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## Investment Policy

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<b>Policy Sponsor</b>	Vice President Finance and Administration
<b>Policy Contact</b>	Director, Financial Services
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### Purpose

This Investment Policy for Athabasca University provides guidelines within which the University's investment portfolio is to be effectively and ethically maintained, managed and enhanced.

### Definitions

<b>Restricted Fund</b>	Funds held by the University, the use of which is restricted to a specified special purpose by the grant contributor, or the donor, or Board motion.
<b>Endowment</b>	A restricted Fund where the capital value is invested and maintained, and the annual investment income supports the specified purpose. It is a legal arrangement known as a charitable purpose trust where the funds are held in perpetuity.
<b>Operating Fund</b>	Funds held by the University from grants, or fees, or donations, where the use is at the discretion of the University is not restricted.



## **Policy Statements**

### **1. Types of University Funds**

- 1.1 The University has three main types of funds available for investment: operating, restricted, and endowment:

Operating funds available for investment generally include the accumulated excess of revenue over expenditures, revenues typically received in advance of the year in which they are earned (including deferred student fees), and accumulated longer term liabilities where 'cash' payment is deferred well into the future (primarily the University Pension Plan Liability). These funds are available for short-term, medium-term and long-term investments.

Restricted Funds available for investment generally include grants and donations where the funds must be maintained until the specified activity for which the funds are restricted occurs. These are normally short term in nature but on occasion they may be either medium or long term in nature.

Endowment funds are donations received to be held in perpetuity, with the income designated to fund specific educational purposes (e.g., scholarships, academic chairs).

The types (grouping) of funds and respective investment horizon are:

- Short-term investment opportunities arise where cash is required within one year for regular operations or other planned spending initiatives.
- Medium-term investment opportunities arise where plans exist to use the funds in one to five years for future operating, or project commitments.
- Long-term investment opportunities arise where operating funds are not likely to be expended in the next five years.

#### 1.2 Grouping of funds

To enable the University to maximize the rates of return and simplify investment management, available funds will be allocated to the fund types (portfolios) by the Vice President Finance and Administration, or designate, based on an analysis of the short medium and long-term cash needs of the university.

Allocations to the endowment fund will be in accordance with endowment agreements.



## 2. Primary Investment Considerations

The primary investment objective is to ensure all funds are prudently invested in accordance with this Policy, and that investments are selected to match the anticipated cash flow requirements and investment objectives of the University. These goals necessitate incurring generally accepted investment risks through ownership of financial securities.

Investments will be made in the best interests of the University.

## 3. Authorized Investments

For each investment portfolio the minimum, target and maximum for each type of qualifying investment, based on market value, is identified in this policy. Additional investment Qualifications and Limitations (section 3.5) work in concert with the authorization of Investments.

### 3.1 Short-term Portfolio

Prime considerations for the investment of short-term funds are investment security, liquidity and availability of funds at times needed. Investment yield, while important, will be subordinate to security and liquidity considerations.

The available short-term portfolio may be invested in the following proportions:

<u>Short-term funds</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash	0%	0%	100%
Fixed income instruments and/or pooled fixed income funds	0%	100%	100%

### 3.2 Medium-term Portfolio

The available medium-term portfolio may be invested in the following proportions:



<u>Medium-term funds</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed income instruments and/or pooled fixed income funds	90%	95.0%	100%
Canadian equities and/or pooled Canadian equity funds	0%	2.5%	5%
U.S. equities and/or pooled U.S. equity funds	0%	1.5%	3%
International equities and/or pooled international equity funds	0%	1.0%	2%
Total Equities	<u>0%</u>	0%	<u>10%</u>

### 3.3 Long-term Portfolios

Two long-term fund portfolios will be created: endowment funds and long-term operating.

Available long-term operating funds may be invested in the following proportions:

<u>Security</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed income instruments and/or pooled fixed income funds	80%	85.0%	100%
Canadian equities and/or pooled Canadian equity funds	0%	7.5%	20%
U.S. equities and/or pooled U.S. equity funds	0%	5.0%	15%
International equities and/or pooled international equity funds	<u>0%</u>	2.5%	<u>10%</u>
Total Equities	<u>0%</u>		<u>20%</u>

Available long-term endowment funds may be invested in the following proportions:



<u>Security</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed income instruments and/or pooled fixed income funds	30%	40%	100%
Canadian equities and/or pooled Canadian equity funds	0%	30%	70%
U.S. equities and/or pooled U.S. equity funds	0%	17.5%	40%
International equities and/or pooled international equity funds	<u>0%</u>	12.5%	<u>30%</u>
Total Equities	<u>0%</u>		<u>70%</u>

The endowment fund investment earnings will be allocated in accordance with the [Endowment Management Policy](#).

### 3.4 Rebalancing

The funds will be prudently managed at all times within the acceptable ranges, based on market values of the investments. To ensure the portfolio stays within the allowable ranges, rebalancing will occur, if necessary, on a quarterly basis. The 'Target' ranges will be reviewed annually with this Policy and revised if necessary.

### 3.5 Quality and Limitations

Investment restrictions and quality levels apply within the context of overall fund objectives and the minimums and maximums described above.

Investment managers may use pooled funds which include a variety of investment instruments, as long as investments are limited to those instruments described below.

Other limitations, based on type of investment instrument and portfolio are described below.

#### 3.5.1 Fixed Income Investment Instruments

Shorter-term notes and other evidences of indebtedness of governments, corporations, banks and trust companies, whether acquired separately or as part of an investment pool, shall have a rating of at least R-1 (low) and A (low), as measured by Dominion Bond Rating Services (DBRS) at the time of acquisition.



Bonds, debentures, real return bonds, and other debt securities, whether acquired separately or as part of an investment pool, shall have a minimum rating of “BBB” or better for any individual issuer, as measured by Dominion Bond Rating Services at the time of acquisition, or the equivalent thereof according to a recognized bond rating service. The maximum “BBB” exposure will be 15% of any fixed income fund or pool. In the case of private placements not rated by a recognized bond rating service, active managers shall apply standards consistent with a minimum “BBB” rating. Any and all private placements investments require prior approval of the Investment Advisory Group.

The amount of fixed income investment instruments issued by any single corporation will be limited to 10% (5% for “BBB”) of the market value of the respective portfolio, if acquired separately, or respective pool, if acquired as part of an investment pool, at time of acquisition. There will be no limits on fixed investments held or guaranteed by the Federal and provincial governments. The Investment Advisory Group may determine, as considered necessary, any further limitations based on the quality of investment instruments.

The average duration of the Fixed Income component of the Medium, Long-term, and Endowment funds will be limited to no less than three years shorter or two years longer than the Fixed Income Benchmark.

### 3.5.2 Equity Investment Instruments

Investments in Canadian equities (pooled or otherwise) will be limited to those stocks listed in the S&P/TSX composite index, or any other exchange regulated by a provincial securities commission. U.S. and international equities (pooled or otherwise) are limited to shares listed and traded on recognized major stock exchanges.

Equity investments can include common shares of Canadian, foreign and emerging markets equity, income trusts, warrants, preferred shares, American depository receipts, convertible debt and initial public offerings, and other similar investments. Investment managers may use pooled unit trusts, mutual fund vehicles or limited partnerships that include any of these categories.

The portfolio shall be diversified to avoid undue exposure to any single economic sector, industry group or individual security. Normally, participation in all classes of any issuer's equity securities will not exceed 10% of the market value of a specific equity investment pool. The Investment Advisory Group may determine, as considered necessary, any further limitations based on the quality of investment instruments.



### 3.5.3 Short-term Portfolio

Fixed income investments in this fund include shorter-term notes and other evidences of indebtedness of governments, corporations, banks and trust companies. These could include term deposits, demand deposit notes, promissory notes, term loans, Bankers' acceptance notes corporate commercial paper (including asset backed commercial paper), and Government of Canada, provincial and provincial guaranteed T-Bills, or any other similar investment instruments.

All fixed income investments in the short-term fund, whether acquired separately or as part of an investment pool, will be limited to Canadian issuers.

### 3.5.4 Medium and Long-term Portfolios

The only difference between the Medium and Long-term Portfolios is intended duration.

In addition to those fixed income investments described in the Short-term Portfolio, investments in the Medium and Long-term Portfolios include medium and longer-term fixed income investments such as debentures, bonds, real return bonds, including short and long dated publicly traded debt securities, foreign pay-bonds, private placement debt and convertible debt, foreign issuer bonds denominated in Canadian dollars, mortgages and mortgage backed securities, or any other similar investment instruments.

All separately acquired fixed income investments will be limited to Canadian issuers. Any actively managed fixed income investment pool may hold a maximum of 20% of its net assets, at time of acquisition, in foreign investments.

## 3.6 **Investment Performance**

Actual performance of the University's investments will be assessed based on a comparison to a variety of benchmarks including standard market indexes, other universities, and any other method deemed appropriate by the Investment Advisory Group. The 'Target' range will be used as the basis for assessment against these benchmarks. For example, if the benchmark is the DEX Universe Short-term Index (for the medium-term portfolio) then the weighting applied to this benchmark will be 95%.

The Investment Advisory Group will assess the performance of any external fund manager on an annual basis.



#### 4. Valuation of Investments

The University will record all investments in accordance with Public Sector Accounting Standards (PSAS).

#### 5. Restrictions on Borrowings

None of the investment funds can be used as collateral for borrowings (as per [Post-Secondary Learning Act](#)).

#### 6. Investment Management

The Vice President, Finance and Administration ensures through the Director, Financial Services, who is responsible for the implementation of the *Investment Policy*, the administration of investments and custodial activities. An Investment Advisory Group, being a sub-group of The Board Finance and Property Committee, shall be established to assist with oversight of investment matters.

#### 7. Investment Advisory Group Membership

Membership will be as follows:

Voting Members:

- One public member of The Board appointed by the Finance and Property Committee
- Four members of the community (with investment experience) appointed by the Finance and Property Committee of The Board.
- Board Chair (Ex-officio)
- President (Ex-officio) or designate

Non-Voting Members:

- Vice-President, Finance and Administration
- Manager, Finance and Administration
- University Secretary
- Committee Secretary

The Chair of the Investment Advisory Group shall be a voting member and shall be appointed by the Finance and Property Committee.

#### **Applicable Legislation and Regulations**

Section 75 of the [Post-Secondary Learning Act](#) empowers The Governors of Athabasca University (The Board) to establish and administer the investments of the University.





The Board, through its Finance and Property Committee, establishes overall responsibility for the investment policy of the University. The Vice President, Finance and Administration ensures, through the Director, Financial Services who is responsible for the implementation of the *Investment Policy*, the administration of investments and custodial activities.

### **Related References, Policies and Procedures and Forms**

[Conflict of Interest Policy](#)

[Endowment Management Policy](#)

### **History**

The Governors of Athabasca University, January 14, 2016 Motion #205-04 (Revised)

The Governors of Athabasca University, March 26, 2015 Motion # 196-05 (Revised)

The Governors of Athabasca University, January 22, 2015 Motion #194-08 (Revised)

The Governors of Athabasca University, June 8, 2012, Motion #177-4 (Revised)

Athabasca University Governing Council, June 10, 2011, Motion #173-2(Revised)

Athabasca University Governing Council, March 27, 2009, Motion #165-5 (Revised)

Athabasca University Governing Council, June 17, 2005, Motion #150-5 (Revised)

Athabasca University Governing Council, March 26, 2004, Motion #145-5 (Approved)