

Policy History
Policy No. FM2
Approving Jurisdiction: Board of Governors
Administrative Responsibility: Chief Financial Officer
Effective Date: March 2, 2022

Investment Procedure

A. DEFINITIONS

1. **Endowment Funds:** Endowment funds refer to a transfer of money to an institution with the intention of creating a fund, usually with the stipulation that it be invested in perpetuity or for a defined period of time, where the interest generating from it be used for a specific purpose.
2. **Investment Return Benchmarks:** Investment Return Benchmarks refer to the performance of a predetermined set of investments against a comparator group. Such comparator groups may include published indices or may be customized to suit an investment strategy.
3. **Non-Endowment Funds:** Non-endowment funds refer to a variety of funds that may be generated through operating surpluses or may be granted to the University from time to time and that may or may not be associated with a specific purpose; a fund intended for future building expansion would be an example of a non-endowment, specific purpose fund.
4. **Short-term Operating Funds:** Short term operating funds are normally generated from grants, tuition fees and other sources that are received in advance and are expected to be used within a short period of time, usually 12 months, for the operating expenses of the University.

B. INVESTMENT PROCEDURES

1. The investment management of the Funds will be performed in such a manner that reflects the different objectives of the Funds which comprise the University's investment portfolio. The Funds will be managed to balance the investment return, risk objectives, and liquidity required of each of those funds.
2. The investment portfolio will be designed so as to maximize the rate of return while taking into account the University's liquidity needs and risk restraints.
3. The University will develop Investment Procedures that will govern the management of the investment portfolio and take into consideration the principles of sustainability and responsible investing. These Procedures will describe the objectives, acceptable risk levels, liquidity levels, diversification, and quality of investments acceptable to the University.

C. GOVERNANCE STRUCTURE

1. The governance structure established for the investment of the Funds is designed to ensure that the investments are managed prudently, appropriately and in compliance with the applicable legislation and this Policy.
2. The Board has ultimate authority and fiduciary responsibility for the administration of the investment of the Funds including: establishing the Policy and asset allocation guidelines; establishing the structure for investment management; the appointment or removal of Investment Managers and other advisors; monitoring performance of the fund and its Managers; and annual reporting on the status and operation of Fund assets. The Board may delegate their responsibility to a Finance Committee and will make investment policy decisions which most significantly impact the Funds' investment risk and return objectives based on recommendations from the Finance Committee and the Chief Financial Officer. The Board may appoint members to the Finance Committee, pursuant to paragraph 27(2)(c) of the University Act, to act in an investment advisory role to the Board.
3. The Board delegates the operational responsibilities for investment management of the Funds to the Chief Financial Officer. The Chief Financial Officer will report on Fund activities to the Board at least quarterly. The daily management and operational oversight of the Funds rests with the Chief Financial Officer.
4. The Chief Financial Officer will ensure that the investment performance reporting and procedures review schedule, as outlined in this Policy, is adhered to.
5. The Finance Committee and the Chief Financial Officer will review this Policy annually and the Chief Financial Officer will advise the Board of any changes recommended, including any changes to the Investment Procedures.

D. INVESTMENT MANAGER

1. The Finance Committee has the discretion to direct the Chief Financial Officer to identify and hire an employee to act as the Investment Manager or to engage one or more suitably qualified external Investment Managers to manage the Funds.
2. The appointed Investment Manager's performance will be reviewed on an annual basis by the Chief Financial Officer. Based on the review the Chief Financial Officer will recommend whether to continue with the appointed Investment Manager(s) or to initiate a selection process to engage a replacement investment manager(s). Should a selection process be initiated, the process will be conducted in a prudent manner, applying fair and reasonable metrics and using selection and evaluation criteria developed for the selection process.
3. It will be the responsibility of the Committee, subject to approval by the Board, to select the Investment Manager and to work directly with the Investment Manager in the administration and application of these Procedures.
4. Subject to the Investment Policy and these Procedures, the Investment Manager will have full authority to manage all aspects of the investment of the Funds within the agreed-to Mandate, including changes in the proportion of Fund assets to be held in each of the permissible classes of securities, the selection of securities, and the timing of asset transactions.

E. RETURN OBJECTIVES OF THE FUND

The expected rate of return on Funds is an investment objective which recognizes the nature of the Fund's requirements, time horizon and risk tolerance. The Finance Committee will establish the expected rate of return and the manner in which the performance of the Investment Manager will be evaluated. The primary objective as it relates to performance is to achieve an annual rate of return that exceeds the annual rate of increase in the Consumer Price Index by 3% net of investment expenses over rolling four year periods.

F. ASSET ALLOCATION

In order to achieve an appropriate balance between return expectations and risk exposure, the Finance Committee will establish asset mix limits which will be reviewed at minimum quarterly in the context of any change in fund objectives.

G. APPROVED CATEGORIES OF INVESTMENTS

1. Fixed Income Instruments (average must be at least BB rate)
 - a. Bonds
 - b. Debentures (convertible and non-convertible)
 - c. Mortgages, notes or other debt instruments of government, government agencies, or corporations
 - d. Money market securities issued by government, government agencies, or corporations
 - e. Mutual, pooled or segregated funds and limited partnerships ("pooled funds") which may invest in any or all of the above instruments.
2. Equities
 - a. Common stock, mutual funds, warrants, installment receipts, special warrants or preferred securities (p2 or greater rating)
 - b. Only those traded regularly through a recognized Canadian, US or foreign stock exchange
 - c. No more than 10% in the common, preferred or other equity issues(s) of any one corporate issuer
 - d. Preference to equities that pay a dividend
 - e. Real Estate Investment Trusts
 - f. Income Trusts, to include REITs, Commodity Trusts, Business Trusts and Utility Trusts
3. Alternative investments, including income-producing commercial, industrial and residential property held in a professionally-managed, diversified, pooled real estate fund, private equities, interests in limited partnerships, and infrastructure and multi strategy hedges, all with the prior written approval of the Chief Financial Officer .
4. Foreign Securities with ratings quality and credit worthiness comparable to Canadian equity debt instruments
 - a. Common and preferred stocks
 - b. Common and preferred stocks
 - c. American Depository Receipts and Global Depository Receipts

5. Interest-bearing cash and cash equivalents, including guaranteed investment contracts or term deposits with banks, credit unions, trust companies or insurance companies. Investments for operating cash requirements shall be in Canadian cash equivalents and short term commercial paper rated (minimum rating R-1 Low by the DBRS), an equivalent rating from another agency, or, where not rated, an equivalent level as determined by the market.
6. Any investment donated to the University.

Pool funds, closed-end investment companies and other structure vehicles in any or all of the above permitted investment categories.

H. ASSET MIX LIMITS (AT MARKET VALUE)

Asset Class	Endowment Fund		Non-Endowment Fund	
	Benchmark Asset Mix (%)	Range (%)	Benchmark Asset Mix (%)	Range (%)
Canadian Equities	25	10 - 40	25	20 - 30
Global Equities	25	10 - 40	30	20 - 30
Fixed Income	45	25 - 60	40	15 - 60
Cash and Cash Equivalents	5	0 - 10	5	0 - 20
Alternative Investments	0	0 - 10	0	0 - 30

I. AUTHORITY

This policy is administered under the authority of the Chief Financial Officer.

J. INTERPRETATION

Questions of interpretation or application of this policy will be referred to the Chief Financial Officer and the Chair of the Board Finance Committee.

K. RELATED POLICIES AND LEGISLATION

University Act, section 57

Board Governance Policy 3.5 Financial Condition and Activities

Board Governance Policy 3.6 Asset Protection