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**TOWN OF HIGH LEVEL**  
**Investment Policy**  
**POLICY NO. 249-14**

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Authority: Council  
Resolution: # 369-14  
Date Approved: October 27, 2014

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**Purpose:**

To provide general investment principles, rules and delegated authority for managing and monitoring the investments of the Town of High Level. Adherence to the Investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of Town of High Level.

**Policy Statement:**

It is the policy of Town of High Level to invest reserve funds in a prudent manner that will provide optimum investment returns with the maximum security, while meeting any cash flow requirements of Town of High Level. Our investments must conform to the policies and guidelines set forth below, as well as operate within the language and spirit of legislative requirements under the Municipal Government Act (Section 250, Investments).

**Scope/Application:**

All those involved with the management of Town of High Level investments are required to comply with the contents of this policy.

**Objectives:**

**1. Capital Preservation**

- a. Town of High Level recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted. Therefore, the prime objective of this policy is to ensure that the principal amount of each investment is insulated from losses due to market conditions and issuer default. To accomplish this objective, we will maintain minimum quality standards for

all individual investments held, and mandate sufficient diversification within the portfolio itself.

**2. Liquidity**

- a. The investment portfolio will be sufficiently liquid in order to enable Town of High Level to meet any projected or sudden cash flow requirement which might reasonably be expected to occur.
- b. For the purpose of this policy, Town of High Level defines liquidity as the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.

**3. Permissible Investments / Safety**

- a. Security selection is restricted to the authorized investments as defined below.
- b. The portfolio shall not hold shares of a corporation (equities) or corporate bonds (excluding Schedule 1 Chartered Banks in Canada).
- c. The portfolio shall not hold units of pooled funds, derivative securities, real estate, residential mortgages, asset-backed securities or ownership interests in any unincorporated body.

**4. Credit Quality**

- a. Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

<b>Debt Rating Category</b>	<b>Minimum</b>	<b>Maximum</b>
<b>"BBB" or lower</b>	<b>0 %</b>	<b>0 %</b>
<b>"A"</b>	<b>0 %</b>	<b>50 %</b>
<b>"AA" or higher</b>	<b>50 %</b>	<b>100 %</b>

- b. Investments rated below "A-" or equivalent at time of purchase are not permitted. If a security's credit rating falls below "A-" after time of purchase, it shall be removed from the portfolio as soon as practical.
- c. Permitted Issuers: Our investments will be limited to the following issuer guarantees:
  - i. The Federal Government of Canada (including crown corporations)
  - ii. Any Provincial Government body or entities guaranteed by such province (i.e. Alberta Treasury Branch)
  - iii. Any obligations fully guaranteed by one of the Schedule 1 Chartered Banks in Canada.
- d. All ratings refer to the ratings of the Dominion Bond Rating Service Ltd. (DBRS).

- e. In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the Municipal Government Act.
  - f. Securities with a maturity date of less than one year (i.e. money market) must have a minimum rating of R-1 (high) from the date of issue.
- 5. Portfolio Diversification and Restraints – The following constraints shall apply to the portfolio. All percentages used below are based on market value.**
- a. Not more than 25% of the portfolio shall be invested in any single security.
  - b. Not more than 25% of Long Term Investments (maturities greater than one year) shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada.
  - c. Not more than 25% of Short Term Investments (maturities one year or less) shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada having at least a “AA” rating. If the Short Term investment portfolio becomes non-compliant as investments mature over time, the percentage at the time when the investments were purchased shall be used for purpose of evaluating compliance to policy.
  - d. Subject to the restrictions in this section, mortgage backed securities may be held in the portfolio provided they are rated “AAA” only.
- 6. Duration (Interest Rate Anticipation)**
- a. The duration of the portfolio will at all times be maintained in a range of +/- 30% to the duration of the Scotia Capital Universe Bond Index.
  - b. Town of High Level shall take advantage of trading opportunities presented by fluctuations in the yield curve.
- 7. Short Term Investments – Return and Performance Standards**
- a. The Scotia Capital Markets 91 day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of under-performance and adjusted if necessary by the Investment Advisor.
  - b. Performance will be evaluated using a total return framework.
- 8. Safekeeping and Custody**
- a. All investment certificates shall be issued in the name of the Town of High Level.
  - b. Investment certificates may be held for safekeeping by the financial institution.
  - c. Responsibility for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions is delegated to a trust company custodian duly registered in Canada.

- d. Adherence to reporting requirements in accordance with International Financial Reporting Standards (IFRS).

**9. Policy Review**

- a. This policy may be modified at any time based on issues related to the administration of this policy, or fundamental changes in the overall investment objectives, (etc. social, economic or political change).

**10. Prudence**

- a. Investments are to be made with judgment and care, under prevailing circumstances, which persons of discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and income to be derived.
- b. Investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations are reported in a timely fashion and appropriate action is taken to control adverse developments.

**11. Conflict of Interest / Ethics**

- a. Officers, employees and persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose to their manager any material interests in financial institutions that conduct business with Town of High Level, and they shall subordinate their personal investment transactions to those of Town of High Level, particularly with regard to the timing of purchases and sales.
- b. This guideline also extends to any external investment management firms utilized by Town of High Level to manage its portfolio.
- c. Strict adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct.

**References/Links:**

- a. Municipal Government Act, RSA 2000, c. M-26 (section 250)

	RESOLUTION	DATE
Adopted	# 369-14	October 27, 2014
Amended		