

Policy Title:	Comprehensive Investment Statement
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Manual Classification:	Section 4 – Finance and Administration
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Contacts for Policy Interpretation:	Vice President, Corporate Finance

1.0 - Policy Overview

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

This Investment Policy Statement sets out investment objectives for (a) endowed and restricted funds (e.g., Ministry and Donor funds to supporting continuing awards), and (b) operating funds. 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 restricted, endowed, and operating funds.

3.0 – Investment Objectives

The overall objective is to achieve sustainable returns within the relevant restrictions as set out by the Ministry.

For the restricted portfolio that consists of a total investment rate of return of 5.0% per year. This reflects the target award percentage of 3.5% (at the time of approving this policy) plus inflation protection of 1.5%.

For operating funds, the objective is to provide for the current operating requirements

for the College. The operating portfolio is to be managed in such a way as to provide capital preservation and liquidity through investment in qualified money market investments.

All investments will adhere to the requirements as set out by the Ministry; the funds may be invested in investments identified in the Minister's Binding Policy Directive - Banking, Investments and Borrowing, as amended from time to time.

3.1 - Operating Portfolio

This section sets out investment guidelines related to the operating portfolio. For clarity, the remainder of this policy is in respect of restricted funds.

- a) The operating portfolio will be invested in short-term guaranteed debt securities such as GICs.
- b) The performance on the operating portfolio, due to the restrictions on eligible investments, will be determined by prevailing interest rates during the investment horizon.

4.0 – Risk Tolerance and Investment Restrictions

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

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

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.

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

5.0 – Performance Objectives

5.1 – Restricted Portfolio

The 5% target rate of return may not be achieved in every year; however, the portfolio is expected to generate this minimum return on investments over rolling 3 to 5- year periods. The initial investment of endowed funds is expected to be permanently invested, i.e., not spent. Distributions will consist of income generated through investment.

6.0 – Monitoring of the Portfolio

The portfolio will be managed on a discretionary basis. For the restricted portfolio, performance shall be assessed in relation to the following blended benchmark:

	Target
3 Month Canada T- Bill (C\$)	5%
Broad Composite Bond Index	40%
S&P / TSX Composite Intext 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 four (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.

7.0 – Restricted Portfolio

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

7.1 – 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%	5%	20%
Fixed Income	35%	45%	50%
Equity	45%	50%	60%

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.

8.0 - Implementation

The investment manager will manage the portfolio on a discretionary basis diversified across multiple sectors. The investments will 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.

9.0 – Standard of Care

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.

10.0 – Investment Management Guidelines Quality

10.1 – General Guidelines

Accounts will adhere to the following guidelines:

- a) 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.
- b) If a fixed income holding is downgraded below BBB, P3H for preferred shares or R1 for money market securities by any one of the three (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.

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.

10.2 – Diversification Guidelines

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 Bursaries.

- a)** 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 Bursaries.
- b)** The majority of the equity holdings will be in mid-to-large companies as measured by market capitalization diversified across a minimum of five (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.

10.3 – 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)** Income units being Royalty Trust Units and Real Estate Investment Trusts.

- g) Common Equity concentrated in large cap companies with some mid cap. No small cap companies will be held.

11.0 – Reporting

11.1 – 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

11.2 – 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

11.3 – 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.

11.4 – Annual Reports for the Administration

Annual reports for the Administration shall contain 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.

12.0 – Policy Review

This policy shall be reviewed annually by its Policy Authority 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.

13.0 – History of Amendments and Reviews

Date	Activity
March 2010	Investment Policy Statements approved by Board of Governors (BoG)
January 2012	Policies 4-419B, 4-419C combined into 4-419A, approved by BoG
March 2016	Policy reviewed, no changes
June 2017	Policy document format reviewed and updated, approved by BoG
March 2020	Reviewed and revised, approved by BoG
October 2021	Policy reviewed
November 2022	Policy reviewed, Policies 4-419A, B and C combined into 4-419, approved by BoG