



Specific Investment Policy and Procedures – Restricted and Unrestricted Funds

Board Manual

Approving Authority: Board of Governors

Established: February 2013

Date of Last Review/Revision: June 2017

Policy Statement

To comply with terms of the investment powers provided for under the Act, the Board of Governors establishes the University's Investment Policy and Procedures to provide appropriate parameters for the investment of the Funds of the University. The Board of Governors will approve Specific Investment Policies for each fund or grouping of funds, which in the determination of the Board of Governors, requires a separate investment policy. The management of a specific fund is governed by the Board's approved "*Statement on Investment Policy and Procedures*" and any "*Specific Investment Policy and Procedure*".

Scope

This Specific Investment Policy, and any associated procedures outlined below apply to the University's Unrestricted and Restricted Funds.

Description of Investment Policy

1.01 Description of Investment Portfolios

The investment portfolios of the University shall consist of investments that represent the assets of the restricted trusts and unrestricted trusts.

1.02 Investment Objective

The objective of maintaining investment portfolios for the University is to:

- a) Income Generation;
- b) Preserve capital, in real terms;
- c) Maintain Liquidity necessary to meet cash requirements; and
- d) Maximize the rate of return, supported by active risk mitigation to manage risk within acceptable risk levels.

2.01 Asset Categories

The following investments are permitted within each of the listed categories:

(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 (convertible and non-convertible);
- Coupons and residuals;
- Preferred shares; and
- Structured notes.

(c) Canadian equities:

- Common and preferred shares;
- Rights and warrants; and
- Income trust and REIT units.

(d) Foreign equities:

- Common and preferred shares;
- Securities convertible into common shares or trust units;
- Rights and warrants; and
- American Depository Receipts and Global Depository Receipts.

All equities should normally be dividend paying.

Investment in derivative instruments may be used for hedging purposes to facilitate the management of risk or to facilitate an economical substitution for a direct investment. Under no circumstances will derivatives be used to create leveraging of the portfolios. Asset-backed commercial paper is considered a prohibited investment.

3.01 Return Objectives / Expectations

The portfolios are to be constructed with a view to generate a certain level of income all the while allowing for long-term growth. Within this overall objective the portfolios should seek to earn total returns exceeding the rate of inflation over the long run if possible. Over the short-term and, in the intermediate term, provide SJU with income generated by the fixed-income portion of the portfolios and dividend paying companies.

After considering CPI of the previous year and an evaluation of the market indices, portfolio performance targets will be reviewed by the Board Finance and Audit Committees and recommended to the Board of Governors for approval prior to the beginning of each fiscal year.

The portfolio performance measures are:

1. Cash flow return of the total portfolio prior to fees;
2. Portfolio growth target; and
3. SRI benchmark objective established based on Sustainalytics or MSCI SRI benchmarking tools using the environment, social and governance categories.

All reporting for that fiscal year will measure portfolio performance against the established target return.

4.01 SJU Risk Tolerance

The Fund portfolios have a balanced mandate focused on generating income with some growth potential while preserving capital. The primary objective is income generation with a secondary focus on growth. The equity portion of the portfolios should enhance returns yet maintain purchasing power.

Specifically, bond issuers should be rated at BBB or better and preferred shares should be rated DBRS 3 or better. Exceptions to the rating requirements of bonds and preferred shares may be approved by the University subject to written request by the Investment Manager.

A balanced portfolio across sectors to hedge against market volatility shall be a priority. The Investment Manager shall maintain a stop loss protocol and will be required to communicate to the University representatives how the provision is being employed to protect the assets of the portfolio.

Prudent Investor Standard of Care: The standard of care that shall apply to the Investment of Funds of the University shall be care, diligence and judgment that a prudent investor would exercise in making investments.

5.01 Time Horizon

The primary purpose of the Restricted and Unrestricted Fund is to meet the long-term Foundation and capital funding needs, while maintaining purchasing power.

6.01 Liquidity

The portfolio is structured in a way to maximize returns. In the event the University requires cash withdrawals from the portfolio, the Investment Manager will be provided reasonable time to adjust the portfolio to address the University's cash needs.

7.01 Legal and Regulatory Considerations

The Investment of the Funds shall be subject to complying with the restrictions and requirements under other applicable legislation, including but not limited to:

- a) the Income Tax Act (Canada), R.S.C. 1985, C.1 (5th Supp), in relation to permitted investments;
- b) (the Charitable Gifts Act (Ontario), R.S.O. 1990 c. C.8, in relation to the limitation on owning not more than a ten percent interest in any business as defined therein;

8.01 Investment Solution

Discretionary Asset Allocation (Restricted)	Target	Range
Cash Equivalents (including T-bills)	5%	0 - 20%
Fixed Income	30%	20 – 40%
Equity (Foreign Securities can be 0 – 25%)*	65%	50 – 75 %

Discretionary Asset Allocation (Unrestricted)	Target	Range
Cash Equivalents (including T-bills)	5%	0 - 20%
Fixed Income	20%	10 – 30%
Equity (Foreign Securities can be 0 – 25%)*	75%	50 – 85 %

**Foreign securities will consist of American Deposit Receipts (ADRs) and foreign companies listed on North American exchanges.*

From time to time market fluctuations may cause the portfolios to be temporarily inconsistent with the asset allocation and/or the Investment Management Guidelines set out in this Investment Policy Statement. When this occurs, the Investment Manager will undertake to realign the portfolios within a reasonable period of time on a best efforts basis in accordance with this Investment Portfolio Statement.

9.01 Decision Making

All investment decisions will be made by the Portfolio Manager within the context of the Objectives, Asset Allocation Guidelines, and Investment Management Guidelines set out above.