

<b>Investment Procedure</b>			
<b>Parent Policy</b>	Investment Policy		
<b>Policy Sponsor</b>	Vice-President, Finance and Administration and Chief Financial Officer	<b>Category</b>	Board
<b>Policy Contact</b>	Director, Financial Services	<b>Effective Date</b>	September 13, 2019
<b>Procedure Contact</b>	Director, Financial Services	<b>Review Date</b>	September 13, 2024

### 1. Purpose

To outline the responsibilities and processes related to Athabasca University's Investment Policy.

### 2. Scope

The Vice President, Finance and Administration and Chief Financial Officer through the Director, Financial Services is responsible for this procedure, including the administration of investments and custodial activities. This procedure applies to any person conducting investment activities on behalf of the University. Application of this procedure includes the University's Investments and Asset Mixes in various time-horizon investment portfolios as outlined in Appendix A.

### 3. Definitions

<b>Active Management</b>	A portfolio management strategy where the manager makes specific investment decisions with the goal of outperforming an investment benchmark index or target return.
<b>Asset Class</b>	Broadly speaking, assets can be assigned to one of the core asset classes (e.g., stocks, bonds, cash, etc.).
<b>Asset Mix</b>	The eligible asset classes distributed into portfolios with various time horizons.
<b>Board</b>	The Governors of Athabasca University
<b>Conflict of Interest</b>	Any situation that falls into the definition of an actual, potential, or perceived conflict of interest as defined in the <i>Code of Conduct and Conflict of Interest Guidelines for the Board of Governors</i> or <i>Code of Conduct for Members of the University Community</i> .

<b>Custodian</b>	The firm who holds the investments in pooled funds in trust for a unit holder (e.g., the University) and executes trades at the direction of the External Fund Manager. This achieves segregation of investment management from investment security.
<b>Endowment Fund</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 financial holdings within are held in perpetuity, with the income designated for specific educational purposes (e.g., scholarships, academic chairs).
<b>Executive Team</b>	Is comprised of the President; Provost and Vice-President Academic; Vice-President, Finance and Administration and Chief Financial Officer; Vice-President, Information Technology and Chief Information Officer; Vice-President, University Relations; University Secretary; Chief Human Resource Officer; the Chief of Staff, Office of the President, and any other position as so designated.
<b>External Fund Manager</b>	A contracted third-party investment manager engaged by the University to invest funds on their behalf.
<b>Finance &amp; Property Committee</b>	Assists the Board in its oversight of the financial plans, policies, investments, practices, and performance of the University and approved capital projects, including information technology projects.
<b>Investment Advisory Committee</b>	Assists the Board Finance & Property Committee in fulfilling its oversight responsibilities with respect to the investment of the University's unspent Operating and Restricted Funds, and the Endowment Fund.
<b>Investments</b>	Investments of the University made up of the four portfolios, based on time horizon and set out in Appendix B of the Investment Policy: Short-Term Portfolio, Medium-Term Portfolio, Long-Term Portfolio, and Long-Term Endowment Portfolio.
<b>Liquidity</b>	A measure of how easy it would be to liquidate an investment. This is normally measured in time and is dependent on how active the market is for that asset class.
<b>Long-Term Portfolio</b>	The portfolio in which funds are invested when the funds are not likely to be expended in the next five years. This portfolio can be made up of Operating or Restricted Funds.

<b>Long-Term Endowment Portfolio</b>	The portfolio in which the University's Endowment Fund is invested. This portfolio will be held in perpetuity based on the trust agreements for the individual endowments. It therefore has the longest possible time-horizon.
<b>Management</b>	Executive Team member(s) and administrative office(s) responsible for carrying out duties and functions related to this policy.
<b>Medium-Term Portfolio</b>	The portfolio in which funds are invested when they are expected to be expended within one to five years. This portfolio can be made up from operating or restricted sources.
<b>Operating Funds</b>	Financial holdings of the University derived from grants, or fees, or donations, where the use is at the discretion of the University and is not restricted. They include surpluses from operations and net working capital, and are available for short-term, medium-term and long-term investment.
<b>Passive Management</b>	A portfolio management strategy designed to closely replicate the investment weighting and returns of a benchmark.
<b>Portfolio</b>	A grouping of financial assets created to meet the investment objectives of the University.
<b>Restricted Funds</b>	Financial holdings of the University, the use of which is restricted to a specified special purpose by the grant contributor, or the donor, or Board motion. They include grants and donations that must be maintained until the specified activity, for which the restriction exists, occurs. These are normally short term in nature but on occasion they may be either medium or long term in nature, and are available for investment generally.
<b>Risk Tolerance</b>	The level of acceptable risk as determined by the Board.
<b>Short-Term Portfolio</b>	The portfolio in which funds are invested when they are expected to be expended within one year.
<b>University</b>	Athabasca University
<b>University Community</b>	All faculty and staff, students, Board Members, contractors, postdoctoral fellows, volunteers, visitors and other individuals who work, study, conduct research or otherwise carry on business of the University.

#### 4. Guiding Principles

##### 4.1. Role of the Investment Advisory Group

- a) The Investment Advisory Committee is established by the Board and guided by its Terms of Reference.
- b) The Investment Advisory Committee assists the Board Finance & Property Committee in its oversight of investment matters, in accordance with the responsibilities set out in its Terms of Reference, as may be amended from time to time.

##### 4.2. Role of the External Fund Manager(s)

- a) The University contracts with External Fund Managers to manage its investment portfolios utilizing pooled funds.
- b) The pooled funds chosen shall comply with; allowable asset mix ranges defined within the policy; the investment restrictions within this procedure; and the External Fund Manager's contract with the University.
- c) The contracts with the External Fund Manager will define their mandate and authority, and will require the External Fund Manager to report to the University as follows:
  - i. Regular updates on the status of the University's investments;
  - ii. Their understanding of market conditions and risks affecting the University's Investments;
  - iii. Provide reports supporting financial reporting disclosures based upon Public Sector Accounting Standards; and
  - iv. Reports take the form as agreed with the Investment Advisory Committee and Management.
  - v. Management.
- d) Each External Fund Manager will meet in person with the Investment Advisory Committee at least annually.

##### 4.3. Role of the Investment Custodian

- a) The investment Custodian(s) holds in trust the University's investments in pooled funds.
- b) Management should receive audited pooled fund reports annually from the Custodian.
- c) The Custodian provides an audited Service Organization Control Report detailing controls within their organization and a Comfort Letter covering the period from their audit through to the University's fiscal year end. These reports support the University's auditors and to provide assurance to the University as to the controls in place.

#### 4.4. Investment Portfolios

- a) Portfolios associated with the University's investments are established by the Board and are outlined in Appendix B of the Investment Policy.
- b) Appendix B of the Policy defines specific Asset Mixes for each time-horizon investment portfolio, along with asset mix restrictions including a minimum and maximum range and also a target asset mix for each time-horizon investment portfolio.
- c) The allowable Asset Classes within each portfolio are defined by the policy and any changes will be made by the Board based upon recommendations from the Investment Advisory Committee through the Board Finance & Property Committee.

#### 4.5. Investment Restrictions and Limitations

- a) External Fund Managers may use pooled funds which include a variety of investment instruments, as long as investments are limited to those instruments described below.

##### **Fixed Income Investment Instruments:**

- i. 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) or a similar rating agency at the time of acquisition.
- ii. 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.
- iii. 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 Committee.
- iv. 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.

- v. There will be no limits on fixed investments held or guaranteed by the Federal and Provincial governments. The Investment Advisory Committee may determine, as considered necessary, any further limitations based on the quality of investment instruments.
- vi. The average duration of the fixed income component of the Medium-Term and Long-Term portfolios, and Endowment Fund will be limited to no less than three years shorter or two years longer than the Fixed Income Benchmark.

**Equity Investment Instruments:**

- i. 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.
  - ii. 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. External Fund Managers may use pooled unit trusts, mutual fund vehicles or limited partnerships that include any of these categories.
  - iii. 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.
  - iv. The Investment Advisory Committee may determine, as considered necessary, any further limitations based on the quality of investment instruments.
- b) Additional guidance for the specific time-horizon investment portfolios is described below:

**Short-term Portfolio:**

- i. 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, and provincial guaranteed T-Bills, or any other similar investment instruments.
- ii. 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.

### **Medium and Long-Term Portfolios**

The only difference between the Medium and Long-Term Portfolios is the intended duration. Similar restrictions apply to both as follows:

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

### **4.6. Monitoring and Risk Management – overall analysis of fund performance shall include:**

- a) The rate of return earned on assets;
- b) The return that could have been achieved by passive management of funds mirroring the relevant benchmark for each Asset Class; and
- c) The value added by active management, compared to the passive benchmark before and after consideration of fees paid to the External Fund Manager.

### **4.7. Investment Performance**

- a) Actual performance of the University's investments will be assessed based on a comparison to appropriate benchmarks as defined in the Investment Policy.
- b) The 'target' range will be used as the basis for weighting benchmarks where a portfolio holds Asset Classes with different benchmarks.
- c) External Fund Managers will be assessed by the Investment Advisory Committee as per its Terms of Reference.

#### 4.8. Conflict of Interest

- a) Any person who is in a conflict of interest or becomes aware of a conflict of interest as defined by the *Code of Conduct and Conflict of Interest Guidelines for the Board of Governors*, or *Code of Conduct for Members of the University Community* will be subject to any procedures or rules to address the conflict set out therein.
- b) Any External Fund Manager appointed by the Board Finance & Property Committee will file with the Investment Advisory Committee an assurance that the person or firm appointed has its own appropriate policy regarding conflicts of interest. At a minimum, the *Code of Ethics and Standards of Professional Conduct adopted by the Association for Investment Management and Research* applies to each manager.

#### 5. Applicable Legislation and Regulations

Post-Secondary Learning Act

#### 6. Related Procedures/Documents

[Code of Conduct and Conflict of Interest Guidelines for the Board of Governors](#)

[Code of Conduct for Members of the University Community](#)

[Endowment Management Policy](#)

Investment Policy

#### History

<i>Date</i>	<i>Action</i>
Sept 13, 2019	Associated Policy Approved (The Board of Governors of Athabasca University Motion #240-04)



Appendix A: Athabasca University Investments Diagram

