

Compensation Fund Investment Policy

Policy #: 004
Created: July 11, 2016
Amended: N/A

1.0 Policy Statement

This policy provides the general investment goals and objectives of the Compensation Fund (the Fund) as well as parameters and reporting requirements that should be adhered to in order to meet these objectives.

2.0 Purpose and Scope

The Funeral Services Compensation Fund compensates a person who suffers a financial loss due to a failure on the part of a licensee to comply with the *Funeral, Burial and Cremation Services Act, 2002*, or the regulations or with the terms of an agreement made under this Act.

Funding comes from contributions made from licensees and through a return on the investments. The claims are submitted by consumers and approved by the Compensation Fund Committee. The Fund pays up to a maximum of \$40,000 to each claimant in respect of each transaction for one or more claims against any one participant. The Fund also uses its assets to pay for its administration and operation.

3.0 Financial Objectives

The financial objectives of the Fund are:

1. To preserve and protect capital.
2. To achieve a total rate of return sufficient to sustain any claims that the Fund may incur.

The Fund has no other financial objectives, as its mandate is to ensure consumers are protected when dealing with a licensee under the *Funeral, Burial and Cremation Services Act, 2002*.

4.0 Investment Objectives

The investment objective of this portfolio is to provide for current income while preserving and growing the real value of the invested capital. The Fund's objective will be to

outperform the established benchmark portfolio by 0.50% per annum over a four year moving average period.

5.0 Authorized Investment Ranges

The Fund portfolio will be managed according to the following parameters and as detailed in the investment policy statement provided in Appendix A:

Asset Classes	Target (%)	Min (%)	Max (%)
Money Markets	5	0	15
Fixed Income	55	20	70
Equities	40	25	50

6.0 Investment Reporting

At least twice each year, the Portfolio Manager shall present, at a meeting of the Compensation Fund Committee, reports on the investment performance and actual investment strategy employed since the previous reports. In addition, the Portfolio Managers shall include a statement on the investment strategy to be employed in the next period in view of existing or anticipated economic and investment market conditions, in the following terms:

- a. Change in minimum total return over a five-year period;
- b. Change in asset mix within the above constraints;
- c. Extent to which the average term of fixed income securities should be lengthened or shortened;
- d. Changes in weightings of equities in the various groups of the TSE300 Index or other relevant index; and
- e. Any change which the Fund Manager may wish to recommend in the investment policy.

7.0 Compliance Reporting

The Portfolio Manager must submit a compliance report each quarter to the Compensation Fund Committee. This report must indicate whether or not the Portfolio Manager's portfolio was in compliance with this policy during the quarter. In the event that a portfolio is not in compliance with this policy, the Portfolio Manager must detail the nature of the non-compliance and recommend an appropriate course of action to remedy the situation to the Compensation Fund Committee who will inform the Board of Directors (the Board).

Should a Portfolio Manager wish to deviate from the asset mix guidelines, he/she must contact, in advance, the Compensation Fund Committee, who will seek the Board's approval. Should there be a sudden change in market conditions that causes the asset mix to be offside, the Portfolio Manager will immediately contact the Compensation Fund Committee for approval to remain offside or to take corrective action. The Compensation Fund Committee will then inform the Board of action taken.

8.0 Other Policy Items

Delegation of Voting Rights

In the absence of specific written instructions from the Compensation Fund Committee to the contrary, Portfolio Managers are empowered to exercise all rights, including voting rights, acquired through investments in the investment pool. Portfolio Managers will exercise these acquired rights with the intent of fulfilling the investment policies and objectives of these funds.

Permitted Loans

Assets of the investment pool may not be loaned except at arm's length as provided for under this investment policy and its allowed investments. The Trustee under a properly approved contract with the Board may loan securities held by the investment pool. The investments of the funds may be loaned for the purpose of generating revenue for the funds, provided that there is full indemnity by the Portfolio Manager against all losses as a result of the custodian's securities lending program. Such loans must be secured by cash and/or readily marketable government bonds and treasury bills having a market value of at least 105% of the market value of the loaned securities. This market to market relationship must be calculated at least daily.

Conflict of Interest Guideline

For the purpose of this statement, any known or perceived conflict of interest of a Consultant, Portfolio Manager, Custodian or party to a decision must be reported to the Chair of the Compensation Fund Committee within three working days.

9.0 Review of This Policy

At least once every year the Compensation Fund Committee should review the Compensation Fund Investment Policy to ensure it remains current, accurate and relevant.

TD Wealth

INVESTMENT POLICY STATEMENT (Investment Guidelines & Solutions)

Prepared exclusively for

Funeral Services Compensation Fund Trust
66 Wellington St. W., 3rd Floor
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As of
May 2016

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PURPOSE OF INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement is to establish and define the investment parameters of the discretionary investment management relationship between the Trustees and TD Wealth Private Investment Counsel ("PIC"). Specifically, the Investment Policy Statement will:

- Outline the Trust's current situation.
- Identify the investment objectives and constraints of the Trust.
- Determine an appropriate asset mix that is consistent with these investment objectives and constraints.
- Establish an appropriate reporting and review process.
- Confirm the Trustees' agreement to the above points.

In general, the asset mix guidelines are intended to be long-term in nature. However, should circumstances change, please advise us so we can review the situation with you and amend the Investment Policy Statement as appropriate. It will be part of the Trustees' responsibilities to formally review the Investment Policy Statement in accordance with the needs of the Trust's beneficiaries on an annual basis.

TRUST PROFILE

Trust Name:	Funeral Services Compensation Fund Trust
Type of Trust:	Intervivos Personal Trust
Date Trust Established:	March 18, 2016
Distribution Event Description:	See Trust Document section 11 & 12
Trustee Capacity:	Sole Trustee
Name of Trustee:	The Canada Trust Company
Governing jurisdiction (Province):	Ontario
Investment Powers/Authority:	Unrestricted
Encroachment provisions:	Yes
Tax year end:	October 31 st
Investment Knowledge of Trustees:	Average



PURPOSE AND SCOPE

The Funeral Services Compensation Fund (The Fund) was established in 1990 to reimburse consumers who had suffered a loss as a result of a prepaid contract written by an establishment licensed under the *Funeral Directors and Establishments Act*, the obligations of which have now been transferred to the *Funeral, Burial and Cremation Services Act, 2002*.

Funding comes from contributions made from licensees and through a return on the investments. The claims are submitted by consumers and approved by the Compensation Fund Committee. The Fund pays up to a maximum of \$40,000 to each claimant in respect of each transaction for one or more claims against any one participant. The Fund also uses its assets to pay for its administration and operation.

PORTFOLIOS MANAGED

Name	Value	Account #
Funeral Services Compensation Fund Trust	\$ 2,246,000	411009130

Within the approved asset mix guidelines and constraints (as detailed below), the assets of the managed portfolio listed above will be invested at the discretion of PIC to address the following investment considerations.

INVESTMENT OBJECTIVE

It is important to establish the Trust's goals for these investments and clearly state the investment objectives in order of priority. The investment strategy developed for the Trust will be designed to meet the Trust's goals while working within the Trustees' acceptable level of risk. The return on the portfolio will vary over different time periods and will be influenced by a number of factors, including the asset mix (i.e. equities vs. fixed income) within the portfolio, the time frame and economic conditions. Please keep in mind that previous return patterns are not guaranteed to repeat themselves.



Return Requirements:

The primary goal of the portfolio is to:

1. To preserve and protect the capital of the Trust
2. To achieve a total rate of return sufficient to sustain any claims that the Fund may incur.

To achieve the Trust's goals, the Trustees would like the desire for a **balanced income portfolio** to be a primary consideration. **A portfolio with this objective will seek to provide a moderate level of income and some potential for capital appreciation by investing primarily in a diversified portfolio of fixed-income investments with some exposure to equity or equity-type investments.**

The Trust does not require any regular income from the portfolio. The Trustee shall make payments from the Fund to claimants or to persons entitled or on account of fees, costs and expenses incurred in operating the Fund, pursuant to the written direction of the Chair of the Committee or the Chair of the Licence Appeal Tribunal.

The portfolio will be constructed and managed to accommodate any withdrawal requirements. The withdrawal requirements will be met from money market investments, dividends or by liquidation of bond and/or equity investments. From time to time, it may be necessary to draw from any capital gains and in certain circumstances, the capital base of the portfolio to meet the withdrawal requirements.

Risk Tolerance:

There is always some degree of uncertainty (investment risk) concerning the rate of return or growth of assets that may be generated over any future period. Investment risk may be defined as the frequency and magnitude of negative returns over a given period.

The Trust's ability to assume investment risk is a function of factors which include, but are not limited to, time horizon, cash flow requirements, liquidity requirements, taxation and encroachment provisions. As the investment portfolio grows or the time horizon lengthens, alternative ways to recover from investment shortfalls are developed. Equally important is the willingness to assume investment risk.

The Trustees' tolerance for risk and volatility is considered to be **moderate** which implies in any one year period, the Trust can tolerate a drop in value of the portfolio of as much as **6-10%** before the Trustees feel distinctly uncomfortable with the Trust's investment strategy. This range is a representation of the Trustees' tolerance for risk and volatility; however, please note that in times of higher volatility in the financial markets the portfolio may experience fluctuations in value that are higher than this range.

The portfolio will be managed to minimize fluctuations in a manner that is consistent with stated objectives over the time horizon.



CONSTRAINTS

Time Horizon:

The time horizon of a portfolio is the period that can lapse until the Trust is likely to utilize/need a substantial portion of the capital. The Trustees have indicated that the Trust's time horizon is over ten years.

Liquidity:

Liquidity is the ability to quickly convert securities into cash for disbursement without negatively impacting the value of the securities or disrupting the overall portfolio. The liquidity requirement is determined by the amount of cash that will be required from the portfolio in the near term or on short notice. This requirement will determine the appropriate level of cash and liquid securities in the overall asset mix of the portfolio.

It is unlikely that the Trustees will need to withdraw a significant amount of this investment earlier than anticipated.

Investment Clause: See Trust Document section 4(j).

Delegation Clause: See Trust Document section 4(l).

Unique / Legal:

There are no unique or operational constraints at this time.

There are no legal constraints at this time.

ASSET ALLOCATION GUIDELINES

Your Portfolio Asset Allocation

The following asset mix has taken the Trust's return requirements, risk tolerance and constraints into consideration. The table indicates the minimum and maximum ranges for each asset class within the asset mix strategy for the portfolio. Should exposure to a particular asset class exceed the maximum or be less than the minimum of its permitted range, PIC will rebalance the portfolios within a reasonable time to maintain the portfolio within the permitted ranges.

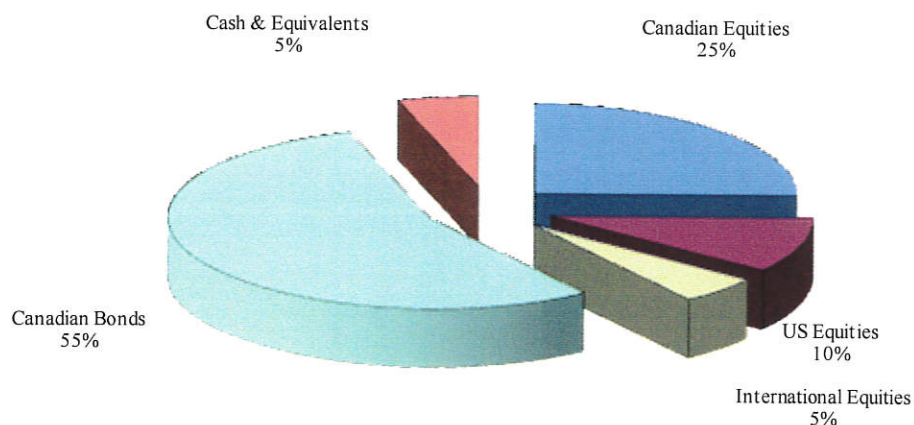
The neutral weightings represent the long-term expected average weighting of the asset classes that comprise the portfolio. Depending on our outlook for the markets, the current weighting for any one asset class or sub-asset class may deviate from the neutral weighting; however, the weightings should always lie within the prescribed range.

Each asset class has a performance benchmark indicated below against which to compare relative performance. The benchmark asset mix is based on the neutral weighting for each asset class. The benchmark for the total portfolio is the weighted-average return of the benchmark asset mix.

Asset Mix Chart for:

Funeral Services Compensation Fund Account #411009130

<u>Asset Mix</u>	<u>Long-Term Range</u>	<u>Neutral Mix</u>	<u>Performance Benchmark</u>
Equities :	25% – 50%		
Canadian		25%	S&P/ TSX 60 Index
United States		10%	S&P 100 Index
International		5%	Morgan Stanley Europe, Australia, Far East Index
		40%	
Fixed Income :	20% – 70%		
Canadian Bonds		55%	FTSE TMX Canada Universe Bond Index
		55%	
Cash & Equivalents :	0% – 15%	5%	FTSE TMX Canada 91 Day T-Bill Index
Total Portfolio :		100%	



Eligible Investments:

The portfolio may invest in the following asset categories, (these assets may be obligations or securities of Canadian or non-Canadian entities):

- Publicly traded equity securities, convertible debentures or preferred shares
- Bonds, debentures, notes or other debt investments of governments, government agencies or corporations, including mortgage or asset-backed securities
- Cash or money market securities issued by governments or corporations
- Pooled funds or mutual funds of the aforementioned securities

REPORTING AND REVIEW PROCESS

Portfolio Manager Contact:

We will endeavour to meet with the Trustees semi-annually to review the Trust's portfolio structure and reconfirm objectives. We will also endeavour to contact the Trustees quarterly to discuss the progress of the Trust's portfolio.

The Trustees are encouraged to contact us if there is a change in circumstances, as a change to the investment strategy may be required.

ACKNOWLEDGEMENT AND AGREEMENT

All investment activities will be conducted in accordance with requirements of federal and provincial regulatory bodies, the CFA Institute Code of Ethics and Standards of Professional Conduct and TD Bank Group internal trading and compliance policies and audits.

I/we acknowledge the information contained herein is correct and I/we am/are in agreement with the investment strategy outlined in this document.

Agreed on

July 25/16
Date

For The Funeral Services Compensation Fund Trust



Joyce Weiner, Executive Trust Officer
Trustee
For The Canada Trust Company

For TD Wealth Private Investment Counsel



Greg Hagan, CIM
Portfolio Manager