Name:	**University Funds Investment Policy**
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Responsible Office:	Finance and Administration
Responsibility:	Vice President, Finance and Administration
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Supersedes:	Not applicable
Next Required Review:	Annually

1. PURPOSE

1.1 This Policy provides the governance framework for the investment of University funds in order to:

- Define and assign the responsibilities of all involved parties;
- Establish a clear understanding of the University's investment goals and objectives;
- Offer guidance and set limitations regarding the investment of university funds;
- Establish a basis for monitoring investment activity and evaluating investment results; and
- Oversee the management of the investment of funds by those accountable.

In general, the purpose of this Policy is to outline a philosophy and strategy to guide the management of university investments toward desired results.

2. JURISDICTION/SCOPE

2.1 This Policy applies to all financial investments of the University, including the following:

DESCRIPTION OF UNIVERSITY FUNDS

Endowment Funds Investment Pool (EFIP)

The EFIP consists of the University's endowed trust funds.

Externally Restricted Funds Surplus Cash (ERSC)

The ERSC consists of expendable funds externally restricted for specific initiatives, programs, and research, which are pooled for cash management and investment purposes until the funds are required for expenditure.

Capital Funds Surplus Cash (CFSC)
The CFSC consists of expendable funds externally restricted for capital expenditures, which are pooled for cash management and investment purposes until the funds are required for expenditure.

General Fund Surplus Cash (GFSC)

The General Fund consists of the Operating Fund, internal reserves, and internal research funds. Surplus cash in these funds are pooled in the GFSC for cash management and investment purposes until required for expenditure. The University receives a significant portion of its operating cash inflows during September and January of each year while its cash outflows are far less seasonal; consequently, at certain times of the year there is surplus cash. In addition, it internally restricts funds for specific initiatives and expenditures, which it sets aside in internally restricted reserves and research funds.

Segregated Investment Portfolios

In addition to the investments listed above the University holds several segregated investment portfolios in accordance with trust and other agreements.

3. POLICY

3.1 GOVERNANCE – ROLES AND RESPONSIBILITIES

Under the Saint Mary's University Act, section 8(1), the Board of Governors "has the government, conduct, management, and control of the University and of its property, revenues, expenditures, business, and affairs and has all powers necessary or convenient to perform its duties and achieve the objects of the University". Under section 6(e) of the Act, the University has the corporate power, capacity, and authority to "invest its money and funds in any bonds, debentures, mortgages, stock, shares and other securities that it may consider proper for investments".

Board of Governors

The Board approves, by resolution, policies, standards, and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return. The Board of Governors has overall responsibility for the University Funds Investment Policy, which establishes or addresses:

- Investment Governance
- Investment Management
- Categories and Subcategories of Investments
- Performance Benchmarks and Rate of Return Objectives
- Investment Restrictions
- Goals and Risk Tolerance
- Asset Mix and Diversification
- Endowment Spending Policy
- Administrative Fee
- Conflict of Interest

The Board also establishes the Trading Authority Resolution governing the establishment of investment accounts and the authorization of trading instructions.

The Finance Committee shall provide advice and recommendations to the Board of Governors on investment matters related to the University's funds (the "Funds"). The Funds shall include all University investments except those for which the Board has assigned responsibility to another committee or body. Investments held in segregated portfolios with responsibility assigned to other committees or bodies include:

- The David Sobey Endowment Fund investment portfolio,
- The Sobeys Scholarship Endowment Fund investment portfolio,
- The Investment Management of Portfolios in Atlantic Canada Training (IMPACT) Program investment portfolio, and
- The Venture Grade Investment Fund.

University Management is responsible for the management and administration of the portfolios. External investment managers are retained as portfolio managers to manage assets in compliance with this Policy. University Management monitors the performance of the Investment Managers acting with advice from the external Investment Consultant and the Investment Advisory Committee.

Finance Committee of the Board of Governors

The Finance Committee monitors the performance of the Investment Advisory Committee and the investment portfolios in meeting the objectives and philosophy of this Policy, and recommends revisions as needed. The Finance Committee assesses reports from University Management and the Investment Consultant to initiate asset mix changes, monitor compliance with Policy and review performance. This Policy is subject to annual review by the Finance Committee. Responsibility for recommendations to change this Policy rests with the Board based on recommendations from the Finance Committee. The Finance Committee is responsible for periodically reviewing the Trading Authority Resolution and recommending revisions to the Board as needed.

The Board of Governors and the Finance Committee recognize that the achievement of the objectives and philosophy of this Policy necessitates the incurring of generally accepted investment risks. These risks are inherent in ownership of financial securities and states as a policy that the incurring of such financial, market, inflationary, interest rate and business cycle risks must at all times be for the protection of principal and assurance of income.

University Management

University Management manages the operational component of investments including communications with consultants and managers, recording and reconciling investment accounts, reporting to the Finance Committee, making recommendations to the Finance Committee of suggested policy or procedural changes.

Management retains external investment managers as portfolio managers to manage assets in compliance with the Policy. University Management monitors the performance of the Investment Managers acting with advice from the external Investment Consultant and the Investment Advisory Committee. University Management establishes and maintains guidelines for the selection and termination of external investment managers. Management is responsible for the establishment and oversight of the Investment Advisory Committee (appointments to the Investment Advisory Committee are subject to Finance Committee approval). It is also responsible for retaining and evaluating the Investment Consultant.

Management establishes investment accounts and authorizes trading instructions as per the Trading Authority Resolution approved by the Board. It periodically reviews the Resolution and recommends revisions to the Finance Committee for consideration and possible recommendation to the Board for approval.

University Management reports to the Finance Committee on investment performance, results of external investment managers, Manager selections and terminations, matters of (non) compliance with University policies, and recommendations of asset mix or other changes.

Investment Consultant

University Management retains a consulting firm ("the Consultant") to act as an independent advisor to measure, compare, evaluate performance, and provide advice and recommendations to the University's investment program.

The Consultant will report on all material changes in key personnel of external investment managers, including changes in their strategy that may affect the portfolios.

The Consultant is charged with assessing and reporting on performance of the Managers with the portfolio objectives and the University Funds Investment Policy reporting annually in writing or in person to University Management and the Investment Advisory Committee respect to investment progress in accordance with generally accepted evaluation principles.

The Consultant will provide advice and recommendations for this policy, Manager Evaluation and the overall investment program based on evaluating the economy, industry, environment, and markets, including the possible changes in asset mix or other portions of the investment strategies.

Investment Advisory Committee

University Management establishes and oversees an Investment Advisory Committee consisting of up to five members, as follows:

- Vice President, Finance and Administration (VPFA), who shall Chair the Committee,
- Two to three members of the general public (external members), with significant investment experience including:
    - Experience and knowledge of the complexity of managing large investment portfolios, endowments and pension plans, including the related risks.
    - A good understanding of the full range of investment asset classes and their attributes, including risks and the role of asset allocation and manager selection.
    - Experience in oversight of investment managers.
- Depending on the number of external members, one to two members of senior financial management selected by the VPFA.

Members are selected by the Vice-President Finance and Administration (VPFA) and recommended appointments are subject to the approval of the Finance Committee. Members serve an initial term of one-year and may be reappointed for two subsequent terms of three years each, for a total maximum term of seven years. The VPFA reviews the membership annually and recommends reappointment of members based on their past service and desire to continue serving.

The Investment Advisory Committee will provide advice and recommendations related to the University Funds Investment Policy, Trading Authority Resolution, selection, monitoring and termination of external investment managers and Investment Consultant, and the overall investment program.

3.2 INVESTMENT MANAGEMENT

All investments will be undertaken with a view toward maintaining or enhancing the real value of the assets while meeting the current spending allocation.

University Management shall establish investment mandates and then select investment manager(s) to be responsible for the management of the portfolios in accordance with those mandates.

The staff expertise and critical mass of investment required to appropriately manage the various assets classes on a cost-effective basis and obtain the desired returns are a deterrent to internal management at this time. Consequently, the University will use external investment management for its investments.

Each investment manager shall adhere to this policy and shall follow the investment policies and goals with the care, diligence, and skill that a person of ordinary prudence would use in dealing with the property of another and shall use all relevant knowledge and skill that the investment manager possesses or ought to possess. Investment managers are expected to comply with the standards of professional conduct and code of ethics established by the CFA Institute.

The University believes that portfolio diversification may reduce the variability of the total return, reduce the exposure to any single component of the capital markets, reduce the risk of returns not tracking or exceeding inflation, and increase the long-term risk-adjusted return potential of the investments. Investments may be diversified by investment market and geographic region. However, the benefits of diversification must be weighed against the costs, including management fees, performance monitoring costs, and manager search costs. In addition, given the size of the University's investment funds, the allocation to some asset classes might be too small making it difficult to access high quality investment opportunities and implement them efficiently. However, as the size of the University's investments grows the addition of new asset classes to increase diversification may become cost-effective.

The philosophy underlying active management is the belief that markets are inefficient to some degree and superior managers can earn value-added returns. Active management strategies are comprised of security selection and market timing. Market timing is the weighting of portfolio assets and asset classes to take advantage of anticipated relative performance differentials over a given time horizon.

Passive management means investing in securities that replicate the performance of a specific market index. Passive management is based on the idea that markets are efficient, and that security selection and market timing cannot consistently outperform market indices. This management style offers lower investment fees and simplified monitoring.

The University believes that opportunities do exist in most investment markets to obtain value- added returns through active portfolio management. Passive management may be appropriate for Canadian fixed income and US equity investments if the value added from active management is not sufficient in the opinion of University Management to offset the additional costs of active management.

The University believes that there is value in opportunistic fixed income strategies that invest tactically across global fixed income markets and currencies. By investing broadly across geographies, security types (*e.g.*, government bonds, corporate bonds / high yield bonds, emerging markets debt, etc.) such strategies are expected to generate a higher return than traditional Canadian fixed income investments, with a primary goal of a positive return in most market environments.

Although alternative investments such as private equity, hedge funds, real estate and infrastructure may offer increased diversification and / or enhanced returns, the University has limited its investment in these types of investments for several reasons. Alternative investments can be highly illiquid, subject to high management fees, and very volatile. Given the size of the University's investment funds any allocation to alternative investments might be too small, making it difficult to access high quality investment opportunities and implement and monitor them efficiently. Where suitable investments opportunities are available at a reasonable price the University may choose to invest in alternative investments.

The University may invest in segregated investments or in pooled unit trusts; however, pooled funds are preferred. A pooled unit trust is a fund in which multiple investors may contribute money that is invested in one or more asset classes by a fund manager. The University believes that pooled unit trusts can offer benefits such as access to professional investment management at a lower cost, reduced dealing costs through bulk buying, less administration, and wider choice.

The University believes that currency exposure in foreign equities does not materially increase total enterprise risk, and in the case of US equities appears to reduce enterprise risk. Furthermore, currency hedging has a cost. Therefore, currency exposure related equity investments should not be hedged.

The University recognizes the value of opportunities to reduce costs by taking advantage of relationship pricing offers. For example, some investment managers offer pricing for universities that are members of Canadian Association of University Business Officers (CAUBO). This type of cost savings may be considered in evaluation and selection of investment managers.

3.3 CATEGORIES AND SUBCATEGORIES OF INVESTMENTS

Investments that are permitted shall be classified within the general categories and subcategories of:

Fixed Income Investments

i. Money market securities, including cash on hand both domestic and foreign, treasury bills, banker's acceptances, commercial paper, guaranteed investment certificates, and other money market securities. Money market securities must be maintained in securities maturing within one year.

ii. Bonds, debentures, and real return bonds, including short and long dated publicly traded debt securities. Limited to Canadian publicly traded debt denominated in Canadian dollars.

iii. Global opportunistic fixed income through pooled funds and Exchange Traded Funds (ETF's).

iv. Private debt, primarily Canadian, through pooled funds and Exchange Traded Funds (ETF's). Equity Investments

Equity Investments

Exchange traded securities, including common shares, ADR's (American Depository Receipts), income trust units, and similar investments. Equity investments are divided into the following subcategories:

i. Canadian equities

ii. US equities

iii. EAFE equities (Europe, Australasia, and the Far East)

iv. Emerging market equities

v. Global small cap equities

Investment managers may use pooled unit trusts, mutual fund vehicles or limited partnerships that include any of the above categories.

It is recognized that minimal cash balances may be held in equity and fixed income portfolios and pooled funds.

Alternative Investments

Canadian real estate and global infrastructure through pooled funds, Real Estate Investment Trusts (REIT's) and Exchange Traded Funds (ETF's).

Use of Derivatives

Derivatives will not be used.

3.4 PERFORMANCE BENCHMARKS AND RATE OF RETURN OBJECTIVES

For each of the investment subcategories the performance benchmark is:

Asset Class	Benchmark
Money Market Securities	FTSE Canada 91 Day T-Bill Index
Short term Bonds	FTSE Canada Short Term Bond Index
Bonds Universe	FTSE Canada Universe Bond Index
Global Opportunistic Fixed Income	Bloomberg Barclays Global Aggregate Bond Index (hedged to $CAN)
Private Debt	FTSE Canada Corporate Bond Index
Canadian Equities	S&P/TSX Composite Index
US Equities	S&P 500 Index ($CAN)
EAFE Equities	MSCI EAFE Index ($CAN)
Emerging Market Equities	MSCI Emerging Markets Index ($CAN)
Global Small Cap Equities	MSCI Global Small Cap Index ($CAN)
Canadian Real Estate	S&P/TSX REIT Index
Global Infrastructure	Consumer Price Index +5%

Additional benchmarks may be used when appropriate, such as when a pooled fund selected by the University has an asset mix that differs from the relevant benchmark indicated above. In these cases, another more appropriate benchmark may be used to evaluate the performance of the pooled fund. For example, the FTSE Canada Short-Term Bond Index may be used to evaluate a short-term bond pooled fund.

The return objectives for actively managed funds are to exceed the benchmark for the particular asset class and to exceed the median performance of active managers of similar funds.

For the purpose of measuring rates of return of the investment pools, all returns shall be measured before investment management fees, but after transaction costs, and over rolling four-year periods. All index returns shall be total returns. All foreign index returns shall be expressed in equivalent Canadian dollar returns.

3.5 INVESTMENT RESTRICTIONS

Investment restrictions and quality levels apply within the context of overall fund objectives and asset mix policy. These investment restrictions do not apply to investments in pooled unit trusts.

Minimum Quality Standards for Debt Securities in the Money Market and Fixed Income Asset Allocation

Corporate bonds, debentures, real return bonds, and other debt securities purchased for the fund in actively managed mandates shall have a minimum rating of "BBB" or better for any individual issuer (as measured by the Dominion Bond Rating Service (DBRS)) or the equivalent thereof according to a recognized bond rating service. The maximum "BBB" exposure will be 10% of the market value of the bonds and debentures in the specific investment pool.

Short-term notes and other evidence of indebtedness of corporations, banks and trust companies shall have a rating of R-1 (low) or better (as measured by DBRS) or the equivalent thereof according to a recognized rating agency.

Limitations on Securities of any Single Issuer

Money Market Securities

No maximum on the amount that can be invested in money market securities issued by the Government of Canada and its agencies.

Maximum 25% of the market value of the Money Market Securities, in the specific investment pool, can be invested in the money market securities issued by any single Provincial Government and its agencies.

Maximum of 25% of the market value of the Money Market Securities, in the specific investment pool, can be invested in any single corporation, bank or trust company.

Bonds and Debentures

No maximum for any fixed income securities issued by the Government of Canada and its agencies.

Maximum 25% of the market value of the bonds and debentures, in the specific investment pool, can be invested in the fixed income securities issued by any single Provincial Government and its agencies.

Maximum 10% of the market value of the bonds and debentures, in the specific investment pool, can be invested in the fixed income securities issued by any single municipality or corporation.

Equities

Maximum 10% of the market value of any equity investment subcategory (Canadian, US, EAFE, Emerging Market, Global Small Cap, or total), in the specific investment pool, can be invested in any single equity holding.

3.6 ADMINISTRATIVE FEE

An administrative fee[1] is assessed on the endowments in the EFIP and the trusts in the ERSC. The fee is 0.50% based on the average annual book value at the fiscal year end, March 31st. The Board of Governors may amend the administrative fee from time to time.

3.7 ENDOWMENT FUNDS INVESTMENT POOL (EFIP)

The EFIP represents the pooling of invested assets accumulated by or donated to the University for endowment purposes. The purpose of the EFIP is to support current and future operations of the University in perpetuity.

Segregated Endowments

The University has several endowments, which are not included in the EFIP. These endowments are invested in segregated investment portfolios and are managed and administered according to the terms of the individual trust agreements. These endowments are not subject to the investment strategy, investment restrictions or endowment spending policies, which apply to the EFIP and its member funds.

Mission of the EFIP

The mission of the EFIP is to enable the University to achieve an enhanced level of financial strength and independence in its operations over the long run in order to provide program support and scholarships to

[1] Administrative fee effective April 1, 2020

sustain and foster an environment of academic excellence and accessibility.

Nature of EFIP Liabilities

The EFIP provides funding to the faculties and departments of the University to be used for restricted purposes in accordance with the terms of each endowment.

Endowment Spending Policy

The annual endowment spending limit is 4.0% of the average market value measured on December 31st of three preceding years. The annual endowment spending limit for the next fiscal year is calculated and announced by Financial Services in March. The spending policy and rates may be amended from time to time by the Board of Governors with the goal that the real value of the endowments (net of inflation) is maintained.

Spending will not be permitted from new endowments for the first year after creation to provide the new endowments time to build up investment earnings to help cushion fluctuations in the endowment market value and rate of return. However, donors who do wish to have spending begin earlier may designate a portion of their gift to provide funds for spending until the annual endowment spending allocation begins.

Endowment Spending Policy Review

The goal of the spending policy is to ensure long-term viability by limiting the endowment expenditures to the real return on the endowments over the long term. The policy is a by- product of the actual investment return achieved. The spending limit is an estimate of the long- term real rate of return and as such will require adjustment periodically to reflect the actual return. The Endowment Spending Policy shall be reviewed annually by University Management, which will present its recommendation regarding whether to maintain or change the policy to the Finance Committee for possible recommendation and approval by the Board of Governors. For purposes of this review, the real rate of return will be based on a minimum of four years and inflation will be measured by the Consumer Price Index (CPI) for Halifax.

Allocation of Investment Earnings

In compliance with legal requirements related to the prudent investment of trust and endowment funds, funds invested in the FIAP receive an allocation of net investment earnings. The net investment earnings in the EFIP will be allocated on a pro rata basis based on the average book value of the funds invested in the EFIP. Income will be allocated at a minimum annually based on the fiscal year and may be allocated more frequently (monthly or quarterly).

Goals and Risk Tolerance

The EFIP has competing goals that must be weighed and balanced when developing the investment strategy. These goals include:

- Capital preservation as funds are endowed and the principal must be maintained in perpetuity.
- Protection of purchasing power provided by a rate of return equal to or in excess of inflation.
- Long-term rate of return provided through income and capital appreciation that in real terms shall equal or exceed the spending rate established in the EFIP spending policy, and to do so at an acceptable level of risk.

The principle of intergenerational neutrality would require that the EFIP be managed to provide the same level of support to future generations as current beneficiaries receive. This means that the value of the EFIP should be preserved over time in real terms in order to maintain the future purchasing power of assets. In setting the spending and investment policies for the EFIP, the focus should be to maintain the real value of assets over time to provide a strong and stable level of support to the current operations of the University.

In order to achieve these goals, the EFIP will have to maintain a significant weighting in equity securities relative to fixed income securities, and consequently the policy benchmark for the EFIP will be 65% of the total portfolio in equity, equity-equivalent securities and alternative investments. This is based on projected capital market assumptions that indicate that fixed income securities will not provide a sufficient return after adjusting for inflation to meet the dual goals of maintaining the real value of assets and a strong and stable level of support to the current operations of the University. Fixed income securities will be used to limit risk.

It is recognized that the expected volatility of the EFIP will be higher relative to a fund that has a heavier weight in fixed income securities. This means that the market value in any given period may decline due to market fluctuations. It is accepted that this is a reasonable trade-off in order to achieve a long-term growth rate that is consistent with the mission and goals of the fund.

Asset Mix

The long-term asset mix will be determined by the following 3 factors:

- The projected long-term return expectations from fixed income securities, equities, and alternative investments.
- The objective of a real rate of return that exceeds the spending rate.
- The historic and expected future correlation of returns between various asset classes.

The extremely long-term time horizon of the EFIP allows for the adoption of a long-term asset mix policy with a high allocation to equity investments along the following parameters.

Long Term Asset Mix	
Target	
Fixed Income	40%
Equities and Alternative Investments	60%
Total	100%

Portfolio Diversification

To achieve diversification the EFIP will invest in the following asset classes subject to indicated limits based on total market value.

Fixed Income	
Target	
Money Market Securities	0%
Canadian Bonds	10%
Global Opportunistic Fixed Income	15%
Private Debt	15%
Total Fixed Income	40%

Equity & Alternative Investments

Target	
Global Small Cap Equities	15%
Emerging Market Equities	15%
Canadian Real Estate	15%
Global Infrastructure	15%
Total Equities and Alternatives	60%

The investments will be rebalanced quarterly. Rebalancing procedures are described in the Investment Pool Rebalancing Guidelines.

Volatility

While one of the goals of the EFIP is to achieve a long-term rate of return that in real terms shall equal or exceed the spending rate, in the short-term portfolio returns are expected to fluctuate. To put this into perspective, based on the asset mix and diversification described above and assumptions as of December 31, 2020, for expected returns, volatility, and correlations, over a 20-year period, the expected return for the EFIP before active management and management fees is 6.1% with a volatility of 9.8%. In the short term, there is a 90% chance that the annual return of the EFIP will fall between -9.0% and +23.1% with a 27% chance of a negative return. Factoring in the impact of inflation, estimated at 2% per annum, there is a 34% chance of a negative real return in the short term. Over a 20-year horizon, the probability of a negative real return drops to 3%.

3.8 EXTERNALLY RESTRICTED FUNDS SURPLUS CASH (ERSC)

The ERSC consists of expendable funds, externally restricted for specific initiatives, programs, and research, which are pooled for cash management and investment purposes until the funds are required for expenditure. The timelines for the related expenditures are short to mid-term in nature. In addition, an administrative fee is assessed on the trust funds.

Allocation of Investment Earnings

In compliance with legal requirements related to the prudent investment of trust funds, trust funds invested in the ERSC receive an allocation of net investment earnings. The allocation of investment earnings to the trust funds will be calculated based on ERSC net rate of return for applied to the trust fund average book value. Income will be allocated at a minimum annually based on the fiscal year and may be allocated more frequently (monthly or quarterly). Investment earnings are not allocated to research or special project funds. The ERSC net investment income remining after the allocation to the trust funds will be allocated to the General Fund to support University operations and initiatives.

Goals and Risk Tolerance

The goals of the ERSC are:

1. Capital preservation, as funds are externally restricted for specific purposes,
2. Ease of liquidity, as access to the funds for project and program spending may be required on short notice, and
3. Reasonable return on investment based upon current market conditions; first, as legally required for trust funds, and second, to support operations and initiatives.

Asset Mix

The asset mix will be determined by the following factors:

- The current and projected short-term return expectations from cash, money market, and short-term bonds, and
- The historic and projected yield curve.

The high need for both capital preservation and liquidity limits the degree of risk that will be tolerated for capital loss and volatility.

The ERSC is invested in funds that are short-term in nature:

- Money market investments
- Guaranteed investment certificates (GIC) and
- Short-term bonds.

The asset mix will be determined by management. Management will review the asset mix regularly and adjust it to meet the following objectives:

1. To meet anticipated cash flow and liquidity requirements.
2. To achieve a reasonable return on investment based on current market conditions.

3.9 CAPITAL FUND SURPLUS CASH (CFSC)

The CFSC consists of expendable funds externally restricted for capital expenditures, which are pooled for cash management and investment purposes until the funds are required for expenditure. The source of the funds are capital grants, donations, and external borrowing.

Allocation of Investment Earnings

The CFSC net investment income will be allocated to the General Fund to support University operations and initiatives, including capital expenditures.

Goals and Risk Tolerances

The goals of the CFSC are:

1. Capital preservation as funds are restricted for specific purposes;
2. Ease of liquidity as access to the funds for spending will be required periodically and may be required on short notice; and
3. Reasonable return on investment based upon current market conditions that will be directed to University operations and initiatives, including capital expenditures.

Asset Mix

The asset mix will be determined by the following factors:

- The current and projected short-term return expectations from cash, money market and short-term bonds, and
- The historic and projected yield curve.

The high need for both capital preservation and liquidity limit the degree of risk that will be tolerated for capital loss and volatility. The CFSC is invested in funds that are short-term in nature:

- Money market investments,
- Guaranteed investment certificates (GIC), and
- Short-term bonds.

The asset mix will be determined by management. Management will review the asset mix regularly and adjust it to meet the following objectives.

1. To meet anticipated cash flow and liquidity requirements.
2. To achieve a reasonable return on investment based on current market conditions.

3.10 GENERAL FUNDS SURPLUS CASH (GFSC)

The General Fund consists of the Operating Fund, internal reserves, and internal research funds. Surplus cash in these funds are pooled in the GFSC for cash management and investment purposes until required for expenditure. The University receives a significant portion of its operating cash inflows during September and January of each year while its cash outflows are far less seasonal; consequently, at certain times of the year there is surplus cash. In addition, it internally restricts funds for specific initiatives and expenditures, which it sets aside in internally restricted reserves and research funds. Consequently, depending on the University's cash flows and the balance in internally restricted funds, there may be significant balances in surplus cash on hand for longer periods.

Allocation of Investment Earnings

The GFSC net investment income will be allocated to the General Fund to support University operations and initiatives.

Goals and Risk Tolerance

The goals of the GFSC are:

1. Capital preservation as funds are restricted for operations and specific purposes,
2. Ease of liquidity as access to the funds for operations and program spending will be required frequently and may be required on short-notice, and
3. Reasonable return on investment based upon current market conditions that will be directed to support operations.

Asset Mix

The asset mix will be determined by the following factors:

- The current and projected short-term return expectations from cash, money market and short-term bonds, and
- The historic and projected yield curve

The high need for both capital preservation and liquidity limit the degree of risk that will be tolerated for capital loss and volatility. The GFSC is invested in funds that are short-term in nature;

- Money market investments,
- Guaranteed investment certificates (GIC), and
- Short-term bonds.

The asset mix will be determined by management. Management will review the asset mix regularly and adjust it to meet the following objectives.

1. To meet anticipated cash flow and liquidity requirements.
2. To achieve a reasonable return on investment based on current market conditions.

3.11 GENERAL

The Board of Governors has a Code of Conduct Policy 2017-02. As well, Sections 9 and 10 of the University By-laws impose strict duties on Governors to avoid conflict of interest and maintain confidentiality of University information. For the purposes of this Policy, all members of the Investment Advisory Committee and all employees, agents, and volunteers providing services to the EFIP, ERSC, CFSC, and GFSC are subject to the same duties. These persons must disclose to the Chair of the Finance Committee any direct or indirect material interest with regard to the Funds' investments that would result in any potential or actual conflict of interest.

Custody

To maintain a proper segregation of duties and adequate controls, all securities held shall remain with a third-party custodian.

4.0 RELATED POLICIES, PROCEDURES & DOCUMENTS

- **Terms of Reference: Finance Committee of the Board of Governors**
- **Terms of Reference: Investment Advisory Committee**