

**Fort Frances Municipal Non Profit Housing  
Corporation**

**INFORMATION SHEET**

Investment Portfolio Selection

September 2018

Prepared by Wendy Tilbury, CPA, CGA, Finance Supervisor

Attached are the PH&N Investments Services *Model Investment Portfolio Selector* and the completed *Asset Mix Calculator*. These forms are attached for information purposes only and to assist the Board in determining their desired investment mix.

The following information was used in completing the attached forms:

**Projected Capital Expenditures:**

Based on the latest Building Condition Assessment prepared in 2017, the following are the projected total capital costs for the years 2018 to 2024:

2018 – \$200  
2019 - \$4,200  
2020 - \$36,900  
2021 - \$30,200  
2022 - \$39,200  
2023 - \$29,200  
2024 - \$25,200

2018-2022 expenditures total \$110,700 and 2018 to 2024 expenditures total \$165,100.

**Projected Reserve Contributions:**

2018 contributions to reserves are \$8,317. Assuming no increases in annual contributions, in the next five years \$41,585 will be contributed to reserves and \$58,219 will be contributed in the next seven years.

**Current Reserve Balance:**

As of December 31, 2017 the capital reserve balance is \$212,407.

Reserve Asset Mix is comprised of:

15.3% SH Canadian Short-Term Bond Fund  
23.2% SH Canadian Bond Fund  
61.5 % SH Canadian Equity Fund

### **Asset Mix Calculator Results:**

Results of applying the information provided above into the asset mix calculator, page 6 of the package is:

32.5% SH Canadian Short-Term Bond Fund

17.8% SH Canadian Bond Fund

49.7% SH Canadian Equity Fund

Please note that gains/losses and inflation have not been included in these figures as they are difficult to predict.

**Background**

The *Model Investment Portfolio Selector* provides information for those who are investing capital reserves but do not have building condition assessments or do not have confidence in their building condition assessments; and also for providers who are investing money other than capital reserves. Providers who are considering how to invest capital reserves, and who have confidence in their building condition assessments, should alternatively use the *Asset Mix Calculator*, available at [www.encasa.ca](http://www.encasa.ca).

The *Model Investment Portfolio Selector* presents five model investment portfolios to help housing providers who are considering how much money to place in each of the Social Housing Investment Funds. Each model investment portfolio has a pie chart reflecting a different combination of Social Housing Investment Funds.

For each model investment portfolio, a series of statements has been provided. These statements describe typical situations that would lend themselves to the investment mix shown in the pie chart accompanying that particular model. By identifying the statement(s) that most closely reflect your expectations about when the money will be needed, you can find the model that is closest to your particular circumstances.

Identifying an appropriate investment strategy begins by understanding what money you have and when you expect to spend it. As a helpful reference, insert below the total amount of money you have (i.e., your existing capital reserves or your total last month's rent or your total member deposits or the total you have in "other money"), and any additional contribution you expect to have each year going forward.

Existing amount: \$212,407 Expected annual contribution: \$8,317

Expenses may be more difficult to quantify, but you will need to have a general idea in order to complete this form.

Remember that these are *model* investment portfolios. You may need to adjust the percentages to come up with a mix of Social Housing Investment Funds that suits your unique situation. Contact an investment funds advisor for more in-depth advice about your investment choices.

**Instructions**

Complete these instructions separately for each type of money that you are planning to invest (i.e., capital reserves, last month's rents, member deposits or other assets).

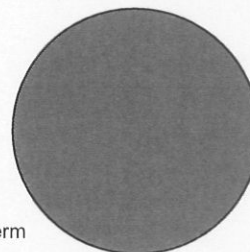
Start by reading all the statements in Model Investment Portfolios 1 to 5 (below). Circle the statements that best describe your expectations about when you will need the money. If all of the statements that you circle fall within one model investment portfolio, the pie chart for that portfolio reflects the mix of investment funds that may be appropriate for your money. If the statements that you circle fall under more than one model investment portfolio, review your circled statements and use them to initiate discussions within your organization to identify the model that is most closely suited to your situation. *The Model Investment Portfolio Selector* will also help you have meaningful discussions with our investment funds advisors.

\*Note: Although the statements focus primarily on capital reserves, the *Model Investment Portfolio Selector* may also be used to guide your investment decisions for other types of money: simply substitute the term "capital reserves" in the statements with the type of money you are planning to invest.

**Model Investment Portfolio 1****Situations that may be suited to this model:**

1. You are reasonably certain that you will need to spend more than 80% of your existing capital reserves (plus annual contributions) over the next five years.
2. You specifically plan to spend more than 50% of your existing capital reserve (plus annual contributions) over the next three years.
3. You are quite uncertain about when you will need to spend all or part of the money that you are investing.

100%  
Social Housing  
Canadian Short-Term  
Bond Fund

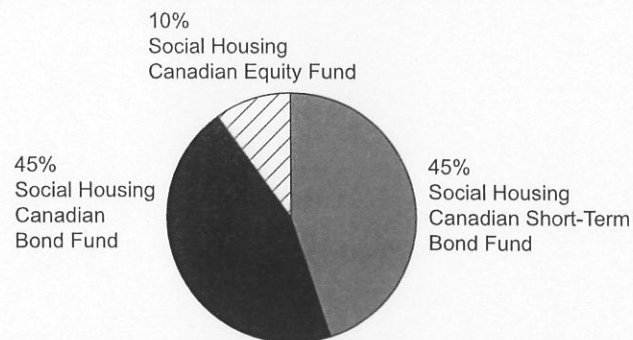




## Model Investment Portfolio 2

### Situations that may be suited to this model:

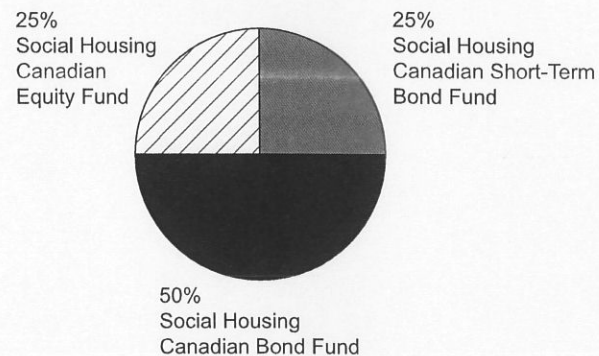
1. You expect to spend at least 35% of your existing capital reserves (plus annual contributions) over the next three years.
2. You expect to spend at least 50% of your existing capital reserves (plus annual contributions) over the next five years AND to spend the rest in the following five-year period.
3. You are fairly uncertain about when you will need to spend all or part of the money that you are investing, and particularly about what your needs will be five years from now and beyond.



## Model Investment Portfolio 3

### Situations that may be suited to this model:

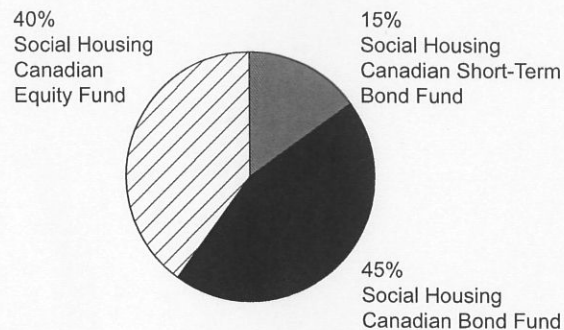
1. You expect your capital expenses to be generally in line with your annual contributions over the next three years, and you do not expect to spend more than 20% of your existing capital reserves during this time frame.
2. You expect your capital expenses to exceed your total annual contributions over the next five years, but you do not expect to spend more than 30% of your existing capital reserves.
3. You expect to spend your annual contributions plus up to 30% of your existing capital reserves over the next five years AND, in the following five-year period, you expect to spend your annual contributions plus another 30% of your existing capital reserves.
4. You are reasonably confident about how much of the money you will need to spend each year over the next five years and beyond.



## Model Investment Portfolio 4

### Situations that may be suited to this model:

1. You expect your contributions to exceed your capital expenditures in most of the next five years.
2. You do not expect your capital reserves seven years from now to be lower than 30% of existing capital reserves.
3. Ten years from now, you fully expect to have at least 35% of your existing capital reserves.
4. You are quite confident about how much of the money you will need to spend each year over the next seven years and beyond.

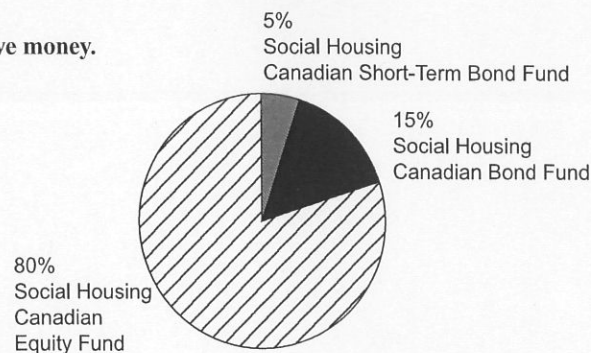


## Model Investment Portfolio 5

In almost every case, this model portfolio would not be suitable for capital reserve money.

### The situation that may be suited to this model:

1. You expect to withdraw very little, if any, of the money in the next seven years. For example, last month's rent and member deposits are perpetual accounts: even though small withdrawals might be required from time to time to cover possible short-term vacancies (or, where applicable, annual interest payments under the *Residential Tenancies Act*), those accounts are replenished when a new tenant/member is found so the overall balance of the account remains quite constant.



Encasa Financial Inc. is the manager of the Social Housing Investment Funds.

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### INVESTMENT FUNDS ADVICE & INFORMATION

Telephone: 1-888-771-7473 Facsimile: 1-800-666-9899 Email: shsf@phn.com Website: www.encasa.ca

Please return form to: PH&N Investment Services, 20<sup>th</sup> Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5

## Asset Mix Calculator

### Background

The *Asset Mix Calculator* links your building condition assessment to your investment decisions and helps you in considering what proportion of your money to allocate to each Social Housing Investment Fund. If you do not have an up-to-date building condition assessment or if you do not have confidence in your building condition assessment or if you are investing money other than capital reserves, you should use the *Model Investment Portfolio Selector* rather than the Asset Mix Calculator.

When you enter values into the *Asset Mix Calculator* on the other side of this page, it calculates an investment mix that may be suitable for your capital reserves. For those providers using the online tool, the calculations will be done automatically. For those providers using the printed version, follow the step-by-step manual calculations on the next page.

The investment mix recommended by the *Asset Mix Calculator* is a guideline only. You may need to adjust the percentages to come up with a mix of Social Housing Investment Funds that suits your unique situation. You may contact your Investment Funds Advisor for more in-depth advice about your investment choices.

### Informing PH&N Investment Services of your investment decision

If you already have an account with PH&N Investment Services, complete a *Corporate Account Rebalance Form* and forward it to the address provided on the form or by fax to 1-800-666-9899. If you are a new PH&N Investment Services investor, enter your investment mix choices in Section 6 of the *Investment Account Application form*. All forms are available at [www.encasa.ca](http://www.encasa.ca).

## Asset Mix Calculator

For a recommendation about what percent of capital reserves to invest in each Social Housing Investment Fund, follow the steps below or use the online version of this calculator (available at [www.encasa.ca](http://www.encasa.ca)). **Each number you enter on this page should be a positive number.**

## Step 1

Insert the appropriate numbers in the Input column.

	Where to find this information	Input	
Amount of money in your capital reserves	Your most recent financial statements	212,407	A
What is the expected lowest capital reserve balance within the next five years?	} Your reserve fund forecast (Adjust the figures from your reserve fund forecast for inflation before entering them here.)	143,292	B
What is the expected lowest capital reserve balance within the next seven years?		105,526	C

## Step 2

Using the numbers that you entered in Rows A to C above, complete the calculations below. In each case, if the number you calculate is positive, insert it in the Result column; if the number you calculate is negative, insert a 0 in the Result column instead.

Calculation	Results	
(A minus B) divided by A =	.325	D
C divided by A =	.497	E
The lower of E or 0.50 =	.497	F

## Step 3

Using the numbers that you entered in Rows D to F above, complete the following table, working across the row from left to right.

Calculation	Recommended % for each Social Housing Fund		
The greater of D or Zero = multiply by 100 =	<u>32.5</u> %	Social Housing Canadian Short-Term Bond Fund	G
1 minus G minus F = multiply by 100 =	<u>17.8</u> %	Social Housing Canadian Bond Fund	
F multiply by 100 =	<u>49.7</u> %	Social Housing Canadian Equity Fund	

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