



# Athlii Gwaii Legacy Trust Statement of Investment Policies and Procedures

(Effective January 1<sup>st</sup> 2024)

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Effective January 1<sup>st</sup> 2024  
Athlii Gwaii Legacy Trust

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## Section 1 - Introduction

This Statement of Investment Policies and Procedures (the "Policy") has been written in order to assist the Trustees in establishing the investment procedures and guidelines for the investment of the assets of the Athlii Gwaii Legacy Trust (the "Fund") and in monitoring and evaluating the investment performance achieved by the Fund. Responsibility for investment of the Fund rests with the Trustees, including:

- The establishment of an overall investment policy, including broad asset allocation guidelines and allocation of Fund assets between investment managers (the "Managers");
- The appointment or removal of Managers and other advisors;
- Monitoring the performance of the Fund and its Managers; and
- Annual reporting on the status and operation of Fund assets.

The Fund is managed in accordance with all applicable legal requirements and in particular with those established by Canada Revenue Agency.

This Statement contains:

- Investment policies and procedures of the Fund established by the Trustees;
- Guidelines to be followed by the Managers that are consistent with the investment policies and objectives established by the Trustees for the Fund;
- Investment performance objectives and other criteria to be used by the Trustees to review and Evaluate the investment results of the Fund and the Managers.

It is anticipated that the current investment policy will be reviewed regularly (at least annually) and may be changed based on altered economic conditions. The Trustees may amend or modify the statement at any time and shall notify the Managers of any such amendment or modification.

Any changes or modifications made to this Statement of Investment will be published under the public website: [www.aglt.com](http://www.aglt.com) in a timely manner.

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**Purpose of the Fund:**

The Fund has been established for the benefit of current and future generations of the Haida Gwaii communities in perpetuity.

The main purpose of the Fund is to provide annual disbursements that are sustainable while protecting against inflation over the long term. In this context, sustainable means that the Fund provides a similar level of purchasing power (in real terms) without undue risk of depleting its long-term real capital value.

The portion of the Fund that represents the original capital, with adjustment for inflation since inception without allowing for cash flows out of the Fund, is considered to be the 'protected' portion of the Fund's assets. The amount of the Fund in excess of this protected portion is considered to be a 'Reserve'.

Spending should not be undertaken, in either the short term or as anticipated over the long term, which would be expected to deplete the Fund such that the 'Reserve' becomes negative.

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## **Section 2 - Investment Objectives and Risk Profile**

### **Investment Objectives:**

The Fund is to be managed on a going concern basis with the intention of sustaining the Fund in perpetuity. All aspects of fiduciary conduct in respect of the Fund's investments will be undertaken in a prudent manner, as directed by the Trustee Act (see Appendix II). The investment of the Fund's assets will always comply with the current requirements of any relevant legislation.

The expected long term rate of return on the Fund is an investment objective which recognizes the nature of the Fund's spending requirements, time horizon and risk tolerance. The Fund's spending requirements, time horizon and risk tolerance may change from time to time, and accordingly, the Fund's objectives will be reviewed by the Trustees from time to time.

The Fund's current investment objectives comprise of the following components:

1. Capital/income requirements sufficient to compensate for any erosion in capital value and spending ability of the Fund, as a result of price inflation;
2. Income requirements sufficient to meet commitments to current programs and administrative expenses, i.e. sufficient liquidity.

These objectives have been taken into account in setting the Fund's asset profile.

### **Risk Profile:**

#### Longer Term Risk Profile:

The major long term risk to the Fund is the possibility of not meeting the objectives set out in 1 and 2 above. Prior to meeting the ongoing spending requirements, the Fund has to maintain the real value of its capital in order to sustain its spending ability. This risk is defined as the probability of not maintaining the real value of the Fund's capital over 5 year and longer periods of time.

#### Shorter Term Risk Profile:

The short term risk is of having insufficient liquidity to meet short term obligations.

### **Return Expectations:**

#### Fund Return Objectives:

The basic goal underlying the establishment of the Fund's investment policy is to ensure that the assets, along with expected future net cash flows, are invested in a prudent manner to preserve the purchasing power of the fund (using the CPI Index as at Dec 31<sup>st</sup> of each year, as a proxy) and to meet the Fund's anticipated cash flow requirements, without the need for external financing or reductions in program spending from a level that can reasonably be expected to be maintained over the long term, thus we are seeking an absolute return of the CPI plus 3.5%.

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Subject to the above requirement, the secondary objective is to maximize the return on the assets over the longer term, subject to accepting an appropriate level of risk, taking into account any restrictions on allowable investments.

**Manager Return Expectations:**

The Manager(s) are expected to achieve returns that:

1. Net of investment expenses, exceed the return that would be achieved on a passive benchmark portfolio with an asset mix in accordance with Section 3 over moving 4 year time periods. The excess return targets and the periods of assessment are as outlined in the table below, and are minimum amounts by which the managers should exceed their benchmarks. The returns assumed on the benchmark portfolio will be the composite of indices chosen by the Trustees as set forth in Appendix I. The Benchmark Portfolio may be adjusted if the Fund is transitioning to investments in illiquid asset classes (i.e. Mortgages, Direct Lending, Real Estate, and Infrastructure Equity). During the transition period, performance may not be evaluated based on the long-term policy mix above. The portfolio shall be evaluated based on a transition policy mix that reflects the actual asset mix at the time.

Manager specific – Excess Return Targets (net of investment expenses):

<b>Asset Class</b>	<b>Manager</b>	<b>Benchmark</b>	<b>Net Excess Target</b>
Global Equities	PH&N	MSCI World Net Index (C\$)	0.2%
Canadian Equities	PH&N	S&P/TSX Capped Composite Index	0.2%
Universe Bonds	PH&N	FTSE Canada Universe Bond Index	0.0%
Mortgages	PH&N	FTSE Canada Short Term Bond Index	3.0%
Direct Lending	Northleaf	Absolute Return of 7%	n/a
Real Estate	Nicola Wealth Mgmt.	MSCI/REALPAC Canada Quarterly Property Fund Index	0.5%
Infrastructure Equity	Axiom	Absolute Return of 8%	n/a
Infrastructure Equity	Northleaf	Absolute Return of 7%	n/a
Private Placement	As Designated	Consumer Price Index (CPI)	1.0%

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### Section 3 - Asset Mix and Eligible Investments:

#### Strategic Asset Mix

The asset mix has been set so as to achieve the investment objectives of the Trust within the restrictions of the regulatory environment. A Benchmark Portfolio consisting primarily of Fixed Income, Equities and other pre-approved investments will form the basis of the investment strategy. The Manager(s) may only invest in securities listed in this document or securities that the Trustees has given explicit written consent to invest in.

#### Determination of the Strategic Asset Mix

An analysis of the probable returns based on historical relationships and forward-looking expectations between asset classes was undertaken. The strategic mix was chosen in a manner to maximize the expected long-term return subject to the constraints of the regulatory environment and the long-term spending needs.

#### Long Term Target Asset Mix

Taking into account the above-mentioned constraints and expectations, a target, minimum and maximum allocation of assets has been derived as follows:

#### As a Percentage of Portfolio

Asset Class	Minimum	Target	Maximum
Canadian equities	0	5	10
Global equities	20	30	40
<b>Total equities</b>	<b>25</b>	<b>35</b>	<b>55</b>
Universe bonds	5	10	15
Mortgages	0	5	10
Direct lending	0	10	15
<b>Total fixed income</b>	<b>5</b>	<b>25</b>	<b>35</b>
Real estate	5	10	22
(Real estate Development 0-25% of real estate holdings)			
Infrastructure equity	0	30	40
Private placement	0	0	10
Cash	0	0	10
<b>Total</b>		<b>100</b>	

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The target, minimum, and maximum allocation of assets specific to PH&N's long term mandate will be as follows:

**As a Percentage of Portfolio**

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Canadian equities	0	10	15
Global equities	50	60	70
<b>Total equities</b>	<b>55</b>	<b>70</b>	<b>85</b>
Universe bonds	10	20	30
Mortgages	0	10	20
<b>Total fixed income</b>	<b>20</b>	<b>30</b>	<b>40</b>
Cash	0	0	10
<b>Total</b>		<b>100</b>	

Funds that are committed to but not yet invested in illiquid investments in mortgages, direct lending, real estate, and infrastructure equity, will be held in a temporary short term fossil fuel free bond mandate.

**Asset Classes Eligible for Investment and Guidelines in respect thereof:**

The Manager(s) is expected to exercise due prudence in the management of the assets and diversify investments sufficiently to minimize the risk of large losses unless prevailing circumstances or the constraints of the mandate render it imprudent or impractical to do so.

**Rebalancing:**

A disciplined rebalancing procedure for the asset mix will be followed and implemented on a quarterly basis. The assessment of the need to rebalance the assets of the Fund will be undertaken by the Trustees on a passive threshold approach. In other words, when the asset mix has drifted as of the end of a quarter beyond the limits identified in the table above, including asset class limits, then the assets will be rebalanced back to within the target weights. Due to the illiquid nature of the mortgages, direct lending, real estate, and infrastructure equity asset classes, rebalancing will occur as soon as is practical when applicable.

To avoid unnecessary buying and selling of securities, where possible, the Trustees will use spending draw-downs to affect all or part of a rebalancing exercise.

**Short Term Spending:**

Annually an amount of the Fund is allocated towards community spending awards, administration and other regular expenses. This annual spending allocation will be established by the Trustees. Once approved, it will be communicated to the managers to ensure that there is enough liquidity in the Fund, and the amounts will be drawn down in 25% tranches each quarter whenever possible. The Trustees may elect to receive distributions in cash from the illiquid asset classes to assist with annual spending.



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**Section 4 - Quantitative and Qualitative Guidelines:**

All investments are expected to conform to the guidelines presented herein. Due consideration will be given to the liquidity requirements of the Fund as these exist from time to time. The extent of further debt and equity diversification shall be at the discretion of the Managers. In addition to the industry and economic sector limitations indicated, Managers are expected to exercise prudence and follow internal policy norms as set from time to time. In addition to any other restrictions imposed by the Regulations, the following quantitative and qualitative guidelines must be met.

Equity Guidelines:

1. The maximum exposure to any single security is 10% for the Canadian equity mandate, and 7.5% for the global equity mandate.
2. The Canadian equity mandate will not use derivatives, such as options, futures and forwards contracts. The global equity mandate may use derivatives, such as swaps (including interest rate and credit default swaps), options, futures and forward contracts, as permitted by National Instrument 81-102 and any regulatory relief granted to the fund:
  - for hedging purposes, including to protect against losses or reduce volatility resulting from changes in interest rates, market indices or foreign exchange rates including changes in the value of foreign currency relative to the Canadian dollar; and
  - for non-hedging purposes, including as a substitute for direct investment, to generate income or extend or reduce the duration of fixed income investments.
3. Each of the Canadian and global equity mandates must invest in a minimum of 6 sectors, as defined by Global Industry Classification Standard.
4. The equity funds shall not invest in securities of issuers directly engaged in the extraction, processing and transportation of fossil fuels such as coal, oil and natural gas and securities of issuers listed in The Carbon Underground 200.

Bond Guidelines:

1. The minimum quality standard for individual bonds and debentures in the Fund will be BBB- at the time of purchase. Ratings are determined by reference to a recognized ratings agency.
2. Aggregate Maximum Limits:
  - Fixed Income Securities 100%
  - Government of Canada 100%
  - Provincials 100%
  - Corporate 60%
  - Non-Canadian securities 30%
  - Non-Canadian dollar exposure 20%
  - Maple bonds 10%
  - Guaranteed mortgages 10%

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- Illiquid assets 10%
  - RRB and TIPS 10%
3. Single Issuer Maximum Limits:
- Government of Canada 100%
  - Provincials 40%
  - Foreign Sovereigns/Agencies/Supranationals
    - AAA rated 10%
  - Municipals and Corporates
    - A- rated or higher 5%
    - BBB+ to BBB- rated 3%
    - Below BBB- rated 0%
  - Guaranteed Mortgages 2%
4. Credit Quality Maximum Limits (all holdings combined)
- AAA 100%
  - AA+ to AA- 100%
  - A+ to A- 100%
  - BBB+ to BBB- 25%
  - Below BBB- 0%
5. Interest Rate Guidelines:
- FTSE Canada Universe Bond Index +/- 1 year duration
6. Fossil Fuel Screen:
- The fund will not invest in any issuers involved in the extraction, processing, and transportation of coal, oil or natural gas (“fossil fuels”).
  - The fund will exclude issuers that have been identified in the Carbon Underground 200 list or by Sustainalytics as being directly involved in fossil fuels.
  - Ongoing company reviews performed by Sustainalytics may result in some of the fund’s holdings becoming ineligible. The fund is required to sell such securities in a reasonable time period, but generally not longer than 90 days.

Mortgage Guidelines:

1. Mortgage investments shall be restricted to first and subordinate mortgages of industrial, residential, commercial and office properties across Canada. Pooled mortgage fund investments shall be restricted to mortgage funds whose portfolios conform to the Regulations.
2. Individual mortgage investments may not exceed 85% of the market value of the underlying property.

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Real Estate Guidelines:

1. Real estate investments may include direct investments or investments through participating debentures, shares of corporations or partnerships formed to invest in real estate properties, or securities held in a real estate pooled fund.
2. Any interest in a partnership must be as a limited partner and not as a general partner.
3. Real estate investments may include trust units, income trust units and interests limited partnerships of Canadian issuers traded on recognized public exchanges.
4. In respect of any real estate investment trust and income trusts held, such trusts:
  - I. Must be reporting issuers under the applicable securities legislation in Canada
  - II. Must be governed by the laws of a province that limits the liabilities of unit holders by statute.

Direct Lending Guidelines:

1. The direct lending mandate will focus on senior or unitranche loans to middle market companies in North America and Europe.

Infrastructure Equity Guidelines:

1. The Fund will invest in infrastructure equity, through open-ended pooled funds, or through participating shares or debentures of corporations or partnerships formed to invest in infrastructure equity. The infrastructure equity mandates will be broadly diversified by sector and invested in North American and global mandates.

Other Guidelines:

1. Direct private placements into communities which the Trust supports may not be made without prior approval of the Trustees. <sup>1</sup>
2. The following derivative instruments and their combinations are acceptable:
  - a. Forward Rate Agreements
  - b. Equity and Fixed Income Options
  - c. Financial Futures
  - d. Interest Rate and Inflation Swaps

Activity must be restricted to amounts required for hedging, short term cash flow management, index replication, or short term portfolio adjustment on a non-leveraged basis. Other commodities or future contracts and short sales are not permitted.

3. Lending of securities is permitted pursuant to appropriate agreements and documentation and approval of the Trustees.

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4. The voting rights on securities held in the portfolio are left to the discretion of the Managers.
  
5. The Managers are expected to act in good faith and to inform the Trustees of any upcoming vote that may significantly affect the value of the securities. In the case of pooled funds, the Managers are exempt from informing the Trustees of any upcoming votes.
  
6. All investments that are not regularly traded will be appraised and valued periodically but not less frequently than triennially by qualified independent professionals appointed by the Trustees.

<sup>1</sup>Private Placement guidelines follow as Appendices (III)

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Socially Responsible Investments:

The Trustees have selected managers and mandates which align with the values of the Athlii Gwaii Legacy Trust. In particular, the Trustees have selected fossil fuel free mandates for the bonds and public equities.

Related Party Transactions:

No related party transactions will be permitted. Related party transactions include any proposals made by such parties concerning any potential investment in which such related party has a material beneficial interest. A related party is any person responsible for holding or investing the assets of the Trust or any person involved in setting policy related thereto, including officers, trustees and employees with such involvement.

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Manager Responsibilities:

The duties and responsibilities of each Manager include:

1. Adhering to these policies and procedures.
2. Communication with the Trustees on a regular basis and notifying the Trustees in the event the manager believes that the guidelines are adversely affecting performance or are unattainable.
3. Notifying the Trustees of any change in economic or market circumstances which may adversely impact on this investment strategy.
4. Notify of any change in investment personnel, ownership or other factors which may influence the investment process.
5. Investing the Trust's assets with the care, skill, prudence and diligence that a professional investment manager / prudent person would exercise in the investment of the Trust's assets.
6. Ensuring at all times that investments are in compliance with any relevant legislation. Reporting on such compliance on a regular basis.
7. Pooled fund investments will be subject to the Manager's pooled fund investment policy.
  - I. The Fund will invest in pooled funds and the Trustees must satisfy themselves that the investment policy of such Pooled Fund (the "Pooled Fund Policy") and any amendments thereto are consistent with this Policy. In the event of a conflict between this Policy and the Pooled Fund Policy, the Pooled Fund Policy shall supersede this Policy. In the event of such conflict, the Trustees shall decide upon a course of action as they deem prudent and appropriate.
  - II. Any subsequent changes to the Pooled Fund Policies must be communicated to the Trustees.

Measurement of Performance:

Suitable benchmarks for the performance of the assets in the Benchmark Portfolio will be established by the Trustees in conjunction with the Manager(s). These are set out in Appendix I.

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Dismissal of Investment Manager:

Reasons for terminating the service of a Manager include, but are not limited to, the following factors:

- Failure of the Manager to meet the return expectations, specified under Section I, will result in the Trustees giving consideration to termination of the manager's services.
- In addition the failure of the Manager to meet the above noted benchmark less a margin of 2% p.a. over moving 2 year periods will result in the Trustees giving consideration to termination of the manager's services.
- Changes in investment professionals, firm structure, or investment philosophy, style or approach which might adversely affect the potential return and/or risk level of the portfolio.
- Failure to adhere to the stated investment policies and procedures.
- Changes in the structure of the overall Fund which would no longer necessitate the use of a manager's service.

Other Considerations:

This investment policy has been established based on an assumption that the Trust will remain a tax exempt entity.

Budgeting:

Each year, the Trustees will develop a budget which is consistent with the current asset mix and investment policy. This budget will incorporate the Trust's anticipated spending plans in respect of programs and administration costs.

Spending Policy:

Spending refers to the Trust's awards to the Community and administrative expenses of operating the Trust. Based on the Government of Canada's charitable disbursement quota, it is expected that the Society will spend at least 5% annually.

The Manager(s) shall notify the Trustees in writing in the event the manager believes that these Policies and Procedures are adversely affecting performance or are unattainable.

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**Appendix I**

**Proxy Indices for Benchmark Portfolios:**

1. Universe Bond Portion of Benchmark Portfolio:
  - a. FTSE Canada Universe Bond Index
  - b. FTSE Canada Short Term Bond Index (Temporary Short Term Bond Mandate)
  
2. Equity Portion of Benchmark Portfolio
  - a. Canadian –S&P/TSX Capped Composite Index
  - b. Global - MSCI World Index (Net) (CDN\$)
  
3. Mortgage Portion of Benchmark Portfolio
  - a. FTSE Canada Short Term Bond Index + 3%
  
4. Real Estate Portion of Benchmark Portfolio
  - a. MSCI/REALPAC Canada Quarterly Property Fund Index
  
5. Direct Lending Portion of Benchmark Portfolio
  - a. Absolute Return of 7%
  
6. Infrastructure Equity Portion of Benchmark Portfolio
  - a. Absolute Return of 7% (Northleaf)
  - b. Absolute Return of 8% (Axium)



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## Appendix II

### Trustee Act

R.S.B.C. 1996, c. 464, s. 15

[Effective April 21, 1997 to February 27, 2003]

#### TRUSTEE ACT

#### RSBC 1996, CHAPTER 464

### Section 15.1

#### Current to November 2, 2022

##### *Investment of trust property*

**15.1** (1) *A trustee may invest property in any form of property or security in which a prudent investor might invest, including a security issued by an investment fund as defined in the Securities Act.*

(2) *Subsection (1) does not authorize a trustee to invest in a manner that is inconsistent with the trust.*

(3) *Without limiting subsection (1), a trustee may invest trust property in a common trust fund managed by a trust company, whether or not the trust company is a co-trustee.*

##### *Standard of care*

**15.2** *In investing trust property, a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments.*

##### *Trustee not liable if overall investment strategy is prudent*

**15.3** *A trustee is not liable for a loss to the trust arising from the investment of trust property if the conduct of the trustee that led to the loss conformed to a plan or strategy for the investment of the trust property, comprising reasonable assessments of risk and return, that a prudent investor would adopt under comparable circumstances.*

##### *Abrogation of common law rules: anti-netting rules*

**15.4** (1) *The rule of general trust law that requires the assessment of the decisions of a trustee on an investment by investment basis if the decisions are called into question is abrogated.*

(2) *The rule for the assessment of damages for breach of trust that prohibits losses from being offset by gains is abrogated except in respect of circumstances in which the breach is associated with dishonesty on the part of the trustee.*

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***Delegation of authority with respect to Investment***

**15.5 (1)** *In this section, “agent” means any person to whom a trustee delegates investment responsibility.*

*(2) A trustee may delegate to an agent the degree of authority with respect to the investment of trust property that a prudent investor might delegate in accordance with ordinary business practice.*

*(3) A trustee who delegates authority under subsection (2) must determine the investment objectives for the trust and exercise prudence in:*

- (a) selecting an agent,*
- (b) establishing the terms and limits of the authority delegated,*
- (c) acquainting the agent with the investment objectives, and*
- (d) monitoring the performance of the agent to ensure compliance with the terms of the delegation.*

*(4) In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.*

*(5) A trustee who complies with the requirements of subsection (3) is not liable to the beneficiaries or to the trust for the decisions or actions of the agents to whom the function was delegated.*

*(6) This section does not authorize a trustee to delegate authority under circumstances in which the trust requires the trustee to act personally.*

*(7) Investment in an investment fund referred to in section 15.1 (1) or a common trust fund referred to in section 15.1 (3) is not a delegation of authority with respect to the investment of trust property.*

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### **Appendix III**

#### **Private Placements**

1) Private Placements include any direct investment in a commercial entity or real estate that can be demonstrated to show significant benefit to Haida Gwaii residents. The investment may be by way of equity, debt or a combination of these two investment structures.

2) Ineligible Investments:

(i) Businesses that operate, or have a history of operating, in breach of environmental legislation.

(ii) Businesses that generate a material percentage of their revenues from activities inconsistent with the values of the Athlii Gwaii Legacy Trust.

(iii) Businesses that maintain the majority of their staff, or their main offices, outside of Haida Gwaii. (Real estate purchases and or partnerships would be a permitted exception) AGLT may choose to partner with an entity from outside of Haida Gwaii for purposes of investing in a Haida Gwaii-based enterprise.

3) Concentration Limits:

(i) No new Investment in the Private Placements portfolio will be undertaken that would exceed the lesser of \$10,000,000, or 10% of the current market value of the Athlii Gwaii Legacy Trust's total investment portfolio as of the date of the investment.

(ii) Should a circumstance arise that would result in the concentration limit being exceeded, Investment Staff will immediately undertake a review of the Investment to determine whether AGLT's commitment could be reduced. If such a reduction is not possible or would have an immediate negative impact, Investment Staff has the authority to continue managing the Investment on the understanding that no further advances will be made, unless contractually committed, until the concentration limit is restored.

4) Derivatives:

(i) Derivatives may be used for risk management, including the hedging of foreign currency, interest rate or commodity price risks.

(ii) The use of derivatives for speculative or leveraging purposes is prohibited.

5) Leverage:

(i) Borrowed funds may be used to lever investments in Private Placements in a manner consistent with market practice.