



SCHEDULE “A” Specific Investment Plan

for

Association of Canadian Archivists Foundation (the “Corporation”)

Twenty-sixth day of April, 2010

This is a specific investment plan (“Specific Investment Plan”) for the Corporation, as adopted by the Board of Directors in accordance with the Investment Policy of the Corporation dated April 15, 2010, to be read as part of and subject to the terms of the said Investment Policy, including the definitions contained therein.

- Name of Specific Investment Plan:** The name of this Specific Investment Plan is:

ACA Scholarship Endowment Fund
- Description of Specific Investment Plan:** The description of this Specific Investment Plan is as follows:
Preservation of capital and generation of income for the ACA Foundation
- Description of Investment Objectives:** The Investment objectives for this Specific Investment Plan are as follows:

The Foundation’s objective is to generate a total investment return that protects the purchasing power of the capital component, achieves the granting objectives of the Foundation, recovers the cost of managing and administering the funds, and establishes a reserve for future market declines. The minimum return objective is 5.25% per annum based on a minimum distribution rate of 3.5%; inflation rate of 1.0%; and expenses of .75%. 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 to 5 year periods. It is preferred that the portfolio exceed this return.

The Foundation will disburse at a minimum such amount as may be required to meet its disbursement test under the Income Tax Act (Canada). The current requirement is 3.5%. The Foundation’s return objectives are ranked as follows:

- preservation of capital;
- generation of ‘income’ to meet granting objectives of the Foundation;

- generation of growth in the ‘capital’ value of the Portfolio’s assets in order to preserve the value of the Portfolio in real (i.e., inflation-adjusted) terms; and
- generation of growth in the ‘capital’ value of the Portfolio’s assets in order to provide the basis for producing an increasing rate of income for disbursement.

The Foundation’s long term investment strategy will be monitored in the context of meeting the Foundation’s spending policies.

4. **Description of Asset Classes:** The following are the applicable asset classes for Investment under this Specific Investment Plan:

A portfolio’s asset mix is the proportion within which various asset classes are represented in the portfolio. In general, the *greater* a portfolio’s allocation to equities relative to fixed income securities, the *greater* its potential for capital appreciation and the *higher* its potential risk (as measured by the standard deviation of the portfolio’s rate of return). Conversely, the greater its allocation to fixed income instruments relative to equities, the greater its potential for generating a consistent income stream and the *lower* its potential risk. Control of the Portfolio’s asset mix is, therefore, the principal means of controlling its risk and return characteristics.

Eligible Asset Classes - Definitions

Cash Equivalents

Cash equivalents will consist of instruments, issued by governments or corporations, 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 or an equivalent rating by another well established rating agency at the time of purchase and thereafter.

Fixed Income Instruments

Investments in the following marketable fixed income instruments are permitted:

- bonds;
- debentures;
- notes;
- coupons and residuals;
- asset-backed securities; and
- preferred shares.

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.

Notwithstanding the above, '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. The minimum credit quality per issue shall be BBB (low) or equivalent at time of purchase. Bonds rated BBB should not constitute more than 10% of the market value of the fixed income asset class.

In the event that a Manager expects a downgrade in the credit rating of a fixed income instrument to below the minimum BBB credit rating, the Manager shall develop a strategy for disposing of the fixed income instrument in a timely, orderly and efficient manner.

In the event that a fixed income investment held in the Portfolio experiences an unanticipated credit rating downgrade so that it falls below the minimum credit rating of BBB, the Manager may sell the investment immediately. In the event that the Manager wishes to retain the investment in the portfolio, the Manager will contact the Committee within five business days to provide detailed information on the downgrade as well as the Manager's rationale for retaining the investment in the Portfolio. The Committee may require that the Manager dispose of the investment immediately.

Alternatively, the Committee may authorize retention of the investment. In this instance, the Committee will provide the Manager with a deadline by which the investment must be disposed of and the Manager will provide, at a minimum, monthly updates on the investment in question, including its trading pattern and the Manager's strategy for disposing of it on a timely basis. In the event of a 'split' rating (i.e., a situation in which credit rating agencies assign non-equivalent ratings), the lowest rating will apply.

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 any single issuer should not constitute more than 10% of the market value 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. Pooled funds of the investment manager are also exempted from this provision.

Equities

Investments in the following equity securities are permitted:

- publicly traded common stocks;
- rights, warrants, installment receipts, convertible debentures and other instruments convertible into common stocks;
- income trust units issued and/or registered in jurisdictions where appropriate legislation is in

place to limit the liability of unit holders.

Individual equities or equities held within equity funds must be listed on a major stock exchange and be of 'investment grade'.

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.

5. **Description of Ranges:** The following are the ranges in which each of the above-mentioned asset classes of Investments can be held, including a bench mark allocation for each asset class, where applicable:

Given the Portfolio's targeted return on investments, its risk tolerance, legal and taxation status, its investment time horizon, liquidity and income requirements, the following 'benchmark' or long-term strategic asset allocation, and permissible asset class holding ranges have been established in Table I.

Long Term Strategic Asset Allocation		
Asset Class	Benchmark Allocation	Permissible Range
Cash and Cash Equivalents	5.0%	0.0% - 10.0%
Fixed Income Instruments	55.0%	5.0% - 65.0%
Total Fixed Income	60.0%	50.0% - 90.0%
Canadian Equities	40.0%	10.0% - 40.0%
Total Equities	40.0%	10.0% - 40.0%

It will be the responsibility of the Committee to recommend, from time to time, allocations to each asset class within the permissible ranges outlined above.

The five-year annual average return through December 31st, 2009 for the benchmark indices for a portfolio with a target asset allocation of 5% cash and 80% fixed income & 15% equities, has been 4.9%; the 10-year annual average return 5.7% and the 20-year return 8.0%. Since 1963, the historical performance of the recommended asset allocation had a best-case one-year return of 43.3% and a worst-case one-year return of -8.4%. During this same time period, the longest period that this asset allocation had positive annual returns was 19 consecutive years and the longest period that this asset allocation has negative annual returns was 2 consecutive years.

6. **Constraints:** The following are the constraints, where applicable, for each class of Investments under this Specific Investment Plan, and the circumstances under which there can be deviations from such constraints:

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 with the understanding that the guidelines in the Fund's offering

memorandum will supersede the aforementioned guidelines. 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 Committee must provide written approval for investing in the fund before any such investment is made. 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.

In the event that a Manager plans to make a material change to 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. Derivative securities, other than those employed by hedge fund managers, may be held in the Portfolio for hedging purposes only.

Derivative securities may not be used for speculative purposes. Overdraft positions are not to be intentionally created. 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.

The Committee may 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 practicably possible.

7. **Evaluation:** The description of the manner and the time frame for the evaluation of the Investments under this Specific Investment Plan are as follows:

Investment Returns

Portfolio Benchmark		
Asset Class	Index	Proportion
Fixed Income Instruments	ScotiaMcLeod Bond Index	60.0%
Canadian Equities	S&P / TSX Composite Index	40.0%

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 5. The Portfolio's investment performance will be measured net of investment management fees and is expected to:

- exceed the investment performance of the benchmark index over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods; and
- rank in the top 50% of comparable portfolios over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods.

The performance of the Manager(s) relative to an appropriate peer group over rolling 3-7 year

periods, with an emphasis on 4-year and 7-year periods will be evaluated quarterly. The performance of individual asset classes is expected to:

- exceed the return of their corresponding benchmark indices; and
- rank in the top 50% of the appropriate investment manager performance measurement universes over rolling 3-7 year periods, with an emphasis on 4-year and 7-year periods.

Further, the 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 Committee; and
- the provision of satisfactory reporting and client service.

8. **Delegation:** Where applicable, the management of Investments in accordance with this Specific Investment Plan may be delegated to the current Investment Manager for the Corporation that is in place from time to time.
9. **Investment Policy and Conflict:** This Specific Investment Plan is subject to and complies with the terms of the Investment Policy of the Corporation as amended from time to time; and where a conflict exists, the terms of the Investment Policy shall prevail.