STATEMENT OF INVESTMENT POLICY

December 3, 2025

FNMHF

FIRST NATIONS MARKET HOUSING FUND

Statement of Investment Policy

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Section 1: Introduction, Objectives and Directives

1.01 Fund Overview

The First Nations Market Housing Fund's Trustees have the responsibility for the prudent investment and management of the Fund's assets.

The purpose of the First Nations Market Housing Fund ("Fund" or "FNMHF") is to facilitate the availability of financing for and the accessible supply of Market-based Housing in First Nations communities and help to create the capacity in First Nations communities to become self-sufficient in developing and sustaining Market-based Housing, thereby contributing to the social welfare and civic improvement of First Nations communities and their residents. The intent is to achieve substantial development of Market-based Housing. The ultimate purpose is to move away from a system that depends almost entirely on government subsidies, to a system that provides to First Nations residents the same housing opportunities and responsibilities in their communities as other Canadians. Intended outcomes include the creation of a platform for long-term change in housing provision and accommodation, leveraging more private-sector financing, progress in stabilizing the backlog in housing, greater housing investment by First Nations themselves and their members, and enhanced housing capacity in First Nations communities. The Fund is intended to be self-sustaining and provide ongoing support in the development of Market-based Housing over the long term.

As set forth in the FNMHF's Funding Agreement, the Trustees and the Funder (i.e. CMHC) have agreed to terms and conditions under which the Trustees will administer and invest the Assets. This Statement of Investment Policy ("SIP") will be subject to the terms and conditions of the Funding Agreement, and will be directed by the following factors and principles:

- The Fund is a self-sustaining entity with no right to any further federal contribution.
- The purpose of the "Investment Revenues" and accumulation of revenues is to maintain and expand the capacity of the Fund to carry out the Credit Enhancement Facility and the Capacity Development Program, to cover the administrative expenses of the Fund, as well as any additional programs in accordance with the Indenture.
- It is intended that the Investment Revenues will exceed required expenditures (except for direct obligations incurred to eligible lenders and loan insurers in accordance with the terms and conditions of the Credit Enhancement Facility).
- The Investment Revenues will be devoted to the non-profit purposes of the Fund, and to the extent that Investment Revenues are not required for current expenditures, they will accumulate in the Fund to provide for future non-profit activities of the Fund.

Any exercise by the CMHC Minister of his or her rights under Section 28 or Section 29 of the Trust Indenture shall not automatically terminate the application of this Policy.

Words and expressions used in this SIP have the same meaning provided for in the Trust Indenture or Funding Agreement (as applicable) unless otherwise required by the context.

1.02 Purpose of Policy

The purpose of the SIP is to formulate those principles, guidelines, and monitoring procedures which are appropriate to the needs and objectives of the Fund, in a manner which, at a minimum, conforms to the requirements of the Fund's Indenture of Trust and its Funding Agreement and meets with the investment industry's best practices.

This SIP is subject to the Funding Agreement which is itself subject to the Trust Indenture and the Minister of Finance's Investment Management Framework.

1.03 Objectives of the Fund Investments

The objective of the Fund investments is to ensure that the Fund's assets generate sufficient cash flow to cover operational expenses while growing the Fund's assets in perpetuity.

Specifically:

- To preserve the principal amount received from the Funder;
- To generate sufficient income and liquidity to cover operational expenses; and,
- To increase investment returns to support financing arrangements for housing on reserve and settlement lands where appropriate, while respecting the communal ownership of reserve land and promoting the Fund's Capacity Development program.

1.04 Investment Beliefs, Values and Risk Philosophy

a) Investment Beliefs and Values

The SIP sets out the parameters under which the Fund investments are managed, which are influenced by several basic assumptions on investment fundamentals, attitudes about risk and the characteristics and trends in capital markets. The key investment beliefs and values that shape the SIP are:

(i) Asset allocation is the most important determining factor in the investment performance of the Fund. The Fund's asset mix is determined through a risk analysis that considers the impact of capital market expectations with the Fund's benefit, funding and investment policies. The Trustees recognize and understand the benefits of proper diversification amongst various asset classes in the Fund, and these beliefs will be incorporated into the SIP;

(ii) In the long term, in theory, a portfolio of well-diversified equities will outperform bonds to compensate for their higher risk, which is not predictable. The potential for higher return comes with increased asset and funding volatility. While the Trustees will review short term performance, their long-term performance objective is to achieve returns that will grow both the income and principal of the Fund. The Trustees are aware that equities and riskier assets need to be included in the Fund to achieve this long-term goal;

(iii) The success of active management varies based on the efficiency of capital markets. Where markets are efficient, the quick dissemination of information limits the ability of investment professionals to consistently add value to the broad market indices. Value added should be considered net of fees. Value added is not predictable, can be volatile and should be appraised over a long-time horizon. The Trustees recognize that active and passive management styles have their own strengths and weaknesses depending on asset class returns and global market conditions. The Trustees take this into consideration when deciding between active and passive management;

(iv) No single style of investment management will consistently outperform another, and it is not possible to predict in advance which style will outperform over any given period. Having offsetting styles will reduce the Fund's exposure to the worst performing style. The Trustees recognize the benefits of a 'multi-manager' approach and may use this approach as a means of diversification;

(v) It is difficult to forecast asset class returns and add value through market timing decisions. Rebalancing the asset mix to policy weights is not considered market timing but ensures that the Fund's risk does not drift from the level intended by the Trustees. Market timing should not be considered a value-added strategy unless it is clear that the act of rebalancing will result in violation of the first objective noted above;

(vi) Due to the Fund's long horizon and low liquidity needs, the Fund may consider investing in less liquid investments to capture illiquidity premiums. Illiquid assets such as real estate and infrastructure funds may offer higher returns over time due to the expected illiquidity premiums from holding them long term. As the Fund has a very long timeframe, the Trustees would consider the possibility of holding some level of illiquid assets;

(vii) Indigenous laws, teachings and values are relevant to how the Fund invests and stewards its assets;

(viii) Over the long term, the Fund's returns depend on inclusive and resilient communities, healthy ecosystems, and fair financial markets;

(ix) Environmental, social, and governance (ESG) factors can have a material impact on the companies in which the Fund invests. Considering ESG factors may improve investment outcomes from a risk-return perspective. Furthermore, to align its investment portfolios with its values and ESG priorities, the Fund will seek to engage investment institutions and managers who demonstrate interest, commitment and action to sustainable development and indigenous reconciliation; and,

(x) The Fund's investments are a valuable tool for supporting the FNMHF's vision alongside its programs and partnerships.

b) Investment Philosophy

The Fund's assets must be prudently managed to avoid capital impairment due to cash flow shortfall and excessive volatility in annual rates of return. The Fund has a very long timeframe and has current and future liabilities and programs that must be funded from both capital and income. As such, the Trustees will always take a prudent investor approach in overseeing the Fund's assets to generate both income and the long-term growth of capital for the Fund.

Generating a steady monthly income stream from the Fund's assets is of key importance. The structure of the Fund's asset mix may introduce greater volatility with more asset classes; this will be required to address the long-term growth of the Fund as well as funding for short-term operational expenses. To avoid taking excessive risk, an analysis or return and income versus risk will be conducted when reviewing the asset mix and rebalancing needs.

The Trustees, with the advice of the Investment Committee, will make investment decisions by considering both the impact of short-term liquidity needs and the long-term security of the Fund's financial position.

c) Risk Philosophy

While prudent management seeks to avoid excessive volatility, it is recognized that a low-risk investment strategy will earn a low rate of return. The impact of a low-risk strategy will be that the Fund may not be able to grow the Fund's capital. The Trustees recognize that, in order to achieve the long-term investment goals, the Fund may invest in riskier assets that have uncertain returns.

However, the Trustees will attempt to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class. The Trustees accept that increasing the Fund's exposure to riskier assets to increase expected return has the potential of increasing the volatility of the Fund's capital and that the addition of these riskier assets is within their acknowledged risk parameters.

The Trustees believe that appropriate metrics for Risk Management and Evaluation should be established, measured and monitored regularly.

1.05 Delegation of Responsibilities

a) Minister of Finance Investment Management Framework for Up Front Funding (2009)

- Used as a guideline to approve Investment Plans submitted to the Minister of Finance for approval; and
- Department of Finance approval of amendments to the SIP[1].

[1] Required when the Government of Canada's up-front funding is equal to or greater than $100 million

b) CMHC Minister

- Provide annual approval of the Business Plan.

c) Funder

- Provide annual approval of the SIP and the Investment Strategy pursuant to the Funding Agreement.

d) FNMHF Trustees

- Have the responsibility for the prudent investment and management of the Fund's assets;
- To fulfill their responsibility in the most prudent and appropriate manner, the Trustees will oversee the management of the Fund's assets and delegate certain aspects of the Fund's operations;
- Creation and approval of the SIP, Investment Strategy and Business Plan of the Fund;
- Direct the assets of the Fund to be invested at all times in a prudently diversified manner in accordance with investment policies, standards and procedures that a prudent person would exercise in making investment decisions regarding property belonging to others in order to optimize returns at an appropriate level of risk;
- Oversee the management of the Fund's assets;
- Approve the selection (or replacement) of external investment managers, as well as the management mandate that governs them; and
- If there is no Investment Committee established, the Trustees also take on the roles and duties of the Investment Committee.

e) Investment Committee

- Implement the day-to-day management of the Fund's assets in accordance to this SIP;
- Report to the Trustees on a regular basis the Fund's investment performance against benchmark targets and compliance with the SIP;
- Make recommendations to the Trustees regarding the appropriateness of the Fund's asset mix and SIP;
- Bring forth recommendations to the Trustees on all matters that impact the Trustees' ability to make strategic decisions on the Fund assets; and,
- Carry out duties as directed and authorized by the Trustees.

f) FNMHF Staff

- Preparing financial statements for the Fund;

- Ensuring availability of funds operational expenses;
- Implementing decisions made by the Trustees;
- Monitoring the activities of Independent Experts;
- Assist in monitoring activities of the Custodian and Investment Managers;
- Carrying out other duties and activities as directed by the Trustees under any agreement, policy or Trust approved directive (e.g. internal cash mandate); and,
- Monitor the asset allocation and rebalance as required within the constraints laid out in the then-approved SIP.

g) Independent Experts

The following sections identify Independent Experts the Trustees utilize in managing the Fund along with their key responsibilities.

(i) Custodian

- Provide insurance coverage, detailed control objectives and procedures for each aspect of their services, and obtains an independent assessment of control procedures for all custodial and safekeeping operations;
- Execute the instructions of the Trustees (or Investment Committee) and Investment Manager(s) appointed to manage the assets of the Fund;
- Record transactions and provide monthly financial statements as required; and
- As part of the Fund's accounting procedures, the assets under the custodian's care shall be reconciled with the records maintained by the Investment Manager

(ii) Investment Consultant

- Provide spend rate and actuarial analysis on spend rates;
- Assist in the development and implementation of this SIP;
- Work with staff to complete quarterly Investment Management Reporting;
- Double check the Investment Manager(s) quarterly compliance report;
- Monitor and/or calculate the investment performance of the Fund and on the Investment Managers on a quarterly basis;
- Provide commentary on the Fund's existing and potential investments, strategies and Investment Managers and on governance items related to the Investment Committee and/or Trustees;
- Compare, as needed, the investment policies of the pooled funds of Investment Managers that the Fund is invested (or will be invested) in with this SIP, and advise of any significant conflicts;

- Support the Investment Committee and/or Trustees on matters relating to the investment management and administration of the fund; and
- Meet with the Investment Committee and/or Trustees as required

(iii) Investment Managers

- Invest the assets of the Fund in accordance with this SIP;
- Notify the Investment Committee and/or Trustees and Investment Consultant in writing of any significant changes in the Investment Manager's philosophies and policies, personnel or organization and procedures;
- Meet with the Investment Committee and/or Trustees as required and provide quarterly written reports regarding investment performance, risk and their future strategies and other issues that may affect the Fund's assets as requested;
- Notify the Investment Committee and/or Trustees immediately, in writing, of any legal or regulatory proceedings or charges of which the Investment Manager may be aware, against the Investment Manager's firm or investment personnel;
- File quarterly compliance reports;
- Investment Manager's internal controls shall complement those of the custodian to ensure that the Assets are safeguarded to the highest standard of care;
- On a monthly basis, the Investment Manager will provide a portfolio performance summary report, portfolio valuations and transaction reports. If an online portal exists, access will be provided to retrieve information on all transactions and holdings; and,
- A Relationship Manager will be available to answer any outstanding queries.

Section 2: Investment Policies

2.01 Purpose of Policy

The management of the investment portfolio is undertaken to minimize volatility of expected investment results and cash flows in order to achieve the following objectives:

- Maintain sufficient liquidity in order to meet Credit Enhancement requirements as they arise;
- Preserve and grow capital to maintain and expand the capacity of the Fund to carry out its core activities.

The Statement of Investment Policy of the Fund is intended to achieve sufficient returns to provide for Capacity Development, cover administrative expenses, and meet future Fund objectives. It is required that the annual investment income must cover the annual Administrative Expenses of the Fund.

The long-term expectations for the risk and return of the portfolio are generally consistent with its benchmarks.

2.02 Diversification Policies

a) Within each asset class, the Investment Managers shall ensure that there is an appropriate level of diversification given their specific mandate and subject to the limits listed in 2.03 based on the market value of the respective component of the Fund.

b) Investments in the securities of any one issuer, or two or more affiliated entities shall be limited to no more than 10% of the assets of the Fund's investment portfolio.

c) Section 2.02 (b) does not apply in respect to:
   - Investments in securities which are issued or explicitly guaranteed by the Government of Canada or the government of a province of Canada; and
   - Any index, segregated, mutual or pooled fund.

d) Investments in the equities of any one issuer shall be limited to no more than 10% of the outstanding stock (or any single class thereof) of the issuer within each investment manager's portfolio.

e) In respect of the Real Estate portfolio of the Fund:
   - Investments shall be diversified by property type and geography;
   - All investments shall be in Canada;
   - Investments in real estate pooled funds must be denominated in Canadian dollars; and,
   - Investments in single-family residential properties are not permitted

f) In respect of the Infrastructure portfolio of the Fund:
   - Investments shall be diversified by asset type and geography (global);
   - Infrastructure assets through either an open or closed end fund.

2.03 Asset Mix

The Fund’s asset allocation is maintained within the following limits:

Asset Class	Minimum (%)	Target (%)	Maximum (%)
EQUITIES			
Canadian Equities	10	15	20
Foreign Equities	15	20	25
Total Equities	25	35	45
FIXED INCOME			
Canadian Corporate Bonds	10	15	20
Canadian Provincial Bonds	17	23	27
Canadian Commercial Mortgages	0	15	20
Cash & Cash Equivalents[2]	2	2	15
Total Fixed Income	29	55	70
ALTERNATIVES			
Real Assets	0	10	10*
Total Alternatives	0	10	10

*Should Real Assets exceed the maximum limit, the portfolio will be rebalanced as per section 2.08.

The Fund’s fixed income assets (segregated, mutual or pooled fund) is maintained within the following limits:

	Minimum (%)	Maximum (%)
SECTOR		
Government of Canada Guaranteed Issues	0	100
Provincial Backed or Guaranteed Issues	0	100
Corporate Issues	0	60
QUALITY		
A- or Higher	70	100
BBB aggregate	0	45

2 "Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments. An investment would qualify as a cash equivalent only when it has a short maturity of three months or less from the date of purchase. Equity investments (as well as cash within each investment managers’ portfolios) are excluded from cash equivalents unless they are, in substance, cash equivalents. For the purpose of this SIP, accrued income receivables are also considered cash equivalents."

2.04 Investments, Asset Classes, Instruments and Trading Activities

a) Permitted Investments

Subject to the restrictions noted in this SIP, the Fund may invest in any or all of the following instruments:

- Fixed Income and mortgages such as:
  - (i) Bonds, debentures, notes or other debt instruments, including real-return bonds, mortgage loans, asset-backed and mortgage-backed securities, commercial mortgage-backed securities and any debt issued by governments or corporations, synthetic bonds, coupons and residuals or any other reconstitution of a bond, private placements and new and secondary issues of governments or corporations that are deemed to be liquid (ability to sell in the secondary marketplace), are allowed as long as they respect the rating constraints and minimum number of ratings.
  - (ii) mortgages on income producing commercial property and multi-unit residential properties in Canada; or
  - (iii) term deposits and guaranteed investment certificates or similar financial instruments of insurance companies, trust companies, banks or other financial issuers
- Canadian and foreign equities:
  - (iv) Common and convertible preferred stock listed on a recognized exchange;
  - (v) Instalment receipts, American Depository Receipts and Global Depository Receipts;
- Cash or Cash Equivalents
  - (vi) Banker’s acceptances, certificates of deposit, deposit notes, and cash on hand.
  - (vii) Treasury bills issued by Government of Canada or the government of a province of Canada, including their agencies;
- Real Assets
  - (viii) Investment in real estate and infrastructure through investment funds.

b) Prohibited Investments and Instruments

For greater certainty, the Fund is not permitted to invest in any instruments other than those which are expressly permitted in Section 2.04(a). In addition, it is prohibited to invest in, derive exposures from, or undertake any of the following:

(i) Hedge funds or funds of hedge funds;

(ii) Commodities;

(iii) Repurchase and/or reverse repurchase transactions;

(iv) Margin transactions; and,

(v) Short sales.

c) Pooled Funds

- Investments may be made in permitted investments via separate accounts or pooled vehicles that have been approved by the Investment Committee and/or Trustees.
- Securities that are included in the index that are applicable to a pooled fund's benchmark but are not specifically mentioned are permitted subject to restrictions per 2.04(b) above. These assets may be obligations or securities of Canadian or non-Canadian entities and trade on prescribed exchanges, over-the-counter or on any other recognized trading facility.
- Exchange-traded index participation units (ETF's) may be used on an active or passive basis to gain exposure to various asset classes, as long as they are included within 2.04 (a) above.
- The Manager may hold any part of the portfolio in one or more pooled or co-mingled funds managed by the Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized by the Investment Committee and the Trustees that complete adherence to this Statement may not be entirely possible.
- When pooled funds are used, the Investment Managers will comply with the investment constraints and diversification measures included in the investment policies of its pooled funds.
- In the event of conflict between the content of this Investment Policy and those of the pooled funds of the Investment Managers used by the Fund, the latter shall prevail. The Investment Managers must however provide any significant changes to the investment policies of its pooled funds.

2.05 Currency Hedging Policy

- While Foreign currency exposure may be unhedged, Investment Managers may employ currency-hedging strategies.

2.06 Derivatives Policy

- Derivatives may only be used to:
  - adjust the duration and/or credit exposure of the Fixed Income portfolio within the ranges set out in this Policy.
  - manage the currency exposure of foreign securities.

- Derivatives may not be used to create exposures to securities which 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.
- Any Manager investing in Derivatives must determine the market value of their exposures on a daily basis and ensure that adequate cash margins are maintained.

2.07 Liquidity Policy

a) Liquidity Requirements

The Fund's investment portfolios shall be managed to ensure that there is sufficient cash flow to meet projected claims arising from operating expenses (which include administrative costs), expenses arising from the funding of the Capacity Development Program and expenses arising from any additional programs in accordance with the Indenture.

The Fund may be required to pay out up to 50% of the immediate prior year's annual net income for the Capacity Development Program beginning after Year 1 (ending December 31, 2008). The maximum total amount available for the Capacity Development Program in any given year shall not exceed 50% of the immediately preceding year's net realized income (including realized capital gains net of realized capital losses). However, where the Fund expends less than the total maximum amount available for the Capacity Development Program in a given year, the Fund shall be permitted to carry forward such unexpended amounts to subsequent years and such amounts will be in addition to the maximum total amount otherwise permitted.

The Fund shall maintain a minimum of 2% of its investments in cash or cash equivalents, in order to meet its liquidity needs. If liquidity needs result in a drawdown of cash and cash equivalents such that these holdings fall below 2% of the Fund's investments, then cash and cash equivalent holdings will be replenished through the proceeds of upcoming fixed income investment maturities or sales of other securities, as required.

The Investment Managers have the authority to reinvest coupons and maturing principals unless directed otherwise by the Fund.

b) Sources of Liquidity

An annual maturity of a small part of the original capital is desired to maintain flexibility of cash flows within the Fund. This is addressed by having a short-term liquidity portfolio described in Section 2.07(a).

Sources of liquidity for the Fund include:

- Investment income;
- Proceeds from maturities of investments; and
- Sales of securities.

c) **Borrowing Not Permitted**

The Fund is not authorized to borrow or maintain a line of credit or overdraft facility.

d) **Lending of Cash or Securities**

The Fund is not authorized to lend its cash or securities.

2.08 Rebalancing Process

A rebalancing process within the policy band, including the roles and responsibilities of the Investment Committee, Chief Executive Officer and the Investment Consultant, has been created and approved by the Investment Committee.

When managing inflows and outflows, asset class weightings shall be taken into consideration. Inflows shall go to the liquid asset classes which are the most underweighted and outflows shall come out of liquid asset classes that are the most overweighted compared to the strategic asset mix.

At the end of any a quarter, if an asset class has an allocation outside its permitted range, it shall be rebalanced halfway to its benchmark target, by adding or deducting assets from the asset classes which, in succession, deviate most from their respective targets. If rebalancing is required, it will be done within a reasonable time (role of the asset liquidity).

For reasons of limited liquidity for some asset classes, implementation and rebalancing of these mandates may be temporarily outside their permitted limits. Rebalancing will occur depending on available liquidity.

2.09 Socially Responsible Investing

(i) **Integration**: The organizational values of the First Nations Market Housing Fund (“Fund”) are rooted in our commitment to providing pathways to homeownership for First Nations people, guided by the principles of The Seven Sacred Teachings. We believe that the integration of Indigenous reconciliation and environmental, social and governance (ESG) factors can positively impact long-term risk-adjusted investment returns, thereby enabling the Fund in fulfilling this commitment.

The Fund has a preference for investment managers that integrate environmental, social, and governance (ESG) factors into investment analysis for decision-making;

(ii) **Investment**: The challenges posed by rapidly shifting ESG issues are closely intertwined with the principles of reconciliation and Indigenous rights. Understanding these interconnections is important, as they can shape decisions that not only impact long-term risk-adjusted returns but also have implications for seven generations into the future. Where appropriate and feasible, the Fund may consider investments in specific responsible and sustainable investment themes.

Where appropriate and feasible, and in line with the Fund’s responsibility to prudently invest and manage the Fund’s assets, the Fund will look for opportunities to align its investment portfolio with its values and ESG priorities, including but not limited to economic reconciliation, affordable housing, upholding Indigenous rights, investing in the Indigenous economy, and diversity and inclusion;

(iii) **Stewardship**: Stewardship plays an important role in putting our values into action, as participation in collaborative initiatives and engaging with our investment managers allows us to deepen our involvement in Indigenous reconciliation. This ongoing engagement fosters continuous improvement, enabling our investment managers and underlying holdings to align more closely with our values over time.

The Fund will engage with its Investment Managers at least annually to understand and monitor their approaches to responsible investment and the alignment of their investment approaches to the Fund's values. Where appropriate and feasible, the Fund delegates its voting rights to the Investment Manager(s) and expects these assets to be voted in a manner consistent with current best practices in corporate governance and social responsibility, and preferably in a manner that aligns with the Fund's values. Where appropriate and feasible, the Fund retains the right to direct the vote on any resolution or ballot item. On an annual basis, the Investment Committee will review the Voting Agents' proxy voting guidelines; and

(iv) **Screening and exclusions**: The Fund, through the support of its Investment Managers, may look to screen portfolios for specific industries and companies that produce certain products or conduct their business practices in ways that are entirely inconsistent with the Fund's vision. The Fund recognizes the importance of ongoing learning prior to developing strict exclusion guidelines in these areas where feasible.

Where appropriate and feasible, the Fund's Investment Managers may apply their own exclusion guidelines for specific industries and companies.

2.10 Other Investment-related Considerations

Conflicts of Interest

The activities of the Trustees, members of the Investment Committee, Independent Experts and the Investment Manager(s) which are conducted under this SIP must conform to:

- The Fund's Conflict of Interest Policy; and
- The CFA Institute Code of Ethics and Standards of Professional Conduct.

Section 3: Risk Management Policies

3.01 Credit Risk Policy

a) Minimum Credit Ratings

The credit ratings are those applicable at the time of purchase per the ratings issued by the Dominion Bond Rating Service (DBRS), Standard & Poor's (S&P), Moody's or an equivalent recognized rating agency. Each credit rating includes its subcategories "high" and "low".

Minimum credit ratings are as follows:

	Minimum Ratings	
	1+ Year	Less or Equal to 1 Year
Federal	A	R-1
Provincial	BBB	R-1
Municipal	BBB	R-1
Corporate*	BBB	R-1

*includes Maples, CMBS, RMBS, ABS

All fixed income investments outside of any index, segregated, mutual or pooled fund must have the following minimum number of ratings:

	Minimum # of Ratings
	In and Out of Benchmark
Federal	2
Provincial	2
Municipal	2
Corporate (AA(low) or above)*	2
Corporate (below AA(low))*	2

*includes Maples, CMBS, RMBS, ABS

In cases where the agencies do not agree on the credit rating, the index rating will be classified according to the following rules:

- If two agencies rate a security, use the lower of the two ratings;
- If three agencies rate a security, use the middle of the three ratings; and,
- If four agencies rate a security, use the middle of the three lowest ratings

b) Downgrades

In the event of a previously approved investment holding being downgraded below the mandated credit threshold, further purchases of securities from this issuer will be restricted, and the issuer will be closely monitored.

In the event of a bond downgrade below "BBB" or if a security that was previously rated is no longer rated, the Manager has the discretion to hold the security until maturity or liquidate the position as market conditions permit.

c) Investment Intermediaries (i.e. dealers)

Settlement risk is mitigated through the Investment Manager's choice of intermediaries. As prescribed in the Indenture of Trust, the Fund's intermediaries must be an Eligible Financial Institution and/or be a member of the Investment Industry Regulatory Organization of Canada. The use of an Alternative Trading System/Platform whereby the Fund's settlement risk lies with an institution other than those which are authorized through the Indenture of Trust is not authorized.

3.02 Market Risk Policy

The risk undertaken by the investment portfolio shall address market risk through and reflect:

- Section 1.04 Investment Beliefs, Values and Risk Philosophy
- Section 2.01: Long-term objectives and Expectations
- Section 2.02: Diversification Policies
- Section 2.05: Currency Hedging Policy
- Section 2.06: Derivatives Policy
- Section 2.07: Liquidity Policy
- Section 2.08: Rebalancing Process

3.03 Operational Risk Policy

a) Financial Signing/Transacting Authorities

The Investment Managers shall ensure that clearly defined and appropriate authorities be established for investment transactions. The Investment Managers shall ensure an appropriate separation of duties between front and back-office functions.

b) Audit

The operations of the Fund, including the investment management of its Assets, are subject to audit as provided for in the Indenture of Trust.

Section 4: Performance Measurement, Monitoring, and Reporting

4.01 Performance Measurement

Total Fund Performance

The Investment Committee, in conjunction with FNMHF Staff and Investment Consultant, shall review the overall Fund performance based on the following Absolute Returns to achieve its objectives of preserving the principal amount received (and beat inflation) and generating sufficient income and liquidity to cover both planned operational and program expenses:

1. Primary Benchmark - Total income from interest, dividends and distributions netted by realized gains/losses to match total expenses (operation and program) amount budgeted in the annual Business Plan.
2. Secondary Benchmark - Total returns, including realized and unrealized gains/losses and income from all sources to exceed CPI (Canadian) + 4% net of investment management fees, over a 10-year period.

Investment Manager Performance

In order to achieve Total Fund Performance above, the Investment Committee, in conjunction with the Investment Consultant, shall review each Investment Managers' mandate at least quarterly and in accordance with industry best practices.

Each Investment Manager's performance shall be measured against their respective benchmarks using the Rate of Return calculations as calculated as follows:

- Time-weighted rates of returns:
- Total returns, including realized and unrealized gains/losses and income from all sources; and
- Be calculated before investment management fees.

a) Benchmark Expectations

- Investment Manager performance will be assessed over a rolling 4-year annualized period, but performance over shorter time periods may also be considered. The Manager will not necessarily be faulted for underperforming the agreed standard over short time periods. However, the Investment 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.
- Investment Managers' performances in aggregate (e.g. total portfolio level) will be compared to the Fund's asset class benchmarks based on the target asset allocation mix per Section 2.03. The Fund's asset class benchmarks shall be as follows:

Asset Class	Benchmark	Added Value Obj.
EQUITIES		
Canadian Equities	S&P/TSX Composite Index	+1.0%
Foreign Equities	MSCI All Country World Index (Net, CAD)	+1.0%
FIXED INCOME		
Canadian Fixed Income	60% FTSE Canada Provincial Bond Index / 40% FTSE Canada Corporate Bond Index	+0.3%
Commercial Mortgages	Combination of FTSE Canada Short-Term and FTSE Canada Mid-Term duration-weighted as provided by the manager	+1.0%
Cash & Cash Equivalents	FTSE Canada 91-Day T-Bill	+0.0%
ALTERNATIVES		
Real Assets	Canadian Real Estate: MSCI/RealPac Canadian Pooled Fund Index	+1.0%
	Infrastructure: CPI + 4%	N/A

- In the case where actual asset allocations deviate significantly, by -/+3%, from the target, allocation of the benchmarks shall match actual.
- Brookfield's infrastructure fund targets investments which generate a gross internal rate of return (IRR) of ~9% (net Fund IRR of ~8%).

4.02 Investment Managers Responsibilities for Reporting on Investments

The Investment Managers are responsible for the day-to-day monitoring of the investment portfolio, including compliance with the SIP.

The Investment Managers shall deliver to the Trustees reports (in paper and/or electronic format) on a monthly and/or quarterly basis detailing:

(i) Data on investment positions (e.g. book values, market values, transactions and cash flows for the period), exposures, risks and performance of the portfolio.

(ii) Rates of return for assigned mandate(s) with appropriate benchmarks;

(iii) Prompt notice of any actual or anticipated material issues arising out of the investments;

(iv) Compliance with the Statement of Investment Policy; and

(v) Such other reports as the Trustees may reasonably request.

The Investment Managers shall ensure that the Trustees are regularly made aware of any material financial risks facing the Fund's investments including, but not limited to, the consequences of potential losses of investments of any material amount of the Assets.

4.03 Trustees' Responsibilities for Reporting on Investments

The Trustees and/or Investment Committee shall deliver to the Funder reports (in paper and/or electronic format) on a quarterly basis detailing:

(i) Data on investment positions, exposures, risks and performance of the portfolio;

(ii) Rates of return for all asset classes and total fund with appropriate benchmarks;

(iii) Prompt notice of any actual or anticipated material issues arising out of the investments;

(iv) Compliance with the Statement of Investment Policy; and

(v) Such other reports as the Funder may reasonably request.

The Trustees shall ensure that the Funder is regularly made aware of any material financial risks facing the Fund's investments including, but not limited to, the consequences of potential losses of Investments of any material amount to the Assets.

4.04 Monitoring of Investment Managers and the Fund

- To ensure that evaluation of the Fund and Investment Managers remain fair and objective, the Trustees have hired an independent external Investment Consultant to calculate and evaluate investment performance on a quarterly basis. The Investment Consultant will provide a manager monitoring report on a quarterly basis, the content of which will be agreed to by the IC/Trustees and revised as required to provide proper supervision of the portfolio.
- The Investment 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.
- The Investment Committee shall evaluate whether any information discovered through the foregoing monitoring activities require specific communication to the Trustees.

4.05 Trustees' Responsibilities for Reporting on Investments

a) Market Pricing

Publicly traded investments shall be valued no less frequently than monthly by the Custodian based on current market values. Prices used for such valuations shall be reflective of published quotes for the securities' end-of-day price. Acceptable sources include the Fund's custodian, PC Bond, Reuters, Bloomberg, and published dealer price quotes.

b) Fair Value Pricing

If a market value of an investment is not readily available, an estimate of fair value shall be determined and supplied by the Custodian and/or Investment Managers to the Trustees no less frequently than quarterly.

4.06 Statement of Investment Policy Review

The Investment Committee shall review this SIP at least annually and, as appropriate, may recommend changes which will be subject to the approval of Trustees.

In evaluating possible amendments to this Policy, considerations shall include whether changes are required as a result of one or more of the following factors:

a) A fundamental change in the asset and/or liability structure of the FNMHF;
b) A major change in the delivery, mission, or objectives of the FNMHF program;
c) A significant change in the appropriateness of the risk/reward characteristics of the Assets, the financial markets, the operational environment and/or the FNMHF program;
d) Shortcomings of this Policy that have emerged in its practical operation; and/or
e) Changes in the legal framework of the Trust, or other statutory requirements.

Upon its approval by the Trustees, the SIP (and amendments thereto) shall be reviewed and approved by the Funder. The Trustees shall review the SIP with the Funder on an annual basis prior to the commencement of each year. The Fund’s SIP and any material amendments to it are subject to the approval of the Department of Finance.

Section 5: Policy Approval

5.01 Trustees

The foregoing Statement of Investment Policy is approved by the Trustees as at the 3rd day of December 2025.

5.02 Department of Finance

To the extent that the foregoing Statement of Investment Policy contains material changes from the previous Statement of Investment Policy confirmed to be compliant with the Minister of Finance Investment Management Framework for Up-front Funding (2009), the previous iteration of the Statement of Investment Policy was reviewed by the Department of Finance as of the 12th day of November 2024.

5.03 Funder

The foregoing Statement of Investment Policy is approved by the Funder as at the 6th day of January 2026.