

# **SELKIRK FIRST NATION**

## **INVESTMENT POLICY STATEMENT**

**Amended November 23, 2013 General Assembly**

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## **1. OVERVIEW**

- i. This Investment Policy Statement (Statement) applies to the financial assets of the Selkirk First Nation. Specifically, it refers to compensation money received from the Federal Government as a result of the Selkirk First Nation Final Agreement. The Statement contains investment guidelines and monitoring procedures.
- ii. The Selkirk First Nation Compensation Funds (Funds) are managed in accordance with all applicable legal requirements, including the Selkirk First Nation Self Government Agreement, Selkirk First Nation Final Agreement, Chapters 19 and 20, and the Selkirk First Nation Constitution and by-laws, notwithstanding any indication to the contrary which might be construed from the Statement.
- iii. The Fund operates on a calendar year, with the quarters ending June 30, September 30, December 31 and the year ending March 31.
- iv. The Fund is the property of and established for the Selkirk First Nation beneficiaries. The quarterly statements showing the market value of the Fund are available for review by any Selkirk First Nation beneficiary. The statements are available at any time at the Selkirk First Nation business offices in Pelly Crossing during normal business hours.

## **2. RESPONSIBILITIES**

- i. The Selkirk First Nation General Assembly shall have the authority and the responsibility to approve the Investment Policy Statement pursuant to which the Funds are invested. The Statement shall be formally reviewed and updated as necessary and approved at a General Assembly every two years at a minimum.
- ii. The responsibility for implementation of the Investment Policy lies with the Investment Committee of the Selkirk First Nation (Committee). Unless the Investment Committee is appointed separately, it will be the Finance Committee.  
*(Section 2, paragraph ii amended by 2013 General Assembly)*
- iii. The Committee shall consist of four members. The Committee may appoint an ex-officio non-voting member to add technical strength and depth to the Committee. Committee members shall be appointed by Chief and Council and have a minimum term of two years and a maximum term of three years. Chief and Council shall have the discretion to reappoint a person to consecutive terms on the Committee. A Chair shall be chosen by the Committee. Recommendations shall be made on a consensus basis.
- iv. The Committee shall meet at least quarterly to review the quarterly statements and discuss any changes to the general Investment Strategy. No meeting shall take place unless a minimum of three members of the Committee are in attendance.
- v. The Committee shall delegate some of its responsibilities with respect to the investment of the Funds to agents and advisors. In particular the services of a Custodian and one or more Investment Counselors shall be retained. The Investment Counselors must be registered with the appropriate Securities Commission.
- vi. The Committee maintain an active role with respect to the following:
  - i) Formulation of the Statement;
  - ii) Monitoring of Investment Counselors, Custodians, agents and advisors;  
*(Section 2 subparagraph vi. ii) amended by 2013 General Assembly)*
  - iii) Evaluation of the Fund's performance;
  - iv) Communication of the Fund's performance with Chief and Council and the General Assembly.
  - v) Recommend to Chief and Council any additions or deletions of the Investment Counselors.
- vii. Any person to whom the Committee delegates responsibilities with respect to the Fund shall adhere to the provisions of the Statement.

### **3. CONFLICTS OF INTEREST**

- i. Members of the Investment Committee, employees of the Selkirk First Nation, agents, advisors, Custodians and Investment Counselors whose services are retained for the investment of the Fund are all fiduciaries and, as such, are subject to the following guidelines.
- ii. Fiduciaries shall not knowingly permit their interest to conflict with their duties and powers with respect to the Fund.
- iii. A Conflict of Interest is deemed to exist when the fiduciaries private interests are of sufficient substance and proximity to their duties and powers with respect to the Fund to impair their ability to render unbiased advice or to make unbiased decisions affecting the Fund.
- iv. A fiduciary must disclose all actual or perceived Conflicts of Interest in writing as soon as possible along with all relevant details to the Committee.
- v. While every circumstance giving rise to possible Conflicts of Interest cannot be identified, fiduciaries shall disclose, among other things:
  - i) Material beneficial ownership of investments which the Fund may be considering buying or divesting;
  - ii) Compensation received from any persons or corporations other than one's employer and, in particular, from the issuer or vendor of securities which the Fund owns or may be considering buying;
  - iii) Where they are an employee or agent of the Investment Counselors;
  - iv) Consideration paid or granted to others for making a particular recommendation relating to the investment of the Fund.
- vi. Should the Committee be unable to determine if a Conflict of Interest exists, they shall refer the matter to the Chief and Council. If the Chief and Council are unable to determine if a Conflict of Interest exists, a Selkirk First Nations General Assembly shall be called in Pelly Crossing after two weeks notice. At any time in the procedure, the Committee may call upon an independent third party to provide advice on the matter.
- vii. Where a Conflict of Interest is deemed to exist or if its existence is disputed, the person (people) named in the Conflict shall not be entitled to vote on the issue concerning the Conflict or possible Conflict.

- viii. Investment Counselors providing services to the Fund are expected to comply with the Code of Ethics and Standards of Professional conduct adopted by the Institute of Chartered Financial Analysts or the Association of Investment Management and Research (AIMR).
- ix. All investment transactions will be conducted in accordance with the laws of Canada and the Yukon Territory.

## **4. Fund Objectives**

4.1 The primary objective of the Funds is to promote a healthy, unified and self-reliant people of the First Nation, while conserving and enhancing our environment and culture.

4.2 The financial objectives of the Funds are:

- a) Safety of principal, to ensure Funds are maintained for future generations;
- b) Assurance of stable and consistent income streams to meet the goals of the First Nation;
- c) Seeking capital appreciation without undue risk such that the Fund continues to grow over time;
- d) minimize risk through diversification; and
- e) Show rates of return over the long term superior to those achieved from investment solely in bonds, short term notes or other fixed income instruments.

4.3 It is the desire of the Selkirk First Nation that their members become more knowledgeable about the Fund. To that end, the Investment Counselors should be available semi-annually to give an investment seminar to the membership. The goal of these seminars is to educate the membership in the investment process so that they understand the operation of the Fund.

4.4 It is the desire of the Selkirk First Nation to structure the Fund so that the revenue generated by the Fund remains tax free. To that end, any discussion or suggestion regarding the fund should address the tax consequences of any decision.

*4.5 (Section 4.5 deleted by 2013 General Assembly)*

## **5. Asset Allocation**

5.1 The Fund's target asset allocation over a rolling three year period is the following:

<b><u>Asset Class</u></b>	<b><u>Market Value of Fund</u></b>
Short term securities	10%
Bonds	30%
Canadian equities	40%
Foreign equities	<u>20%</u>
	100%

The asset allocation is maintained within the following limits:

<b><u>Asset Class</u></b>	<b><u>Market Value of Fund</u></b>	
	Minimum	Maximum
Short term securities	5%	20%
Bonds	30%	65%
Canadian equities	25%	55%
Foreign equities	5%	20%

The Committee may amend the asset allocation limits set out above for such time as the Committee deems appropriate, and shall have the authority to do so without need for the Assembly to approve the amendment in advance, if the Committee, having regard to anticipated conditions in the securities markets and having received in writing the advice and recommendations of the Investment Counselor(s) believes it is prudent to do so.

In circumstances which the Committee believes require urgent action by Selkirk, the committee may make such an amendment ~~without~~ the concurrence of Council in advance.

In any other circumstance, the Committee may amend the asset allocation limits only with the concurrence of Council in advance.

Should the asset allocation fall outside such limits, the Committee shall be advised by the Investment Counselors. The Investment Counselors will take action to correct the situation as soon as possible taking into account the best interests of the Fund.

*(Section 5.1 amended by 2013 General Assembly)*

5.2 Short term securities include cash and fixed income securities having a maturity of less than one year.

5.3 Bonds include all fixed income securities having a maturity of one year or longer.



- 5.4 Canadian equities include common stocks, preferred stocks and convertible debentures of Canadian issuers.
- 5.5 Foreign equities include common stocks, preferred stocks and convertible debentures of non-Canadian issuers.
- 5.6 The target asset allocation has been determined with the objective of maximizing returns within an appropriate level of risk. The appropriateness of the targeted asset allocation is based on its expected impact on the level and volatility of returns.
- 5.7 The long term expected return and risk parameters of the targeted asset allocation are:
- i) real rate of return of 4% on a 3 year rolling basis;
  - ii) standard deviation of annual returns of 10%.
- 5.8 The Fund is periodically rebalanced in order to compensate asset allocation shifts arising from differences in rates of return on different asset classes.

## **6. Fund Investments**

6.1 The Fund is strictly invested in the following asset categories:

- I. cash;
- II. demand or term deposits;
- III. short term notes;
- IV. treasury bills;
- V. bankers acceptances;
- VI. commercial paper;
- VII. bonds, including coupons and residuals;
- VIII. mortgage-backed securities;
- IX. convertible debentures;
- X. common and preferred stocks; and
- XI. pooled funds invested in any or all of the above asset categories.

6.2 The Fund does not engage in:

- I. the purchase of securities on margin;
- II. the purchase of derivatives;
- III. loans to individuals or corporations; or
- IV. short sales.

6.3 Fund assets may be used to guarantee financing up to a maximum of 10% of the Fund. Efforts shall be made to reduce existing guarantees on the Fund by renegotiating any existing financial arrangements that are secured by guarantees on the Fund.

6.4 The Committee may enter into a written agreement with the Custodian for securities lending. Readily marketable securities having a market value of at least 105% of the market value of the securities lent must maintained at least on a weekly basis.

## **7. Investment Risk**

- 7.1 Diversification shall be achieved in part by limiting to 5% or less the percentage of the market value of an asset group invested in a single security not guaranteed by the Government of Canada or a Canadian Province. Efforts shall be made to restrict the investment in a group of equities whose returns are expected to be highly correlated.
- 7.2 Liquidity shall be achieved in part by limiting to 10% or less the percentage of a single public issue to be held by the Fund. A limit of 10% or less the percentage of the Fund may be invested in mortgage-backed securities. The Fund shall not engage in the use of private placements.
- 7.3 Quality shall be achieved in part by ensuring short term instruments have a minimum credit rating of R-1 \* mid or its equivalent and that bonds have a minimum credit rating of A \* or its equivalent. Bonds with BBB rating are acceptable as long as they are part of a pooled fund and the BBB portion in that pooled fund is no more than 20%. All Fund equity investments shall trade on a recognized Canadian stock exchange and preferred stock must have an acceptable investment grade quality rating of P2.
- Credit ratings issued by the Dominion Bond Rating Service  
*(Section 7.3 amended by 2013 General Assembly)*
- 7.4 The Committee shall inform the Investment Manager on a regular basis as to the Funds liabilities and cash flow requirements. The Investment Manager will ensure that the Fund is positioned to ensure that cash flow requirements are met and to broadly match the duration of Fund assets and liabilities.

## 8. VOTING RIGHTS

- i. Voting rights on Fund securities may be delegated to the Investment Counselors.
- ii. The Committee may inquire as to the Investment Counselors' policy on Voting Rights. A written policy is preferred but not required.  
*(Section 8, paragraph ii amended by 2013 General Assembly)*
- iii. The Investment Counselors shall maintain a record of how Fund Voting Rights have been exercised.
- iv. When a voting right can be expected to have special significance to the Fund or in case of doubt as to the best interests of the Fund, the Investment Counselors shall request instructions from the Committee and will act in accordance with such instructions.  
*(Section 8, paragraph iv amended by 2013 General Assembly)*
- v. The Committee may exercise any voting right by communicating its intentions to the Investment Counselors in writing.  
*(Section 8, paragraph v amended by 2013 General Assembly)*

## **9. MONITORING**

- i. The Investment Counselors may be required to supply a letter of compliance with the provisions of the Statement indicating, as the case may be, instances where such provisions were not followed
- ii. The Investment Counselors may be issued a mandate containing specific investment objectives and guidelines. The mandate confirms with the provisions of the Statement but is not considered part of the Statement. It can only be issued and amended by the Committee. The Investment Counselors may be required to supply a letter of compliance with the provisions of the mandate.
- iii. Each quarter the Investment Counselors shall issue a written report to the Committee on the performance of the Fund. The report will include information on the rates of return for the quarter and year to date. The Committee shall evaluate the performance, focusing on Fund objectives and long term expected return and risk parameters.
- iv. The Investment Counselors shall meet with the Committee at least semi-annually to:
  - i) Provide information concerning new developments affecting the Investment Counselors and its services;
  - ii) 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;
  - iii) Explain the latest performances;
  - iv) Be appraised of expected cash flow requirements;
  - v) Provide an economic outlook along with a strategy under such circumstances;
  - vi) Any other relevant matters that may arise from time to time.

*(Section 9 amended by 2013 General Assembly)*