

Amended May 15, 2006

THE PUBLIC TRUSTEE OF MANITOBA

**STATEMENT OF INVESTMENT
POLICIES AND OBJECTIVES**

MAY, 2005

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I. PURPOSE OF THE INVESTMENT POLICY (“the Policy”)

The primary purpose of this Policy is to document a prudent investment framework for the management of client and trust assets over which the Office of The Public Trustee (“PT”) has responsibility.

II. MANDATE OF THE PT

The PT’s mandate is to provide efficient and effective service for a fee to the people of Manitoba by:

- administering the estates of people who are not mentally capable of doing so and making personal decisions on their behalf.
- administering the estates of people who have granted a Power of Attorney to The PT.
- administering the estates of people who have died in Manitoba with no one else capable or willing to act as administrator.
- administering trust monies on behalf of people who are under 18 years of age and administering testamentary and inter vivos trusts.

III. LEGAL REQUIREMENTS AND GUIDELINES

1. Under the following statutes, the PT receives guidance as to its duties and obligations as a Trustee:

a) ***The Public Trustee Act***

Section 10 provides that the PT has all the powers and, is subject to all the duties and obligations conferred upon a Trustee under *The Trustee Act*.

Section 11 gives the PT power to establish a common fund and the power to invest all monies in the common fund, where those monies are not subject to an express investment trust or direction.

b) ***The Trustee Act***

Section 68 grants all trustees the authority to invest in any kind of property; real, personal or mixed. The standard of the care imposed by this section is that which “a person of prudence, discretion and intelligence would exercise in administering the property of others”, (the “prudent investor” standard).

Section 79 creates a potential defence for a trustee acting bona fide in accordance with investments made as a result of a developed general policy of investing. The presence of section 79 demonstrates the importance of investment policy development.

2. The following provisions govern the PT’s authority and jurisdiction to receive and invest money:

a) ***The Mental Health Act***

Under clause 80(1)(a), a Committee of property may:

- a) receive, deposit and invest money.

b) ***The Vulnerable Persons Living With a Mental Disability Act:***

Where the PT is appointed Substitute Decision Maker of property for a vulnerable adult, authority may be granted to the PT under clause 92(2)(f) of the *Act* to:

f) receive, deposit and invest money.

c) ***The Insurance Act:***

Under section 198, an insurer who admits liability may pay insurance money to the PT in trust for a minor.

d) ***The Infants' Estates Act:***

Under section 7, the Court may appoint the PT as guardian of the estate of an infant.

e) **Powers of Attorney:**

Where the PT is granted a Power of Attorney by a client, the grant contains the following authority:

a) invest any of my money in The PT's Common Fund, or in any other type of security, in a manner and at a rate of interest and on security as my attorney sees fit.

b) vary my investments in whole or in part.

3. Court Ordered Trusts

The Court of Queen's Bench may order monies to be paid to the PT to be held in trust for an infant, or in some cases for an adult. The Court may impose investment terms for the trust.

IV. INVESTMENT ORIENTATION AND OBJECTIVES

The PT utilizes a conservative investment management orientation. All trust property must be invested in a manner that reflects the prudent investor standard and the high duty of care required to fulfil the responsibilities of the PT.

The PT recognizes that the prudent investor standard may be interpreted and implemented in a variety of ways depending on a trustee's long term objectives for its clients. The PT's long term objectives as a prudent investor are threefold:

- a) to minimize any risk of loss of capital;
- b) where possible, to provide income sufficient to meet the individual client's or trust's ongoing income needs; and
- c) for clients or trusts with higher risk tolerances or longer term investment horizons, the potential for capital appreciation over time.

The PT's conservative investment management orientation will utilize investments in the PT's Common Fund and, in certain cases, diversify a portfolio across other asset classes, according to the needs and the objectives of the individual client or trust.

V. INVESTMENT RESPONSIBILITIES

The PT carries out investment responsibilities through five (5) distinct areas of responsibility:

1. External Investment Committee
2. Internal Investment Committee
3. Investment Review
4. Independent Broker
5. Investment Officer

1. **External Investment Committee**

The External Investment Committee has the following responsibilities:

- a) to review and provide strategic advice on the PT's investment policy for clients,
- b) to review and recommend appropriate Common Fund investments to the PT,
- c) to review the investment performance of the Common Fund,
- d) to review and advise the PT on current investments for clients, where requested,
- e) to review the advisory services of any investment broker with whom the PT may have contracted to provide investment advice,
- f) to meet at least once in every quarter.

Members of the External Investment Committee are:

- a) The Public Trustee;
- b) Assistant Deputy Minister, Treasury Division, Department of Finance, or his or her designate;
- c) Deputy Minister of Justice, the Assistant Deputy Minister of Justice, or the Acting Assistant Deputy Minister of Justice;
- d) One or more members of the public with significant experience in investment and finance (appointed by the Public Trustee).

The Manager, Financial Administration, acts as secretary *ex officio* to the Committee.

2. Internal Investment Committee

The Internal Investment Committee is charged with the responsibility of:

- a) supervising and giving feedback to the Investment Officer regarding investment policy;
- b) discussing individual client issues affecting investment reviews;
- c) discussing practical issues related to accounting and income tax, etc.;
- d) discussing issues or problems that arise with respect to the broker employed by the PT on behalf of clients;
- e) reviewing brokerage accounts for clients or trusts;
- f) discussing securities issues;
- g) reviewing interest rates and strategy for GIC and bond purchases; and
- h) resolving other related issues for clients or trusts; and
- i) meeting at least once in every quarter.

Members of the Internal Investment Committee are:

- a) The Public Trustee
- b) Manager, Financial Administration
- c) Senior Accountant
- d) Investment Officer
- e) Securities Clerk

3. Investment Review

- a) The Investment Officer conducts investment reviews of individual client and trust accounts, within three (3) months of account opening and at least quarterly thereafter for:
 - (i) all client accounts with investments outside of the Common Fund; and
 - (ii) all client accounts over \$100,000.00 and all infant trusts over \$50,000.00.
- b) The Investment Officer and the Public Trustee conduct quarterly investment reviews for all client accounts over \$100,000.00 and for all infant trusts over \$50,000.00, unless such accounts are of a less complex nature (i.e. holding only Common Fund and fixed income investments). These less complex accounts will be reviewed annually, rather than quarterly.

4. Independent Broker

1. The PT does not have the resources to actively manage sizeable or complicated portfolios with segregated investments. To ensure that these assets are properly safeguarded, the PT contracts with an independent investment broker for the following services:
 - a) to make recommendations to the PT for segregated investments based upon its ongoing review of selected investment portfolios;
 - b) to conduct necessary purchases, trades and redemptions on behalf of the PT.
2. The PT's investment broker was initially selected on the basis of an invitation to tender. At that time, only one brokerage firm, Richardson Greenshields (now RBC Dominion Securities) placed a corporate tender to provide service. That tender was accepted and the ensuing relationship has served the PT's client's very effectively.
3. The broker's performance will be reviewed on an ongoing basis by the Internal Investment Committee using the following criteria:
 - a) quality of the overall servicing of the accounts;
 - b) access to research material;
 - c) nature and quality of their recommendations relative to PT's policies;
4. The PT requires the stability of a long term relationship with a brokerage house. As client assets are held by the broker in a book-based system, rotating brokers would adversely affect clients. The PT requires a broker that conforms with its conservative investment management orientation.

5. In order to ensure continuing stable effective service, the PT will not re-tender its brokerage contract until such time as the External Investment Committee deems it appropriate.

5. Investment Officer

In addition to the duties and responsibilities outlined in this policy, the Investment Officer:

- a) reviews the monthly maturity list and gives the securities clerk instruction as to appropriate investment actions;
- b) reviews and monitors all client RRSP, RRIF, Pension Funds, etc.;
- c) provides advice and direction to account officers, securities clerk, accounting clerks, income tax clerks, legal officers and management on investment matters etc., as required.

VI. INVESTMENT VEHICLES

1. The Common Fund

- a) The Common Fund is an important vehicle for the PT, as it provides a steady rate of return for clients by virtue of the ability to invest a large pool of money with reduced administration costs.
- b) The Common Fund is invested in short and medium term secure investments with diverse maturity dates. The diversity will be maintained on an ongoing basis. Allowable investments are shown on an approved credit list attached as Appendix "A."
- c) 50% of the Common Fund must be invested in obligations of the Government of Canada.
- d) No more than 25% of the Common Fund may be invested in securities that have a maturity date in excess of five (5) years from the date of investment.
- e) To maintain short-term liquidity, no less than 25% of the Common Fund will be invested with the Minister of Finance of the Province through trust deposit receipts.
- f) All other investments in the Common Fund will be in secure investments with varying maturity dates.
- g) The External Investment Committee decides on the choice of investments for the Common Fund. In exercising this discretion, the committee must consider current and future projected market rates of return, maturity dates, and any risk associated with the investment.
- h) All cash collected by the PT for all accounts will be initially deposited in the Common Fund.

2. Existing Stock and Bond Portfolios

- a) When a person becomes a client of the PT, he or she may have a portfolio of stocks and/or bonds, and/or other investments. The Investment Officer will complete a review of the portfolio within three (3) months of account opening date and formulate an opinion regarding whether or not all or part of the portfolio should be retained or liquidated. In general, recognizable individual client investment philosophies and directives will be respected and maintained, unless the client has financial needs that conflict with the orientation of his or her existing portfolio.

- b) In certain circumstances, the PT may maintain a client's relationship with the client's personal broker. These circumstances include:
 - (i) where the PT anticipates commiteeship will be of short duration; or
 - (ii) where, in the opinion of the PT, the client has a substantial and complex portfolio.The existing broker may be consulted with respect to portfolio alterations, and purchases and/or trades may be conducted through the existing broker. Where the broker provides unsolicited recommendations, these recommendations may be followed only with the Public Trustee's approval.

- c) When the PT assumes administration of a deceased estate, equities will normally be liquidated as soon as possible and deposited in the Common Fund. In exceptional cases, where the will directs or where all heirs at law agree, equities may be retained until distribution.

3. Fixed Income Investments

- a) The PT may invest a portion of client or trust funds in fixed income instruments outside the Common Fund.
- b) This form of investment will be considered only for:
 - (i) clients with an appropriate time horizon for the chosen investment;

- (ii) clients with assets exceeding \$100,000.00; and
 - (iii) trusts with assets exceeding \$50,000.00 if the investment review deems it appropriate.
- c) The purpose of this type of fixed income investment is to diversify the client's fixed income exposure beyond the Common Fund, and provide long term interest rate stability.

4. **Equities**

- a) If a client or trust account qualifies for segregated investments, the PT may invest a portion of client or trust funds in eligible equity investments.
- b) This form of investment will only be considered for clients:
- i) who have sufficient income to meet ongoing needs;
 - ii) with assets exceeding \$250,000;
 - iii) with investment horizons estimated to be greater than 10 years; and
 - iv) annual encroachment does not exceed 10% of portfolio value.
- c) This form of investment will only be considered in exceptional situations for trusts:
- i) who have sufficient income to meeting ongoing needs;
 - ii) with assets exceeding \$50,000;
 - iii) with investment horizons greater than 10 years; and
 - iv) annual encroachment does not exceed 10% of portfolio value.
- d) The purpose of equity investment is to achieve long term capital appreciation.
- e) Eligible equity investments include:
- i) iUnits S&P/TSX 60 Capped Index Participation Fund;
 - ii) preferred and common shares of Canadian corporations listed on the TSX which, at the time of purchase, the common shares of such corporation are eligible for inclusion in the S&P/TSX 60 index (if a company is subsequently dropped from

the index, this would not disqualify the shares from being retained, subject to review);

- iii) equity based mutual funds.

- f) Equity purchases must be:
 - i) recommended by the Investment Officer and approved by The Public Trustee prior to purchase.

5. **Book Based System**

The PT does not as a rule hold stock certificates in safekeeping. All securities are held in a book based system with the PT's independent broker or with a client's chosen brokerage firm. These securities are registered in the name of the client or trust but remain under the control of the PT.

Exceptions to this rule include accounts with:

- a) a small number of shares;
- b) shares of negligible value;
- c) shares of a non-marketable nature.

VII. INVESTMENT STRATEGIES

1. Client Portfolios

1. All cash collected by the PT for a client is immediately deposited in the Common Fund. Where a client has assets in the Common Fund in excess of \$100,000.00, the Investment Officer and The Public Trustee will conduct a segregated investment review (“IR”) to determine if some portion of these assets should be invested outside the Common Fund.
2. Factors to be considered on a client’s IR include the following:
 - a) the age of the client;
 - b) the medical prognosis for the client;
 - c) the client’s budget;
 - d) whether or not the client has sufficient income to meet his or her needs and/or is accumulating income;
 - e) the requirement for long term capital appreciation;
 - f) time frame or expected time frame of the Public Trustee’s authority (investment horizon).
3. Each quarter, the Investment Officer will review each IR account that is complex or contains an equity portfolio. The Investment Officer and the Public Trustee will then conduct a joint review of these accounts. The Investment Officer will maintain a review diary showing each account review date and review results.
4. The Investment Officer and The Public Trustee will utilize the on-line IR System (information screen shown in Appendix B) and the Equity Component Guidelines (Appendix D).
5. When the Investment Officer and the Public Trustee make a decision with respect to the purchase or sale of appropriate segregated investments, the Investment Officer will follow through on the transaction.

2. Purchase of Investments

1. At the discretion of the Investment Officer and The Public Trustee, funds may be invested in segregated fixed income investments or eligible equity investments.

If the Public Trustee and the Investment Officer decide that fixed income instruments or equity investments are the appropriate investment for the client, the Investment Officer will purchase those fixed income instruments or equities after consultation and direction from the Chief Financial Officer or The Public Trustee.

2. When the Investment Officer and The Public Trustee make a decision with respect to appropriate segregated investments, the Investment Officer will follow through on segregated investment purchases.

3. Sales of Investments

1. When making decisions to sell investments, the Investment Officer will use his/her expertise and may consult with the broker to note its recommendation. Specific client information such as potential tax consequences, the affect on per diem rates, and the client's investment horizon should be factored into the decision prior to making the recommendation to the Public Trustee.
2. If the Public Trustee and the Investment Officer decide that specific investments should be sold, the Investment Officer will sell those securities after consultation and direction from the Chief Financial Officer or The Public Trustee.

2. **Trusts**

1. All cash collected by the PT in trust for infants or adults must be invested and administered in accordance with terms of a Court Order (if such Order exists). If the terms of the trust do not impose any specific investment direction, the following principles will apply.
2. The average investment horizon for infant trusts administered by the PT is approximately 8 years. This relatively short horizon, when combined with the PT's long term objectives as a prudent investor, dictate an investment strategy using almost exclusively Common Fund or fixed income investments.

The External Investment Committee examined the risks versus potential gain of equity investment for infants. The Committee concluded that in general for infant trusts, the potential of long term capital appreciation with equity investment was outbalanced by:

- (a) the risk associated with such investments; and
- (b) management expenses associated with pooled equity investments.

Equity investment will be considered only in exceptional circumstances, as outlined in VI (4).

3. All cash received in trust for infants or adults will be deposited immediately in the Common Fund.
4. Within three (3) months of receiving the trust, the Investment Officer and the Public Trustee will conduct an Investment Review to determine if some portion of the trust should be invested outside the Common Fund.
5. The IR will be conducted according to the criteria contained in the on-line Investment Review system for Trusts (information screen shown in Appendix C) and the Equity Component Guidelines (Appendix D).

6. If, as a result of the IR, the Investment Officer and The Public Trustee decide that a portion of the trust may be invested outside the Common Fund, the procedure outlined for following through with fixed income or equity investments for clients applies.

3. Deceased Estates

When the PT assumes administration of a deceased estate, equities will normally be liquidated as soon as possible and deposited in the Common Fund. In exceptional cases, where the will directs or where all heirs at law agree, equities may be retained until distribution.

APPENDIX A

**PUBLIC TRUSTEE
APPROVED LIST OF INVESTMENTS**

<u>Name</u>	<u>Limit</u>	<u>Term</u>
1. Federal Government and Guaranteed Canadian Wheat Board Export Development Corp.	No limit (not less than 50%) 10.0 Million 10.0 Million	Open 3 Years 5 Years
2. Province of Manitoba - Minister of Finance	No limit (not less than 20%)	1 Year
3. Provincial Government, Direct and Guaranteed *AAA (Minimum Rating) AA (Minimum Rating) A (Minimum Rating)	50 Million (not more than 25%) 50 Million (not more than 14%) 25 Million (not more than 10%)	Open Open 8 Years
4. Chartered Canadian Banks and Guaranteed AAA (Minimum Rating) AA (Minimum Rating)	(no Credit Exceeding 10%)	5 Years 3 Years
5. Municipal City of Winnipeg	10 Million	8 Years
6. Other	(No Credit exceeding 5%) (Not greater than 25%)	
AAA	25.0 Million	5 Years
AA	10.0 Million	5 Years

Review Required **Client Investment Display** **Review Status**

Date Review Prepared: Review Frequency: Officer:

Account: Client:

Date of Birth: Client Type:

Date of Order: Form of Authority:

<u>Assets:</u>		<u>Income:</u>	
Cash Balance	\$0.00	Pension	\$0.00
Bond Balance	\$0.00	OAS	\$0.00
Stock Balance	\$0.00	CPP	\$0.00
Real Estate Balance	\$0.00	Annuities/RIF's	\$0.00
Tax Sheltered Balance	\$0.00	Investment Income	\$0.00
Other Assets Balance	\$0.00	Employment Income	\$0.00
Total	\$0.00	Capital Gains	\$0.00
		Support Payments/Other	\$0.00
		Non-taxable income	\$0.00
		Total	\$0.00

Address:

Broker Information **Expenses:** Monthly Budget:

Broker Name: Broker Account: **Total**:

 Net Income:

Investment Considerations Living Situation, special needs, health, etc

Client Investment Review

Date Review Started: Client: Officer:

Account:

<u>Assets:</u>		<u>Income:</u>	
Cash Balance	\$0.00	Yearly Income	\$0.00
Bond Balance	\$0.00	Budgeted Expenses	\$0.00
Stock Balance	\$0.00	Estimated Net Income	\$0.00
Tax Sheltered Balance	\$0.00		

Address:

Investment Considerations (Living Situation, special needs, health, etc)

<u>Investment Objectives (By %)</u>			<u>Investment Horizon:</u>	
	Cash	Bond	Years:	
Actual	<input type="text"/> 0	<input type="text"/> 0	<input type="text"/>	
Target	<input type="text"/> 0	<input type="text"/> 0	Last Set:	<input type="text"/>
			Last Set By:	<input type="text"/>

Review Comments:

Review Required		Trust Investment Display		Review Status	
Date Review Prepared	<input type="text"/>	Review Frequency	<input type="text"/>		
Account	<input type="text"/>	Client	<input type="text"/>	Officer	<input type="checkbox"/>
Date of Birth	<input type="text"/>	Client Type	<input type="text"/>		
Date of Order	<input type="text"/>	Form of Authority	<input type="text"/>		
Date of Majority	<input type="text"/>	Min Capital Amt	<input type="text"/>		
Assets:				Income:	
Cash Balance	\$0.00	Est. Yearly Income	\$0.00		
Bond Balance	\$0.00	Fees	\$0.00		
Stock Balance	\$0.00	Maintenance Pymts	\$0.00		
Real Estate Balance	\$0.00	Net Estimated Yearly Income	\$0.00		
Tax Sheltered Balance	\$0.00				
Other Assets Balance	\$0.00				
Total	\$0.00				
		Broker Information			
		Broker Name	<input type="text"/>	Broker Account	<input type="text"/>
				<input type="button" value="Update Broker"/>	
Investment Considerations (Trust conditions, health, parent requirements, etc)					
<input type="text"/>					
<input type="button" value="Perform Review"/>		<input type="button" value="Save Changes"/>		<input type="button" value="Cancel Changes"/>	
		<input type="button" value="Exit"/>		<input type="button" value="View History"/>	
				<input type="button" value="View Notes"/>	

Trust Investment Review					
Date Review Started:	<input type="text"/>				
Account	<input type="text"/>	Client	<input type="text"/>	Officer	<input type="checkbox"/>
Assets:				Income:	
Cash Balance	\$0.00	Est. Yearly Income	\$0.00		
Bond Balance	\$0.00	Fees	\$0.00		
Stock Balance	\$0.00	Maintenance Pymts	\$0.00		
Tax Sheltered Balance	\$0.00	Net Estimated Yearly Income	\$0.00		
Investment Considerations (Trust conditions, health, parent requirements, etc)					
<input type="text"/>					
Investment Objectives (By %)			Investment Horizon:		
	Cash	Bond	Stock	Years:	<input type="text"/>
Actual	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	Last Set	<input type="text"/>
Target	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	Last Set By	<input type="text"/>
NOTE: Encroaching					
Review Comments:					
<input type="text" value="0"/>	<input type="text"/>				
<input type="button" value="Expand"/>					
<input type="text" value="0"/>	<input type="text"/>				
<input type="button" value="Reviewed"/>	<input type="button" value="Save"/>	<input type="button" value="Cancel Changes"/>	<input type="button" value="Exit"/>	<input type="button" value="View History"/>	

Equity Component Guidelines

If the client's investment horizon is 10 to 15 years and the portfolio value is between \$250,000 and \$500,000 the target will be to hold 10% in equities. This equity component will be reduced by 20% in each of the last 5 years prior to disbursement of funds (if known).

If the client's investment horizon is 10 to 15 years and portfolio value is greater than \$500,000, the target will be to hold 15% in equities. This equity component will be reduced by 20% in each of the last 5 years prior to the disbursement of funds (if known).

If the client's investment horizon is greater than 15 years and portfolio value is \$250,000 to \$500,000, the target will be to hold 15% in equities. This equity component will be reduced by 20% in each of the last 5 years prior to the disbursement of funds (if known).

If the investment horizon is greater than 15 years and portfolio value is greater than \$500,000, the target will be to hold 20% in equities. This equity component will be reduced by 20% in each of the last 5 years prior to the disbursement of funds (if known).

*It should be noted however, that some accounts will be examined on a case by case basis due to extenuating circumstances. Any variances from the above guidelines require approval by the Public Trustee prior to implementation.