



## **RESERVE FUND POLICY**

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## 1 – PURPOSE

The purpose of this policy is to provide a clear and consistent understanding of how Wrestling Canada Lutte (WCL) determines, manages and operates its Reserve Fund to achieve the following outcomes:

- Establish a stabilization fund for WCL;
- Build the fund through both internal generation of gain and external contributions;
- Articulate WCL’s role and responsibilities for administering this Policy; and
- Mitigate the risk of loss to WCL.

## 2 – DEFINITIONS

- BETA – is a measurement of an individual security (stock) investment’s return volatility (a stock’s risk) relative to the entire security market (systemic risk).
- RESERVE FUND – is a segregated fund of investments, funded by WCL’s restricted surplus, to meet future costs and financial obligations, including those arising unexpectedly.
- RESTRICTED SURPLUS – financial resources which have been internally or externally restricted or formally designated. These restrictions identify funds for a future purpose and are not available to finance other WCL activities.

In addition, the following abbreviations are used throughout the document:

BOD	WCL’s Board of Directors
ED	WCL’s Executive Director
FAC	WCL’s Finance & Audit Committee
WCL	Wrestling Canada Lutte

## 3 – SCOPE & APPLICATION

These requirements apply to the financial resources of WCL.

## 4 – KEY PRINCIPLES

WCL’s Reserve Fund Policy is based on the following key principles:

- To establish and build a fund to provide financial stability for WCL, ensuring that a certain portion of the funds are liquid.
- Generate investment income within an acceptable risk profile.

## 5 – POLICY

WCL has established a Reserve Fund, represented by the Restricted Surplus fund balance. These funds are designated as “restricted use”, but may be invested in order to provide a financial return to WCL.

The withdrawal of any monies from the Reserve Fund is restricted until the minimum threshold is reached, unless there is as a special resolution of the BOD at a meeting of the BOD called for that purpose.

Furthermore, WCL will transfer at least 50% of all future surpluses in a given fiscal year into the Restricted Surplus and correspondingly to the Reserve Fund account, from the general account.

Once the Reserve Fund is greater than \$1,000,000 CAD, 50% of the annual investment return will be transferred to WCL's general account for the next fiscal year. Any additional funds may be only be transferred to the general account with a "Special Resolution" of the BOD at a meeting of the BOD called for that purpose.

In order to sustain and grow the Reserve Fund, WCL will invest funds to achieve or exceed its investment objective.

## **6 – INVESTMENT OBJECTIVE**

The investment objective of the Reserve Fund is to create a rolling four-year return of 5-8%, while providing a reasonable protection to the principal balance.

## **7 – ELIGIBLE INVESTMENTS**

- Approved investments include Government of Canada Bonds and Treasury Bills ("GOC"); Deposit instruments at Canadian Chartered Banks ("Deposits"); Guaranteed Investment Certificates at Canadian Chartered Banks ("GIC"); and Bankers' Acceptances ("BA");
- Large Cap CDN individual security positions provided they have a Beta less than 1.5 and pay a dividend with a minimum 10-year track record of stable and/or increasing dividend (measured at time of initial investment);
- Large Cap USD individual security positions provided they have a Beta of 1.5 or less; and pay a dividend with a minimum 10-year track record of stable and/or increasing dividend (measured at time of initial investment).

## **8 – INVESTMENT CONSTRAINTS**

- Derivative Securities, Asset Backed Securities and Mortgage or Private Lending investments are not eligible investments;
- A minimum of 80% of portfolio must be denominated or hedged in Canadian Currency;
- A maximum of 15% of the portfolio will be invested in securities with a Beta of 1.0 and greater; and
- A minimum balance of 10% of the portfolio must be held in cash or cash equivalents.

## **9 – INVESTMENT MANAGEMENT**

The Executive Director shall manage the investments under general direction of the Treasurer, through an online brokerage account to keep fees low and consistent and allow consistent, accurate and timely review of the investment mix. The ED can obtain advice from a professional investment advisor. The portfolio will

be reviewed quarterly, and rebalanced / realigned (to meet Investment Objectives and Investment Constraints) within 75 days of quarter-end.

## **10 – CONDITIONS & MONITORING**

The Executive Director shall send quarterly reports on investment activities and the results to the FAC, who shall review the reports for compliance with the policy. The FAC, in conjunction with the ED, shall provide an investment report annually to the BOD.

## **11 – EXCEPTIONS**

Any exceptions to the policy must be approved by the BOD.