CSEGF Investment Plan 2017
March 09, 2017
Final Ver 1.0 revised

1) Evaluation of Previous Fiscal Year's Investment Performance (2016)

The Investment Restrictions within the CSEG Foundation Policy (Version 2.0) dictates diversity and minimal risk within the markets by minimizing exposure in any one organization to a maximum of 35% and containment of the risk within mandated tolerance guidelines. There are three risk categories within our tolerance guidelines with minimum and maximum levels of investment. We must invest between 5% and 25% in zero risk investments (cash and cash equivalents). We allow for 40% to 70% investment in low risk and 25% to 35% in medium risk investments. The finance committee has maintained those restrictions throughout 2016, and the mix at December 31, 2016 sits at 10.7% zero risk, 60.3% low risk (i.e GIC's, Investment Savings), and 29.1% medium risk (i.e. Calgary Foundation).

The Foundation has also reduced exposure to market risk by diversifying the number of institutions that hold the GIC's and restricting the total held by any one institution to $100,000 each to ensure that the total low-risk GIC investments are covered under CDIC rules.

The average 2015 Canada Federal inflationary rate (CPI) was 1.13%. As per our CSEGF Investment Policy, we then wanted to be making interest on our overall investments in 2016 of 3.13%. Our GIC's alone are no longer making that much interest per annum, but with our Calgary Foundation Investments making up about 30% of our portfolio, we should be easily surpassing that target in 2016.

<u>Endowment</u>

At the end of 2016, the CSEG Foundation Endowment held ten GIC's with an investment principal of $850,000.00 and a managed fund with the Calgary Foundation with initial deposits totaling $590,000.00. It also has one savings account that had $4,564.63.

The interest rates on the GIC's have been steadily declining and so maturing GIC's are being reinvested at lower rates. The current rates in our mix range from 1.5% to 2.5% and are laddered over a 5 year maturity range. We had three GIC's mature in 2016. One $100,000.00 GIC matured in February 2016 that had been invested at 3.45% per annum and was reinvested in two $50,000.00 GIC's with a 2.15% rate of return over 5 years maturing in 2021. Two $50,000.00 GIC's matured in October 2016. They were making 1.9% and 1.86% per annum. It was decided to reinvest those two GIC's into one $100,000.00 GIC with an interest rate of 1.5% for a one year term only. The highest rates available for 5 year GIC's, at the time of the October maturity, was less than 2.0% with most offers for 5 year maturity in the 1.7% range. The Board, on the recommendation of the finance committee, decided it was best to lock the October maturities in for only one year with the hopes of higher rates a year from now. The 5 year maturity ladder is still intact. All interest from a GIC at maturity is rolled into the general operations of the Foundation and the principal reinvested.

At the end of 2016 the Calgary Foundation fund balance was worth $790,175, up from the contributed capital of $590,000. At the end of Q4 2015 the fund value was $739,527 so for the fiscal year 2016 the fund value has increased by $50,648. Our medium risk endowment investment has been very profitable. The Calgary Foundation investments remain untouched and undistributed at the end of 2016 as we grow the fund.

Restricted Funds

The restricted fund holds several funds in two savings accounts and one GIC which, combined, have a total value of $112,693 at the end of 2016. The largest of these funds is the Athena GIC with a principal of $96,558 and an interest rate of 2.56% per annum, interest paid yearly, with a maturity date of November 2019. The restricted funds, including the Athena fund, are directed towards yearly scholarship awards. The other funds, *Rob Shugg*, *Memorial*, and *Social Committees* (new this year), are invested in a high interest savings account and will have declining balances until payout to Scholarship funding is complete. All interest from the Restricted Funds finds its way back to the general operations of the Foundation, except for the Athena fund's interest which is intended to fund scholarships in perpetuity.

General Funds

The rest of the Foundation assets are in a National Bank chequing account and in five Manulife savings accounts, some collecting slightly higher interest, all for the purpose of day to day operations. On December 21, 2016 the General savings funds total $251,409.73 and the chequing account holds $92,769.02.

Balance Sheet

The total (audited) asset of the CSEGF at the end of 2014 was $2,030,552 and at the end of 2015 it was $2,160,331, an increase of $129,779. On December 31, 2016, the unaudited asset of the Foundation was $2,156,518 a decrease of $3,813 from the start of the year. The audit reports for any given year is generally approved close to the timing of the annual CSEGF AGM in June of the following year.

SAVINGS AND INVESTMENTS

Savings/Chequing Accounts $372,768.17

Account	Balance (Dec21)	Rate
Manulife 1372625 Endowment	$7,260.61	0.70%
Manulife 1372624 Restricted Fund	$20,874.14	0.70%
Manulife 1387887 Restricted - Athena	$454.67	0.70%
Manulife 1385144 – General Funds	$101,931.81	0.70%
Manulife 1145845 – General Funds	$4,801.60	0.70%
Manulife Bank Investment Savings	$45,527.52	0.90%
Manulife Trust Investment Savings	$99,148.80	0.90%
National Bank Chequing Account	$92,769.02	0.05%

Endowment GIC's $850,000.00

Investment GIC	Principal	Rate	Maturity	Market Value (Nov3, 2016)
Laurentian	$50,000	1.85%	Mat 05-27-2017	$51,335.40
Bank of Nova Scotia	$100,000	2.03%	Mat 10-31-2017	$104,112.79
Manulife Trust	$100,000	1.50%	Mat 11-06-2017	$100,000.00 (new)
Equitable Bank	$100,000	2.35%	Mat 04-09-2018	$108,645.90
Montreal Trust	$100,000	1.75%	Mat 05-28-2018	$102,525.67
Bank of Montreal	$100,000	2.46%	Mat 10-31-2019	$104,994.67
Home Trust	$100,000	2.50%	Mat 10-31-2019	$105,976.89
Hollis Canada	$100,000	2.20%	Mat 05-27-2020	$103,179.44
Scotia Mortgage	$50,000	2.15%	Mat 02-25-2021	$50,737.23
B2B Bank	$50,000	2.15%	Mat 02-25-2021	$50,706.37

Restricted Fund- GIC (Athena) $96,000.00

Investment GIC	Principal	Rate	Maturity	Market Value (Nov3, 2016)
National Trust	$96,000	2.56%	Mat 11-25-2019	$98,303.16

Calgary Foundation $779,400.70 (September 30, 2016 statement)

- Invested $500,000 in 2012 and another $90,000 in 2015

2) Analysis of Future Operating and Capital Cash Requirements

The operating cash in the General accounts that is available to the Foundation today for immediate withdrawal, or up to a three day notice of withdrawal, is $344,178.75. If we eliminate the self-funded programs (ESfS, Scholarship, GIFT, Etc.), the cash requirements for the CSEG Foundation 2017 budget, on the expense side, is approximately $165,000. This means that the Foundation has enough available cash, without further donations, to last 2.09 years without touching any of the investments.

The ratified 2017 budget is a deficit budget that will leaves the total net at a minus $111,328

2017	Revenue Budgeted	$231,156
2017	Expenses Budgeted	$342,484
Month to month 2017	Lowest monthly expenses budgeted	$4,970 (July)
	Highest monthly expenses budgeted	$78,187 (January)
	Lowest monthly revenue budgeted	$0 (June)
	Highest monthly revenue budgeted	$103,365 (January)

Cash needed for operations in the 2017 budget, less the ESfS, Scholarship, and GIFT self-funding

	$342,484 - $139,089 - $20,000 - $19,000 =	$164,395
Cash immediately available in 2017 (December 21, 2016 statement)		$344,179
Difference		+$179,784

The CSEGF is not expected to have any cash flow problems in 2017. The analysis above is irrespective of any revenue donations over the year. All donations expected will help the CSEG Foundation maintain their current net asset balance at the end of 2017 of just under $2M a little less than the close of 2016.

3) Recommendations for Investment 2017

Both the Endowment and the Restricted Funds are in good shape at the end of 2016 and it is not being recommended to make any changes to the investment mix or accounts within them in 2017. The current mix in the zero risk, low risk, and medium risk is all within our tolerances as mandated within our Investment Policy as outlined in section 1), as is the mandated interest rates being attained above the 2016 Federal inflationary rates.

There will be three GIC's maturing in 2017. One in May with a principal of $50,000, one in October with a principal of $100,000, and another in November with a principal of $100,000. The interest from all three of these, which have been compounding, will come in to the general operating fund accounts to be used to fund programs in 2017 forward. Interest from all three will be ~$9,500 upon maturity.

The principal from these will need to be reinvested in equal amounts within our Endowment and mindful of the CDIC maximum rules per institution. This could be with the identical institutions, Laurentian, Bank of Nova Scotia, and Manulife Trust if the rates are reasonable, but these should be evaluated at the time of maturity.

No recommendations are being made for changes to our chequing account. The National Bank has still been serving us well.

Where changes do need to be made in 2017, is with our savings accounts with Manulife. We currently hold all our GIC's and two Manulife Investment Savings Accounts with Manulife Securities Incorporated. Laurie Platts is our client services assistant at their Calgary Central Office. We have the other five Manulife savings accounts that hold Endowment, Restricted, and General Funds with William J. Rhind & Associates, which is an company specializing in independent services. Our client service representative there is Will Pozzo. This arrangement is, and was, a legacy CSEG arrangement. With two different banking services, there is a lack of insight between the two which may not be in our best interest.

Reviewing all the Manulife banking accounts and Manulife GIC's it is apparent that we are now offside with our CDIC insurance risk. We now have a Manulife Trust GIC and a Manulife Trust Investment Savings account. The two combined have a total investment with one that one institution equal to $199,148.80 leaving us vulnerable for the entire Investment Savings Account amount. This is an easy fix. The finance committee recommends moving the Investment Savings Account of $99,148.80 away from Manulife Trust and into some other investment savings account with an institution we don't currently have investments with. This will leave just $100,000 with Manulife Trust.

All our Manulife Bank accounts, six of them, presently hold a total of $180,850.35 so we are offside with CDIC rules by more than $80K with them as well. The finance committee recommends moving Manulife Bank Account 1385144, currently at $101,931.81 and earning 0.70%, in to another institution different from the one above and away from Manulife Bank at a higher interest rate if possible.

As we discuss the movement of the two accounts with our investment advisors, mentioned above, to different institutions, we will have conversations to see if it makes sense to move all the accounts under one securities company instead of two. This is will only be done if it makes sense and the investment products are available to constrain ourselves by CDIC rules.

Summary of recommendations for 2017

1) Move two of our General Fund accounts to institutions different from Manulife Trust and Manulife Bank and different from each other as per the discussion above. When this is done, all of our investments, with the exception of the Calgary Foundation medium risk funds will be CDIC insured.
2) Reinvest three GIC's when they mature this year, heedful of the CDIC rules of $100,000 per institution.
3) Investigate the pros and cons of using two investment firms. If it makes sense to be under one institution after evaluating then do so.