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Amplify

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Encouraging advancements

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In 2024, charitable organizations in Canada have been navigating a landscape of opportunities and challenges. Despite uncertainties, a cautious optimism prevails as organizations seek sustainable returns while fulfilling their missions.

In this summer 2024 edition of Amplify, you will find:

1) North York General Hospital and Foundation

Guardian Capital Advisors LP shares an exclusive interview on the development of a vital hospital and long-term care centre in the heart of North York, Ontario. Featured in the discussion are:

- Seanna Millar, *President and CEO, North York General Foundation*
- Dr. Everton Gooden, *President and CEO, North York General Hospital*
- Rudy Dahdal, *Vice President, Planning, Redevelopment & Clinical Support, North York General Hospital*

2) Carters Professional Corporation

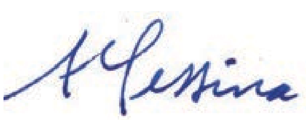
Guardian Capital Advisors LP leans on our colleagues at Carters Professional Corporation to explain the impact of the proposed 2024 Federal Budget changes on charities and not-for-profits.

3) Sequence of Return Risk

Guardian Capital Advisors LP explains how charities can structure their investment portfolios to protect against sequence of return risk.

We hope you enjoy this edition of Amplify.

As always, be well and do well,



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A conversation on the future of long-term care

Erik Brandt and Doug Farley of Guardian Capital Advisors LP (GCA) sat down with Seanna Millar, President and CEO of North York General Foundation (NYGF), Dr. Everton Gooden, President and CEO of North York General Hospital (NYGH), and Rudy Dahdal, Vice President, Planning, Redevelopment & Clinical Support of NYGH. The discussion focused on the expansion of long-term care offerings in the North York community.

Seanna Millar | President and CEO, North York General Foundation

Seanna, a dynamic fundraiser, became President & CEO of North York General Foundation in May 2023. Driven to deliver exceptional healthcare to diverse communities, with 18 years of experience at SickKids Foundation, Seanna raised C$1.5B in the SickKids VS Limits campaign. Beyond professional achievements, Seanna volunteers at Camp Oochigeas, Sunflower House Daycare, and Sistema-Toronto, while contributing to AFP Greater Toronto Chapter, Parachute Canada, and Young People's Theatre.

Dr. Everton Gooden | President and CEO, North York General Hospital

Dr. Gooden brings 23 years of expertise as an Ear, Nose, and Throat Surgeon at NYGH, alongside extensive board and leadership roles. Serving on the Foundation board, as President of the Medical Staff Association, Division Chief of Head and Neck Surgery, and Chair of the Medical Advisory Committee. Dr. Gooden has been instrumental in shaping healthcare delivery. Beyond the hospital, Dr. Gooden champions Equity, Diversity, and Inclusion, volunteering in leadership capacities across Canada and globally, driving positive change in healthcare and beyond.

Rudy Dahdal | Vice President, Planning, Redevelopment & Clinical Support, North York General Hospital

Having joined NYGH in 2017, Rudy brings over two decades of progressive leadership experience from the University Health Network. Specializing in capital planning, operations, strategic planning, and project delivery, Rudy is dedicated to fostering safety and high reliability within healthcare systems and cultures. Armed with a Master of Health Science degree in Health Policy, Management, and Evaluation, and a Certificate in Construction Law from Osgoode Hall Law School at York University, Rudy combines expertise in healthcare management with a nuanced understanding of legal and policy frameworks.

Erik

With planning an expansive Long-Term Care (LTC) development in the works, a sharp focus is placed on advancing and enhancing seniors care at NYGH. Why prioritize this project now?

Dr. Gooden

The need for additional capacity and a new model of care for our growing and aging senior population has never been greater.

Seniors are the fastest-growing demographic in our region. Citizens are not only living longer but they are living with more complex diseases.

The number of seniors over 65 is projected to double in Ontario by 2046.

From a local perspective, NYGH currently serves an ever-growing population of 500,000. In the next 20 years, 25% of the population will surpass 65 years.

A crisis is not down the road, it's happening now.

At present, 1,400 seniors are waiting for a LTC bed in North York. As the population ages and as people live longer with chronic illness this situation will only worsen. We are not able to meet the demands now and we will not be able to meet demand in the future unless we take action now.

A key part of our response is to transform our facilities and services through the largest capital expansion in our 50-plus-year history. We have plans for a new LTC development, followed by a new patient care tower.

The new LTC development will be located just steps from our hospital and include one of the largest, most advanced LTC homes in Ontario, if not Canada. Creating healing and compassionate environments for people as they age is fundamental to our hospital's mission. Now, with our new LTC development, we are reimagining seniors' care within North York and beyond.

We plan to bring together comprehensive medical, health and wellness services geared for residents of the LTC home and their families, all in one location. The development will also serve seniors and other residents in the broader community by providing an integrated suite of inpatient, outpatient and community services onsite and across NYGHs campus and delivered collaboratively with partners across North York.

We have a once-in-a-lifetime opportunity to reimagine seniors' health, and to set a new global standard of excellence in healthy aging and seniors' care.

Doug

What makes NYGH the appropriate organization to carry out this highly ambitious initiative?

Dr. Gooden

We are proud to say that NYGH has a long history and deep expertise in geriatric emergency medicine, geriatric mental health, LTC operation and community-home geriatric care. We have owned and operated a close to 200-bed LTC home since 1985 and were one of the first hospitals in Ontario to do so.

And while the care at the NYGH Seniors' Health Centre is second to none, our facilities are ageing. It is imperative that we embrace modern design and learnings from the COVID-19 pandemic, to meet and exceed current healthcare standards so that we may continue to offer exceptional care to our growing population.

With the impending construction of our new LTC development, including ambitions to add a suite of seniors-focused medical and wellness services on the bottom two floors of the new tower, we plan to add to the expertise and leadership of NYGH's seniors' healthcare delivery.

NYGH is partnering with the Ontario Government and donors to build a beautiful, modern home with more beds and services for older adults who need and deserve the highest level of compassionate care.

This is an exciting time for North York General Hospital and the community.

Erik

Can you elaborate on the initiative itself – what will this LTC development look like? What can the community expect?

Rudy

By way of a unique partnership between the Ministry of LTC, the Ministry of Health and our donor community, our goal is to make NYGH's leading-edge LTC development the heart of a campus of care for North York, the first of its kind in Ontario.

In keeping with our vision of offering the community a full range of interconnected hospital and social services through every stage of their lives, we foresee staff and visitors moving effortlessly between the LTC development and the hospital, using a pedestrian walkway over Leslie Street.

The new LTC home will offer every resident a private room and private bathroom. Home-like wings will wrap around courtyards offering beautiful outdoor spaces and views from every resident room. Nothing is more important than residents' comfort and dignity. In addition, purpose-designed spaces will be built for recreation, socialization, and a range of activities, tailored for residents, their families, and seniors living in the area. The design will incorporate lessons learned from the COVID-19 pandemic, where the most advanced safety and quality standards will be applied, including rigorous Infection Prevention and Control (IPAC) standards.

NYGH strongly supports ageing in place. The programs and services at the LTC development will be linked to other programs and services in our communities to allow older adults easy access to the support they need in their neighbourhoods and communities, at home, and virtually.

As Dr. Gooden mentioned, our communities are growing and changing, and NYGH is growing and changing with them. Toronto has among the lowest number of LTC beds in the province so this development will be vital for the North York community and will bring much-needed LTC beds and services to the City of Toronto.

LTC is an essential option, and with a growing senior population that is living longer, the need will only grow in the future. Our LTC development has unlocked design and operational solutions for building LTC homes in an urban setting, that are fully integrated with the community.

We want seniors, their families, and the communities we serve, to know that NYGH a truly here for life.

Doug

How does NYGH intend to bring these plans to fruition?

Seanna

Although our new LTC development will be supported by the provincial government, donors will play a key role in bringing this development to life.

Historically, our donor community has helped fund critical expansion projects across the hospital including our Steinberg Family Pediatric Centre, Phillips House – home of NYGHs child and adolescent outpatient mental health programs – Baruch / Weisz Cancer Centre and the Karen, Heather & Lynne Steinberg Breast Centre.

They are, and have been, the backbone of NYGH for 50 years and counting.

We're heartened that many donors have already started supporting this exciting development and confident that more will stand with us to turn the collective community's vision into a reality.

We hope the creation of this vital facility will enable NYGH to continue delivering exceptional care to our community through all of life's defining moments.

Erik

How will the development be financed and what particular role will philanthropy play in supporting NYGHs LTC development?

Dr. Gooden

We are partnering with the Ontario Ministry of Long-Term Care and Ministry of Health to finalize funding streams for this development. The support of the multiple Ministries is due to the unique elements of the development as both a home for nearly 530 residents and a hub of community services, which will serve the residents and seniors in the broader community. While the project will be mostly funded by the government, there is a local share that will need to be covered by NYGH, and through the generosity of our community, to help achieve our C$20 million fundraising goal.

It's crucial to recognize that building a high-rise LTC development in Toronto is more costly. Drawing from our experience providing vital medical and infection control expertise to nine LTC homes and over 60 seniors' congregate buildings during the pandemic, we believe we must construct a facility to standards that surpass the existing code and meet the expectations and needs of seniors tomorrow. Fulfilling those requirements – and as a result, ensuring our aging community is thriving today and for years to come – will be fueled by philanthropy.

Donor support has been the backbone of NYGH and will continue to define its future. To date we have been thrilled to see strong donor interest in our LTC development from members of our community who believe in the importance of seniors' care.

Doug

What are the next steps with this exciting project?

Rudy

While a project of this scope invariably takes time, we are hopeful that we will get the needed government approvals to break ground later this year.

Currently, NYGH is working closely with the provincial government and the City of Toronto on an approval process to expedite the building of these much-needed LTC beds in North York.

We are working with the Ministry of Long-Term Care, the Ministry of Municipal Affairs and Housing, and the City of Toronto on an Enhanced Ministerial Zoning Order and aligning with the City of Toronto Planning Staff on required building permits.

We are committed to engaging our communities throughout the process and will continue to inform and seek input from the community, seniors and partners as the development continues to take shape.

Our shared vision is to create a seniors' campus of care that provides every senior with the right care in the right place so so that they can age well and thrive. ■

Highlights from Carters charity law bulletin

In the Canadian Federal Budget released on April 16, 2024 (Budget 2024), the Minister of Finance proposed several areas of change impacting taxation. Guardian Capital turns to our partners at Carters Professional Corporation (Carters) to explain the impact of these changes, and other topics of interest, on charitable organizations.

Budget 2024 includes a number of legislative proposals that will directly impact charitable organizations, including:

- *Partial relief to alternative minimum tax for donations to charities*
- *Changes to requirements for foreign charities that are qualified donees*
- *Modernizing services by the Canada Revenue Agency*
- *Charitable donation receipts*

In addition, Budget 2024 includes an announcement that legislative amendments will be made to expand the Federal government's capabilities to share information to combat money laundering and terrorist financing.

Finally, of note, Budget 2024 includes program funding initiatives and grants of interest to the charity sector, including affordable housing, post-secondary institutions, community organizations, and not-for-profit childcare.

To read the balance of the Carters bulletin, click here[1]. For further charitable organization law updates from Carters, click here[2]. ■

[1] Carters Professional Corporation, Charity & NFP law bulletin no. 526, Federal Budget 2024: Impact on charities and not-for-profits, April 17, 2024, https://www.carters.ca/pub/bulletin/charity/2024/chylb526.pdff
[2] Carters, Knowledge Centre, https://carters.ca/knowledge.php

Navigating equity market downturns

Charitable organizations need to strike a balance between current funding requirements and long-term growth of investment portfolios. To achieve both, it is imperative that charities understand and manage sequence of return risk.

With the recent strength in equity markets, many charities, foundations, and endowments have seen an increase in the value of their investment assets. This is welcome news as it bolsters funding capacity and, consequently, the ability of these organizations to provide much-needed support for the communities served.

While prolonged periods of market weakness might seem like a distant memory, it is important to remember that proper risk management is needed to ensure charitable organizations are in a good position to navigate inevitable equity market downturns.

Sequence of Return Risk

"Sequence of Return Risk" is often associated with retirees drawing from their investments to cover living expenses. However, it is also relevant to charities meeting their annual Disbursement Quota (DQ). Just like many retirees, charities will often need to draw from their investments to meet funding requirements.

Here is a hypothetical example:

- *Initial portfolio size: $10,000,000.*
- *A withdrawal of $500,000 per year to meet funding requirements.*
- *Returns shown for Charity A are the actual S&P 500 Index returns from 2000 to 2014.*
- *For Charity B, the order of returns for the S&P 500 Index is simply reversed.*
- *Charity A experienced market declines early in decumulation, while Charity B did not until later.*
- *Both charities had the same average return over 15 years.*
- *By the end of year 15, Charity A had ~17% original capital remaining, while Charity B had ~75%, as illustrated in **Figure 1**.*
- *Market volatility is highly disruptive for investors requiring cash flow – especially during decumulation.*
- *Managing market volatility and downside is highly important during decumulation.*

Figure 1:

Hypothetical Illustration	Charity A's Returns	Charity B's Returns	Charity A's Market Value (Withdrawing $500k/Year)	Charity B's Market Value (Withdrawing $500k/Year)
Year 0			$10,000,000	$10,000,000
Year 1	-10.14%	11.39%	$8,486,081	$10,639,000
Year 2	-13.04%	29.30%	$6,879,268	$13,256,227
Year 3	-23.37%	13.40%	$4,771,861	$14,532,561
Year 4	26.38%	0.00%	$5,530,696	$14,032,561
Year 5	8.99%	12.78%	5,528,097	$15,325,923
Year 6	3.00%	23.45%	5,193,996	$18,419,852
Year 7	13.62%	-38.49%	$5,401,389	$10,830,051
Year 8	3.53%	3.53%	$5,092,035	$10,712,352
Year 9	-38.49%	13.62%	$2,632,325	$11,671,374
Year 10	23.45%	3.00%	$2,749,716	$11,521,515
Year 11	12.78%	8.99%	$2,601,204	$12,057,299
Year 12	0.00%	26.38%	$2,101,142	$14,738,015
Year 13	13.40%	-23.37%	$1,882,796	$10,793,741
Year 14	29.60%	-13.04%	$1,940,127	$8,886,237
Year 15	**11.39%**	**-10.14%**	**$1,661,119**	**$7,485,173**
Average return for 15 years	**4.07%**	**4.07%**		

This is a large difference, all dependent on the timing of drawdowns

How can charities address Sequence of Return Risk?

A prudent starting point is to ensure there is a comprehensive Investment Policy (IPS) in place. The IPS will serve as the portfolio's roadmap by outlining the charity's goals, objectives and risk tolerance. A key focus relating to Sequence of Return Risk will be identifying the charity's liquidity and cash flow requirements. With a clear understanding of cash flows, holding an appropriate level of cash within the portfolio can act as the funding source for DQ obligations. Ideally, the portfolio's equity portion is left to grow, minimizing the need to sell stocks at inopportune times.

Conversely, after a strong period for equities, there may be an opportunity to take profits and fund withdrawals by trimming equities back to target weight.

An allocation to bonds can help provide a buffer against falling equity markets. While the diversification benefits of bonds were significantly hampered by central banks' aggressive interest rate increases in the fight against inflation (2022 was a historically bad year for bonds), with rates set to normalize, bonds should again resume their role as a portfolio volatility dampener.

In addition, charities may want to consider an allocation to Alternative Investments to further diversify their portfolios. Alternative Investments are broadly defined as investments that do not fall under the traditional categories of public equities, bonds and cash: examples include Real Estate, Hedge Funds and Private Equity. These investments tend to have a low correlation with equities and bonds, which can further smooth out returns and protect against Sequence of Return Risk. Because many Alternative Investments can be illiquid, the charity's income requirements are an important consideration in determining how much of the portfolio should be allocated to these assets.

Defensive equity strategy

To further address Sequence of Return Risk, charities may also want to consider adding a defensive equity strategy to their portfolios. One specific strategy designed for this purpose is Guardian Capital LP's Directed Equity Path Portfolio (DEP). The DEP uses an equity collar strategy which involves buying equities and put options and selling call options. While options strategies may seem complex at first glance, they can be used to effectively achieve specific outcomes.

The "bought" put option, provides downside protection or a floor on a stock, while the "sold" call option pays for the cost of the put. The trade-off with the call option is that it caps the stock's upside.

The result is that equity market exposure is maintained, but volatility is materially reduced. With both the upside and downside limited by the options, the investor can expect to experience a much narrower range of returns than the broad equity markets (see **Figure 2** on the following page).

In general, investors can expect:

- ***Outperformance versus the equity market in a downturn (protective put limits the downside).***
- ***Stable positive performance in a slowly rising market.***
- ***Underperformance should equity markets spike up quickly, but still positive returns (call limits the upside).***

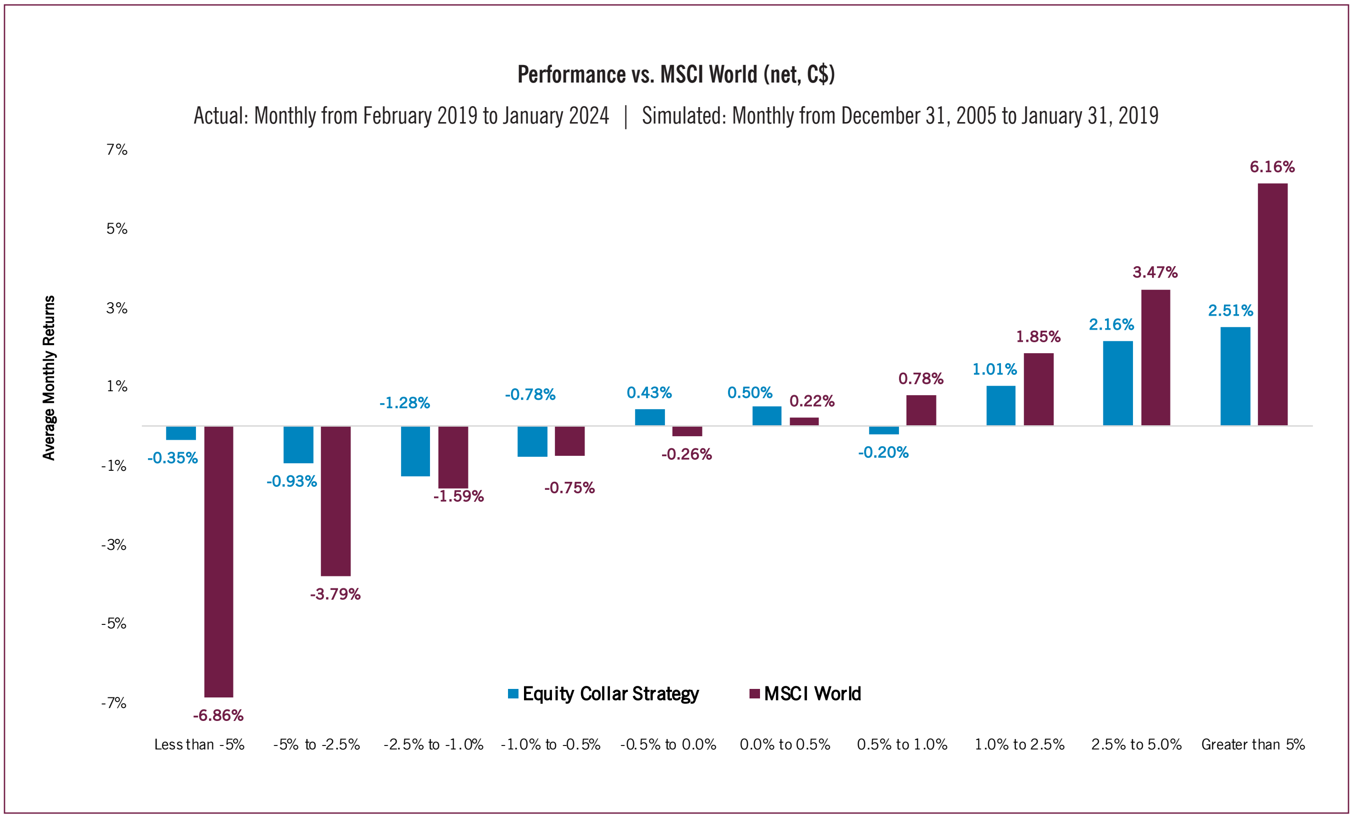
The strategy takes advantage of the long-term predictable behaviour of stock markets:

1. ***Markets trend upward about two times as often as they trend downward.***
2. ***Upswings tend to be gradual while downswings tend to be fast and furious.***

The DEP provides an effective way to stay invested with a "safety net" thereby reducing Sequence of Return Risk. As with all investments, the amount to allocate will depend on the charity's specific circumstances. For example, a charity with a 5% annual disbursement in perpetuity will likely benefit from a smaller allocation than a spend-down fund with an objective of paying out all its capital over 15 years. In the latter example, Sequence of Return Risk is more pronounced and the probability of ruin (the risk that capital is fully depleted before funding objectives are met) is a real consideration. For Investment Committee members wanting to quantify this risk for their organization, a Monte Carlo simulation is an effective statistical technique that can help determine the probability of a worst-case scenario under various asset allocations.

With the continued strength in equity markets, now might be a great time for charities to review their investment portfolios and approach to equity risk management. ■

Figure 2:



This chart illustrates the simulated experience of the Directed Equity Path strategy excess return relative to the MSCI World (Net, C$) Index using monthly data from December 31, 2005 to January 31, 2019. The use of simulated returns comes with inherent risks and limitations. Simulated returns are not the returns of actual client accounts and are produced with the benefit of hindsight. The data and results presented in this chart is intended to provide you with an illustration of how hypothetical portfolios constructed based on the structure described and assumptions might have performed in these prior historical periods. It should also be noted that past performance is not necessarily indicative of future results. All investments are subject to risk, including loss. There is no assurance that any investment strategy will be successful. Asset allocation and diversification does not ensure a profit or protect against loss.

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