

INVESTMENT POLICY

PURPOSE

This Policy establishes the authority of officers and employees to authorize and execute transactions and otherwise bind the University with respect to investments. It is designed to support stewardship and accountability of University funds through the establishment of fund objectives, responsibilities for fund management, and investment guidelines.

SCOPE

This Policy applies to officers and employees with delegated authority for investments.

This policy governs all financial investments of the University, except for the University's Pension Fund which is governed through the Statement of Investment Policies and Procedures (the "SIP&P").

POLICY STATEMENT

Background

Endowment & Trust Funds

Various University programs and activities are funded from the generosity of individuals, corporations, foundations, and other donor organizations in the form of an endowment or trust. These gifts are essential to the University and its students.

Endowments are designated to support their identified programs and activities in perpetuity. Endowed donation principal is not expendable, only the income earned on investing the principal may be accessed to fund their identified programs and activities.

Trust funds are designated to support their identified programs and activities for a definite period. Trust donation principal is expendable on identified programs and activities.

Operating and Capital Funds

Brock University carries operating and capital cash balances throughout the year. This cash balance is committed to specific operating and capital purposes.

Long Term Investments

On December 14, 2005, Brock University issued \$93,000,000, 4.967% Senior Unsecured Debentures due on December 14, 2045. On May 13, 2020, Brock University issued \$125,000,000, 3.033% Series B Senior Unsecured Debentures due May 17, 2060.

The Board of Trustees has requested that the University establish a voluntary, internally administered sinking fund from which to repay 100% of the principal of the Debentures at maturity. The Trust Indentures does not require the establishment of a sinking fund.

On March 12, 2015 the Board of Trustees requested that the University establish a voluntary, internally administered fund to provide resources to offset a growing employee future benefits liability.

Fund Objectives

Endowment Fund

It shall be the policy of the University to invest Endowment Funds in an effort to provide income in excess of inflation. Since Endowment Funds are intended to exist in perpetuity, the goal is to maintain or enhance the purchasing power of the Endowment Fund to maintain the activities it supports. The primary objectives of making such investments shall be;

1. Respect for the terms of reference agreed to with donors.
2. Preservation of capital;
3. A rate of return that maintains or enhances the purchasing power of the endowment over time (growth of principal) and supports a desired spending rate;
4. Prudent levels of risk and protection of the portfolio from undue loss due to market fluctuations and/or poor diversification.

Trust Funds

Unless otherwise agreed to by the Donor, it shall be the policy of the University to invest Trust funds in low risk fixed income instruments with investment terms to maturity consistent with spending terms of references agreed upon with the Donor. The primary objectives of making such investments shall be;

1. Respect for the terms of reference agreed to with donors;
2. Preservation of capital;

3. Yield;
4. Maintenance of liquidity.

Operating and Capital Fund

It shall be the policy of the University to invest its temporary surplus cash in fixed-income instruments to earn a market rate of interest at minimal risk to principal. The primary objectives of making such investments shall be;

1. Preservation of capital;
2. Maintenance of liquidity;
3. Yield.

Long-Term Investments

Occasionally long-term investments may be established by the Board of Trustees to fund future obligations. Investment strategies and objectives will be approved by the Financial Planning and Investment Committee and reviewed on an ongoing basis. Due to the long-term perspective of these funds, the risk tolerance of the fund is above average.

Sinking Fund

It shall be the policy of the University to invest in a sinking fund to provide sufficient funds to repay 100% of the principal amount of the \$93,000,000 debenture on December 14, 2045 and of the \$125,000,000 debenture on May 17, 2060.

The sinking fund aims to maximize investment earnings over the time horizon and to achieve a minimum annualized rate of return of 5%-5.5% over the life of the fund. Due to the long-term perspective of the sinking fund, the risk tolerance of the sinking fund is above average in the earlier years. The risk tolerance of the portfolio is to be reduced as maturity of the debenture approaches.

The annual contributions and investment rate of return will be reviewed each year to ensure the adequacy of the sinking fund target.

Responsibilities for all Funds

Financial Planning and Investment Committee

1. Approve investment management strategies and policies;
2. Approve investment managers, consultants, and custodians;
3. Review investment performance of each fund on a

- regular basis;
4. Report to the Board of Trustees annually.

Management

1. The Financial Planning and Investment Committee delegates all day-to-day responsibilities to appropriate staff of the University in order to ensure timely actions are taken in accordance with the University investment policy.
2. Monitor investment performance of each fund on a regular basis;
3. Report investment performance of each fund on a regular basis to the Financial Planning and Investment Committee;
4. Monitor the adequacy of investment managers on a regular basis;
5. Monitor investment manager's compliance with this policy;
6. Develop and recommend investment management strategies and policies to the Financial Planning and Investment Committee as required;
7. Ensure investments meet all legislative requirements.

Investment Manager

1. Invest the portfolio in accordance with this policy;
2. Confirm compliance with their investment mandate and with the applicable portions of this policy. Notify Management immediately of any areas of non-compliance with their investment mandate or this policy and provide their recommended actions and timeframe to remedy the issue;
3. Provide a quarterly report to Management that includes a brief review and outlook for the economy and the capital markets and a discussion of the investment performance to date in relation to the objectives (including information on the reasons underlying outperformance or underperformance relative to their benchmark index);
4. Make periodic presentations to the Financial Planning and Investment Committee, when requested to do so, to help the Financial Planning and Investment Committee to better understand their performance.

Investment Consultant

1. Provide direction and recommendations on all investment related matters as required through contractual agreements with the University;
2. Review and advise on the Investment Policy;

3. Maintain an effective process to monitor investment performance and capabilities of each Investment Manager on an ongoing basis;
4. Maintain an effective process to monitor overall investment performance, including the effectiveness of the current investment strategy in relation to other potential strategies and in relation to the performance of other comparable clients on an ongoing basis;
5. Report on such monitoring and immediately notify Management if there are any concerns.

Investment Guidelines

The portfolio may be invested in pooled funds. As pooled funds are managed in accordance with the pooled fund's guidelines, they cannot be directly subject to the guidelines enunciated here. It is the responsibility of Management and the Financial Planning and Investment Committee to ensure, prior to investing in the pooled fund, that the pooled fund's guidelines are consistent with the spirit of this policy.

In the guidelines below, the term "portfolio" is used when referring to the assets under the administration of the Investment Manager (eg. the Fixed Income Manager for the Endowment Fund). The term "fund" is used when referring to all assets held in a specific University Investment Fund (eg. the Endowment Fund). Guidelines for the type, quality and quantity of the investment assets are summarized below.

Fund Specific Asset Mix Guidelines	Endowment Fund Minimum – Maximum	Trust Funds Minimum – Maximum	Operating and Capital Funds Minimum – Maximum	Long-Term Investment Funds (eg. Sinking Fund, EFB Reserve) Minimum – Maximum
Cash	0% - 15%	0% - 100%	0% - 100%	0% - 100%
Short-term investments	0% - 15%	0% - 100%	0% - 100%	0% - 100%
Fixed Income	25% - 55%	0% - 100%	0% - 30% average annual balance	0% - 100%
Canadian Equities	0% - 45%	NA	NA	0% - 45%
Global Equities	20% - 70%	NA	NA	20% - 70%
Total Equities	45% - 75%	NA	NA	45% - 75%
Real Estate and Infrastructure	NA	NA	NA	NA

Fund Specific Investment Guidelines	Endowment Fund	Trust Funds	Operating and Capital Funds	Long-Term Investment Funds (eg. Sinking Fund, EFB Reserve)
Benchmarks	<p><u>Cash and Short-Term Investments</u> (FTSE TMX 91-Day T-Bill Index)</p> <p><u>Fixed Income</u> FTSE TMX Universe Bond Index</p> <p><u>Canadian equities</u> S&P/TSX Composite</p> <p><u>Global equities</u> MSCI World Index</p>	<p><u>Cash and Short-Term Investments</u> (FTSE TMX 91-Day T-Bill Index)</p> <p><u>Fixed Income</u> Any FTSE TMX Bond Index with comparable duration to investment duration</p>	<p><u>Cash and Short-Term Investments</u> (FTSE TMX 91-Day T-Bill Index)</p> <p><u>Fixed Income</u> Any FTSE TMX Bond Index with comparable duration to investment duration</p>	<p>A relevant benchmark for each fund shall be established by the Financial Planning and Investment Committee so that investments are aligned with the funds goals and objectives.</p> <p>Example: A benchmark long-term rate of return is currently set at 5.0% for the sinking fund.</p>
Allowable Asset Classes	<p>Cash and High Interest Savings Accounts</p> <p>Short-Term Investments (Government issuer* Treasury Bills, Canadian Schedule 1 Chartered Banks BAs / GICs**)</p> <p>Fixed Income Multi-Asset Credit</p> <p>Equities (listed on a major recognized public exchange)</p>	<p>Cash and High Interest Savings Accounts</p> <p>Short-Term Investments (Government issuer* Treasury Bills, Canadian Schedule 1 Chartered Banks BAs / GICs**)</p> <p>Fixed Income</p>	<p>Cash and High Interest Savings Accounts</p> <p>Short-Term Investments (Government issuer* Treasury Bills, Canadian Schedule 1 Chartered Banks BAs / GICs**)</p> <p>Fixed Income</p>	<p>Cash and High Interest Savings Accounts</p> <p>Short-Term Investments (Government issuer* Treasury Bills, Canadian Schedule 1 Chartered Banks BAs / GICs**)</p> <p>Fixed Income</p> <p>Equities (listed on a major recognized public exchange)</p>

Maximum Investment Duration	No Maximum (Assets to exist in perpetuity; therefore, not necessary to restrict investment duration)	Investment maturity to be aligned with and not to exceed donor spend down requirements of principal.	5.5 Years	No Maximum Not to exceed December 2045 (Sinking Fund) or May 2060 (Sinking Fund)
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* Government issuer is a security issued by or guaranteed by:

(i) the Government of Canada,

(ii) a province of Canada having at least an "A" rating, or

(iii) another developed market country whose debt is rated "A" or better.

** Excludes equity linked GICs

Authority to Invest

Cash, High Interest Savings Accounts and Short-Term Investments

Financial Planning and Investment Committee approved University Staff for Canadian investments only or Investment Manager(s).

Financial Planning and Investment Committee approved University Staff includes:

- President and Vice Chancellor
- Vice-President Administration
- Chief Financial Officer and AVP Financial Services
- Director, Financial Accounting & Controller

One Financial Planning and Investment Committee approved University Staff signature is required to initiate any investment in this category. The Financial Services department will maintain internal controls to ensure all of these investments are subject to a dual review process.

Investments other than Cash, High Interest Savings Accounts and Short-Term Investments

Restricted to Financial Planning and Investment Committee approved Investment Manager(s).

Two Financial Planning and Investment Committee approved University Staff signatures are required to initiate any investment deposit, withdrawal or transfer between approved Investment Manager(s) in this category.

Maximum exposure to any single investment within the fund

No exposure limit for Cash, High Interest Savings Accounts and Short-Term Investments

Fixed Income and Equity investments shall not exceed 5% of the market value of the fund including related companies.

Government of Canada or Crown Corporations and Agencies who are guaranteed by the government have no exposure limits.

Risk Tolerance Short-Term Investments

1. All securities must be readily marketable.
2. R1-low by DBRS, or equivalent by S&P or Moody's.

Risk Tolerance Fixed Income

1. All securities must be readily marketable.
2. The portfolio should have an aggregate credit rating of at least A or equivalent.
3. Maximum exposure to below investment grade securities is limited to 15% of the market value of the portfolio.
4. Up to 10% of the exposure to foreign currency may be unhedged.
5. The minimum quality standard of preferred shares in the portfolio will be a Pfd-2 rating.
6. Asset-backed securities and mortgage-backed securities shall be rated first by a U.S. rating agency to ensure liquidity and shall be limited to no more than 10% of the market value of the portfolio. Ratings for Asset-backed securities and mortgage-backed securities may be obtained from a Canadian rating agency only if a rating from a U.S. rating agency is unavailable.
7. Maximum exposure to mortgages is limited to 10% of the market value of the portfolio and all such mortgages shall rank as first secured mortgages and must not be subordinated to any other debt.
8. Multi-Asset Credit strategies invest in different parts of the global credit universe such as high yield bonds, bank loans, emerging market credit, investment grade credit, distressed credit and structured credit, as such do not have traditional risk tolerance constraints noted above. An investment in a multi-asset credit strategy will be allowable only after an investment manager

search facilitated by a professional investment consultant. Any multi-asset credit investment must be reviewed in detail no less than twice a year by a professional investment consultant and management, accompanied by a report to the Financial Planning and Investment Committee.

Risk Tolerance Equities

1. All securities must be readily marketable.
2. If a Canadian equity mandate is utilized, not more than 10% of the Canadian equity portfolio may be invested in securities not included in the S&P/TSX Composite Index.
3. Not more than 15% of the global equity portfolio may be invested in securities that are not included in the MSCI World Index.
4. Small cap exposure is restricted to a maximum of 20% of the total portfolio; however, not more than 10% of the portfolio may be invested in securities having a market capitalization of less than \$1 billion. (Small cap is defined as investments in either of the BMO Small Cap (Weighted) Total Return Index or Russell Global Small Cap Total Return Index.)

Use of Derivatives

Derivatives may be used only for hedging and risk management purposes and only by external Investment Managers. Derivative instruments will only be used in ways that reduce risk or transfer risk and not to increase risk. Use of derivatives must be consistent with the fund's objective, this policy, and the University's investment objectives.

Conflict of Interest

A conflict of interest is defined as any event or circumstance that impairs the ability of any member of the Financial Planning and Investment Committee or its designate, or any employee or consultant to render unbiased and objective advice regarding any investment decision of the portfolio. In such cases, the conflict must be fully disclosed on a timely basis and the member shall withdraw from the meeting during the discussion and voting on the investment decision.

Statement Regarding Socially Responsible Investing

The University believes socially responsible investing (SRI) is best embodied by the United Nations Principles for Responsible Investing (UNPRI). These principles provide a menu of possible actions for incorporating environmental, social and corporate governance issues (ESG) into mainstream investment decision-making and ownership practices. UNPRI does not advocate an exclusionary approach, whereby companies that operate in certain industries or geographical areas are automatically screened out of an investment portfolio. The University will encourage investment managers, to the extent possible within their investment process, to consider ESG principles as they relate to long term financial returns when making investment decisions. The University does not believe it is appropriate, recognizing its fiduciary responsibility to represent the needs of all of the various stakeholder groups, to mandate the exclusion of companies that operate in certain industries or geographical areas.

COMPLIANCE AND REPORTING

The Vice President, Administration is responsible for maintaining compliance with the Policy.

There may be circumstances for low risk investments under which a temporary exemption to the investment policy is warranted. The Vice President, Administration and the Chair of the Financial Planning and Investment Committee will decide if the exemption will be allowed and how the funds will be invested. A meeting of the Financial Planning and Investment Committee will be convened promptly to formally approve the exemption.

Policy Owner:	Vice-President, Administration
Policy Lead:	Associate Vice-President, Financial Services
Policy Classification:	Operational
Approval:	Approved by the Board on the recommendation of the Financial Planning & Investment Committee
Effective date:	September 2022
Next review:	September 2025
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Related documents:	Endowment Management Policy