# Investment Policy Statement

The primary goal of Golf Canada in its investment portfolio (the “Portfolio”) is to assist Golf Canada in achieving its objectives as set out in its strategic plan. The prudent and effective management of the assets of the Portfolio has a direct impact on the achievement of this goal. This Investment Policy Statement (IPS) is designed to guide the Investment Committee, the CIO and Golf Canada Staff in achieving this goal.

**Roles and Responsibilities**:

The Board of Directors (the Board) of Golf Canada will directly review and approve the development or revision of the IPS. The Board may delegate certain investment-related responsibilities to the Investment Committee (the Committee).

The Committee shall perform work as outlined in the Board approved Committee Terms of Reference and shall conduct meetings no fewer than four times annually and be responsible for (among other things) providing oversight of the Portfolio-related work of Golf Canada Staff (defined as the CEO, CFO and/or the Controller), and the CIO.

A Chief Investment Officer (CIO) may be appointed on the recommendation of Staff and the Committee. The CIO may be either a member of Staff or external to Golf Canada. The CIO, in close conjunction with Staff and any External Service Providers(s) that may be retained from time-to-time, shall source, due diligence and make recommendations regarding Investment Managers and individual securities, monitor the performance of the Portfolio; and ensure that investment funds are invested in compliance with the IPS.

The CIO does not have the authority to execute on any investment activities involving the purchase or sale of investment funds or securities without explicit instructions from the Committee. In order to facilitate this process, the Committee may delegate a person or persons to represent the Committee, on whose oral or written instructions the CIO will have the authority to rely and act.

Investment Managers (IMs) will be selected by the Committee on the recommendation of the CIO. IMs will select, buy, sell, and loan specific securities in compliance with this IPS and guidelines contained in written directions and contractual agreements. IMs shall be monitored by the CIO and Staff. IMs will provide the Committee with quarterly reporting and communicate any major changes in investment style, investment policy, economic outlook, or material changes to their management team.

The Committee, in conjunction with CIO and Staff, may retain external custodians, lawyers, and accounting professionals (External Service Providers) to implement its investment program and ensure ongoing compliance with this IPS.

**Investment Objectives & Risk Management**:

The investment objectives for the Portfolio are:

- To preserve the capital in the Portfolio.
- To provide total returns on the Portfolio (with adequate liquidity) which may be used by Golf Canada to fund initiatives to fulfill its mandate; and, specifically,

- To obtain a 5-year annualized total return, net of fees, of 6.0%, with volatility not exceeding the actual total return on invested assets[1]. The long-term total return objective will be reviewed no less than annually to assess whether it accurately reflects the current market environment.

**Risk Management**:

The primary driver of all investment decisions shall be risk management. Although Golf Canada recognizes that there can be no returns without the assumption of certain levels of risk, no investment decision shall be taken without first applying strict risk measurement and management principles. The methods through which risk will be managed will include, but not be limited to the following:

Diversification among and within assets classes and investment strategies;

The regular reporting by the CIO and Staff to the Committee of investment performance, compliance with this IPS, and any items that are material to the issue of the achievement of Golf Canada's objectives within enumerated constraints.

**Asset Allocation & Investment Management**:

Asset allocation is regarded as the primary driver of risk management and total return enhancement in the investment management process. Both passive and active investment allocations are suitable investment strategies, with passive management especially suitable in highly efficient markets where market betas are the key drivers of returns and are available through inexpensive passive measures.[2]

Market timing is precluded as an acceptable stand-alone investment strategy; however, tactical reallocation from time-to-time within a strategic framework is acceptable. As economic environments develop and shift, tactical changes to the Portfolio within strategic guidelines are both acceptable and advisable.

**Cash Flow and Liquidity**:

The investment program must reflect Golf Canada's cash flow obligations when assessing any illiquid investments. When the program is sufficiently liquid to provide adequate cashflow when required, illiquid investments are permitted. Investments that offer 30-day liquidity (or less) are considered "liquid".

**Core Investments**:

Core Investments are defined as liquid, publicly traded, , transparent investment asset classes including cash or cash equivalents, equities, fixed income, commodities, currencies and real assets. These assets can be invested in directly, through exchange-traded funds (ETFs), using derivatives (including, but not limited to, swaps and futures), or through Investment Funds managed by Investment Managers.[3]

---

[1] Volatility is defined as standard deviation and is a mathematical measure that informs investors (on a backward-looking basis) how volatile an investment or portfolio is expected to be around a given mean return. A standard deviation of 6% on a 6% mean total return would suggest that in a given "normal" year, the portfolio would be expected to provide a total return of between 0-12%.

[2] By way of example, should an investment decision be made to invest in Canadian Equities, it is both permissible and preferable that the purchase of low-cost ETFs (exchange traded funds) be used where the returns sought are expected to be from the "market" rather than from individual security selection.

[3] Should any derivate be used in the construction of Core Investments as a tool to gain exposure to an asset class instead of an ETF, that derivative must be "fully funded", meaning that the aggregate amount

In some instances, Investment Managers in the Core space may use leverage, short-selling and derivatives where the use of these instruments is designed to manage risk rather than increase returns of investments. For example, a “long/short” equity fund, where the short book in the portfolio is used to manage market risk (thereby giving up the likelihood of outsized gains in favour of reducing the likelihood of significant losses) would be considered a Core Investment.

**Alternative Investments**:

In addition to the foregoing, and within the scope of an asset allocation strategy, other asset classes may be included such as alternative investments (see Appendix A). It is expected that alternative investment asset classes and investment strategies will increase the likelihood of the Portfolio achieving its objectives regarding risk-adjusted returns.

The purpose of Strategic Asset Allocation is to provide a range of investment weights that has the potential to produce the desired risk-adjusted returns and meet current and future liabilities. The following Strategic Asset Allocation is established:

| Investment | Min. | Max. |
|---|---|---|
| Core Investments | 80% | 100% |
| Equities | 0% | 60% |
| Income | 40% | 100% |
| Alternatives | 0% | 20% |

**Actions in the event of over-allocation**:

In the event that changes in valuations of securities or investment funds results in a scenario in which any of the ranges enumerated in this section are breached, the CIO shall report to the Committee without delay. The CIO will recommend a plan to bring the holdings in compliance with the IPS in an appropriate time period.

Tactical allocation and reallocation of assets (“Tactical Allocation”) within the Strategic Asset Allocation may help to increase the risk-adjusted returns of the Portfolio over time. Because Tactical Allocation is a dynamic function, the Board delegates the authority and responsibility for Tactical Allocation recommendations to the CIO, with the advice and counsel of Staff and/or External Service Providers. Further, since, in some cases, IMs operating tactical allocation programs in core assets may be used, it is acceptable to have those IMs modify relative allocations in real-time without first consulting the CIO, Staff, or the Committee, so long as they work within allocation ranges agreed to in advance with the CIO and the Committee.

---

of the exposure must equal the cash (or what is commonly referred to as “near cash” or “cash equivalents”, that may include but is not limited to money market funds, GICs, and short-duration investment-grade fixed income securities) that would have been allocated to that investment were an ETF used to gain said exposure.

**Investment Guidelines:**

Prohibited Investments include, but are not limited to:

- Investments precluded by law or regulation;
- Investments specifically proscribed by the Board; and
- Investments in asset classes or investment strategies not contemplated in any part of the IPS, without the prior written consent of the Committee.

**Diversification**:

To limit the Portfolio's risk associated with potential concentration in securities and/or Investment Funds, diversification requirements are as follows:

**Diversification relative to a single security**:

At no time should a single security holding represent more than 2% of the outstanding investable assets of the Portfolio. This limit does not apply to a security whose purpose is to provide exposure to a widely diversified set of other securities, such as an ETF, total return swap, or futures contract.

**Diversification relative to a single Investment Fund**:

Any Investment Fund operating within any asset class should not manage more than 25% of the outstanding investable assets of the Portfolio at the time the investment is made. This sub-section does not preclude the possibility that investment in multiple Investment Funds owned by the same entity may aggregately represent more than 25% of the outstanding investable assets of the Portfolio. In the event that an increase in value of such an investment (or a decrease in value in the balance of the Portfolio) results in an individual investment in and Investment Fund representing more than 25% of the portfolio, the CIO shall report to the Committee without delay. The CIO will recommend a plan to bring the holdings in compliance with the IPS in an appropriate time period.

**Currency**:

The Portfolio may include investments denominated in any currency without restriction. The Committee may, at any time, place guidelines and/or restrictions regarding exposure to foreign currency risks, to be followed by the IMs. If necessary, a currency hedging program may be initiated on the entire Portfolio. Notwithstanding the fact that investments may be in various currencies, reporting on the Portfolio as a whole shall be in Canadian dollars.

**Reporting / Performance Monitoring:**

**Purpose**:

The purpose of monitoring and reporting on investment performance is for Golf Canada to be able to ensure compliance with the IPS and applicable law, manage the risk of the Portfolio, assess the performance of IMs retained by Golf Canada (with reference to benchmarks appropriate to each investment strategy or asset class, determined before initial deployment of assets), and ensure that the stated objectives of the IPS are being met.

**Interim Reporting to the Committee**:

On no less than a quarterly basis, the CIO, in conjunction with Staff, shall provide the Committee with a summary of the Portfolio's holdings and performance, and a statement of compliance of the Portfolio holdings with the provisions of this IPS.

**Annual Reporting**:

Annual reports shall be provided to the Board by the Committee. These reports shall review the Portfolio holdings and performance for the prior year, confirm compliance with the provisions of this IPS, and outline any material changes recommended to the composition of the Portfolio, the role or composition of the Committee, the identity of the CIO, and to the IPS.

**Industry Standards, Best Practices & Conflicts of Interest:**

**Best Practices**:

At all times, the Committee, the CIO and Staff shall endeavour to execute their duties in relation to the IPS and the Portfolio with respect to (but not limited to): IM selection and/or termination; cost management; trade execution; investment management and other fees, and securities lending and proxy voting in accordance with any laws, industry standards and consistent with generally accepted best-practices.

**Standard of Conduct**:

The Board, the Committee, the CIO, and Staff ("Principals") shall refrain from undisclosed personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

**Conflict of Interest**:

In the event that a Principal believes that any personal interest, whether economic or otherwise, might reasonably be seen by an independent third-party to pose a material conflict of interest in that Principal's involvement with the Portfolio, that Principal shall disclose said interest to the Committee, who will determine what, if any, action is required to mitigate the potential or existing conflict.

**Appendix A: Alternative Investments:**

**Definition**:

Alternative investments (Alternatives) can be defined as investments that are generally not included in the traditional Core investment classes. There are two major types: those that are Alternatives because of <u>how they are traded</u> or not traded (based on investment methods), and those that are Alternatives because of <u>what is traded</u> (those where the assets are non-Core).

**Instruments**:

In addition to instruments common to Core investing, Alternatives may include the use of leverage, the use of short-selling securities, and the expanded use of derivatives (including, but limited to, swaps, options and futures) to execute on investment strategies. These instruments may be used to manage risk and/or enhance returns.

**Criteria**:

The Committee may elect to include Alternatives within the Portfolio's Strategic Asset Allocation. In making this determination, the Committee should consider the following factors:

- Additional policies and objectives that address the unique return and risk characteristics of Alternatives, and limits in the strategic Portfolio;
- Articulation of a prospective investment's economic rationale and the overall importance of the specific investment in the Portfolio;

- Expanded due diligence efforts by Principals;
- Development of appropriate benchmarks for comparison of returns and risk, and review of investment performance through industry cyclical downturns or bear markets;
- Review of the Portfolio's liquidity needs with the actuary to determine if the investment cash flows are adequate,
- Selection of IMs whose experience and ability enables them to carry out the task of measuring and managing risk within their investment universe.
- Consideration of management fees for Alternatives that are often higher than those for traditional investments, and determination that the fees are rationalized by the enhanced risk management and/or returns expected.