



BOARD OF GOVERNORS INVESTMENT POLICY AND PROCEDURES

1. SCOPE OF INVESTMENT POLICY:

The Investment Policy applies to all of the University endowment funds.

2. PURPOSE OF THE INVESTMENT POLICY

- 2.1 This Policy defines and assigns the responsibilities of all involved parties.
- 2.2 This Policy establishes the investment objectives, principles and philosophies for the endowment funds.
- 2.3 This Policy offers general guidance and limitations to all non-University investment managers (the "Investment Managers") regarding the investment of the Endowment Funds. Investment Managers will be subject to specific objectives, criteria and limitations as defined in their mandate and investment management agreement with the University. The design and content of these mandates and agreements will be guided by and be consistent with this Policy unless otherwise approved by the Investment Committee.
- 2.4 This Policy establishes a basis of evaluating investment results of the endowment funds.

3. ROLES AND RESPONSIBILITIES

- 3.1 The Mount Saint Vincent University Board of Governors is entrusted with the care of Endowment gifts, and has established an Endowment Management Policy to ensure prudent management of these gifts. The Investment Committee is a standing committee constituted by the Board of Governors under the By-Laws of the University, and is charged with the responsibility for:
 - a. overseeing the investment of the University endowment funds and such other funds as may be directed from time to time by the Board;
 - b. developing appropriate investment policies and objectives;
 - c. monitoring investment performance against investment objectives; and
 - d. recommending to the Board of Governors, the selection and appointment of suitable agents and counsel as required.
 - e. The above responsibilities include the following:
 - i) review the Endowment Management Policy and discuss the financial needs of the University with Administration and if deemed appropriate or necessary, recommend Endowment Management policy changes to the Finance

Committee of the Board of Governors, and/or Investment Policy changes to the Board of Governors;

- ii) determine the Endowment Funds' risk tolerance and investment horizon, and communicate these to the appropriate parties;
- iii) establish reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Endowment Funds;
- iv) review and recommend to the Board of Governors the selection of qualified Investment Managers;
- v) ensure the evaluation of the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress;
- vi) review and assess existing and new control procedures for safeguarding of the Endowment Fund investments and for ensuring compliance to policies and regulatory requirements.

3.2 The University's Administration is responsible for oversight of the management of the Endowments. The Administration's roles and responsibilities include:

- a. advising the Investment Committee on Endowment program spending and capital preservation objectives and coordinating review and assessment of related policies and guidelines as required;
- b. advising the Investment Committee on reasonable investment objectives, and drafting policies and guidelines which will direct consistent investment of the Endowment Funds;
- c. implementing, executing and communicating to all appropriate parties all policies and decisions approved by the Investment Committee;
- d. reviewing and recommending qualified Investment Managers to the Investment Committee, and drafting mandates and agreements for approved Investment Managers;
- e. designing, implementing and operating control procedures for safeguarding of the Endowment Funds' assets and for ensuring compliance to policies and regulatory requirements;
- f. appointing a custodian to physically or electronically (or through agreement with a sub custodian) maintain possession of securities owned by the Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, provide accounting statements on the assets of the Funds and of related transactions, and to execute transactions as directed by the University Administration;

3.3 The Administration will have the opportunity to retain investment management consultants on a biennial basis, but not to exceed a time frame of every four years (the "Consultants") who will:

- a. Provide analysis, written reports and recommendations in support of review and renewal of investment policies and strategies.
- b. Regularly liaise with the Funds' Investment Managers to monitor investment performance, investment strategy and execution, personnel and business

developments, and compliance to the investment management agreement and mandate. Any mandate deviations or unusual developments will be reported immediately to the Administration, along with recommendations regarding termination when appropriate.

- c. Assist in the preparation of investment management agreements for new and revised mandates.
- d. Advise on governance issues and structure, and on regulatory developments.
- e. Assist in the search, screening, review and interview of new Investment Manager candidates, and prepare selection recommendation reports.

3.4 The Administration will enter into written agreements with Investment Managers approved by the Investment Committee establishing the scope of services and the mandate of the Investment Manager. Each Investment Manager must acknowledge, in writing, its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all guidelines, constraints, and philosophies as outlined in the investment management agreement for the particular mandate. Specific responsibilities of the Investment Managers include:

- a. Discretionary investment management including decisions to buy or sell individual securities, and to alter asset allocation as permitted by the mandate guidelines.
- b. Reporting, on a timely basis, quarterly investment performance results.
- c. Providing quarterly valuation and returns of the investment portfolio.
- d. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process or the progress towards the investment objectives of the Endowment Funds.
- e. Informing the Investment Committee regarding any qualitative change in the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- f. Voting proxies on behalf of the Endowment Funds and communicating such voting records periodically.
- g. Informing the Administration of any non-compliance with guidelines immediately upon recognition detailing the nature of non-compliance and remedial action taken. It is expected that the Investment Manager will consult with Administration once the non-compliance issue has been identified, and bring the portfolio into compliance as promptly and prudently as possible unless otherwise directed by the Administration.

3.5 The Administration may enter into a written agreement with a custodial firm (the "Custodian") for the handling and safekeeping of the Endowment Funds' invested securities and assets. The Custodian will physically or electronically (or through agreement with a sub-custodian) maintain possession of securities owned by the Endowment Funds, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets, owned, purchased, or sold as well as movement of assets into and out of the Endowment Funds' accounts.

- 3.6 All of the aforementioned parties (Investment Committee, Administration, Consultant, Investment Manager, Custodian) are to be considered fiduciaries of the Funds, and as such shall exercise the care, diligence and skill in the administration, investment and management of the Endowment Funds that a person of ordinary prudence would exercise in dealing with the property of another person. The fiduciaries shall use all relevant knowledge and skill that they possess or, by reason of their profession, business or calling ought to possess.
- 3.7 Investment Policy Review
To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Committee will review the investment policy at least biennially.

4. GENERAL INVESTMENT PRINCIPLES AND PHILOSOPHIES

The University's core education programming is funded primarily from public (i.e. government) and user (i.e. student) sources. Enrichment activities, those allowing excellence, must seek funding from non-core sources, principally endowments. Careful and prudent management can ensure that endowment assets continue to support the pursuit of excellence indefinitely and it can serve to attract additional endowment gifts.

- 4.1 Investments shall be made solely in the interest of Mount Saint Vincent University, on behalf of the beneficiaries of the Endowment Funds, in accordance with this policy.
- 4.2 The Endowment Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person in a like position would exercise under similar circumstances and in a manner the Investment Committee reasonably believes to be in the best interest of the University.
- 4.3 The Endowment Funds are to maintain sufficient liquidity to support the annual spending allocations as defined in the Endowment Management Policy
- 4.4 Cash is to be employed productively by investment in short term cash equivalents to provide safety, liquidity, and return.

5. INVESTMENT OBJECTIVES

The primary objectives in the investment management of the Endowment Funds shall be:

- 5.1 To maintain a portfolio of investments that maximizes returns while limiting risks to reasonable and tolerable levels, taking into account the needs of the University.
- 5.2 To earn a rate of return, over a rolling 4 year average at least equal to total inflation plus spending and the costs of administering the funds. Inflation is measured using the CPI index. Investment income includes both realized and unrealized gains and losses, and all related investment income earned through direct and indirect investment activity. Costs of administration include investment management, performance measurement and custody charges.

6. SPENDING RATE

The committee will annually review the endowment spending rate and recommend the spending rate to the Finance Committee for the subsequent fiscal year, in accordance with Section 5 of the Endowment Management Policy.

7. ASSET MIX POLICIES

An investment strategy of investing completely in government-issued debt securities will generally provide predictable and stable returns, but these returns will not be sufficient to achieve the spending and capital preservation objectives of the Endowments. Consequently, the Endowment Funds will invest in a diversified group of assets and strategies with defined allocations to earn the returns required while keeping the risks of volatility and capital loss within reasonable and tolerable limits.

Asset Class	Minimum	Target	Maximum
Cash	0%	5%	20%
Fixed Income	25%	35%	60%
Core Bonds	20%	20%	40%
Core Plus Bonds	5%	15%	20%
Equity	30%	60%	75%
<i>Canadian Equity</i>	13%	22%	28%
<i>US Equity</i>	9%	17.5%	21%
<i>International Equity</i>	8%	17.5%	21%
<i>Emerging Markets</i>	0%	3%	5%

- 7.1 It is the intention of this policy to rebalance to the target asset allocation on an annual basis through contributions and withdrawals or by redirecting funds between assets. At least annually, the Investment Committee will review the re-balancing strategies with the Investment Manager prior to implementation. Decisions to permit asset classes to remain outside their respective policy ranges may occur with the approval of the Investment Committee upon assessment of the impact and associated risk of rebalancing.

8. PERMITTED INVESTMENTS

Subject to the asset mix and investment guidelines contained in this Policy, investments will be permitted in the following categories.

8.1 Cash Equivalents

- a. Canadian Federal and Provincial Government and Agency obligations
- b. Term deposits and GICs
- c. Banker's Acceptances
- d. Commercial Paper
- e. Corporate Bonds and Debentures
- f. Treasury bills and short term debt obligations of Foreign Governments

8.2 Fixed Income Securities

- a. Canadian Federal and Provincial Government and Agency obligations
- b. Municipal bonds
- c. Corporate Bonds and Debentures
- d. Asset Backed Securities
- e. Fixed Income Securities of Foreign Governments and Corporations
- f. Private placements
- g. Mortgages

8.3 Equity Securities

- a. Common Stock
- b. Preferred Stock
- c. Installation Receipts, American Depository Receipts (ADRs) or other recognized depository receipts
- d. Warrants
- e. Rights
- f. Convertible Bonds and Debentures
- g. Exchange traded index participation units (eg. ICOs and SPDRs) and exchange traded funds (ETFs)
- h. Income trusts, Real Estate Investment Trusts (REITs), royalty trusts or other publicly listed trust securities registered in jurisdictions that possess limited mobility legislation for the unit holders.

8.4 Other Investments

The University may invest in pooled unit trusts, mutual fund vehicles or limited partnerships that include any of the above categories. For Non-Traditional assets, no direct investments will be made, instead only approved, diversified, well-established fund of funds or multi-strategy managers will be utilized, due to the limited allocation size to this asset class.

Should a conflict arise between the provisions of this Policy and the pooled funds' investment policy, the Investment Manager is required to notify the University's Administration immediately in writing, detailing the nature of the conflict and the Investment Manager's recommended course of action. If the client is invested in a pooled fund vehicle, the provisions of the investment manager's pooled fund policy and guidelines supersede this investment policy.

9. PORTFOLIO CONSTRAINTS AND DIVERSIFICATION

9.1 The Endowment Funds, or any of its Investment Managers, shall not without the Administration's prior written permission:

- a. Invest in securities which are not listed on a capped registered Canadian stock exchange, in the case of Canadian equities; or, a major non-Canadian stock exchange, in the case of non-Canadian equities;
- b. Invest in individual bonds or debentures whose quality standard is less than a "BBB" rating or equivalent by a recognized Canadian or U.S. bond-rating agency. Investment in "BBB" rated securities shall not exceed 10% of the investment mandate;

- c. In the case of assets allocated to and managed by an Investment Manager, invest in the shares, debt instruments, or any other securities issued by the Investment Manager or any of its related companies;
 - d. Permit at any time security holdings taken at market value to aggregate:
 - i. More than 10% of the fixed income investments mandated to that Investment Manager to be invested in the debt of a single issuer other than the Government of Canada or a province of Canada or their guarantees having at least an "A" credit rating, or
 - ii. More than 10% of the equity investments mandated to that Investment Manager to be invested in the securities of a single issuer,
 - e. Purchase securities on margin or engage in short sales;
 - f. Borrow money, pledge or otherwise encumber any of the assets of the Endowment Funds, except as permitted to meet short-term cash needs or to the extent that temporary overdrafts occur in the normal course of day-to-day portfolio management, within applicable legislation.
- 9.2 The assets held in the Endowment Funds shall be invested in a name that clearly indicates that the investment is held in trust for the Endowment Funds, or registered in the name of the Endowment Funds, or in the name of a financial institution or nominee thereof in accordance with a custodial agreement that indicates the investment is held for the Endowment Funds, or in the name of The Canadian Depository for Securities Limited in accordance with a custodial agreement that indicates the investment is held for the Endowment Funds
- 9.3 Considering the University's mission and the nature of its constituency, the following general industry categories will be avoided: tobacco, munitions and defence. It is recognized that there could be limited exposure to these categories through investment in segregated, mutual or pooled funds.
- 9.4 All individual securities must be listed or contemplated to be listed on a recognized stock exchange. Segregated, mutual, or pooled funds are also eligible, provided their underlying investments substantially comply with the above listing requirements.
- 9.5 A maximum of 10% of the market value of the portfolio may be invested in the securities of any one issuer with the exception of the Government of Canada or a Province of Canada having at least an A rating. If the market value of the securities of any one issuer exceeds 10% of the total portfolio market value, the reason(s) shall be disclosed to the Board of Governors.
- 9.6 Exposure to Non-Canadian Currencies
Non-Canadian investments are included in the Endowment Funds in order to add diversification and reduce volatility of returns. Some foreign exchange exposure provides additional diversification benefits, however non-Canadian investments need not necessarily incur gains or losses from increases or decreases in the value of the Canadian dollar relative to currencies in other countries. Foreign currency exchange volatility can be managed through currency hedging techniques, and the extent of currency hedging deployed will be assessed from time to time.

10. DEPOSITION OF VOTING RIGHTS

It is recognized that certain constraints and policy on voting rights may not be enforceable by the Investment Committee to the extent that the Endowment Funds are invested in pooled or mutual funds, however, where possible:

- 10.1 Proxies are to be voted in a manner that best serves the financial interests of the Endowment Funds as the sole voting criterion.
- 10.2 Investment Managers are authorized to decide how to vote a proxy in order to best serve the financial interests of the Endowment Funds.
- 10.3 Investment Managers should refer the decision on voting a particular proxy to the Administration in the following circumstances:
 - 10.3.1 The Investment Manager, or any of its officers, has a conflict of interest in any matter affected by the vote.
 - 10.3.2 The Investment Manager is uncertain of the best interests of the Endowment Funds in the matter affected by the vote.
- 10.4 The Administration may vote any proxies referred by the Investment Manager.
- 10.5 The Investment Committee reserves the right, as they deem appropriate for the benefit of the University, to direct an Investment Manager how to vote a proxy in particular circumstances. It is understood that this may not be applicable if the endowment funds are invested in pooled funds.
- 10.6 The Investment Committee or Administration may periodically request the Investment Managers to provide a summary of how proxies have been voted.

11. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Investment Managers shall be reviewed by the Investment Committee at least annually regarding performance, personnel, strategy, research capabilities, organization and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. An external evaluation shall be completed at least every 5 years. The Investment Committee normally will evaluate the portfolio(s) over rolling four-year periods, but may terminate an Investment Manager at any time for any reason including, but not limited to, the following:

- 11.1 Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification for poor results;
- 11.2 Failure to adhere to any aspect its investment mandate, including communication and reporting requirements.
- 11.3 Significant qualitative changes to the Investment Manager organization.

12. INVESTMENT MANAGER REPORTING

Each Investment Manager will provide written acceptance of the Statement of Investment Policy and Procedures, and any subsequent changes thereto, and comply with the following requirements, unless agreed upon otherwise in writing between the University and the Investment Manager:

12.1 Quarterly:

- a. Investments
 - i. Confirm adherence to policy guidelines (compliance report)
 - ii. Provide any comments or suggestions regarding constraints, guidelines, etc.
 - iii. Discuss any changes to investment strategy or process
- b. Performance
 - i. Present total fund and asset class returns on a quarterly basis.
 - ii. Discuss performance relative to benchmark
 - iii. Provide portfolio characteristics relative to benchmark
- c. Portfolio Holdings – the immediately following items will be reported monthly for all segregated accounts and at a minimum quarterly for pooled and/or mutual funds.
 - i. Present book value and current market value
 - ii. Listing of individual securities by sector
 - iii. Annual income yield by security
 - iv. Percent allocation to each security

12.2 Annually:

- a. Organization
 - i. Key investment and business personnel changes
 - ii. Assets under management

12.3 Upon reasonable written or oral request:

- a. Copies of all documentation in support of any investment activity.
- b. Certified statement of financial condition of the investment management organization.
- c. Evidence of suitable insurance coverage of the investment manager's fiduciary responsibilities.
- d. Number of institutional clients gained and lost

12.4 Any required regulatory reporting

13. CONFLICT OF INTEREST

- 13.1 Notwithstanding any other University policy, this standard applies to members of the Investment Committee, the Administration, as well as to all agents employed by the Committee, in the execution of their fiduciary responsibilities. An Agent is defined to mean a company, organization, association, or individual, as well as its employees, retained by the Committee or University to provide specific services with respect to the administration and management of the Fund.

- 13.2 A conflict of interest arises when the personal interests, investments, or future plans of any person or Agent involved in the administration of the Endowment Funds, conflict with his or her duties and powers in respect of the Endowment Funds, or impair his or her ability to make an unbiased judgment in completing responsibilities to the Endowment Funds. In particular, accepting or being the direct or indirect beneficiary of any fee, brokerage, commission, gift (other than of nominal value) or other consideration for or on account of any investment, purchase, sale, payment, or exchange made by or on behalf of the Endowment Funds shall constitute a conflict of interest.
- 13.3 Where a conflict of interest exists or might exist for an Investment Committee Member, the Committee Member shall disclose his or her interest as soon as possible after becoming aware of the potential conflict. The potential conflict shall be handled as prescribed by the University's Board of Governors Code of Conduct.
- 13.4 Where a conflict of interest exists or might exist for an Administration employee, the employee shall advise the Administration as soon as possible of any potential conflict of interest. The Administration will handle the potential conflict as prescribed by the University's Conflict of Interest Policy.
- 13.5 Where a conflict of interest exists or might exist for an Agent, the party shall advise the Administration as soon as possible of any potential conflict of interest. The Administration will assess the nature and materiality of the potential conflict and determine appropriate action which may range from limitations on recommendations or action relative to a specific issue to termination of the University's and the Endowment Funds' relationship with the Agent.
- 13.6 The failure of a Committee member, Administration employee, Investment Manager, Consultant, Agent or advisor or a person employed in the administration of the Endowment Funds, to comply with the procedures described in this section shall not of itself invalidate any decision, contract or other matter.
- 13.7 The Administration shall be satisfied that an appropriate policy regarding conflicts of interest exists and is followed by every Investment Manager appointed by the Committee. At a minimum, the Code of Ethics and Standards of Professional Conduct adopted by the Institute of Chartered Financial Analysts shall be expected to apply to such Investment Manager or Agent.
- 13.8 Every disclosure or conflict of interest shall be recorded in the minutes of the Investment Committee meeting.

Approved by the Investment Committee: November 15, 2018

Approved by the Board of Governors: November 29, 2018