

Action Chelsea for the Respect of the Environment (ACRE)

Investment Policy – Stewardship Endowment Fund

Approved by the Board of Directors on May 2nd, 2024

Updated and approved by the Board of Directors on March 17th, 2026



Purpose

The purpose of this Stewardship Endowment Fund (SEF) investment policy is to provide direction and accountability structure in the execution and management of investment transactions for ACRE's Stewardship Endowment Fund (SEF).

Stewardship Endowment Fund

This SEF, created and implemented by resolution of the ACRE Board of Directors on March 23, 2023, consists of capital funds held for the purposes stipulated in the SEF Policy. Funds are added to the SEF through grants or donations designated for the SEF and operating surplus amounts, as determined periodically by the ACRE Board of Directors. Income generated by this capital account may be withdrawn and used for purposes set out in the SEF Policy. Capital funds are to remain in the SEF unless Section 3.4 of the SEF policy is used by the Board of Directors.

Investment Objectives

ACRE's objective is to generate a total investment return that protects the purchasing power of the capital component, achieves the land stewardship needs, recovers the cost of managing and administering the funds, and establishes a reserve for future market volatility. The minimum real return objective is 3% per annum based on a minimum distribution rate of 3%. This real rate of return may not be achieved in each and every year; however, the Portfolio is expected to generate this minimum return on investments over rolling 3-to-5-year periods. It is preferred and expected that the portfolio exceeds this return.

The ACRE's preferred return objectives are ranked as follows, but not limited to:

- Preservation of capital;
- Generation of 'income' to meet stewardship objectives of ACRE's properties;
- Generation of growth in the 'capital' value of the Portfolio's assets in order to preserve the value of the Portfolio in real (i.e., inflation-adjusted) terms; and
- Generation of growth in the 'capital' value of the Portfolio's assets in order to provide the basis for producing an increasing rate of income for disbursement.

Communication

The ACRE Board of Directors shall appoint the Treasurer and the President to authorize trades and to report to the Board annually to ensure the consistency of trades to this policy statement.

Investment Time Horizon

For planning and Portfolio structuring purposes, it will be assumed that the investment time horizon of the Portfolio is 25 years, although ACRE is intended to be ongoing.

Liquidity and Income Requirements

The Portfolio requires sufficient liquidity to support ACRE's disbursement requirements on a timely basis. It is desirable that the Portfolio generates cash flow from dividends and interest to meet the majority of its disbursement requirements. There are no anticipated large cash withdrawals over the time horizon other than to address Section 13 of the SEF Policy.

Risk Tolerance

The maximum level of risk permitted will be defined in the subsequent section "Permitted Asset Classes and Investment Benchmarks".

Asset Mix

Control of the Portfolio's asset mix is the principal means of controlling its risk and return characteristics.

Recommended Asset Mix

Given the Portfolio's targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following 'benchmark' or long-term strategic asset allocation, and permissible asset class holding ranges are as follows:

Asset Class	Benchmark Allocation	Permissible Range
Cash and Cash Equivalents	10%	± 100%
Fixed Income Instruments	50%	± 5%
Total Fixed Income	60%	±5%
Canadian Equities, Global Equities, ETFs, and Mutual Funds	40%	±5%
Total Equities	40%	±5%

It will be the responsibility of the Investment Advisor to recommend, from time to time, allocations to each asset class within the permissible ranges outlined above.

Permitted Asset Classes and Investment Benchmarks

Cash Equivalent and Fixed Income Instruments

The following investments which qualify in one or more of the following classes of assets shall be made for the fund.

1. Bonds, both interest bearing and compound, "A(low)" rated or better, based on DBRS (Dominion Bond Rating Service) ratings.
2. Treasury Bills issued by the Canadian Government or any of the provinces.
3. Money market instruments issued by a Canadian Corporation. Such instruments to be rated R-1 middle or better by DBRS and have an initial maturity of less than two years.
4. Term Deposits or similar instruments issued by or unconditionally guaranteed by a major Canadian Bank, Trust Company or Credit Union.
5. Cash deposited with a bank owned investment representative.
6. Cash on deposit with a Canadian Chartered Bank.
7. Fixed Income ETFs rated at low risk

Additions to the category of permitted investment shall be reviewed bi-annually or at the request of the Investment Advisor by the ACRE Board of Directors in accordance with their obligations under the Canadian Land Trust Standards and Practices

Equities

Investments in the following equity securities are permitted:

1. Publicly traded common stocks with a minimum market cap of \$500 million.
2. Common stocks selected will have historically paid a dividend
3. The DBRS bond rating for the companies as represented by the common stocks will not have bond ratings below that of BBB(Lo).
4. ETFs rated at rated low, low-medium, or medium risk
5. Rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;

Investment in the securities of any single issuer should not constitute more than 6% of the market value of the Portfolio as a whole. In addition, investment in the securities of any single issuer should not constitute more than 20% of the market value of the equity asset class.

Additional Constraints, Inclusions and Exclusions

The Portfolio as a whole and each asset class represented in the Portfolio must be reasonably diversified. All investments must be reasonably liquid at the time of purchase and thereafter, other than fixed term GIC's. In the event that the Investment Advisor forecasts an impairment in the liquidity of an investment, the Investment Advisor will make all reasonable efforts to liquidate the investment on a timely basis. Overdraft positions are not to be intentionally created.

ACRE reserves the right to instruct the Investment Advisor to exclude any asset, security or category of investment and will notify the Investment Advisor by written notice in the event that such restrictions are to be imposed.

ACRE may place further constraints, limitations or requirements on the Portfolio in order to achieve specific short-term objectives.

Gifts or donations consisting of marketable securities transferred into the Portfolio will be liquidated as soon as practicably possible if those securities do not meet the foregoing constraints listed in the section "Permitted Asset Classes and Investment Benchmarks".

Investment Advisor

ACRE will manage its investments with the care, skill, diligence and judgment that a prudent investor would exercise in making investments.

ACRE will obtain investment advice when there is limited investment knowledge. ACRE will delegate investment functions when additional income anticipated to be earned is expected to more than offset the additional related expense. ACRE retains responsibility for reviewing assets regularly.

ACRE will exercise prudence in the selection of an Investment Advisor whether it be for the obtaining of investment advice or managing investments. ACRE will ensure:

- the Investment Advisor and firm being retained will be registered with the Ontario Securities Commission or the Autorité des marchés financiers (Quebec),
- the Investment Advisor and firm being retained will have the appropriate level of licensing,
- the Investment Advisor should have a demonstrated understanding of Not-for-profit and charity law and trust law in addition to investment knowledge and experience,
- any Investment Advisor or firm retained by ACRE should not have any conflicts of interest, and

- any Investment Advisor retained must be approved by the Board of Directors.

ACRE will enter into a written agreement with its Investment Advisor whose responsibilities may include both the management of assets and providing advice. The agreement will provide that:

- the Investment Advisor complies with the Stewardship Endowment Fund Policy of ACRE,
- the Investment Advisor shall provide quarterly reporting to ACRE. Reports should include a schedule of the market value of all investments, a listing of all transactions (including income received) since the previous report, and investment performance both on a calendar year basis and trailing return basis
- there is clarity on how instructions are to be communicated to the investment counselor or financial advisor, with it generally recommended that all instructions be in writing,
- there are no conflict-of-interest issues on the part of the investment counselor or financial advisor,
- there is clear scope of authority delegated, and
- there is provision for termination of the agreement, with it generally recommended that ACRE will retain liberal termination rights.

SEF Investment Policy Review

The SEF Investment Policy will be reviewed every two years at the first Board meeting of the year and whenever there is a material change in circumstances.