Investment Policy Statement
Golf Canada

Revised June, 2018

I. INVESTMENT POLICY STATEMENT

1. 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.

II. ROLES AND RESPONSIBILITIES

2. 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).

3. 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 or equivalent), and the CIO.

4. 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 has been granted the authority to execute on any investment activities involving the purchase or sale of investment funds or securities without explicit instructions from the Committee under all of the following conditions:

   - The aggregate total amount of rebalancing does not exceed the lesser of (i) $2 million, or (ii) 10% of the total market value of the portfolio,
   - Pre-emptive notification and/or discussion is made with Golf Canada Staff prior to execution of any transaction, and
   - Communication outlining the details of the rebalancing must be provided to the full Committee within 7-days of the transaction.

5. **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.

6. 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.

7. Staff will ensure the maintenance of a record of the Investment Policy Statement (IPS) and monitor the asset allocation and investment management on a monthly basis to ensure compliance with its terms.

III. INVESTMENT OBJECTIVES & RISK MANAGEMENT

8. The **investment objectives** for the Portfolio are:

   a) To preserve the capital in the Portfolio.
   b) 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,
   c) To obtain an annual return, net of fees, of 6.0%. The long-term total return objective will be reviewed no less than annually to assess whether it accurately reflects the current market environment.

9. **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:

   d) Diversification among and within assets classes and investment strategies;
   e) 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.

IV. ASSET ALLOCATION & INVESTMENT MANAGEMENT

10. 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.

11. **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".

12. **Risk Rating:** In order to manage allocations based on risks assumed in order to achieve desired returns, a "Risk Rating" shall be applied to each investment (on a scale of 0-5, the definitions for which are immediately below), resulting in a money-weighted-average risk score for the entire Portfolio ("Risk Score").

    At no time may the Risk Score be higher than 3.5. When the Risk Score is between 3.1 and 3.5 inclusive, the Committee must meet on a regular basis to assess whether any changes to the Portfolio ought to be made and whether the Board ought to be made aware of any risks to the Portfolio with which it was not previously acquainted.

    The Risk Ratings shall reflect different types of risk that may include (but are not limited to): the permanent loss of capital; volatility in publicly-traded instruments; lack of liquidity in underlying assets, especially at times of financial stress; and the use of leverage, shorting or derivatives in investment strategies.

    With these and other potential risks in mind, each investment shall be rated based on the following guidelines to measure the Risk Score for the entire Portfolio:

    0: "Risk Free": Government-backed debt. Cash or cash-equivalents.

    1: "Very Low Risk": These investments pose little chance of losing capital over any period, and are generally associated with low duration, highly-liquid investment-grade debt instruments only.

    2: "Low Risk": These investments generally have some operational and/or credit risk, but are unlikely to have much volatility, or can be more volatile asset classes with defensive hedges in place designed to mitigate losses in times of crisis.

3: "Moderate Risk": These investments generally have some volatility but low probability of a loss of principal. Typical investment funds that fall under this category include hedged credit and equity funds that trade actively and hedge one or more macro risks. These investments may also represent longer term time horizons with lower liquidity (such as non-public asset-backed debt instruments).

4: "Moderate to High Risk": These investments are generally unhedged equity investments, whether public or private. They offer higher returns, but also have greater volatility and/or limited liquidity, which makes them susceptible to larger losses in times of financial crisis.

5: "High Risk (Speculative)": These investments generally involve investments in start-ups or extremely volatile asset classes. These investments often come with binary outcomes, where a total loss of capital is a real possibility.

13. 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 and execution (in accordance with the process described in Section II; Paragraph 4) 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.

V. INVESTMENT GUIDELINES

14. **Prohibited Investments** include, but are not limited to:
    a) Investments precluded by law or regulation;
    b) Investments specifically proscribed by the Board;
    c) Investments that, at the time the allocation is made, carry a Risk Rating of 5; and
    d) Investments in asset classes or investment strategies not contemplated in any part of the IPS, without the prior written consent of the Committee.

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

    a) **Diversification relative to a single security**: At no time should a single security holding represent more than 5% 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.

b) **Diversification relative to a single Investment Fund**: Any single Investment Fund or single ETF should not manage more than 25% of the outstanding investable assets of the Portfolio at the time the investment is made.

c) **Diversification relative to a single Investment Management Entity:** Investment in multiple Investment Funds managed by the same entity may not in aggregate represent more than 25% of the outstanding investable assets of the Portfolio. This limit does not apply to investment in multiple ETFs managed by the same entity.

In the event that an increase in value of such investments (or a decrease in value in the balance of the Portfolio) results in an individual investment in an Investment Fund representing more than 25% of the Portfolio, or, an investment in multiple Investment Funds owned by the same entity representing more than 25% of the Portfolio, the CIO or Staff 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.

16. **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.

VI. REPORTING / PERFORMANCE MONITORING

17. **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.

18. **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.

19. **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.

VII. INDUSTRY STANDARDS, BEST PRACTICES & CONFLICTS OF INTEREST

20. **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.
21. **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.
22. **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.