



SHEVCHENKO FOUNDATION
LEADERSHIP. STEWARDSHIP. PARTNERSHIP.

Statement of Investment Policies and Guidelines

Ukrainian Canadian Foundation of Taras Shevchenko

**Approved by Board of Directors
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Section 1 Fund Overview

1.1 Purpose of the Investment Policy

The purpose of this policy is to provide a framework for the investment management of the Shevchenko Foundation Investment Fund. This policy provides the Board, and the investment managers with a written statement of objectives, constraints and return expectations. The purpose of this Investment Policy is to:

- summarize the nature of the funds;
- set out the long- term objectives and guidelines for the investment of the funds;
- identify permitted and prohibited investments; establish criteria for managing and monitoring the Fund;
- establish governance and accountability; and
- identify other relevant issues.

The long-term rate of return objective is to preserve the underlying capital while achieving, an average annual return of the then current CRA minimum required plus inflation. The payout ratio is established by the Government of Canada and is subject to periodic review.

The investments of the funds must comply with the requirements and restrictions imposed by applicable legislation including but not limited to the Income Tax Act and Regulations.

1.2 Nature of the Funds

The Ukrainian Canadian Foundation of Taras Shevchenko is a national, chartered philanthropic institution dedicated to the preservation, promotion and development of Ukrainian Canadian cultural heritage and the advancement of a flourishing Ukrainian community for the enrichment of Canada by providing leadership in building and sustaining a permanent endowment fund.

The Fund includes assets of participating funds of Ukrainian organizations in Canada. Participants have adopted this investment policy but operate under their own investment and granting parameters. The Foundation provides administrative services for a fee, which is established by a contract between the Foundation and the respective Ukrainian organizations.

The Internment Fund, included in the assets, incorporates elements of this policy but is ultimately governed by the agreement with the Federal Government. The Internment Fund Agreement expires in May 2023. The assets then become part of the Shevchenko Foundation assets and are governed by its Board of Directors.

1.3 Long Term Objectives of the Funds

The overall goal related to the management of the Shevchenko Foundation is to maximize overall investment returns within the following constraints:

- Protect the underlying capital and maintain its purchasing power.
- Achieve a rate of return, which maintains the spending power of the Fund.
- To realize a rate of return of the then CRA minimum required, plus inflation.
- Minimize the volatility of investment earnings.
- Manage risk by diversifying investments among asset classes.
- Ensure there is sufficient cash flow to meet operating costs and the Foundation's annual grant distribution policy.
- Recognize the fiduciary responsibility of the Foundation, to its Board and donors, and the participating organizations, and that the assets are prudently invested.

In order to meet the above objectives, the Foundation has adopted the following Expenditure Policy:

- It is the policy of the Shevchenko Foundation to calculate and allocate, three (3) months before the fiscal year end, an amount to be used for grants and administration based on the following calculation:

CRA minimum requirement times the average market values of the Fund during the two (2) immediately preceding one-year periods ending March 31st.

The investment objectives and guidelines set out in the next section of this Policy are intended to generate a total investment rate of return sufficient to allow the Foundation to meet the above objective while providing for the growth and preservation of the underlying capital.

1.4 Investment and Risk Philosophy

(a) Investment Beliefs

This Policy sets out the parameters under which the Fund is to be managed, which are influenced by several basic assumptions about the characteristics of capital markets. These are:

- (i) Asset Allocation is the most important determining factor in the investment performance of the Fund.
- (ii) Over the long term, equities will outperform bonds to compensate for their higher risk, and are therefore included to generate higher returns.
- (iii) Asset class returns are affected by Capital market movements. They are not perfectly correlated and will respond differently to ever changing

economic conditions. Furthermore, within equities, there is no consistent or predictable correlation among, country, currency, or industry sectors returns. Neither are returns for alternative forms of equities correlated to the aforementioned forms of equities. Consequently, diversification by major asset classes and manager styles offers the best opportunity to maximize the risk-adjusted return of the Fund.

(b) Risk Philosophy

In order to achieve its long-term investment goals, the Fund invests in assets that have uncertain returns: Canadian equities, foreign equities – US and international, alternatives including real estate, infrastructure, and various forms of fixed income including bonds and cash. Risk is managed by diversifying investments across all these asset classes and investment manager styles.

Section 2 Investment Objectives and Guidelines

2.1 Total Fund Long Term Objectives

The primary investment objectives are:

- i) to earn a total annual real rate of return in excess of the benchmark portfolio after fees as identified in Section 2.2.

This return should exceed the rate of increase in the Consumer Price Index by at least 5% after transaction costs and investment management fees, over ten-year rolling periods. However, in any given year, the annual real rate of return may be above or below 5%.

- ii) to generate a real return of 5.0% over a period of 10 years.

In order to meet the objective of capital preservation, purchasing power protection, income and capital growth, the Fund will be invested in a diversified portfolio of equity, alternatives and fixed income securities.

The benchmark portfolio will be based on the S&P/ TSX Composite Index, MSCI ACWI Index (CAD\$), FTSE Canada Universe Bond Index and 90 Day Treasury Bills. Real Estate and Infrastructure will be evaluated against the Consumer Price Index+4%.

Global Equities include US and International and may include Canadian equities, while Fixed Income includes Bonds and Cash at the managers' discretion.

2.2 Total Fund Asset Mix Guidelines and Portfolio Benchmark

Assets	Minimum%	Benchmark%	Maximum%
CDN Equities	15	20	25
Global Equities	25	40	50
Total Equities	40	60	75
Fixed Income	15	20	30
Alternatives:			
Real Estate	0	10	15
Infrastructure	0	10	15
Total Portfolio		100	

2.3 Measurement Basis and Time Frame

The investment performance of the Fund will be monitored and evaluated on a quarterly basis against a passive portfolio made up of the benchmark in Section 2.2. Individual managers will be measured based on their respective benchmarks.

The time frame for assessing manager performance will be based on a four-year moving average or the cumulative period from the date a manager was hired.

Return objectives include realized and unrealized capital gains or losses plus income from all sources. Investment returns are measured on a time-weighted basis.

Return on investments for the purposes of this Policy, include:

- interest, dividends and distributions from securities, mutual or pooled funds; and
- gains and losses realized on the sale of investments including currency hedges; and
- changes in the unrealized gains and losses on investments held at the end of the reporting period.

It should be noted that, for financial accounting purposes, investments are recorded at cost, and are marked to market for annual reporting periods in accordance with Canadian Accounting Standards for Not-for Profit Organizations.

2.4 Manager Structure

A multi-manager structure has been adopted for the management of these assets in order to provide diversification to mitigate the risk associated with only having a single manager. Institutional managers specializing in each of the asset classes identified in the Asset Mix Policy have been hired to manage the assets. The current manager structure is included in Appendix A.

The assets are invested in mutual or pooled funds offered by the investment managers. These funds are governed by prospectuses and their own Investment Policy Statements, which will generally be consistent with this Policy statement, but may at times, include securities not under the Fund's control. They also include an allocation to cash in order to facilitate client withdrawals. Managers' cash holdings are not included in this Policy.

The Foundation maintains Short Term investments to meet operating requirements. These are invested in GICs or other interest-bearing accounts.

2.5 Manager Rebalancing Guidelines

To ensure adequate diversification by asset class and manager style, the following allocation guidelines have been established:

The Investment Committee shall rebalance to maintain the integrity of the Total Fund Asset Mix Policy and the dollar allocations made to each manager. Additionally:

- Cash flows, shall to the extent possible, be allocated to or drawn from managers in a manner that will limit the need for rebalancing.
- Assets allocated to each manager shall be monitored semi-annually, or more frequently, if considered appropriate.
- Whenever the manager's range is breached, the Investment Committee shall rebalance to the benchmark in a timely manner considering liquidity and transaction costs.
- Rebalancing may be delayed under special circumstances including illiquidity, fund restructuring activity or restrictions related to specific mandates.
- Every effort will be made to rebalance the fund in a timely and cost-effective manner.
- The Investment Committee may permit the asset mix to fall outside the stated ranges for a reasonable, temporary period of time when it considers such action to be prudent.

2.6 Investment Constraints

The Investment Managers will have investment discretion in managing the assets of the Fund subject to the investment policies and guidelines contained herein as may be amended from time to time.

The investment policies and guidelines are designed to provide reasonable diversification, thereby reducing the risk associated with undue concentration in an asset or security.

Each investment manager will follow the guidelines of his investment mandate along with the Prudent Investor Rule and the Statement of Investment Policies and Guidelines of the Shevchenko Foundation.

Managers will report compliance as part of their quarterly written report.

Section 3 Permitted and Prohibited Investments

3.01. General Guidelines

The investments of the Fund's assets must comply with the requirements and restrictions imposed by applicable legislation including the *Income Tax Act (Canada)*.

In general, and subject to the restrictions in Section 3, each investment manager may be invested in any of the asset classes and in any of the instruments listed below. However, any permitted investment within the Trust Agreement of a pooled fund vehicle, which is *not specifically permitted below must be disclosed in writing to Chair of the Investment Committee and the Executive Director.*

3.2 Permitted Investments

A. Bonds and Debt Securities

- Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency provided these instruments are traded on a recognized public exchange or through established investment dealers subject to Section 3.03.
- NHA Mortgage-backed securities (MBS), comprised of mortgages insured by Canada Mortgage and Housing Corporation (CMHC) under the National Housing Act (NHA) guaranteed under the NHA.
- Term deposits and guaranteed investment certificates.
- Private placements of bonds subject to Section 3.03 below.
- Investments in open or closed-ended pooled funds provided that individual investments generally meet the guidelines set out in this policy.

Cash and Short-Term Investments

- Cash on hand, demand deposits and overnight loans at major Canadian Schedule 1 banks and Ukrainian Credit Unions in Canada.
- Treasury bills issued by the Canadian federal and provincial governments and their agencies.

- Obligations of Canadian banks and trust companies and Canadian subsidiaries of foreign banks including bankers' acceptances and asset-backed securities.
- Commercial paper, term deposits and GICs.

B. Canadian and Foreign Equities

- Common and convertible preferred stock listed on a recognized exchange.
- Debentures convertible into common or convertible preferred stock.
- Rights, warrants, and special warrants for common or convertible preferred stock.
- Installment receipts, American Depository Receipts and Global Depository Receipts.
- Exchange traded index participation units (i.e. SPDRs, ADRs).
- Investments in units of income trusts (e.g., REITS, etc.) that are registered as reporting issuers under the Securities Act, domiciled in jurisdictions that provide limited liability protection to unit holders.
- S&P/ TSX exchange listed limited partnerships.

C. Alternative and Other Forms of Investments

- Investments in open-ended or closed-ended pooled funds provided that the assets of such funds are permissible investments under this policy or have been disclosed to the Chair of Investment Committee and the Executive Director.
- Deposit accounts of the custodian can be used to invest surplus cash holdings.
- Currency forward and future contracts may only be used for defensive purposes.
- Real Estate

Real estate investment is ownership of land and buildings that are used for retail establishments (shopping centers, strip malls, unit shops, supermarkets, retail warehouses, etc.); offices, industrial (warehouses, industrial malls, self-storage, data centers, etc.); residential, single and multi-family; hotels and other properties devoted to education, leisure, bare land, healthcare, garage/parking, mixed-use properties, service stations, etc.

Returns from real estate are expected to provide an offset for inflation over time. Real property, whether held in Real Estate Investment Trusts (REITS) and /or held through open or closed end pooled funds is also included.

The Fund is not permitted to have direct ownership of any land parcel or commercial or industrial structure at any time.

- **Infrastructure**

Infrastructure investments primarily consist of equity securities, including common stock of infrastructure companies.

Infrastructure companies are engaged in constructing, servicing or operating a broad range of facilities, services and installations that are needed for the functioning of society. These may include sea ports, utilities, public highways and airports etc.

Infrastructure, whether held in publicly traded listed pooled funds and/or held through open or closed end pooled funds formed for institutional or retail investors to invest in infrastructure. Direct ownership in a specific infrastructure venture is not permitted.

D. Derivatives

The use of derivatives is permitted, such as options, futures and forward contracts, for hedging purposes to protect against losses from changes in interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to derivative transactions. No derivatives may be used for speculative trading or to create a portfolio with leverage.

E. Pooled Funds

Investment in pooled funds is permissible subject to the prior approval of the Investment Committee. Should a conflict arise between the provisions of this policy, and the provisions of a pooled fund's investment policy, the investment manager will notify the Chair of the Investment Committee in writing, detailing the nature of the conflict and the investment manager's recommended course of action.

F. Prohibited Investments

The Fund shall not have direct ownership of any securities based in Russia.

3.3 Minimum Quality Requirements

Within the investment restrictions for individual manager portfolios, all portfolios should hold prudently diversified exposure to the intended market.

- i) The investment managers are expected to maintain high-quality portfolios. In general equity investments should be limited to stocks that are publicly traded on a recognized securities market.
- ii) Apart from high yield bonds, the minimum quality standard for individual bonds and debentures is 'BBB' or equivalent as rated by at least two Recognized Bond Rating Agencies, at the time of purchase. 'BB' bonds are allowed if they have been downgraded following purchase. Unrated bonds may be included if the manager obtains a rating from at least three Recognized Bond Rating Agencies at the time of purchase (includes all sub-rating levels within the overall "BBB" rating).
- iii) The minimum quality standard for individual short-term investments is 'R-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- iv) The minimum quality standard for individual preferred shares is 'P-1' or equivalent as rated by a Recognized Bond Rating Agency, at the time of purchase.
- v) All investments shall be reasonably liquid (ie. in normal circumstances they should be capable of liquidation within 1 month).
- vi) Minimum quality standard for individual preferred shares is 'P-2' or equivalent as rated by a Recognized Bond Rating Agency at the time of purchase.
- vii) The minimum quality standard for asset backed securities is 'AAA' as rated by a Recognized Bond Rating Agency.

Rating Agencies

For the purposes of this Policy, the following rating agencies shall be considered to be 'Recognized Bond Rating Agencies':

- (i) Dominion Bond Rating Agency;
- (ii) Standard and Poor's;
- (iii) Moody's Investors Services; and,

- (iv) Fitch Ratings (foreign issuers only).

In the event the Recognized Bond Rating Agencies do not agree on a credit rating, the bond will be classified according to methodology used by the FTSE Canada Universe Bond index.

Private Placement Bonds and Asset Backed Securities

Private placement bonds are permitted subject to all of the following conditions:

The issues acquired must be 'AAA' or equivalent rated;

The total investment in such issues must not exceed 10% of the market value of the Fund Manager's bond portfolio;

The Manager's portfolio may not hold more than 5% of the market value of any one private placement; and,

- The Fund Manager must be satisfied that there is sufficient liquidity to ensure sale at a reasonable price, and
- The minimum issue size of any single security must be at least \$ 150 million, and
- Securities must be issued by Canadian Schedule 1 banks.

3.4. Maximum Quantity Restrictions

The combined equity and debt holdings of a single corporation and its associated or affiliated companies shall not represent more than 5% of the value of the total Shevchenko Fund combined assets.

Equities

- No single equity holding or private placement shall represent more than 10% of the total market value of the manager's equity portfolio.
- No single equity holding shall represent more than 10% of the voting shares of a corporation.
- No single equity holding shall represent more than 10% of the available public float of such equity security.
- No single equity or private placement holding shall represent more than 10% of the available public float of such equity or private placement security.

Bonds, Debt and Short- Term Investments

- Except for federal and provincial bonds, (including government guaranteed bonds), no more than 10% of the market value of an investment manager's bond portfolio may be invested in the bonds of a single issuer and its related companies.
- Except for federal and provincial bonds, no single bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue.
- No more than 15% of the market value of a manager's bond portfolio shall be invested in bonds rated 'BBB' (at time of purchase) or equivalent.
- No more than 20% of the market value of a manager's bond portfolio shall be invested in bonds denominated in a currency other than Canadian dollars (foreign issuer bonds).
- No more than 15% of the market value of an investment manager's fixed income portfolio shall be invested in mortgages.
- No more than 15% of the market value of an investment manager's portfolio may be invested in asset backed securities. This does not include pooled fund holding described in 3.02.
- All short- term investments shall be held in securities denominated for payment in Canadian currency.

Other

The use of derivative securities shall be supported at all times by the explicit allocation of sufficient assets to back the intended derivative strategy. For greater certainty, investment managers are not permitted to leverage the assets of the Fund. The use of derivative securities is only permitted for the uses described in this Policy. Purchase or sale of any of these instruments for speculative purposes is prohibited.

3.5 Prior Permission Required

The following investments are permitted provided that prior permission for such investments has been obtained in writing from the Chair of the Investment Committee:

- Direct investments in a resource properties;
- direct investments in mortgages;

- direct investments in venture capital financing;
- investments in a pooled fund that conflict with this Policy;
- derivatives, other than those otherwise permitted in Section 3.04 above.

3.6 Prohibited Investments

The Manager shall not:

- Invest in companies for the purpose of managing them;
- Purchase securities on margin or engage in any short sales except in the case of unleveraged synthetic index strategy where the Manager will utilize futures contracts, and short- term securities to attempt to create returns that match those of a specified index; or,
- Make any investment not specifically permitted by this Policy.

Section 4 Monitoring and Control

4.1 Delegation of Responsibilities

The Board of Directors of the Shevchenko Foundation has overall responsibility for the Fund. However, the Board delegates its administrative and monitoring responsibilities to the Investment Committee and third -party agents including investment managers. The Investment Committee has been established to assist the Board by recommending long term asset mix policy and guidelines for approval by the Board of Directors.

The Investment Committee is responsible for:

- i) Recommending investment policies and guidelines,
- ii) selecting an investment management structure,
- iii) interviewing and making recommendations to the Board of Directors regarding the appointment or termination of investment manager(s),
- iv) establishing investment guidelines (manager's mandate) for the investment managers within the context of the Investment Policy,
- v) selecting a custodian as required,
- vi) monitoring and evaluating quarterly performance and comparing it to the relevant indices and benchmarks, and
- vii) report to the Board quarterly or at least annually.

In addition, the Investment Committee shall review, and if considered appropriate, and subject to the approval of the Board, amend this Investment Policy. Administrative support for the Investment Committee will be provided by the Executive Director and Staff of the Shevchenko Foundation.

The Investment Committee has delegated day to day responsibility for the investment management of the Fund's assets to professional investment manager(s).

Investment Manager(s)

The investment manager(s) shall:

- invest the assets of the Fund in accordance with this Investment Policy and any special instructions included in their mandate;

- meet with the Investment Committee at least annually and provide quarterly written reports on transactions, recent and past performance, market outlook and their future strategies, and other issues requested by the Committee;
- file quarterly compliance reports;
- reconcile their own records with those of the custodian, at least monthly; and,
- shall provide a quarterly performance report for the total portfolio managed by the investment manager(s) and for each major asset class.

4.2 Monitoring and Rebalancing the Asset Mix

In order to ensure that the Funds operate within the guidelines stated in the Investment Policy, the Investment Committee shall monitor the asset mix quarterly and rebalance to the asset mix Policy as required.

Rebalancing guidelines are described in section 2.5. The Investment Committee Chair, with the assistance of the Executive Director, will be responsible for carrying out the Investment Committee's rebalancing instructions.

4.3 Performance Reporting

The performance of the Fund shall be monitored quarterly and, in accordance with industry standards (CFA Institute). Rate of return calculations shall be as follows:

- Time weighted rates of return
- Total returns including realized and unrealized gains and losses and other income and withdrawals.

Measurement against performance objectives for the Investment Manager(s) will be assessed over rolling four-year periods. Manager(s) underperforming their benchmark will go on a watch list after 5 consecutive quarters of underperformance.

Quarterly reports will be submitted by the investment manager(s) to the Executive Director and the Chair of the Investment Committee setting out investment transactions and the portfolio holdings at the end of the period.

Quarterly reports will be submitted to the Board of the Shevchenko Foundation by the Chair of the Investment Committee setting out the performance of the Fund and the Investment Manager's report, together with other relevant information.

The investment manager's results will be measured against the benchmarks set out in Section 2.4

4.4 Compliance Reporting By the Investment Manager(s)

Each investment manager is required to complete and sign a compliance report at the end of each calendar quarter unless otherwise arranged. Such reports are to be sent to the Executive Director and the Chair of the Investment Committee. The compliance letter must indicate whether the manager is in compliance with this Policy for the quarter with respect to asset mix, quality and quantity restrictions and prohibited investments. Any exceptions must be disclosed in writing, as well as any significant changes in the manager's investment philosophy, firm ownership or key personnel.

If, at any time, the manager is not in compliance with this policy, the investment manager is required to advise the Executive Director and Chair of the Investment Committee detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

If the Fund invests in pooled funds, which have their own investment policies, the Investment Manager(s) are required to notify the Executive Director and the Chair of the Investment Committee immediately, in writing, of any changes to their guidelines.

4.5 Investment Policy Review

This Policy may be reviewed and revised at any time, but must be formally reviewed, by the Investment Committee, at least annually.

4.6 Standards of Professional Conduct

All investment activities of the Investment Manager(s) will be conducted in accordance with the Code of Ethics and Standards of Professional Conduct as established by the CFA Institute.

The Investment Manager(s) will manage the assets with the care, diligence and skill that a prudent person, skilled as a professional investment manager would use in dealing with an investment portfolio.

4.7 Suppression of Terrorism

The Investment Manager(s) must comply at all times and in all respects with the Federal Suppression of Terrorism Regulations.

4.8 Environmental, Social and Governance Beliefs

The Shevchenko Foundation believes that environmental, social and governance ("ESG") issues can affect investment performance, and may therefore be considered, where relevant, in the assessment of investment value and mitigation of investment risk. However, the Manager has been delegated full discretion in regards to the Fund's investments, and this Statement does not impose specific constraints on portfolio investments with respect to ESG factors.

Section 5 Administration

5.1 Conflicts of Interest

(a) Fiduciary Responsibilities

This section applies to the members of the Investment Committee, the Board, and their agents, as well as staff.

(b) Disclosure

In the execution of their duties, any and all individuals are required to disclose any potential conflict of interest or any material ownership of securities, which could impair their ability to provide unbiased advice, or make unbiased decision, affecting the administration of the fund.

Furthermore, it is expected that no committee/board member or agent shall make personal gain because of their fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if approved by the Board of Directors.

Any party affected by this Investment Policy who believes that he or she may have a conflict of interest, or who is aware of any conflict, must notify, in writing, the Chair of the Investment Committee. If the Chair of the Investment Committee has a conflict of interest, or is aware of any conflict, he or she must notify, in writing, the Board of Directors.

No affected person shall participate in any discussion or vote relating to any proposed investment or transaction in respect of which he or she is required to make a disclosure.

No affected person shall accept a gift or gratuity or other personal favour, other than of nominal value, from an individual that the person deals with in performing responsibilities for the Fund.

5.2 Voting Rights

The Foundation has delegated voting rights acquired through the investments held by the Fund to the managers to be exercised in accordance with the Investment Managers' instructions. Investment Managers are expected to exercise all voting rights related to investments held by the Fund in the interests of the Shevchenko Foundation.

The Foundation reserves the right to take back voting rights of assets held in segregated portfolios for specific situations.

Further, the investment manager(s) should advise the Investment Committee regarding their voting intentions for any unusual items or items where they intend to vote against management.

5.3 Valuation of Investments not Traded Regularly

The following principles will apply for the valuation of investments that are not traded regularly:

(a) Bonds and Equities

Average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter.

(b) Real Estate, Alternatives and other forms of investments use various methods to evaluate the subject investments. They typically rely on independent agents such as accounting firms or appraisers with expertise common to their specific industry. Valuations are typically provided on an annual rather than monthly or quarterly basis.

Securities that are not publicly traded and for which no external transaction or other evidence of market value exists, will be valued at cost.