asset allocation guidelines set forth in the Statement and by requiring that all stocks trade on a recognized exchange unless permission is obtained from the Board.
- 3.9 Credit risk is managed and mitigated by requiring that 90% or more of the market value of short term securities has a minimum credit rating of R-1 (low) or its equivalent, and that 90% or more of other fixed income securities have a minimum credit rating of BBB or its equivalent. Credit ratings are as determined by Dominion Bond Rating Service, Standard and Poor's, and/or Moody's.
- 3.10 Currency risk is controlled by holding a portfolio of equities that provide exposure to a diversified basket of currencies and by limiting to 25% or less the percentage of the Accounts held in fixed income investments denominated in foreign currencies that are not 100% hedged into Canadian dollars.

**4. CONFLICTS OF INTEREST**

- 4.1 A conflict of interest is deemed to exist when a fiduciary has an interest of sufficient substance and proximity to his/her duties and powers with respect to the Trust to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the Trust.
- 4.2 A fiduciary must disclose any actual or perceived conflict of interest in writing as soon as possible along with all relevant details to the chairperson of the Board, who, in turn, discloses it to all Board members at the appropriate time.
- 4.3 Any person having discretionary authority over the investment of the Trust is a fiduciary. This generally includes, but is not limited to a member of the Board, along with anyone to whom they may delegate discretionary authority, such as the Manager.

- 4.4 The Trust shall not directly or indirectly lend any monies to a related party or invest those monies in the securities of a related party; or enter into a transaction with a related party on behalf of the Trust.
- 4.5 Notwithstanding section 4.4, the Board may enter into a transaction with a related party on behalf of the Trust if the transaction is required for the operation or administration of the Trust, and if the terms of the transaction are not less favourable to the Trust than generally available market terms and conditions.
- 4.6 The Trust may also invest in the securities of a related party if those securities are acquired at a public exchange, or if the value of the transaction is nominal or the transaction is immaterial to the Trust.
- 4.7 For the purposes of section 4.6, the Board shall classify a related party transaction as nominal or immaterial if such transaction represents less than 1% of Trust.

## **5. MONITORING**

- 5.1 Each quarter, the Manager shall provide a letter indicating compliance with the provisions of the Statement indicating instances where such provisions were violated.
- 5.2 The Manager will also present to the Board an annual update of investment performance, on dates requested by the Trust.
- 5.3 As of the end of each month, the market value of each Trust Account shall be calculated. Investments that are not regularly traded shall be valued by the Custodian according to a methodology acceptable to the Trust.
- 5.4 Each quarter, performance of the Accounts shall be evaluated. Such evaluation will be focused on objectives set for the Accounts and for the Manager.
- 5.5 The performance evaluation in section 5.4 above shall be provided separately for the short-term and long-term fixed assets, the Canadian equities and the global equities, to enable the Trust to appraise performance against benchmarks.
- 5.6 The Manager shall report to the Board in order to provide information concerning new developments affecting the firm and its services, review the transactions in the latest period and the assets held at the end of the period and explain how they relate to the strategy advocated, and to explain the latest performance.
- 5.7 The Statement shall be reviewed and revised as necessary. Possible causes of a revision include material changes in any of the following: the long term risk/return tradeoff in the capital markets, trust commitments, liabilities and financial situation, risk tolerance, and legislative environment.

**6. SIGNED AUTHORIZATION**

*On Behalf of the Northern Development Initiative Trust:*

Date: April 30, 2021

Signature:



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