



**BOARD OF GOVERNORS**  
**Investment Committee**

**Wednesday, February 17, 2021**

**11:30 a.m. – 1:20 p.m.**

**[Videoconference](#)**

**Toll-Free: +1.888.240.2560 Meeting ID: 196 653 152**

**Members:** Stephanie Chow (Chair), Ferdinand Jones, Thorsten Koseck, Steven Murphy, Mark Neville, Dietmar Reiner, Maria Saros, Kim Slade

**Staff:** Becky Dinwoodie, Cheryl Foy, Brad Maclsaac

**Guests:** Leila Fiouzi, Connor Glassco & Jacinta O'Connor (PH&N)

**AGENDA**

No.	Topic	Lead	Allocated Time	Suggested Start Time
	<b>PUBLIC SESSION</b>			
<b>1</b>	<b>Call to Order</b>	Chair		
<b>2</b>	<b>Agenda (M)</b>	Chair		
<b>3</b>	<b>Conflict of Interest Declaration</b>	Chair		
<b>4</b>	<b>Minutes of Public Session of Meeting of November 12, 2020* (M)</b>			
<b>5</b>	<b>Chair's Remarks</b>	Chair		
<b>6</b>	<b>President's Remarks</b>	President	5	11:35 a.m.
<b>7</b>	<b>Investment Review</b>			
7.1	Third Quarter Investment Review* (U)	PH&N	15	11:40 a.m.
7.2	Annual ESG Report* (U)	PH&N	10	11:55 a.m.
7.3	Strategic Discussion: Future Investments Strategy* (D)	Chair	20	12:05 p.m.
<b>8</b>	<b>Other Business</b>	Chair		
<b>9</b>	<b>Adjournment (M)</b>	Chair		12:25 p.m.
	<b>BREAK</b>		<b>10</b>	
	<b>NON-PUBLIC SESSION (material not publicly available)</b>			12:35 p.m.
<b>10</b>	<b>Call to Order</b>	Chair		
<b>11</b>	<b>Conflict of Interest Declaration</b>	Chair		

D – Discussion

M – Motion

P – Presentation

U – Update

\* Documents attached

No.	Topic	Lead	Allocated Time	Suggested Start Time
<b>12</b>	<b>Minutes of Non-Public Session of Meeting of November 12, 2020* (M)</b>	Chair		
<b>13</b>	<b>Investment Review</b>			
13.1	Third Quarter Investment Review – Portfolio Components* (U)	PH&N	20	12:40 p.m.
13.2	Confidential Questions (if required)	Chair	10	1:00 p.m.
<b>14</b>	<b>Other Business</b>	Chair		
<b>15</b>	<b><i>In Camera</i> Session</b>	Chair	10	1:10 p.m.
<b>16</b>	<b>Termination (M)</b>	Chair		1:20 p.m.

Becky Dinwoodie, Secretary



**BOARD OF GOVERNORS**  
**Investment Committee**

**Minutes of the Public Session of the Meeting of November 12, 2020**  
**2:00 p.m. – 3:00 p.m., Videoconference**

**Members:** Stephanie Chow (Chair), Ferdinand Jones, Thorsten Koseck, Mark Neville, Dietmar Reiner, Maria Saros, Kim Slade, Steven Murphy

**Staff:** Jamie Bruno, Becky Dinwoodie, Cheryl Foy, Andrew Gallagher, Brad Maclsaac

**Guests:** Leila Fiouzi (PH&N), Chelsea Bauer (FA), Connor Glassco (PH&N), Jacinta O'Connor (PH&N),

**1. Call to Order**

The Chair called the meeting to order at 2:03 p.m.

**2. Agenda**

*Upon a motion duly made by T. Koseck and seconded by F. Jones, the Agenda was approved as presented.*

**3. Conflict of Interest Declaration**

There were no conflict of interest declarations.

**4. Minutes of Public Session of Meeting of August 13, 2020**

*Upon a motion duly made by T. Koseck and seconded by M. Neville, the Minutes were approved as presented.*

**5. Chair's Remarks**

The Chair welcomed the committee to their first meeting of the Board year. She welcomed the committee's newest member, Kim Slade. The Chair commented that she is looking forward to continuing to work with the committee to advance the committee's mandate. The committee accomplished a lot last year and she is confident they will continue to make progress. She also shared that she hopes everyone continues to remain vigilant against COVID as Ontario's numbers rise. She reminded the committee to be mindful of the time to ensure they get through the agenda and encouraged robust discussion.

**6. President's Remarks**

The President commended the university's faculty and staff for a smooth transition to

online learning. He has heard that many other institutions are pre-recording lectures and posting them online for their classes; whereas the university's instructors and staff are going well beyond that level and our students are benefitting from this. The feedback the President has heard from our students is that they would like to get together in person and he advised that we will return to campus as soon as it is safe to do so. He stated that it is the responsible thing to be planning for a potential fall 2021 online. The President also discussed enrolment across the sector and globally, observing that it has been a strange year in terms of enrolment. He noted that there have been many externalities affecting decisions.

## **7. Terms of Reference Review**

B. Dinwoodie presented the committee's Terms of Reference (ToR) for annual review. She noted that the ToR were last updated in November 2020 to reflect the university's new brand. The annual ToR review provides the committee with an opportunity to review the mandate, membership, and meeting frequency to ensure they continue to be appropriate. The committee members did not have any proposed changes resulting from the review.

## **8. Review of Statement of Investment Policies**

B. Dinwoodie presented the university's Statement of Investment Policies (SIP) for annual review. The annual review presents an opportunity for the committee to be reminded of the parameters for investing the university's endowed funds. She noted that the SIP was last updated in February and highlighted the amendments. The committee members did not propose any changes to the SIP at that time.

## **Investment Review**

### **9.1 Second Quarter Investment Review**

L. Fiouzi reviewed the second quarter investment results set out in the report included in the meeting material. She advised that the portfolio saw a 4.2% return over the last quarter and a 5.3% return for the last year. She highlighted that they were able to preserve capital in the portfolio during the downturn in March. L. Fiouzi highlighted the recent portfolio changes and provided an overview of the rationale for those changes.

L. Fiouzi reviewed the business cycle scorecard included in the meeting material. She noted that we went through the recession and are now at the start of a new cycle. She discussed when they think the GDP will return to 2019 levels, which will likely be 2022. She also discussed the competing forces on inflation. She advised that deflationary pressures will dominate in the short-term and oil will likely remain depressed for longer.

L. Fiouzi responded to questions from the committee. There was a discussion regarding whether amendments should be made to the structure of the portfolio as a result of these changes. L. Fiouzi advised that PH&N has already made the changes they could that align with the university's SIP and Asset Class Management Strategy. Any further recommendations would be made during the non-public session.

There was also a discussion regarding the impact of the U.S. presidential election. L. Fiouzi advised that it is noise in the market and will have only a short-term impact that would not be relevant to long-term investments.

## **9.2 Investment Learning: University Investment Landscape**

A. Gallagher shared his observations on the report entitled *Review of University Endowment and Pension Funds* by Jacky Shen, which was included in the meeting material. He noted that the average compounded growth rate was about 6.5%, which is not out of line with the long-term growth that universities expect. He also noted that the survey was done as of December 31, 2019 and 2019 was a strong year. The average return was 13.8%, which is similar to the performance of the university's portfolio. There was a small range between 12.3% to 14.8%. There was an annualized return median of 8.2% and Ontario Tech's return was just under 8%. The return of 8.2% is higher than one might expect but it reflects 2019 as a strong year and also includes 2008. Those heavily weighted in fixed income have done relatively less well than others. The average in 2019 was 20% of assets in alternative investments and Ontario Tech is at about half of that. The large bulk of assets are in very few university pools (top 7 universities make up 50% of the assets). Some of the larger funds have more flexibility in their portfolios and more opportunity to invest in some of the pools that we do not.

The university seems to be relatively middle of the road and the portfolio's returns appear to be in line with the overall survey and are moving in the direction of some of the higher returning funds with the investment in direct real estate. A member commented that they found the report interesting and, although we are a bit more conservative, this is in part due to the relative youth of the institution. The committee agreed that the presentation was helpful to them to get a better understanding of where the university fits in the context of the sector.

## **10. Other Business**

## **11. Adjournment**

*There being no other business, upon a motion duly made by T. Koseck, the public session adjourned at 2:45 p.m.*

Becky Dinwoodie, Secretary



**Wealth Management**  
PH&N Investment Counsel

Presentation to:

**Ontario Tech University**

Leila Fiouzi, CFA  
Vice President & Investment Counsellor

Taylor Woodward, CFA  
Investment Counsellor

Connor Glassco, CFA  
Associate Investment Counsellor

Jacinta O'Connor  
Associate

February 17, 2021

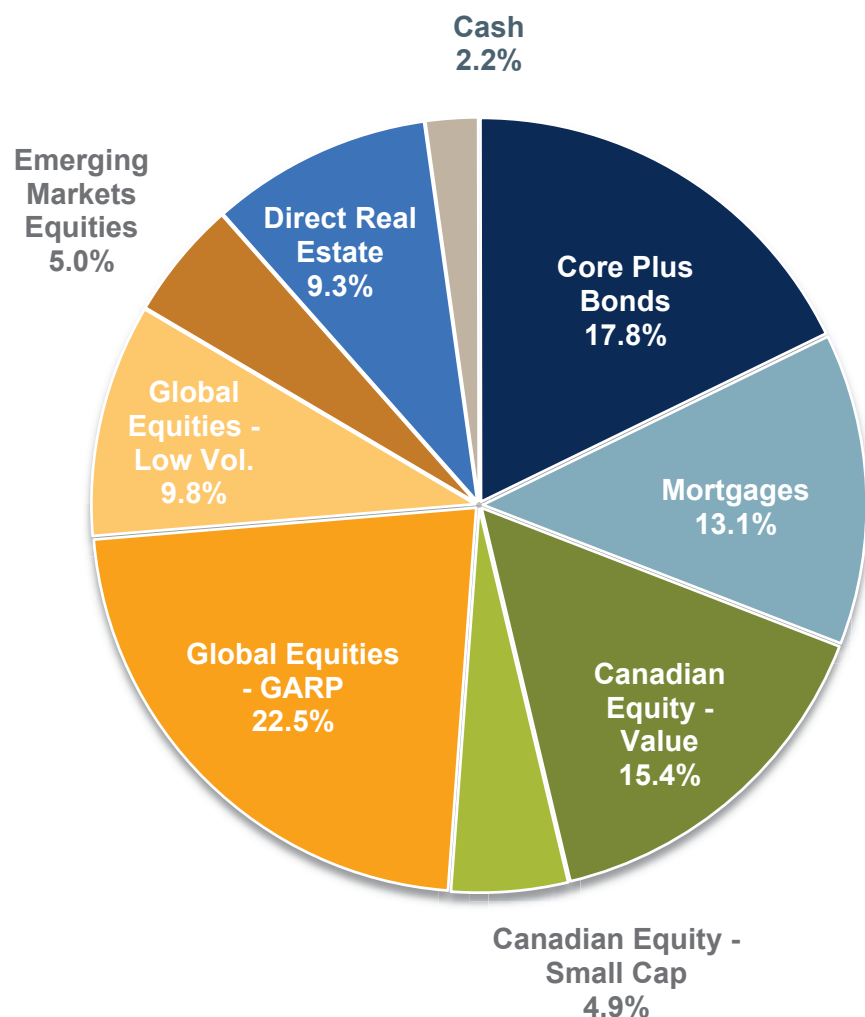






# Ontario Tech University<sup>1</sup>

Asset Mix as at December 31, 2020



Funds	Target Allocation (%)
Cash and Cash Equivalents	0.0
Mortgages	15.0
Core Plus Bonds	20.0
Canadian Equities	20.0
Global Equities	30.0
Emerging Markets Equities	5.0
Direct Real Estate	10.0

<sup>1</sup> Reflects University of Ontario Institute of Technology account



## ESG Update



**Wealth Management**  
PH&N Investment Counsel

# What is ESG?

A detailed definition

# E

## Environmental

- Climate change
- Sustainability
- Air & water pollution
- Water scarcity
- Biodiversity and habitat protection
- Site rehabilitation

# S

## Social

- Human rights
- Community impact
- Health & safety
- Child and forced labour
- Human Capital: Employee engagement/productivity

# G

## Governance

- Board independence
- Board accountability
- Executive compensation
- Shareholder rights and voting
- Anti-corruption

# Responsible Investment at RBC GAM

*Being an active, engaged and responsible owner empowers us to enhance the long-term, risk-adjusted performance of our portfolios*



## Fully integrated ESG (environmental, social & governance)

All investment teams integrate relevant ESG factors into their investment processes

- Recently developed Approach to Climate Change
- UN Principles of Responsible Investment Signatory
  - A+ Grade in 2020



## Active Stewardship

We convey our views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors

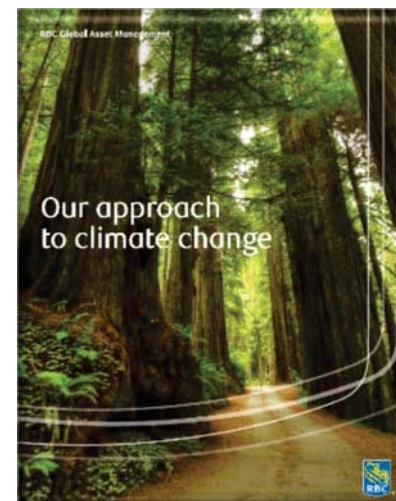
- Joined Climate Action 100+
- Proxy voting focus: Gender & CEO/Chair separation



## Client-driven solutions and reporting

We align our solutions with client demand and provide transparent and meaningful reporting

- Integrated ESG reporting for clients & consultants



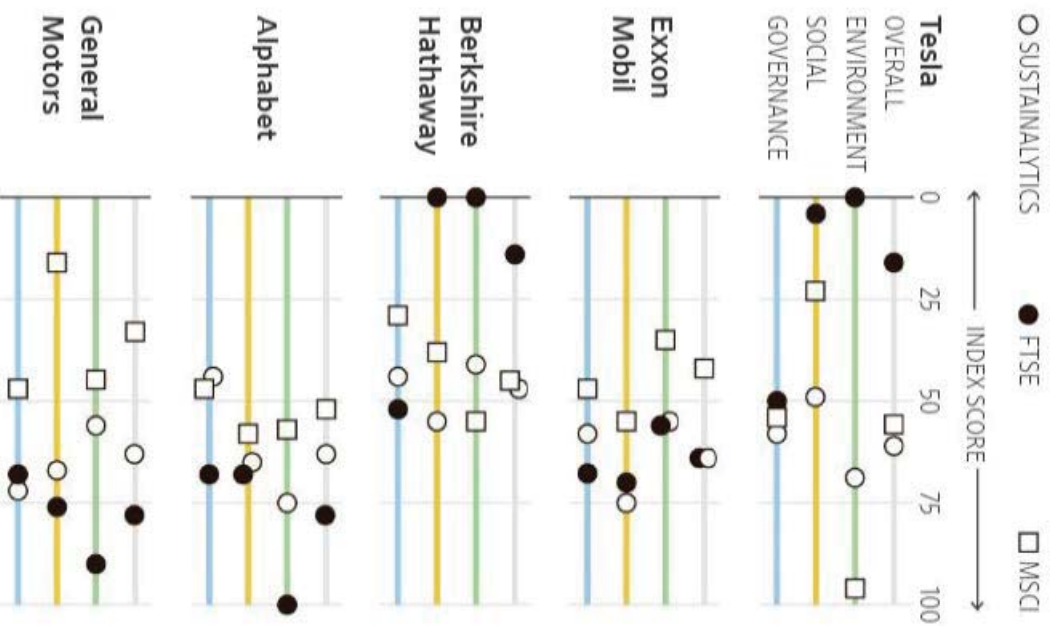
# 2020 UN PRI Summary Scorecard for RBC GAM



The PRI evaluates signatories' approaches to the Principles based on its assessment methodology (available at <https://www.unpri.org/signatories/about-pri-assessment>). RBC GAM's full report can be found at <https://www.rbcgam.com/en/ca/about-us/responsible-investment/responsible-investment-commitments>.

# ESG Ratings

Do not treat scores as settled facts



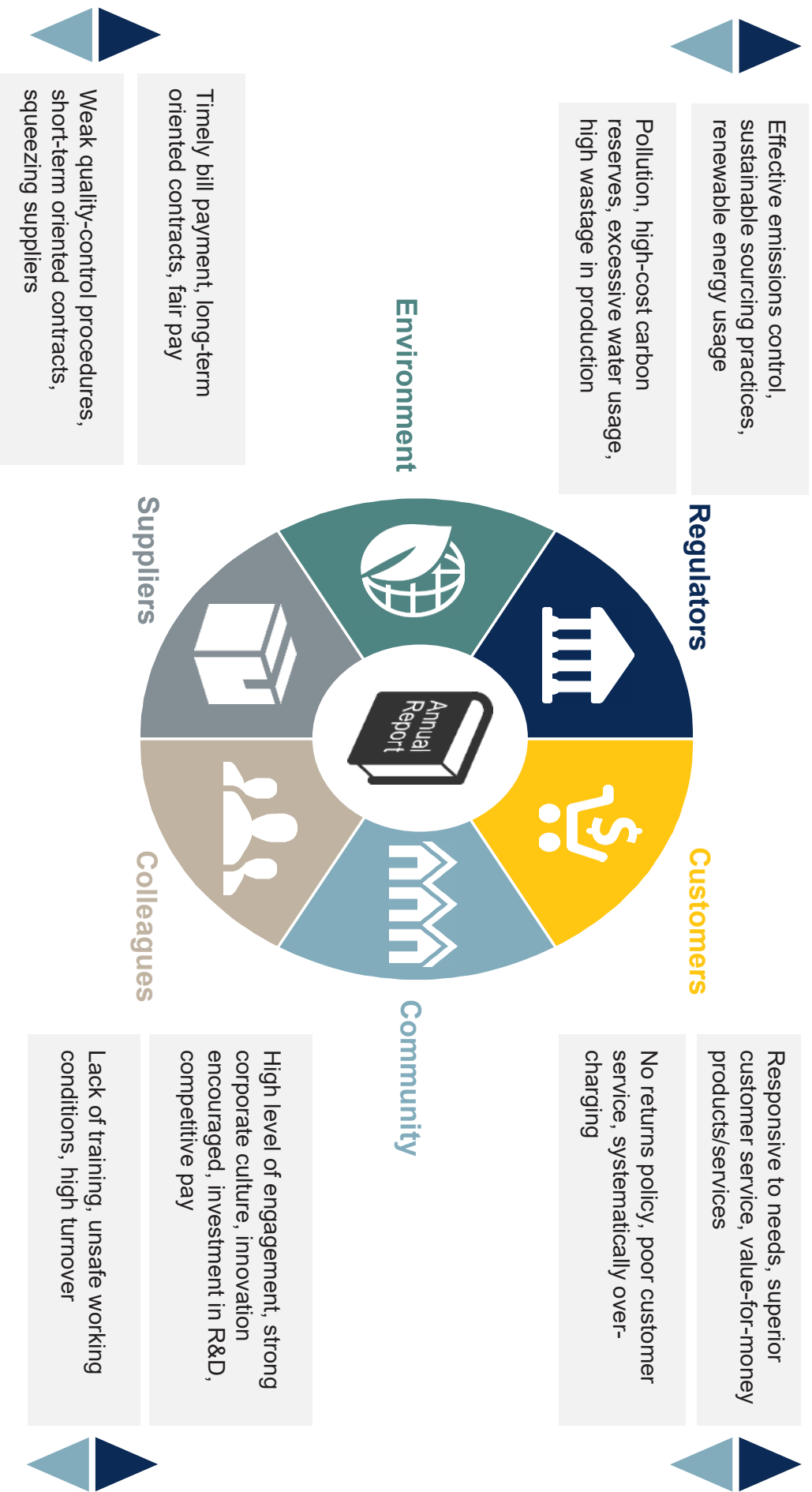
***Not everything that can be counted, counts.  
Not everything that counts can be counted!***

- ESG techniques vary by strategy and asset class
- ESG standardization is challenging
- Investors should not treat ESG scores as settled facts, rather view them as an objective truth

Source: WSJ: Is Tesla or Exxon More Sustainable? It Depends Whom You Ask, MSCI, Sustainalytics, FTSE, 2018

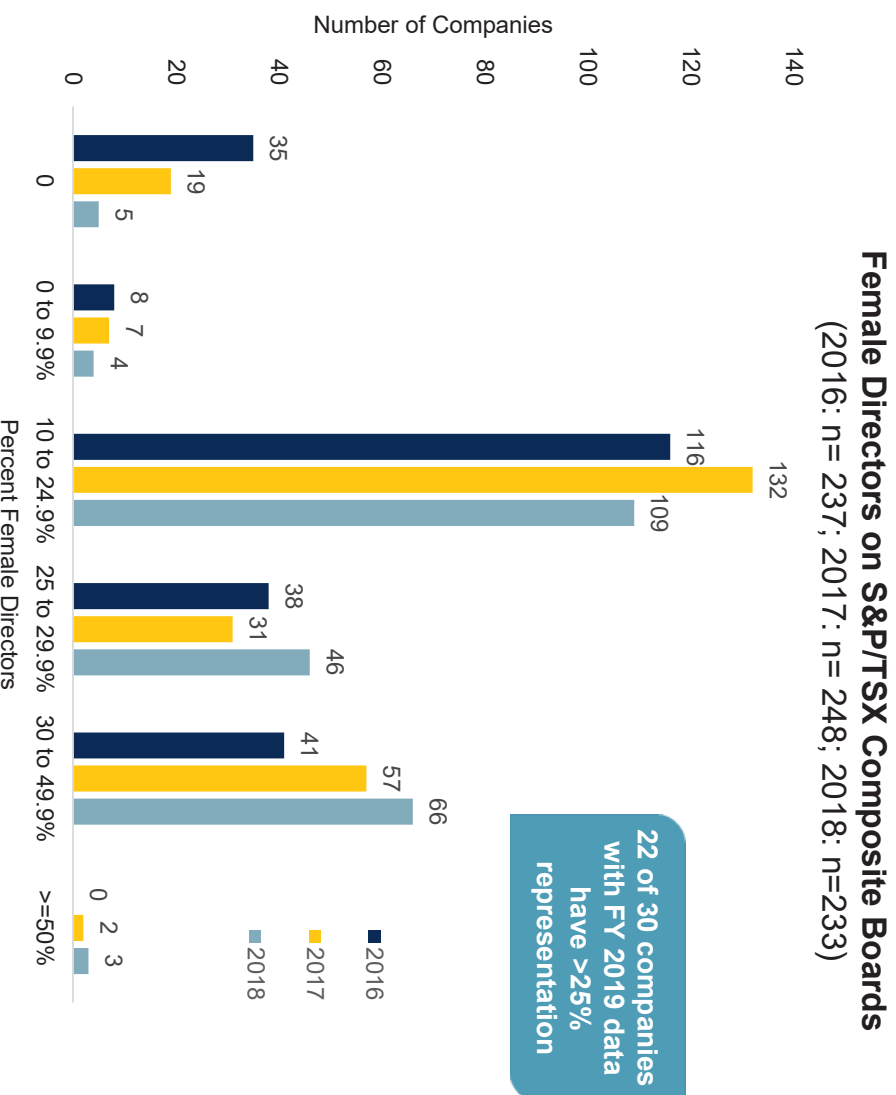
# ESG Integration

Stakeholder management is a crucial element



# 2020 Proxy Voting Guideline Updates

- Board Gender Diversity
- Member of Canadian 30% Club Investor Group
  - Goal: 30% women on boards and management of S&P/TSX Composite companies
- 2016 → Required one female director
- 2019 → Required two female directors
- **2020 → Require 25% female directors**
- Applying outside Canada as well
- Encouraging boards to adopt policies and targets



**Female Directors on S&P/TSX Composite Boards**  
(2016: n= 237; 2017: n= 248; 2018: n=233)



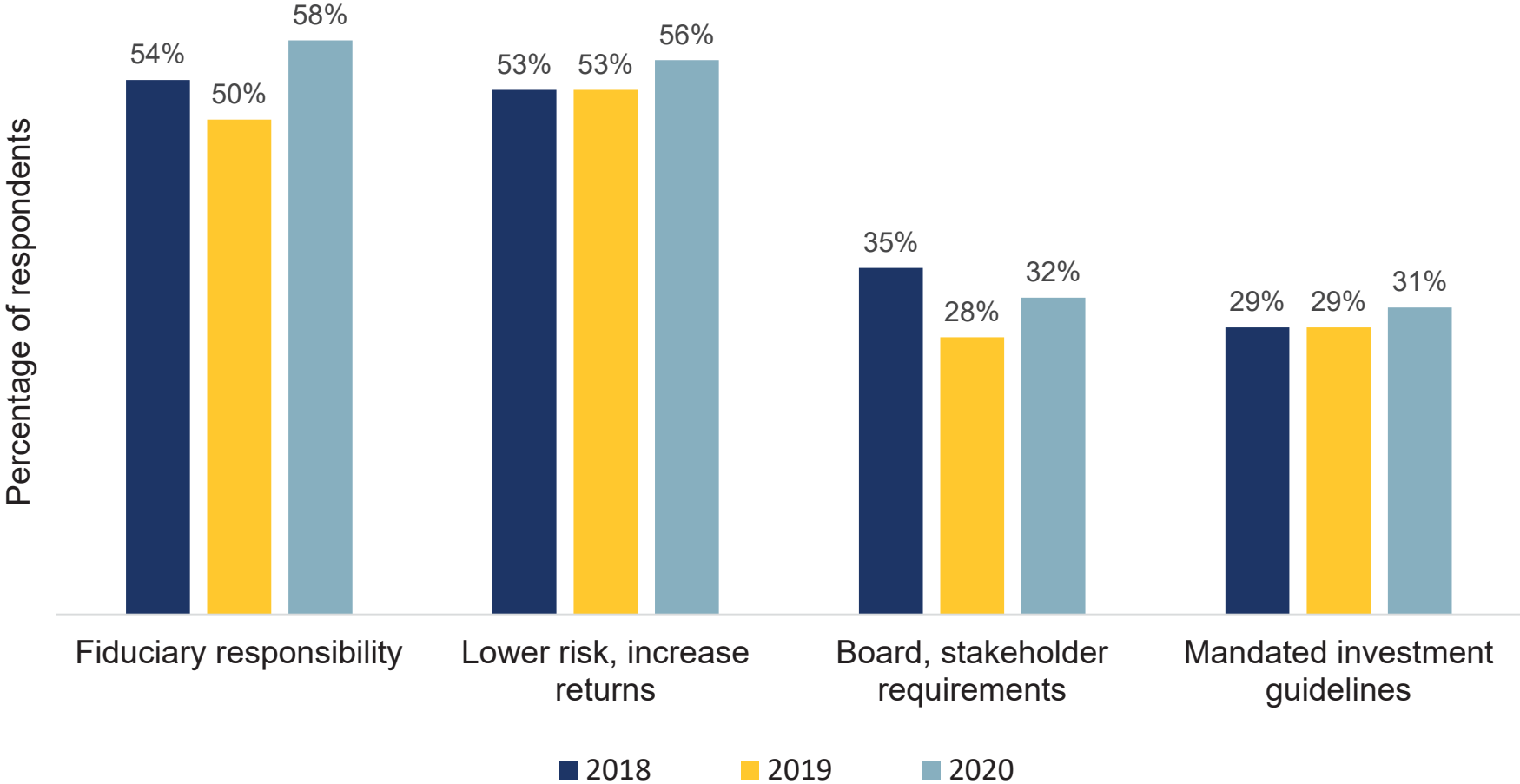
# Proxy Voting Statistics – 2019 Calendar Year

2019 calendar year	Canada	U.S.	Overseas	Overall
Proposal	3,421	11,044	17,234	31,699
With Management	2,933	9,212	15,504	27,649
Against Management	488	1,832	1,730	4,050
<b>% of votes AGAINST Management</b>	<b>14.3%</b>	<b>16.6%</b>	<b>10.0%</b>	<b>12.8%</b>

January 1 – June 30, 2020	Canada	U.S.	Overseas	Overall
Proposal	2,821	9,635	12,582	25,038
With Management	2,481	7,736	11,462	21,679
Against Management	340	1,899	1,120	3,359
<b>% of votes AGAINST Management</b>	<b>12.1%</b>	<b>19.7%</b>	<b>8.9%</b>	<b>13.4%</b>

# 2020 Responsible Investment Survey

What are your reason(s) for incorporating ESG in your investment approach?

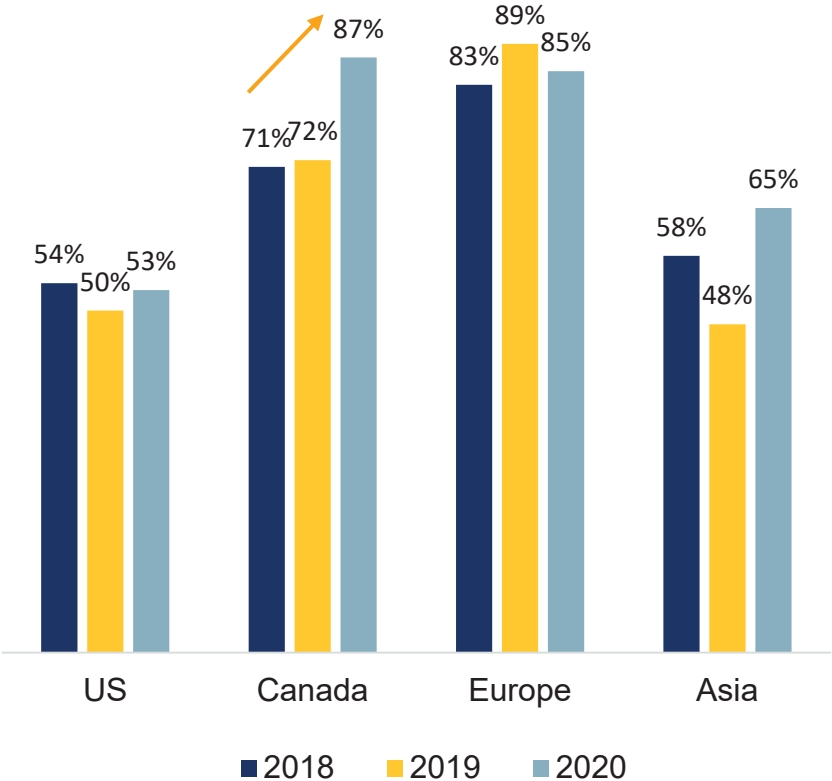


*Respondents were able to select more than one answer*

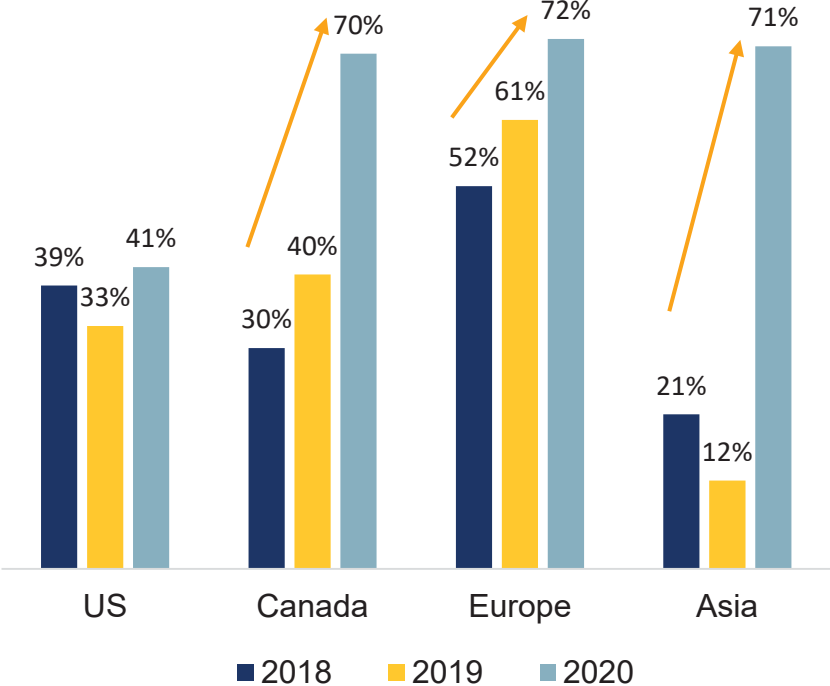
# 2020 Responsible Investment Survey

## Can ESG mitigate risk and generate alpha?

### Can ESG portfolios help mitigate risk?



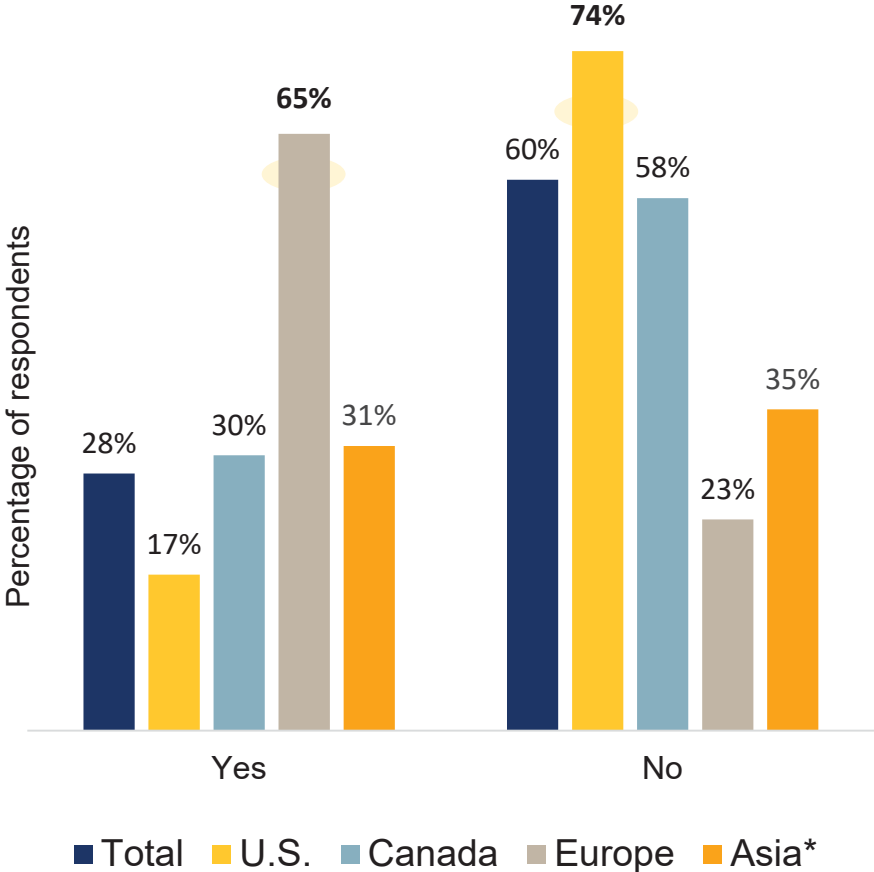
### Can ESG portfolios help generate alpha?



# 2020 Responsible Investment Survey

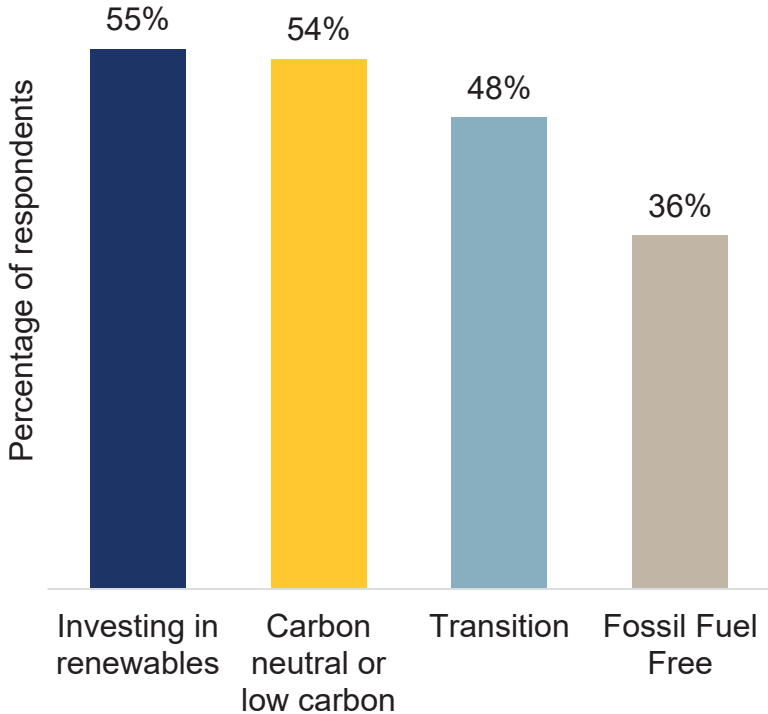
## Addressing Climate Risk

Does your investment policy address climate risk?<sup>1</sup>



\*Sample size not statistically significant

Which climate-related strategies are you interested in?<sup>2</sup>

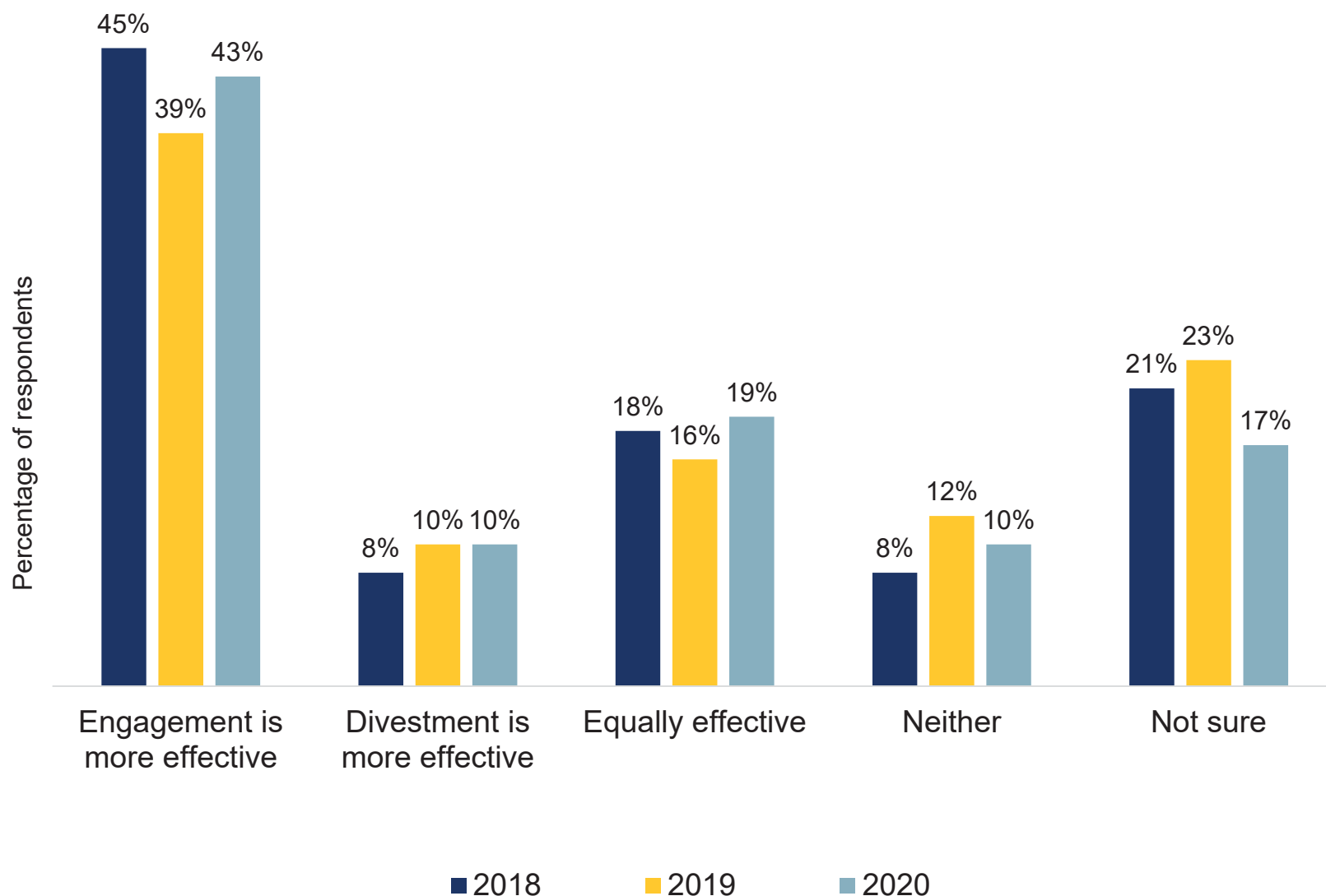


Respondents were able to select more than one answer

<sup>1</sup>2020 results  
<sup>2</sup>2020 results for all respondents

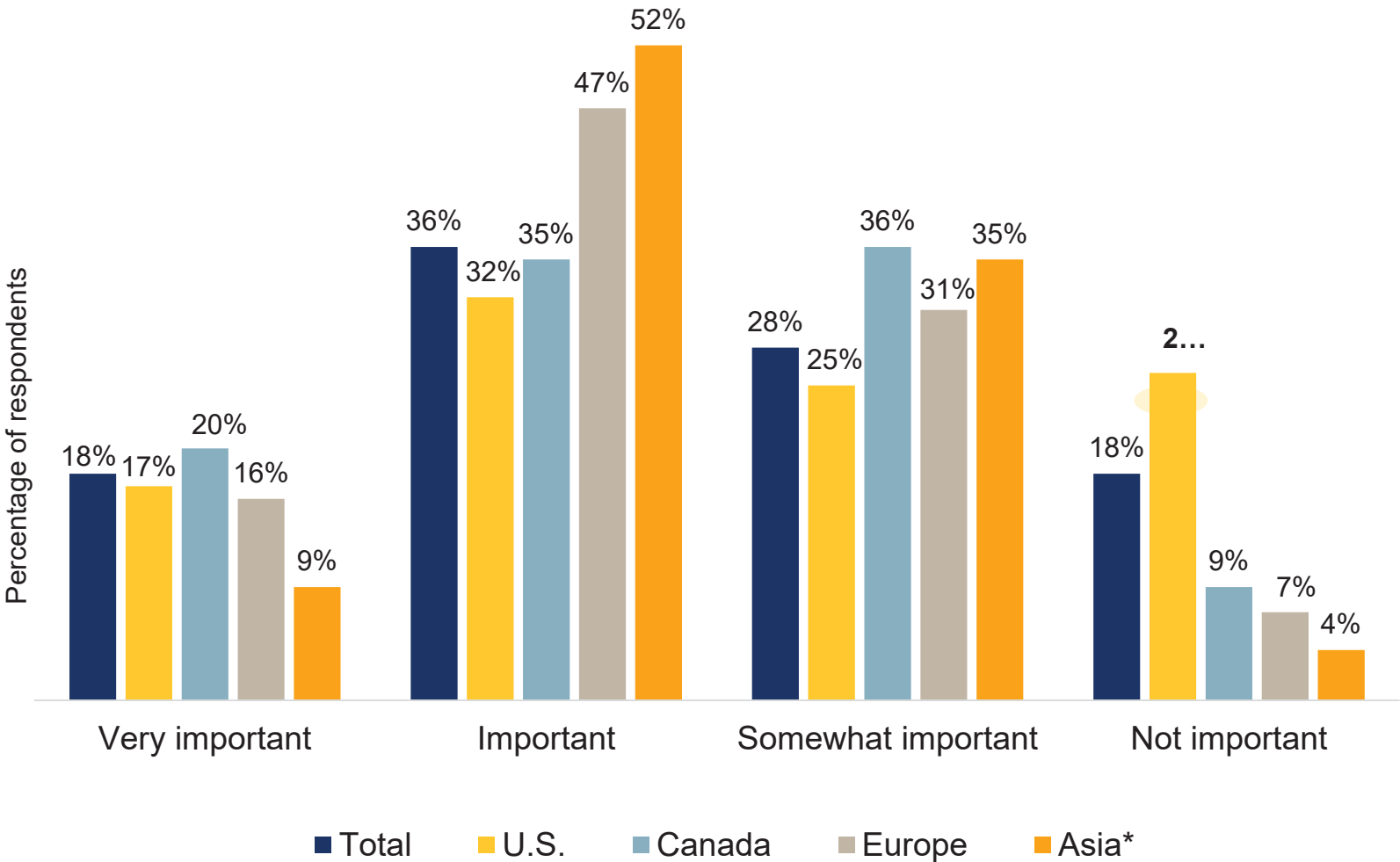
# 2020 Responsible Investment Survey

In the fossil fuel context, do you consider divestment more effective than engagement?



# 2020 Responsible Investment Survey

How important are diversity targets for companies in which you are planning to invest?



\*Sample size not statistically significant

Note: 2020 results

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**Wealth Management**  
PH&N Investment Counsel



Classification	LCG 1128
Framework Category	Legal, Compliance and Governance
Approving Authority	Board of Governors
Policy Owner	Chief Financial Officer
Approval Date	February 27, 2020
Review Date	
Supersedes	Statement of Investment Policies, February 28, 2019

## Statement of Investment Policies

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## Table of Contents

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## **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 principal 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 the university 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 the SIP and approve or amend the SIP 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 the SIP 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 Strategy and approve such recommendations and receive such reports.

### 2.3 **Investment Committee**

The Investment Committee (the “Committee”) consists of a minimum of three (3) external governors.

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 the SIP and the Asset Class Management Strategy, 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 the university'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 the university is willing to assume in obtaining such return. In general, the university's 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.

## 5.1 **AUTHORIZED INVESTMENTS**

### 5.2 **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 issued 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) Alternative investments:

- Direct Real Estate Equity: commercial investment grade income-producing real estate

(f) Pool funds, closed-end investments companies and other structured vehicles in any or all of the above permitted investment categories are allowed.

### 5.3 **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.

### 5.4 **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.

### 5.5 **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	Range
Cash & Short Term	0 - 10%
Fixed Income	20 - 50%
Canadian Equities	15 - 30%
Global Equities	25 - 45%
Alternatives	0 - 20.0%

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 university's Asset Class Management Strategy.

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

<sup>1</sup> Percentage of portfolio at market value; <sup>2</sup> Includes government-guaranteed issues; <sup>3</sup> 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**

- (d) No one equity holding shall represent more than 15% of the market value of the assets of a single pooled fund.
- (e) There will be a minimum of 30 stocks in each equity (pooled fund) portfolio.
- (f) 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
- (g) Illiquid assets are restricted to 10% of the net assets of the Fund.
- (h) Emerging market holdings will not exceed 10% of the total portfolio value.
- (i) Foreign equity holdings can be currency hedged to a maximum of 50%

#### **6.5 Alternative Assets**

- (a) Illiquid assets shall not constitute more than 15% of the total portfolio.
- (b) Alternative investment solutions have the potential to enhance fixed income returns, reduce equity risk, reduce portfolio volatility and improve portfolio efficiency. They typically require a longer investment horizon, are less liquid, and when considered in isolation may be deemed more risky than other securities. The associated risks, fees and expenses are detailed in a document called an Offering Memorandum which the manager is responsible for providing to the Investment Committee prior to any such investment being made in the portfolio.

### **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 the university 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 SIP 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 university's 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.