

# INVESTMENT POLICY STATEMENT

*CCMBC Legacy Fund*

March 2024



## PURPOSE AND BACKGROUND

The purpose of the Investment Policy Statement (“IPS”) is to establish the long-term portfolio management relationship between CCMBC Legacy Fund Inc. (“Legacy”) and Capstone Asset Management Inc. (“Capstone”). This statement is the blueprint from which your investment portfolio is created, and by which you can hold us accountable. We are reminded in Proverbs that diligence in planning is essential to wisely stewarding one’s resources. “The plans of the diligent lead surely to advantage, but everyone who is hasty comes surely to poverty” (21:5).

The IPS is a working document that will be updated by way of amendment or replaced according to changes in Investments needs or objectives. It works in conjunction with the overarching Statement of Investment Policy and Procedures implemented by Investments to establish the parameters around a portfolio that strives to achieve your investment objectives while reflecting your ability to accept risk. The portfolio is created with a long-term view, and since short-term market fluctuations are inevitable, your ability to stay the course and follow the plan is critical to achieving positive results.

## PROFILE

CCMBC Legacy Fund Inc. (“Legacy”) is a Canadian Registered Charity whose sole member is the Canadian Conference of Mennonite Brethren Churches (“CCMBC”), a national organization and resource to over 230 Mennonite Brethren churches across Canada and the provincial MB conferences in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Legacy supports the charitable objectives of CCMBC and provides payroll and bookkeeping services for its churches and church entities and administers the group insurance and pension plus for MB church and conference employees. Administration of investment and lending activities is provided through Legacy's wholly owned subsidiary CCMBC Investments Ltd. Investments facilitates the raising of funds to accomplish the charitable objectives of CCMBC. Investments issues redeemable preferred shares and promissory notes to facilitate the lending of money secured by mortgages to MB churches, pastors of MB churches, and other MB church-affiliated institutions such as schools and camps. Governance of Legacy and Investments is met through a board of directors comprised of a majority of CCMBC Executive board members.

### Signing Officer

Jason Krueger  
Position: Chief Executive Officer & President

James Bell  
Position: Chief Financial Officer

### Directors

Michael Dick (Chair)  
Bertha Dyck  
Jeff Dyck  
Cory Regier  
Timothy Doerksen

Politically Exposed Person: No  
Officer or control position of a public company: No  
Net Annual Income: approximately \$50,000  
Net Worth: approximately \$40,000,000  
Account Type: Corporate Open



## STATEMENT OF OBJECTIVES

The plan will attempt to maximize overall returns while minimizing risk. Although risk can be mitigated through the use of diversification, a reasonable level of risk is essential to meet the objectives of the Investment Policy Statement. The portfolio will attempt to generate returns through a combination of interest, dividends and capital gains. Additionally, tax efficiencies will be maximized to achieve the greatest benefits whenever possible.

Cultivating a long-term perspective and remaining consistent with a carefully established investment policy is crucial to investment success. Planning, capital preservation and steady growth encourages wise stewardship, while “get rich quick” schemes almost always lead to disaster. Proverbs 28:20 tells us that “a faithful man will be richly blessed, but one eager to get rich will not go unpunished”, and again in Luke 14:28 “Suppose one of you wants to build a tower, will he not sit down and estimate the cost to see if he has enough money to complete it?”.

### *Objectives*

The portfolio of managed assets has a primary objective of generating a return to support the obligation of Legacy. Legacy exists to allow members of their organization to provide capital to supplement the needs of the denomination through mortgages. At times there is excess cash requiring management. This objective is to be supported through capital preservation, income generation and long-term growth. Due to the relative stability in the amount of cash available to invest, the desire is for a longer term perspective and willingness to accept increase risk for improved performance.

## GUIDELINES

### *Risk Tolerance*

- NEED for risk is moderate as it is necessary to ensure that the managed assets are generating enough return to pay out the underlying obligations.
- CAPACITY for risk is low as the managed assets are partially supporting the capital obligations of the notes and preferred shares. Furthermore, they are intended to be available to finance denominational mortgages as the needs arise.
- TOLERANCE medium as the portfolio objectives desire higher performance as there needs to be opportunity generating alpha.

### *Return Requirements*

The return expectation on this investment will be targeting a net Return of 7.2%..

### *Time Horizon*

The time horizon is long as the business operations are expected to continue indefinitely.



## *Liquidity Needs*

There will be ongoing liquidity needs to support the financing needs of the denomination. Legacy will manage the day to day cash obligations and will work closely with Capstone around the liquidity pipeline. Legacy will typically provide at least a 30 – 45 day advance notice on upcoming liquidity needs.

## *Taxes*

There are no unusual tax situations that Legacy has made Capstone aware of at this time.

## *Restrictions*

It is the desire of the Directors of Legacy to have a portfolio that is consistent with and reflects the values held by the organization and its denomination. As such the portfolio will not have any direct investments in any asset where a material portion of the investment return is likely to be derived from:

- Alcohol products
- Tobacco products
- Marijuana products
- Gambling activities
- Military services and supplies
- Weapons production
- Pornographic materials and media

However, there is recognition that there may be some unavoidable passive exposure which should remain non-material to the portfolio.

## *Inclusions*

Whenever practical and in alignment with the investment objectives, the portfolio should take a favourable view of investment opportunities that promote:

- Human dignity
- Moral responsibility
- Environmental stewardship



## ASSET ALLOCATION

### *Target*

This is the recommended asset weighting for your portfolio. We will attempt to maintain this unless changing circumstances dictate an overall adjustment.

ASSET CLASSES	TARGET
Fixed Income (Incl. Mortgages)	90%
Equity*	10%
Cash	0%

### *Range*

Due to the nature of investment markets, an established portfolio will naturally drift outside of an established target allocation. The range establishes the minimum and maximum levels at which the portfolio will be allowed to drift during the short term unless specifically determined.

There will be rebalancing done periodically to ensure the target weightings are maintained. This allows the portfolio to naturally sell at highs and buy assets at lower values.

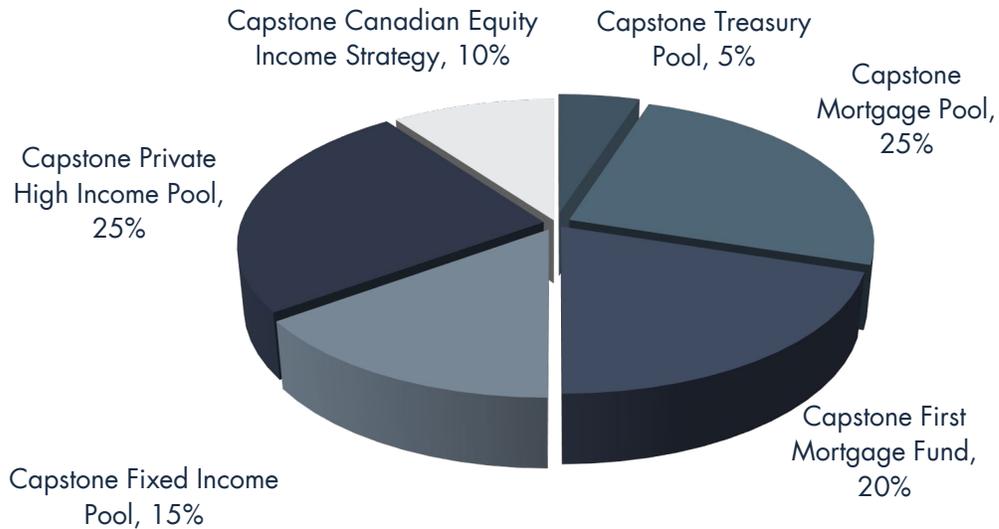
ASSET CLASSES	RANGE
Fixed Income	80 - 100%
Equity	0 - 15%
Cash	0 - 20%

#### Notes:

- Cash (or cash equivalents) may be used in any category if a suitable option is not available or desirable.
- Unforeseen withdrawals and other liquidity requirements may cause allocations to fall out of range until it is practical and desirable to rebalance them.
- \* As market conditions warrant the allocation to Equity, it will be constrained to the Traditional Equity category.
- Fixed Income investments are either public or non-public investments that are characterized as having a contractual obligation of the issuer to the investor. Typically these obligations are secured with collateral and pay out regular cash flows which would be in priority to equity participation. The income generated is typically interest, but could be dividend.



## PORTFOLIO ALLOCATION



## SECURITIES GUIDELINES

The following asset classes may be used:

- Cash and cash equivalents
- Fixed Income & equivalents
- Preferred shares
- Public Equity
- Pooled Funds
- Private Equity
- Mortgages & Real Estate
- Alternative Investments

The portfolio will be created using a combination of asset classes, generally provided through Capstone's range of managed and proprietary funds. The portfolio may also use stocks, third party portfolio managers, bonds, exchange traded funds, mutual funds or other solutions as appropriate.

## SERVICES

### *Capstone Reporting & Review*

There will be one meeting annually to review the portfolio with the Board and two with the CEO and/or CFO of Legacy. A monthly portfolio statement will be provided to the CFO on or about the 15th of each month after pricing has been finalized for monthly valued investments. Access to online statements and portfolio positions will be provided.



Any material changes to the Company's situation will cause Capstone to immediately review the entire portfolio to determine the plan's appropriateness considering the new circumstances.

### *Ongoing Review*

Any investment solution will be monitored to ensure compliance with expected returns and adherence to established mandates. Issues such as deviation from the mandate, change of manager, or corporate changes within the company will immediately trigger a review of the investment and its appropriateness.

## PROFESSIONAL STANDARDS

All investment activities will be conducted in accordance with the CFA Institutes Code of Ethics and Standards of Professional Conduct.

## SIGNATURES

*By signing, you and Capstone Asset Management Inc. agree that this Investment Policy Statement be the primary source for determining the governance of your portfolio.*

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STEPHEN SMITH CIM FCSI  
CHIEF COMPLIANCE OFFICER

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DATE

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JASON KRUEGER  
CHIEF EXECUTIVE OFFICER & PRESIDENT

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DATE

