

Wednesday, February 21, 2018

Public Session

10:00 a.m. to 11:00 a.m.

North Campus, ERC 3023

Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#

Members: Stephanie Chow (Chair), Nigel Allen, Doug Allingham, Robert Bailey, Craig Elliott (non-voting), Thorsten Koseck, Sue McGovern (non-voting), John Speers, Yowsif Yakub

Staff: Becky Dinwoodie, Cheryl Foy, Douglas Holdway, Lori Livingston

Guests: Leila Fiouzi & Taylor Woodward (PH&N)

AGENDA

| No. | Topic | Lead | Allocated Time | Suggested End Time |
|-----|--|------------|----------------|--------------------|
| 1 | Call to Order | Chair | | |
| 2 | Agenda (M) | Chair | | |
| 3 | Conflict of Interest Declaration | Chair | | |
| 4 | Chair's Remarks | Chair | | |
| 5 | Approval of Minutes of the Meeting of November 22, 2017* (M) | Chair | | 10:05 a.m. |
| 6 | Investment Review | | | |
| 6.1 | Third Quarter Investment Review* (U) | PH&N | 15 | 10:20 a.m. |
| 6.2 | Annual Report on ESG (U) | PH&N | 10 | 10:30 a.m. |
| 6.3 | Investment Learning – US Tax Reform and Impact on UOIT Portfolio (D) | PH&N | 10 | 10:40 a.m. |
| 6.4 | Annual Review of Statement of Investment Policies* (D) | C. Elliott | 5 | 10:45 a.m. |
| 7 | Endowment | C. Elliott | | |
| 7.1 | Annual Endowment Report & Endowment Disbursement* (M) | | 10 | 10:55 a.m. |
| 8 | Other Business | Chair | | |
| 9 | Termination (M) | | | 11:00 a.m. |
| | | | | |

Becky Dinwoodie, Secretary

* - Documents attached D – Discussion M – Motion P – Presentation U - Update

**Public Session Minutes for the Meeting of November 22, 2017
10:00 a.m. to 11:00 a.m., ERC 3023**

Attendees: Stephanie Chow (Chair), Nigel Allen, Craig Elliott, Yowsif Yakub

Staff: Robert Bailey, Becky Dinwoodie, Cheryl Foy

Guests: Leila Fiouzi and Taylor Woodward from PH&N

Regrets: Doug Allingham, Susan McGovern, Tim McTiernan, John Speers

1. Call to Order

The Chair called the meeting to order at 10:06 a.m.

2. Agenda

Upon a motion duly made by N. Allen and seconded by Y. Yakub, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Chair's Remarks

The Chair welcomed the committee to the first meeting of the academic year. She asked the attendees to introduce themselves and reminded them that they were starting with the public session of the meeting.

5. Approval of Minutes of the Meeting of August 16, 2017

Upon a motion duly made by N. Allen and seconded by Y. Yakub, the Minutes were approved as presented.

6. Investment Review

6.1 Second Quarter Investment Review

(C. Foy arrived at 10:10 a.m.)

L. Fiouzi reviewed the summary of the second quarter investment returns and asset mix. The portfolio performed .90% over benchmark for the period. The portfolio's assets were marginally overweight in equities and marginally underweight in pension trust.

7. Investment Learning – Exchange Traded Funds

L. Fiouzi delivered an educational session on Exchange Traded Funds (ETF) and distributed a handout on ETF to the committee. She discussed the origin of ETF and their early success in Canadian equity markets. The number of ETF providers has increased significantly since 2014. L. Fiouzi explained the types of ETF: broad beta, narrow beta, rules-based, and active. The more exotic the ETF, the higher the embedded cost.

L. Fiouzi discussed the difference between how ETF work as compared to mutual funds, as well as how ETF are created. She emphasized the importance of the arbitrage function. With a mutual fund, the value of the fund is known at all times. A potential problem with an ETF is that it can be traded during the day. Therefore, there are instances where the price of an ETF differs from the price of its underlying securities. This is less likely to happen with a very liquid ETF. The market maker plays a role in the creation of ETF and resolving any disparity in prices right away. ETF providers will strike the NAV daily at 4:00 p.m.

L. Fiouzi presented an analysis of the costs associated with ETF. Generally, there are lower management expense ratios for ETF.

L. Fiouzi reviewed the value of active management with the committee. As of July 2017, 80% of RBC managed funds performed better than benchmark. ETF perform better in efficient markets and L. Fiouzi advised that the NYSE is the most efficient.

8. Other Business

9. Termination

There being no other business, upon a motion duly made by Y. Yakub and seconded by N. Allen, the public session of the meeting adjourned at 11:03 a.m.

Becky Dinwoodie, Secretary



Presentation to University of Ontario Institute of Technology

Public Session

Leila Fiouzi, CFA
Vice President & Investment Counsellor

Taylor Woodward, CFA
Associate

February 21, 2018



Wealth Management
PH&N Investment Counsel

Summary Investment Returns

December 31, 2017

| | | | |
|----------------------|--------------------|----|------------|
| Market Value: | Investment Account | \$ | 24,802,679 |
| | Cash Account | \$ | 610,441 |

| | Three Months % | One Year % | Three Years % | Five Years % | Since Inception* |
|--------------------------------------|----------------------|------------------|---------------------|--------------------|---------------------|
| UOIT | 4.58 | 12.09 | 8.26 | 9.92 | 8.66 |
| <i>Benchmark **</i> | <u>3.91</u> | <u>9.01</u> | <u>6.72</u> | <u>8.09</u> | <u>7.56</u> |
| Difference | +0.67 | +3.08 | +1.54 | +1.83 | +1.10 |
| *Inception date Aug 31, 2010 | | | | | |
| UOIT (Cash A/C) | 0.33 | 1.10 | 1.01 | - | 1.01 |
| <i>FTSE TMX Canada 30 Day T-Bill</i> | <u>0.21</u> | <u>0.63</u> | <u>0.56</u> | - | <u>0.65</u> |
| Difference | +0.12 | +0.47 | +0.46 | - | +0.36 |

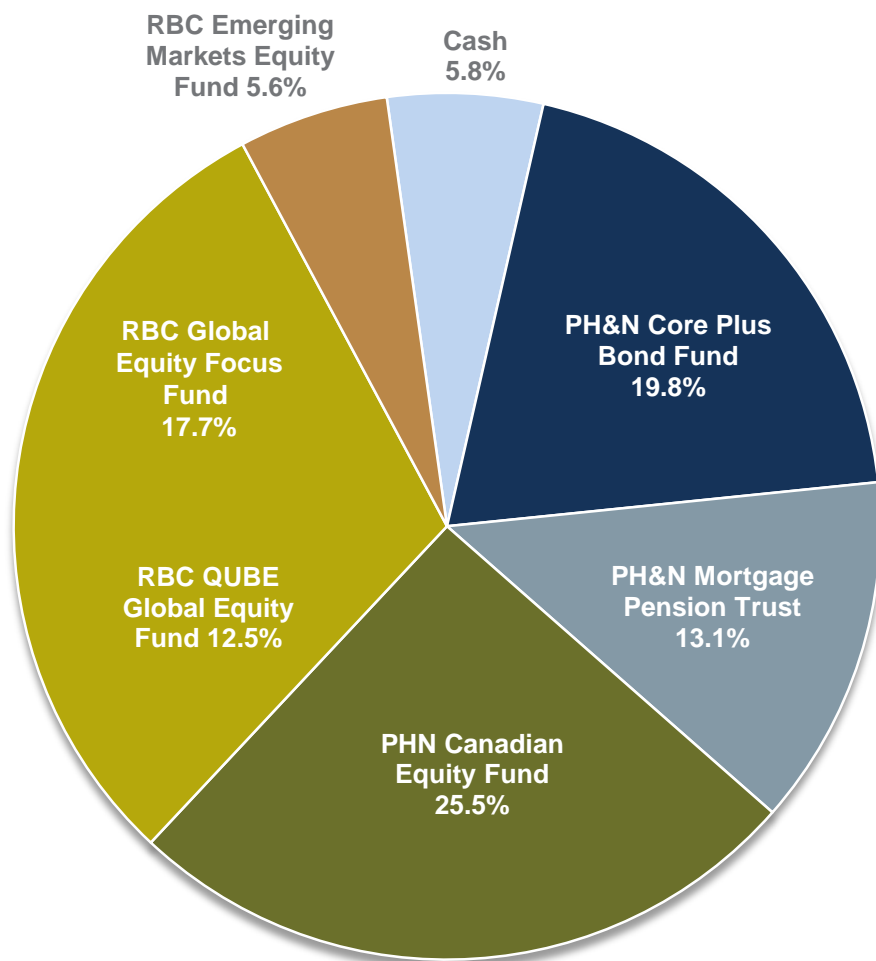
*Inception date Nov 30, 2013

** Current Custom benchmark: 20% FTSE TMX Canada Universe Bond Index; 15% FTSE TMX Canada Short Term Overall Bond Index; 27% S&P/TSX Capped Composite Index; 33% MSCI World Net Index (C\$); 5% MSCI Emerging Markets Net Index (C\$).

Note: All performance is shown gross of annual investment management fees of 38 basis points

University of Ontario Institute of Technology

Asset Mix as at December 31, 2017



| Funds | Target Allocation (%) |
|---------------------------|-----------------------|
| Cash and Cash Equivalents | 0.0 |
| Mortgages | 15.0 |
| Core Plus Bonds | 20.0 |
| Canadian Equities | 27.0 |
| Global Equities | 33.0 |
| Emerging Markets Equities | 5.0 |

| Distributions for Year ended December 31, 2017 | |
|--|--------------------|
| Interest | \$235,937 |
| Canadian Dividends | \$164,839 |
| Non Canadian Dividends | \$213,399 |
| Capital Gains Distributions | \$999,931 |
| Total | \$1,614,106 |

ESG Update



This presentation has been prepared by RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC) from sources believed to be reliable, but no representation or warranty, express or implied, is made by RBC PH&N IC or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC PH&N IC's judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. The information in this presentation is for information purposes only, should not be construed as offering investment advice and should only be used in conjunction with a discussion with your RBC PH&N IC Investment Counsellor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest information available. Neither RBC PH&N IC or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this presentation or the information contained herein.

RBC Phillips, Hager & North Investment Counsel Inc., RBC Global Asset Management Inc., RBC Private Counsel (USA) Inc., Royal Trust Corporation of Canada, the Royal Trust Company, and RBC Global Asset Management (U.S.) are all separate corporate entities that are affiliated with Royal Bank of Canada. RBC Estate & Trust Services and Royal Trust refers to Royal Trust Corporation of Canada and The Royal Trust Company. RBC Phillips, Hager & North Investment Counsel is a brand name used by RBC Phillips, Hager & North Investment Counsel Inc. ®Registered trademark of Royal Bank of Canada. ™Trademark of Royal Bank of Canada. Used under licence. ©RBC Phillips, Hager & North Investment Counsel Inc. 2017. All rights reserved.





COMMITTEE REPORT

SESSION:

Public
 Non-Public

ACTION REQUESTED:

Decision
 Discussion/Direction
 Information

TO: Investment Committee

DATE: February 21, 2018

PRESENTED BY: Craig Elliott, Chief Financial Officer

PREPARED BY: Becky Dinwoodie, Assistant University Secretary

SUBJECT: Annual Review of Statement of Investment Policies

COMMITTEE MANDATE:

- In accordance with section 1(ii) of the Investment Committee’s Terms of Reference and section 8.3 of the university’s Statement of Investment Policies (“SIP”), the Investment Committee will review the SIP on an annual basis and make appropriate recommendations to the Audit & Finance Committee.
- In support of the committee’s mandate, we are presenting the SIP for review.

BACKGROUND/CONTEXT & RATIONALE:

- The purpose of the SIP is to define the management structure governing the investment of non-expendable (endowed) University funds, and to outline the principle objectives and rules by which assets will be managed.
- The assets will be managed in accordance with the SIP and all applicable legal requirements
- Any investment manager or any other agents or advisor providing services in connection with assets shall accept and adhere to the SIP.
- The SIP outlines UOIT’s investment objectives and risk guidelines.
- The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that UOIT is willing to assume in obtaining such return.

- In May 2016, the Investment Committee recommended adding section 5.4 to the SIP, which sets out how environmental, social, and governance factors will be incorporated into the university's investment process

RESOURCES REQUIRED:

- n/a

IMPLICATIONS:

- n/a

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

- n/a

ALTERNATIVES CONSIDERED:

- n/a

CONSULTATION:

- n/a

COMPLIANCE WITH POLICY/LEGISLATION:

- The Investment Committee's annual review of the SIP complies with the committee's Terms of Reference, as well as section 8.3 of the SIP.

NEXT STEPS:

- If the Investment Committee recommends any changes to the SIP, the changes will be presented to the Audit & Finance Committee for recommendation at its meeting on April 26 and to the Board for approval on May 9

SUPPORTING REFERENCE MATERIALS:

- Statement of Investment Policies



| | |
|---------------------|--|
| Classification | LCG 1128 |
| Framework Category | Legal, Compliance and Governance |
| Approving Authority | Board of Governors |
| Policy Owner | Chief Financial Officer |
| Approval Date | June 29, 2016 |
| Review Date | June 2019 |
| Supersedes | Statement of Investment Policies, March 2015 |

Statement of Investment Policies

Table of Contents

Section

| | | |
|----|-------------------------------|----|
| 1 | Purpose | 2 |
| 2 | Responsibilities | 2 |
| 3 | Portfolio Objectives | 4 |
| 4 | General Guidelines..... | 5 |
| 5 | Authorized Investments..... | 5 |
| 6 | Risk Guidelines | 6 |
| 7 | Performance Expectations..... | 8 |
| 8 | Reporting & Monitoring..... | 9 |
| 9 | Standard of Care..... | 9 |
| 10 | Conflict of Interest..... | 10 |

1.0 Purpose

The purpose of this Statement of Investment Policies (“SIP”) is to define the management structure governing the investment of non-expendable (endowed) University funds, and to outline the principle objectives and rules by which assets will be managed. The assets will be managed in accordance with this Statement and all applicable legal requirements. Any investment manager (“Manager”) or any other agents or advisor providing services in connection with assets shall accept and adhere to this Statement.

2.0 RESPONSIBILITIES

2.1 Board of Governors

The Board of Governors (“the Board”) of UOIT has responsibility and decision-making authority for these assets. The Board has the responsibility to govern these assets and has chosen to appoint members of the Audit and Finance Committee to sit on the Investment Committee.

As part of its fiduciary responsibilities, the Board will:

- appoint members of the Investment Committee in consultation with the Audit and Finance Committee;
- receive the Audit and Finance Committee’s recommendations with respect to Statement of Investment Policies and approve or amend the Statement as appropriate;
- review all other recommendations and reports of the Audit and Finance Committee with respect to the Fund and the selection, engagement or dismissal of professional investment managers, custodians and advisors, and take appropriate action.

2.2 Audit & Finance Committee

As part of its fiduciary responsibilities, the Audit and Finance Committee will:

- receive the Investment Committee’s recommendations with respect to Statement of Investment Policies and make recommendations to the Board for the selection, engagement or dismissal of professional investment managers, custodians and advisors, as appropriate;
- review all other recommendations and reports of the Investment Committee, including recommendations with respect to the investments within the Fund, and recommendations to amend the Asset Class Management Procedures and approve such recommendations and receive such reports.

2.3 **Investment Committee**

The Investment Committee (the Committee”) consists of a minimum of three (3) members and a maximum of five (5) members.

The Committee may delegate some of its responsibilities to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more investment managers (the “Manager”) may be retained.

The Investment Committee will have an active role to:

- formulate recommendations to the Audit and Finance Committee regarding the investments in the Fund;
- maintain an understanding of legal and regulatory requirements and constraints applicable to these assets;
- review this Statement of Investment Policies and the appended Asset Class Management Procedures, on an annual basis, and make appropriate recommendations to the Audit and Finance Committee;
- provide regular reports to the Audit and Finance Committee;
- formulate recommendations to the Audit and Finance Committee regarding the selection, engagement or dismissal of professional investment managers, custodians and advisors.
- oversee the Fund and the activities of the Manager, including the Manager’s compliance with their mandate and the investment performance of assets
- ensure that the Manager is apprised of any amendments to their mandate; and
- inform the Manager of any significant cash flows.

2.4 **Investment Manager(s)**

The Manager is responsible for:

- Selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- Providing the Committee with quarterly reports of portfolio holdings and a review of investment performance and future strategy and recommending appropriate changes to the investment portfolio; (see Section 7 on “Reporting and Monitoring”);
- Attending meetings of the Committee at least once per year to review performance and to discuss proposed investment strategies;

- Informing the Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation; and
- Advising the Committee of any elements of this Statement that could prevent attainment of the objectives.

3.0 PORTFOLIO OBJECTIVES

3.1 Investment Policy

The Investment Policy outlines UOIT's investment objectives and risk guidelines. Investment objectives are defined in the context of Total Return which is defined as the sum of income and capital gains from investments.

3.2 Investment Objectives

The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that UOIT is willing to assume in obtaining such return. In general, UOIT investment decisions balance the following objectives:

- generate stable annual income for the funds' designated purpose;
- preserve the value of the capital;
- protect the value of the funds against inflation; and
- maintain liquidity and ease of access to funds when needed

Stable annual incomes are an essential part of the disbursement process, and facilitate the forecast of spendable income each year. The investment object for non-expendable (endowment) funds is to generate a total return that is sufficient to meet obligations for specific purposes by balancing present spending needs with expected future requirements. The total return objective must take into consideration the preservation of endowment capital, and the specific purpose obligations according to donor wishes.

All endowment funds are to be accumulated and invested in a diversified segregated or pooled fund of Canadian and foreign equities and fixed income securities. These funds must be structured to optimize return efficiency such that the return potential is maximized within the organization's risk tolerance guidelines. The Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

4.0 GENERAL GUIDELINES

The University uses the investment pool method, except that in those instances where funds are precluded under agreement or contract from being pooled for investment

purposes. The acquisition of specific investment instruments outside of authorized investment pools, requires the approval of the Chief Financial Officer and one of either President or VP External Relations.

All securities shall be registered in the University Of Ontario Institute Of Technology's name; or in the name of a financial institution that is eligible to receive investments under the University Of Ontario Institute Of Technology's Investment Policy.

The University may or may not directly or internally manage any portion of its endowed funds.

External investment managers and/or advisors shall be selected from well-established and financially sound organizations which have a proven record in managing funds with characteristics similar to those of the University.

The University shall maintain separate funds in the general ledger for endowment fund donations. Within these funds, the University shall maintain accurate and separate accounts for all restricted funds.

Investment income, capital gains and losses on the sale of equities and securities, and the amortization of premiums and discounts on fixed term securities earned on endowment funds accrue to the benefit of the endowment accounts and are distributed to capital preservation, stabilization and distribution accounts annually.

5.0 **AUTHORIZED INVESTMENTS**

5.1 **Investment Criteria**

Outlined below are the general investment criteria as understood by the Committee. The list of permitted investments includes:

(a) Short-term instruments:

- Cash;
- Demand or term deposits;
- Short-term notes;
- Treasury bills;
- Bankers acceptances;
- Commercial paper; and
- Investment certificates issues by banks, insurance companies and trust companies.

(b) Fixed income instruments:

- Bonds;
- Debentures (convertible and non-convertible); and
- Mortgages and other asset-backed securities.

- (c) Canadian equities:
 - Common and preferred stocks;
 - Income trusts; and
 - Rights and warrants.
- (d) Foreign equities:
 - Common and preferred stocks;
 - Rights and warrants; and
 - American Depository Receipts and Global Depository Receipts.
- (e) Pool funds, closed-end investments companies and other structured vehicles in any or all of the above permitted investment categories are allowed.

5.2 **Derivatives**

The Fund may use derivatives, such as options, futures and forward contracts, for hedging purposes, to protect against losses from changes in interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The Fund must hold enough assets or cash to cover its commitments under the derivatives. The Fund cannot use derivatives for speculative trading or to create a portfolio with excess leverage.

5.3 **Pooled Funds**

With the approval of the Committee, 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 Committee that complete adherence to this Statement may not be entirely possible; however, the Manager is expected to advise the Committee in the event that the pooled fund exhibits, or may exhibit, any significant departure from this Statement.

5.4 **Responsible Investing**

The Board has a fiduciary obligation to invest the Fund in the best interests and for the benefit of the University.

The Board recognizes that environment, social, and governance (ESG) factors may have an impact on corporate performance over the long term, although the impact can vary by industry. Best practices suggest that incorporating ESG factors in the investment process is prudent and aligned with the University's social commitment.

Given the fact that the University uses the investment pool method, it is not practical for the Committee to directly engage individual companies on ESG related issues, either through dialogue or by filing shareholder resolutions. Subject to its primary fiduciary responsibility of acting in the best interests of the University and its stakeholders, and within the limits faced by an investor in externally managed pooled funds, the Committee will incorporate ESG factors into its investment process through the following methods:

(a) Manager Selection and Reporting

The integration of ESG factors in the investment process will be a criterion in the selection, management and assessment of the Manager.

The Committee will require the Manager to provide regular and annual reporting on the incorporation of formal ESG factors in the management of their portfolios.

(b) Engagement

Since the University does not directly invest in companies, proxy voting is delegated to the Manager. The Committee will encourage the Manager to incorporate into their proxy voting guidelines policies that encourage issuers to increase transparency of their ESG policies, procedures and other activities, and also to bring to the Committee's attention any significant exposure through the Fund to a particular company, industry or nation that is facing a material ESG issue.

6.0 RISK GUIDELINES

All investment of assets must be made within the risk guidelines established in this Statement. Prior to recommending changes in investments, the Manager must certify to the Committee that such changes are within the risk guidelines. For the purposes of interpreting these guidelines, it is noted that all allocations are based on market values and all references to ratings reflect a rating at the time of purchase, reviewed at regular intervals thereafter. In the event that the portfolio is, at any time, not in compliance with either the ranges or ratings profile established in this Statement, such non-compliance will be addressed within a reasonable time after the Manager or Committee has identified such non-compliance.

6.1 Asset Mix and Ranges

Table 6.1

| Asset Class | Strategic Target | Range |
|-------------------|------------------|--------|
| Cash & Short Term | 2% | 0-10% |
| Fixed Income | 35% | 20-50% |
| Canadian Equities | 33% | 20-40% |
| Global Equities | 30% | 25-45% |

Investment of assets must be within the asset classes and ranges established in Table 6.1. A more detailed breakdown of asset classes, strategic targets, ranges, and benchmarks is maintained in the UOIT Asset Class Management Procedures appended to this Statement as Appendix "A".

6.2 Cash and Cash Equivalents

Cash and cash equivalents must have a rating of at least R1, using the rating of the Dominion Bond Rating Service ("DBRS") or equivalent.

6.3 Fixed Income

(a) Maximum holdings of the fixed income portfolio by credit rating are:

| Credit Quality | Maximum in Bond ¹ | Minimum in Bond ¹ | Maximum Position in a Single Issuer |
|-------------------------------------|------------------------------|------------------------------|-------------------------------------|
| Government of Canada ² | 100% | n/a | no limit |
| Provincial Governments ² | 60% | 0% | 40 % |
| Municipals | 25% | 0% | 10% |
| Corporates | 75 % | 0% | 10% |
| AAA ³ | 100% | 0% | 10% |
| AA ³ | 80% | 0% | 5% |
| A ³ | 50% | 0% | 5% |
| BBB | 15% | 0% | 5 % |
| BB and less | 20 % | 0% | 2 % |

¹ Percentage of portfolio at market value; ² Includes government-guaranteed issues; ³ Does not apply to Government of Canada or Provincial issues

(b) Maximum holdings of the fixed income portfolio, other than Canadian denominated bonds as illustrated in 6.3 (a), by asset type:

- 20% for asset-backed securities;
 - 60% for mortgages or mortgage funds;
 - 20% for bonds denominated for payment in non-Canadian currency;
- and

- 10% for real return bonds.
- (c) All debt ratings refer to the ratings of Dominion Bond Rating Service (DBRS), Standard & Poor’s or Moody’s.

6.4 Equities

- (a) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.
- (b) There will be a minimum of 30 stocks in each equity (pooled fund) portfolio.
- (c) No more than 5% of the market value of an equity portfolio (pooled fund) may be invested in companies with a market capitalization of less than \$100 million at the time of purchase
- (d) No borrowing is permitted except as a temporary measure to allow orderly redemption of units.
- (e) Illiquid assets are restricted to 10% of the net assets of the Fund.
- (f) Emerging market holdings will not exceed 10% of the total portfolio value.
- (g) Foreign equity holdings can be currency hedged to a maximum of 50%

7.0 PERFORMANCE EXPECTATIONS

7.1 Portfolio Returns

The portfolio is expected to earn a pre-fee rate of return in excess of the benchmark return over the most recent four-year rolling period. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly, and calculated as time-weighted rates of return. The composition of the benchmark is developed from the asset mix outlined in this Statement and more specifically described in the Asset Class Management Procedures, Appendix A. In order to meet the University’s disbursement requirements, investments need to earn a minimum level of income, measured over a four year rolling market cycle. The minimum recommended level is defined as the sum of the following items:

| | |
|----------------------------------|-------------|
| Minimum disbursement requirement | 3.5% |
| Investment management fees | 0.5% |
| Capital preservation amount | <u>2.0%</u> |
| Minimum Rate of Return | <u>6.0%</u> |

Note: The disbursement requirement and capital preservation amounts will be reviewed, and updated as required.

8.0 REPORTING & MONITORING

8.1 Investment Reports

Each quarter, the Manager will provide a written investment report containing the following information:

- portfolio holdings at the end of the quarter;
- portfolio transactions during the quarter;
- rates of return for the portfolio with comparisons with relevant indexes or benchmarks; Compliance report;

8.2 Monitoring and Recommendations

At the discretion of the Committee as required, the Manager will meet with the Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's recommendations for changes in the portfolio;
- future strategies and other issues as requested.

The agreement with the Manager or any Custodian will be reviewed by the committee on a four year cycle. This review could include a Request for Proposal for these services.

8.3 Annual Review

It is the intention of UOIT to ensure that this policy is continually appropriate to the university's needs and responsive to changing economic and investment conditions. Therefore, the Committee shall present the Statement of Investment Policies to the Audit and Finance Committee, and through that Committee to the Board, along with any recommendations for changes, at least annually.

9.0 STANDARD OF CARE

The Manager is expected to comply, at all times and in all respects, with the code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute.

The Manager will manage the assets with the care, diligence and skill that an investment Manager of ordinary prudence would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

The Manager will manage the assets in accordance with this Statement and will verify compliance with this Statement when making any recommendations with respect to changes in investment strategy or investment of assets.

The Manager will, at least once annually, provide a letter to the Committee confirming the Manager's familiarity with this Statement. The Manager will, from time to time, recommend changes to the SIP to ensure that the SIP remains relevant and reflective of the University's investment objectives over time.

10.0 CONFLICT OF INTEREST

All fiduciaries shall, in accordance with the UOIT Act and By-laws and policies on conflict of interest, disclose the particulars of any actual or potential conflicts of interest with respect to the Fund. This shall be done promptly in writing to the Chair of the Investment Committee. The Chair will, in turn, table the matter at the next Board meeting. It is expected that no fiduciary shall incur any personal gain because of their fiduciary position. This excludes normal fees and expenses incurred in fulfilling their responsibilities if documented and approved by the Board.

Disbursement Committee Report

2018-19 Disbursement Recommendation



Cumulative Investment Income Summary

| | |
|--|----------------------|
| Cumulative Net Endowed Earnings at Mar 31, 2017 | \$ 4,052,469 |
| Earnings Apr-Dec, 2017 | \$ 1,490,491 |
| Estimated Interest/Dividends Earned Jan-Mar, 2018 | <u>\$ 30,000</u> |
| Cumulative Est Net Endowed Earnings at Mar 31, 2018 | \$5,572,960 |
| Less: Est 2017-18 Disbursements | (\$ 485,560) |
| Cumulative Capital Preservation | <u>(\$2,407,562)</u> |
| Cumulative Est Net Earnings Available For Disbursement | <u>\$2,679,838</u> |

Cumulative Investment Summary

| | |
|---|---------------------|
| Endowment Balance at Dec 31, 2016 | \$15,452,252 |
| 2017-18 Donations to Dec 31, 2017 | \$ 349,369 |
| Cumulative Earnings Less Distributions | \$ 5,311,249 |
| Unrealized gains | <u>\$ 4,300,249</u> |
| Market Value of Endowment at Dec 31, 2017 | \$25,413,119 |
| Est Income Jan-Mar, 2018 | \$ 30,000 |
| Est Disbursement in 2017-18 | <u>(\$ 253,850)</u> |
| Forecast Investment Balance at Mar 31, 2018 | <u>\$25,189,269</u> |

Gift Agreement Requirements

- Endowed Awards can be specific dollar amounts, or could be expressed as a minimum and maximum amount. At our current investment level, we need to disburse between 3-4% of the principal value to cover our gift requirements.
- For 2018-19 our disbursement requirements, based on 4%, would be \$598,000.

Recommendation

- The Disbursement Committee met on Feb 5, 2018. Our investments have performed well over the last few years, which has increased cumulative earnings after capital preservations to \$2, 679K. The committee proposes that we disburse some of these surplus earnings in the upcoming year.
- The recommendation is to increase disbursements to an average of 5% or up to \$750,000 for 2018-19, and that this amount be disbursement from Endowment Funds for distribution as student awards.

Motion

- That the Investment Committee recommends the disbursement of up to \$750,000 from Endowment Funds for distribution as student awards in 2018-19.

Questions/Comments