

Investment Policy – Endowed Funds

Finance 2.9

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Referenced policies: Investment Policy Statement, Endowed Funds, Preservation of Capital			

POLICY: this policy sets out the guidelines for the management of the Foundation’s Endowed Funds by the investment managers.

SCOPE: all of the investment assets of the Foundation’s Endowed Funds are governed by the Investment Policy Statement – Endowed Funds.

DEFINITIONS: the Investment Policy Statement – Endowed Funds is the document prepared by the Investment Committee upon the recommendation of the investment advisors, and approved by the Board of Directors.

The first Investment Policy Statement – Endowment Fund was approved by the Board of Directors of Bridgepoint Health Foundation on the 8th of December 2010.

The investment profile has been designed for endowment funds held by the Foundation:

Asset Class	Benchmark Allocation	Permissible Range
Cash & Equivalents	0.0 %	0% - 10.0%
Fixed Income	<u>50.0 %</u>	<u>40.0% - 60.0%</u>
Total Cash & Equivalents	50%	40% - 60%
Canadian Equities	17.0 %	7.0% - 27.0%
Global Equities*	<u>33.0%</u>	<u>23.0% - 43.0%</u>
Total Equities	50%	40% - 60%

*The long term target for global equities is 50/50 US/International.

* * *

The Investment Policy Statement has 3 Appendices, one of which includes 3 tabs.

Bridgepoint Health Foundation - Endowed Funds

Investment Policy Statement

8 December 2010

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Bridgepoint Health Foundation Endowed Funds

Investment Policy Statement

1. Background

Since 1860, Bridgepoint Health and its predecessor corporations have provided hospital and related health services for people living with complex disease and disability. Bridgepoint Health is academically affiliated with the University of Toronto and the Bridgepoint community comprises Bridgepoint Hospital, Bridgepoint Collaboratory for Research and Innovation, Bridgepoint Community Rehab, and Bridgepoint Centre for Living. All of these entities are located in the City of Toronto and are registered charities under the Income Tax Act of Canada.

Bridgepoint Health cares for its patients by:

- providing an integrated network of programs and services in complex care and complex rehabilitation;
- advancing knowledge, expertise and care through research, teaching and learning; and
- engaging the community and health care partners to create a networked system of support.

Bridgepoint Health Foundation (the “Foundation”) is a registered charity committed to providing financial support to Bridgepoint Health. The Foundation has established an Endowed Fund (the “Fund”) in order to accept the contribution of capital gifts. The fund allows donors to provide a dependable and renewable stream of income in support of the Foundation’s mission in perpetuity (or a minimum of ten years).

2. Investment Policy Statement

This Investment Policy Statement (the ‘Statement’) identifies the key factors bearing upon decisions for the Fund’s investment portfolio (the ‘Portfolio’) and provides a set of written guidelines for the management of its assets.

This Statement has been prepared in the context of the separately approved Preservation of Capital Policy and the Endowed Funds Policy.

3. Current Circumstances

The Endowed Funds is currently invested alongside the balance of the Foundation’s assets as described in Appendix A. Given the different time horizons, this statement has been prepared in the context of the Endowed Funds’ specific objectives.

4. Roles and Responsibilities

4.1 Board of Directors

The Board of Directors of Bridgepoint Health Foundation (the “Board”) has ultimate authority over and responsibility for the Portfolio. To assist it in the performance of its duties and to ensure that the Portfolio meets its objectives, the Board will:

- appoint an Investment Committee (the ‘Committee’);

- receive the Committee’s recommendations with respect to the Portfolio’s Investment Policy Statement and re-approve or amend the Statement, as appropriate, on an annual basis; and
- review all other reports and recommendations of the Committee with respect to the Portfolio and take appropriate action.

4.2 Investment Committee

The Investment Committee will:

- maintain an understanding of legal and regulatory requirements and constraints applicable to the Portfolio and keep the Board fully apprised of these;
- on an annual basis, or more frequently if appropriate, review the Portfolio’s Investment Policy Statement and make appropriate recommendations to the Board regarding its amendment or re-approval;
- formulate recommendations to the Board regarding the selection, engagement or dismissal of a professional investment manager or managers (the “Manager(s)”), an Investment Advisor and Custodian;
- formulate specialized instructions and mandates for each Manager, in the event that more than one Manager is engaged. These instructions and mandates will derive from, reflect and be consistent with the provisions of this Investment Policy Statement;
- monitor the Portfolio’s performance and its compliance with the Investment Policy Statement and report on these matters to the Board on a quarterly basis;
- monitor the Manager(s)’ performance and compliance with the Investment Policy Statement as well as each Manager’s compliance with any specialized instructions and mandates they have been given;
- take appropriate steps to ensure that the Portfolio is rebalanced, as necessary, per Section 10 of this Investment Policy Statement; and
- take appropriate steps to resolve conflict of interest issues as provided for in Section 13 of this Investment Policy Statement.

4.3 Investment Advisor

The Investment Advisor will:

- Provide the Committee with independent and objective information, advice and recommendations on the:
 - i. Asset mix strategy;
 - ii. Investment Manager structure; and
 - iii. Selection, dismissal or replacement of an Investment Manager(s) and Custodian(s);
- Provide the Committee with recommended Investment Policy Statements and/or specialized Investment Manager instructions and mandates, as necessary;
- On an annual basis, or as appropriate, provide the Committee with advice on the advisability of re-approving or amending the Foundation’s IPS as well as any specialized instructions and mandates provided to the Investment Managers;
- Monitor the portfolio’s asset allocation and provide recommendations to the Committee with respect to rebalancing assets among Investment Managers (if more than one) and/or asset classes;

- Provide administrative assistance with respect to moving assets between Investment Managers as well as the receipt or disbursement of monies to/from the portfolio and act as a liaison between the Committee and the Investment Managers and/or Custodian in this connection;
- Provide regular reports to and meet with the Committee as provided for in Section 11 of this IPS;
- Provide information and advice with respect to developments that might affect the Investment Manager(s)' performance, risk characteristics and service capabilities;
- Negotiate management and/or custodian fees on behalf of the Foundation; and
- Meet with the Committee on a regular basis, as determined by the Committee's requirements.

4.4 Investment Manager(s)

The Investment Manager(s) will:

- Have full discretion in day-to-day investment management of the portion of the portfolio for which they have been given responsibility, subject to this IPS and any amendments thereto as well as any specialized instructions and mandates issued by the Committee;
- Ensure that all transactions are completed on a 'best execution'¹ basis;
- Have the authority to vote all proxies and, in exercising this authority, act prudently and solely in the interest of the Foundation. The Committee retains the right to instruct the Investment Manager(s) on how to exercise voting rights but recognizes that this may not be enforceable if the subject investments are held within a pooled fund;
- Provide regular reports to and meet with the Committee as provided for in Section 11 of this IPS;
- Recommend to the Committee changes to their mandate or to specialized instructions and mandates issued by the Foundation, that the Investment Manager(s) deem(s) appropriate;
- Provide advice and counsel with respect to the portfolio when called upon to do so by the Committee;
- Exercise the care, skill and diligence that can reasonably be expected of a prudent person and adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct; and
- Follow instructions regarding any investment arising from a gift or other type of arrangement e.g. some gifts may include a requirement that they be invested in certain assets or subject to a particular time or asset constraint.

4.5 Custodian(s)

Custody of the portfolio's assets shall be delegated to a trust company or other financial institution similarly recognized as a depository for securities. The Custodian(s) will:

- Provide safekeeping for portfolio assets;
- Process transactions as directed by the Investment Manager(s) and/or the Committee;

¹ 'Best Execution' is the obligation of Manager(s) to execute client orders at the best price currently available.

- Collect interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- Inform the Investment Manager(s) of pending corporate actions (e.g., name changes, mergers, odd lot offerings) and process instructions related to such matters;
- Deposit funds and pay expenses as directed by the Committee;
- Maintain a record of all transactions;
- Provide regular reports to the Foundation as provided for in Section 11 of this IPS;
- Provide the Investment Manager(s) and other agents of the Foundation with information required to fulfill their duties, or as directed by the Committee; and
- To the extent possible, provide applicable information as may be requested by the auditor.

5. Distribution Policies and Investment Objectives

5.1 Return on Investments

Investment income from Endowed funds ensure that the financial resources needed by the Foundation to support Hospital approved objectives are available on an ongoing basis. Disbursements from the Fund will be used to support the financial requirements of Bridgepoint Health. The timing and actual size of disbursements will vary, and will be determined at the discretion of the Foundation's Finance and Audit Committee.

If it is assumed that:

- the Fund annually must disburse, *at a minimum*, 3.5% of the previous year's Portfolio market value in order to satisfy CRA requirements;
- the costs associated with administration of the Portfolio will amount to approximately 1.0% per annum; and that
- the rate of inflation will average 2.5% per annum, then

the portfolio should generate a return of 7.0% per annum in order to preserve its value on an inflation-adjusted basis. This 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 3-5 years periods, as prescribed by the Fund's Preservation of Capital policy. During market downturns, the investment return (net of all charges and levies) may be less than what is required to fund the intended disbursement guideline of 3.5%. In that case, the President & CEO, upon the advice of the Finance & Audit Committee, may authorize additional expendable funding subject to terms and conditions as deemed appropriate.

The Fund's return objectives are ranked as follows:

- preservation of capital;
- generation of 'income' to meet disbursement requirements;
- generation of growth in the Portfolio's assets in order to preserve its value in real (i.e., inflation-adjusted) terms;
- generation of growth in the Portfolio's assets in order to provide the basis for producing an increasing stream of income and/or capital for disbursement, if required.

5.2 Risk Tolerance

The Portfolio's exposure to risk will be measured in terms of the standard deviation of its investment returns. The Portfolio should be structured and managed so as to provide for the generation of its targeted rate of investment return while assuming the lowest possible risk. Through discussions with the Committee, it has been determined that the portfolio can tolerate a moderate level of volatility, such as negative returns one in every six years, given the long term objectives of the Fund. A temporary annual decline in the combined portfolio of between 10% and 15% could be tolerated.

6. Investment Constraints

6.1 Legal and Regulatory Status

The Foundation was established by Letters Patent issued by the Minister of Consumer and Commercial Relations on September 12, 1990.

It is subject to the provisions of the Trustee Act of Ontario, as administered by the Office of the Public Guardian and Trustee, the Charities Accounting Act, the Charitable Gifts Act, the Income Tax Act of Canada and associated regulations promulgated by the Canada Revenue Agency under the authority of that Act.

The Foundation is registered with Canada Revenue Agency as a charitable foundation. Its year-end is March 31.

6.2 Taxation Status

The Fund is exempt from income taxes provided it meets the requirements enumerated in the Income Tax Act of Canada and associated regulations promulgated by Canada Revenue Agency.

6.3 Investment Time Horizon

A portfolio's investment time horizon is an important factor in determining its investment strategy. The period over which a particular investment strategy can or will be maintained has a direct bearing on the likelihood that it will generate its targeted rate of return within that period and within acceptable risk parameters.

For planning and portfolio structuring purposes, it is assumed that the investment time horizon of the Endowed portfolio is long term, or in perpetuity (i.e. greater than ten years).

6.4 Income and Liquidity Requirements

A minimum annual disbursement of 3.5% is required to satisfy CRA regulations, plus a 1.0% annual fee. From time to time, the disbursement may be greater. It is desirable that the portfolio generate sufficient income from interest and dividends to meet the annual

disbursement requirement. However, a portion of the capital gains generated in the portfolio may be used for disbursements and/or fees as necessary.

7. Asset Mix

In reviewing the Fund's investment objectives, investment time horizon, risk tolerance, income requirements and liquidity needs, the recommended long term, strategic asset allocation target is 50% fixed income and 50% equity (17% Canadian equity and 33% global equity). This balanced allocation between fixed income and equities is structured to reflect the Fund's long time horizon, and to achieve the average annual required rate of return over the long term.

The long term, strategic asset allocation targets and permissible ranges are outlined in the table below.

Long Term Strategic Asset Allocation

Asset Class	Benchmark Allocation	Permissible Range
Cash & Equivalents	0.0%	0% - 10.0%
Fixed Income	50.0%	40.0% - 60.0%
Total Cash & Equivalents and Fixed Income	50.0%	40.0% - 60.0%
Canadian Equities	17.0%	7.0% - 27.0%
Global Equities*	33.0%	23.0% - 43.0%
Total Equities	50.0%	40.0% - 60.0%

*For global equities, the long term target is 50/50 US/international. However, it is recommended that manager/s actively manage the global allocation. Due to its maturity, the US equity market has dominated world markets with respect to liquidity and sophistication. As such, it has attracted an unusually large balance of capital, which has promoted its returns. As the international markets have become more sophisticated and liquid, it is not expected that such a level of dominance in the US to continue.

As described in greater detail in Appendix B, the recommended asset allocation:

- Is expected to generate an estimated income yield from interest and dividends which will meet the minimum annual CRA disbursement requirement;
- Is within the Foundation's risk tolerance with respect to volatility.
- Has a total expected annual average return of 7.0% per annum before manager value-add. Including manager value-add, the expected long term rate of return is 8.0%. Manager value-add is assumed to be 0.5% for fixed income and 1.5% for equities.

Financial projections for testing the long term asset allocation are also included in Appendix B.

8. Investment Management Guidelines

8.1 Diversification

The single most important strategy used to manage portfolio risk is diversification. The following table summarizes the four different types of diversification, which is discussed in greater detail in Appendix C.

<i>Types of Diversification</i>	
Type	Description
By Asset Classes	Diversify by asset class by combining different types of asset classes in the portfolio, such as money market, fixed income (bonds), and equities (stocks).
Within Each Asset Class	Diversify within each asset class by holding investments with different risk-return characteristics. For example, equities are diversified across industry sectors and by company size (large-, mid- and small-cap equities), while bonds are diversified by credit rating and term to maturity.
Geographically	Diversify by investing internationally.
By Investment Style	Diversify by employing managers with different investment styles, such as value and growth.

8.2 Eligible Asset Classes - Definitions and Constraints

8.2(a) Cash Equivalents

Cash equivalents will consist of instruments with terms to maturity of 0 to 12 months and include fixed income instruments originally issued with a term to maturity in excess of 12 months.

Cash equivalents originally issued with terms to maturity of 12 months or less will have a minimum Dominion Bond Rating Service (DBRS) credit rating of R1-Mid or an equivalent rating by another well-established rating agency at the time of purchase and thereafter.

8.2(b) Fixed Income Instruments

Investments in the following fixed income instruments are permitted:

- Bonds;
- Debentures;
- Notes;
- Coupons and residuals; and
- Asset-backed securities.

Such instruments must be:

- Issued or guaranteed by the Government of Canada or one of its agencies;
- Issued or guaranteed by a Canadian provincial government or one of its agencies;
- Issued by a Canadian municipality or regional government;
- Issued by a Canadian corporation; or
- Issued by a foreign government or a foreign corporation.

The following restrictions pertain to fixed income investments held in a segregated portfolio. For pooled accounts, investments would be subject to the guidelines of the relevant funds.

'Maple bonds', i.e., bonds denominated in Canadian dollars both in terms of interest payments and principal payments but issued by non-Canadian entities, may be held in the portfolio provided they meet the minimum credit rating standards set out below. Maple bonds should not constitute more than 10% of the market value of the fixed income asset class.

Preferred shares must have a minimum DBRS credit rating of PFD-3 or an equivalent rating by another well-established rating agency at the time of purchase and thereafter, if considered as part of the fixed income component of the portfolio. All other fixed income instruments must, as a group, have a market-weighted average DBRS credit rating of A, or an equivalent rating by another well-established rating agency, or better at the time of purchase and thereafter.

No more than 5% of a fixed income portfolio shall be invested in debt issues of any one issuer other than that of Canada or of a province of Canada having at least an AA credit rating, as measured by the Dominion Bond Rating Service ("DBRS") or equivalent service. The market value of any one fixed income security shall not exceed 7% of the fixed income asset class. Fixed income instruments issued or guaranteed by the Government of Canada or one of its agencies or by a Canadian provincial government or one of its agencies are exempted from this provision.

No more than 10% of the investment grade fixed income portfolio shall be invested in debt issues of issuers with a BBB rating. The Committee can approve exceptions up to 20% of the investment grade portion of the portfolio. High yield bonds (below investment grade) can be used as a substitute for equity within the overall tactical ranges.

Foreign pay bonds should not constitute more than 10% of the market value of the fixed income asset class.

8.2(c) Equities

Investments in the following equity securities are permitted:

- Publicly traded common stocks;
- Rights, warrants, instalment receipts, convertible debentures and other instruments convertible into common stocks;
- Income trust units;
- American Depositary Receipts;

- Global Depositary Receipts; and
- Preferred Shares.

Individual equities or equities held within equity funds must be listed on a major stock exchange.

Investment in the securities of any single issuer should not constitute more than 5% 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 10% of the market value of the equity asset class.

8.3 Additional Constraints, Inclusions and Exclusions

The Portfolio as a whole and each asset class represented in the Portfolio must be reasonably diversified. If more than one Manager is employed, all reasonable attempts will be made to ensure that the Portfolio is diversified in terms of investment management 'style'.

All investments must be reasonably liquid at the time of purchase and thereafter. In the event that the Manager(s) forecast(s) an impairment in the liquidity of an investment, the Manager will make all reasonable efforts to liquidate the investment on a timely basis.

Index, mutual and pooled funds may be held in the Portfolio. These funds will be categorized as cash equivalents, fixed income investments or equities as appropriate given their underlying securities or the capital markets to which they are intended to provide exposure. While such funds will be managed in keeping with their own investment policies, these policies must be consistent with the spirit of this Investment Policy Statement. In the event that there are any substantive inconsistencies between the provisions of this Investment Policy Statement and the policies applicable to a fund that a Manager wishes to employ in the Portfolio, the Manager must identify these to the Committee and receive its written approval for investing in the fund before any such investment is made.

In the event that a Manager plans to revise the mandate or investment policy of one or more of the Manager's index, mutual or pooled funds held in the Portfolio, the Manager must provide the Committee with prior notice of the revision. This notification must be provided to the Committee at least one month in advance of the proposed revision.

The Committee reserves the right to instruct the Manager(s) to exclude any asset, security or category of investment and will notify the Manager(s) by written notice in the event that such restrictions are to be imposed.

Investments in the following are prohibited:

- tobacco companies including companies that may have a whole or partial ownership positions in tobacco companies;
- private placements, limited partnerships or other non-marketable equity or debt instruments;
- lettered, legend, unregistered or other restricted stock;
- uncovered short positions;
- leveraged positions;
- commodities; and

- hedge funds and other alternative investment vehicles. Notwithstanding this exclusion, derivative securities may be held in the Portfolio for the purpose of hedging currency exposure when the manager deems appropriate.

The Committee may, with the approval of the Board of Directors, 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 practicable by the Manager(s). In the event that, on the date that the securities are deposited, the Manager has plans to purchase the subject securities for the Portfolio, the Manager may retain the deposited securities (in whole or in part) rather than liquidate them. This provision is included so that trading costs can be minimized.

9. Performance Standards

9.1 Investment Returns

The portfolio's investment performance will be measured against the performance of a 'benchmark' index calculated using appropriate market indices combined in the same proportion as the portfolio's benchmark asset mix:

Asset Class	Benchmark Index	Proportion
Canadian Cash	DEX 91-Day Treasury Bill	0%
Canadian Fixed Income Instruments	DEX Universe Bond Index	50%
Canadian Equities	S&P/TSX Composite Index	17%
Global Equities	MSCI World Index (in Canadian Dollars)	33%

The benchmark index indicates the return that a passive investor (i.e., one who invests in market indices) would earn by consistently employing the benchmark asset allocation set forth in Section 7.

The portfolio's investment performance is expected to:

- Exceed the investment performance of the benchmark index over rolling 4-7 year periods, with an emphasis on the 7-year period; and
- Rank in the top 25% of comparable portfolios over rolling 4-7 year periods, with an emphasis on the 7-year period.

The performance of the Investment Manager(s) relative to an appropriate peer group over rolling 4-7 year periods, with an emphasis on 4-year and 7-year periods will be evaluated annually. The performance of individual asset classes is expected to:

- Exceed the return of their corresponding benchmark indices; and
- Rank in the top 25% of the appropriate Investment Manager performance measurement universes over rolling 4-7 year periods, with an emphasis on 4-year and 7-year periods.

Further, the Investment Manager(s) will be evaluated in terms of:

- Compliance with the provisions of this Investment Policy Statement and any amendments thereto as well as any specialized instructions and mandates issued by the Foundation; and
- The provision of satisfactory reporting and client service.

9.2 Risk Exposure

The portfolio's risk exposure, as measured by the standard deviation of its returns, will be reviewed regularly.

The risk profile of the Investment Manager(s) will be reviewed regularly over rolling 4-7 year periods, with an emphasis on 4-years and 7-years, relative to an appropriate peer group.

The risk profile of the portfolio as a whole should rank below the median risk for comparable portfolios and Investment Managers.

10. Rebalancing

The portfolio's allocation among asset classes will be reviewed on a quarterly basis by the Committee and Investment Advisor. Rebalancing will be considered when allocations fall outside of the ranges established in Section 7 or outside of established parameters related to the allocation of assets between or among Investment Managers.

To the extent that is reasonable and possible, inflows and outflows of cash or assets in kind will be directed in such a way as to maintain:

- The long-term strategic asset allocation of the portfolio or the tactical target asset allocation as set out by the Committee; as well as
- The targeted allocation of assets between or among Investment Managers.

In the event that such flows of cash and/or assets in kind are absent or insufficient, the Committee in consideration of the Investment Advisor's recommendations will take steps to rebalance the portfolio by way of the transfer of cash and/or assets between or among the Investment Managers.

11. Reporting and Service

11.1 Investment Manager(s)

On a quarterly basis and within 30 days of the end of the calendar quarter, the Investment Manager(s) will provide the Foundation with:

- A valuation of the portfolio as at the end of the quarter, including the market value of each security;
- Data and commentary on the Investment Manager(s)' investment performance (for the past quarter as well as for the past 1-, 2-, 3-, 4-, 5-, 7- and 10- year periods and since inception) relative to benchmarks established in this Investment Policy Statement or to the Investment Manager's specialized mandate in the event that more than one Investment Manager is engaged;

- A commentary on the investment strategy and activity/tactics employed over the past quarter as well as a brief review and outlook for the economy and capital markets;
- A report of any significant proxy issue(s) including any vote against management or on any unusual item(s);
- Information pertaining to changes of investment or senior management personnel and/or ownership structure, if any; and
- Information pertaining to changes to the Investment Manager's investment style, process or discipline or any other philosophical, operational or organizational matter that might reasonably be expected to have a bearing on the performance or risk profile of the assets managed by the Investment Manager(s).

On an annual basis, the Investment Manager will provide a signed Certificate of Compliance indicating that the assets for which the Investment Manager(s) has/have responsibility have been managed within the parameters established by this Investment Policy Statement or by any specialized instructions or mandates issued by the Committee.

The Investment Manager(s) will provide, upon request, a written report on all of its proxy votes with respect to portfolio assets under their management. Such reports will identify any instances in which proxies were not voted in accordance with the Investment Manager's share voting policy.

The Investment Manager(s) will be available for meetings with the Committee on a quarterly basis, or more frequently if required, and will be available for discussion and consultation on an ad hoc basis.

11.2 Custodian(s)

The Custodian(s) will provide the Foundation with statements on a monthly basis. These statements will include, at a minimum, a summary and a detailed listing of assets held in the portfolio as well as a listing of transactions (including deposits, withdrawals, receipt of interest and dividends, purchases, sales, corporate actions and fees paid) that occurred in the portfolio during the reporting period.

The Custodian's reports will provide the book value and current market value of each asset held in the portfolio and categorizes securities by issuer type, market sector and/or industry, as appropriate.

11.3 Investment Advisor

If an Investment Advisor is engaged, it would be expected that on a quarterly basis, the Investment Advisor will provide the Committee with a report detailing:

- The performance of the portfolio. These reports will detail performance in both absolute terms and relative to the benchmark index described in Section 9.1 of this IPS. Performance statistics will be provided for the quarter, the year-to-date, and each annual and annualized period since inception;
- The risk characteristics of the portfolio; and
- The performance and risk characteristics of the Investment Manager(s) relative to (an) appropriate peer group(s).

The Investment Advisor will be available for meetings with the Committee on a quarterly basis, or as requested by the Committee, and will be available for discussion and consultation on an ad hoc basis.

12. Criteria for Terminating an Investment Manager

The Committee will consider termination of a Manager when one or more of the following circumstances prevail:

- The Investment Manager's investment performance results have been below the median performance results of the appropriate Investment Manager peer group and/or the appropriate market benchmark indice(s) for three consecutive years;
- The Investment Manager's short-term underperformance is found to be a result of a change in the Manager's investment style, process or discipline or a change in the Investment Manager's key investment personnel;
- There is a significant change in the risk profile of the Investment Manager;
- The Investment Manager's investment style is no longer appropriate given the portfolio's requirements;
- The Investment Manager's reporting and client service are unsatisfactory; or
- The Committee has concerns regarding the Investment Manager's ethics.

Notwithstanding the above, the Committee may terminate an Investment Manager for any reason that it deems appropriate.

13. Conflict of Interest

No fiduciary will knowingly permit his or her interest to conflict with his or her duties or powers relating to investment of the Portfolio's assets or to any other matter related to the Portfolio. Any actual or perceived conflict of interest must be reported to the Committee. Such disclosure will be made when the affected individual first becomes, or ought to have become, aware of the conflict or potential conflict. The Committee will be the sole arbiter in determining whether the conflict of interest exists and, if it determines that a conflict does exist, will take all necessary and appropriate measures to remedy the situation. Every disclosure of a conflict of interest will be recorded in the minutes of the relevant Committee meeting.

The failure of a person to comply with the requirements of this Section will not of itself invalidate any decision, contract or other matter.

14. Adoption of Investment Policy Statement

Further to a recommendation by the Committee, the Board of Directors of Bridgepoint Health Foundation adopted this Investment Policy Statement by way of resolution at its meeting on the 8th of December 2010.



Phil Arthur
Chair, Board of Directors
Bridgepoint Health Foundation

22nd of January 2011



Lynn M. McDonald
Chair, Finance and Audit Committee
Bridgepoint Health Foundation

22nd of January 2011

Appendix A – Current Circumstances

The Endowed Fund’s assets are currently commingled with the broader Foundation’s investment portfolio. Initially, the Foundation’s portfolio had a long term target asset allocation of 40% fixed income and 60% equity, but has gradually moved to the current mix of 70% fixed income and 30% equity as funds from the Foundation will be needed to cover the cost of the Hospital Redevelopment Project in the near term. Given that the Endowed Funds has a longer time horizon than the balance of the Foundation’s assets, a different long term asset allocation is required. For investment purposes, endowed funds will be combined and pooled with other endowed funds from other donors.

The Fund’s Portfolio market value as at September, 2010 was approximately \$3.2 million. The Portfolio’s asset mix as at September, 2010 is presented below.

Current Portfolio Asset Mix		
Asset Classes	Amount	Allocation
Cash	\$86,400	2.7%
Canadian Fixed Income	\$2,102,400	65.7%
Canadian Equities	\$265,600	8.3%
U.S. Equities	\$284,800	8.9%
International Equities	\$460,800	14.4%
Total Portfolio	\$3,200,000	100.0%

The current Portfolio has an allocation of approximately 68% to cash and fixed income securities. Fixed income securities provide portfolios with stable cash flows over time but are most important to offset negative equity markets assuming high quality bond portfolios. Historically, fixed income instruments have appreciated when the equity markets have performed negatively, resulting in less volatile portfolios which in turn lead to higher compounded returns. The appropriate fixed income allocation for the Fund’s strategy is a function of its risk tolerance and financial objectives.

The equity component of the portfolio is diversified between Canadian, US and International equities with Canadian equities representing 8% of the portfolio and global equities (US and international) representing 23%. Looking forward we expect global diversification in conjunction with Canadian investments to provide the highest quality risk adjusted returns. One of the concerns about investing predominantly in Canada is the concentration of the Canadian equity market and the lack of sector diversification with energy, materials and financials making up 75% of the total market. Generally, we recommend the equity component of our clients’ portfolios be well diversified between Canadian, US and international markets. The rationale is that the US represents about 50% of the world’s capitalization and the balance is represented by Europe, Asia, the Far East and Australia. While Canada only represents 3% of the world’s capitalization, Canadian equities should have a similar allocation to global equities within the portfolio as the absence of currency volatility increases the expected risk-adjusted return.

As illustrated under Tab 1, the Foundation’s current asset mix based on market indices has historically provided volatility, as represented by standard deviation, of 7.2%, a minimum return in any given year of -3.9% and a maximum temporary loss of 3.9% over consecutive years during the past 51 years. An index portfolio based on this asset allocation historically returned 8.9% per

annum in a 2.5% inflationary environment, during a period where interest rates have been in steady decline.

Appendix B – Asset Mix

A portfolio’s asset mix is the allocation of investments between asset classes with a goal of balancing risk and return. The greater the allocation to equities relative to fixed income securities, the greater the portfolio’s potential capital appreciation and the higher the portfolio’s potential risk. Conversely, the greater the allocation to fixed income securities relative to equities, the greater the potential for a consistent income stream and the lower the portfolio’s potential risk.

The table below outlines the expected return for the recommended strategic asset allocation, in addition to the expected income yield before manager value-add. The portfolio’s starting market value is assumed to be approximately \$3.2 million.

<i>Expected Return of the Recommend Portfolio</i>			
	Recommended Portfolio	Expected Portfolio	
Asset Classes	Asset Mix	Expected Income Yield (%)	Expected Total Return (%)
Canadian Fixed Income	50.0%	5.5%	5.5%
Canadian Equities	17.0%	2.0%	8.5%
U.S. Equities	16.5%	2.0%	8.5%
International Equities	16.5%	2.0%	8.5%
Total Portfolio	100.0%	3.8%	7.0%

The expected market returns are based on a 2.5% average inflation rate for the next five to ten years, a 3% real rate of return for bonds and a 6% real rate of return for equities, based on historical long term averages. These assumptions translate to a 5.5% expected nominal return for bonds and an 8.5% return for equities, as seen in the second last column in the table above. We expect cash returns to reflect inflation.

The recommended asset allocation:

- Is expected to generate an estimated income yield from interest and dividends of 3.8%, which will meet the minimum annual CRA disbursement requirement;
- Is within the Foundation’s risk tolerance with respect to volatility. The minimum annual calendar return over the last 51 years was -10.9% for the combined portfolio based on market indices; and
- The combined portfolio has a total expected annual average return of 7.0% per annum before manager value-add. Including manager value-add, the expected long term rate of return is 8.0%. Manager value-add is assumed to be 0.5% for fixed income and 1.5% for equities.

One of the statistical tools used to test the recommended strategic asset allocation is a program called the “Efficient Frontier” analysis. The results of this program are provided under Tab 2. The Efficient Frontier analysis determines the asset allocation that will provide an optimal risk-adjusted return based on the Foundation’s investor profile. The program uses historical and

expected future market data along with investor objectives and constraints to formulate a recommendation. While this analysis is interesting, it is only one of the many tools used to assess the portfolio's overall investment strategy.

In the Efficient Frontier graph under Tab 2, the "C" point represents the portfolio's current asset allocation position. The "R" point represents the Efficient Frontier's recommended asset mix, which is 33% cash and fixed income and 67% equities. This asset mix is more aggressive than the recommended long term strategic asset allocation, which has been developed to respect the cash flow requirement and risk tolerance of the Fund.

Financial Projections

Enclosed under Tab 3 are the results of a Monte Carlo Sensitivity analysis for the portfolio's recommended long term strategic asset allocation. This analysis assumes annual disbursements and fees totalling approximately 4.5% per annum, indexed to inflation. The analysis indicates that, in twenty years, without manager value-add there is a 50% probability the recommended asset allocation will allow the portfolio to make the annual minimum disbursements as well as preserve capital on an inflation adjusted basis.

Also under Tab 3 we have provided a second Monte Carlo projection for the portfolio that includes manager value-add.

Appendix C – Style Diversification

Throughout a full market cycle, there will be times when certain investment strategies are in favour and when others are out of favour. In the late 1990s, for example, growth strategies significantly outperformed value strategies; however, this was reversed as value later outperformed growth. Portfolios can be diversified by style, as a means of reducing the risk of the portfolio. Having managers with offsetting style strategies reduces the volatility of the overall portfolio throughout these cycles; when one manager's performance is weak and out of favour, the other manager's performance would be stronger and would offset the lagging performance of the weaker manager. This provides for a smoother return in all market cycles. We will determine the appropriate diversification for your portfolio and what managers should be employed to achieve this diversification and satisfy the objectives of your portfolio.

Tab 1

Discussion of Risk and Return

Current Target Asset Allocation

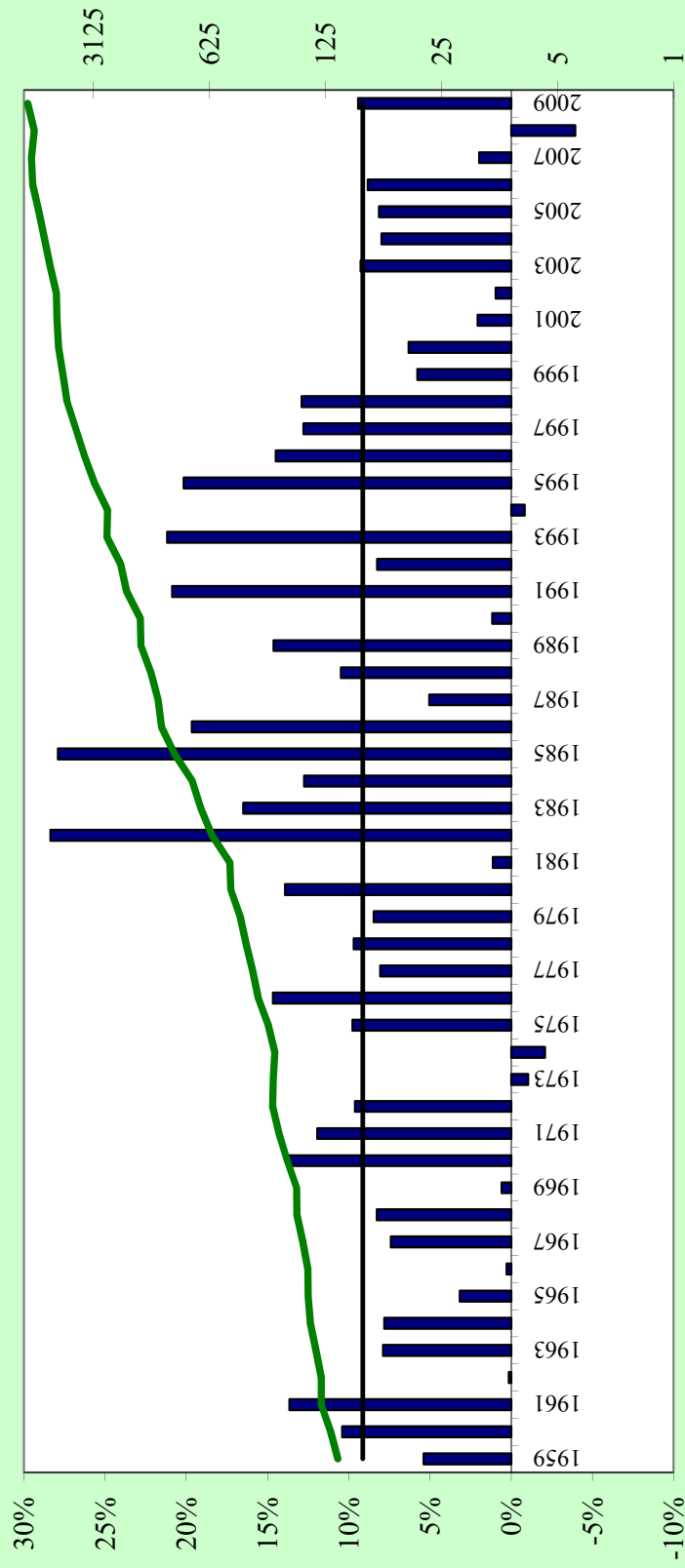
ASSET MIX

Cash	0.0%
Canadian Fixed Income	70.0%
Canadian Equities	10.0%
U.S. Equities	10.0%
International Equities	10.0%

KEY STATISTICS

Average Return	9.1%	Max Return	28.4%
Median Return	8.5%	Min Return	-3.9%
Annualized Return	8.9%	Number of Negative Years	4
Standard Deviation	7.2%	Maximum Loss (Consecutive Periods)	-3.9%

Annual Returns and Growth of \$100



Discussion of Risk and Return

Recommended Target Asset Allocation

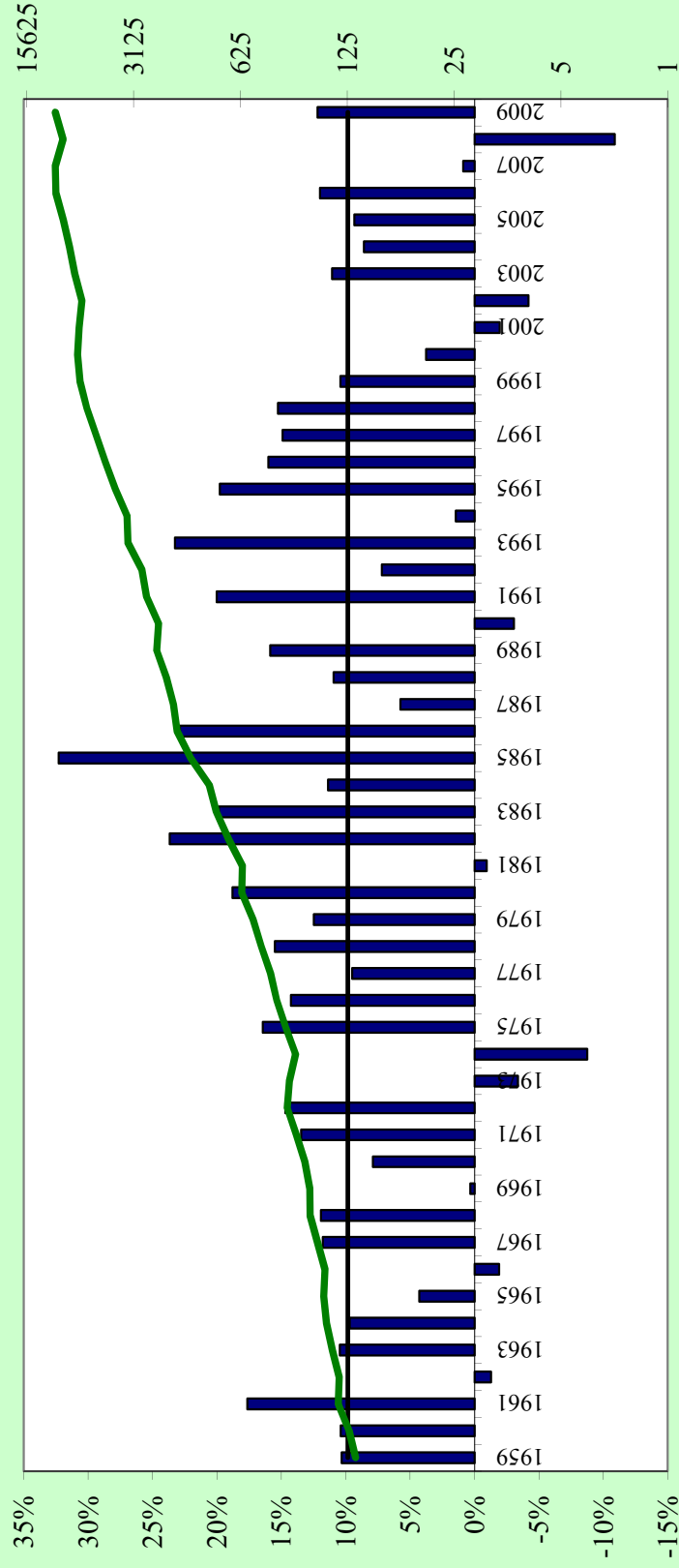
ASSET MIX

Cash	0.0%
Canadian Fixed Income	50.0%
Canadian Equities	17.0%
U.S. Equities	16.5%
International Equities	16.5%

KEY STATISTICS

Average Return	9.8%	Max Return	32.3%
Median Return	10.9%	Min Return	-10.9%
Annualized Return	9.5%	Number of Negative Years	9
Standard Deviation	8.9%	Maximum Loss (Consecutive Periods)	-11.8%

Annual Returns and Growth of \$100

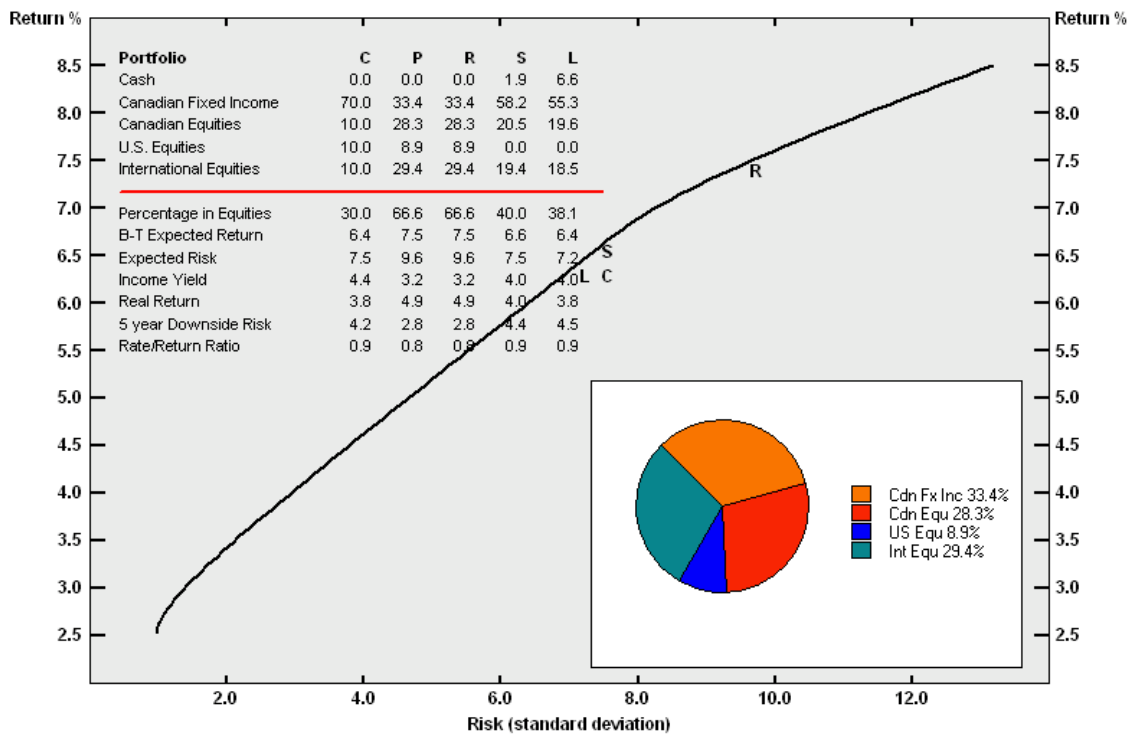


Tab 2

Bridgepoint Health Foundation Endowment Fund

Risk-return Analysis of Your Current (C) and The Recommended (R) Portfolios

Based on holding periods of 5 year(s), Volatility of 1 year
Frontier Curve (Unconstrained Only)



The following points may be highlighted above:

- **Point C:** Represents your current asset mix (C), which may *not* be on the efficient frontier. If your current portfolio is inefficient, you can either improve its return without increasing risk, or you can earn the same return and decrease its risk.
- **Point S:** Represents a portfolio with a *higher return* for the same risk as your current portfolio C (S is a better portfolio than C).
- **Point L:** Represents a portfolio with the same return and a *lower risk* than your current portfolio C (L is a better portfolio than C).
- **Point P:** Represents the proposed (P) asset mix (based on your investor profile).
- **Point R:** Represents the recommended (R) asset mix (based on our discussions).

Tab 3

Bridgpoint Health Foundation Endowment Fund - Monte Carlo Sensitivity Analysis 20 Year Period

Without Manager Value Add

	Success Rate	10th Percentile	50th Percentile	90th Percentile
Investment Portfolio	97%	\$1,007,723	\$5,047,708	\$12,789,886

In present value terms, after tax, there is a 50% probability that the value of the portfolio will be \$3.1 million in 20 years. This assumes annual withdrawals of 4.5%, or \$144,000 adjusted for inflation. The results of this analysis demonstrate that the recommended strategy protects the value of the portfolio against inflation and allows for capital appreciation.

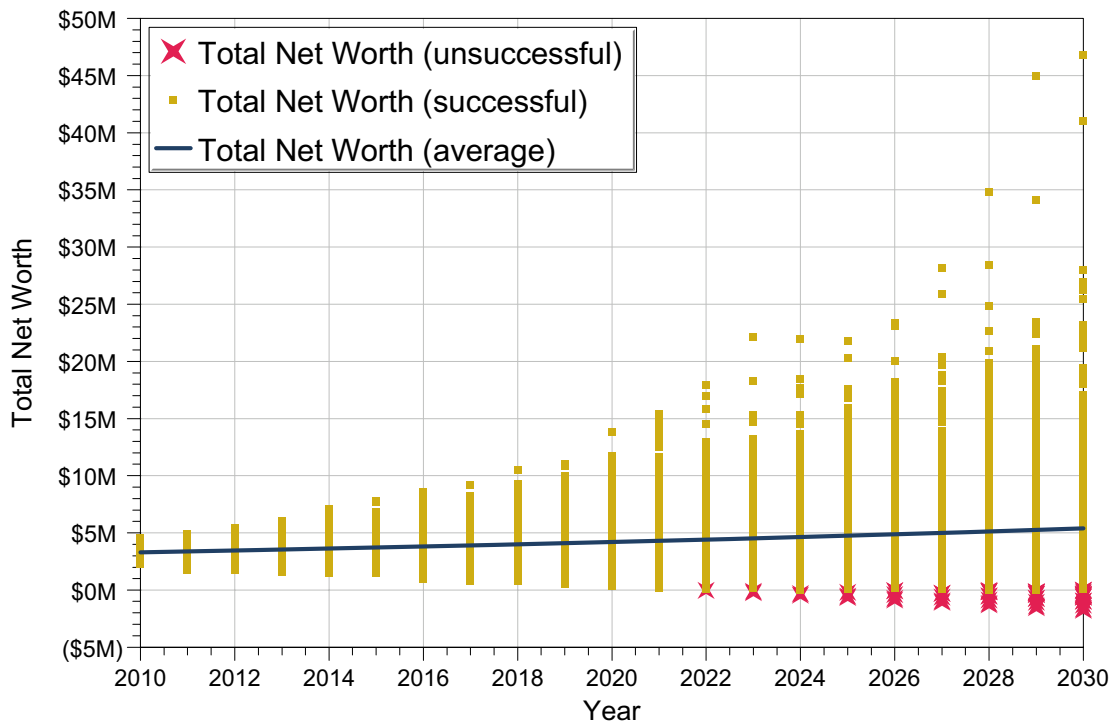
Assumptions:

Market Value of Portfolio	\$3,200,000
Inflation	2.5%
Expected Rate of Return	7.0%
Standard Deviation	12.0%

Asset Class	Allocation	Expected Return*
Canadian Fixed Income	50%	5.5%
Canadian Equities	17%	8.5%
Global Equities	33%	8.5%

*Expected return assumptions are based on market expectations and do not consider manager value-add.

Net Worth Graph



Number of Projections: 500

Bridgepoint Health Foundation Endowment Fund - Monte Carlo Sensitivity Analysis 20 Year Period

With Manager Value Add

	Success Rate	10th Percentile	50th Percentile	90th Percentile
Investment Portfolio	98%	\$1,816,078	\$7,280,807	\$17,533,712

In present value terms, after tax, there is a 50% probability that the value of the portfolio will be \$4.4 million in 20 years. This assumes annual withdrawals of 4.5%, or \$144,000 adjusted for inflation. The results of this analysis demonstrate that the recommended strategy protects the value of the portfolio against inflation and allows for capital appreciation.

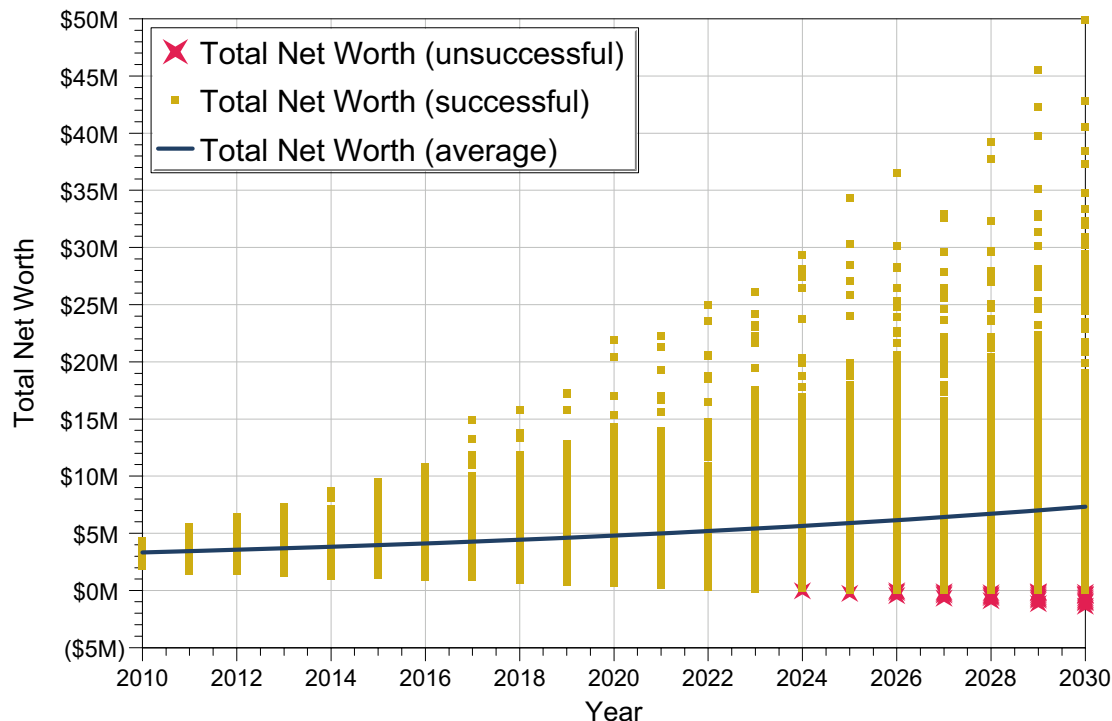
Assumptions:

Market Value of Portfolio	\$3,200,000
Inflation	2.5%
Expected Rate of Return	8.0%
Standard Deviation	12.0%

Asset Class	Allocation	Expected Return*
Canadian Fixed Income	50%	6.0%
Canadian Equities	17%	10.0%
Global Equities	33%	10.0%

*Expected return assumptions are based on market expectations and include manager value-add of 0.5% for fixed income and 1.5% for equities.

Net Worth Graph



Number of Projections: 500