

Policy Title:	Comprehensive Investment Policy Statement
Policy ID:	#4-419A
Manual Classification:	Section 4 – Corporate Services
Approved by:	Board of Governors
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Next Policy Review Date:	October 2022
Contacts for Policy Interpretation:	Vice President, Corporate Finance

1.0 – Policy Overview

The Ministry of Colleges and Universities (MCU) require colleges to have an Investment Policy Statement (IPS) approved by the Board of Governors to guide its investment activities. The IPS is prepared in the following format, which is consistent with the Investment Manager's format.

The Investment Policy Statement expresses investment objectives in a document for Sir Sandford Fleming College's Donor funds and Ministry funds received under the Ontario Student Opportunities Trust Fund Phase 1 and Phase 2 Program, the Ontario Trust for Student Support Program and the Other Endowed Fund. The Investment Policy Statement provides a framework for managing these Funds, and provides a useful process for decisions, reporting on progress and reviewing objectives.

2.0 – Purpose

To establish guidelines governing the investment of the College's endowed Donor funds and Ministry funds received under the Ontario Student Opportunities Trust Fund Phase 1 and Phase 2 Program, the Ontario Trust for Student Support Program and the Other Endowed Fund.

3.0 – Investment Objectives

The overall objective is to achieve a total investment rate of return of 5.0% per year. This reflects the target award percentage of 3.5% (at time of approving this policy) plus inflation protection of 1.5%. The annual target award percentage defined in the College

Endowment Policy (#4-421) will be reviewed annually to ensure the target award percentage is consistent with investment returns. At the time of approving this policy, the target award percentage in Policy #4-421 is equal to the Canada Revenue Agency's (CRA) disbursement quota percentage.

4.0 – Risk Tolerance

The portfolio will be managed with the objectives of generating growth of capital and income. This will be accomplished by investing in equity and fixed-income.

5.0 – Performance Objectives

The 5% target rate of return may not be achieved in each and every year; however, the portfolio is expected to generate this minimum return on investments over rolling 3 to 5-year periods.

In addition, the investments will comply with the Minister's Binding Policy Directive, and as a result, must adhere to the requirements as set out by the Trustees Act's Time Horizon.

The funds are expected to be invested permanently with only income generated withdrawn.

6.0 – Liquidity / Income

The College targets that approximately 2% of the portfolio should be held in cash or cash equivalents.

7.0 – Monitoring the Portfolio

The portfolio will be managed on a discretionary basis. On a semi-annual basis performance reports will be distributed to the Finance and Audit Committee based on the following blended benchmark:

3 Month Canada T-Bill (C\$)	Target 2%
Broad Composite Bond Index	43%

S&P / TSX Composite Index Total Return (C\$)	20%
S&P 500 Total Return (C\$)	25%
MSCI EAFE Price Index (C\$)	10%

Any significant under-performance of the benchmarks (defined as 3% or greater) over any 4 consecutive semi-annual periods will automatically lead to a review of the manager. The performance is reported and monitored semi-annually.

The rate of return for the overall portfolio will also be reported versus the benchmark return objective of 5%. The portfolio is expected to generate this minimum return on investments over rolling 3 to 5-year periods.

8.0 – Asset Mix Guidelines

The portfolio will be invested in money market securities, fixed income securities and equities in accordance with the following guidelines:

8.1 – Overall Asset Allocation Guidelines

Asset allocation guidelines will be managed and reported to Administration on a fund by fund basis for the OSOTF Phase 1 funds, OSOTF Phase 2 funds, OTSS funds and Other Endowed funds. Asset allocation guidelines will be reported to the Board of Governors through the Finance and Audit Committee on a combined basis.

	Minimum	Long-Term Target	Maximum
Cash & Equivalents	0%	2%	22%
Fixed Income	33%	43%	53%
Equity	45%	55%	65%

From time to time market fluctuations or timing of deposits may cause the portfolio to be temporarily inconsistent with the asset allocation set out in this Investment Policy Statement. When this occurs, rebalancing shall be completed within the next six months.

9.0 – Implementation

This investment policy strictly prohibits the College from engaging in any investment activity that would be considered speculative according to the generally accepted principles of conservative investment management.

The investment manager will manage the portfolio on a discretionary basis diversified across multiple sectors. The investments would meet the guidelines structured in this Policy; the majority of the equity holdings will be in mid-to-large companies as measured by market capitalization.

10.0 – Other Options

The use of derivatives, purchasing on margin, and short selling of securities is expressly prohibited.

11.0 – Standard of Care

All investments and investment managers are to comply with the guidelines outlined in this Investment Policy statement and will adhere to the prudent investor guidelines.

12.0 – Investment Management Guidelines Quality

12.1 – General Guidelines

- a) Accounts will follow the following guidelines:
 - All individual debt securities will be rated BBB, R-1 for money market securities and Pfd-3H for preferred shares or better by a recognized Rating Agency when purchased.
 - If a fixed income holding is downgraded below BBB, P3H for preferred shares or R1 for money market securities by any one of the 3 rating agencies (Dominion Bond Rating Services, Standard and Poor's Credit Rating Service, and Moody's Investor Services) it will be sold within the next six months following the downgrade.

12.2 – Diversification Guidelines

- a) The maximum amount allowable per investment grade non-government fixed income issue will be the greater of 15% of the total portfolio or 20% of the fixed income portfolio. The diversification guidelines will be applied on a separate

basis for each of the OSOTF Phase 1, OSOTF Phase 2, OTSS and other Endowed Bursary.

- b) The maximum amount allowable per equity security will be the greater of 10% of the total portfolio or 15% of the equity portfolio. The diversification guidelines will be applied on a separate basis for each of the OSOTF Phase 1, OSOTF Phase 2, OTSS and other Endowed Bursary.
- c) The majority of the equity holdings will be in mid-to-large companies as measured by market capitalization diversified across a minimum of 5 equity sectors. Equity investments will not be made in any small cap companies.

From time to time market fluctuations, timing of deposits or approval may cause the portfolio to be temporarily inconsistent with the asset allocation set out in this Investment Policy Statement. When this occurs, rebalancing shall be completed within the next six months.

12.3 – Eligible Investments

Investments may be made in:

- a) Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issued directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see investment limits below).
- b) Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.
- c) Securities of foreign banks or the Canadian affiliates of foreign banks provided that the obligations are guaranteed or carry separate appropriate ratings.
- d) Commercial paper, bonds, debentures, preferred shares and strip coupons issued of Canadian companies with an appropriate credit rating.
- e) Loans to investment dealers (call loan) providing that full collateral value plus applicable margin are held at a banking institution.
- f) Stapled securities.
- g) Income units being Royalty Trust Units and Real Estate Investment Trusts.
- h) Common Equity concentrated in predominantly large cap companies with some mid cap. No small cap companies will be held.

12.4 – Investment Limits

The purchase of any securities carrying a credit rating below BBB for bonds, R1 for commercial paper and Pfd-3H for preferred shares is strictly prohibited.

Ratings will be used from one or more of the following ratings agencies: Dominion Bond Rating Services, Standard and Poor's Credit Rating Service, and Moody's Investor Services.

The maximum investment in corporate fixed income is 75% of the fixed income portfolio.

13.0 – Application

This Investment Policy Statement will be implemented by the College's chosen Investment Manager and monitored by the Board of Governors through the Finance and Audit Committee.

Investments are made at the discretion of the Investment Manager subject to all guidelines established in this document.

14.0 – Reporting

14.1 – Semi-Annual Reports to Finance and Committee

Semi-annual investment reports shall be prepared for and distributed to the Finance and Audit Committee and Administration.

Semi-annual reports for the Finance and Audit Committee shall contain the following information:

- a) A summary of the asset allocation percentage at the end of the period, on a combined basis for the OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Endowed Fund;
- b) An assessment of performance versus the benchmark return objective of 5% on a consolidated basis for all accounts;
- c) An assessment of performance against the blended benchmark over the same period on a consolidated basis for all discretionary accounts; and
- d) A written statement of compliance with relevant portions of the IPS as follows:
 - Asset Mix
 - Quality and Diversification Guidelines

- Eligible Investments
- Investment Limits
- A written market commentary

14.2 – Quarterly Reports for the Administration

Quarterly reports for the Administration shall contain the following information:

- a) Asset allocation for investments by asset class and geography;
- b) Portfolio valuation; and
- c) Portfolio performance

14.3 – Semi-Annual Reports for the Administration

Semi-annual reports for the Administration shall contain the following information:

- a) Portfolio valuation including asset allocation and each security, quantity, market price, market value, fixed income summary, weighted average term to maturity, accrued interest, on a combined basis for each OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Endowed Fund;
- b) A summary of the asset allocation percentage at the end of the period, on a separate fund by fund basis for the OSOTF Phase 1, OSOTF Phase 2, the OTSS and the Other Endowed Fund;
- c) Fixed income report on a consolidated basis that includes a credit rating for each fixed income instrument by the following rating agencies: DBRS, Moody's and S&P; and
- d) A transaction report including a list of disposition and purchases on a consolidated basis for all accounts

14.4 – Annual Reports for the Administration

Annual reports for the Administration shall contain the following information:

- a) A market capitalization report for all equity holdings on a consolidated basis for all equity held in discretionary accounts. This report shall be included with the March reporting each year.

15.0 – Policy Review

This policy shall be reviewed annually by the Administration to ensure that it remains consistent with the overall objectives of the College and prudent and conservative investment practices. This policy may be reviewed and updated more frequently if necessary.

The Vice President, Corporate Finance will present, at least annually, an Investment Performance Report for the fiscal year to the Board of Governors through the Finance and Audit Committee for review and approval.

16.0 – History of Amendments/Reviews

Investment Policy Statements established, approved by BOG March 24, 2010
Regular review (consolidation of Policies 4-419B and 4-419C into 4-419A),
approved by BOG Jan 25, 2012
Regular review (Finance and Property Committee), resolution of BOG Feb 26, 2014
Regular review (Administration and RBC) March 2016, received by BOG for information
– no changes
Regular review (format updated), approved by BOG June 28, 2017
Revised, approved by BOG March 25, 2020
Regular review (format updated) October 2021