ANNUAL REPORT

2019–2020

ASIA PACIFIC FOUNDATION OF CANADA
FONDATION ASIE PACIFIQUE DU CANADA

DIGITAL LEADERSHIP

04.

FINANCIAL STATEMENTS

- Statement of Operations
- Statement of Financial Position
- Statement of Cash Flows

STATEMENT OF OPERATIONS

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Investment income, net (note 3(b))	$ 2,191,994	$ 2,293,523
Government funding	1,879,461	2,291,011
Private sector funding	511,391	449,300
Other	16,321	16,235
	4,599,167	5,050,069
Operating Expenses (note 9):		
Projects	2,374,531	2,216,763
Kakehashi Program	788,718	1,059,134
APEC-Canada Growing Business Partners	448,207	697,140
McArthur Fellowship	642	64,950
Administration	849,883	1,041,038
Communication and public outreach	557,499	541,728
Facility and amortization	372,571	354,823
Grants	376,893	409,161
Secretariats	170,521	134,692
Board	190,338	195,854
	6,129,803	6,715,283
Deficiency of revenue over expenses before the undernoted	(1,530,636)	(1,665,214)
Realized gain on investments	1,543,916	6,631,764
Change in fair value adjustment on investments	(4,774,302)	(3,255,840)
Excess of revenue over expenses	$ (4,761,022)	$ 1,710,710

See accompanying notes to financial statements

STATEMENT OF FINANCIAL POSITION

As at March 31, 2020, with comparative information for 2019

	2020	2019
Assets (Current assets):		
Cash	$ 1,245,693	$ 2,152,585
Accounts receivable	186,230	395,086
Prepaid expenses	125,698	70,542
Investments (note 3(a))	66,546,308	70,246,199
	68,103,929	72,864,412
Property and equipment (note 4)	117,917	136,311
Deposit	27,634	27,634
	$ 68,249,480	$ 73,028,357
Liabilities (Current Liabilities)		
Accounts payable and accrued liabilities	$ 564,495	$ 762,994
Deferred revenue (note 5)	1,370,169	1,180,139
	1,934,664	1,943,133
Deferred lease inducements	23,465	32,851
	1,958,129	1,975,984
Net assets:		
Restricted endowment fund (notes 1 and 7(c))	50,000,000	50,000,000
Unrestricted fund	16,291,351	21,052,373
	66,291,351	71,052,373
Commitments and guarantees (note 7)		
Subsequent event and contingency (note 10)		
	$ 68,249,480	$ 73,028,357

See accompanying notes to financial statements

Approved on behalf of the Board:

Director: ____________ Director: ____________

STATEMENT OF CASH FLOWS

Year ending March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ (4,761,022)	$ 1,710,710
Items not involving cash:		
Amortization	48,023	53,133
Amortization of deferred lease inducements	(9,386)	(9,386)
Change in fair value adjustment of investments	4,774,302	3,255,840
	51,917	5,010,297
Changes in non-cash working capital:		
Accounts receivable	208,856	231,940
Prepaid expenses	(55,156)	1,191
Accounts payable and accrued liabilities	(198,499)	202,718
Deferred revenue	190,030	(8,717)
	197,148	5,437,429
Investing activities:		
Purchase of equipment	(29,629)	(6,892)
Purchase of investments, net of draw-downs or dispositions	(1,074,411)	(4,605,859)
	(1,104,040)	(4,612,751)
Increase (decrease) in cash	(906,892)	824,678
Cash, beginning of year	2,152,585	1,327,907
Cash, end of year	$ 1,245,693	$ 2,152,585

05.

SUPPORTERS

Operational and grant funding support is provided through an endowment fund established by the Government of Canada. We are also grateful to the individuals, corporations, foundations and government agencies that have supported us this year in our mission to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada.

Below is a list of contributors who have helped make our research and activities possible – thank you.

$100,000+

Export Development Canada *(multi-year)*

Global Affairs Canada *(multi-year)*

Government of Canada, Federal Economic Development Agency, Southern Ontario *(multi-year)*

Natural Resources Canada (multi-year)

Province of British Columbia, Ministry of Education *(multi-year)*

$50,000–$100,000

Atlantic Chamber of Commerce Inc.

University of Toronto, Centre for Global Social Policy

$10,000–$50,000

Air Canada

Bennett Jones LLP (in kind)

Business Council of Canada

Department of National Defence, MINDS Program

Embassy of Canada to Japan (in kind)

Farris LLP

Fiera Capital Corporation

Hitachi Canada

Invest in Canada

Manulife Financial

McCarthy Tétrault (in kind)

Ministry of Foreign Affairs, Japan

National Geographic Society

Noah Canada Wealth Management Ltd

Policy Horizons Canada

Province of Saskatchewan

Rakuten Kobo Inc.

Samantha Thavasa (in kind)

Takeda Canada Inc.

TELUS

Toyota Canada Inc.

Two Lions Records (in kind)

University of Calgary, School of Public Policy

Under $10,000

ArcelorMittal North America

Beam Suntory Canada Inc.

BMO Financial Group (in kind)

Mr. Stephen Bowman

Canon Canada Inc.

Cathay Pacific Airways Limited

City of Markham

Consulate General of Japan in Toronto (in kind)

Deloitte Canada

Employment and Social Development Canada

The Estate of Oscar Peterson

Fujitsu Intelligence Technology

IAMGOLD

Japan Automobile Manufacturers Association, Inc

Kyoto Women's University

Mitsui & Co (Canada) Ltd.

Montréal International

Mr. Raymond Moriyama

Ryerson University

Shiseido (Canada) Inc.

Stikeman Elliott LLP

Sumitomo Mitsui Banking Corp of Canada

Torys LLP

University of Toronto, School of Cities (in kind)

Dr. Kazuhiro Yasufuku

Yuen Pau Woo Consultants Canadian Digital Media Network

Supporting Organizations

Communitech

Japan Women's Innovative Network

MaRS Discovery District

Move the Dial

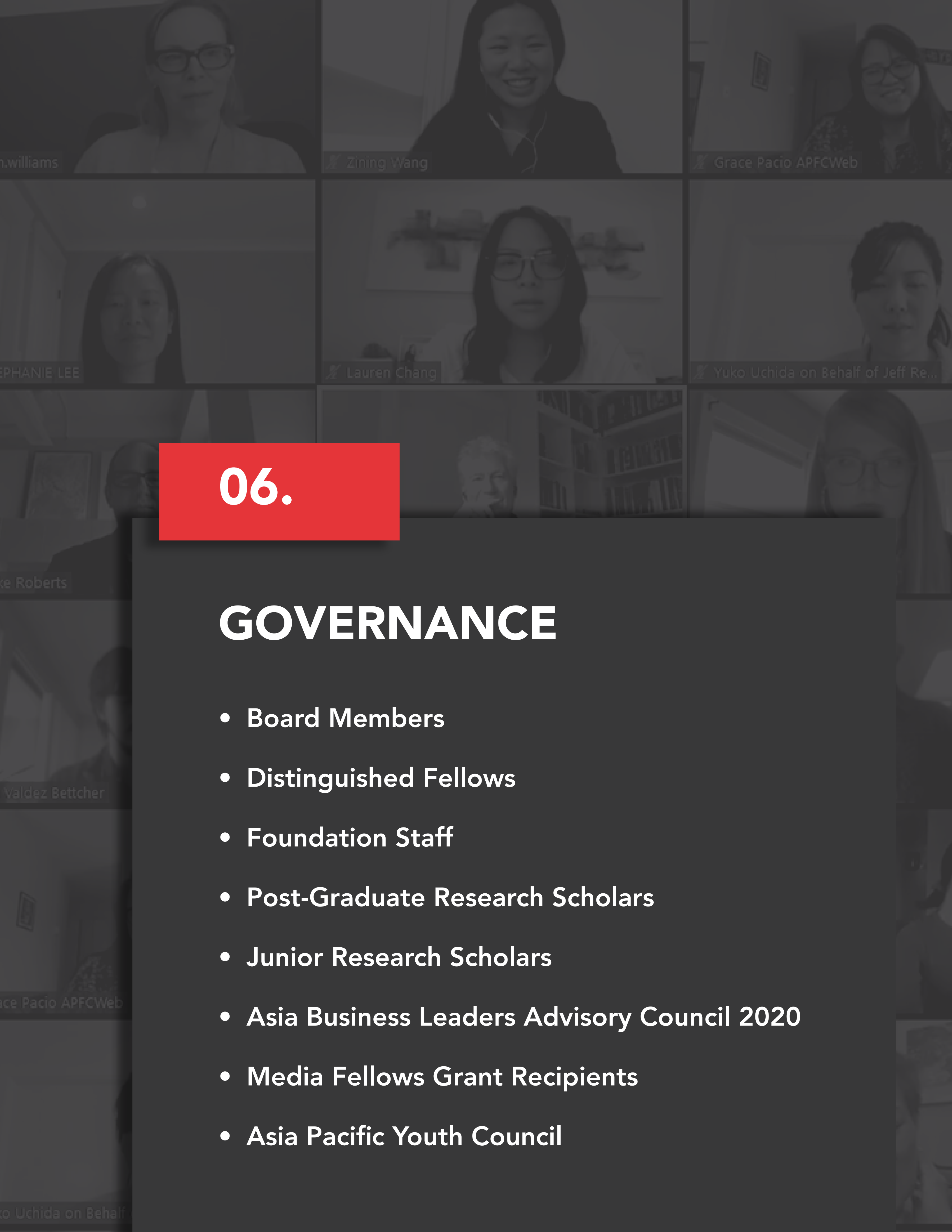
NEXT Canada

Rotman Initiative for Women in Business

Ryerson Futures

SheEO

UN Women



06.

GOVERNANCE

- Board Members
- Distinguished Fellows
- Foundation Staff
- Post-Graduate Research Scholars
- Junior Research Scholars
- Asia Business Leaders Advisory Council 2020
- Media Fellows Grant Recipients
- Asia Pacific Youth Council

BOARD MEMBERS

Hon. Pierre Pettigrew, P.C., L.L.D.

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Vice-Chair
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Murad Al-Katib

President and CEO
AGT Food and Ingredients Inc.

Dominic Barton

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Former Chief Executive Officer, TVO

Jean Charest

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Pitman Potter
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SFU Centre for Dialogue

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Dr. Yves Tiberghien
University of B.C.

Dr. James Tiessen
Ryerson University

Dr. David Welch
CIGI, Balsillie School of International Affairs

FOUNDATION STAFF

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Mari Abe
Executive Assistant, Toronto

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Program Manager, Grants & Proposals

Lauren Chang
Program Manager, Sponsorships

Jamie Curtis
Graphic Designer

Sreyoshi Dey
Program Manager, Perspective Asia

Jordan Dupuis
Program Manager

Kathy Forbes
Information Specialist & Website Manager

Scott Harrison
Program Manager, Research and Programs

Annie Hu
Accounting Manager

Sian Jones
Program Manager, Kakehashi Project

Dongwoo Kim
Program Manager, Digital Asia

Justin Kwan
Program Manager, APEC- Canada Growing Business Partnership

Karina Kwok
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Charles Labrecque
Research Manager

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Program Manager, Networks and Partnership

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Events and Office Administration Co-ordinator

Nadine Oliver
Project Specialist

Grace Pacio

Human Resources and Office Manager

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Communications Manager

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Christine Stoddard

Executive Business Partner

Yuko Uchida

Executive Assistant to the Vice-President, Research

Kai Valdez Bettcher

Program Specialist, Business Asia

Erin Williams

Program Manager, Skills and Competencies

Mary Zhong

Accounting Assistant

RESEARCH SCHOLARS

Post-Graduate Research Scholars

Mendee Jargalsaikhan

Yoel Kornreich

Isaac Lo

Junior Research Scholars

Margot Chen

Rasmus Dilling-Hansen

Phebe Ferrer

Yiwei Jin

Jamie Cin Yee Leung

Tracy Ly

Sainbuyan Munhkbat

Dakota Norris

Daniela Rodriguez

Hugo Roy

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President and Chief Executive Officer, PSP Investments

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Janice Fukakusa
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Sue Paish
Chief Executive Officer, Digital Technology Supercluster

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President and Chief Operating Officer, Asia-Pacific, OMERS

Calin Rovinescu
President and Chief Executive Officer, Air Canada

Michael Sabia
Director, Munk School of Global Affairs & Public Policy

Ian Smith
Chief Executive Officer, Clearwater Fine Food Inc.

Mark Wiseman
Global Investment Manager & Senior Advisor, Hillhouse Capital

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John Cheh
Vice Chairman and Chief Executive Officer, Esquel Group (Hong Kong)

Tae-young (Ted) Chung
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Anand Mahindra
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Chairman, Unibrands (Vietnam)

Shunichi Shibanuma
Senior Executive Officer, SIGMAXYZ (Japan)

Chin Hwee Tan
Chief Executive Officer, Asia-Pacific, Trafigura (Singapore)

Yukako Uchinaga
Board Chair, Japan Women's Innovative Network, President and Chief Executive Officer, Globalization Research Institute (Japan)

Diane Wang
Founder and Chief Executive Officer, DHgate.com (China)

MEDIA FELLOWS GRANT RECIPIENTS

Amitha Kalaichandran is an Ottawa-based journalist, resident physician, and epidemiologist whose writing focuses on pressing health-care issues. She has reported on a wide variety of medical topics for CBC, The National Post, Toronto Star, Walrus, Wired, Fast Company, and the Globe and Mail, as well as The New York Times and the Boston Globe. Her project this fiscal explores what Canada can learn from Japan and China with respect to the integration of artificial intelligence (AI) and health care, which is particularly timely given new Canadian investments in these sectors.

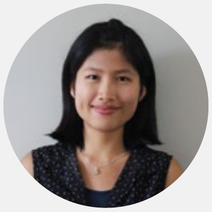
Catherine Tsalikis is a Toronto-based print, online, and broadcast journalist who has worked in international newsrooms in London, Istanbul, and Toronto, where she is currently Senior Editor with OpenCanada and a feature writer specializing in Canadian foreign policy issues. Her project focused on women's empowerment and gender equality in the 'superaged' economy of Japan, where 'womenomics' is presenting new lessons for countries like Canada in dealing with extreme demographic shifts and shortfalls.

ASIA PACIFIC YOUTH COUNCIL

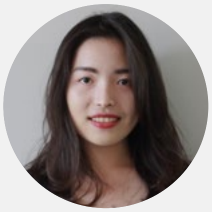
Vancouver

Angela Tien
Youth Council President

Felipe Civita Ferreira
Director of Global Careers



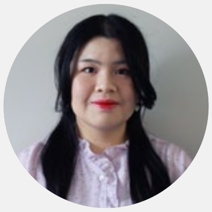
Gina Hsu
Director of Community and Outreach



Catherine Jiang
Associate Director of Global Careers

Nicola Jones-Crossley
Director of Entrepreneurship and Asia Pacific Business

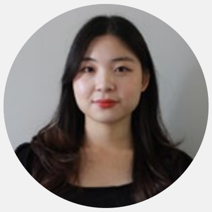
Arthur Liao
Co-Director of Arts and Culture Programming



Jamie Cin Yee Leung
Co-Director of Student Election Watch Programming

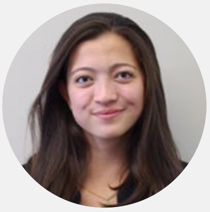
Arkam Nusky
Director of Finance and Sponsorship

Matthew Putman
Co-Director of Student Election Watch Programming



Lucya Park
Associate Director of Entrepreneurship and Asia Pacific Business

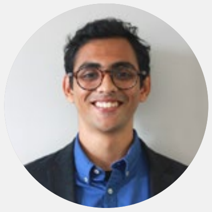
Yaoyao Pei
Co-Director of Arts and Culture Programming



Natascha Schoepl
Co-Director of Arts and Culture Programming

Chandima Silva
Co-Director of Arts and Culture Programming

Benedict Tang
Director of Digital Communication and Marketing



Faiz Vagh
Co-Director of Student Election Watch Programming

Toronto

Feavan Abidta

Gauraang Dhar

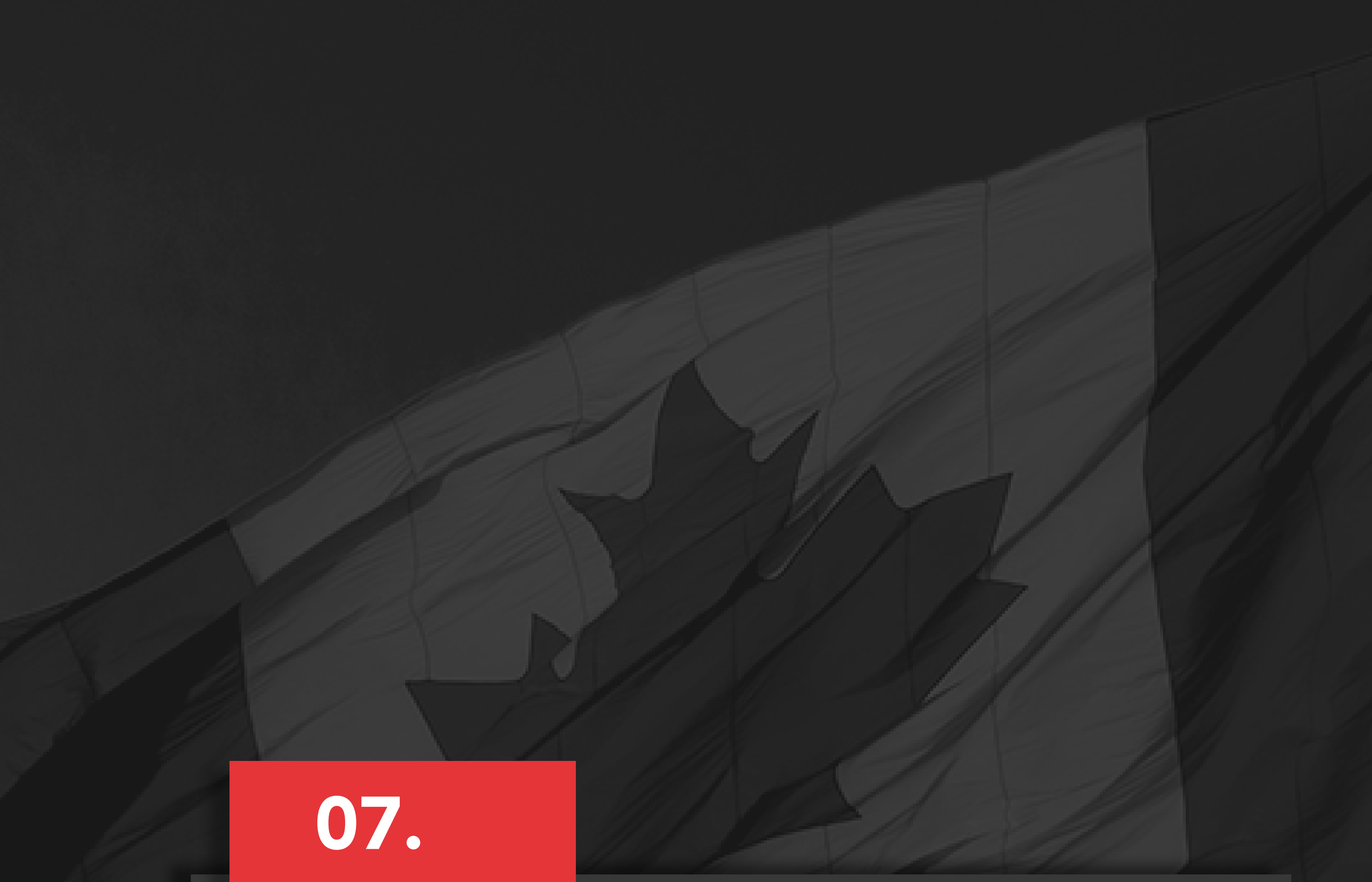
Trevor Fairlie

Jennifer Lau

Marian Mendoza

Tim Rodgers

Kanika Sachdeva



07.

FINANCIAL ANNEXES

- Independent Auditor's Report
- Notes to Consolidated Financial Statements
- Statement of Investment Policies and Procedures

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PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Asia Pacific Foundation of Canada

Opinion

We have audited the financial statements of Asia Pacific Foundation of Canada (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
July 13, 2020

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	$ 1,245,693	$ 2,152,585
Accounts receivable	186,230	395,086
Prepaid expenses	125,698	70,542
Investments (note 3(a))	66,546,308	70,246,199
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Property and equipment (note 4)	117,917	136,311
Deposits	27,634	27,634
	$ 68,249,480	$ 73,028,357
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 564,495	$ 762,994
Deferred revenue (note 5)	1,370,169	1,180,139
	1,934,664	1,943,133
Deferred lease inducements	23,465	32,851
	1,958,129	1,975,984
Net assets:		
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Unrestricted fund	16,291,351	21,052,373
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Commitments and guarantees (note 7)		
Subsequent event and contingency (note 10)		
	$ 68,249,480	$ 73,028,357

See accompanying notes to financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Investment income, net (note 3(b))	$ 2,191,994	$ 2,293,523
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Change in fair value of investments	(4,774,302)	(3,255,840)
Excess (deficiency) of revenue over expenses	$ (4,761,022)	$ 1,710,710

See accompanying notes to financial statements

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Restricted endowment fund	Unrestricted fund	Total
Balance, March 31, 2018	$ 50,000,000	$ 19,341,663	$ 69,341,663
Excess of revenue over expenses	-	1,710,710	1,710,710
Balance, March 31, 2019	50,000,000	21,052,373	71,052,373
Deficiency of revenue over expenses	-	(4,761,022)	(4,761,022)
Balance, March 31, 2020	$ 50,000,000	$ 16,291,351	$ 66,291,351

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (4,761,022)	$ 1,710,710
Items not involving cash:		
Amortization	48,023	53,133
Amortization of deferred lease inducements	(9,386)	(9,386)
Change in fair value of investments	4,774,302	3,255,840
	51,917	5,010,297
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	197,148	5,437,429
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Purchase of investments, net of draw-downs or dispositions	(1,074,411)	(4,605,859)
	(1,104,040)	(4,612,751)
Increase (decrease) in cash	(906,892)	824,678
Cash, beginning of year	2,152,585	1,327,907
Cash, end of year	$ 1,245,693	$ 2,152,585

See accompanying notes to financial statements.

1. **Nature of operations:**

The Asia Pacific Foundation of Canada (the "Foundation") is a not-for-profit organization focused on Canada's relations with Asia, and established by an Act of Parliament in 1984. The mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. The Foundation is dedicated to strengthening ties between Canada and Asia with a focus on eight thematic areas: trade and investment, surveys and polling, regional security, digital technologies, domestic networks, sustainable development; building Asia Competency among Canadians, including young Canadians; and, improving Canadians' general understanding of Asia and its growing global influence. Annual funding is provided by the income earned on a $50 million endowment fund established by the federal government in November 2005, and from other sources. The principal endowment fund of $50 million is to be maintained permanently.

The Foundation is registered with Canada Revenue Agency as a charitable organization and is exempt from income taxes.

2. **Significant accounting policies:**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, under Part III of the CPA Canada Handbook - Accounting and reflect the following significant accounting policies:

(a) Revenue recognition:

(*i*) The Foundation follows the deferral method of accounting for government and private sector funding and sponsorship contributions. Unrestricted contributions are recognized as revenue in the period in which they are received. Restricted contributions are recognized when spent on the purpose as specified.

The funds are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured and in the same year in which the related expenses are recognized.

Endowment contributions are recognized as direct increases in net assets.

(*ii*) Investment income is recorded on the accrual basis and recognized as revenue when earned, other than the investment income earned on the McArthur Fellowship fund (notes 3 and 5) which is restricted and deferred as part of the fund until spent.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments at fair value with changes in fair value recognized in the statement of operations.

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Property and equipment:

Property and equipment are originally recorded at cost. Repairs and maintenance costs are charged to expense. Amortization is provided on a straight-line basis based on the assets' estimated useful lives using the following rates:

Computer equipment	3 years
Furniture and office equipment	4 - 6 years
Leasehold improvements	Lesser of useful life and remaining lease term

Assets acquired under capital lease are amortized over the term of the lease or on a straight-line basis over the assets' useful lives using the rates above.

When a capital asset no longer contributes to the Foundation's activity to provide services, its carrying amount is written down to its fair value or replacement cost.

(d) Deferred lease inducements:

Deferred lease inducements consist of lease incentive funds received from landlords. These inducements are amortized over the term of the lease, as a reduction of rent expense.

(e) Grants:

As part of the requirement of the restricted endowment fund, the Foundation makes commitments to provide funding to various research projects in disseminating information in the Asia Pacific region. These commitments are recorded as liabilities upon commencement of the term of the grants.

2. Significant accounting policies (continued):

(f) Allocation of expenses:

The Foundation incurs a number of general expenses that are common to the administration of the Foundation and each of its programs. The Foundation allocates its general expenses by identifying the appropriate basis of allocating each component expense and applies that basis consistently each year (note 9).

General expenses relate to human resources, information technology, finance and administration. Human resources and information technology are allocated based on time spent in relation to the programs. Finance and administration expenses are allocated based on actual usage and costs.

(g) Employee future benefits:

The Foundation provides a defined contribution plan in the form of a match group RRSP contribution up to 5% of gross salary. Contributions toward the plan are expensed as incurred. During the fiscal 2020, the Foundation incurred $94,195 (2019 - $92,690) in contribution expense.

(h) Contributed services and materials:

The Foundation may receive contributed services, including services from governance members, sponsors and volunteers each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

Contributed materials are recorded at fair value at the date of contribution where such fair value is determinable and the contributed materials would otherwise have been purchased.

(i) Foreign currency translation:

Monetary items denominated in a foreign currency are adjusted at the statement of financial position date to reflect the exchange rate in effect at that date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average rates for the month in which they are incurred. Exchange gains and losses are included in the determination of excess or deficiency of revenue over expenses for the period.

(j) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items requiring the use of management estimates include the fair value of investments, the useful lives of property and equipment for purposes of amortization, and provisions for contingencies. Actual results may differ from these estimates.

3. Investments and investment income, net:

(a) Investments:

Investments are comprised of portfolios as at March 31 as follows:

	2020	2019
Endowment fund portfolio (*i*)	$ 65,716,739	$ 70,246,199
McArthur Fellowship portfolio (*ii*)	829,569	-
	$ 66,546,308	$ 70,246,199

(*i*) The endowment fund portfolio holds investments at fair value as follows:

	2020	2019
Phillips, Hager & North Funds		
Mortgage Pension Trust	$ 3,338,338	$ 3,278,571
Short Term Bond & Mortgage Fund	1,394,492	-
Canadian Money Market Fund	5,084,041	-
Multi-Strategy Alpha Fund	-	5,909,788
Low Volatility Global Equity Fund	10,147,764	10,809,640
	19,964,635	19,997,999
Fiera Capital Corporation Funds		
Short term investments	188,141	274,563
Canadian equity fund	16,086,730	18,267,695
Global equity fund	15,060,770	14,885,634
	31,335,641	33,427,892
Romspen Investment Corporation		
Mortgage investment funds	7,007,418	6,519,256
Axium Infrastructure fund	7,349,914	7,199,366
Vancouver Foundation Asia Pacific Foundation of Canada Fund	10,011	11,003
Westcourt Capital Corporation TFS	-	3,000,000
VPC	49,120	90,683
	49,120	3,090,683
	$ 65,716,739	$ 70,246,199

3. Investments and investment income, net (continued):

(a) Investments (continued):

(*ii*) The McArthur Fellowship portfolio is invested with the funds belonging to the McArthur Fellowship program (note 5). It holds investments at fair value as follows:

	2020	2019
Fiera Capital Corporation - Balanced EFT fund	$ 829,569	$ -

(b) Investment income, net:

Investment income is comprised of the following:

	2020	2019
Income and capital distributions	$ 896,416	$ 932,742
Dividend	817,389	760,324
Interest	913,684	1,005,742
	2,627,489	2,698,808
Less: investment management and custodian fees	(435,495)	(405,285)
	$ 2,191,994	$ 2,293,523

The income earned net of fees incurred related to the McArthur Fellowship investment portfolio are deferred and accounted for through the McArthur Fellowship program funds (note 5).

4. Property and equipment:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	$ 96,149	$ 81,775	$ 14,374	$ 11,107
Furniture and office equipment	259,462	190,206	69,256	79,607
Leasehold improvements	114,601	80,314	34,287	45,597
	$ 470,212	$ 352,295	$ 117,917	$ 136,311

5. Deferred revenue:

	McArthur Fellowship	Kakehashi Program	Other Programs	Total
Balance, beginning of year	$ 819,464	$ 74,802	$ 285,872	$ 1,180,138
Funds received	116,276	894,055	1,535,145	2,545,476
Funds receivable	-	-	79,706	79,706
Investment income earned	56,446	-	-	56,446
Change in fair value of investment	(87,902)	-	-	(87,902)
Revenue recognized	(642)	(801,565)	(1,601,488)	(2,403,695)
Balance, end of year	$ 903,642	$ 167,292	$ 299,235	$ 1,370,169

As at March 31, 2020, the McArthur Fellowship deferred funds are held in investments of $829,569 (2019 - nil) (note 3(a) (*ii*)), and in cash for the remaining balance of $74,073 (2019 - $819,464).

As at March 31, 2020, the Kakehashi Program had funds unspent and deferred in the amount of $167,292 (2019 - $74,803). The Ministry of Foreign Affairs of Japan has agreed to allow the Foundation to use the funds for fiscal 2021.

During 2020, the Foundation has charged administrative fees of $12,847 (2019 - $17,516) to the Kakehashi Program as allowed under the program agreement. These amounts have been included as revenues in the statement of operations.

6. Contributed materials:

During the year ended March 31, 2020, the Foundation received the following contributed materials from sponsors. These contributed materials are included in the statement of operations.

	2020	2019
Airfare	$ 6,729	$ 37,676
Event venue and catering	48,683	-
Event App	-	1,582
	$ 55,412	$ 39,258

7. Commitments and guarantees:

(a) The Foundation has operating leases related to its Vancouver and Toronto office premises that expire in May 2022 and January 2027. The future minimum lease payments are as follows:

2021	$	192,948
2022		160,398
2023		158,253
2024		158,253
2025		158,253
Thereafter		290,130
	$	1,118,235

(b) The Foundation currently guarantees credit cards used by its employees for travel expenses with a total limit of up to $150,000 (2019 - $133,000).

(c) The Foundation, under its endowment fund agreement, is:

(*i*) Committed in any fiscal year to use minimum 25% of the rolling endowment fund income reported in the second prior year statement of operations to fund its grants program. Fund income includes investment interest and dividend and other similar income, less management fees charged. Realized gains or losses on dispositions or redemptions of investments and capital gains distributions are excluded from the calculation of fund income to be used in determining the grants.

For the year ended March 31, 2020, the grant funding obligation was $413,243 (2019 - $507,320). This amount, net of the prior year grant funded overages of $122,903 (2019 - $251,384 overage), resulted in a net obligation of $290,340 (2019 - $255,936). Total grants awarded for the year were $360,000 (2019 - $361,544).

(*ii*) Committed to preserve the principal endowment fund of $50 million over the long term.

8. Financial risks:

(a) Credit risk:

Credit risk represents the financial loss that the Foundation would suffer if the Foundation's counterparties to a financial instrument, in owing an amount to the Foundation, fail to meet or discharge their obligation to the Foundation. As at March 31, 2020, the Foundation is exposed to credit risk in connection with its cash, accounts receivable, investments and deposits.

The Foundation manages its credit risk by investing in instruments with reputable banks and investment managers in accordance with its Investment Policy. Exposure to credit risk in accounts receivable is reduced as the monies outstanding are due from multiple reputable debtors. There has been no significant change to this risk exposure from 2019.

8. Financial risks (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they become due. Management forecasts cash flows periodically to ensure the Foundation has sufficient cash available on demand to meet expected operational expenses and committed grant obligations for one year. There has been no significant change to this risk exposure from 2019.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing returns. This risk is managed through a diversified portfolio in accordance with the Foundation's Investment Policy approved by its Board, and monitoring of the market capitalization and trading liquidity of each holding.

(*i*) Interest rate risk:

Interest rate risk is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Foundation's investments in bond, mortgage and money market funds are subject to interest rate risks.

(*ii*) Currency risk:

Currency risk is the risk that the fair value and/or cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation has transactions in foreign currencies as part of its mandate. Fluctuations in the foreign exchange rate give rise to a risk that revenues over expenditures and cash flows may be negatively impacted.

The Foundation does not enter into foreign exchange contracts to manage the effect of currency risk.

(*iii*) Other price risk:

The Foundation's exposure to other price risk is primarily attributable to fluctuations in quoted market prices of listed investments. The exposure to price changes is managed by monitoring the changes in market conditions that may have an impact on the market prices or factors affecting the value of these investments.

There has been no significant changes to the above market risks other than the pervasive impact of COVID-19 pandemic as described in note 10.

9. Allocation of expenses:

Human resources, information technology and finance and administration expenses have been allocated to programs as follows:

	2020	2019
Projects	$ 1,403,798	$ 1,164,451
Kakehashi Program	123,455	125,356
APEC - Canada Growing Business Partnership	252,005	382,383
McArthur Fellowship	624	1,187
Communication and public outreach	433,446	352,614
Grants program	8,772	37,523
Secretariats	54,762	29,573
Board	99,902	91,540
	$ 2,376,764	$ 2,184,627

10. Subsequent event and contingency:

On March 11, 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known. At the time of the approval of these financial statements, the primary impact on the Foundation has been the decline in the market value of its investments. The impact of the pandemic creates uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have an impact on future operations. An estimate of the financial effect is not practicable at this time. The Foundation continues to closely monitor the impact of its financial implications and will be adjusting its operations as required to enhance continuity of operations.

STATEMENT OF INVESTMENT POLICIES AND PROCEDURES FOR ASIA PACIFIC FOUNDATION OF CANADA

Approved: July 25, 2019

Table of Contents

Section I – Introduction

1.1 This document constitutes the Statement of Investment Policies and Procedures (the "Policy") applicable to the assets held in respect of the Fund (the "Fund") of the Asia Pacific Foundation of Canada (the "Foundation").

1.2 The purpose of this Policy is to formulate those investment principles, guidelines and monitoring procedures that are appropriate to the needs and objectives of the Fund.

1.3 Any Manager or other agent or advisor providing services in connection with the investment of the Fund assets shall accept and adhere to this Policy.

1.4 This Policy may be changed or modified at any time by action of the Committee.

Section II – Overview of the Fund

2.1 The Fund was established primarily through a grant from the Government of Canada. Its purpose is to provide a stable source of funding for the effective operation of the Asia Pacific Foundation of Canada.

Section III – Governance and Administration

3.1 The Fund was furnished through a conditional grant of $50 million on December 22, 2005 provided by the Government of Canada. The Foundation shall use this conditional grant solely for the purposes of the Fund. No material changes in the objectives of the Fund, the use of the Fund or the Fund's Policy will be undertaken without prior written approval of the Minister of Foreign Affairs.

3.2 The Board of Directors of the Asia Pacific Foundation (the "Board") has the ultimate responsibility to ensure that the Fund is invested and managed in accordance with the prudent person principle.

3.3 The Board is the administrator of the Fund and responsible for all aspects of the operations of the Fund.

3.4 To assist in meeting its obligations, the Board has established a governance structure and delegated to the Investment Committee (the "Committee") responsibility for investment of the Fund. The Committee shall be composed of at least three Directors who are not officers or employees of the Foundation. Members of the Committee shall be financially literate and, collectively, have broad knowledge or experience in investment matters. Members of the Committee are to be appointed by the Board.

3.5 Oversight activities of the Fund are administered by the Committee. These include development of policies, appointment and termination of investment managers and other external service providers, and monitoring of investment results.

3.6 In fulfilling its responsibilities, the Committee may delegate to or otherwise utilize employees of the Foundation where appropriate. The Committee shall retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel. The Committee may delegate some activities where appropriate but shall retain responsibility for such activities. Any reference in the Policy to the Committee shall be interpreted as referencing the appropriate delegate.

3.7 The Committee may rely on independent experts for certain aspects of the Fund's operations where expert knowledge is required or where a perceived or actual conflict of interest exists.

3.8 Neither the Committee nor any employee of the Foundation shall select securities on behalf of the Fund except for the selection of Pooled Funds, GICs, or short-term deposits with banks or trust companies for the Fund.

3.9 The Committee shall retain one or more independent professional investment managers (the “Manager(s)”) to invest the Fund assets.

3.10 Assets of the Fund shall be allocated by the Committee among Managers in such proportions that will implement the Fund asset allocation guidelines in accordance with this Policy.

3.11 Where the Committee desires to invest in a Pooled Fund, the Committee must satisfy itself that the Investment Policy of such Pooled Fund and any amendments thereto are consistent with this Policy.

3.12 Any Custodian of Fund assets shall be a trust company registered in Canada or an insurance company authorized to underwrite life insurance in Canada. All investments and assets of the Fund shall be held by a Custodian and invested in a name that clearly indicates that the investment is held in trust for the Fund and, where the investment is capable of being registered, registered in that name.

Section IV – Roles and Responsibilities

The Board

4.1 The Board shall:

- Approve the Policy.
- Approve the appointment of Committee members.
- Approve any public financial statements which include reporting on the value of the Fund.
- Ensure that proper external investment arrangements are established for the Fund.
- Approve the asset mix policy.
- Ensure that Policy is reviewed at least annually.

The Committee

4.2 The Committee shall:

- Recommend a written Statement of Investment Policy to the Board.
- Approve the appointment of independent external advisors to provide investment advice (the “Investment Consultant(s)”).
- Approve the manager structure and review it at least annually.
- Approve the appointment and termination of the Managers.
- Approve the appointment and termination of the Custodian.
- Monitor the activities and performance of the Fund.

- Make other decisions that may be required to fulfill the terms of this Policy.

The Managers

4.3 The Managers shall:

- Invest the assets allocated to them in accordance with the Policy.
- Comply with the terms of an Investment Manager Agreement (“Agreement”).
- Report to the Committee in writing on a quarterly basis in respect of their performance for the quarter, the investment holdings and transactions, the intended strategy for the following quarter, deviation from the intended strategy for the preceding quarter and compliance with the Policy.
- Provide to the Committee upon appointment, and whenever change occur thereafter, their policies and procedures relating to professional standards, conflicts of interest, internal controls and trading policies.
- Advise the Committee on an ongoing basis of any relevant changes in their organization, personnel or investment process.
- Be available for meetings or discussions with the Committee on a reasonable basis.
- Report to the Committee in writing on an annual basis, and whenever there are changes, their Environmental, Social, and Governance policies and practices.

Section V – Asset Classes Eligible for Investment

5.1 From time to time, and subject to this Policy, the Fund may invest in any or all of the following asset categories and subcategories of investments either directly or through Pooled Funds or exchange traded funds that hold these investments. To the extent the Fund invests in a Pooled Fund, the investment constraints outlined below and any other provisions of the Statement that may be affected, shall not apply, but the Managers shall be governed by the investment policy for the Pooled Fund. At the time of hire, the Managers shall inform the Committee when and how the guidelines of the Pooled Fund differs from the diversification and other constraints in this Policy, and shall also inform the Committee of their policies on environmental, social and governance factors as these relate to their security selection decisions.

(a) "Equity":

- common stocks, convertible debentures, share purchase warrants, exchangeable shares, share purchase rights, installment receipts or preferred shares of corporations
- interests in limited partnerships
- exchange traded funds, real estate investment trusts and income trusts
- depositary receipts

(b) "Fixed Income":

- bonds, debentures, notes, or other debt instruments of domestic, foreign and supranational issuers
- asset-backed securities
- mortgage-backed securities
- commercial and residential mortgages

- pooled funds primarily invested in mortgage loans secured against Canadian and US real estate
- hybrid debt instruments issued by Canadian chartered banks
- term deposits or similar instruments of licensed trust companies and banks

(c) **“Infrastructure”:**

- pooled funds primarily invested in US and Canadian infrastructure assets

(d) **“real estate”**

- pooled funds primarily invested in global real estate assets

(e) **“Cash and Cash Equivalents”:**

- deposits with banks or trust companies with a term to maturity of one year or less
- money market securities with a term to maturity of one year or less
- floating rate notes
- repurchase agreements with a term to maturity of one year of less

(f) **Hedge Funds:**

- Hedge funds via pooled funds only, including, but not limited to absolute return strategies, market neutral credit and equities, event driven and global credit

(g) **Derivatives:**

- Futures and options that are regularly traded upon recognized public exchanges or other organized public trading facilities where market prices are readily available.

- Forward contracts and swap agreements with financial institutions that satisfy the credit standards of the Policy with respect to Cash Equivalents and Fixed Income.

Other Investments:

5.2 The Fund may not invest in categories of assets or instruments not specifically provided for in this section including commodities, precious metals, mineral rights, bullion or collectibles.

Section VI – Investment Objectives and Risk Considerations

6.1 The overall investment philosophy of the Fund is to maximize the long-term real rate of return subject to an acceptable degree of risk.

6.2 The investment objectives of the Fund are:

(a) The primary objective of the Fund is to preserve the principal amount of the Fund over the long term.

(b) A secondary objective is to preserve the real value of the Fund over the long term.

(c) The long-term expected rate of return for the Fund is 4% above inflation (as recorded by the Consumer Price Index) over four-year rolling periods.

6.3 The overall quantitative performance of the Fund shall be considered satisfactory if the total annualized returns earned by the Fund exceed by 1.0% the returns that could have been earned by passively investing the Normal Allocation, identified in the following table, over rolling four year periods.

Asset Class	Benchmark Index	Normal Allocation
Canadian Equities	S&P/TSX Composite Index	25%
Global Equities	MSCI World Index	35%
Canadian Fixed Income and Mortgages	Blended Index comprised of 80% FTSE Canada Universe Bond Index + 20% FTSE Canada Short Term Index	22%
Infrastructure	CPI + 4%	8%
Real Estate	CPI + 4%	10%

6.4 For each actively managed component of the Fund, the following table details the value add expectations relative to the corresponding benchmark. It is expected that the Managers will achieve these performance targets for their respective mandates, measured over rolling four year periods.

Asset Class	Benchmark Index	Added Value Expectation
Canadian Equities	S&P/TSX Composite Index	Index + 1.0%
Global Equities	MSCI World Index	Index +1.0%
Canadian Fixed Income and Mortgages	Blended Index comprised of 80% FTSE Canada Universe Bond Index + 20% FTSE Canada Short Term Index	Index + 0.4%
Infrastructure	CPI + 4%	0.0%
Real Estate	MSCI Global Property Fund Index	0.0%

6.5 For the purpose of measuring rates of return of the Fund, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods. All index returns shall be total returns. All foreign index returns shall be Canadian dollar returns.

6.6 The risk inherent in the investment strategy over a market cycle (a five to ten year period) is three-fold. There is a risk that long-term market returns will not be in line with expectations. To the degree that active management is employed, there is a risk that the added value will not be realized, or will be negative. There is also the risk of annual volatility in returns which means that in any one year the actual return may be very different from the expected long-term return and that such return may also be negative.

Section VII – Asset Allocation Guidelines

7.1 In identifying the Normal Allocation that would best meet the objectives identified in this Policy, consideration was given to:

(a) the factors outlined in Overview of the Fund;

(b) the long-term nature of the Fund's assets;

(c) the long-term return expectations and the risks associated with key asset classes, as well as the relationships of their returns with each other, inflation and interest rates; and

(d) Practical considerations.

7.2 Over complete market cycles the allocation is expected to stay within the following ranges and to approximate the Normal Allocation:

	Percentage of Fund at Market Values		
Component Asset Classes	**Normal Allocation**	**Range**	
		Minimum	*Maximum*
Canadian Equities	25%	15%	30%
Global Equities	35%	30%	45%
Total Equities	60%	50%	70%
Fixed Income and Mortgages	22%	15%	30%
Cash & Cash Equivalents	0%	0%	10%
Infrastructure	8%	4%	12%
Real Estate	10%	0%	12%

Cash and Cash Equivalents may also be held from time to time on a short-term, temporary basis or as defensive reserves within the portfolios for each asset class at the discretion of each Manager within the constraints prescribed by that Manager's mandate, and for the purposes of this section such Cash and Cash Equivalents shall be included in that respective asset class.

During periods of asset mix transition, the allocations may deviate from the permitted ranges.

7.3 If the asset mix deviates outside the above ranges at the end of any quarter, the Committee shall take corrective action on rebalancing the asset mix to bring the asset mix back within the range as soon as practicable. The Committee may also take action to bring the asset mix closer to the Normal Allocation at any time.

Section VIII – Restrictions and Constraints for Fund's Investments

8.1 (a) The Committee shall ensure that the diversification requirements in each Manager's mandate or Pooled Fund investment policy, in combination with the amount of assets allocated to each Manager or Pooled Fund, are consistent with the limits outlined in this Section.

(b) Unless otherwise indicated, all percentages used in this Section shall be calculated using market values at the time; and

(c) With the exception of a pooled fund and securities issued or guaranteed by the Government of Canada or by a province of Canada having at least an "A" rating no more than 10% of the Fund shall be invested in any one entity or group.

8.2 In respect of the equity portfolio of the Fund:

(a) All holdings shall be listed on a public exchange or convertible or exchangeable into such securities.

(b) Neither the Manager nor the Fund may take part in the management of any business in which the Fund invests.

(c) Holdings shall be diversified by company, region, industry, currency and country; however, consideration may be given to the relative sizes of economic activity and stock market capitalization.

(d) In respect of any Canadian income trust and Canadian real estate investment trust, unless the unit of such trust is held within a Pooled Fund and the agreements governing the Pooled Fund state that the investors in that Pooled Fund cannot be held personally liable for the obligations of the trust or the trustee, such trust:

(i) must be a reporting issuer 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; and

(iii) The agreements governing any such trust must state that beneficiaries cannot be held personally liable for the obligations of the trust or the trustee.

(e) Any interest in a partnership must be as a limited partner and not as a general partner.

(f) Not more than 10% of the Canadian Equity portfolio shall be invested in securities not included in the S&P TSX Composite Index.

(g) Not more than 10% of the global equity portfolio shall be invested in companies having market capitalization, including closely held shares, below $1 billion (USD).

(h) Not more than 10% of the global equity portfolio shall be invested in countries not included in the MSCI World index.

8.3 In respect of the fixed income portfolio of the Fund:

(a) All securities must be readily marketable.

(b) Securities rated below "BBB (low)" or equivalent at the time of purchase are not permitted.

(c) The aggregate duration of the portfolio shall be maintained within three years of the FTSE Canada Universe Bond Index.

(d) Not more than 5% shall be invested in any one corporation or security with the exception of those issued or guaranteed by the Government of Canada or by a province of Canada having at least an "A" rating.

(e) Asset-backed securities shall be rated by at least two rating agencies.

(f) Mortgages shall be secured against Canadian and US real estate, and the loan to market value ratio for individual mortgages shall not exceed 75%.

(g) Not more than 30% shall be held in issues rated below "A" or equivalent.

(h) Not more than 15% shall be held in securities denominated for payment in foreign currency.

8.4 In respect of Derivatives:

(a) Any use of Derivatives must be in accordance with a policy that has been specifically considered and approved by the Committee whether done directly in the Funds or in a Pooled Fund.

(b) Derivatives may be used only to:

(i) adjust the duration and/or credit exposure of the Fixed Income portfolio within the ranges set out in this Policy;

(ii) replicate the investment performance of interest rates or a recognized capital market index;

(iii) create an exposure to securities that are otherwise permitted under this Policy;

(iv) manage the currency exposure of foreign property; or

(v) Reduce risk as part of a hedging strategy.

(c) Derivatives may not be used to create exposures that would not otherwise be permitted under this Policy or which would be outside the limits under this Policy had the exposure been obtained in the cash markets.

(d) Any Manager investing in Derivatives must determine the market value of that Manager's exposures on a daily basis.

8.5 In respect of Cash and Cash Equivalents of the Fund:

(a) All Cash Equivalents, including those held within the portfolios for each asset class at the discretion of the Manager, shall have a minimum credit rating of "R-1 (low)" or equivalent and be readily marketable or redeemable.

(b) Deposits with banks or trust companies must be rated "A" or better or be with institutions that have a long-term rating of "A" or better.

8.6 For purposes of this Section:

(a) All debt ratings refer to the ratings of Dominion Bond Rating Service unless otherwise indicated, however, equivalent ratings by another major credit rating agency can be used.

(b) If a security's credit rating falls below the required level after purchase, the Manager shall advise the Committee of their proposed course of action in writing as soon as practical.

(c) Unrated securities will be assumed to fail the credit ratings referred to in this Section.

8.7 Other than in the case of Derivatives specifically permitted by this Policy, the Fund shall not purchase securities on margin or engage in short sales. Installment receipts may not be purchased unless Cash or Cash Equivalents equal to the unpaid purchase price are also held.

Section IX – Loans and Borrowing

9.1 No part of the Fund assets shall be loaned to any party, other than by:

(a) purchasing securities which otherwise meet the requirements of this Policy for Fixed Income or Cash Equivalent;

(b) lending securities either by the Custodian or through a Pooled Fund that lends securities provided that a minimum collateral coverage of at least 102% of the current market value of the loaned securities is maintained at all times:

(i) in high quality liquid securities defined in an agreement with the lending agent and provided also that the lending agent provides a Bank guarantee of all such loans, or

(ii) in cash, provided that such cash is invested in investments that comply with the requirements for Cash and Cash Equivalents in this Policy, or

(c) Entering into repurchase agreements provided that the market value of the collateral held equals or exceeds the repurchase price plus accrued interest each day and the collateral otherwise qualifies for investment under this policy.

9.2 Money shall not be borrowed on behalf of the Fund and the Fund' assets shall not be pledged or otherwise encumbered in respect thereof, except for temporary overdrafts that occur in the course of normal day-to-day portfolio management.

Section X – Valuation of Investments

11.1 Investment in marketable securities shall be valued by the Custodian no less frequently than monthly at their market value at that time.

11.2 The Fund’s investments in Pooled Funds holding publicly traded securities shall be valued according to the unit values published by the Managers. The Custodian shall be responsible for requesting and recording the unit values on a monthly basis.

11.3 If a market valuation of an investment is not readily available, an estimate of fair value shall be supplied by the Manager to the Custodian no less frequently than quarterly. Such fair value may be determined by reference to the most recent independent expert appraisal or by other means such as discounted cash flow or comparison with similar assets which are publicly traded. In all cases the methodology should be applied consistently over time.

Section XI – Conflicts of Interest

11.4 If a member of the Committee, or any agent of or advisor to the Committee, or any person employed in the investment or administration of the Fund has or acquires any material interest, direct or indirect, in any matter in which the Fund is concerned or may benefit materially from knowledge of, participation in, or by virtue of an investment decision or holding of the Fund, the person involved shall, as soon as practicable, disclose this conflict of interest to the Chair of the Committee. The Chair shall then immediately advise all members of the Board, and the Board shall decide upon a course of action according manager's internal guidelines and polices. Any such person will thereafter abstain from any decision making with respect to the area of conflict, unless otherwise determined by unanimous decision of the remaining members of the Committee.

11.5 A Manager shall provide the Committee with its internal guidelines on purchasing securities of members of the Manager's organization, affiliates, or entities in which the Manager or its affiliates have a substantial interest or in which any employee of the Manager or that employee's spouse or children have a substantial investment.

11.6 Every disclosure of interest under this Section shall be recorded in the minutes of the relevant Committee meeting.

11.7 The failure of a person to comply with the procedures, described in this Section, shall not of itself invalidate any decision, contract or other matter.

11.8 The Committee shall satisfy itself that an appropriate policy regarding conflicts of interest exists and is followed by any Manager. As a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute shall be expected to apply to such Manager.

Section XII – Voting Rights

12.1 The responsibility of exercising and directing voting rights acquired through the Fund's investments shall normally be delegated to the Manager, who shall be required at all times act prudently and in the best interests of the beneficiaries. The Manager shall provide a copy of their voting rights policy to the Committee on request.

12.2 The Manager shall be required to maintain a record of how the Fund's voting rights have been exercised and provide a copy of such record to the Committee on request.

Section XIII – Monitoring

13.1 The Committee shall review on a regular basis, as needed, and at least once a year:

(a) the assets and net cash flow of the Fund;

(b) the current asset mix of the Fund;

(c) the investment performance and management of the Fund and each Manager relative to the objectives of the Policy, their Investment Policy or their individual Mandate, as applicable;

(d) portfolio holdings;

(e) the fees and expenses incurred in managing the Fund; and

(f) Compliance with this Policy.

Following such review, the Committee shall take such action as it deems prudent and appropriate.

13.2 The Committee or a representative appointed by the Committee shall meet at least once a year with each Manager to discuss investment performance, investment strategies, expected future performance and any changes in that Manager's organization, investment processes and professional staff.

13.3 The primary focus of performance assessment will normally be on a moving four-year basis, but performance over shorter time periods and the Manager's performance for other comparable accounts prior to appointment for the Fund may also be considered. The Manager will not necessarily be faulted for underperforming the agreed standard over short time periods. However, the Committee may conclude that significant short-term under performance renders it unlikely that the performance standard can reasonably be achieved at an appropriate risk level over the remainder of a market cycle.

13.4 Managers’ performance will be measured against applicable benchmarks and peer groups, as well as non-performance criteria, indices and comparator groups.

13.5 The Managers will also be judged on non-performance related criteria such as

(a) failure to comply with the guidelines of the Policy;

(b) changes in key investment personnel, ownership and organization;

(c) deterioration in the quality and level of service;

(d) investment management fees, and

(e) Financial condition of the firm (including any significant changes in assets under management).

13.6 The Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Board.

Section XIV – Policy Review

14.1 This Policy will be reviewed and affirmed at least annually, but otherwise whenever a major change is apparent or necessary. Such review may be prompted by:

(a) a change in the expected projected expenditures of the Fund;

(b) a revision to the expected long-term trade-off between risk and reward on key asset classes;

(c) a shift in the financial objectives and risk tolerance of the Foundation,

(d) shortcomings of the Policy that emerge in its practical operation; or

(e) Modifications that are recommended to the Committee by a Manager.

Section XV – Environmental, Social, and Governance

15.1 Companies that ignore environmental, social, and governance (ESG) factors expose themselves to risks that can adversely impact long term financial performance. When evaluating companies for potential investment, investment managers should include an assessment of the potential risks and opportunities arising from ESG factors.

15.2 Existing managers are encouraged to integrate ESG considerations into their investment process and are required to provide annual updates on their ESG practices. In evaluating and selecting new investment managers or retaining existing managers, consideration will be given to whether and how ESG factors are integrated into the manager's investment process. Individual security selection decisions will remain the responsibility of investment managers retained by the Foundation.

Supplementary Annexes for this Annual Report
are located on the Asia Pacific Foundation of Canada's website.


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