

# 2015 Report

AQUEDUCT  
FOUNDATION





## Aqueduct Foundation

Aqueduct Foundation is a registered public foundation operated by Scotiitrust. Its etymology comes from the Latin words Aqua and Ducere, which respectively mean water and lead. Ancient Romans used aqueducts as water carrying bridges to their cities, sometimes carrying water for over 100 kilometres and were designed without optical survey equipment. The aqueduct is widely recognised as one of ancient Rome’s most innovative achievements.

Today, inspired by the ancient example, Aqueduct Foundation provides the “water of life” to Canadian registered charities and qualified donees in the form of grants recommended by donors. Aqueduct is a philanthropic planning foundation that exclusively holds personal or family foundations. We see our role as facilitating philanthropy by helping individuals and families to support their chosen causes.

Since 2006, Aqueduct has received donations of \$351,139,425 and made grants to charities of \$230,005,039.

## Facilitating Philanthropy - Privately

An annual report offers an opportunity to review and reflect on the previous year’s activities. Aqueduct Foundation recognises its responsibility to be accountable to its donors and the public, hence the inclusion of key indicators and activities. However, due to our “donor advised” structure and commitment to privacy, this publication purposely omits some details. Specifically, there is no information about our donors, funds or the charities supported.

We acknowledge that the absence of these details can be perceived as unusual, and we have even received comments in the past in that regard. Our silence stems from the philosophy of Aqueduct Foundation, which guides our operations.

## Our Philosophy

Although there are a number of Canadian granting foundations with donor advised funds, Aqueduct Foundation prides itself on these distinctive features:

1. We are cause neutral: Our neutrality stems from our core role of facilitating philanthropy. Our donors provide recommendations to grant to Canadian registered charities and qualified donees. In approving those recommendations Aqueduct does not make judgements about one charity or cause over another. Our neutrality also means that we do not publicize one charitable beneficiary over another.
2. We believe that significant personal philanthropy must be supported by careful planning. That is why we work with the donors to ensure that their philanthropy is aligned with their financial and estate plans. We ensure that the grants support the charities identified.
3. We are dedicated to flexibility in philanthropy. Donors choose where, when and how much they would like to grant. This approach has made us a pioneer in Canada.

Aqueduct Foundation aspires to make philanthropy simpler and more effective by providing a knowledgeable and supportive environment for giving.

## Art Donations

Fine art is a unique and complex asset. It generates intense emotional responses from collectors and viewers. It often has cultural and public significance. And there may be great monetary value. This combination of factors makes donating collections assembled over a lifetime a challenging task.

Aqueduct Foundation is increasingly working with serious collectors to help them donate their art and define their legacy. For example, in 2014 Aqueduct received a historically important collection by a Canadian early-twentieth century artist. The purpose of the donation is to grant the entire collection to a major Canadian gallery within the next two years. Aqueduct provides time and a process to select the best public institution for the collection, as well as privacy and control over the planning process.

This important collection is by no means a typical art gift, but it would be fair to say that there is no typical gift of art. Each collection is different -- in style, provenance, cultural significance and ultimate destination. The philanthropic goals of the collectors also vary greatly. The goal may be to sell a collection – or certain works – to fund other philanthropic interests. The gifts may be during life, at death, or a combination of the two.

Despite the variety of collections and philanthropic objectives, all art donations face practical issues. Aqueduct has experience with valuation, storage, insurance, auction/sales, cultural property donations, and grants to institutions.

Aqueduct focuses on donations of important collections that are part of the integrated estate and philanthropic plan. It's another way Aqueduct is facilitating philanthropy in Canada.

## Starting Legacy Funds Today

The most popular donor advised fund option at Aqueduct Foundation is the “legacy fund”. A legacy fund is established today, typically with a nominal five dollar contribution, in expectation of receiving a major donation in the future through a gift by will. Increasingly, however, legacy donors are partially funding their foundations with gifts during life.

There are a few reasons why donors consider starting their foundations with lifetime donations:

1. **Granting:** The primary reason for funding a legacy fund is to start granting immediately. It’s exciting to give, work with charities and see the benefits in the community. It is also gratifying to see your foundation become a reality.
2. **Testing & Refining:** A lifetime gift tests assumptions about charities and charitable purposes. Aqueduct provides granting support to enable due diligence on charities and well-structured grants. Aqueduct provides a safe, supportive place from which to engage with other charities. You can learn through giving, involve family (if desired) and refine your mission.
3. **Tax Planning:** Tax benefits from a well-planned gift may be significant. For example, donating appreciated public securities and withdrawing funds from a RRIF tax free can reduce current and future tax liabilities. A large donation may also produce significant tax savings over up to six years. A coordinated giving plan provides additional years to claim a large donation – salvaging tax benefits that could be lost at death due to inadequate claim room.

When considering a lifetime gift, it is essential to have funds for yourself and your family for your own needs. To gain this knowledge – and peace of mind – we recommend working with your advisors to complete a comprehensive financial plan. Aqueduct is there to support you through the process.

## Investment Report

Since inception, Aqueduct Foundation has expanded its investment management process, governance and number of managers. The model reflects Aqueduct's philosophy and exercise of its fiduciary obligation. Here is how it works:

**Governance:** Aqueduct's Board of Directors has ultimate authority over investments, which it exercises through its investment policy statements and by hiring discretionary investment managers. The Board meets with investment managers in May and October to review results. In addition, there is an Investment Committee of the Board, which meets quarterly to review managers and performance. The Investment Committee is made up of directors, an external expert, and the Scotiabank team.

**Investment Policy:** Aqueduct has two investment tracks within its investment policy: long-term funds and short-term funds. The goals for long-term funds are capital preservation and income generation. The resulting investment policy dictates a diversified portfolio of cash/ fixed income and equity (Canadian, US and international). The policy has slight variations at the individual investment manager level, which reflects the different managers' styles, but all share a similar long-term objective. Short-term funds are invested in stable cash instruments such as cashable GICs.

**Investment Managers:** Aqueduct currently has four long-term investment managers. The managers were selected for their process and performance. In terms of descending asset values under management, the managers are: 1832 Asset Management LP; ScotiaMcLeod Global Portfolio Advisory Group; Genus Capital Management (socially responsible portfolio); and Nexus Investments. This multi-manager approach allows donors to work with an existing investment manager after they have donated to Aqueduct. The Foundation is continuing to expand its investment options and network of advisors.

**Donor Reporting:** At a minimum, donors receive annual investment reports with historical data. Donors may receive quarterly reports upon request. For further information about 2014 returns please see page 8 of the report. Investment policies are available upon request.

## 2014 Donations

Aqueduct Foundation has successfully completed its eighth year of operation, receiving donations of \$48,082,582. In addition to the lifetime donations in 2014, Aqueduct worked with 71 new legacy donors who made gift plans totaling \$119,096,000.

## Grants

In 2014, guided by the wishes of our donors, the Foundation made grants of \$16,686,067 to Canadian registered charities and qualified donees, including private and public foundations.

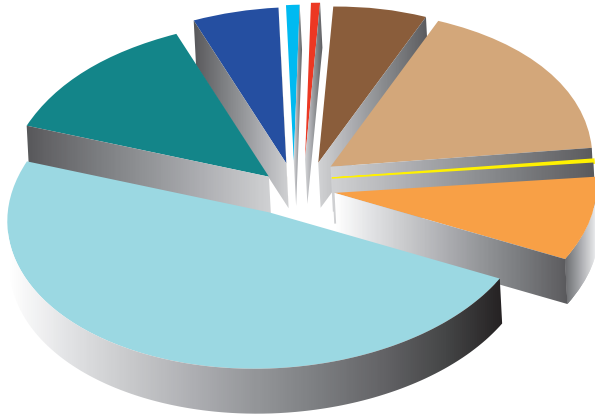
Grant beneficiaries advanced causes in the areas of arts and culture, religion, civic and community, health, education, sports and recreation, protection of animals, environment, human services and private foundations.

Grants	
2006	\$2,291,936
2007	\$91,507,818
2008	\$18,388,882
2009	\$15,585,701
2010	\$40,325,025
2011	\$29,590,738
2012	\$8,849,267
2013	\$6,779,605
2014	\$16,686,067
<b>Total</b>	<b>\$230,005,039</b>

Aqueduct Foundation makes grants of both capital and income, which means the annual granting total varies based on the donor recommendations received.

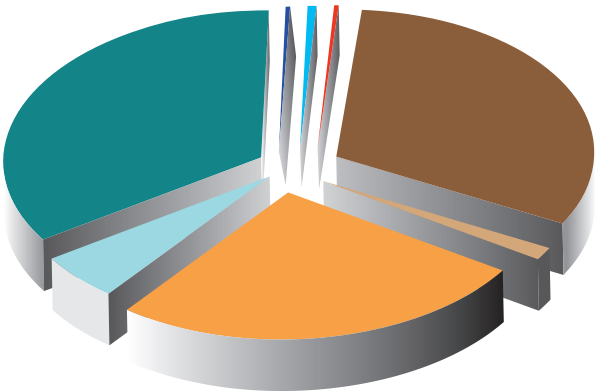


## Grants by Program Area



### 2014

- Protection of Animals: 1.03%
- Sports and Recreation: 0.36%
- Civic and Community: 6.02%
- Arts and Culture: 17.19%
- Environment: 0.33%
- Education: 8.68%
- Human Services: 48.20%
- Health: 13.13%
- Other: 5.06%



### 2013

- Protection of Animals: 0.51%
- Sports and Recreation: 0.09%
- Civic and Community: 31.44%
- Arts and Culture: 1.30%
- Environment: 0.00%
- Education: 26.57%
- Human Services: 5.14%
- Health: 34.56%
- Other: 0.39%

## Investments

Aqueduct Foundation had total assets of \$141,581,839 at December 31st, 2014. The majority of the assets are managed by three investment managers: 1832 Asset Management L.P., ScotiaMcLeod and Nexus Investments. A portion of Aqueduct's donor funds with short term intentions are invested in fixed income and money market instruments. Aqueduct Foundation also holds shares in several private companies and a significant collection of artwork.

## Performance

### 1832 Asset Management L.P.

- Return to December 31, 2014: 8.70% v. benchmark of 11.34%
- 5-year annualized return to December 31, 2014: 7.52% v. benchmark of 8.15%

### ScotiaMcLeod Managed Portfolio

- Return to December 31, 2014: 10.92% v. benchmark of 11.55%
- Benchmark and historical reporting will be available in 2015

### Nexus Investments

- Return to December 31st, 2014: 13.2% v. benchmark of 10.5%
- Benchmark and historical reporting will be available in 2015

Aqueduct's target absolute return for all managers is currently 7.0% per annum, which is calculated using a three-year rolling average.

In 2014 Aqueduct Foundation's Board approved Genus Capital Management as an investment option for donor advised funds with a socially responsible investment mandate. Benchmarks and performance for the Genus portfolio will be available in 2015.

## Aqueduct Board of Directors

Terri-Lynn Brown (Chair)

James M. Parks (Director and Treasurer)

Gerald W. Owen (Director and Chair, Investment Committee)

Terry G. Didus (Director and Secretary)

Yves M. Bergeron (Director)



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Aqueduct Foundation is a registered public foundation, BN 86608 7034 RR0001. Aqueduct Foundation is independent of The Bank of Nova Scotia Trust Company (Scotiatrust), 1832 Asset Management L.P., and The Bank of Nova Scotia. Scotiatrust is the agent for Aqueduct Foundation. Investment management of the Foundation's funds is provided by 1832 Asset Management L.P, ScotiaMcLeod Global Portfolio Group, Genus Capital Management and Nexus Investments. Scotia Private Client Group® consists of private client services from The Bank of Nova Scotia, The Bank of Nova Scotia Trust Company, 1832 Asset Management L.P., 1832 Asset Management U.S. Inc., ScotiaMcLeod Financial Services Inc., WaterStreet Family Offices, a division of 1832 Asset Management L.P., and ScotiaMcLeod®, a division of Scotia Capital Inc. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.

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